



National
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Trust

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2011
Donor-Advised
Fund Report

This report was prepared by National Philanthropic Trust under the guidance of Eileen R. Heisman, President and CEO, Andrew W. Hastings, Vice President of Business Development and NPT's Communications Department. Research assistance was provided by Catherine Gowen and Ryan Mercante. Melissa S. Brown of Melissa S. Brown Associates, LLC provided additional analysis and writing services. NPT gratefully acknowledges all of the organizations that shared their donor-advised fund related statistics and information. For permission to cite or reproduce this report, please contact Brian Case, NPT's Director of Communications at bcase@npitrust.org or (215) 277-3010.

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Introduction

Dear Colleague:

National Philanthropic Trust is pleased to release our fifth annual Donor-Advised Fund Report. The report has become an important benchmarking and reference tool for the donor-advised fund market. We are proud to publish this report and take seriously the trust and responsibility in compiling and reporting this data.

The report closely examines the donor-advised fund market using several metrics, including total assets, contributions received, grants paid, average fund size, total number of funds and payout rate. We have compiled these from public sources and provide this analysis as a service to the charitable sector and other interested parties.

The 2011 Donor-Advised Fund Report shows, among other things, that:

- Donors contributed \$7.77 billion to donor-advised funds in 2010, an increase of 25.5 percent compared with 2009. This marks a recovery from the previous year when donors reduced their contributions following the onset of the recession.
- Total assets in donor-advised fund accounts reached nearly \$30 billion in 2010. This figure approaches—but does not yet surpass—the pre-recession high of \$30.2 billion.
- Grantmaking from donor-advised funds totaled more than \$6.1 billion in 2010. This marks the third consecutive year with such high levels of grantmaking. Even in 2009, when new contributions dropped, grantmaking levels remained high, indicating donors' strong commitment to charitable causes.
- In 2010, the payout rate from donor-advised funds was 17.1 percent. Donor-advised funds have paid out more than 16 percent of assets annually for at least four years, far surpassing the five percent payout rates mandated for private foundations. As this report went to press, the United States Department of Treasury released the long-awaited "Report to Congress on Supporting Organizations and Donor Advised Funds" which confirmed donor-advised fund payout rates were substantially higher than that of private foundations. For more information on the Treasury Department's report, please see "Other Considerations" on page 15.

Donor-advised funds have experienced tremendous growth. They accounted for nearly three percent of all charitable contributions in the United States in 2010—more than all United Ways combined.

The information in this report confirms what those of us in the field have always known: philanthropists are attracted to the flexibility of donor-advised funds. Donors commit funds to charitable purposes when they have the capacity to create a concentrated source of charitable capital and grant the funds during times of need.

We believe the future for donor-advised funds is strong, as diverse groups of donors devote their assets for the good of all, for today and for years to come.

Sincerely,



Eileen R. Heisman
President & CEO

About This Report

Purpose and Scope

This report provides an up-to-date analysis of donor-advised funds. It is based on data collected during the second and third quarters of 2011 about donor-advised funds in fiscal year 2010.

National Philanthropic Trust (NPT) studied 478 charitable organizations that sponsor donor-advised funds (charitable sponsors). Data in this report came primarily from public information returns (IRS Form 990) filed by sponsoring charities. Additional data came from audited financial statements, annual reports, organizational websites, and news releases. A breakdown of the organizations appears in the box at right.

Estimated charitable contributions in the United States in 2010 totaled \$291 billion.¹ Of that amount, donor-advised fund accounts received \$7.7 billion in contributions, or an estimated 2.6 percent of the total charitable giving for the year.

National charities that sponsor donor-advised funds (National Charities) received an estimated \$3.98 billion in contributions in 2010, or 1.4 percent of all charitable giving in the United States. Community foundations that sponsor donor-advised funds (Community Foundations²) received about \$2.04 billion, or 0.7 percent of all charitable giving in the United States in 2010. Single-issue charities that sponsor donor-advised funds (Single-Issue Charities) received \$1.75 billion, or 0.6 percent of all charitable contributions in the country in 2010.

In turn, donor-advised fund accounts granted \$6.18 billion to charitable organizations. This marks the third consecutive year in which donor-advised fund accounts have granted out more than \$6.1 billion.

Charitable Sponsors Examined in this Report

32

National Charities

267

Community Foundations

179

Single-Issue Charities

Changes in This Edition

In the last Donor-Advised Fund Report, we identified 331 charitable sponsors. In this analysis we include 478 charitable sponsors, an increase of almost 44 percent.³

The newly identified charitable sponsors are predominantly community foundations or single-issue charities. We are able to provide a larger data set as new IRS Form 990 now asks organizations to report on donor-advised funds separately. In addition, some charitable sponsors contacted us to provide information for the report. Further, we used database tools, including GuideStar, to identify additional fund sponsors and collect data about them.

1. Giving USA 2011
2. According to the Foundation Center, there were 737 grantmaking community foundations in the United States in 2009 (Foundation Center, Growth and Giving Estimates, April 2011). NPT focused data collection for community foundations holding the largest values in donor-advised fund assets.
3. NPT reviewed data for a total 484 of organizations from 2007 to 2010. Over that time, some programs closed and new ones opened. For this report, we used data from 478 of those organizations. We have also revised figures from previous years to reflect the new data.

A GLOSSARY OF TERMS

Assets

The amount held in donor-advised fund accounts that is managed by the charitable sponsor. Some charitable sponsors manage other types of funds as well. This report is limited to assets in donor-advised fund accounts.

Charitable Organization

A tax-exempt organization registered with the IRS and recognized under Section 501(c)(3) of the Internal Revenue Code. Donations to a charitable organization are tax deductible to the donor, when the donor claims deductions on income taxes. A charitable organization serves broad public purposes in educational, religious, scientific, and artistic fields, among others, as well as the relief of poverty and other public benefit activities. In the context of this report, a charitable organization can be either a charitable sponsor of donor-advised funds or the recipient of a donor-advised fund grant.

Charitable Sponsor

A tax-exempt incorporated charitable organization that manages donor-advised fund accounts. Charitable sponsors provide services to ensure that potential grant recipients are qualified charitable organizations and administer donor-advised fund accounts to ensure compliance with all regulations. Also called sponsoring charity or fund sponsor.

Community Foundation

A tax-exempt organization that raises funds from the public. It is a philanthropic institution with a long-term goal of engaging many separate donors to carry out charitable interests for the benefit of residents of a defined geographic area, typically no larger than a state.

Contribution

Amount a donor deposits into a donor-advised fund account when establishing the fund or adding money to it.

Donor-Advised Fund

A philanthropic giving vehicle administered by a charitable sponsor. A donor-advised fund allows donors to establish and fund the account by making irrevocable, tax-deductible contributions to the charitable sponsor. Donors then recommend grants from those funds to other charitable organizations.

Grant

A transfer from a donor-advised fund to a qualified charitable recipient.

National Charity

A tax-exempt organization with national reach in fundraising and grantmaking. National charities include independent organizations, such as National Philanthropic Trust, and other charitable organizations affiliated with financial institutions.

Payout

The percentage of total assets at the end of one year that any one type of charitable sponsor or all charitable sponsors grants from a donor-advised fund.

Private Foundation

A tax-exempt organization recognized under Section 501(c)(3) of the Internal Revenue Code formed and controlled by a donor or small group of donors for the purpose of distributing money to charitable organizations or individuals. In this report, corporate foundations are not included in the definition.

Single-Issue Charities

A tax-exempt organization that works in a specific topic area. Some common single-issue charities include universities, Jewish federations, other faith-based charities, and issue-specific charities, such as those in the environmental, social justice or international relief arenas.

Market Overview

In 2010, Donor-Advised Funds Grew in All Metrics Used

From 2009 to 2010, the U.S. economy grew 3.0 percent, after adjusting for inflation. This was somewhat slower than the 60-year average annual inflation-adjusted growth rate of 3.3 percent from 1948 to 2008.⁴

The official unemployment rate in 2010 was 9.6 percent, more than twice the low of 4.0 percent in 2000.⁵ The Dow Jones Industrial Average hovered around 11,400 in late 2010 but has not returned to pre-recession values of more than 14,100 as of late 2011.⁶

Donor-advised fund accounts experienced striking increases in contributions and assets, and also increased grantmaking in 2010 despite mixed signals for overall economic recovery. The increases in donor-advised fund metrics mark a turn-around after declines experienced in 2009.

Donor-advised funds recovered considerably in 2010, after losses in 2009 (Table 1).

- In 2010, donor-advised funds experienced growth in total assets under management of nearly \$30 billion, after dropping to \$26.67 billion in 2009.
- Contributions to donor-advised fund accounts increased to \$7.77 billion, after a steep drop-off in 2009.
- Grantmaking from donor-advised fund accounts grew by \$80 million (\$0.08 billion) in 2010 and exceeded \$6.1 billion (Table 1).

Table 1: Donor-Advised Fund Market Overview*

	2009	2010	% Change
Assets Under Management	\$ 26.67 Billion	\$ 29.96 Billion	12.3%
Total Contributions	\$ 6.20 Billion	\$ 7.77 Billion	25.3%
Total Grant Dollars	\$ 6.10 Billion	\$ 6.18 Billion	1.3%
Total Payout**	18.60%	17.10%	-2.9%
Total # of DAF Accounts	161,967	161,873	-0.1%
Average Size of DAF Account***	\$ 164,663	\$ 185,087	12.4%

*Values reflect data for 478 fund sponsors, including 149 not previously tracked in the Donor-Advised Fund Report.

**Payout = Grant Dollars divided by (Assets Under Management at Year End + Grant Dollars) x 100

***DAF = Donor-Advised Fund. This average is the Assets Under Management divided by the Total Number of DAF accounts.

- Both percentages calculated using "GDP in billions of chained 2005 dollars" in the table for national Gross Domestic Product values released September 29, 2011 by the Bureau of Economic Analysis, www.bea.gov.
- Bureau of Labor Statistics (BLS), Household Data, Annual Averages, [ftp://ftp.bls.gov/pub/special.requests/lf/aat1.txt](http://ftp.bls.gov/pub/special.requests/lf/aat1.txt), accessed October 24, 2011. Note that an alternative measure of unemployment is reportedly as high as 16.5 percent, when considering those underemployed or who have given up their job searches, according to measures of labor underutilization released by the BLS.
- Figures taken from Dow Jones Averages, www.djaverages.com, accessed October 17, 2011.

A Comparison of Giving Vehicles

Donor-Advised Funds Outnumber Other Giving Vehicles

Many types of giving vehicles are available to donors. A Bank of America/Merrill Lynch report found that 17.5 percent of surveyed high-net worth households had at least one donor-advised fund, and 12 percent had a private foundation.⁷

Below is a comparison of donor-advised funds to other types of giving vehicles available. Donor-advised funds have outnumbered private foundations and the combined total of other gift planning vehicles (trusts, annuities and funds) for several years.

Table 2 shows a confirmed total of 161,873 donor-advised funds among all studied charitable sponsors in 2010, compared with around 69,100 private foundations.

The combined total of the other gift planning vehicles (unitrusts, annuity trusts, lead trusts, and income funds) was 122,541 in 2009 and 118,787 in 2010.

Table 2: Donor-Advised Fund Growth vs. Other Charitable Giving Vehicles (Total Number of Funds)

	2009	2010	% Change
Donor-Advised Funds	161,967	161,873	-0.1%
Charitable Remainder Unitrusts (CRUT)	95,928	93,831*	-2.2%
Independent Foundations**	68,508	69,100*	0.9%
Charitable Remainder Annuity Trusts (CRAT)	18,572	16,937	-8.8%
Charitable Lead Trusts (CLT)	6,626	6,609	-0.3%
Pooled Income Funds (PIF)	1,415	1,410	-0.4%

Table 3: Donor-Advised Fund Growth vs. Other Charitable Giving Vehicles (Dollar Value of Assets in Billions)

	2009	2010	% Change
Donor-Advised Funds	\$ 26.67	\$ 29.96	12.3%
Charitable Remainder Unitrusts (CRUT)	\$ 96.06	\$ 91.58*	-4.7%
Independent Foundations**	\$ 482.95	\$ 508.00*	5.0%
Charitable Remainder Annuity Trusts (CRAT)	\$ 8.14	\$ 7.49	-7.9%
Charitable Lead Trusts (CLT)	\$ 18.27	\$ 19.34	5.8%
Pooled Income Funds	\$ 1.32	\$ 1.28	-3.3%

*Indicates an NPT estimate

**The Foundation Center used the term "independent foundation" for non-corporate private foundations.

Sources: NPT Donor-Advised Fund Report for donor-advised funds, Internal Revenue Service for CRUTs, CRATs, CLTs, and PIFs, Foundation Center for foundations 2007-2008, NPT estimates for CRUTs and independent foundations 2010.

7. Bank of America Study of High Net Worth Philanthropy, 2010.

Growth in Recent Years

Donor-advised funds grew markedly in 2010 in total asset values and annual contributions. Grants from donor-advised funds rose slightly and the number of fund accounts declined very slightly. The changes in 2010 placed donor-advised fund metrics slightly below the pre-recession all-time highs.

Number of Funds Declines Slightly

The number of donor-advised fund accounts declined slightly in 2010 to 161,873 (Figure 1). The change from 2009 to 2010 is 0.05 percent. Of note, single-issue charities lost a substantial number of donor-advised fund accounts, but the growth in national charities nearly negates those losses.

Donor-Advised Fund Assets Grow 12.3%, near \$30 billion

Assets under management in donor-advised fund accounts nearly reached \$30 billion for 2010 (Table 1 and Figure 2). However, total assets have not returned to the high of \$30.2 billion in 2008.

Contributions Increase by 25.3%

Contributions to donor-advised funds in 2010 totaled \$7.77 billion. While this was a 25.3 percent increase compared with 2009, contributions to donor-advised funds have not returned to pre-recession levels (Table 1 and Figure 3). There appears to be a direct relationship between contributions and stock market values (see page 7).

Three Consecutive Years with Grants Above \$6 Billion

Grantmaking from donor-advised funds reached nearly \$6.2 billion in 2010 (Table 1 and Figure 4). This was the third consecutive year with grants above \$6.1 billion. Grantmaking rose by 1.8 percent in 2010, compared with 2009.

Average Fund Size Rose by 12.4%

The average size of all donor-advised funds exceeded \$185,000 in 2010 (Figure 5). The 12.4 percent increase marks a recovery from 2009. This recovery reflects improved investment returns, new contributions received, and a steady—not increasing—amount in grant dollars and number of donor-advised fund accounts.

Figure 1: Total Number of Donor-Advised Funds

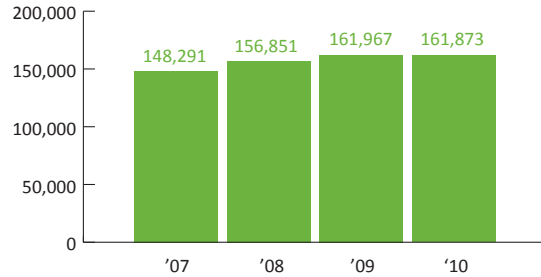


Figure 2: Total Assets in Donor-Advised Funds (Billions)

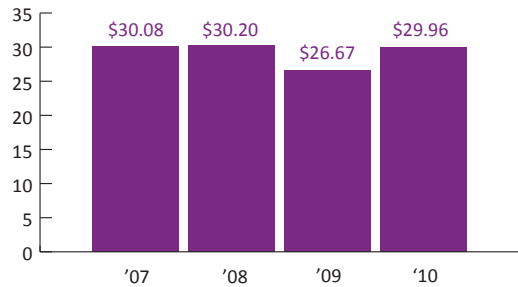


Figure 3: Total Value of Contributions to Donor-Advised Funds (Billions)

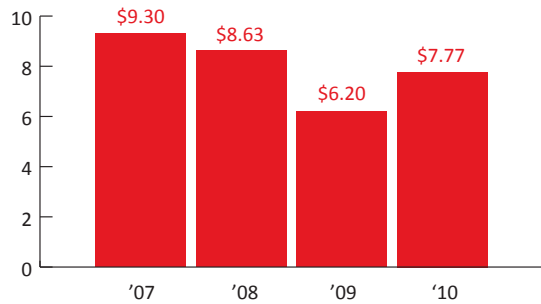
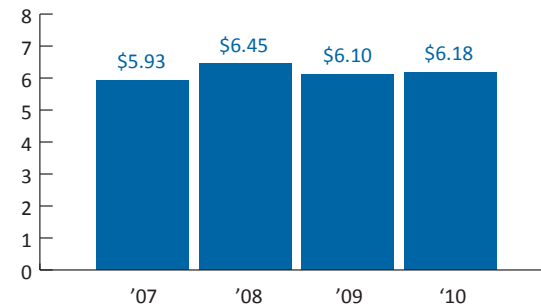


Figure 4: Total Value of Grants from Donor-Advised Funds (Billions)



Payout Rates Consistently Above 16%

The payout rate for donor-advised funds ranged between 16.5 percent and 18.6 percent between 2007 and 2010. The 2010 payout for all donor-advised funds is 17.1 percent (Figure 6).

In general, private foundations hold their payout rate at or near the required threshold of 5 percent of assets, with the exception of private foundations that are spending down their assets.

A decade or more of donor-advised fund data shows that payout rates are consistently and substantially above 5 percent.⁸

Donor-Advised Fund Metrics Compared with the Dow Jones Industrial Average

Donor-advised fund contributions—but not grantmaking—fluctuated with the Dow Jones Industrial Average (DJIA) between 2007 and 2010, with a one-year lag. That is, the DJIA fell sharply between 2007 and 2008, but the corresponding sharp drop in contributions for donor-advised funds was the following year, 2008 to 2009.

The DJIA rose from 2008 to 2009 by 18.8 percent—and contributions to donor-advised funds increased from 2009 to 2010 by 25.3 percent. Note that the DJIA increased further still in 2010, and as of November 2011 was also on an upward trajectory. Both of these suggest donors will increase contributions to their donor-advised funds in 2011.

In contrast to donor-advised fund contributions, grantmaking from donor-advised funds fluctuated between 2007 and 2010. When the market was down dramatically in 2008, grantmaking from donor-advised funds actually increased. Like contributions, grantmaking from donor-advised funds declined between 2008 and 2009, but the drop in grantmaking was substantially smaller at just 5.4 percent (Figure 7).

Figure 5: Average Donor-Advised Fund Size

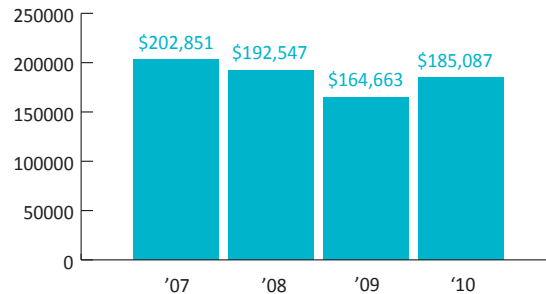


Figure 6: Average Annual Payout Rates for Donor-Advised Funds

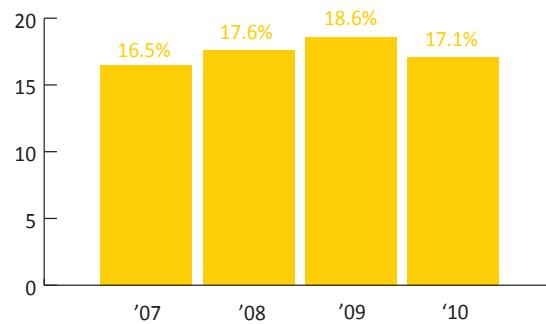
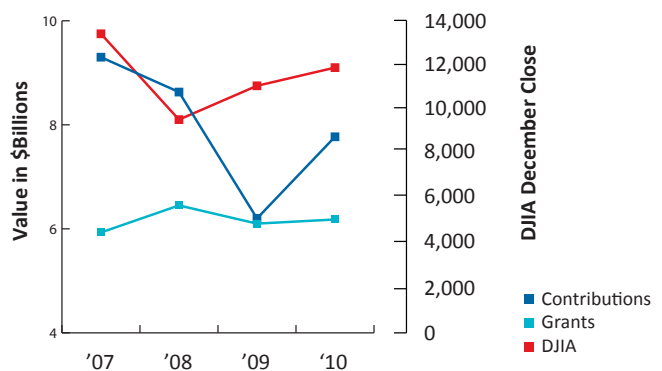


Figure 7: Donor-Advised Fund Contributions and Grantmaking Compared to the Dow Jones Industrial Average



8. See Giving USA 2002, page 138-139; and prior editions of The Donor-Advised Fund Report.

A Comparison of Sponsor Types

Overview

Donor-advised fund accounts can be established with many types of charitable organizations. There are 1.28 million public charities in the U.S. and less than 1% sponsor donor-advised funds. In this report, three types of sponsoring organizations are tracked: national charities, community foundations and single-issue charities.

Community foundations and Jewish federations opened the first donor-advised funds in the mid-1930s. National donor-advised fund programs began about two decades ago. There are now more than 160,000 separate donor-advised fund accounts among the 478 fund sponsors tracked in this study.

Over time, national charities have been growing in number and assets; single-issue charity sponsors have seen declines in both in recent years. Community foundations have held relatively steady in number of donor-advised fund accounts and in assets in comparison with the other two types of sponsors.

The number of national charities' donor-advised fund accounts outnumber the other two types of charitable sponsors, have higher asset values and distribute more grant dollars. However, because of some very large donor-advised fund accounts, community foundations have a higher average donor-advised fund value. Single-issue charity sponsors have a higher payout rate than the other two types of charitable sponsors.

National Charities

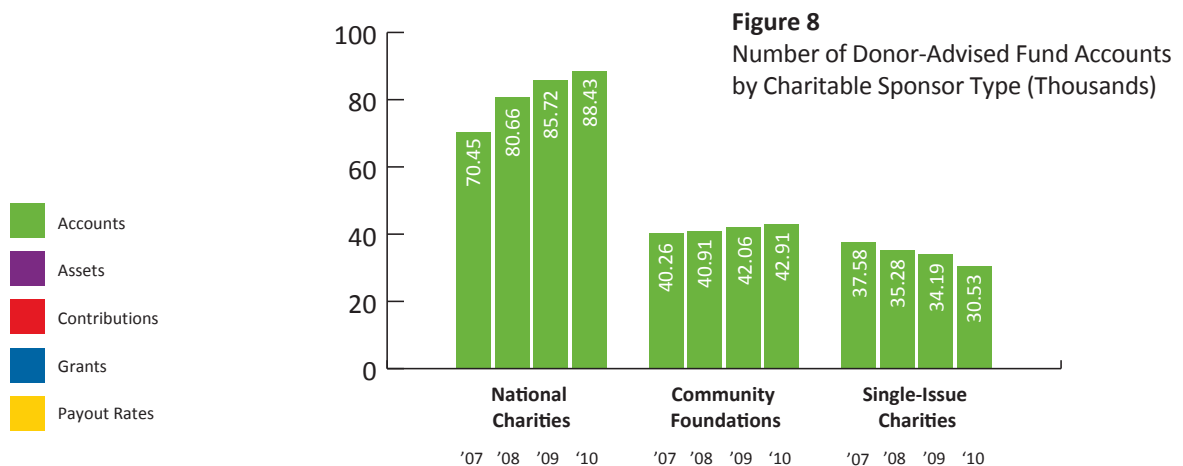
In this analysis, we have data for contributions, grantmaking and assets for 32 donor-advised fund programs at national charities in 2010. These national charitable sponsors had 88,428 accounts among them with assets of \$11.99 billion in 2010. The number of donor-advised fund accounts in national charities outnumbered the combined total of those at community foundations and single-issue charities in 2010.

Accounts

The number of donor-advised fund accounts in national charities increased by 3.2 percent in 2010, compared with 2009, to 88,428. Even during the economic downturn between 2007 and 2009, donors continued to create new donor-advised funds at national charities. Figure 8 shows the number of donor-advised fund accounts.

Assets

From 2009 to 2010, total assets in all national charities increased by 19.3 percent, from \$10.05 billion to \$11.99 billion. Figure 9 shows assets in donor-advised fund accounts.



Contributions

Total contributions to donor-advised fund accounts at national charities reached nearly \$4 billion in 2010. This was an increase of 42.3 percent. With nearly the same number of accounts as in 2009, this increase reflects additional contributions to existing accounts. Figure 10 shows contributions to donor-advised fund accounts by charitable sponsor type.

Grants

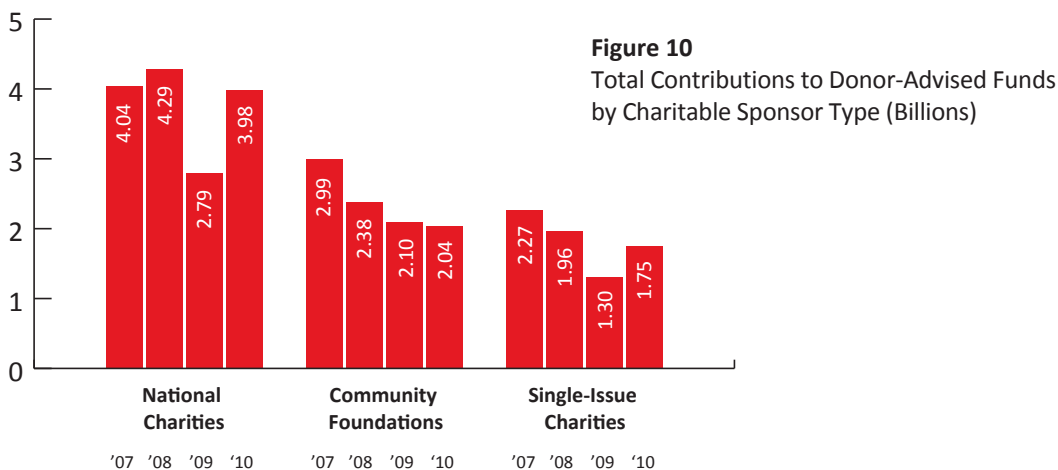
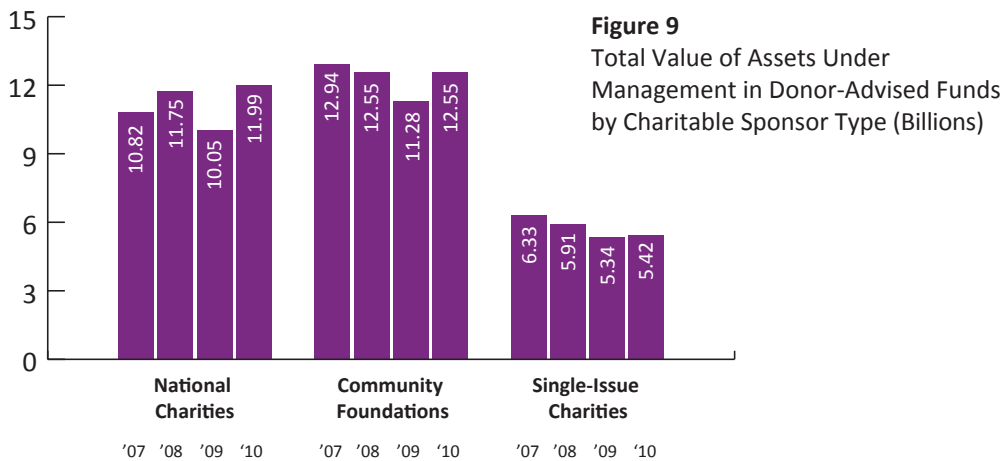
The total value of grants from donor-advised fund accounts at national charities reached \$2.86 billion in 2010. This reflects an increase in total grantmaking of 15 percent since last year. Figure 11 shows the value of grants paid by type of charitable sponsor.

Payout

The total payout rate from national charities was 19.3 percent in 2010, only slightly down from the high of 19.9 percent in 2009. Figure 12 shows payout rates by type of charitable sponsor.

Average Account Size

Average donor-advised fund account size in national charities rose in 2010, driven by increased contributions and investment returns. The overall average was \$135,566, which represents an increase of 15.6 percent compared with the 2009 average of \$117,252. Figure 13 shows average account size by type of charitable sponsor.



A Comparison of Sponsor Types

Community Foundations

For 2010, donor-advised fund data was available for 267 community foundations. Donor-advised fund programs at these community foundations have more than 42,900 donor-advised funds accounts with assets of \$12.55 billion.

Accounts

The number of donor-advised fund accounts in community foundations increased by 2 percent in 2010, compared with 2009, to 42,913. This follows growth in 2009 of 2.8 percent. See Figure 8.

Assets

From 2009 to 2010, total assets in donor-advised funds in community foundations increased by 11.3 percent, from \$11.28 billion to \$12.55 billion. See Figure 9.

Contributions

Total contributions to donor-advised funds at community foundations fell from \$2.10 billion in 2009 to \$2.04 billion in 2010. The change in contributions from 2009 to 2010 was a decrease of 3.2 percent. See Figure 10.

Grants

Grants from community foundation donor-advised fund programs totaled \$1.85 billion in 2010. The 2010 grant total reflects a decrease in grantmaking of 12.7 percent compared with 2009. See Figure 11.

Payout

The total payout from donor-advised funds in community foundations was 12.9 percent in 2010, a drop from values above 15 percent the previous year. See Figure 12.

Average Account Size

Average donor-advised fund account size in community foundations rose in 2010 to \$292,486. This represents an increase of 9.1 percent compared with the 2009 average. See Figure 13.

Single-Issue Charities

For 2010, we analyzed data for 179 single-issue charities with more than 30,530 donor-advised fund accounts and assets of \$5.42 billion.

Accounts

The number of accounts in single-issue charities decreased by 10.7 percent in 2010, compared with 2009, to 30,532. This follows steady declines since 2007. See Figure 8.

Assets

Total assets in donor-advised funds in single-issue charities was \$5.42 billion, a change of just 1.5 percent from 2009. See Figure 9.

Contributions

Total contributions to donor-advised funds in single-issue charities rose to \$1.75 billion in 2010. This growth does not make up for the loss in the prior year. The change in contributions from 2008 to 2009 was a decrease of 33.7 percent. See Figure 10.

Grants

Grants from donor-advised funds in single-issue charities totaled \$1.46 billion in 2010, down from \$1.49 billion granted in 2009, a drop of 1.9 percent. See Figure 11.

Payout

The total payout from donor-advised funds in single-issue charities was 21.2 percent in 2010. See Figure 12.

Average Account Size

Average donor-advised fund account size in single-issue charities rose in 2010. This growth represents an increase of 13.7 percent compared with the 2009 average. See Figure 13.

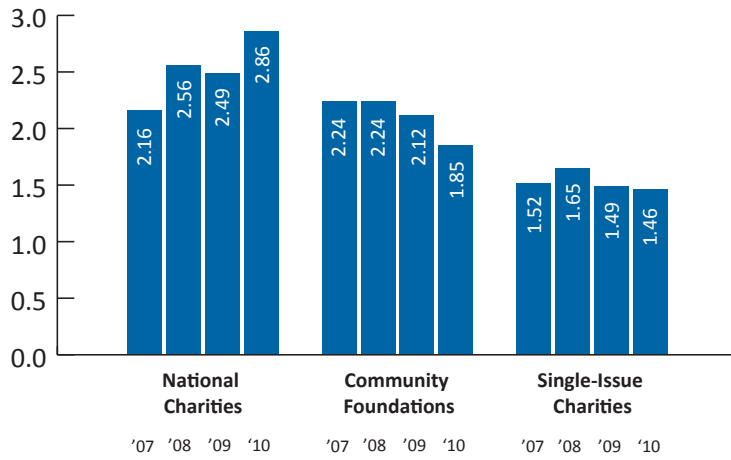


Figure 11
Total Value of Grants from Donor-Advised Funds by Charitable Sponsor Type (Billions)

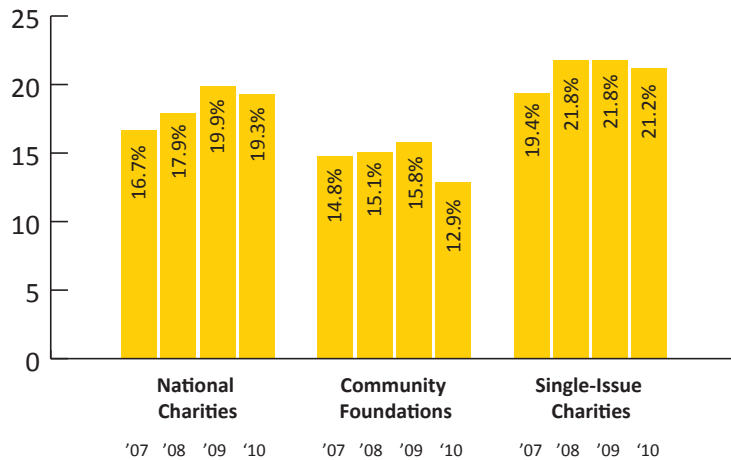


Figure 12
Total Payout from Donor-Advised Funds by Charitable Sponsor Type

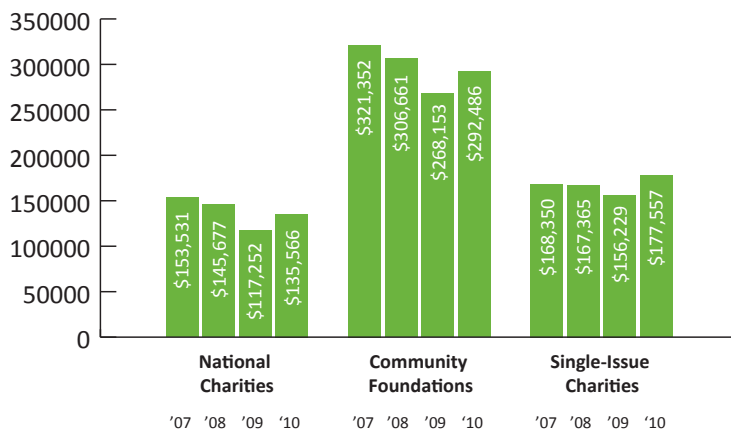


Figure 13
Average Size of Donor-Advised Fund Account by Charitable Sponsor Type (Total Assets Divided by Total Number of Accounts)

A Comparison of Sponsor Types

Trend Analysis

Trend analysis uses information from organizations reporting during each year of review—in this case, both 2009 and 2010. Trend analysis reflects organization-level changes instead of shifts in the entire market, thereby creating better benchmarks from year to year. The median change is often most useful for benchmarking purposes as it shows the mid-point between the highest and lowest rate of change. In this report, trend analysis shows the average and

median changes to contributions and grants are wide-ranging among all donor-advised fund sponsors. This likely reflects new programs receiving significant contributions and making large grants while the contributions and grants at existing programs stayed relatively the same. Trend analysis also shows the average and median payout rates for all sponsors are much higher than the typical payout rate for private foundations.

Assets

Organizations Reporting
in either 2009 or 2010

Organizations Reporting
in both 2009 and 2010

	Change	Average Change	Median Change
National Charities	19.3%	32.6%	14.4%
Community Foundations	11.3%	30.0%	12.9%
Single-Issue Charities	1.5%	13.0%	2.5%

Contributions

Organizations Reporting
in either 2009 or 2010

Organizations Reporting
in both 2009 and 2010

	Change	Average Change	Median Change
National Charities	42.3%	125.0%	0.0%
Community Foundations	3.2%	91.9%	2.4%
Single-Issue Charities	34.0%	123.0%	6.9%

Grants

Organizations Reporting
in either 2009 or 2010

Organizations Reporting
in both 2009 and 2010

	Change	Average Change	Median Change
National Charities	52.4%	125.0%	2.9%
Community Foundations	-12.7%	48.0%	3.0%
Single-Issue Charities	-1.9%	132.0%	-4.0%

Payout Rates

Organizations Reporting
in either 2009 or 2010

Organizations Reporting
in both 2009 and 2010

	Change	Average Change	Median Change
National Charities	19.3%	16.0%	14.7%
Community Foundations	12.9%	12.3%	12.0%
Single-Issue Charities	21.2%	21.5%	16.8%

Average Account Size

Organizations Reporting
in either 2009 or 2010

Organizations Reporting
in both 2009 and 2010

	Change	Average Change	Median Change
National Charities	15.6%	22.4%	9.9%
Community Foundations	9.1%	21.6%	9.9%
Single-Issue Charities	13.7%	9.6%	2.8%

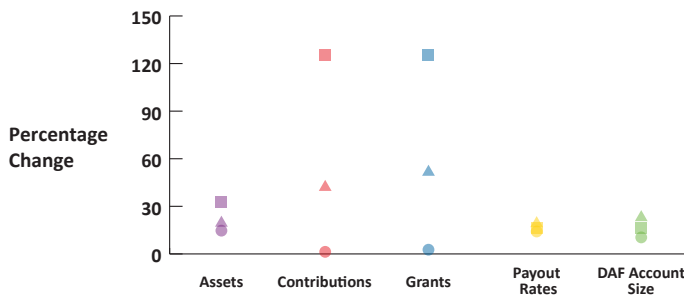


Figure 14
Trend Analysis for
National Charities
(2009 - 2010)



Figure 15
Trend Analysis for
Community Foundations
(2009 - 2010)



Figure 16
Trend Analysis for
Single-Issue Charities
(2009 - 2010)

▲ All Reporting Organizations Change ■ Trend Organizations Average Change ● Trend Organizations Median Change

Projections and Observations

Comparison of Projections and Results for 2010

Last year's Donor-Advised Fund Report projected a strong rebound in donor-advised fund assets and grantmaking in 2010. In this analysis, with a larger number of donor-advised fund sponsors, our prediction regarding assets proved correct: assets grew to nearly \$30 billion. However, grant distributions only rose 1.3 percent when using the revised figure for 2009.

Contributions to donor-advised funds grew significantly in 2010, increasing by 25.3 percent (Table 1), which suggests there will be robust growth in grantmaking in 2011 and possibly into 2012. This growth in contributions, combined with investment yields, has contributed to growth in assets overall by 12.3 percent. Assets had not returned to pre-recession highs by the end of 2010.

Different Types of Sponsors Meet Different Donor Needs

Donor-advised funds form part of the "tool kit" available for philanthropic, financial and tax planning. One study shows that 17 percent of high-net worth households surveyed had a donor-advised fund in 2009-2010, compared with 45 percent who had a charitable bequest in an estate plan and compared with 98.2 percent who made charitable gifts at all in the prior year.⁹

Assets in national charities, which our experience suggests are largely funded by living donors, are approaching the value of assets in community foundations. At least some of the assets in older community foundations originate from bequests. We anticipate continued growth of national charities, in particular, as they increase in visibility as an option for donors.

Community foundations offer donors extensive knowledge of local charitable organizations, identify the community's most pressing issues and convene local leaders on emerging issues. Donors who make charitable gifts to local organizations often find a community foundation's knowledge attractive in helping guide their giving. This report notes that contributions to community foundations

are decreasing. This reduction may be related to the increasing trend in charitable contributions to organizations outside of one's local community, particularly the sharp rise in international giving.¹⁰

Single-issue charities are diverse, ranging from issue-specific groups, which are relatively new to the donor-advised fund field, to Jewish Federations, which are among the earliest sponsoring organizations. Donors with particular loyalties to the sponsoring charity—such as alumni of a university—can use donor-advised funds as another vehicle to help satisfy their philanthropic goals. Recent declines in the number of donor-advised fund accounts in single-issue charities suggests, however, donors are opting for other gift planning solutions.

What Lies Ahead?

Looking to 2012, barring a new, major economic crisis, donor-advised funds are likely to continue to grow in all metrics: assets under management, contributions, number of funds, and grant dollars awarded. Several of the largest national charities have already reported robust increases in contributions, grants and assets under management through June 2011. Based on these preliminary reports, and coupled with improved investment performance, we project that donor-advised funds could achieve historic highs in all areas in our next report.

NPT has also identified several patterns that could also positively impact donor-advised fund growth for both the short and long-term. Among the most immediate is that donors are increasingly contributing a wider range of assets to their donor-advised funds.

Few charitable organizations have the expertise or willingness to accept complex or illiquid assets, such as restricted and closely-held stock, real estate, art, or other tangible personal property. For donors, these assets often comprise the largest share, if not the entire source of their wealth.

NPT has experienced a marked increase in the number of complex gifts. Donors and their advisors are incorporating the donor-advised fund in tax and financial planning, putting highly-appreciated assets toward charitable purposes.

9. Bank of America Study of High Net Worth Philanthropy, 2010.

10. Giving USA 2011 reported a 15% increase in international giving between 2009 and 2010.

Barring a new, major economic crisis, donor-advised funds are likely to continue to grow in all metrics: assets under management, contributions, number of funds, and grant dollars awarded.

Another change we have observed that will have a long-term impact is the increasing use of donor-advised funds in estate planning. Donors, their advisors and attorneys are recognizing the potential use of a donor-advised fund as the beneficiary of a will, insurance policy, 401(k) or IRA account.

Often the largest gift a donor will ever make to charity is through their estate plan. Contributions to charity are not subject to estate taxes. By naming their donor-advised fund as a charitable beneficiary, donors can support charitable causes beyond their lifetime and pass along the value of philanthropy to the next generation.

In the last few years, we have noticed individuals and families have increased interest in converting or replacing their private foundations with donor-advised funds. Compared to private foundations, donor-advised funds are faster to establish, less costly to administer and offer more favorable tax benefits.

For many families, the driving factor in establishing a donor-advised fund is the ability to support their favorite charities anonymously, which is nearly impossible to do with a private foundation. If consumer confidence and overall economic conditions improve, this will only enhance these aforementioned trends and lead to sustained growth in donor-advised funds for the foreseeable future.

Regulatory Considerations

As this report went to press, the United States Department of Treasury released the long-awaited "Report to Congress on Supporting Organizations and Donor Advised Funds." The report was mandated by the 2006 Pension Protection Act. Although the report uses data from 2006, its findings mirror ours: the payout rate from donor-advised funds is substantially higher than that of private foundations.

It is noteworthy that the Treasury report did not make any recommendations for instituting a percentage payout for donor-advised funds. This suggests decision-makers consider donor-advised fund activity to be acceptable and in keeping with the charitable intent of the vehicle. Based on these findings, it is unknown whether Congress will take any action in response to the Treasury Department's newly released report.

More generally, as of late 2011, Congress continues debates about tax deductibility of charitable contributions as part of proposals to reduce the federal debt. The relationship between tax benefits, economic growth and charitable giving has been widely studied with varying conclusions.¹¹ We cannot predict what impact, if any, Congressionally-approved tax deductibility plans may have on charitable giving figures.

Summary

The 2010 fiscal year saw tremendous growth in new contributions to donor-advised funds, an overall increase of 25.3 percent. Donor-advised funds accounted for nearly 3 percent of all charitable contributions in the United States in 2010. This is more than all United Ways combined. And like United Way, donor-advised fund contributions are redistributed to charitable organizations, with due diligence performed by fund sponsors to ensure that recipient organizations are eligible for charitable contributions. With a payout rate of more than 16 percent a year since 2007, donor-advised funds are an integral component to funding the United States nonprofit sector.

11. For one summary, see Peloza and Steel. 2005. *The price elasticities of charitable contributions: A meta-analysis*. Journal of Public Policy & Marketing

Methodology

Organizations Examined

The 2011 Donor-Advised Fund Report reviewed a total of 478 501(c)(3) public charities that sponsor and/or manage donor-advised funds.

Primary Data Source

The primary data source for each organization's assets, contributions, grants, and total number of donor-advised fund accounts was the respective organization's IRS Form 990, the annual information return charities filed with the Internal Revenue Service.

For organizations that filed returns for FY2009 and FY2010, this information is found in Schedule D. For the 2011 Donor-Advised Fund Report, NPT began collecting the Employer Identification Numbers (EINs) for each charity to ensure accuracy in the collection of organization data. For organizations that filed returns for FY2008 this may include information found on Schedule D. For others, and those organizations which filed returns for FY2007 and FY2006, this data can be found on the following lines:

- Contributions: Line 1A
- Grants: Line 22A
- Accounts: Schedule A, Part III, Line 4D
- Assets: Schedule A, Part III, Line 4E

NPT obtained copies of Form 990 via GuideStar (www.guidestar.org). In select cases NPT obtained copies of Form 990 from the Foundation Center's 990 finder (www.foundationcenter.org) or the organization's website.

Secondary Data Sources

For the years FY2007-2010 the following served as secondary sources for the above data. This includes data publicly disclosed and/or reported by the organization. For those organizations which filed returns for FY2005 and years prior, these served as primary sources for the above data:

- Annual donor-advised fund survey conducted by The Chronicle of Philanthropy
- The organization's annual report
- The organization's website
- The organization's audited financial statements

Standard Fiscal Data by Filing Year

Since organizations have varied fiscal years which may end in March, June, December, etc., data was recorded in the fiscal year in which it was filed with the IRS and posted on GuideStar (www.guidestar.org). Each Form 990 is designated by the year, and this data is then included in the respective year.

Continuous Data Updates

NPT significantly expanded the number of charities reviewed—from 331 to 478 organizations. These include the largest programs in all major categories—32 national charities, 267 community foundations, and 179 single-issue charities. NPT continuously updates all key data points (assets under management, grants, contributions, and accounts) back to FY2007.

A Note on Comparing Changes in Donor-Advised Funds with Changes in Private Foundations

The Foundation Center estimated in early 2011 that private foundation grantmaking declined 0.8 percent in 2010, which differs slightly from the 1.3 percent increase found by donor-advised funds.

However, comparing annual changes in donor-advised funds with changes in private foundations can be confusing because organizations use many different reporting years. Many donor-advised fund sponsors use a July-June fiscal year, and many private foundations use a calendar year or an April-March fiscal year.

When a significant economic event occurs in the last six months of a calendar year, the impact of that event will appear in different reporting years for those using a fiscal year and those using a calendar year.

In addition to the mis-match on reporting years, there is a mis-match for when data are available. As of late 2011, the Foundation Center had not released an asset or contributions total for private foundations for 2010.

National Philanthropic Trust is an independent public charity dedicated to providing expertise to donors, foundations and financial institutions, enabling them to realize their charitable giving goals through the use of donor-advised funds and supporting organizations. Founded in 1996, NPT is one of the top 25 grantmakers in the United States with over \$1 billion in assets under management. Since its inception, NPT has raised over \$2.5 billion in charitable contributions, and made over 55,000 grants to U.S. and international charities totaling \$1.5 billion.



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