Trends Among U.S. Community Foundations

Iowa Community Foundations CONNECT Conference
October 28, 2015
What if EACH community foundation could know what ALL community foundations collectively know?
Reflecting on over 10 years

2004-2006
Center for Financial Insights

2006-2010

IMAGINE & FUND

2010-2014

LAUNCH & BUILD

EVLOLVE & ENHANCE

2015-

MOVE & EXPAND
The CF Insights team

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Director

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Member Services Manager
What is the Columbus Survey?

The Columbus Survey is the community foundation “census of the field” started by the Columbus Foundation in 1988.

CF Insights expanded the Columbus Survey in 2008 and in 2012, increasing the benefits received for survey participation.
What is the Columbus Survey?

274 participants

- $71 BILLION in Assets
- $8.3 BILLION in Gifts
- $5.5 BILLION in Grants
- >90% Representation of estimated field-wide assets
Assets, gifts, and grants reached record-setting levels for the third straight year

<table>
<thead>
<tr>
<th></th>
<th>2013 Reported Data</th>
<th>2014 Reported Data</th>
<th>Change in Reported Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$66 B</td>
<td>$71 B</td>
<td>7%</td>
</tr>
<tr>
<td>Total Gifts</td>
<td>$7.5 B</td>
<td>$8.3 B</td>
<td>10%</td>
</tr>
<tr>
<td>Total Grants</td>
<td>$4.9 B</td>
<td>$5.5 B</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Figures represent community foundations reporting at the close of their fiscal year end in each year and does not represent a consistent sample across the two years.

Even with slightly fewer foundations reporting for FY 2014, these figures each represent increases from the prior year.
What are the findings from 2014?

**Assets continued their steady climb field-wide**

### Average Change in Assets, 2013–2014, by Size

<table>
<thead>
<tr>
<th></th>
<th>Average Change for CFs</th>
<th>Average Change for CFs</th>
<th>Average Change for CFs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt;$250M in Assets</td>
<td>$50–$249M in Assets</td>
<td>&lt;$49M in Assets</td>
</tr>
<tr>
<td>(N = 61)</td>
<td>Increased 10%</td>
<td>Increased 10%</td>
<td>Increased 12%</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Average Change in Assets, 2013–2014, by Fiscal Year End Date

**Dow Jones Industrial Average, January 1, 2014–December 31, 2014**

- **Average Change for CFs with March or June FYE (N = 97):** 13%
- **Average Change for CFs with September or December FYE (N = 175):** 9%

**Foundations with a first-half fiscal year end saw slightly higher rates of asset growth**
Donor advised funds remain an area of growth for many community foundations amid increasing competition

Even as DAFs continue to grow at community foundations, total DAF assets held by the three largest national providers are now greater than those held by the community foundation field.
Most community foundation revenues come from administrative fees

What are the findings from 2014?

Average Revenue Mix by Asset Size, 2014

- Small Community Foundations
  - Assets <$50M
  - N = 125

- Medium Community Foundations
  - Assets > $250M
  - N = 61

- Large Community Foundations
  - Assets > $250M
  - N = 61

*Totals may not add up to 100% due to rounding.

Small community foundations rely more on fundraising and distributions from endowments, while mid-sized and large community foundations have comparable revenue streams
Operating budgets continued the upward trend in 2014

What are the findings from 2014?

The ratio of staff expenses to total expenses remained the same from 2013, even as the number of staff decreased for community foundations of all sizes.
Online reports

Examples of Non-Member Reports

- **Longitudinal**
  - Total annual asset growth rate
  - Average fund size
  - Average gift and grant size
  - Assets per capita

- **Peer Benchmarking**
  - Change in assets, 13-14
  - Change in gifts, 13-14
  - Change in grants, 13-14

Examples of Member Reports

- **Assets**
  - Average fund size among peers
  - Assets by product among peers
  - Asset growth/historical assets among peers
  - Percent assets endowed and non endowed vs. peers

- **Gifts & Grants**
  - Average gift size among peers
  - Average DAF/discretionary gift size vs. peers
  - Annual payout rate among peers
  - Gifts/Grants per capita among peers

- **Operating Budget**
  - Budget to asset ratio among peers
  - Revenues among peers

- **Staffing**
  - Assets per FTE among peers
  - Funds per FTE among peers

*CF Insights offers over 80 online reports to help you gauge your performance*
Multiple ways to define peers

Examples of Ways to Define Peers:
- Assets
- Age
- Service area/geography
- Asset composition (Discretionary, DAF, etc.)
- Staffing
- Levels of endowment
- Number of transactions
- Focus on community leadership
- ...and more!

Extensive data collection means a robust peer comparison tool.
What is unique about your community foundation? How would you define your peers?
How do you stack up against your peers?

Peer benchmarking dashboards provide members a snapshot of their performance, and serve as a powerful and concise way to present metrics to your Board of Directors.
CF Insights Business Model Analysis Tools

Tools to understand the economics of your community foundation

Activity-based Costing Analysis

- Using data, gain an understanding of your products and services in order to make informed decisions and improve sustainability. CF Insights members can also access comparative peer data on product profitability.
- Answer the questions: Is my community foundation investing in the initiatives I expect it to? Is my community foundation generating a surplus where expected?

Economic Scenario Planning

- Inform practical budgeting consideration and longer-term strategic decisions.
- Answer the question: What is the five-year outlook in three different scenarios (expected, optimistic, pessimistic) across key community foundation performance indicators?

Interactive Strategy Model

- Model the impact of strategic changes on your sustainability
- Answer the question: What long-term outcomes might I expect after making specific changes to the way my community foundation operates?
Activity-Based Costing Will Enable the Foundation To Better Understand the True Cost of Products and Services

- Activity-Based Costing (ABC) allows organizations to determine the fully-loaded cost associated with each product or service.
- Rather than considering volume alone (i.e., number of donor advised funds) ABC takes into account non-volume related characteristics such as allocations of administrative overhead.
- First activities are identified and defined, then cost data is gathered and traced to activities, finally costs are allocated to products or services based on their utilization of activities.
100% of the Foundation’s Staff Time, Cost and Other Expenses Are Assigned to a Matrix of Activities and Products

<table>
<thead>
<tr>
<th>Cost Matrix</th>
<th>Agency</th>
<th>Designated</th>
<th>Donor Advised</th>
<th>FOI</th>
<th>Scholarships</th>
<th>Planned Giving</th>
<th>Fee for Service</th>
<th>Initiatives</th>
<th>Leadership</th>
<th>…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiring or Establishing a New Fund or Gift</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Maintaining Funds</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
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<tr>
<td>Making Grants</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Providing Non-Grant Services to the Community</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Other Staff Activities</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
</tbody>
</table>

**Products Defined by Community Foundation**

Staff costs will be assigned to activities and products based on reported time, weighted by individual salaries and including taxes and benefits
Once Staff Costs Have Been Assigned, Direct and Indirect Foundation Costs Are Allocated Across the Matrix of Activities and Products

Allocate *Direct Costs* such as events, publications, or investment management consultants to activities and products based on specific allocation rules.

Allocate *Indirect Costs* such as occupancy and office expenses to activities and products based on the distribution of staff time.

The complete matrix of products and activities includes staff, direct and indirect costs for each activity and product.

<table>
<thead>
<tr>
<th>Staff Activity Survey</th>
<th>Product 1</th>
<th>Product 2</th>
<th>Product 3</th>
<th>Product 4</th>
<th>Product 5</th>
<th>Product 6</th>
<th>Product 7</th>
<th>Product 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity A</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity B</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity C</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity D</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity E</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity F</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity G</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity H</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td>Activity I</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
<td>$Y</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
<td><strong>$Y</strong></td>
</tr>
</tbody>
</table>
CF Insights Observes Many Effective Responses to the Business Model Analysis by a Range of Different Community Foundations

**Organizational-Level Changes**

- **Clarify strategic and business model priorities**, including the role of different products and services in advancing the community foundation’s goals
- **Rethink** the capacity needed to achieve goals and set targets for growth or reallocation of resources
- **Initiate or grow sources of revenue** to build flexible capacity
- **Focus on key products** for growth and further development to achieve mission and goals

**Product-Level Changes**

- **Revise fees, policies, and the structure of offerings** to improve alignment with strategic and business model priorities
- **Raise the average fund size** by cultivating larger funds and reducing the overall number of smaller funds
- **Streamline costs** by redesigning processes or simplifying services offered
- **Determine new terms** for accepting new relationships or projects
The Analysis Includes an Assessment of the Overall Business Model

Example: Subsidy vs. Contribution by Product

<table>
<thead>
<tr>
<th>Fee-Based Products</th>
<th>Leadership Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus</td>
<td></td>
</tr>
<tr>
<td>$254K</td>
<td></td>
</tr>
<tr>
<td>$209K</td>
<td></td>
</tr>
<tr>
<td>$91K</td>
<td></td>
</tr>
<tr>
<td>$65K</td>
<td></td>
</tr>
<tr>
<td>$34K</td>
<td></td>
</tr>
<tr>
<td>($7)K</td>
<td></td>
</tr>
<tr>
<td>($22)K</td>
<td></td>
</tr>
<tr>
<td>($40)K</td>
<td></td>
</tr>
<tr>
<td>($43)K</td>
<td></td>
</tr>
<tr>
<td>($106)K</td>
<td></td>
</tr>
<tr>
<td>($588)K</td>
<td></td>
</tr>
<tr>
<td>Subsidy</td>
<td></td>
</tr>
<tr>
<td>Deferred Vehicles</td>
<td></td>
</tr>
<tr>
<td>Geographic Affiliates</td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td></td>
</tr>
<tr>
<td>Fund Raising Funds</td>
<td></td>
</tr>
<tr>
<td>DAF - Non Endowed</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td></td>
</tr>
<tr>
<td>Community Leadership</td>
<td></td>
</tr>
</tbody>
</table>

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The Analysis Also Includes Product-Level Details the Community Foundation Is Most Interested in Exploring

Example: A Closer Look at DAFs

Dotted lines represent breakeven fund sizes

Average Fund Size:
- $42k
- $64k
- $142k

DAFs managed by Foundation as of 12/31/2013

Non-Permanent, Non-Invested
Non-Permanent, Invested
Permanent

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PARTICIPATE IN THE COLUMBUS SURVEY

- **Be counted!** Share your unaudited financial data 60 days after the close of your fiscal year to help CF Insights make trends available to the field.
- Members – Complete all your data, including data on the Profile and Product Assets tabs.

REMEMBER CF INSIGHTS FOR YOUR DATA NEEDS

- Use CF Insights’ database to develop comparative reports and discover your own insights.
- Visit [cfinsights.org](http://cfinsights.org) to learn more about the resources available to the field.

LEARN MORE

- Contact David Rosado, Member Services Manager, at dar@foundationcenter.org to set up an overview and online demonstration of CF Insights’ resources
SHARING KNOWLEDGE. GROWING IMPACT.

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