The Importance of Donor Relations

The Season of Giving is winding down. For many advancement programs, the months of November and December are vitally important to reach key annual gift income goals. Combined with the financial push to make tax-advantaged gifts prior to the end of the calendar year, prospective donors also are encouraged at every turn in November and December to act with generosity. It is during these months when oft-divergent cultural messages from retailers, communities of faith, friends, and family members, converge into a harmonious chorus of gift giving encouragement. The message of gift giving, it seems, is everywhere.

And the message gets heard. It is not uncommon for November and December to account for 30-40% of all gift income at many institutions. The last months of each calendar year represent key opportunities to invite new prospects to give, to encourage current donors to increase their giving, and to inspire past donors to re-establish their giving habits with you.

Understanding the importance of these last two months in reaching annual goals, most advancement teams start their preparations early in the year. Direct response solicitations – both traditional and digital – are refined, phoning strategies are implemented, and key major donors are approached, all in an attempt to maximize gift income during the Season of Giving. But what happens when the New Year arrives?

After the scramble of getting all possible gifts in the door by December 31, the vague concept of “stewardship” can be viewed as a bit of an afterthought. We know we need to extend gratitude to our donors, we know we should report to them on how their gifts make a difference, but we can be so focused on getting the gift, that we may not pay as much attention to receiving the gift. In this edition of the Bulletin, we will encourage you to take a more comprehensive and strategic view of how you should respond to donors. Beyond a vague concept of “stewardship,” we are advocating for each institution to invest time, energy, and financial resources, into a component of advancement work more appropriately called Donor Relations.

Donor Relations: Some Definitions

According to our friends at the Association of Donor Relations Professionals, Donor Relations is, “the comprehensive effort . . . to ensure that donors experience high quality interactions with the organization that fosters long-term engagement and investment.”

This comprehensive effort is recognized as having four components:

1. **Gift Acceptance and Management** – having processes and procedures in place to appropriately receive and manage gifts;
2. **Gift Acknowledgement** – having the practices in place to provide timely and accurate acknowledgement of gifts and thanking donors privately in meaningful ways;
3. **Donor Recognition** – having standards for the process of publicly recognizing and thanking donors;
4. **Gift Reporting** – having the systems in place to demonstrate and communicate the use and impact of the donor’s gift.

When you think about engaging donors and prospective donors to give generously in support of your institution’s work, you may focus primarily on the programs, initiatives, and projects that best support your mission. However, our experience has shown that implementing well-conceived strategies for each of the above aspects of Donor Relations helps to create a rich culture of donor engagement and is key to increasing your gift income over time. The manner in which you accept, manage, acknowledge, recognize, and report gifts goes a long way in building a robust culture of giving. We will now turn our attention to each of these components.

**Gift Acceptance and Management**

Imagine this scenario: It is November 15 and you receive a phone call. It is an on-again, off-again donor. She tells you that she has just met with her tax advisor and she wants to talk with you about a big gift. She has a piece of property in another state that she wants to give to your institution. But, because of tax reasons, she must do it by the end of the year. The market value of the acreage, she claims, is at least $300,000. Depending on the size of your institution, this development might represent a major gift – you are getting excited now.
Of course, there is a back story. After two weeks’ worth of discussion between the donor and your institution’s leaders, and moving ahead with preliminary plans to accept the gift, you learn that she has been trying to sell the land for 3 years and hasn’t been successful. The land has been slow to move primarily because submerged gas tanks on the property (oh, she didn’t tell you the land was once home to a gas station!) are leaching petroleum into the soil and well water. It’s an environmental mess. This “gift” you begin to realize is really an off-loading of a dodgy asset.

Many institutions have experienced this type of scenario. Without sound gift acceptance policies that detail what types of gifts you will accept, the process of accepting them, and who has the authority to accept them, your institution can quickly find itself as the proud owners of any number of non-mission-supporting and, even, institutionally detrimental “gifts.” The work of Donor Relations begins with the establishment of policies, procedures, and processes focused on gift acceptance and management. At a minimum, every institution should have approved statements related to the following:

1. **Policy regarding gift acceptance** – as in the example above, what will your institution accept as a gift, what is the process for determining that acceptance, and who, ultimately, makes the decision? At many institutions, a Gift Acceptance Committee, made up of volunteer and administrative leaders, is constituted to answer these questions. Additionally, you will want to ensure that your institution has clear guidance on who pays for any fees and/or appraisals associated with a possible gift.

2. **Guidelines regarding naming opportunities** – can a donor name a space in a building with a revocable deferred gift commitment or does it have to be either a current gift or an irrevocable deferred gift commitment? Similarly, you should have guidance over the gift amounts needed to establish named endowed funds.

3. **Protocols for gift entry** – to ensure that the intentions or restrictions placed on the gift by the donor can be tracked accurately and in a timely manner. Typically, this involves donor database processes and procedures for gift entry and the protocols for interacting with the business office or other accounting personnel at your institution.

**Gift Acknowledgement**

The first specifically donor-facing aspect of Donor Relations comes in the form of gift acknowledgement. The timeliness, accuracy, and personalized nature of the institutional response to gifts all combine to create an answer to a donor’s sometimes subconscious question, “Do they value my gift?”

From a donor’s perspective, the components of effective gift acknowledgement and receipting include:

- **Timeliness** – gifts are acknowledged and receipted within 48 hours of acceptance. Traditionally, this is done through signed, hard-copy letters sent via snail mail. However, for gifts made online we encourage institutions to add a toggle box to their online giving form asking donors to opt-in to receive a gift acknowledgement and receipt via email. It is important to remember that the donor who gives online may sometimes desire a hard-copy receipt for tax purposes. Asking for their preference on how they wish to receive their gift receipt is important.

- **Meaningful Gratitude** – in addition to standard acknowledgements, taking the time to handwrite a thank you note or make a quick phone call to the donor evidences a culture of care and an institution that is organized. Both are attributes that donors notice.

- **Tax Receipt Language** – includes affirming the amount of the gift with language that addresses Internal Revenue Service requirements. Such as: 

  "(INSTITUTION NAME) is a 501(c)(3) nonprofit organization. Your contribution is tax-deductible to the extent allowed by law. No goods or services were provided in exchange for your generous financial donation."

In addition to these standard practices, institutions that acknowledge gifts with high levels of effectiveness will employ other personalized gift acknowledgement strategies such as visiting with donors to extend gratitude on behalf of the institution, engaging volunteers in the acknowledgement process (including thank-a-thon calling sessions and handwritten notes, etc.), and sending special acknowledgement gifts that align with the mission of the institution.
Donor Recognition

Donor recognition is the public face of donor acknowledgement. For most institutions, donor recognition is viewed as encompassing the annual donor recognition event – a sometimes costly but effective tradition. However, creative and meaningful donor recognition should happen throughout the year and does not have to cost the institution a great deal.

Creating a culture of engagement and recognizing the important role of giving at our institutions should be primary goals of any Donor Relations program. To that end, public recognition activities and efforts should be infused in almost all aspects of the enterprise. When you pause and reflect on the many public events and activities held by your institution, there are ample opportunities throughout the year to recognize donors in meaningful yet cost effective ways. You may, for instance, recognize a major donor and her family who enjoys theatre by hosting a small pre-play reception followed by a public acknowledgement of their attendance at the beginning of the play.

For classification purposes, donor recognition comes in two fundamental forms:

1. Automatic recognition – these are the activities and efforts that the institution uses regularly to recognize donors publicly. Examples would include giving societies and annual donor honor rolls. These types of institutionally-driven recognition activities are found most often on donor walls and lists within annual reports and/or on the institution’s website.

2. Donor-involved recognition – these are the activities that engage a donor in the process of recognition such as donor profiles in magazines, newsletters, annual reports, and their online parallels, press releases, and naming spaces, programs, and endowments.

It is important to keep in mind that all donor recognition activities should be conducted with a clear understanding of donor wishes. For instance, during the most recent economic downturn beginning in the fall of 2008, the Chronicle of Philanthropy reported that nearly 19% of all gifts of $1 million or more were made anonymously.

This data is striking when one considers that research shows that $1 million gifts made prior to the downturn were made anonymously only 3-5% of the time. The important point, of course, is that donors may have very specific requests about how, when, and why they want (or don’t want) public recognition to occur. It is an important component of Donor Relations to understand those desires clearly.

Gift Reporting

In many advancement programs, the word “stewardship” is used to describe the function of gift reporting. Indeed, the more traditional definition of “stewardship,” is the activity of overseeing and protecting assets for use by others. As an aside, practitioners who embrace this more traditional definition of stewardship express some concern over the phrase “donor stewardship.” From a more traditional stewardship perspective, it is said that we steward the gift and engage the donor. Be that as it may, the concept of caring for an asset or gift, and reporting on the status of that asset or gift is a key component of Donor Relations.

The purposes of gift reporting are three-fold:

1. To communicate gratitude – communicating back to donors should always include the extension of gratitude. Because of their giving, your institution’s capacity to serve more and better is expanded. You should take every opportunity to express that fact appropriately.

2. To demonstrate accountability and transparency – being able to show that a donor’s restricted gift was used for the purposes intended, or communicating the performance of an endowed fund, are critical to building trust with donors over time.

3. To articulate the impact of the gift – one of the most important aspects of gift reporting is to show that a donor’s generosity is making a difference in affirming the values that underlie the gift. Gifts are made to meet donor needs, not our institution’s needs, and reporting to donors on how their giving has advanced their interests, values, and passions, is a key component of Donor Relations.
It is also worthy to note that gift reporting can take two distinct, but complementary forms. First, is the quantitative form of gift reporting. This may appear as an endowment performance report or annual financial reports that are designed to communicate a fiscally-sound enterprise. In addition, quantitative reporting can help build trust even when financial performance has suffered.

For instance, during the economic downturn of 2008, many endowment donors of 2009 and 2010 were frustrated by shrinking corpus levels. But reporting the institution’s investment struggles actually served to bolster trust with the donor. The reason was simple: These same donors watched as their personal investments declined significantly, so it was understood that your institution’s endowment performance would fall off as well. Being transparent with poor performance communicated that the institution had nothing to hide which in turn was encouragement for donors to deepen their trust in your efforts.

The second form of gift reporting is qualitative. Qualitative reporting involves the art of communicating the stories of lives impacted positively by the work of the institution. Qualitative reporting is contextually rich and demonstrative. It shows how giving specifically affirms and supports your institution’s mission and helps your institution achieve its vision. Such stories can take the form of a program that is making a considerable impact on improving healthcare in our community.

Reporting on gifts to donors should be a balance of quantitative, as well as, qualitative data. While numbers paint a precise picture, stories add vibrancy, nuance, and color. In fact, the very best gift reporting occurs when facts and other quantitative data are interlaced throughout a more qualitative story of gift impact. While many institutions will report on gifts through quantitative means, it is worth reminding ourselves that it is rare to hear someone proclaim, “That chart really inspired me!” Instead, of course, it is the context of stories that stick with people and help activate their generosity.

**Conclusion**

Each day donors become more sophisticated and more informed. The activities and processes that comprise a high-functioning Donor Relations program are needed to respond appropriately to the expectations of each of our donors.

Beyond thanking and recognizing donors, managing gifts, and reporting back to donors, the ultimate goal of a Donor Relations program is to help deepen and strengthen the role and perceived value of giving at your institution. To achieve this goal, Donor Relations must be viewed as a priority for the institution. While the advancement program will certainly take the lead on developing policies, procedures, and practices related to Donor Relations activities, administrators and staff should be educated on how they can affirm and thank donors, and steward the gifts that your institution receives.

An effective Donor Relations program holds great promise for every institution. When we do this work well, we not only highlight the importance of donors and of giving to the enterprise, we also take the first step toward receiving additional gifts. In the end, making the effort to engage our donors appropriately and meaningfully is the most promising cultivation exercise we can perform to encourage their next gift.