

Guide to Acknowledging Gifts



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Introduction

Gift acknowledgment letters can be the backbone of a successful fundraising program. By thanking donors and telling them their gift is appreciated, you're taking an important step toward building and stewarding a relationship. Moreover, for certain gifts an acknowledgment letter is an important record for the donor and fulfills your obligation to the IRS. In this ebook, we'll cover best practices for acknowledging the following types of gifts:

- Financial gifts
- In-kind gifts
- Pledges
- Soft credits, including donor-advised funds
- Memorial or honorary gifts
- Sponsorships

Before we dive into these different types of acknowledgments, though, we need to take a step back to go over the fundamentals of gift entry. Why? Because in order to acknowledge gifts, you need to be committed to good gift entry. Gift entry might seem like such a basic component of fundraising that it doesn't need much consideration. The reality is that without accurate, detailed, and consistent gift entry, your organization's ability to acknowledge gifts will be hindered, and you'll miss this opportunity to strengthen relationships with donors. The time you invest in proper gift entry will be well worth it!

The fundamentals of gift entry

Every gift your organization receives is part of the story of your organization's fundraising efforts, and, like with any story, you need answers to the following key questions: Who, What, When, Where, Why? Whether you're using a donor management system like Little Green Light or you're using an Excel spreadsheet to track gifts, recording the following details is essential.

Who made the gift?

Capturing the correct spelling of the name of the person (or entity, such as a foundation) is crucial. Make sure the gift is connected to the right constituent. To avoid creating duplicate records, you should search your database by name and also by mailing address or email address to see if the constituent already has a record.

What kind of gift did they give and in what amount?

Did the donor make a financial contribution, an-kind gift of goods or services, or a pledge commitment; or did they buy non-tax-deductible items, tickets, or other goods? Whatever the type of gift, you need to accurately enter its amount. For in-kind gifts, note that donors can receive a tax deduction for gifts of goods but not for donated time.

You can record a tax-deductible amount for in-kind gifts. The amount is \$0 unless you have a verified third-party appraisal or the donor provided documentation of the fair market value dollar amount. (Refer to [IRS Publication 561](#) for further details.)

When was the gift made?

This may seem like an obvious question to answer, but it can be a bit trickier than it first appears.

Do you use:

- The date on the check, or
- The date of the postmark, or
- The date on which the donation is received by your organization?

We recommend referring to [this document](#) to help you understand how to determine the gift date. This is particularly important when it comes to entering gifts received at the end of the calendar or fiscal year.

Where should the gift be directed?

If the donor wants their gift to be allocated to a particular program or fund at your organization, you need to keep track of that information. You can do this by coding a specific fund to the gift record. If the donor does not indicate a specific intent for the expenditure of their gift, you can code it to your general fund.

Why did the donor make this gift?

It's likely that a donor chose to make a gift in response to a specific appeal or event. When you note this information with the gift record, it gives you the ability to track how much money was raised by a specific appeal or event. Without this data, you won't be able to report on or analyze the success of your fundraising efforts.

How will the gift be acknowledged?

Every donor needs to receive an acknowledgment of their gift that conveys your organization's appreciation and provides key details such as the amount of the gift, the gift date, and the tax-deductible amount of the gift. When you enter a gift record, you should assign or note the manner in which the gift will be acknowledged. This way you can be sure that every donor is appropriately thanked, which is the first step in retaining and [stewarding your donors!](#)

Remember: As you make sure these essential questions are answered for every gift you receive, keep in mind that consistency is key when it comes to gift entry. Document processes and make that information accessible to colleagues so that everyone understands the standard operating procedures.

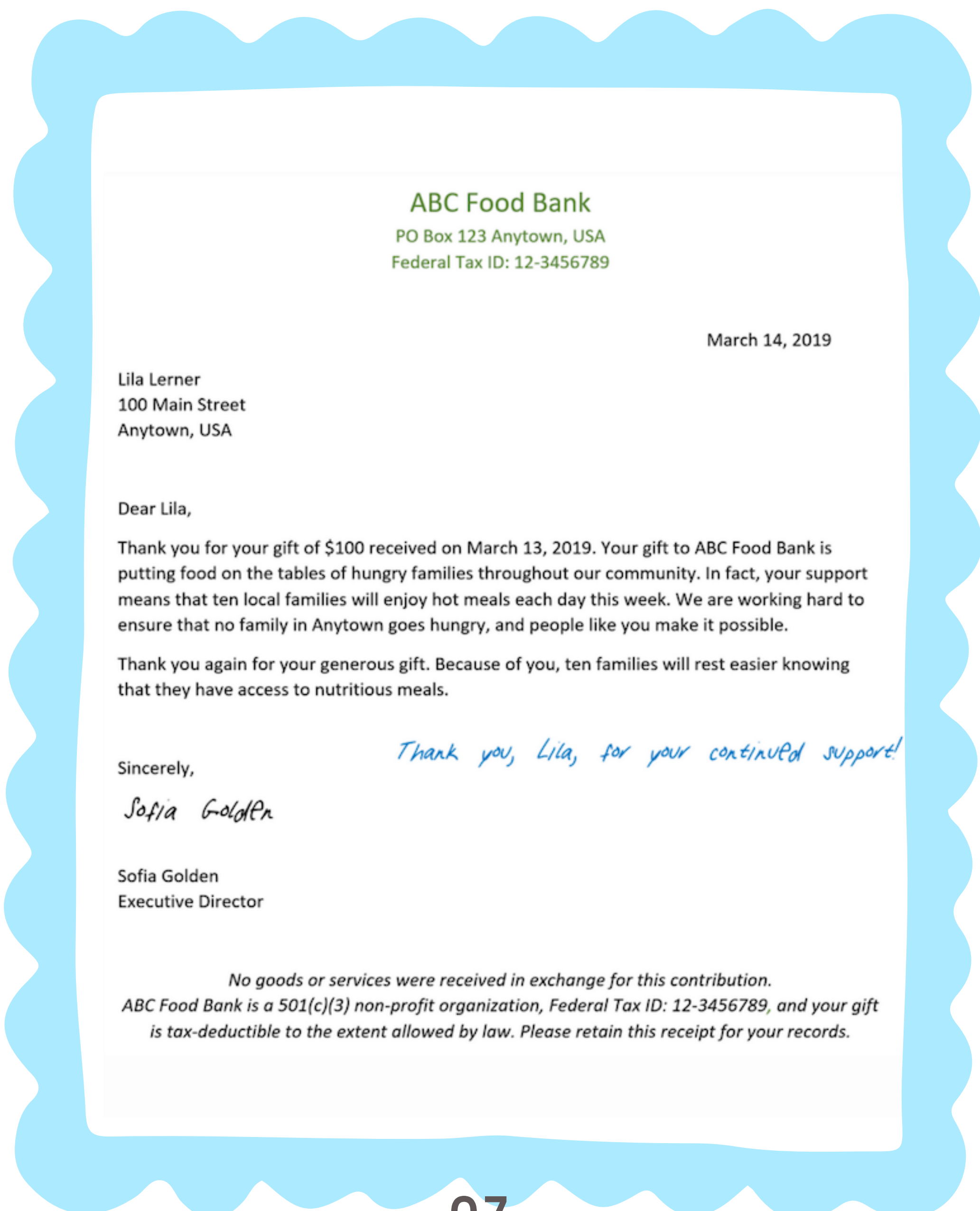
Acknowledging a financial gift

The majority of gifts you acknowledge will likely be gifts made by cash, check, or credit card. When you acknowledge gifts of this nature, keep the following in mind:

- In order for a donor to claim a tax deduction of \$250 or more, the IRS requires nonprofit organizations to send a letter including the organization's name and a description of the donation. For a gift of cash (whether given by check, credit card, etc.), list the amount of the gift. Your letter needs to include the date on which the gift was received.
- Note that while this IRS requirement only applies to gifts of \$250 or more, it's a good rule of thumb to express thanks for every gift, regardless of its size.
- If the donor did not receive any goods or services in exchange for their gift, include a sentence stating that. If they received goods or services, you'll need to say so. Common examples are when a donor purchases a ticket to an event: If the ticket cost \$100 and they received a dinner valued at \$25, the deductible amount of their gift is \$75. You can review the [IRS guidelines here](#).
- Include a statement that your organization is a tax-exempt nonprofit organization recognized by the IRS under Section 501(c)(3).

- It's important to send your thank-you letter promptly after a gift is made. Some fundraising experts recommend sending an acknowledgment within 24 hours of receiving the gift. If that time frame isn't realistic for your staff, aim to send an acknowledgment no longer than two weeks after receiving a gift.

Here's a sample acknowledgment letter template for a financial gift:



Acknowledging in-kind gifts

When acknowledging in-kind gifts, consider the following:

- If the donor made an in-kind gift, provide a description of the item(s) donated but do not include an estimate of the value. It is the donor's responsibility to seek the fair market value. When possible, let the donor know how the in-kind gift will be used because that will encourage the donor to support you in the future.
- Note that donors cannot receive a tax deduction for donated time. You should still thank them and include a description of their services, but do not include tax-deductible language.

Here's a sample acknowledgment letter template for an in-kind gift:

ABC Food Bank
PO Box 123 Anytown, USA
Federal Tax ID: 12-3456789

March 14, 2019

Lila Lerner
100 Main Street
Anytown, USA

Dear Lila,

Thank you for your gift of ten pounds of food received on March 13, 2019. Your gift to ABC Food Bank is putting food on the tables of hungry families throughout our community. In fact, your support means that ten local families will enjoy hot meals each day this week. We are working hard to ensure that no family in Anytown goes hungry, and people like you make it possible.

Thank you again for your generous gift. Because of you, ten families will rest easier knowing that they have access to nutritious meals.

Sincerely,

Thank you, Lila, for your continued support!

Sofia Golden

Sofia Golden
Executive Director

*No goods or services were received in exchange for this contribution.
ABC Food Bank is a 501(c)(3) non-profit organization, Federal Tax ID: 12-3456789. It is the responsibility of the donor to place a value on in-kind contribution and provide appropriate documentation to the IRS for tax purposes. Please retain this receipt for your records.*

How to acknowledge pledges

A pledge is a constituent's promise to donate a specific sum to an organization. The donor fulfills the pledge at a later date, either with one payment or with multiple payments. For example, If I make a pledge to your organization, I make a commitment to pay a total amount, such as \$1,000. I may opt to pay in four installments of \$250 or in one future payment of \$1,000. The point is that I'm promising to pay a specified amount over a set period of time.

Since a pledge is not an actual financial gift, it's important that you acknowledge pledges in an appropriate manner. Whether you're using a donor management system like Little Green Light to record and manage pledges or are tracking gifts using a spreadsheet, you should create an acknowledgment letter template that is specifically used for pledges.

Here are some things to keep in mind when you create this template:

1. **Express gratitude.** Though you haven't yet received funds from the constituent, it's important that you thank them for their pledge.
2. **Provide details of the pledge.** Include the pledge amount and pledge date, as well as the dates and amounts of expected payments.
3. **Share payment instructions.** Explain how the constituent can make their pledge payment when it's due. If you'll be sending reminders for pledge payments, let the constituent know to expect those.
4. **Include contact information.** In case the constituent has any questions or concerns about their pledge, give them the name, phone number, and email address of the appropriate staff member to contact at your organization.
5. **Don't include tax-deductible language.** Remember, a pledge is a commitment to give; you haven't actually received funds yet. Your constituent will not get a tax deduction until they contribute funds to your organization. This is why it's so important to create a separate acknowledgment template used only for pledges.

Once you've created your pledge acknowledgment template, give it a clear name so it's easy to distinguish from your gift acknowledgment letter. Be sure to assign this template when you create a pledge record.

Acknowledging gifts from donor-advised funds

A donor-advised fund, otherwise referred to as a DAF, is a philanthropic vehicle used by established institutions like investment firms or community foundations. Some of the largest are at Fidelity, Schwab, or Vanguard. Donors make a charitable contribution to their donor-advised fund and receive an immediate tax benefit. Then, while they no longer have legal control over the money in their DAF, they recommend that grants be distributed from their DAF to charity. Unlike with foundations (public and private), there are no requirements that DAF funds be disbursed to nonprofits each year.

There is an increasing likelihood that your organization may see a gift from a DAF because, according to the National Philanthropic Trust, annual contributions to donor-advised funds totaled \$22.26 billion in 2015 and DAFs are some of the largest charities in the country.

When you receive a gift from a DAF, it will likely be accompanied by a letter like this:

It is a pleasure to present a \$1,000 grant to ABC ORGANIZATION to be used for PURPOSE. This grant was made at the recommendation of a fund advisor through a Donor Advised Fund at the XYZ Foundation.

Fund Advisor: Jane Doe

Fund Name: Jane Doe Family Fund

Please note that it is not necessary to send the XYZ Foundation any tax receipt or acknowledgment letter, and we ask that you do not add the XYZ Foundation to your mailing list.

The check is made directly from the public charity, such as Fidelity Charitable, so you won't see the individual donor's name on the check.

Entering the gift

To record the gift, you'll do the following:

- 1. Enter the gift under the record of the donor advised fund.**

Here's why: While the individual donor made the recommendation to send this donation, the final decision and the distribution of the money is managed by the DAF.

- 2. Enter a soft credit on the record of the individual who made the recommendation to send the gift.**

Here's why: A soft credit is used to track and steward supporters who may not make a gift directly but who have considerable influence over the decision to make a gift to your organization, as is the case with a donor-advised fund.

It's important to note that IRS regulations prohibit a donor from fulfilling or reducing the balance of a pledge with a payment from a donor-advised fund.

Acknowledging the gift

You do not need to send a tax receipt or acknowledgment letter to the donor-advised fund itself. It is important, however, that you express your gratitude to the person who recommended the grant. You can create a letter template that's specifically used for this purpose. Keep the following in mind:

- **Do** express your appreciation of the grant made through the donor-advised fund. This letter is your opportunity to thank and steward the person who recommended the grant.
- **Do not** include tax-deductible language—the supporter received a tax deduction when they put the money into the donor-advised fund.

Here's a quick example:

Thank you for recommending that we receive a generous grant of \$1,000 through your donor-advised fund at XYZ Foundation. We have received the grant, and the funds will make a profound difference in the lives of homeless children in our community.

Thank you again for caring so deeply about the mission of ABC Organization. We are grateful for your support.

Acknowledging memorial gifts

As you set up your process for acknowledging memorial gifts, you may feel intimidated about writing to people who are grieving. It might help to think of your role this way: Your job isn't to console. Instead, you are sharing that their loved one is being remembered in a meaningful, thoughtful way. This is an opportunity to play a positive role in carrying forward someone's legacy and extending kindness to their family and friends during a difficult time.

One of the most important things to remember when setting up your process is that you typically need to send two different letters after your organization receives a memorial gift: An acknowledgment letter to the donor and a notification letter to the family of the deceased.

Acknowledging the gift

Create an acknowledgment template that's intended specifically for donors who make memorial gifts. You can adjust the content of the letter as needed, but having a template for this purpose gives you a great place to start. It doesn't have to be long or complicated. Consider including a message like this one:

Thank you so much for your donation to the Ocean Point Land Trust, made in memory of Sarah Jennings. Your contribution will carry Sarah's legacy forward and help protect open space in our community. Thank you for this meaningful gift.

Remember to include gift details, such as gift date and gift amount, in your acknowledgment letter to the donor.

Notifying the family

In many cases, you'll need to create a notification letter template to notify a family member of donations made in their loved one's memory.

Often, the family of the deceased will reach out to let you know that the organization is named as a recipient of memorial contributions. Use this opportunity to ask which family member should receive notifications of gifts (make sure you have that person's contact information) and to learn about the deceased's connection to your organization or mission.

If you receive a memorial donation seemingly out of the blue and don't recognize the name of the deceased, you may want to contact the donor to thank them for the gift and ask if there's a family member they'd like for you to notify of the gift.

As you create your own notification letter template, keep the following in mind:

- Notification letters to family members should not include gift amounts
- When possible, include the contact information of the donors
- Clarify the process for the family so they understand that these gifts have been acknowledged by your organization, and let them know you'll keep them informed of subsequent gifts

Here's an example of text you might include in your notification letter template:

Please accept our condolences on the loss of your wife, Sarah. We feel privileged to be able to honor Sarah's memory, and her commitment to land conservation, thanks to donations received in her memory. To date, we have received the following gifts in her memory:

Ernie Villareal	12 Main St. Plymouth, NH 03876
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Louise Douglas	1 South Washington St Bristol, CT 06010
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We have thanked these generous donors on behalf of Ocean Point Land Trust. We are sharing their addresses in case you wish to contact them directly. We will send you additional donor names and addresses periodically, as gifts are received.

Acknowledging sponsorships

Here are four easy tips to help you craft an effective event sponsorship acknowledgment template.

- **Be careful about tax language.** Sponsorships are generally not tax deductible because the donor is receiving something in exchange for their sponsorship; often, they are receiving signage at an event, a logo displayed on your website, etc. Your organization's acknowledgment letter to sponsors should not state that their gift is tax deductible.
- **Express gratitude.** Even though a sponsorship is not a tax-deductible contribution, it's still appropriate and important for you to set a tone of appreciation in the letter. Make sure the sponsor knows how much your organization values their support and how, specifically, it will further your organization in its mission. If possible, add a brief handwritten note to emphasize your appreciation.
- **Confirm sponsorship details.** Use the acknowledgment letter as an opportunity to confirm the sponsorship level and what that entails. For example, you can thank the company for being a Bronze sponsor and list the specific benefits of that sponsorship level.

- Provide contact information for a point person at your organization. In case the company needs to ask questions or clarify details of their sponsorship benefits, make it easy for them by telling them exactly who to contact and how they should do so. You may have provided that information when you solicited a sponsorship, but it's a good idea to provide the information again.

Not sure how to get started? Here's an example that you can use as a starting point as you create your own sponsorship acknowledgment template:

