Community Foundation
Donor-Advised Funds:
Analyzing Efficiency and Effectiveness

Megan Clare Bartell

NPA 662: Nonprofit Data Analysis: Capstone Project
Summer 2020
Instructor: Dr. Marco Tavanti
INTRODUCTION

▪ What is the future of philanthropy?

▪ How can community foundations stay relevant?

▪ Efficiency and effectiveness as a measurement tool
WHAT ARE DONOR-ADVISED FUNDS?

Donor-Advised Funds (DAFs) are “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.”

[Graph showing total number of donor-advised fund accounts from 2014 to 2018]

DAF CHARITABLE SPONSOR TYPES

Community Foundations
- Geographical Focus

Single Issue Charities
- Specific Subsector

National Sponsoring Organizations
- Often Affiliated with Investment Firms
WHAT ARE DONOR-ADVISED FUNDS?

Donor-Advised Funds (DAFs) are “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.”

OBJECTIVES AND PURPOSE

● UNDERSTAND CURRENT STRATEGIES: It is important to look at the strategic landscape of community foundations in order to understand how they are positioned before recommending changes.

● WHY IS THIS IMPORTANT? Community foundations invented donor-advised funds and should evolve with the philanthropic sector to better serve donors and ensure long term community impact.

● PURPOSE STATEMENT: The purpose of this project is to assess the engagement practices of community foundations in regards to donor-advised funds and understand the relationship between efficiency and effectiveness of these different strategies.
RESEARCH QUESTIONS

RQ1: What are the strategic approaches of California Community foundations?
   1a. How do these strategies influence their work with donor-advised funds?

RQ2: What is the relationship between efficiency and effectiveness in community foundation donor-advised funds?
   2a. Do community foundation websites reflect the effectiveness and efficiency dynamics in DAFs?
METHODS AND APPROACHES

1. Community foundation and DAF definitions
2. Changing DAF landscape
3. Community foundation strategic directions
4. Donor engagement: efficiency vs. effectiveness

**Literature Review**
- Community foundation and DAF definitions
- Changing DAF landscape
- Community foundation strategic directions
- Donor engagement: efficiency vs. effectiveness

**Content Analysis**
- Assessed community foundation strategic directions
- Established a set of indicators to measure efficiency and effectiveness through website data.

**Expert Interviews**
- What’s behind the data?
  - 5 senior staff members at community foundations
  - 3 former staff members at community foundations
  - 1 professor and DAF expert
DATA ANALYSIS
## Literature Review

<table>
<thead>
<tr>
<th>01</th>
<th>Definitions of Community Foundations and Donor-Advised Funds</th>
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<tbody>
<tr>
<td></td>
<td>● <strong>Community foundations</strong> are grantmaking public charities that are dedicated to improving the lives of people in a defined local geographic area (Council on Foundations, 2020)</td>
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<tr>
<td></td>
<td>● <strong>Donor-advised funds</strong> are charitable giving vehicles administered by a public charity, created to manage charitable donations on behalf of organizations, families, or individuals.</td>
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<table>
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<tr>
<th>02</th>
<th>Changing Donor-Advised Fund Landscape</th>
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<tr>
<td></td>
<td>● “Community foundations pioneered the DAF in the 1930s” but they “remained relatively obscure until the rise of the national sponsoring organization (NSO) in the 1990s” (Colinvaux, 2017).</td>
</tr>
<tr>
<td></td>
<td>● “Many NSOs are affiliated with large investment firms, like Fidelity, Schwab, and Vanguard, which account for three of the top eleven charities in the U.S. in terms of contributions received” (Colinvaux, 2017).</td>
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<th>03</th>
<th>Community Foundation Strategies and Goals</th>
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<tr>
<td></td>
<td>● “We define three major strategic directions on which a community foundation may focus—<strong>donor services, matchmaker, and community leader</strong>” (Graddy and Morgan, 2006)</td>
</tr>
<tr>
<td></td>
<td>● Four types of community foundations: 1. For Good Forever; 2. Fuel for Change; 3. Leader to Leader; 4. Diverse, Global and Comprehensive (Nico et al. 2014)</td>
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<table>
<thead>
<tr>
<th>04</th>
<th>Donor Engagement: Efficiency and Effectiveness</th>
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<tbody>
<tr>
<td></td>
<td>● Approaches to foundation effectiveness are extremely varied, since “once you’ve seen one foundation — you’ve seen one foundation” (Ostrower, 2006)</td>
</tr>
<tr>
<td></td>
<td>● <strong>Efficiency is discussed much less</strong> in the literature about foundations</td>
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</table>
## Efficiency and Effectiveness Website Indicators

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<th>Efficiency</th>
<th>Effectiveness</th>
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<td>Attracting</td>
<td>more charitable dollars, communicating clearly about DAFs, user-friendly</td>
<td>Granting more charitable dollars, educating about local issues, convening</td>
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<td></td>
<td>experience</td>
<td>community stakeholders</td>
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<tr>
<td></td>
<td>DAF contributions per capita</td>
<td>DAF grants per capita scale</td>
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<td>DAF contributions per capita greater than grants made</td>
<td>DAF grants made per capita greater than contributions</td>
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<td>Minimum</td>
<td>amount to open a DAF</td>
<td>Explicit mention of local grantmaking with DAF</td>
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<tr>
<td></td>
<td>DAF grants made per capita greater than contributions</td>
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<td></td>
<td>Online portal</td>
<td>Recent annual report</td>
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<tr>
<td></td>
<td>Number of clicks to get to DAF info</td>
<td>Education about local issues, nonprofits, and philanthropy</td>
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<td></td>
<td>Contact information published</td>
<td>Blog frequency</td>
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<td></td>
<td>Level of DAF description on website</td>
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<td></td>
<td>Events with community partners</td>
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- **Efficiency**
  - DAF contributions per capita
  - DAF contributions per capita greater than grants made
  - Minimum amount to open a DAF
  - DAF grants made per capita greater than contributions
  - Online portal
  - Number of clicks to get to DAF info
  - Contact information published
  - Level of DAF description on website

- **Effectiveness**
  - DAF grants per capita scale
  - Explicit mention of local grantmaking with DAF
  - Recent annual report
  - Education about local issues, nonprofits, and philanthropy
  - Blog frequency
  - Events with community partners

### Table

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HYPOTHESIS
CONTENT ANALYSIS

CA COMMUNITY FOUNDATION
WEBSITE INDICATORS

HIGH IMPACT ZONE

EFFICIENCY

EFFECTIVENESS

Donor Services  Community Leadership  Matchmaking
CONTENT ANALYSIS

CA COMMUNITY FOUNDATION WEBSITE INDICATORS
CONTENT ANALYSIS

There is a statistically significant difference between the efficiency and effectiveness scores of these three categories of community foundations.

1. Donor Services foundations are more efficient than Matchmakers.
2. Community Leadership foundations are more effective than Matchmakers.

**One-Way ANOVA**

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**Group Descriptive Statistics**

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<td>Donor Services</td>
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<td>5.34</td>
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**Post Hoc Tests**

**Tukey Post-Hoc Test – EFFICIENCY SCORE**

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<th>Community Leadership</th>
<th>Matchmaker</th>
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**Tukey Post-Hoc Test – EFFECTIVENESS SCORE**

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MNA Master of Nonprofit Administration
A MODEL FOR INCREASED IMPACT
EXPERT INTERVIEWS

- Megan Barber Allende
  CEO at Community Foundation of Mendocino County
- Nick Almeida
  USF Professor and DAF Professional
- Lisa Barr
  DAF Professional of 6 years
- Jackie Downing
  Former Director of Donor Relations at San Francisco Foundation
- Diane Lai
  Philanthropic Advisor of 9 years
- Jessica Sanchez
  Director of Donor Relations at Santa Barbara Foundation
- Linda Sweeney
  Senior Director, Philanthropic Planning at Marin Community Foundation
- P. Vien Walker
  Director of Donor Engagement at Rancho Santa Fe Foundation
- Anonymous Interviewee
  Executive at a large community foundation

- Semi-Structured Interviews
- Conducted via Zoom or phone
- 30-45 minutes each
- Questions tailored to the experience of the expert
THemes FROM INTERVIEWS

Marketing and Website
“it’s important to put your information online, at least the basics”

Attracting Next Generation Donors
“As clients become younger, they’re looking for the most flexibility so DAFs are a critical piece of the overall strategy”

Efficiency and Effectiveness
“We don’t want to just open more DAFs. It’s not just about that.”

Engagement Strategies
“We were there as a thought partner to that individual’s charitable goals. Where there was alignment, that was great.”

Definitions of Community Foundations and DAFs

Changing DAF Landscape

“the most difficult part of your research is generalizing a bespoke approach”

Donor Engagement: Efficiency and Effectiveness

“you can’t really compare them, they’re so different. One is a Costco and one is Chez Panisse”

Community Foundation Strategies

Defining Success
“Success is looking at the dollar amount that is distributed both to foundation and within the community.”

Themes from the Literature

Foundation Priorities
“We want to focus on folks that want to use their DAFs to give to our county.”

MNA Master of Nonprofit Administration
RECOMMENDATIONS

MATCHMAKERS: RE-EVALUATE STRATEGY: Determine economic model and strategy in order to grow staff size, which will increase efficiency and effectiveness.

STRATEGIZE FOR NEXT GENERATION: Adopting new technology will be critical for future generations of donors. Online portals and revamped website will make community foundations more relevant and approachable.

RETURN TO COMMUNITY ROOTS: Community foundations simply cannot compete with commercial DAFs in terms of cost or technology. Embrace the community approach.
LIMITS AND FURTHER RESEARCH

● Limitations:
  ○ Efficiency and effectiveness website indicators are external
  ○ Categorizing community foundations is subjective

● Further research might include:
  ○ Looking at community foundations across the country
  ○ Comparing different kinds of DAF sponsoring organizations
  ○ Surveying community foundations so they can self-identify
REFERENCES


Council on Foundations Community Foundation Taxonomy


National Philanthropic Trust’s 2019 Donor-Advised Fund Report
COMMUNITY FOUNDATION DONOR-ADVISED FUNDS: ANALYZING EFFICIENCY AND EFFECTIVENESS
Megan Clare Bartell, MNA - Master of Nonprofit Administration - Capstone Project

**SUMMARY**

Philanthropy is always evolving, and with new technology and competition, a lot of traditional philanthropic institutions will need to re-think strategies to stay financially secure and impactful. This project seeks to better understand one relatively new giving vehicle, Donor-Advised Funds (DAFs), in relationship to community foundations within California. Community foundations have different strategies and goals, and emphasizing DAFs may or may not be a priority. By analyzing the websites of different community foundations and mapping out their scores related to efficiency and effectiveness indicators, the different approaches become clear. This research may indicate which type of community foundation is best prepared for the future of philanthropy, and show those falling short how they might pivot to stay relevant.

**RESEARCH**

Research Question 1: What are the strategic approaches of California-based Community Foundations?

Research Question 2: What is the relationship between efficiency and effectiveness in Community Foundation donor-advised fund strategies?

**METHODS**

**LITERATURE REVIEW:** Look at community foundation and DAF definitions, their changing landscape, strategic directions, efficiency vs. effectiveness, and donor engagement strategies.

**CONTENT ANALYSIS:** Assess community foundation strategic directions and establish a set of indicators to measure efficiency and effectiveness through website data.

**EXPERT INTERVIEWS:** What’s behind the data?
- 5 senior staff members at Community Foundations ranging in size, geography, and strategic focus
- 3 former staff member at Community Foundations
- 1 professor and DAF expert

**DATA AND ANALYSIS**

The three types of foundation strategies addressed in this research are:

- **Donor Services**
- **Matchmaking**
- **Community Leadership**

- Community foundations were assessed and categorized
- Websites were analyzed in order to complete a content analysis of several indicators.
- Efficiency: user-friendly, clear communication, etc.
- Effectiveness: educational material, engagement events

Content Analysis Results:

Statistically significant results:
1. Donor Services community foundations were more efficient than Matchmaker community foundations.
2. Community Leadership community foundations were more effective than Matchmaker community foundations.

**THEMES:**

**RESULTS**

Based on the data of Matchmaking foundations falling short on the efficiency and effectiveness scales, here is a visual representation of a recommended change.

**RECOMMENDATIONS**

1. **MATCHMAKERS: RE-EVALUATE STRATEGY:** Determine economic model and strategy to grow staff size, which will increase efficiency and effectiveness.
2. **STRATEGIZE FOR NEXT GENERATION:** Adopting new technology will be critical for future generations of donors. Online portals and revamped website will make community foundations more relevant and approachable.
3. **RETURN TO COMMUNITY ROOTS:** Community foundations simply cannot compete with commercial DAFs in terms of cost or technology. Embrace the community approach.

**REFERENCES**

National Philanthropic Trust’s 2019 Donor-Advised Fund Report