



Nonprofit Nation Implementation Guide

January 2022, Thank You Letter

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Instructions

Introduction

Hi and welcome to January's lesson: Designing Your Thank You Letter. This month we are learning a format to send out thank you letters that comply with the IRS's regulation.

What is a thank you letter?

A thank you letter or acknowledgement letter is used to thank and acknowledge a donation. The general practice is to send a thank you letter by the same medium a donation was received. So, an online donation is acknowledged through an email. A check sent by mail will be acknowledged by a letter sent by postal mail.

If you send an email, print out the email and put it with the other internal paperwork for the donation. This will help you find the email when the donor can't and asks you for it. You can scan the email and send the PDF.

Why do we need thank you letters?

Thank you letters are an important way to steward your donors. Thank you are the most powerful words for donors and taking the time to send something that acknowledges and thanks people who support you helps further relationships. It is also a requirement of the IRS to prove the donation for the donor's tax purposes.

What/How

What are the parts to a thank you letter?

Date: This is the date you send out the letter.

Donor Name and Address: This is addressed to the person or people that donated.

Salutation: Use the name of the person or people. Mr. or Mrs. First and Last Name should be used. Being too familiar with the donor can get you in trouble.

Opening Paragraph: This paragraph is a short vinaigrette of the person writing the letter. This helps make a connection between the letter writer and reader. Keep it short. Then, transition to the donor and thank you.

An example:

I was looking out the window the other day and I saw several of our boys playing a game of basketball. As I watched, one of the boys raised up to make his shot and it went in- nothing but net. I wish you could have seen his smile! It was from ear to ear. This boy has come a long way and I couldn't help but be grateful to donors like you for making that possible. Your recent contribution just helps this young man and others like him make strides to a better future. So, I want to formally thank you...

Thank You Paragraph:

This information must be included to be recognized by the IRS:

- Tax-exempt status statement: Statement that the organization is a 501c3 tax-exempt organization. Include the nonprofit's EIN in case the donor wants to check the charity's tax-exempt status.
- Name of the organization (the charity) and name of the donor
- Date of the contribution: The date the donation was received.
- Contribution Details
- For cash (checks, credit card, payroll deduction): The amount of the contribution that was received.
- For non-cash gifts: A description (but not the value) of the non-cash contribution.
- Statements – Good Faith Estimates of Value of Goods or Services. Ask: Did the donor receive any goods or services in exchange for the gift?
- Include a statement that no goods or services were provided by the organization in exchange for the contribution, if that was the case.
- If any goods or services were provided by the organization in exchange for the contribution, include a description and good faith estimate of the value of those goods or services. (Example: A fundraising dinner event where some of the funds received from the donor pays for the actual dinner, while the rest is a donation.)
- If the goods or services that were provided to the donor were insubstantial token amounts, note that, too. (Example: When a small gift is given to the donor with the nonprofit organization's name or logo on it like a bumper sticker, coffee mug. See below.) Or, provide a statement that goods or services (if any) that the nonprofit provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case.

Here is an example that incorporates all of the IRS information.

Thank you for your contribution of (insert amount of cash donation) on Date. No goods or services were provided in exchange for this contribution. Name of NP is an exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; EIN ##.

Tell the donor what their contribution has already done or what the contribution will help make possible. If the funds are unrestricted, then you can talk about the broader mission.

An example:

Your contribution will help the boys and girls in our care get the help and support they need to overcome the obstacles they face from abuse and neglect. Because of you, they have a better future.

Closing Paragraph: Wrap up the letter here.

An example:

Again, thank you for supporting the boys and girls of XYZ Nonprofit. Together, we can make a difference in the lives of abused and neglected boys and girls.

Signature: Signature and title of the letter writer. Typically this person is someone in leadership. It can be the Chairman of the Board, Executive Director, or Director of Development (or high ranking fundraising person).

P.S.: This should be bolded and give next steps or actions you want them to take. Some organizations include a self addressed envelope to make it easier for a second donation. Some organizations invite people for tours of the facility. Others may ask for likes or shares on social media. The ask should be for an easy action or microaction. Your purpose is just to keep the donor engaged.

An example:

P.S. If you haven't yet, I would like to invite you to like our Facebook page. It will keep you up to date with what's going on at XYZ Nonprofit and the good your contribution is doing.

Putting the examples together for the body of the letter:

I was looking out the window the other day and I saw several of our boys playing a game of basketball. As I watched, one of the boys raised up to make his shot and it went in- nothing but net. I wish you could have seen his smile! It was from ear to ear. This boy has come a long way and I couldn't help but be grateful to donors like you for making that possible. Your recent contribution just helps this young man and others like him make strides to a better future. So, I want to formally thank you...

Thank you for your contribution of (insert amount of cash donation) on Date. No goods or services were provided in exchange for this contribution. Name of NP is an exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; EIN ##.

Your contribution will help the boys and girls in our care get the help and support they need to overcome the obstacles they face from abuse and neglect. Because of you, they have a better future.

Again, thank you for supporting the boys and girls of XYZ Nonprofit. Together, we can make a difference in the lives of abused and neglected boys and girls.

P.S. If you haven't yet, I would like to invite you to like our Facebook page. It will keep you up to date with what's going on at XYZ Nonprofit and the good your contribution is doing.



Pro Tips:

- Take some time in January (during the slower month) to write a thank you letter for each month. Think of the seasons, holidays, and organizational events to make the letter relevant to the month.
- Some organizations write a second letter per month for donors who donate a second time during the month. This letter will tie to the first one and follow the same format.



IRS Website and Resource Regarding Acknowledgement Letters

<https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-written-acknowledgments>

<https://www.irs.gov/pub/irs-pdf/p1771.pdf>

That's all for this lesson!