



National
Philanthropic
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2014

DONOR-ADVISED FUND REPORT



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This report was prepared by National Philanthropic Trust under the guidance of Eileen R. Heisman, President and CEO; Andrew W. Hastings, Chief Development Officer; and NPT's Communications Department. Melissa S. Brown of Melissa S. Brown Associates, LLC provided additional analysis and writing services. Mike Boyce, Sibel Ozelik, and members of NPT's staff provided research assistance.

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 Assistant Vice President of Communications at bcase@npitrust.org or 215.277.3010.

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Dear Colleague:

National Philanthropic Trust is proud to release our eighth annual Donor-Advised Fund Report.

For the third year in a row, there were record benchmarks in every data point: grants, contributions, charitable assets and the number of individual donor-advised fund accounts.

The *2014 Donor-Advised Fund Report* uses 2013 data collected from 1,012 charitable organizations. The data collected for this report demonstrates the rapid growth of donor-advised funds over the last several years. Highlights from this year's report include:

- Grants from donor-advised fund accounts to qualified charities are nearly \$10 billion, reaching a record high of \$9.66 billion.
- Contributions to donor-advised fund accounts total more than 5 percent of all giving in the U.S.
- Charitable assets in donor-advised fund accounts total over \$50 billion for the first time—an increase of nearly 20 percent over the prior year.
- There are now more than 217,000 donor-advised fund accounts. The growth rate of new accounts represents a 34 percent increase over the last seven years.

As the number of charitable organizations that sponsor donor-advised funds (also called Charitable Sponsors) tracked in this report has expanded, so too has the historical data, allowing for new, more accurate calculations and methodology. For example, in this year's report we have revised the grant payout formula—or the rate at which grants are paid as calculated in relation to the charitable assets in a donor-advised fund account. This approach replicates the way in which private foundations calculate their grant payout and creates more accurate reporting when comparing donor-advised funds to private foundations.

Using the new methodology, we found that donor-advised funds have granted out more than 20 percent of their assets annually for the last seven years. The growth rates for contributions to and grants from donor-advised funds have been in the double digits for several years. Donors are actively using their donor-advised funds to support their favorite charities and causes, regardless of economic conditions.

Every dollar in donor-advised fund accounts is destined for charitable organizations. These record highs are good news for charities, their beneficiaries and other donors who support them.

National Philanthropic Trust is pleased to make this report available to our colleagues in the charitable sector and the public.

Regards,



Eileen R. Heisman
President & CEO

ABOUT THIS REPORT

Donor-advised funds have made up at least 2 percent of philanthropic giving in the United States since 2007.¹ For 2013, the most current estimates are that contributions to donor-advised funds equated to 5.2 percent of all gifts to charitable organizations. National Philanthropic Trust provides this report as a public service to our colleagues who are interested in this increasingly popular charitable giving and grantmaking vehicle.

Purpose and Scope

This report provides an up-to-date analysis of the donor-advised fund market. It is based on data collected during the second and third quarters of 2014 about donor-advised funds and their charitable sponsors in fiscal year 2013.

National Philanthropic Trust (NPT) studied 1,012 charitable organizations that administered donor-advised funds in 2012 and 2013, plus additional sponsors that operated between 2007 and 2012 that have since closed or merged. Data in this report come primarily from IRS Form 990 public information returns, which donor-advised fund charitable sponsors filed with the IRS.

Additional data came from audited financial statements, annual reports, organizational websites and news releases. A breakdown of the organizations appears in the box at the lower left.

Total estimated charitable contributions in the United States in 2013 were \$335.17 billion.² Of those contributions, donor-advised fund accounts received \$17.28 billion, or 5.2 percent of the total charitable giving for the year. This is an increase over the 4.3 percent noted in last year's report and the 3.2 percent from the *2012 Donor-Advised Fund Report*.

In turn, grants to charitable organizations from donor-advised fund accounts totaled \$9.66 billion. This is the third consecutive year that grants from donor-advised fund accounts total more than \$8 billion. Last year's total, now revised to include new donor-advised fund sponsors and reflect data from IRS Forms 990, is \$8.58 billion, and the total for 2011 is \$8.14 billion.

Changes in This Edition

This year we have refined the method of calculating grant payout to be comparable to private foundations' payout calculation. This report calculates grant payout from donor-advised fund sponsors based on charitable assets held in donor-advised funds at the end of the prior year. Thus, for 2013, the payout is based on donor-advised fund end-of-year charitable assets held in 2012 and the 2013 grants. The actual payout calculation for foundations is complex, as shown in *Understanding and Benchmarking Foundation Payout* from The Foundation Center.³ Instead, the Foundation Center uses the simplified approach of dividing grants made in the current year by the end-of-year investable assets of last year.⁴ This is the model our report's revised payout calculation is based upon and will be used going forward. We have adjusted past grant payout rates using this new calculation.

**CHARITABLE SPONSORS
EXAMINED IN THIS
REPORT**

43
NATIONAL CHARITIES

606
COMMUNITY FOUNDATIONS
363
SINGLE-ISSUE CHARITIES

¹ Giving USA. 2012. *Spotlight: A Report on Donor-Advised Funds*. Issue 4, 2012.

² Giving USA 2014

³ Private foundations track net assets monthly and average over 12 to 60 months for the denominator of the payout calculation. For the numerator, private foundations include qualified distributions, allowed costs of grantmaking, other charitable uses of funds (such as technical assistance provided to grantees). They also make additional adjustments to account for any grant monies returned, certain taxes paid, and other circumstances.

⁴ Steven Lawrence. 2014. Private communication from Director of Research at The Foundation Center to analysts working with National Philanthropic Trust.

CHARITABLE ASSETS

The amount charitable sponsors hold and manage in donor-advised fund accounts. 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 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. Most Community Foundations, both trust and corporate forms, qualify as publicly-supported charities under IRC 509(a)(1) and 170(b)(1)(A)(vi). 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 donates to 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 of assets from a donor-advised fund account to a qualified charitable recipient.

NATIONAL CHARITY

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

GRANT PAYOUT

The percentage of total charitable assets at the end of one year that any one type of charitable sponsor or all charitable sponsors grants from a donor-advised fund account to qualified charities and charitable projects. Grant payout in this report is calculated as grants made in the current year divided by donor-advised fund assets held at the end of the prior year.

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

From 2012 to 2013, the U.S. economy grew 2.2 percent, after adjusting for inflation. This is a markedly lower rate of growth than the 60-year average annual inflation-adjusted growth rate of 3.4 percent from 1948 to 2007, but is a positive movement from the extremely low rate of 1.8 percent recorded for 2011.⁵ In 2013, the official unemployment rate was 7.4 percent -- down considerably from the 8.1 percent rate in 2012, but still historically high. As a comparison, the 2007 pre-recession employment rate was 4.6 percent.⁶

The Dow Jones Industrial Average rose by more than 25 percent in 2013, after adjusting for inflation, closing at 16,576.66. This surpasses the prior year-end high of just over 13,260.⁷

Donor-advised funds saw substantial growth in almost every metric, including grant dollars, total contributions and charitable assets. (Table 1) These increases coincided with stock market values for investments to create record highs.

Of particular note:

- Grantmaking from donor-advised fund accounts to qualified charities totaled an estimated \$9.66 billion, representing an increase of 12.6 percent compared with 2012, which is revised to \$8.58 billion.
- Contributions to donor-advised fund accounts increased to \$17.28 billion, or a 23.5 percent increase compared with the prior year's contributions, which are revised to \$13.99 billion.
- Charitable assets in donor-advised fund accounts grew by \$8.89 billion in 2013; total charitable assets available for grantmaking in all donor-advised fund accounts were an estimated \$53.74 billion. This is an increase of 19.8 percent from a revised total of \$44.85 billion last year. These numbers continue a trajectory of growth in charitable assets above 15 percent annually that began in 2012.

TABLE 1:

Donor-Advised Fund Metrics Overview*

	2012	2013	% change
Charitable Assets	\$44.85B	\$53.74B	19.8%
Total Contributions	\$13.99B	\$17.28B	23.5%
Total Grant Dollars	\$8.58B	\$9.66B	12.6%
Grant Payout**	22.5%	21.5%	-4.4%
Total # of DAF Accounts	205,552	217,367	5.7%
Average Size of a DAF*** Account	\$218,054	\$247,217	13.4%

*Values reflect 1,018 fund sponsors, of which 1,012 had data for both 2012 and 2013.

**Grant Payout = Grant Dollars divided by Charitable Assets at end of prior year x 100 to get a percentage.

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

⁵All growth percentages calculated using "GDP in billions of chained 2009 dollars" in the table for national Gross Domestic Product values released September 25, 2014 by the Bureau of Economic Analysis, www.bea.gov.

⁶Bureau of Labor Statistics (BLS) average unemployment rate, civilian labor force 16 years and over, not seasonally adjusted, <http://www.bls.gov/cps/cpsaat01.pdf>. Accessed October 16, 2014.

⁷Figures taken from Dow Jones Averages, closing figure, http://www.1stock1.com/1stock1_139.htm accessed October 16, 2013. Inflation adjustment uses Personal Consumption Expenditures Index used by the U.S. Bureau of Economic Analysis, www.bea.gov.

COMPARISON OF GIVING VEHICLES

The tables below compare donor-advised fund accounts to other types of charitable giving vehicles. Donor-advised funds have outnumbered private foundations and the combined total of other gift planning vehicles (trusts, annuities and pooled income funds) for several years.

Table 2 shows an estimated total of 217,367 donor-advised fund accounts among all charitable sponsors included in this report. This number compares with an estimated 84,350 private foundations. The combined total of the other gift planning vehicles (private foundations, unitrusts, annuity trusts, lead trusts, and pooled income funds) was 192,270 in 2012 and 196,100 estimated in 2013.

TABLE 2

Donor-Advised Fund Growth Compared with Other Charitable Giving Vehicles

(Total Number of Funds)

	2012	2013	% change
Donor-Advised Funds	205,662	217,367	5.7%
Charitable Remainder Unitrusts	91,250	90,380	-1.0%
Private Foundations*	78,582	84,350	7.3%
Charitable Remainder Annuity Trusts	14,616	13,660	-6.5%
Charitable Lead Trusts	6,498	6,480	-0.3%
Pooled Income Funds	1,324	1,230	-7.2%

TABLE 3

Donor-Advised Fund Growth Compared with Other Charitable Giving Vehicles

(Dollar Value of Assets in Billions)

	2012	2013	% change
Donor-Advised Funds	\$44.8	\$53.7	19.8%
Charitable Remainder Unitrusts	\$85.2	\$88.1	3.4%
Private Foundations*	\$584.0	\$614.9	5.7%
Charitable Remainder Annuity Trusts	\$6.4	\$6.2	-3.7%
Charitable Lead Trusts	\$23.7	\$26.8	13.2%
Pooled Income Funds	\$1.3	\$1.2	-2.4%

Italics indicate an NPT estimate.

**The Foundation Center uses 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, except where estimated by NPT as noted.

GROWTH IN RECENT YEARS

Donor-advised funds grew significantly in 2013. Total charitable assets available for grantmaking reached an all-time high from a combination of an increase in annual contributions and probable gains from investment yields. Grants from donor-advised fund accounts rose, as did the number of individual donor-advised fund accounts.

Number of Accounts Saw Steady Increase

The number of donor-advised fund accounts increased by 5.7 percent in 2013, to 217,367. (Table 1 and Figure 1) This sustains the annual growth rate of 4 percent or better reported since 2011. The number of accounts at Single-Issue Charities held steady with an increase of just 1.1 percent; Community Foundations increased by 3.1 percent; and National Charities saw the largest increase, with 9.1 percent more donor-advised fund accounts over the previous year.

Grant Total Nears \$10 billion

Grants from donor-advised fund accounts to charitable organizations reached a new high at \$9.66 billion. (Table 1 and Figure 2) The growth rate compared to a revised total for 2012 grants of \$8.58 billion is a 12.6 percent increase. The rate of growth between 2012 and 2013 is almost double the 6.7 percent increase between 2011 and 2012.

Contributions at an All-Time High

Contributions to donor-advised fund accounts in 2013 totaled \$17.28 billion, also an all-time high. This number surpasses the revised 2012 value of \$13.99 billion by \$3.2 billion (Table 1 and Figure 3), an increase of 23.5 percent. Even in reaching a new high, however, contributions rose at a slower rate in 2013 than they had in 2012, when the amount contributed to donor-advised funds increased by 33.5 percent. In 2007, contributions to donor-advised fund accounts were approximately 3 percent of total giving in the United States. For 2013, contributions of \$17.28 billion equate to more than 5 percent of total giving.

FIGURE 1: Total Number of Donor-Advised Fund Accounts

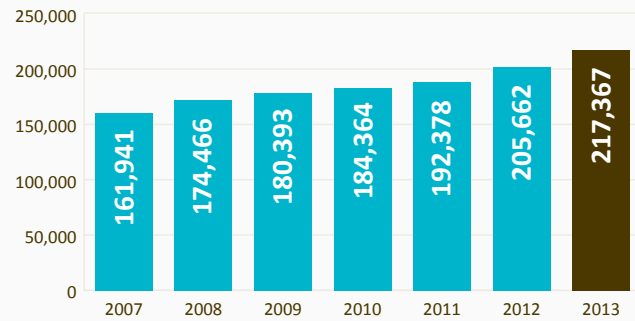


FIGURE 2: Total Value of Grants from Donor-Advised Funds

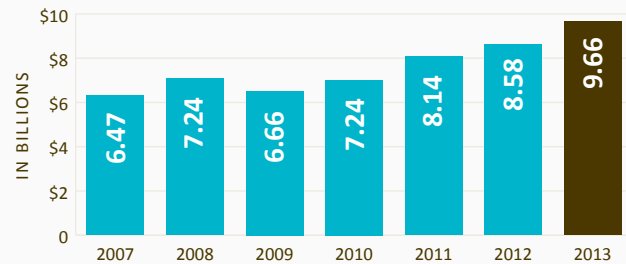
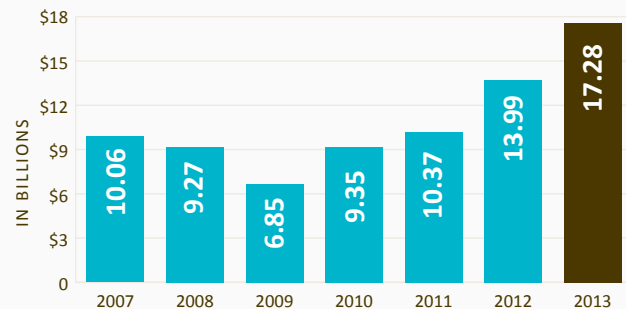


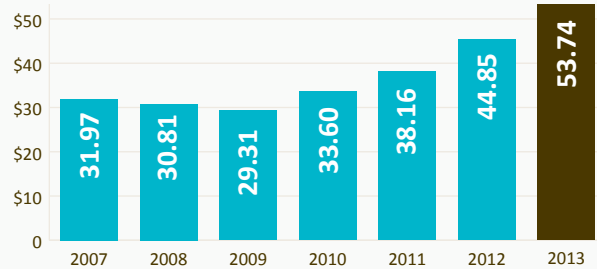
FIGURE 3: Total Contributions to Donor-Advised Funds



Charitable Assets Grew 19.8%, Exceed \$53 billion

Charitable assets under management in all donor-advised fund accounts totaled \$53.74 billion in 2013, an all-time high (Table 1 and Figure 4) The increase in total charitable assets can logically be attributed to the growth in the number of funds (a 5.7 percent increase) and contributions (a 23.5 percent increase). While the data collected do not provide investment return information, the stock market experienced a 25 percent increase in value. It is likely that investable charitable assets generated solid gains at all donor-advised fund charitable sponsors.

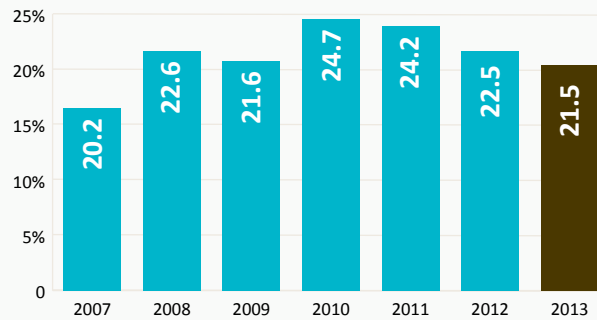
FIGURE 4: Total Charitable Assets in Donor-Advised Funds



Grant Payout Rate Exceeds 20% Again

Grant Payout rates from 2007 through 2013 annually exceed 20 percent using a revised calculation method that closely follows the approach used by the Foundation Center for approximating payout rates for private foundations.⁸ For 2013 the payout rate was 21.5 percent, down from its high of 24.7 percent in 2010. This decrease reflects the recent growth of charitable assets in donor-advised fund accounts relative to a more modest rise in grants paid out from donor-advised fund accounts.

FIGURE 5: Annual Grant Payout Rate, Total for All Donor-Advised Funds

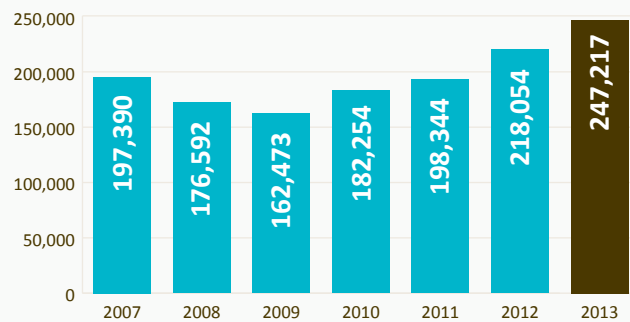


In contrast to the 20-plus percent grant payout rates from donor-advised fund accounts, the payout rates at a typical private foundation hover around 5 percent, which include operational costs. While federal law requires a minimum foundation payout of 5 percent, some foundations have granting policies to ensure a higher payout rate. Donor-advised fund payout rates do not include overhead.

Average Account Size Rises

The 2013 average donor-advised fund account size reached \$247,217, which is also an all-time high (Table 1 and Figure 6) The growth in average account size follows a 23.5 percent increase in contributions and a 5.7 percent increase in the number of donor-advised fund accounts for the same year.

FIGURE 6: Average Donor-Advised Fund Account Size



⁸See Methodology.

COMPARISON BY SPONSOR TYPES

There are an estimated 1.5 million registered nonprofit organizations in the United States. The 1,012 charitable organizations that sponsor donor-advised funds tracked in this report comprise less than 1/10th of one percent of those organizations. There are more than 217,000 separate donor-advised fund accounts among the charitable sponsors we tracked. In this report, data from three types of donor-advised fund charitable sponsors are reported: National Charities, Community Foundations, and Single-Issue Charities.

The first donor-advised fund accounts were opened in the mid-1930s and housed at Community Foundations and Jewish Federations. National donor-advised fund programs have existed for about 20 years.

Over time, the National Charities' donor-advised funds have been growing in number of accounts and charitable assets. Community Foundations have experienced the same growth in a steadier fashion. While Single-Issue Charities have maintained roughly the same number of donor-advised fund accounts over time, their donor-advised fund charitable assets have increased more significantly.

National Charities' donor-advised fund accounts outnumber the other two types of charitable sponsors combined. They distribute more grant dollars and have higher aggregate charitable asset values. The average account size at Community Foundations is higher than the other two types of charitable sponsors. Single-Issue Charity sponsors have the highest grant payout rate of the charitable sponsors analyzed in this study.

NATIONAL CHARITIES

This report analyzes 2013 data for donor-advised fund grantmaking, contributions and charitable assets at 43 National Charities. These national charitable sponsors had a combined 112,170 donor-advised fund accounts with total charitable assets of \$24.82 billion in 2013.

COMMUNITY FOUNDATIONS

For 2013, this report analyzes data for donor-advised funds at 606 Community Foundations. Donor-advised fund programs at these Community Foundations have more than 62,200 donor-advised fund accounts with charitable assets totaling \$20.75 billion.

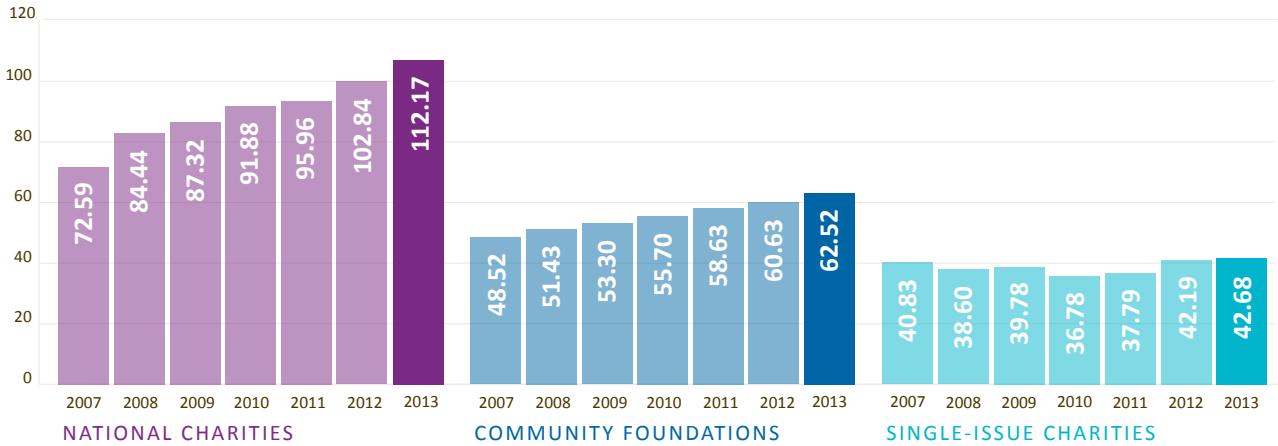
SINGLE-ISSUE CHARITIES

For 2013, we analyzed data for 363 Single-Issue Charity sponsors. This type of charitable sponsor held 42,677 donor-advised fund accounts with charitable assets totaling \$8.16 billion.

ACCOUNTS

FIGURE 7:

Number of Donor-Advised Fund Accounts by Charitable Sponsor (Thousands)



The number of donor-advised fund accounts at National Charities increased to 112,170, a 9.1 percent increase in 2013. This follows an average annual growth of 5.2 percent from 2009 through 2012. Figure 7 shows the number of donor-advised fund accounts by charitable sponsor.

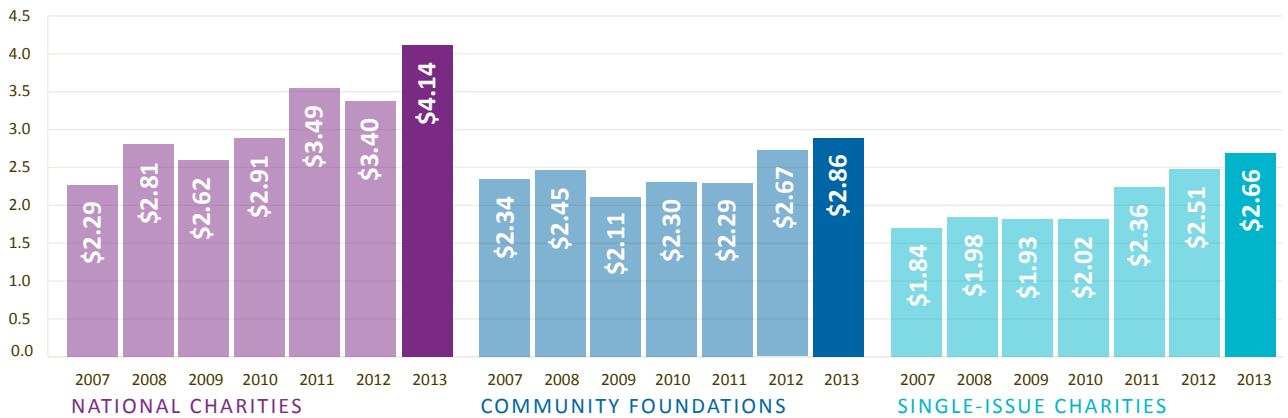
The number of donor-advised fund accounts at Community Foundations increased to 62,520 in 2013, an increase of 3.1 percent when compared with 2012. This follows growth in 2012 of 3.4 percent and 5.3 percent in 2011. See Figure 7.

The number of donor-advised fund accounts at Single-Issue Charities was 42,677. This number is an increase of 1.1 percent compared with 2012, when there were 42,192 accounts. See Figure 7.

GRANTS

FIGURE 8:

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



The total value of grants from donor-advised fund accounts at National Charities to other qualified charities totaled \$4.14 billion in 2013. This is an increase of 21.8 percent and follows a decrease in grantmaking in 2012. In last year's report, we attributed the drop in grantmaking to the timing of the 2012 Fiscal Cliff and charitable sponsors' fiscal year-ends. We anticipated an increase in grantmaking, which is reflected in the 2013 numbers. Figure 8 shows the value of grants paid by type of charitable sponsor.

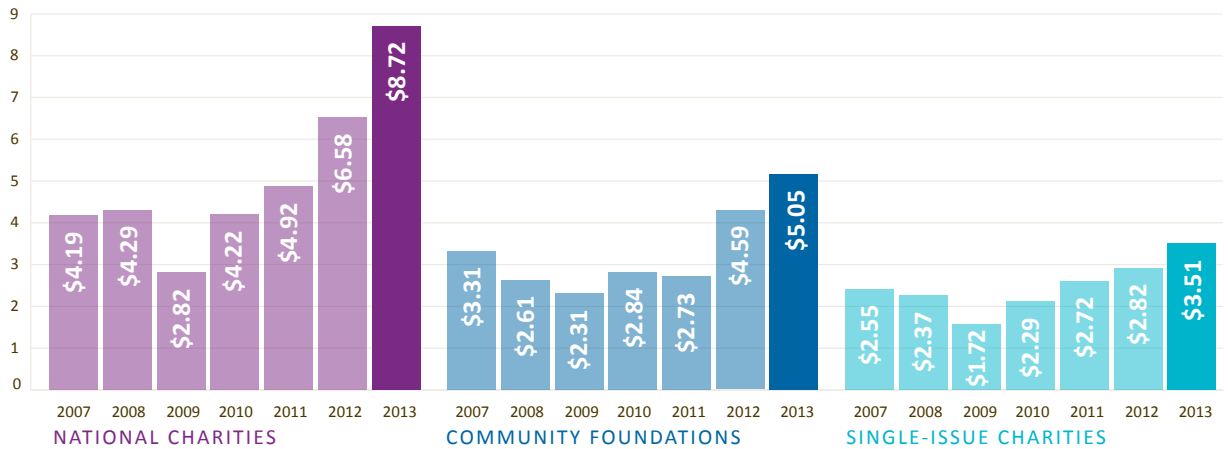
Grants from donor-advised fund accounts at Community Foundations totaled \$2.86 billion in 2013, up from \$2.67 billion granted in 2012. The 2013 grant total reflects an increase in grantmaking of 7.1 percent compared with 2012. See Figure 8.

Grants from donor-advised fund accounts at Single-Issue Charities totaled \$2.66 billion in 2013, up from \$2.51 billion granted in 2012. This is a change of 5.9 percent. See Figure 8.

CONTRIBUTIONS

FIGURE 9:

Total Contributions by Sponsor Type (Billions)



NATIONAL CHARITIES

Total contributions to donor-advised fund accounts at National Charities reached \$8.72 billion in 2013. This was an increase of 32.7 percent over the prior year. Figure 9 shows contributions to donor-advised fund accounts by type of charitable sponsor. The rate of change for contributions to National Charities is similar to the growth in 2012, which was 33.7 percent.

COMMUNITY FOUNDATIONS

Total contributions to donor-advised fund accounts at Community Foundations increased to \$5.05 billion in 2013. The change in contributions from 2012 to 2013 is a 9.9 percent increase. The increase from 2011 to 2012 was almost 60 percent, a result of multi-million dollar gifts to two Community Foundations. By contrast, the increase this year represents more widespread growth. More than 10 percent of the Community Foundations surveyed had a 50 percent or more increase in 2013 contributions compared with 2012. A handful of smaller community foundations experienced a 100 percent or more increase.

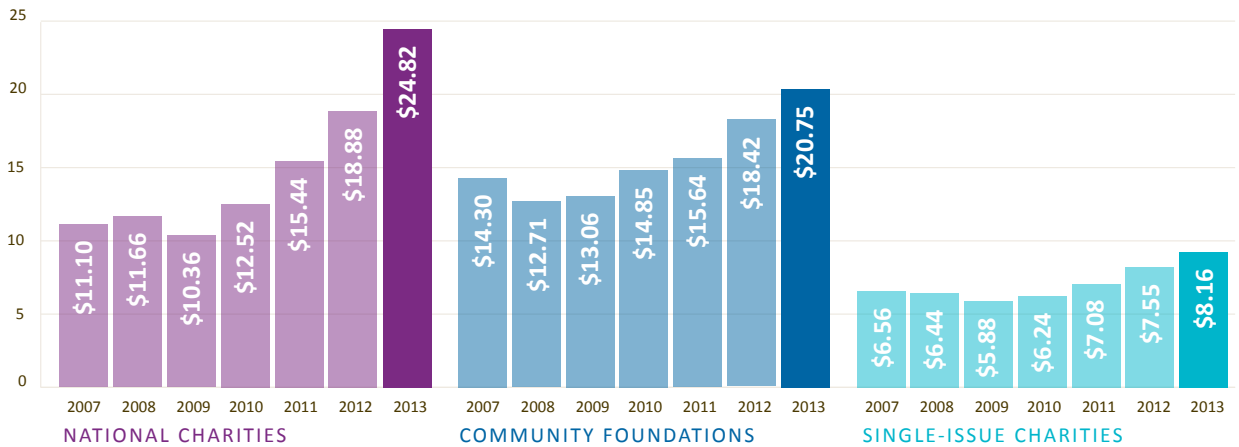
SINGLE-ISSUE CHARITIES

Total contributions to donor-advised fund accounts at Single-Issue Charities rose to \$3.51 billion in 2013, up from \$2.82 billion in 2012. The change in contributions from 2012 to 2013 was an increase of 24.5 percent. Growth in contributions in 2013 reflects increases of more than 10 percent at nearly one in seven Single-Issue Charities surveyed in this study. See Figure 9.

CHARITABLE ASSETS

FIGURE 10:

Total Value of Charitable Assets in Donor-Advised Funds by Charitable Sponsor Type



NATIONAL CHARITIES

From 2012 to 2013, total charitable assets in donor-advised fund accounts at National Charities increased by 22.2 percent, from \$18.88 billion to \$24.82 billion. Figure 10 shows donor-advised fund assets by type of charitable sponsor. The rate of change for charitable assets in 2013 is similar to the increase seen in 2012.

COMMUNITY FOUNDATIONS

From 2012 to 2013, total charitable assets in donor-advised fund accounts at Community Foundations increased by 12.7 percent, from \$18.42 billion to \$20.75 billion. See Figure 10.

SINGLE-ISSUE CHARITIES

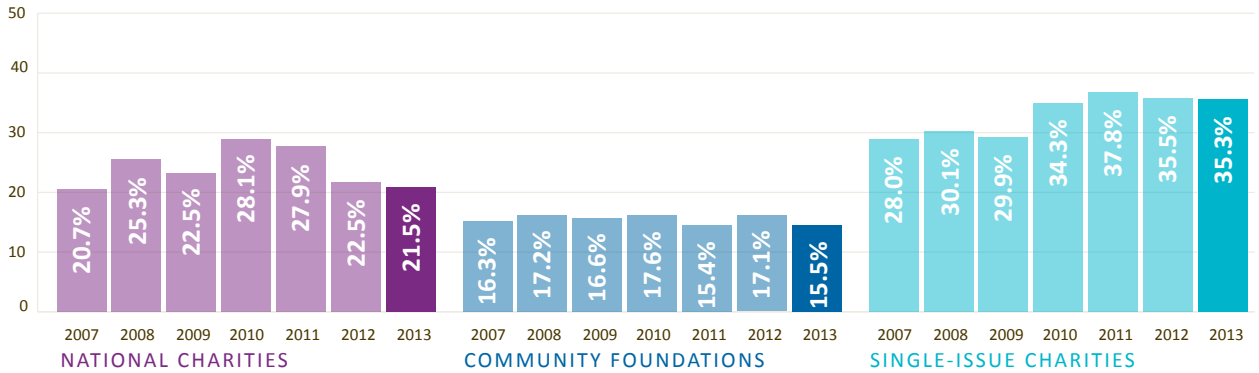
Total charitable assets in donor-advised fund accounts at Single-Issue Charities rose to \$8.16 billion, an increase of 8.1 percent, from a revised amount of \$7.55 billion in 2012. See Figure 10.

% GRANT PAYOUT RATES*

FIGURE 11:

Total Payout Rate* from Donor-Advised Funds by Charitable Sponsor Type

* This edition uses a new payout rate formula: Grants in current year divided by assets from the prior year. 2007 uses grants divided by same year assets.



The total payout rate from donor-advised fund accounts at National Charities was 21.5 percent in 2013, a slight decrease from the prior year. Figure 11 shows payout rates by type of charitable sponsor.

The total payout from donor-advised fund accounts at Community Foundations was 15.5 percent in 2013, a decrease from 17.1 percent in 2012. See Figure 11.

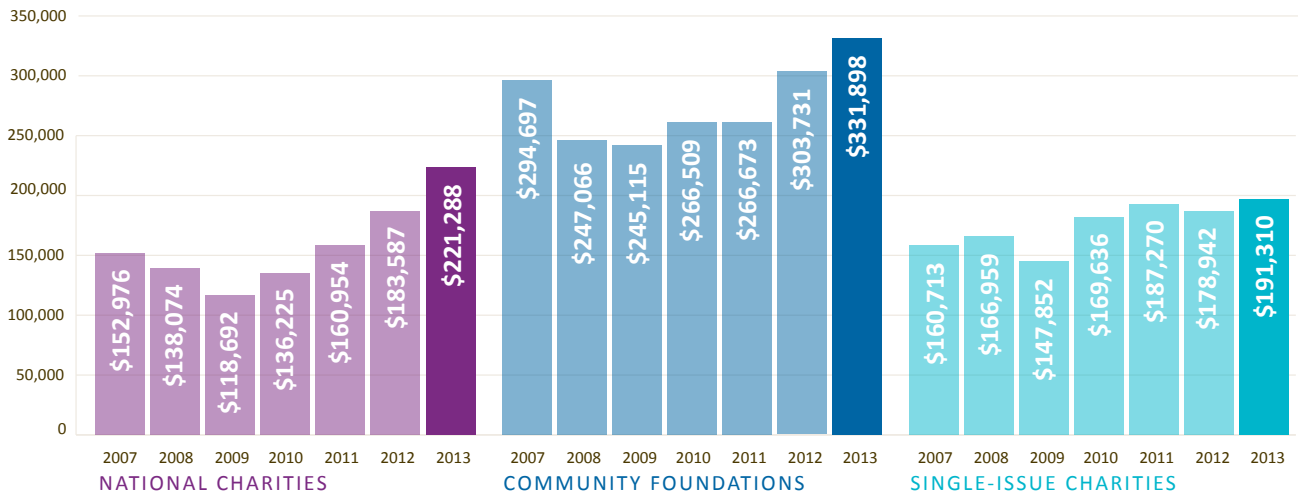
The total payout from donor-advised fund accounts at Single-Issue Charities was 35.3 percent in 2013, a very slight decrease compared with the payout rate of 35.5 percent in 2012. See Figure 11.

AVERAGE ACCOUNT SIZE

FIGURE 12:

Average Account Size by Type of Sponsor Organization

(total assets divided by total number of accounts)



The average donor-advised fund account size at National Charities rose further in 2013, to \$221,288. This represents an increase of 20.5 percent compared with the 2012 average of \$183,587. Figure 13 shows the average account size by type of charitable sponsor.

The average account size of donor-advised fund accounts at Community Foundations rose in 2013 to \$331,898. This represents an increase of 9.3 percent compared with the 2012 average of \$303,731. See Figure 12.

The average account size of donor-advised funds at Single-Issue Charities rose in 2013 to \$191,310. This represents an increase of 6.9 percent compared with the 2012 average of \$178,942. See Figure 12.

PROJECTIONS AND OBSERVATIONS

Comparison of Projections and Results for 2013

In last year's *Donor-Advised Fund Report*, we wrote that potential tax law changes from the "Fiscal Cliff" may have driven some donors to contribute to their donor-advised fund accounts. The timing of the "Fiscal Cliff" at the end of the year and the varying fiscal year-ends of the charities we track in this report meant that the data related to the "Fiscal Cliff" would be recorded over two fiscal years. Thus the 2013 *Donor Advised Report* included contributions for December 2012 from 42 percent of the funds tracked. We noted then that 58 percent of contributions went to charitable sponsors that have a June 30 year-end for their fiscal years and would be presented in this report.

This 2014 report includes contributions made in the last half of 2012 at a significant number of donor-advised fund charitable sponsors with July 1 – June 30 fiscal years. Consistent with our expectation, data for 2013 show a large increase (23.5 percent) in contributions. It is difficult to determine what share of that increase might be attributed to proposed tax law changes⁹ and what share reflects increased confidence in personal income and wealth resulting from steady and meaningful gains through 2013 in the stock market.

With increases in contributions made to National Charities in 2012, we anticipated growth in grants for 2013 and later. For 2013, grants from National Charities increased by 21.8 percent. As contributions have continued to rise and charitable assets increased with stock market performance, we project further increases in grants made from donor-advised fund accounts at National Charities will occur in 2014 and beyond.

What Lies Ahead?

The substantial growth in contributions to donor-advised funds at both Community Foundations and Single-Issue Charities was particularly noteworthy in 2013. Contributions to donor-advised funds at Community Foundations grew 9.9 percent. This rise is consistent with previous increases, but represents more widespread growth. For example, in last year's report, single gifts to two community foundations increased donor-advised fund contributions at that sponsor type by 68 percent. These two gifts created a new, higher benchmark, so growth this year beyond the benchmark reflects a potential shift. At Single-Issue Charities, an increase in contributions of 24.5 percent is significantly higher than in the past, surpassing the historical average by a wide margin. As with the increase seen at National Charities in recent years, increases in contributions to the other two types of charitable sponsors predicts that there will be increases in grants in the future.

An increase in future grantmaking would also raise future grant payout rates. Grant payout rates have remained consistently high regardless of economic conditions, exceeding 20 percent for seven straight years. Based on the growth in contributions—all of which are irrevocable and can only be used for charitable purposes—and record highs in total grant dollars, we expect that the payout rate will rise in next year's *Donor-Advised Fund Report*.

We also project that contributions to donor-advised fund accounts and the number of donor-advised fund accounts will continue to grow. Donor-advised funds remain the fastest-growing charitable giving vehicle in philanthropy. Total grantmaking from donor-advised funds of almost \$10 billion and charitable assets of \$53 billion are small relative to private foundations' grants (estimated \$54.7 billion) and assets (\$614.9 billion). However, donor-advised fund growth outpaces that of private foundations year-over-year in nearly every metric. These numbers demonstrate the increasing popularity and awareness of donor-advised funds among philanthropists.

In NPT's experience, contributing illiquid assets to donor-advised funds continues to be an increasingly popular trend. While the data we collect cannot quantify the percentage of contributions to donor-advised funds that come from illiquid gifts, we can report that in NPT's experience it is a fast-growing type of asset that donors opt to contribute. Many charities that sponsor donor-advised funds are willing to accept these assets, such as real estate and tangible property. Typically, charities liquidate them relatively quickly and turn them into philanthropic dollars for grantmaking purposes. We expect that donors will continue to evaluate any noncash assets in their personal portfolios and increasingly contribute them to their donor-advised funds.

Summary

All types of donor-advised fund charitable sponsors reported growth in grantmaking, contributions, and charitable assets in 2013. Aggregate payout rates consistently above 20 percent since 2007 suggest that donors who create donor-advised fund accounts are actively using them to support charitable organizations and causes that are important to them, regardless of the economic climate. Creating a donor-advised fund allows donors to take an immediate tax-deduction when they make a contribution and plan their giving over time. The growth in the number of accounts, the increased contributions to donor-advised funds and the grantmaking that represents at least 2.9 percent of contributions made in the United States demonstrates that an increasing number of philanthropists are using donor-advised funds as their preferred charitable giving vehicle.

⁹The tax law proposals entertained in late 2012 were not adopted in 2013. As of late 2014, contributions to donor-advised funds remain tax deductible under the same terms that were in place in 2012.

METHODOLOGY

Organizations

This edition of the *Donor-Advised Fund Report* examined a total of 1,012 501(c)(3) public charities that sponsor and/or manage donor-advised fund accounts. These include the following organizations:

- **National Charities:** organizations that are independent or are commercially-affiliated and national in reach; not focused on a particular region; do not have a specific religious and/or focus area. Examples include National Philanthropic Trust, Fidelity Charitable Gift Fund and Renaissance Charitable Foundation.
- **Community Foundations:** organizations that have a specific geographic or regional focus. Examples include Cleveland Foundation, Delaware Community Foundation, Community Foundation of the Ozarks.
- **Single-Issue Charities:** organizations that support a specific religious faith; focus on a particular issue area or cause; or fund a specific institution. Examples include Jewish Federation of Rhode Island, San Diego Human Dignity Foundation and Stanford University.

Primary Data Source

The primary source for each charitable sponsor's assets, contributions, grants, and total number of donor-advised fund accounts is their IRS Form 990. The Form 990 is the annual information return that charities file with the Internal Revenue Service. For those organizations that filed returns for FY2009 and forward, this information is found in Schedule D.

For organizations that filed returns for FY2008 this may include information found on Schedule D.

For others, and those organizations that 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 Sources

For FY2007-2010, the following served as secondary sources for the above data. This includes data the organization publicly disclosed and/or reported:

- 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 March 31, June 30, or December 31, data was recorded in the fiscal year in which the charity filed the 990 Form with the IRS and posted on GuideStar (www.guidestar.org). For example, whether an organization's fiscal year ends on March 31, 2013, or December 31, 2013, the data will be recorded as 2013. This is consistent with GuideStar's reporting process in date stamping all Form 990s for the organizations' respective fiscal years.

Continuous Data Updates

In its report issued in 2013, National Philanthropic Trust compiled a larger file covering more donor-advised fund sponsors going back to 2007. Specifically:

- NPT significantly expanded the number of charities reviewed—from 652 to 1,007 organizations. These include the largest programs in all major categories -- 47 national programs, 603 Community Foundations (CFs), and 357 Single-Issue Charities.
- NPT also updated all key data points (charitable assets, grants, contributions, and accounts) back to FY2007.
- NPT maintains a historical data file dating from FY2007.

For this edition issued in 2014, NPT used the most recent data from IRS Forms 990 to supplement the file and to reflect the few mergers and closures that have occurred. This report includes data through 2013 for 43 National Charities; 606 Community Foundations; and 363 Single-Issue Charities. Values shown for prior years (2007 through 2012) include all donor-advised fund sponsors that could be identified as operating in the year reported.

METHODOLOGY

Change to Grant Payout Calculation

With this edition, the *Donor-Advised Fund Report* institutes a change in how payout from donor-advised funds is calculated. The change is intended to resemble more closely how the Foundation Center estimates the grant payout rate for private foundations. With the change, the comparison of donor-advised fund grantmaking and private foundation grantmaking is more comparable than previously calculated.

The Foundation Center published a report about how payout rate is determined using rules established in the tax code.¹⁰ The tax code allows private foundations to include as “qualified distributions” certain expenses associated with grantmaking and other payments made for charitable purposes (e.g., conferences, technical assistance for grantees, and other expenses). Those expenses are complex to track routinely for the more than 75,000 private foundations. In its work, the Foundation Center uses a simpler approach, which this report now replicates.¹¹

In the “Foundation Center method,” the current year’s grants are divided by investable assets held at the end of the prior year. When using this method, the payout rates for donor-advised funds rise from prior levels reported in the *Donor-Advised Fund Report*, as shown in Figure 13, below.

This edition uses the “Foundation Center method” for payout calculations. For donor-advised fund sponsors, grants means charitable grants paid to qualified charitable organizations.

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

The Foundation Center estimated in mid-2014 that independent foundation grantmaking increased by about 4.8 percent in 2014¹² which is less than the 12.6 percent increase in grants from donor-advised fund accounts.

Even after NPT’s revision to use the “Foundation Center method” of payout calculations, comparing annual changes in donor-advised funds with changes at 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.

FIGURE 13:

Comparison of payout rates using three methods of calculations



¹⁰ Renz, L. 2012. Understanding and Benchmarking Foundation Payout Rates.

¹¹ Personal communication from Steven Lawrence, Director of Research at the Foundation Center, for estimates used for Giving USA 2013. Shared with permission.

¹² Giving USA 2014, Page 75.

