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## How Classy May Be Hurting Your Donor Relationships – Transcript

Jess Birken 00:00:02 Welcome to Charity therapy, the podcast where we explore the ups and downs of the nonprofit sector and answer your burning questions. I'm your host, Meghan Heitkamp, owner of Birken Law Office, and I'm excited you're here. Imagine hanging out with me and my super smart, funny, nonprofit expert pals. You get to ask them anything about your nitty gritty nonprofit life and get their wisdom for free. Whether you're a seasoned pro or just strapping on your nonprofit boots, we're here to share stories and remind you you're not alone on this journey. So get ready to join the conversation and bring me the tough questions I ain't scared. Ready to rock? Let's dive in. Hello and welcome to this episode of Charity therapy. I'm your intrepid host, Jessica, here with my intrepid. Intrepid? Why?

Jess Birken 00:00:53 I don't know, intrepid co-host Meghan.

Meghan Heitkamp 00:00:56 Hey, I don't know how this became part of the like constant lexicon of this podcast, but I don't hate it. Like it's fine as.

Jess Birken 00:01:05 Long as we don't say the word impactful.

Jess Birken 00:01:08 Or what was your Kryptonite word? You had one recently.

Meghan Heitkamp 00:01:13 I did. I don't know, you.

Jess Birken 00:01:15 Don't hate enough, Meghan. You don't hate this word. Whatever it was, you do not hate it enough because you should just be able to be like, it's this because impactful is like, I hate it with a passion.

Meghan Heitkamp 00:01:27 True. You here. You heard it here first, folks. If you say the word impactful around Jessica, she will be judging. Here's the thing.

Jess Birken 00:01:34 It's not a word I know. Like Webster's needs to stay culturally relevant and like language changes over time, blah blah blah. But no, the reality is people just were saying the word impact wrong and then everybody just painfully blessed it. Everybody was just like, I guess that's a new word. Things are not full of impact. You can't have something that is full of impact. It impacted you. It had great impact on you. It is not full of impact. Okay, I'm gonna come down now.

Meghan Heitkamp 00:02:06 Yep.

Meghan Heitkamp 00:02:06 This is, as one might guess, not the first time I've heard this rant from Meghan Heitkamp. I feel very she's gonna be ready to go. Okay. I mean, Sam, I am just not quite as much of a hater about it on certain things, but that's okay.

Jess Birken 00:02:24 You just.

Meghan Heitkamp 00:02:24 Haven't had time.

Jess Birken 00:02:25 To.

Meghan Heitkamp 00:02:26 Turn on.

Jess Birken 00:02:26 Your whatever the word was, I forget what it was.

Meghan Heitkamp 00:02:29 True. Give me another 15 years and maybe this will be like the bane of my years as it becomes.

Jess Birken 00:02:35 More and more common and people keep using it. And now it's become like in the dictionary, your your rage over this word that shouldn't be used or exists will grow. It's it's one of the fantastic parts about getting older. Old woman. Old woman.

Meghan Heitkamp 00:02:50 Shakespeare set into your. Yeah. I mean, you're not old, but you know what I'm saying? not baby anymore. Just one of those things where you, like.

Jess Birken 00:03:00 Look up and realize. That's definitely like an older adult move.

Jess Birken 00:03:04 I'm on the track.

Meghan Heitkamp 00:03:06 I already do this with technology sometimes where I'm like, oh no, like I'm not that great with some newer technologies and I'm always a little behind the times on pop culture stuff. And I'm just like when I'm like 65, like kids and grandkids are going to be like, duh. What are you doing? Like, oh, well, it's fine. I guess.

Jess Birken 00:03:27 We should.

Meghan Heitkamp 00:03:28 Probably keep.

Jess Birken 00:03:29 That where we're doing here.

Meghan Heitkamp 00:03:30 Yeah, yeah. I'm like, keep that ranty feeling you have now. Because as you know, Jessica, we're gonna do a little. We're gonna wait into some drama today. Today is going to be a slightly different podcast instead of a traditional listener question, this one we're ripping from the, you know, halls of LinkedIn. Some drama happening over there. Jessica, you spotted this post from Eve. Tell tell the people about Eve.

Jess Birken 00:03:55 Well, okay, so, Eve, if you've been listening to the pod for a while, Eve Borenstein has been a guest.

Jess Birken 00:04:01 Eve is like one of the most well respected, most knowledgeable non-profit lawyers out of Minnesota. Eve testifies before Congress. She talks to the IRS commissioners. She's a trained as an accountant and an attorney. She's been around for a million years. And there's like, almost nobody who I respect in my profession more than Eve Borenstein. So, of course, I follow her on LinkedIn, and.

Meghan Heitkamp 00:04:30 She's been impactful.

Jess Birken 00:04:32 Oh my God, how dare you! That's it. You're fired. I'm sorry folks, there will be no more episodes featuring Meghan. Meghan is now.

Meghan Heitkamp 00:04:42 The coed.

Jess Birken 00:04:43 To me.

Meghan Heitkamp 00:04:43 Yeah, I really had I just I had to. I'm so sorry. Continue. The opportunity was there and I couldn't not take it. God.

Jess Birken 00:04:53 So anyway, yeah, she's like the 990 queen. She's amazing. And, yeah, she's she's been posting on LinkedIn and she had a post about her, her experience as a donor with getting the automated acknowledgement letter from a non-profit donation collection platform. And yeah, the the letter was legally insufficient.

Jess Birken 00:05:18 And you've had some thoughts about it?

Meghan Heitkamp 00:05:20 Yeah. So as you can imagine, as a donor, she is very well aware of what the rules are and what she needs to be able to do. So let me read a snippet of the post for these people, for the people, so that they know what we're talking about. So Eve's post last week of the year, we made a substantial amount of charitable contributions, many affected online. This morning we received tons of official receipts for US income tax purposes. And every one of those generated by classy, the gifting platform the donee used failed to state no goods or services were provided back to us in exchange for the contribution. So once more I have to start a watch or more likely eventually initiate a a communication thread with the organization for a replacement letter because the one in hand is useless for those of us whose dollar gift was \$250 or more. Tsk, tsk. So this is the post. There's a lot of like, non profit professionals getting kind of riled up in the comments here about this issue.

Meghan Heitkamp 00:06:21 That seems to be a long standing issue. So, Jessica, can you break it down here? What's going on?

Jess Birken 00:06:27 Okay, so here's well, first of all, there's a bunch of software companies that their business model is to sell their product to non-profits to make getting online donations easier. Right. So it's a software as a service that they charge money for. Non-profits are paying for it and they're sort of pitch is you can collect money online. We make everything easy for you. Everything is covered. Here you go. And one of those things that they offer to do is send the donor a gift acknowledgement letter, which is great, except the IRS has rules around what has to be in that gift acknowledgement letter in order for you to actually take a deduction on your taxes. So if you have a letter that doesn't actually meet the requirements, the IRS will say, sorry, that donation actually didn't count. And I mean, realistically, unless you're getting audited, this isn't coming up. Which is why I think this continues to be a problem.

Jess Birken 00:07:31 But people who actually know are going to be annoyed that they didn't get a good letter from you. And there are a lot of donors who don't care because they're giving \$20. And if you give \$20, there's no letter requirement. So this only applies to people who are giving more than \$250. But the more. The bigger the gift is, the more likely it is that the person actually cares to put it in their tax file. Because like Eve's post thinks somewhere, she says, we made a lot of gifts, and many of them were way over \$250. So they actually do care about getting the deduction. And now instead of the donor feeling like, hey, this is a warm, fuzzy feeling, I just donated, I feel good. She's feeling ticked off because now there's all this extra work she's going to have to do absolutely well.

Meghan Heitkamp 00:08:28 And it says it in the comments, in the conversation. That has kind of been spurred by this post. But, you know, for Eve, she was saying like, this is not actually something we're even going to get a deduction for.

Meghan Heitkamp 00:08:38 But there's some like state rules that they had to like deal with that an insufficient letter isn't going to work. So it's like it comes up in other directions too. And these are people who want to substantially support your mission

with like a large donation, like over \$250, potentially weigh over \$250. And so the last thing the nonprofit Shirley wants to do is give them more work to reach out and be like, hey, this letter doesn't actually work. We need this from you and the back and forth to be able to get that done. So it creates a lot of friction and frustration from the donor, who in theory is just trying to support your mission.

Jess Birken 00:09:22 Yeah. And here's the thing. It's like, what really chaps my hide is that it's twofold, right? It's the software as a service, people being like, we've solved this problem for you. And, you know, a lot of nonprofits don't know what they don't know. And so, like, they they hear you say, we're a professional service and we're going to solve this problem for you.

Jess Birken 00:09:44 Done and done. And they're like, great, I'm relying on you, your professional service provider. You're you're saying we're good, right? And then it's frustrating because if you're if you're getting gifts over \$250, you should not be counting on software to just kind of like manage that for you, right? I mean, there should be a handwritten thank you note. There should be some tickler in the system that's like, hey, this person it has is giving at a higher level. You're going to engage with them differently in the future. You're going to like try and obviously they might give it an even higher level. Well, you know who's not going to give it an even higher level. Somebody who's annoyed with your lack of professionalism in making their gift easy. And so it's like the non-profits shooting themselves in the foot and then wondering why they don't bring in more money for fundraising. It just kills me. It kills me.

Meghan Heitkamp 00:10:44 Well, and the thing is, is that, like, I have a lot of empathy for the nonprofit in this situation because classy is a very, like, well known, respected, like common software to use in the industry.

Meghan Heitkamp 00:10:58 So if you are just sort of like it, saying it sends an auto generated, you know, sure donation acknowledgement.

Jess Birken 00:11:06 In a demo and I'm sure they're holding themselves out like they're doing this for you. So of course people are relying on it.

Meghan Heitkamp 00:11:15 And none of these like smaller nonprofits are like going to look at the IRS rules for the donation, you know, donor acknowledgement letters, like they're relying on third party information to try to comply with these rules. And so when you have this, you know, well-known platform that is claiming that they'll do everything for you. Like, yes, it's on the nonprofit to check that and make sure that is correct. And not just trust that. But at the end of the day, it's like, why is this? You know, this is, you know, the classic example that we've talked about before of a for profit company trying to, quote unquote, help non-profits and make their life so much easier, but actually just stepping in it and causing problems for nonprofits.

Jess Birken 00:12:00 Well, and what kills me is when you were doing the research for this episode that you, you discovered, not that it's not knowledge, but it was we didn't know that class is actually owned by GoFundMe, which has, you know, been the ire of everybody in nonprofit consulting for the last two months over their whole debacle. And if you don't know what I'm talking about, go back and listen to our our episode a couple of episodes ago about Go Fund Me, deciding that they were just going to give everybody a donation profile, whether you wanted one or not. It was a whole mess. It was a whole mess. So I'm like, I was just like, oh, that makes sense. That tracks.

Meghan Heitkamp 00:12:38 Yep. Classic. Well, and again, this is not something that I was personally like aware of the issue here. But from Eve's post, in this conversation that has been generated, it's pretty clear that this is an ongoing problem that has just refused to be fixed. And it's one of those things that maybe the donation, you know, platform literally cannot provide the correct letter.

Meghan Heitkamp 00:13:05 Like maybe it's too complex for that. And that's fine. We're not asking classy to do things that are not possible. You know, like but it's like, don't hold yourself out as taking care of everything. Yeah. If you can't. Like if it's too complex to do it, don't do well here.

Jess Birken 00:13:24 Okay. I got a lot of software developers in my world. Right. And I understand, you know, I've seen the memes in the short form content about, you know, why the unreasonable ask from the company to this simple feature we just want. And it's like an unreasonable ask. I get that, okay, but I'm sorry if this is basic logic. If GIF equal \$250 or more. If the number in that field is \$250 or more, then do not send acknowledgement like just right.

Meghan Heitkamp 00:14:02 Just don't even send it. Just don't do it.

Jess Birken 00:14:05 Yeah. It's truly not like in an ideal world, would you be able to, like, set up little campaigns? And you're saying this one comes with a get your free T-shirt if you donate at this level.

Jess Birken 00:14:16 And so when they click this button, the acknowledgement is going to say something else. Yes, I understand that's that's more complicated software development. But literally just if the dollar amount is 250 or more, don't send the acknowledgement. Because I can already hear somebody listening to this and they work at a nonprofit that uses classy and they're like, no, no, no, no, we are on top of this. Like, yeah, it does that. But then we follow up with I don't care because the donor, who knows is already ticked off. You lost the opportunity to have a pleasant interaction when that acknowledgment that's wrong went out. I don't care if you follow up with the right thing. You you had the opportunity to make this a good experience and that's gone the second they're annoyed.

Meghan Heitkamp 00:15:06 So and also the donor who doesn't know who then is like running around with this letter that if it's actually needed for something, doesn't find out until way after the fact. Because the reality is, even if you send a follow up one, which one are they going to remember to grab? Like there's now two in their email or whatever that has the like information in it, and it's 5050.

Meghan Heitkamp 00:15:28 Whether they grab the first one that came or the second one that came. And like, they're not going to know that there's a substantial difference between these two donor acknowledgement letters, particularly if the one from classy says that this is like legally sufficient or whatever it says. So it's just yeah, well, it's a.

Jess Birken 00:15:45 And frankly, I don't know, I haven't used this software. Maybe it is fully customizable and maybe nonprofits are just not doing it. You know, maybe class is going to be like, yeah, dum dums, you could be doing this. Well, you know what? That's your you're causing people to have a legal issue at their nonprofit. You should work a little harder onboarding your new customers to make sure that they know how to customize it, and that maybe this is not rocket science. You don't need to hire me to figure out that this is the rule. So like maybe provide some documentation about how to make make a good gift acknowledgement because it's it's also different if you if you did give somebody something and you can see where that would be like donate to the public radio station, you're going to get a tote bag.

Jess Birken 00:16:37 And that happens online, right? Like it just everybody is potentially in the wrong here. And it just it's not that hard of a thing to fix. Is my beef.

Meghan Heitkamp 00:16:50 Absolutely. The fact that this has evidently been going on for years, that that is kind of the whole point of Eve's post is not even just that, like this thing happened that now I have to go chase down some nonprofits for a better letter. It's that this happens every single year and no one has made any changes. And she even talks about how, like, there's been such an uproar about the GoFundMe nonprofit pages. Well deserved. But like, why are we not also right? Like yelling at them about this one because like, let's get this, you know, changed for the nonprofit sector. Like, it doesn't have to be this way. Well.

Jess Birken 00:17:30 You know, if you happen to be listening to this because I. That would be like my dream that Eve listens to our podcast. You know you want to come on here and rant open invite girl, get at me like, come on back.

Jess Birken 00:17:41 We have we have you back.

Meghan Heitkamp 00:17:42 We got this. Any time. All right. I just have two kind of main takeaways here actually maybe three. So one is that like you need to send out gift acknowledgement letter when you receive a donation. And it's not just a simple thank you. There are like IRS rules that dictate what needs to be in that letter. So if you are not doing that, this is your indication that something needs to change there so that you are following those rules. The secondly, don't trust every single software that tells you that it just takes care of everything for you. Like, nonprofits are complex. And unfortunately, that means that a lot of people who are, in theory, wanting to help or really wanting to make money off the sector don't actually know what you need to do. And the last takeaway really is that this is a real trend of software as a service or other sort of for profits, try to help and they are actively causing problems. But as we saw with the GoFundMe thing last year that you like, if we make enough noise, we can let them know that it's not helping.

Meghan Heitkamp 00:18:51 Yeah. So let's make a little noise.

Jess Birken 00:18:53 Absolutely. I would love to see a GoFundMe comment section blow up with demands for this to be better or better documentation or whatever. Okay. What we we forgot to say is the fourth takeaway is that thou shalt not use the word impactful in your day to day life ever again. So you are an offended 11th commandment. Know that I disapprove and you need to seek reform, okay? You need to be reforming your vocabulary use. other than that, though, I think those takeaways were great. Meghan.

Meghan Heitkamp 00:19:32 So glad. So glad I could provide the ones that are actually relevant to the episode. All right, folks.

Jess Birken 00:19:38 Thank you so much for being here. Share this episode with a friend. If you are aware or involved. The nonprofit who uses online giving. Look at your

donation acknowledgements. Make sure you're doing them right. Make sure you're having a good experience with your donors and let people know about the show. It really helps us out. If you have a question or a story to share, you know, get at us.

Jess Birken 00:20:01 We'd love to keep it anonymous. And, you know, as long as you're not. Eve Borenstein I'm not going to say your name on the internet, so send us a message at Charity Therapy Show. And thanks a lot.

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## About the Author



**Hi, I'm Jess Birken.**

I'm the owner of Birken Law Office, I help nonprofits solve problems so they can quit worrying and get back to what matters most – The Mission. I'm not like most attorneys, I actually have an outgoing personality, and – like you – I like to think outside the box. Most of my clients are passionate and have an entrepreneurial spirit. I'm like that too. My goal is to help you crush it. Getting bogged down in the minutia sucks the joy out of the important stuff. My clients want to do the work – not the paperwork.

**Let's connect!**

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