Using LGL to generate simple annual statements for your donors

Virginia Davidson

Virginia is a member of LGL's customer support team who brings over 15 years of fundraising experience to her role. Having founded a small, non-profit dog rescue organization in 2010, she is especially eager to help small organizations maximize their resources.

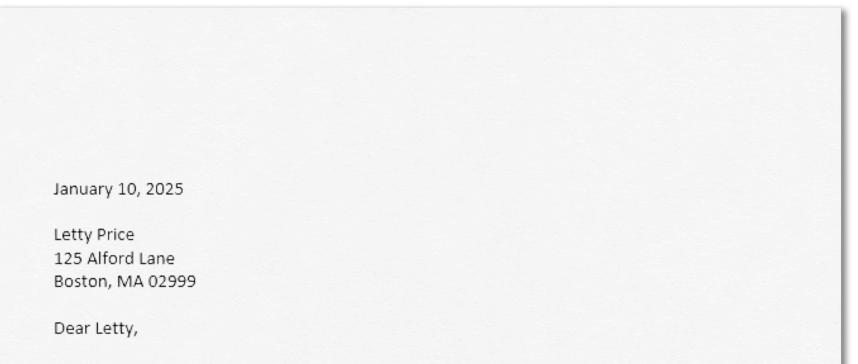littlegreenlight.com

CONTENTS

What are annual statements and why send them?

Also known as year-end tax statements, annual statements, typically sent in January, provide your donors with a single document that includes all the information they, or their tax preparer, will need for filing taxes related to tax-deductible gifts made to your organization. It's a nice way to provide your donors with a simple, convenient resource so they don't have to hunt for each individual acknowledgment letter you sent throughout the previous calendar year. And, it's an additional opportunity to thank them for their support.

January 10, 2025

Letty Price
125 Alford Lane
Boston, MA 02999

Dear Letty,

We are so grateful for all of the contributions we received in 2024, including direct financial gifts like yours.

This document is provided to assist you and your advisors with tax preparation for 2024.

Our records indicate that you personally contributed a total of $400 between January 1 and December 31, 2024. Your contribution may be deductible for income tax purposes. Please check with your tax preparer and/or accountant to ensure proper treatment, especially as the rules may have changed.

If you have any questions, you may contact Shelby Parkington, development coordinator, at shelby@nonprofitorganization.org or (555) 555-5555.

Sincerely,
Olivia Wells
Executive Director

We are a 501(c)(3) charitable organization under IRS regulations. No goods or services were provided in exchange for these gifts. Please note that this giving summary does not include any IRA distributions or contributions made through third parties such as family foundations or donor-advised funds.
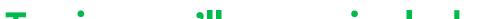
Itemized list of your gift(s) in 2024:

Date	Amount
Dec 4, 2024	$250
Jun 15, 2024	$100
Mar 19, 2024	$50
Total	$400

How to use this guide

If you're not familiar with annual statements or how to create them, the process may seem overwhelming—especially when you've just wrapped up the busy year-end fundraising season. We've created this guide to give you an overview of annual statements so you can understand what should and shouldn't be included in them. With that understanding as a foundation, you'll be able to make an informed decision as to whether your organization will send annual statements. And if you choose to do so, you'll be prepared to use Little Green Light's Annual Statements functionality to generate simple annual statements in your account.

We'll begin by laying out the basic components of an annual statement. Then, we'll examine each component in more depth and show how you can use Little Green Light to create simple annual statements.

Topics we'll cover include:

- Which constituents will receive annual statements
- How to prioritize mailed statements or emailed statements
- Preparing your annual statement template
- Sending your statements
- Updating your statements if needed
- Reviewing failed email statements

We'll point you toward additional resources in our Knowledge Base that you can refer to for in-depth instructions as you proceed with creating simple annual statements.

Is it required to send annual statements?

There is no requirement to send annual statements every year in January. By sending acknowledgments throughout the year, your organization has already fulfilled its IRS obligation to provide timely documentation for charitable gifts of $250 or more.

Your organization can choose not to send annual statements.

(Note: It is likely better to skip sending annual statements if you are concerned about the accuracy of your data from the year prior, uncertain about the accuracy of your contact information, or just starting the process in February or later.)

Tip: If you don't have the capacity to send annual statements but you'd still like to offer a convenience to your donors, you could send a letter or email to your donors from the prior calendar year with contact information for someone to contact at your organization if they need a duplicate copy of an acknowledgment letter for their tax preparation. This way, you aren't taking on more work than you can comfortably handle at the start of the year.

Some important things to note about annual statements

- Annual statements only include details for financial gifts that may be eligible for a tax deduction. For this reason, soft credits (such as contributions made via a donor-advised fund) are not included in annual statements, and neither are gifts with a deductible amount of $0. In-kind gifts aren't included either, since it is the responsibility of the donor to determine the value of their in-kind gift.

- Annual statements are based on tax-deductible gifts received in the calendar year. Your organization may have a fiscal year start date of July 1, but for tax purposes, your donors need information for the gifts they've made during the prior calendar year.

- The look of your annual gift statements should be consistent with the other communications your organization sends throughout the year. Proofread your template carefully. Include organization contact information in case your donors, or their tax preparer, have questions and need to reach you.

What does LGL's Annual Statements functionality do?

If you're a Little Green Light customer, you can use our Annual Statements functionality to generate simple annual statements for your donors. The process automatically pulls donors who gave a tax-deductible gift to your organization for the selected year into a mailing and email, based on the status of their contact information. This saves you from having to create various constituent searches. You can then use an LGL merge field designed just for annual statements so that your statements contain details only for tax-deductible gifts received in the prior year.

Note that recipients of annual statements using LGL's built-in functionality are determined exclusively by deductible gifts made in the prior calendar year. It is not possible to manually add or remove constituents from LGL's built-in annual statements.

How to get started

First, make sure you've entered all gifts made in the calendar year that just ended. This includes saving submissions in your LGL Forms Submission Queue or your integration queue.
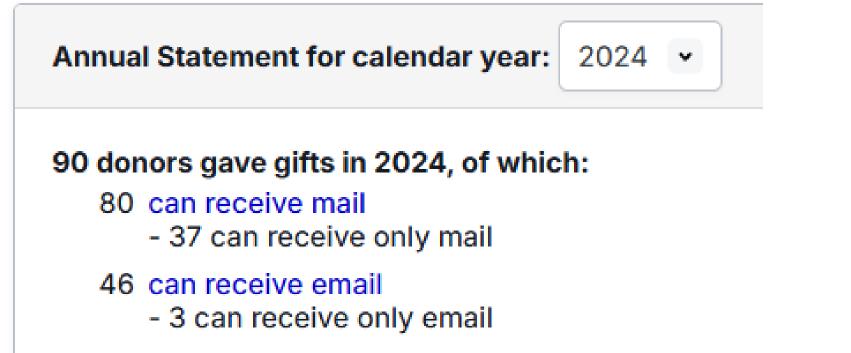
If you find you need to enter a few more gifts later, you can update your annual statements (we'll explain how to do that later in this guide); but it's best to wait to prepare them until the majority of your data entry work is completed and you've reviewed those gift records to ensure accuracy.

You'll find the Annual Statements functionality in your Little Green Light account by navigating to Fundraising → Acknowledgments → Annual Statements.

How to get started (con't)

Set the calendar year to the year that just ended. Then, click the blue "Generate annual statements for [calendar year]" button.

On your screen, you'll see the number of donors who made gifts in that calendar year. You'll also see the number among those donors who can receive mail, the number who can receive email, and the number for whom there is no valid mailing or email address in LGL (they can receive neither mail nor email).

Next, you'll have some options regarding prioritizing communications by mail or email.

RESOURCES

Manage your LGL Forms Submission Queue

Quickly generate a simple annual statement in your account

Prioritize communications by print or email

By default, print mail is prioritized. This means that any constituents included in your annual statements will receive a printed statement if they have a valid mailing address—even if they also have a valid email address in LGL—as long as their constituent record is not marked as "Deceased" or "Do Not Mail".

You can change this setting to prioritize email instead. If you do that, any constituents included in your annual statements will receive an email statement if they have a valid email address—even if they also have a valid mailing address in LGL—as long as their constituent record is not marked as "Deceased" or "Do Not Email".

Prioritize communication by: ● Mail ○ Email

Note: Sending annual statements by email requires that you've enabled LGL Email.

Restrict printed statements based on deductible giving amount level

Another option available to you is that of restricting printed statements based on deductible gift totals in the prior calendar year. For example, if you'd like to send only printed statements to constituents whose deductible giving total for the prior year was $500 or greater, you can set that restriction level here:

Restrict print statements based on deductible gift totals in 2024 · **Set restriction level**

RESOURCES

[Setting up your account to send LGL Email](#)

[The position of the segments](#)

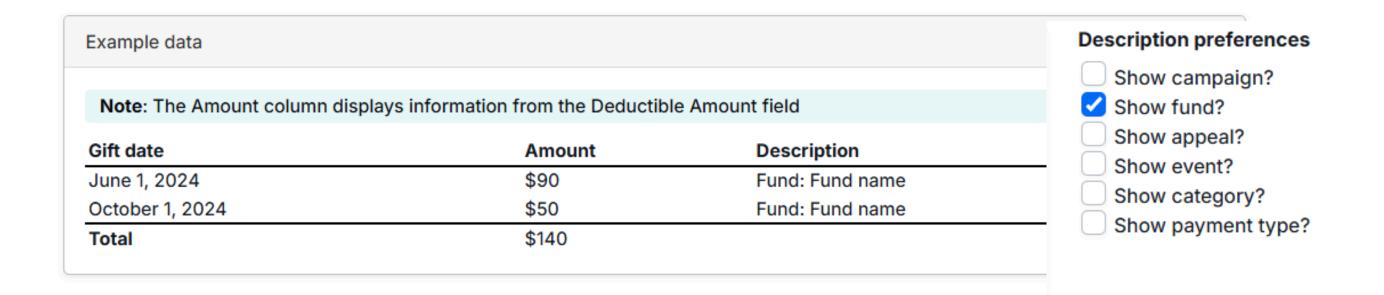[Use restriction levels to limit who receives print mail](#)

Setting up the Gift table

Your next step is to customize the Gift table. The Gift table will be included in the annual statements you send to your donors and will list details for each deductible gift made in the prior year. Here's an example of how the Gift table will look in an annual statement:

Date	Amount
Dec 4, 2024	$500
Jun 15, 2024	$25
Mar 19, 2024	$75
Total	$600

To customize the Gift table, click the "Gift table" tab. You can select which details you want to display in the Gift table, such as campaign, fund, or payment type. It's also fine to keep the Gift table simple and only list the gift date and the deductible amount, which provides donors with the information they need for tax purposes. You'll see a preview of your Gift table on screen:

Example data

Note: The Amount column displays information from the Deductible Amount field

Gift date	Amount	Description
June 1, 2024	$90	Fund: Fund name
October 1, 2024	$50	Fund: Fund name
Total	$140	

Description preferences
- ☐ Show campaign?
- ☑ Show fund?
- ☐ Show appeal?
- ☐ Show event?
- ☐ Show category?
- ☐ Show payment type?

Note: If you choose to display additional details such as campaign, appeal, etc. you'll need to be sure that your data entry has been consistent and all applicable gifts are coded with that information. Otherwise, if a gift is not coded to a campaign, that section will be blank.

For Canadian customers: If you've enabled the Receipt Numbers functionality in your account, the Gift table will include a column that displays receipt numbers that were already assigned to previous acknowledgment mailings or acknowledgment emails.

Example data

Note: The Amount column displays information from the Deductible Amount field

Gift date	Receipt Number ⓘ	Amount	Description
June 1, 2024	1023	$90	Fund: Fund name
October 1, 2024	1024	$50	Fund: Fund name
Total		$140	

Description preferences

- ☐ Show campaign?
- ☑ Show fund?
- ☐ Show appeal?
- ☐ Show event?
- ☐ Show category?
- ☐ Show payment type?

RESOURCES

Working with the annual statements Gift table

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Creating your letter and email templates

Once you've set up your Gift table, it's time to set up your letter and email templates.

There are a few things to keep in mind for your print and email statements:

- Your annual statements need to use LGL merge fields to pull in the name and address of the donor and details of their deductible gifts for the prior calendar year.
- Include language regarding your organization's 501(c)(3) status if applicable.
- It's a good idea to also include contact information for your organization in case the donor has any questions.

[[date]]

[[address_block]]

Dear [[salutation]],

We are so grateful for all of the contributions we received in [[annual_statement.year]], including direct financial gifts like yours.

This document is provided to assist you and your advisors with tax preparation for [[annual_statement.year]].

Our records indicate that you personally contributed a total of [[annual_statement.gift_deductible_total]] between January 1 and December 31, [[annual_statement.year]], which we greatly appreciate.

Your contribution may be deductible for income tax purposes. Please check with your tax preparer and/or accountant to ensure proper treatment, especially as the rules may have changed.

If you have any questions, you may contact Shelby Parkington, development coordinator, at shelby@nonprofitorganization.org or (555) 555-5555.

Sincerely,
Olivia Wells
Executive Director

We are a 501(c)(3) charitable organization under IRS regulations. No goods or services were provided in exchange for these gifts. Please note that this giving summary does not include any IRA distributions or contributions made through third parties such as family foundations or donor-advised funds.

Itemized list of your gift(s) in [[annual_statement.year]]:

[[annual_statement.gift_list]]

Creating your letter and email templates (con't)

When you're ready to customize the templates for your annual statements, click the Edit button:

Draft Annual Statements

| Update statements | - use this option if you have made changes to 2024 gift or constituent data that might affect these statements. |

Segment Name	Constituents	Communications		
Printed statement	80 constituents 2024 donors who can receive printed mail	2024 Annual Statement Mailing	Edit	Review & send
		Letters ⬇ Sample		

You'll land on step 2 of the process: Letter, envelopes, and labels.

You can choose to create a Microsoft Word letter template, which has more sophisticated formatting options, and you can upload that template here.

Or, you can use the LGL Simple Editor, which will generate PDF letters.

Whichever you choose, when you include the [[annual_statement.gift_list]] merge field in your template, it must be on its own line in the template, with no other text around it; otherwise you'll encounter a formatting error. Here's an example of how to correctly position the [[annual_statement.gift_list]] merge field in your template:

Itemized list of your gift(s) in [[annual_statement.year]]:

[[annual_statement.gift_list]]

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Creating your letter and email templates (con't)

The other available merge fields related specifically to annual statements are as follows:

- [[annual_statement.gift_total]] : The total amount given during the year covered by the annual statement
- [[annual_statement.gift_deductible_total]] : The total deductible amount given during the year covered by this annual statement
- [[annual_statement.year]] : The year covered by this annual statement
- [[annual_statement.gift_list]] : Shows all the deductible gifts for the year in a table format so that multiple gifts are listed together

These annual statement merge fields only work when using the Annual Statements functionality. They cannot be used in any other type of mailing or email in LGL.

Common formatting issues with templates

The most common formatting issue we see is that the Gift table does not display properly because the [[annual_statement.gift_list]] merge field was not positioned on its own line in the template. You can resolve this by editing your template to place the merge field on its own line, with no other text around it (not even a blank space):

Itemized list of your gift(s) in [[annual_statement.year]]:

[[annual_statement.gift_list]]

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Creating your letter and email templates (con't)

Common formatting issues with templates (con't)

Other common issues that generate an error when using a Microsoft Word template include:

- Attempting to divide the page using Columns (you can use text boxes instead)
- If your letter includes multiple pages, using a "First page" header in Word (use the even/odd header option if your letter is two pages long; if it is three pages long, insert your logo content into the top of your template as an image)

Also keep in mind that certain merge fields, such as [[address_block]] and [[annual_statement.gift_list]] will take up multiple lines of text when merged. This means your letter template needs to include blank space (but do not create empty paragraphs) to accommodate those merge fields.

RESOURCES

Working with your letter and email content

Microsoft Word guidelines for LGL mailings

Sending your annual statements

When you've reviewed your annual statements and you're ready to send them, you can proceed through the steps of the mailing until step 4, where you can generate and download a file containing your letters.
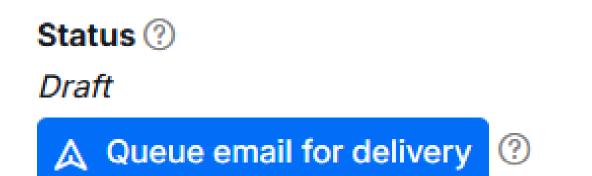

For an email statement, you can choose to also include a copy of the email as a PDF attachment. This option is available in step 3 of the email process:

Note: This option requires that your account has enabled the setting to send PDF attachments with email-based acknowledgments and annual statements. You can enable that setting under Settings → Subscription Settings → Gift Settings.

Once you've reviewed your emails, you can queue the email for delivery.
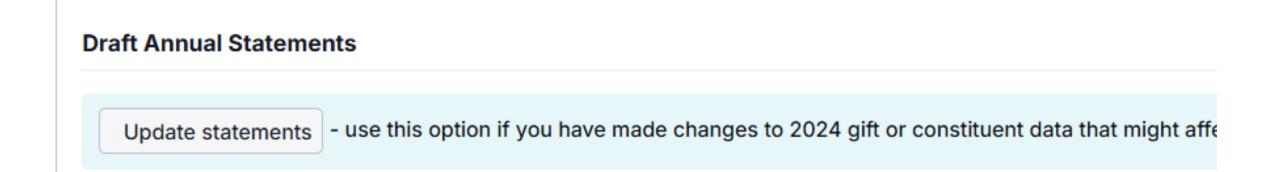
Reviewing failed emails

After sending email statements, you may find that some recipients show a failed status. You have the opportunity to review those failed emails and can choose to re-send them, or you can send those recipients a print statement instead if they have a valid mailing address in LGL.

RESOURCES

Reviewing the status of emails sent from Little Green Light

Making updates to reflect changes to your data

If you've clicked to generate your annual statements and then realize you need to make changes to your data, such as updating a constituent's mailing address, adding an email address, or entering a gift that was overlooked earlier, you can update your annual statements to reflect these changes to your data:

Draft Annual Statements

Update statements - use this option if you have made changes to 2024 gift or constituent data that might affe

RESOURCES

You can update your segments if your donor data changes

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What if you want to send customized annual statements?

If your organization prefers to send a broader stewardship communication, e.g., you want to include donors' non-tax-deductible contributions (such as soft credits) or in-kind gifts, you will not be able to use LGL's built-in Annual Statements functionality to accomplish that.

Instead, you'll need to use a general mailing to create customized annual statements. This will require you to create your own constituent searches and customize the content of your letter or email template accordingly. You won't be able to use the specific annual statement merge fields, such as [[annual_statement.gift_list]], in this mailing. Instead, you can use other LGL merge fields and create smart fields if needed. Also be mindful to adjust the language in your template so it's clear to your donors that some of the gifts listed are not tax-deductible.

RESOURCES

Generate and send a customized year-end tax statement/receipt by mail

Send a customized year-end tax statement/receipt by email

Use smart fields in a custom year-end tax statement mailing

What if you need to send an annual statement to just one constituent?

If your organization isn't sending annual statements but a single constituent has requested one, you can create a custom annual statement for this purpose. The process is similar to sending customized annual statements, as described in the prior section of this guide. But instead, you'll set up your template, search for that particular constituent, and then click the "Send mail" or "Send email" button to create a communication just for that constituent.

CONCLUSION

In addition to this guide, we hope you'll utilize the various free resources that are available to help you in your work with Little Green Light.

Our Knowledge Base and Video Library are the first places to learn about LGL. There you'll find articles about every LGL feature and videos about the most commonly used features, as well as recorded webinars.

All of our one-on-one support is provided by email, so when you need help troubleshooting an issue head to the Help page in your account and send a message to our support team. We'll be happy to provide guidance. The Help page is also where you can register for our basic training sessions and any other special training webinars we offer.