

# Make Miss Manners and Your CFO Happy!

## Non-Profits Acknowledge Gifts Promptly and Correctly

Tom Hurley

**S**ending a timely, relevant thank-you letter in return for any gift is the prudent and mannerly thing to do — both in our private lives, and in business. It's all about preserving a relationship, communicating appropriately, and establishing and maintaining a personal style.

Miss Manners taught us the rules of etiquette when writing personal thank-you notes, but what about a donor program with a hundred or a million donors? What are the rules? And who gets to write them?

Rather than jump on my personal soapbox, I sought the advice of non-profit development professionals and agency consultants. Surely, some of the best and brightest would tell me exactly what to do.

It didn't happen. The answer is: there are no absolute rules. In fact, many top fundraisers I surveyed could not come to a consensus as to how to acknowledge a gift. Here are some of their thoughts.

### When to say "thanks"

Everyone on my panel *did* agree that a *speedy* reply is vital. More than a dozen professionals claim they send a "thank-you" communication within two days to two weeks with the average being less than a week.

The acknowledgement should come in the mail and reflect the style and mission of the organization. For online gifts, you'll have your service provider send an immediate automatic formal "receipt". You

should also follow up with a friendly e-mail soon after.

My mentor, the late John Graham of In Touch Ministries, once told me "Timing is critical. Mail your receipts daily. Response and cash flow will improve dramatically. Do not send receipts out weekly or monthly. When this happens, donor bonding is eroded, contribution revenue is not maximized, and cash flow is deferred."

A long view comes from Ken Burnett, author of *Relationship Fundraising*. "All gifts should be acknowledged. It's only polite. Plus, a prompt and appropriate 'thank you' leads to bigger gifts. The lady who sends you \$10 today may in the future leave you a bequest of her house on Key Biscayne. But only if you are nice to her. If you are not, or ignore her ... well, what do you think?"

Mal Warwick, founder and chairman of Mal Warwick and Associates of Berkeley, CA, has sympathy for the mountain of work involved. "Same-day turnaround is ideal. In the real world, less than one week is often the best that I can hope for." As for sending a thank-you note for every gift, Warwick says there may be exceptions: "Acknowledge all gifts — when the client is willing to spring for the cost. Certainly \$15 and up or \$25 and up, if they're really hard-nosed."

But, if you can't acknowledge *every* gift, think about the *average* gift of your donor file. Brian Terpstra, account director at LW Robbins Associates in Holliston, MA, advises doing a quick file audit first.

"For some non-profits with the average gift in the \$10 to \$12 range, it is vital to acknowledge at the lower end. Low donors may be the critical mass the non-profit has on its file," according to Terpstra. "For others, with average gift in the \$15 to \$50 range, it may not be cost effective to acknowledge the \$5 and \$8 donors. Compute the lifetime value of each segment."

Terpstra advises to be sure to pay special attention to first-time donors. They may be testing a new relationship with you. It's up to you to make them feel part of your family. He says, "First time donors should always be made to feel special. They deserve more of a 'welcome' message and should be sent more information about the organization. Better yet, send new donors a welcome kit to let them know more about your organization and give them more opportunities to give you feedback regarding why they gave. Include other ways the donor can communicate with you (Web, e-mail, call-in number). The more you can stay connected to new donors, the better."

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Building an early relationship is key. Johanna Antes, director of support for the RTN Family Stations, a group of Christian broadcasters, really makes her first-time donors feel at home. "First-time donors of any amount receive a thank-you phone call from one of our on-air announcers. Our donors are positively shocked when they get a call. They hear these people on the radio everyday so they are excited to hear them on the phone." There may be a lesson for all of us here. You may not have a radio personality as part of your team, but a call from a staff member to a new donor might help your organization stand out.

### **"Thanks" and "Please" in the same letter?**

Should you ask for another gift as part of a "thank you"? This is where my experts disagree. Ken Burnett says, "NO. Never. That's not a thank-you, that's a further solicitation. Though many won't say so, most will be offended."

Warwick agrees, "NO!! Research among donors shows no matter how lucrative this might be, it's counterproductive. Our job is to recruit and cultivate donors for the long term. Asking for gifts in a thank-you is an immediate turn-off to many donors."

But Tim Burgess, former president of the Domain Group of Seattle, takes the opposite view. "Absolutely. Giving donors the opportunity to give again is a great service to the donor. Remember, the donor made a well-founded decision to give because they wanted to give. They are emotionally bonded to your organization."

Many non-profits take a middle ground. Terpstra reports, "Recognize their generosity, but also let them know the need is still great and an 'additional gift' would be helpful. The gift ask in the acknowledgement should be softer. Add a reply envelope or a wallet flap envelope with some standard gift asks on the flap if you are not comfortable including an 'extra gift' reply form in your acknowledgment."

Does saying "thank you" and "please" at the same time pay off? Organizations report that as much as 15% of their donor income can be tracked back to a request made when acknowledging a gift.

### **The IRS has a say**

Besides building relationships and fundraising, acknowledgements serve an administrative purpose, too. The IRS requires that 501(c)(3) organizations must inform donors in writing of the value of

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their charitable contribution for all gifts of \$75 or more when the donor receives a substantial premium or benefit in exchange for a contribution. The IRS has explicit guidelines that explain when an item, like a keychain, is not substantial and doesn't need to be reported. These figures are adjusted each year for inflation.

And donors who make a gift of \$250 or more, regardless of a premium, must obtain a written document from the charity to qualify for a tax deduction either on paper or via e-mail. Charities are not required to acknowledge high-end gifts unless the donor requests them, but it has become common practice because it just makes sense.

The IRS wants any written "thank you" to contain:

- Donor's name
- Name of the organization
- Amount of the contribution
- Description (but not the value) of a non-cash contribution
- Statement explaining whether the non-profit provided any goods or services in return for the gift. If no goods or services were provided, this must be stated
- Description and good faith estimate of the value of any goods or services provided in exchange for the gift

Some charities send a thank-you after every gift. If you wait for a year-end wrap-up, get them out as quickly as possible. Remember that the donor must receive the document by the earlier of the date on which the donor files her tax return for the year in which the gift was made or the due date of the tax return, including extensions.

Acknowledge significant gifts in a first-class letter. That's just good fundraising practice.

The bottom line: design an acknowledgement piece that fits the style

and mission of your organization. Use an attractive envelope, receipt, and thank-you letter that affirms the donor's relationship to your organization. If you do decide to ask for a gift, make sure you have a well-designed reply device and include a reply envelope. But, most of all, respond quickly! It's the mannerly thing to do. ■

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