

2015

**DONOR-
ADVISED
FUND**

R E P O R T



National
Philanthropic
Trust

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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; Erin H. Hoyes, Associate Director of Communications and NPT's Communications Department. Melissa S. Brown of Melissa S. Brown Associates, LLC provided analysis and additional writing services. Danielle Curtis, Adam Magill-Goodskey 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 Vice President of Communications, at bcase@nptrust.org or 215.277.3010.

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2015

**DONOR-
ADVISED
FUND**
REPORT



DEAR COLLEAGUE

National Philanthropic Trust is proud to publish our ninth annual Donor-Advised Fund Report.

The 2015 Donor-Advised Fund Report uses 2014 fiscal year data from 1,016 charities. For the fifth consecutive year, there was growth in all of the key metrics—number of individual donor-advised fund accounts, total grant dollars from them, total contributions to them and total assets in them.

The most significant one-year growth is reflected in grants. Grantmaking from donor-advised fund accounts to other charities jumped nearly 30 percent between 2013 and 2014 from \$9.83 billion to a record \$12.49 billion. This tremendous increase, which we predicted in last year's report, signals donors' active commitment to support the causes that mean most to them.

In addition to a record grant total, contributions to donor-advised fund accounts also hit an all-time high of \$19.66 billion in 2014, representing 7.6 percent of total individual giving in the US. The increase in contributions also drove donor-advised fund assets above \$70 billion for the first time.

The rate of growth in the number of new donor-advised fund accounts was highest at national charities in 2014, while the largest donor-advised fund accounts exist at community foundations. The highest payout rate—grants relative to assets—occurs at single-issue charities. The charities that manage donor-advised fund accounts vary in size and scope, but they share a common goal of promoting charitable giving and making grants to a wide range of charitable organizations.

National Philanthropic Trust has been tracking donor-advised fund data for nearly a decade. In that time, this type of giving vehicle has experienced major growth and increased attention. This year's record numbers are a new benchmark by which we will measure the impact donor-advised funds are having on philanthropy at home and around the world.

National Philanthropic Trust is pleased to make this report available to our partners in giving and the public.

Regards,



Eileen R. Heisman
President & CEO

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ABOUT THIS REPORT

Donor-advised funds have made up a growing share of philanthropic giving in the United States since we first started collecting data in 2007.¹ For 2014, contributions to donor-advised funds equated to an estimated 7.6 percent of individual giving (or 5.5 percent of all gifts to charitable organizations). National Philanthropic Trust provides this report as a public service to those who are interested in this increasingly popular charitable giving vehicle.

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 2015 about donor-advised funds and the charities that operate them in fiscal year 2014.

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

Total estimated charitable contributions in the United States in 2014 were \$358.38 billion.² Of those contributions, donor-advised fund accounts received \$19.66 billion, or 7.6 percent of the total individual charitable giving for the year. Contributions to donor-advised fund accounts have increased as a share of total giving since at least 2007.

Grants to charitable organizations from donor-advised fund accounts totaled \$12.49 billion in 2014. This is the first year that grants have exceeded \$10 billion and the fourth 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 \$9.83 billion, and the total for 2012 is \$8.55 billion.

A Note On Payout Calculation Method

In the 2014 Donor-Advised Fund Report, we implemented a new payout calculation method. We have replicated it in this year's report. The method of calculating grant payout is comparable to how private foundations calculate their payout. We calculate grant payout from donor-advised fund sponsors based on charitable assets held in donor-advised fund accounts at the end of the prior year. For example, the 2014 payout is based on donor-advised fund end-of-year charitable assets held in 2013 and the 2014 grants. The actual payout calculation for foundations as determined by the IRS is complex, as shown in Understanding and Benchmarking Foundation Payout from The Foundation Center.³ The Foundation Center uses the simplified approach: dividing grants made in the current year by the end-of-year investable assets of the previous year.⁴ Last year, we adapted the Foundation Center method and adjusted past grant payout rates using this calculation. This year's report uses the same method.

CHARITABLE
SPONSORS EXAMINED
IN THIS REPORT

48
NATIONAL
CHARITIES

608

COMMUNITY
FOUNDATIONS

360
SINGLE-ISSUE
CHARITIES

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

²Giving USA 2015

³Private 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.

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

A GLOSSARY OF TERMS

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 2013 to 2014, the U.S. economy grew 2.4 percent, after adjusting for inflation. This remains below the 40-year average (1974-2013) of 2.7 percent but is the second-highest rate of growth since 2008 (the highest was in 2010 at 2.5 percent).⁵

In 2014, the official unemployment rate was 6.2, down from 7.4 percent the prior year. As a comparison, the 2007 pre-recession unemployment rate was 4.6 percent.⁶

The Dow Jones Industrial Average rose 7.5 percent in 2014, closing at 17,820.07. This surpasses the prior year-end high of 16,576.66.⁷

Donor-advised funds saw substantial growth in every metric, including grant dollars, total contributions and charitable assets (Table 1).

Of particular note:

- Grantmaking from donor-advised fund accounts to qualified charities totaled an estimated \$12.49 billion, representing an increase of 27.0 percent compared with 2013, which is revised to \$9.83 billion.
- Contributions to donor-advised fund accounts increased to \$19.66 billion, or a 14.1 percent increase compared with the prior year's contributions, which are revised to \$17.23 billion.
- Charitable assets in donor-advised fund accounts grew by \$13.63 billion in 2014 to \$70.70 billion. This represents a 23.9 percent growth from a revised total of \$57.08 billion last year. These numbers continue a trajectory of double-digit growth in charitable assets that began in 2010. This is the second consecutive year in which assets have increased by more than 20 percent.

TABLE 1:

Donor-Advised Fund Metrics Overview*

	2013	2014	% change
Charitable Assets	\$57.08B	\$70.70B	23.9%
Total Contributions	\$17.23B	\$19.66B	14.1%
Total Grant Dollars	\$9.83B	\$12.49B	27.0%
Grant Payout**	21.9%	21.9%	
Total # of DAF Accounts	218,993	238,293	8.8%
Average Size of a DAF*** Account	\$260,626	\$296,701	13.7%

*Values reflect 1,016 fund sponsors, of which 978 had data for 2013. Estimates for others are included in these totals.

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

***Average size of a Donor-Advised Fund Account = 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, 2015 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 7, 2015.

⁷Figures taken from Dow Jones Averages, closing figure, http://www.1stock1.com/1stock1_139.htm accessed October 16, 2015. 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 238,293 donor-advised fund accounts among all charitable sponsors included in this report. This number compares with an estimated 82,045 private foundations. The combined estimated total of the other gift planning vehicles (private foundations, unitrusts, annuity trusts, lead trusts and pooled income funds) was 190,447 in 2014.

TABLE 2

Donor-Advised Fund Growth Compared with Other Charitable Giving Vehicles

(Total Number of Funds)

	2013	2014	% change
Donor-Advised Funds	218,993	238,293	8.8%
Charitable Remainder Unitrusts	<i>89,744</i>	<i>88,262</i>	-1.7%
Private Foundations*	79,616	<i>82,045</i>	3.0%
Charitable Remainder Annuity Trusts	<i>13,494</i>	<i>12,459</i>	-7.7%
Charitable Lead Trusts	<i>6,456</i>	<i>6,414</i>	-0.6%
Pooled Income Funds	<i>1,295</i>	<i>1,267</i>	-2.2%

TABLE 3

Donor-Advised Fund Growth Compared with Other Charitable Giving Vehicles

(Dollar Value of Assets in Billions)

	2013	2014	% change
Donor-Advised Funds	\$57.08	\$70.70	23.9%
Charitable Remainder Unitrusts	<i>\$81.91</i>	<i>\$78.71</i>	-3.9%
Private Foundations*	\$654.31	<i>\$695.3</i>	6.3%
Charitable Remainder Annuity Trusts	<i>\$5.97</i>	<i>\$5.52</i>	-7.5%
Charitable Lead Trusts	<i>\$25.85</i>	<i>\$28.20</i>	9.1%
Pooled Income Funds	<i>\$1.23</i>	<i>\$1.21</i>	-1.6%

Italics indicate an NPT estimate using compound annual growth rate for 2009 - 2013.

*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.

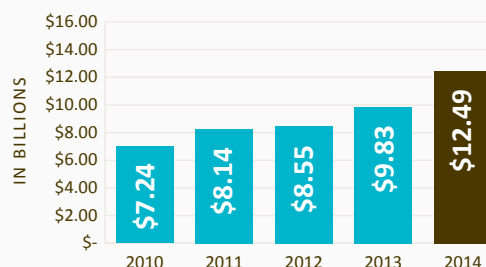
GROWTH IN RECENT YEARS

Donor-advised funds grew significantly in 2014. Grants from donor-advised fund accounts rose sharply and the number of individual donor-advised fund accounts increased as well. Total charitable assets available for grantmaking reached an all-time high. This rise is a result of both an increase in contributions to donor-advised fund accounts and gains from investment returns.

Grants Grew Almost 30% to Exceed \$12 billion

Grants from donor-advised fund accounts to charitable organizations reached a new high at \$12.49 billion (Table 1 and Figure 1). This is a 27.0 percent growth rate compared to a revised total for 2013 grants of \$9.83 billion. The rate of growth between 2014 and 2013 is almost double the 15.1 percent increase between 2012 and 2013. From 2011 to 2012, grants increased by 5.0 percent.

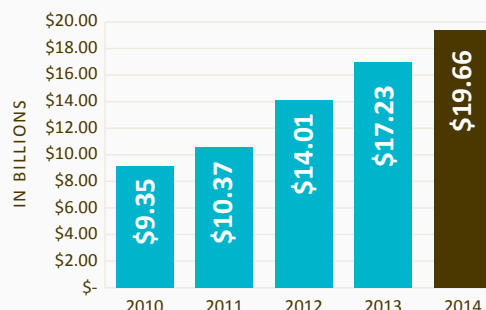
FIGURE 1: Total Value of Grants from Donor-Advised Funds



Contributions at All-Time High

Contributions to donor-advised fund accounts in 2014 totaled \$19.66 billion, also an all-time high. This number surpasses the revised 2013 value of \$17.23 billion by \$2.4 billion (Table 1 and Figure 2), an increase of 14.1 percent. Even in reaching a new high, however, contributions rose at a slower rate than the previous year, which was a 23 percent increase.

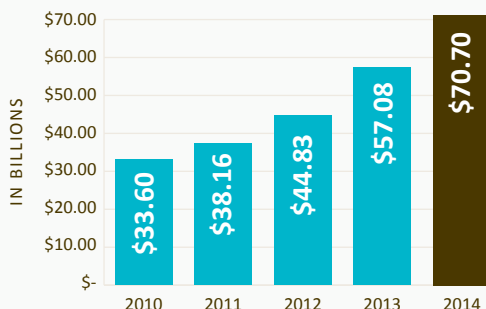
FIGURE 2: Total Value of Contributions to Donor-Advised Funds



Charitable Assets Passed \$70 billion

Charitable assets under management in all donor-advised fund accounts totaled \$70.70 billion in 2014, an all-time high (Table 1 and Figure 3). The increase in total charitable assets can logically be attributed to the growth in the number of funds (an 8.8 percent increase) and contributions (a 14.1 percent increase). While the data collected do not provide investment return information, the stock market experienced a 25 percent increase in value in 2013 and another 7.5 percent hike in 2014. It is likely that investable charitable assets generated gains at all donor-advised fund charities.

FIGURE 3: Total Charitable Assets in Donor-Advised Funds



Number of Accounts Saw Steady Increase

The number of donor-advised fund accounts increased by 8.8 percent in 2014, to 238,293 (Table 1 and Figure 4). This figure sustains the annual growth rate of 4 percent or better reported since 2010. The number of accounts at Single-Issue Charities held relatively steady, showing 3.4 percent growth to 44,540; Community Foundations increased by 4.7 percent; and National Charities saw the largest increase, with 13.1 percent more donor-advised fund accounts over the previous year.

Grant Payout Exceeded 20% Again

Grant payout rates from donor-advised fund accounts annually exceeded 20 percent for the eighth consecutive year. For 2014, the payout rate was 21.9 percent exactly even with the previous year (Table 1 and Figure 5).

In contrast to the 20-plus percent grant payout rates from donor-advised fund accounts, the payout rate at a typical private foundation is usually around 5 percent, which include operational costs. Federal law requires a minimum foundation payout of 5 percent and some foundations have granting policies to ensure a higher payout rate. Donor-advised fund grants and corresponding payout rates do not include any of the sponsoring charity's overhead.

Average Account Size Rose

The 2014 average donor-advised fund account size reached \$296,701, which is also an all-time high (Table 1 and Figure 6). The 13.7 percent growth in average account size follows a 14.1 percent increase in contributions and an 8.8 percent increase in the number of donor-advised fund accounts for the same year.

FIGURE 4: Total Number of Donor-Advised Fund Accounts

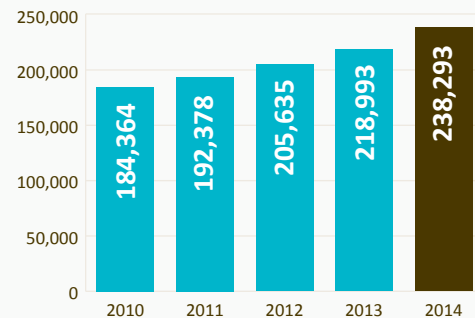


FIGURE 5: Annual Grant Payout Rate for all Donor-Advised Funds

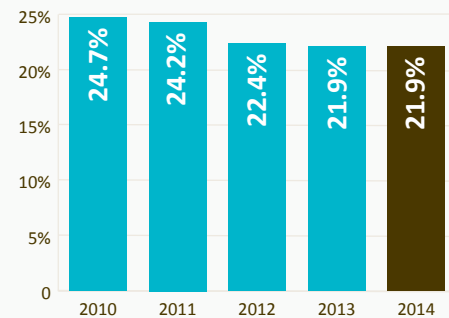
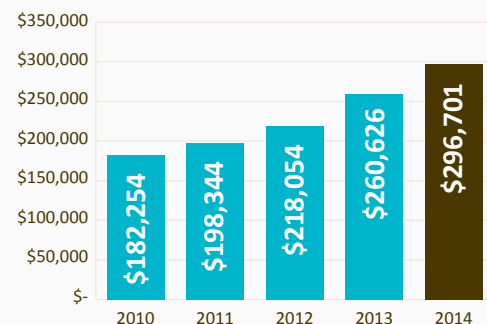


FIGURE 6: Average Donor-Advised Fund Account Size



COMPARISON BY CHARITABLE SPONSOR TYPES

There are an estimated 1 million registered public charities in the United States.⁸ The 1,016 charities that sponsor donor-advised funds tracked in this report comprise less than 1/10th of one percent of those organizations. There are more than 238,000 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 twenty years.

National Charities' donor-advised funds have grown significantly in number of accounts and charitable assets. Community Foundations have also increased in these metrics at a slightly slower rate. While Single-Issue Charities have maintained roughly the same number of donor-advised fund accounts over time, their charitable assets have increased 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 2014 data for donor-advised fund grantmaking, contributions and charitable assets at 48 National Charities. These national charitable sponsors had a combined 128,195 donor-advised fund accounts with total charitable assets of \$32.90 billion in 2014.

COMMUNITY FOUNDATIONS

For 2014, this report analyzes data for donor-advised funds at 608 Community Foundations. Donor advised fund programs at these Community Foundations have 65,549 donor-advised fund accounts with charitable assets totaling \$27.54 billion.

SINGLE-ISSUE CHARITIES

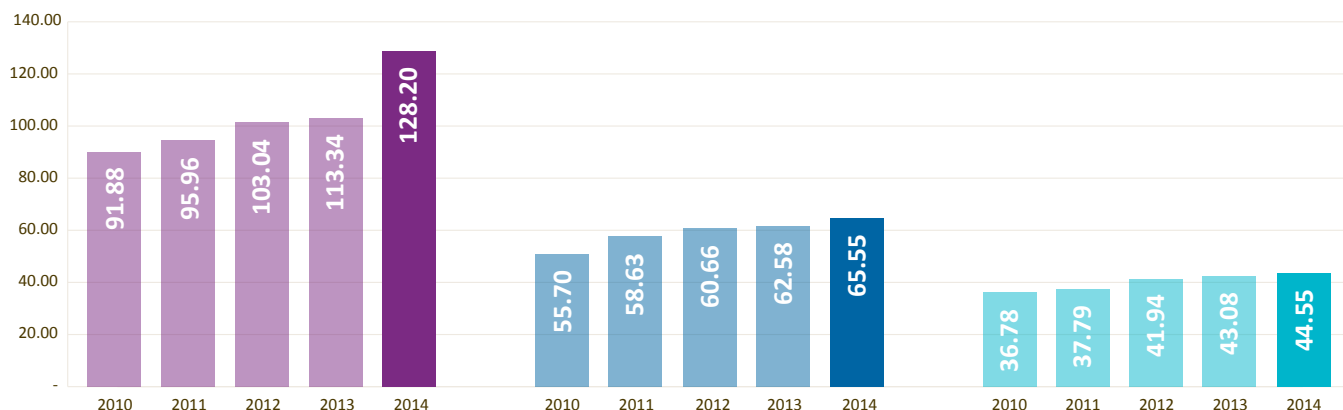
For 2014, we analyzed data for 360 Single-Issue Charity sponsors. This type of charitable sponsor held 44,550 donor-advised fund accounts with charitable assets totaling \$10.26 billion.

⁸National Center for Charitable Statistics, "Quick Facts About Nonprofits," Urban Institute, accessed October 17, 2015.



ACCOUNTS

FIGURE 7: Number of Donor-Advised Fund Accounts by Charity Type



NATIONAL CHARITIES

The number of donor-advised fund accounts at National Charities grew to 128,195 in 2014, a 13.1 percent increase. This follows an average annual growth of 6.8 percent from 2010 through 2013. Figure 7 shows the number of donor-advised fund accounts by charitable sponsor.

COMMUNITY FOUNDATIONS

The number of donor-advised fund accounts at Community Foundations increased to 65,549 in 2014, an increase of 4.7 percent when compared with 2013. This follows growth in 2013 of 3.2 percent and 3.5 percent in 2012. See Figure 7.

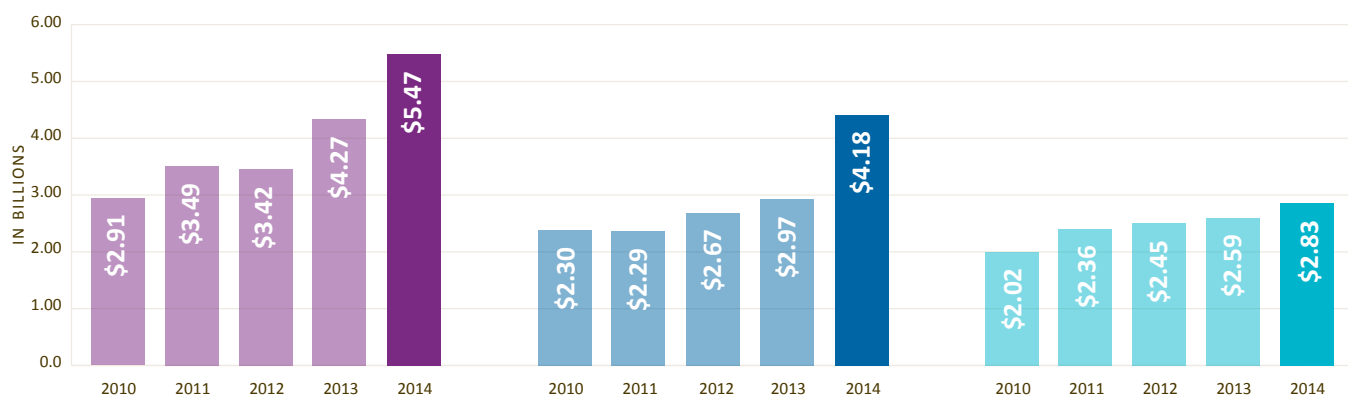
SINGLE-ISSUE CHARITIES

The number of donor-advised fund accounts at Single-Issue Charities was 44,550. This number is an increase of 3.4 percent compared with 2013, when there were 43,077 accounts. See Figure 7.



GRANTS

FIGURE 8: Total Value of Grants from Donor-Advised Funds by Charity Type



NATIONAL CHARITIES

The total value of grants from donor-advised fund accounts at National Charities to other qualified charities totaled \$5.47 billion in 2014, an increase of 28.3 percent. We anticipated an increase in grantmaking in 2014 in our projections issued in last year's report. Figure 8 shows the value of grants paid by type of charitable sponsor.

COMMUNITY FOUNDATIONS

Grants from donor-advised fund accounts at Community Foundations totaled \$4.18 billion in 2014, up from \$2.97 billion granted in 2013. The 2014 grant total reflects an increase in grantmaking of 40.7 percent compared with 2013. See Figure 8.

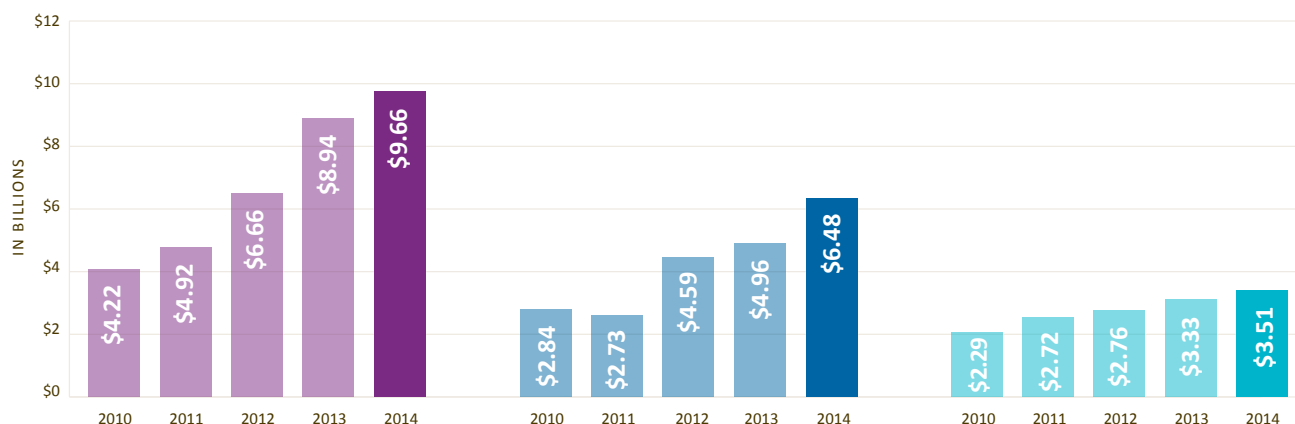
SINGLE-ISSUE CHARITIES

Grants from donor-advised fund accounts at Single-Issue Charities totaled \$2.83 billion in 2014, up from \$2.59 billion granted in 2013. This is a change of 9.2 percent. See Figure 8.



CONTRIBUTIONS

FIGURE 9: **Total Value of Contributions to Donor-Advised Funds by Charity Type**



NATIONAL CHARITIES

Total contributions to donor-advised fund accounts at National Charities reached \$9.66 billion in 2014. This was an increase of 8.0 percent over the prior year. This year's 8.0 percent is lower than the average rate of change for contributions to National Charities in recent years. The average rate of change from 2010 to 2013 was 34 percent. However, that 2010 – 2013 multi-year average includes a wide range of values in the immediate post-recession years, from a major 49.9 percent in 2010 to a much more modest 16.6 percent the next year in 2011. In 2012 and 2013, the growth reflected the Fiscal Cliff which put contribution growth rates above 34 percent two years in a row. Figure 9 shows contributions to donor-advised fund accounts by type of charitable sponsor.

COMMUNITY FOUNDATIONS

Total contributions to donor-advised fund accounts at Community Foundations increased to \$6.48 billion in 2014. The change in contributions from 2013 to 2014 is a 30.8 percent increase. The increase from 2012 to 2013 was 7.9 percent. See Figure 9.

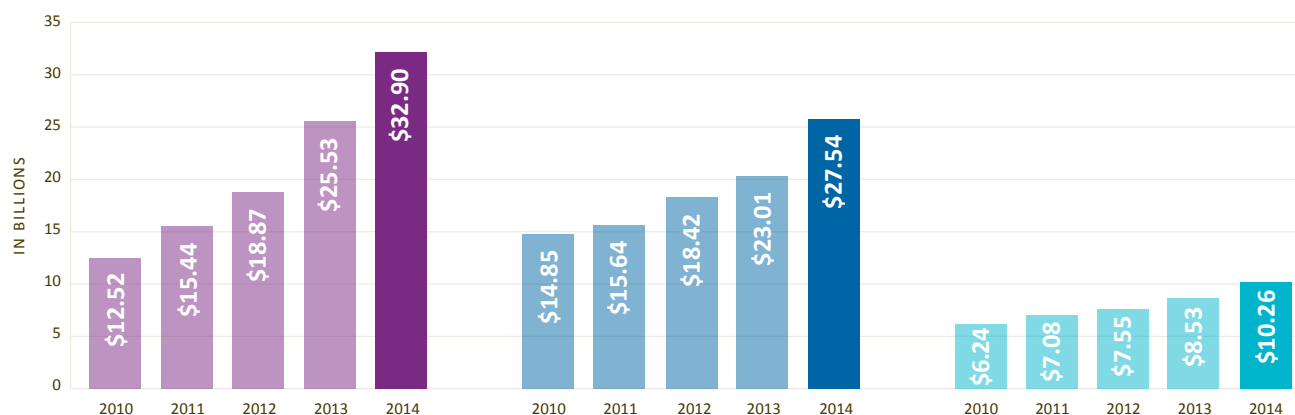
SINGLE-ISSUE CHARITIES

Total contributions to donor-advised fund accounts at Single-Issue Charities rose to \$3.51 billion in 2014, up from \$3.33 billion in 2013. The change in contributions from 2013 to 2014 represents a 5.6 percent increase. See Figure 9.



CHARITABLE ASSETS

FIGURE 10: **Total Value of Charitable Assets in Donor-Advised Funds by Charity Type**



NATIONAL CHARITIES

From 2013 to 2014, total charitable assets in donor-advised fund accounts at National Charities increased by 28.8 percent, from \$25.53 billion to \$32.90 billion. The rate of change for charitable assets in 2014 is somewhat lower than the 35.3 percent increase seen in 2013. Figure 10 shows donor-advised fund assets by type of charitable sponsor.

COMMUNITY FOUNDATIONS

From 2013 to 2014, total charitable assets in donor-advised fund accounts at Community Foundations increased by 19.7 percent, from \$23.01 billion to \$27.54 billion. See Figure 10.

SINGLE-ISSUE CHARITIES

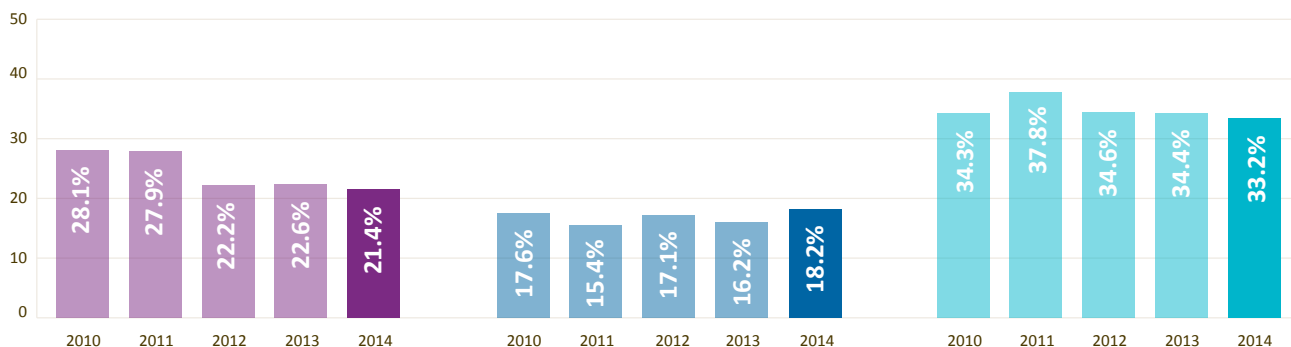
Total charitable assets in donor-advised fund accounts at Single-Issue Charities rose to \$10.26 billion, an increase of 20.3 percent, from a revised amount of \$8.53 billion in 2013. See Figure 10.



GRANT PAYOUT RATES*

FIGURE 11: **Annual Grant Payout Rate from Donor-Advised Funds by Charity Type**

* Payout is based on the calculation used for private foundations: Grants/Prior Year's End-of-Year Assets. Asset values are donor-advised fund assets, using IRS Form 990 data.



NATIONAL CHARITIES

The total payout rate from donor-advised fund accounts at National Charities was 21.4 percent in 2014, a decrease from a payout rate of 22.6 percent during the prior year. Figure 11 shows payout rates by type of charitable sponsor.

COMMUNITY FOUNDATIONS

The total payout from donor-advised fund accounts at Community Foundations was 18.2 percent in 2014, an increase from 16.2 percent in 2013. See Figure 11.

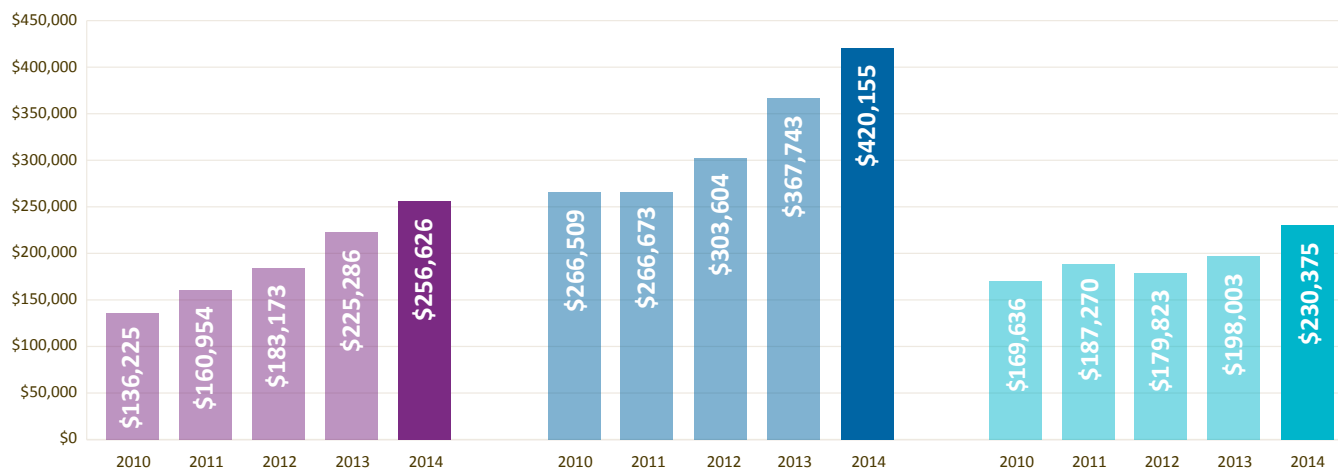
SINGLE-ISSUE CHARITIES

The total payout from donor-advised fund accounts at Single-Issue Charities was 33.2 percent in 2014, a modest decline compared with the payout rate of 34.4 percent in 2013. See Figure 11.



AVERAGE ACCOUNT SIZE

FIGURE 12: **Average Donor-Advised Fund Account Size by Charity Type**



NATIONAL CHARITIES

The average donor-advised fund account size at National Charities rose further in 2014 to \$256,626. This represents an increase of 13.9 percent compared with the 2013 average of \$225,286. Figure 12 shows the average account size by type of charitable sponsor.

COMMUNITY FOUNDATIONS

The average account size of donor-advised fund accounts at Community Foundations rose in 2014 to \$420,155. This represents an increase of 14.1 percent compared with the 2013 average of \$367,743. See Figure 12.

SINGLE-ISSUE CHARITIES

The average account size of donor-advised funds at Single-Issue Charities rose in 2014 to \$230,375. This represents an increase of 16.3 percent compared with the 2013 average of \$198,003. See Figure 12.

PROJECTIONS AND OBSERVATIONS

Comparison of Projections and Results for 2014

Grants

In last year's Donor-Advised Fund Report, we predicted that the major growth in contributions to donor-advised funds in 2012 and 2013 would result in greater grantmaking. This prediction proved to be correct. The growth rate in grantmaking from donor-advised funds between 2013 and 2014 was almost 30 percent—nearly double the increase from 2012 to 2013 (15.0 percent) and triple the increase from 2011 to 2012 (5.0 percent).

As part of our grantmaking prediction, we noted that grants from donor-advised fund accounts at National Charities would rise significantly. They rose by a substantial 28.0 percent between 2013 and 2014. However, Community Foundations had the highest one-year increase in grantmaking, totaling 40.6 percent. Grants from donor-advised fund accounts at Single-Issue Charities increased at a slower rate of 9.2 percent.

Contributions

In our last report, we predicted contributions to donor-advised fund accounts would continue a steady rise following two years of extreme growth due to the 2012 Fiscal Cliff. This prediction also proved correct as contributions increased 14 percent.

In this metric, growth at Community Foundations outpaced the other types of charities that offer donor-advised funds. In this report, the one-year growth rate in contributions to donor-advised funds at Community Foundations was 30.8 percent, while National Charities and Single-Issue Charities experienced 8.0 and 5.6 percent growth, respectively.

What Lies Ahead?

The number of donor-advised fund accounts has grown each year since we began collecting data for the Donor-Advised Fund Report. Increased contributions to donor-advised funds and soaring grantmaking from them demonstrates that an increasing number of philanthropists actively engage their donor-advised funds. We project continued growth in all metrics, particularly in grantmaking as charitable assets continue to rise.

While this report can not collect data on the types of contributions to donor-advised fund accounts, we anticipate that donors will continue to fund their donor-advised fund account with illiquid gifts. Donors are utilizing assets beyond their brokerage accounts as gifts to charity—assets such as real estate, collections and limited partnerships. This trend is related to economic growth, where mergers and acquisitions, taking companies public and extended real estate recovery are creating new wealth. We anticipate that this will play a role in increasing contributions to all donor-advised fund charities in the coming years.

These projections are based on NPT's experience and anecdotal evidence over the past year in addition to observed economic and political conditions.

Summary

All types of charities that offer donor-advised funds reported growth in grantmaking, contributions and charitable assets in 2014. Aggregate payout rates have been above 20 percent since we first started collecting data in 2007. This suggests that donors who use this type of charitable giving vehicle intend to support philanthropic organizations and the public good, regardless of the economic climate.

METHODOLOGY

Organizations

This edition of the Donor-Advised Fund Report examined a total of 1,016 charities registered under Section 501(c)(3) of the Internal Revenue Code 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 and 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:

- The former 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, 2014 or December 31, 2014, the data will be recorded as 2014. This is consistent with GuideStar's reporting process in date stamping all Form 990s for the organizations' respective fiscal years.

Continuous Data Updates

Starting in the 2013 edition of the Donor-Advised Fund Report, National Philanthropic Trust compiled a larger file covering more donor-advised fund sponsors. From the 2012 edition to the 2013 edition, the number of charities analyzed spiked from 652 to 1,007.

- For this 2015 edition, NPT reviewed 1,016 organizations. These include the largest programs in all major categories -- 48 national programs, 608 Community Foundations (CFs) and 360 Single-Issue Charities.
- NPT maintains a time series of all key data points (charitable assets, grants, contributions and accounts) back to FY2007.
- For this edition, 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. Values shown for prior years include all donor-advised fund sponsors that could be identified as operating in the year reported.

METHODOLOGY

Payout calculation

Payout from donor-advised funds is calculated to resemble how the Foundation Center estimates the grant payout rate for private foundations.

The Foundation Center published a report about how payout rate is determined using rules established in the tax code. 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 too complex to track accurately for 75,000+ private foundations. In its work, the Foundation Center uses a simpler approach, which this report now replicates.⁹

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 Reports before 2014.

For a comparison of the impact of using the Foundation Center method, see Figure 13 in the 2014 Donor-Advised Fund Report.

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 2014,¹⁰ 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.

⁹Renz, L. 2012. Understanding and Benchmarking Foundation Payout Rates.

¹⁰Personal communication from Steven Lawrence, Director of Research at the Foundation Center, for estimates used for Giving USA 2013. Shared with permission.



National Philanthropic Trust (NPT) is a public charity dedicated to providing philanthropic expertise to donors, foundations and financial institutions, enabling them to realize their philanthropic aspirations. NPT was founded in 1996. Since that time, we have raised \$5.2 billion in charitable contributions and currently manage \$2.6 billion in charitable assets. We have made more than 121,000 grants totaling almost \$3 billion to charities all over the world. We rank among the 25 largest grantmaking institutions in the United States.



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