



# COMMUNITY FOUNDATIONS AND DONOR ADVISED FUNDS

*AN ANALYSIS OF THE DATA*

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## AN ANALYSIS OF THE DATA

### SUMMARY

Donor advised funds have been offered by community foundations for many years – in fact, the New York Community Trust is credited with creating the first donor advised fund in 1931.

The explosive growth in donor advised funds has occurred primarily, however, in the last 20 years. As a result, donor advised fund gift, grants and assets make up a significant portion of community foundation gifts, grants and assets.

This report will take a closer look at donor advised funds in community foundations. It will highlight that the majority of gifts received and grants awarded at community foundations are within donor advised funds. About one-third of community foundation assets are held as donor advised funds.

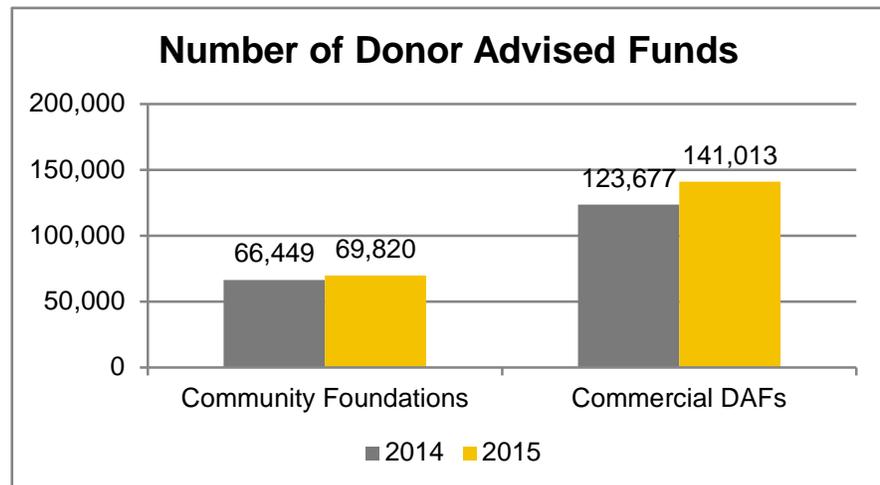
Evidence suggests that larger community foundations hold a bigger percentage of their assets in donor advised funds than smaller community foundations. While staff size does not seem to be correlated with the prevalence of donor advised funds, community foundations with a larger number of board members tend to have more donor advised funds than those with fewer board members.

*A Note on This Data: We have made every effort to make sure our data was accurate in this report. Most of the asset data – and all of the donor advised fund data – comes from examining Form 990 information either from Guidestar or from a community foundation’s website. Despite our best efforts, we know that errors can occur. We welcome any corrections that you might find – as well as any comments or questions. Please feel free to contact us at [cfrtinstitute@gmail.com](mailto:cfrtinstitute@gmail.com).*

## A Look at the Numbers

Community foundations reported 69,820 donor advised funds in fiscal year 2015, an increase from the 66,449 reported in 2014. That's a net jump of 3,371 funds, or 5%. Asset growth for donor advised funds at community foundations was slower. Donor advised fund assets grew from \$27.8 billion to \$28.1 billion, an increase of just 1.1%.<sup>1</sup>

Commercial donor advised funds are growing their assets at a significantly faster pace. At the twelve largest commercial donor advised fund providers<sup>2</sup>, assets grew more than 14%, from \$32.2 billion to \$36.9 billion from 2014 to 2015. The number of accounts also grew at that same rate, with the number of funds growing from 123,677 to 141,013.



One clear distinction in commercial donor advised funds versus community

foundations comes in the size of fund created. The average commercial donor advised fund account held about \$260,000 in assets. On the other hand, the average donor advised fund at a community foundation is more than 50% larger at about \$402,000.

Community foundations can vary in the size of the donor advised fund portfolio. As of 2015, four community foundations (Greater Kansas City Community Foundation, Greater Houston Community Foundation, New York Community Trust and Silicon Valley Community Foundation) managed more than 1,000 donor advised funds. On the other hand, 160 community foundation – or about 19% of all community foundations – reported no donor advised funds on their Form 990.

Community foundations received about \$9.4 billion in gifts in 2015; of that amount, \$5.4 billion (57%) were gifts to donor advised funds. That's a slight change from 2014; in that year, community

foundations received total gifts of \$9.8 billion, of which \$5.8 billion, or 59%, were gifts to donor advised funds.

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***Commercial donor advised funds are growing their assets at a significantly faster pace than donor advised funds at community foundations***

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Donor advised fund grants exhibit a similar pattern. Community foundations awarded grants and scholarships of \$7.8 billion in 2015, and donor advised

fund grants made up \$4.0 billion of that total – amounting to 51%. In 2014, community foundation grants and scholarship totaled \$6.6 billion, of which \$3.9 billion, or 59%, came from donor advised funds.<sup>3</sup>

Donor advised fund assets as a percentage of all community foundation assets edged downward in 2015. In 2014 donor advised fund assets of \$27.8 billion made up 33% of all community foundation assets of \$84.3 billion. In 2015, that percentage fell slightly to 32.4% – donor advised fund assets were \$28.1 billion out of total community foundation assets of \$86.6 billion.

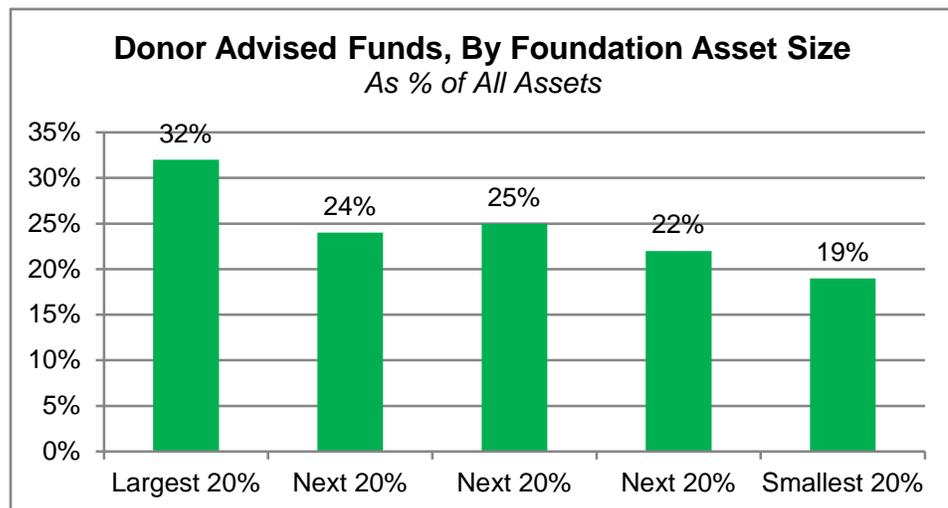
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*The average donor advised fund at a community foundation is about \$402,000, more than 50% larger than the average fund size at a commercial donor advised fund provider.*

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### Donor Advised Funds and Asset Size

**B**ased on donor advised fund reporting in the Form 990, it appears that a community foundation’s reliance on donor advised funds rises as that foundation’s asset size rises. For the largest 20% of community foundations, donor advised funds make up 32% of their assets. The percentage declines as asset size declines. For the smallest 20% of community foundations, donor advised funds make up less than 20% of assets.<sup>4</sup>



What could cause this difference? One argument might be that larger community foundations have larger development staff, which can then facilitate the creation of more donor advised funds. A larger foundation might also have the resources to become better known among the professional advisor community, also leading to stronger growth in donor advised fund assets.

## Staffing, Board and Volunteers

**W**e were curious whether other factors such as staff size and board size influenced the prevalence of donor advised funds at a community foundation. The results surprised us.

It could be argued that a larger staff size would lead to more donor advised funds. Because of the staff hours needed to adequately manage a donor advised fund, having more staff might mean that a community foundation has the capacity to manage more funds.

We were unable, however, to find a correlation between staff size and the prevalence of donor advised funds. After controlling for the size of the foundation, an increase in staff size did not lead to an increase in the use of donor advised funds.

We were surprised, however, by a different correlation: As the size of the board of a community foundation increases, the share of donor advised funds rises relative to the size of the community foundation.

This is not necessarily true for boards of any size. It appears the greatest effect is for boards ranging from 16-20 members. Donor advised fund assets fall slightly for board sizes large than 20.

But the trend is clear for community foundations with board sizes below 15 members. And for community foundations

## **A NOTE ON SUPPORTING ORGANIZATIONS**

This analysis is complicated somewhat by the increasing use of supporting organizations by community foundations. In some aspects, a supporting organization might operate much like a donor advised fund. A person or family may place assets in the supporting organization, and then serve on the board which oversees grantmaking from that supporting organization. Legally they are quite different from donor advised funds, but in practice they have a similar result.

The Tulsa Community Foundation helps illustrate this. Donor advised funds make up less than 5% of that foundation's assets, yet they also oversee at least ten related supporting organizations.

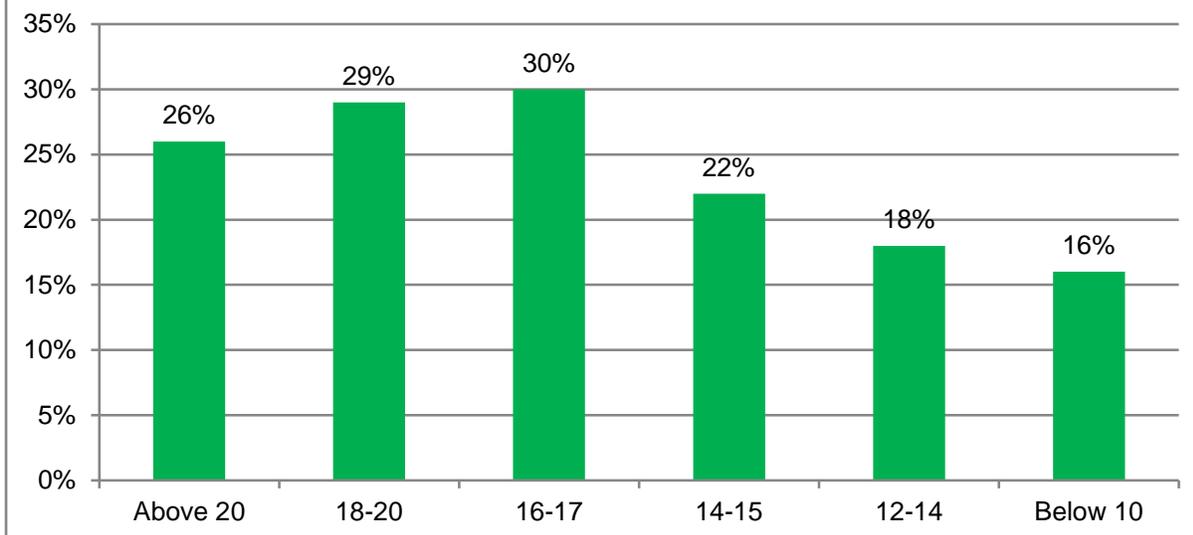
As a result, this analysis will tend to understate the impact of donor advised funds on a community foundation's overall grantmaking.

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***Community foundations with 16-17 board members have nearly double the prevalence of donor advised funds than community foundations with ten or fewer board members.***

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## Donor Advised Fund Assets As % of All Assets By Number of Board Members



with ten or fewer board members, donor advised fund assets dip to almost half as much as boards with 16-17 members.

Why would this be? Assuming this is not just a statistical coincidence, it could point to the power of having an engaged board – particularly in the area of fund development. Board members might feel a strong commitment to open a donor advised fund at their foundation; similarly, they may effectively serve as ambassadors in getting their friends and colleagues to open them, as well.

We also tested the hypothesis that the number of volunteers reported by a community foundation would influence the percentage of donor advised fund assets. We could find no correlation between number of reported volunteers and reliance on donor advised fund assets.<sup>5</sup>

<sup>1</sup> These amounts differ slightly from those reported in the annual donor advised fund survey prepared by the National Philanthropic Trust, due to different methodologies. The NPT report provides an excellent overview of the entire donor advised fund market.

<sup>2</sup> This includes American Endowment Foundation, Ayco Charitable Foundation, Bank of America Charitable Gift Fund, Fidelity Investments Charitable Gift Fund, Goldman Sachs Charitable Gift Fund, Goldman Sachs Philanthropy Fund, Morgan Stanley Global Impact Funding Trust, National Philanthropic Trust, Renaissance Charitable Trust, Schwab Charitable Fund, US Charitable Gift Fund, and Vanguard Charitable Endowment Program.

<sup>3</sup> Data on community foundation grants and scholarships, as well as donor advised fund grants, comes from the Form 990. Donor advised funds are not permitted to award scholarships to individuals.

<sup>4</sup> Because of inconsistency of reporting for smaller community foundations, this analysis includes only the 515 community foundations with assets greater than \$10 million.

<sup>5</sup> This could be caused by reporting inconsistencies. Community foundations differ dramatically in the number of volunteers they report on Form 990. Six community foundations reported more than 1,000 volunteers (one reported more than 4,000 volunteers) while more than 100 reported no volunteers.