Analysis of Donor Advised Funds from a Community Foundation Perspective

A Study Commissioned by the Council of Michigan Foundations, 2021

Council of Michigan Foundations

JOHNSON CENTER
AT GRAND VALLEY STATE UNIVERSITY

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What Does the Data Tell Us?

Philanthropy stands at the center of a fundamental struggle: how to use increasing wealth to address inequities in society. Research shows disparities in income and wealth have become greater over the past 30 years, and there are few signs this trend will slow any time soon.

The COVID-19 pandemic and the national reckoning for racial justice have further illuminated the inequities rooted in our systems and policies. How philanthropy activates its resources against these challenges varies from foundation to foundation, depending on their mission and their structure as well as goals established by donors and founders. In its many forms, we know that the role of philanthropy is critical not only to the current pandemic recovery efforts but also to future crises we may experience. Still, there are calls for foundations to do more by moving more resources to nonprofits and into communities now, when the need seems greatest. This dialogue is centered on perceptions of "parked wealth."

Philanthropy is indeed a core stakeholder as we strive across sectors to create reimagined, equitable systems and thriving communities where every individual has the opportunity for success and well-being. As a leadership organization that supports our community of philanthropy in putting equity at the center, the Council of Michigan Foundations (CMF) is committed to providing access to quality data insights as a tool for the sector — grounded in the context of local and regional philanthropy — and committed to creating space for reflective conversation on what the data tells us.

Building on the learnings of previous studies CMF has commissioned over the past 20 years, CMF has partnered with the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University and Plante Moran Financial Advisors to deepen and expand past research exploring foundation payout rates and investments.

- Phase one of our payout study research series – *An Evaluation of Private Foundation Model Portfolios, Investment Returns, & Payout Rates* – was released in December 2020 and captures what we believe is the most comprehensive snapshot of private foundation payout data available to date. Findings showed that in 2018, half of Michigan's private foundations paid out 6% or more of their corpus, as did a similar proportion of foundations across the U.S. Nearly a quarter of foundations across the nation paid out 15% or more of their corpus in 2013–2018.

- Phase two of our research series – *An Evaluation of Community Foundation Investment Returns & Payout Rates* – was released in early 2021 and focuses on payout rates of community foundations statewide and nationally, as well as in comparison to their private foundation peers. The data revealed that nationally, community foundation median payout rates were higher (7.6%) than national private foundations (5.6%), most likely due to the larger presence of donor advised funds (DAFs) at national community foundations.

In this final installment of our research series, we again engaged the Johnson Center to examine the payout rates of DAFs within the context of the philanthropic sector, specifically the payout rates of DAFs administered by Michigan community foundations. Community foundations are working on the ground, at the local level, leveraging various tools to serve communities including giving circles, general funds, special focus funds, and DAFs – a rapidly growing vehicle that allows individuals to manage their charitable giving through a sponsoring organization. DAFs are one of the tools available to community foundations that are managed in alignment with the National Standards for U.S. Community Foundations.

As we look to the critical role of community leadership and the acceleration of DAFs, we asked – **What does the data tell us about DAF payout rates within the network of Michigan community foundations?**

As we seek to advance deeper understanding and data-driven dialogue in our field, we encourage you to review the findings of this research and share any questions with our research teams. Our hope is that these insights are helpful for the full philanthropy ecosystem — foundations, nonprofit partners, policymakers, and all those who are working together to catalyze positive and systemic change for the good of all.

Sincerely,

Kyle Caldwell

President & CEO
Council of Michigan Foundations

Dr. Teresa Behrens

Executive Director
Dorothy A. Johnson Center for Philanthropy

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- The DAF Payout Study Working Group, comprised of foundation executives and finance staff from across the CMF community of philanthropy, who assisted and provided feedback on the survey instrument and report.
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As this report marks the third of three phases of detailed research into foundations, the project team would also like to thank:

- The CMF Community Foundation Committee, CMF Board of Trustees, and the general CMF membership, for supporting the ongoing research of issues relevant to the field of philanthropy.
- Colleagues at the Johnson Center and CMF, for their assistance and feedback throughout the series of reports.
- The staff of Plante Moran Financial Advisors, who provided valuable assistance in verifying calculation methodologies.
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Executive Summary

The Council of Michigan Foundations (CMF) commissioned four studies between 2000 and 2016 to evaluate the required private foundation payout rate as well as hypothetical model portfolios and actual investment returns.

In December 2020, the Dorothy A. Johnson Center for Philanthropy (Johnson Center) at Grand Valley State University, in collaboration with Plante Moran Financial Advisors (PMFA), updated and expanded this research[1] by using a comprehensive database of IRS Form 990-PF (private foundation) returns, adding international investments to the model portfolios, presenting actual payout rates of all private foundations in the dataset, and showing projections of how changes to the payout rate may affect future foundation assets. In March 2021, staff from the Johnson Center turned their focus to community foundations and completed a similar analysis[2] — the first of its kind in the CMF foundation study series.

Similar to its earlier private and community foundation report counterparts, this report provides new information to the field. To study donor advised funds (DAFs), the project team leveraged the Johnson Center's comprehensive database of IRS Form 990 filings for summary statistics. The team supplemented that dataset by partnering with CMF to obtain account-level information about the more than 2,600 DAFs housed at Michigan's community foundations. That account-level detail was used to calculate individual DAF investment returns, contribution and distribution flows, and payout rates for the years 2017–2020.

KEY FINDINGS:

- DAFs compose a considerably smaller percentage of endowments of Michigan community foundations compared to community foundations nationwide. The median community foundation in the United States holds roughly one in four dollars of its endowment on behalf of a DAF — compared to one in ten for Michigan's community foundations.
- The median Michigan DAF experienced investment returns consistent with the median Michigan community foundation. DAF gains were slightly higher, and losses slightly greater, than the median community foundation's results — suggesting that the median DAF accepts more risk with the opportunity for higher return.
- The median payout rate of all Michigan DAFs during 2017–2020 is 2% lower than the median Michigan private or community foundation. However, when only including DAFs that made a payout during a given year, the median DAF payout rate moves to 2% or more higher than the median private or community foundation payout rate.
- In any given year included in this study (2017–2020):
  - One in ten Michigan DAFs received inbound contributions but made no outbound distributions (grants).
  - More Michigan DAFs made a distribution (more than 60%) than received an inbound contribution (roughly 40%).

[1]Williams, J., Veach, C., & Kienker, B. (2020, December). *An evaluation of private foundation model portfolios, investment returns, & payout rates.* Council of Michigan Foundations. https://michiganfoundations.org/resources/payout-study

[2]Williams, J., Veach, C., & Kienker, B. (2021, March). *An evaluation of community foundation investment returns & payout rates.* Council of Michigan Foundations. https://michiganfoundations.org/resources/payout-study

- Although an average of one in four Michigan DAFs was quiet (inactive) in any single year, across the four study years less than 10% of all Michigan DAFs were quiet in every year. These quiet DAFs hold less than 5% of total DAF assets in the state.
- DAFs that were active in every year 2017 through 2020 — with a contribution, distribution, or both — comprised the majority of Michigan's DAFs (59%), received nearly all of the contributions (96%), made nearly all of the distributions (88%), and held nearly all of the assets (82%).

- In 2020 (the most recent year available), just under half (43%) of Michigan's DAFs paid out 5% or more of their balance, and almost a third (32%) paid out 9% or more.

- Looking at the type of DAF:

  - Michigan's DAFs are nearly evenly divided in both number and total assets between endowed and spendable DAFs, with endowed DAFs holding just over 50% of all assets. However, spendable DAFs comprise nearly three-quarters of all contributions and distributions.
  - One-quarter of Michigan's spendable DAFs distribute nearly half of their balance in any given year, and one in every ten spendable DAFs distributes almost all of the available balance (80% or more) in any given year.

- Out of the approximately 2,600 DAFs housed at Michigan's community foundations, only 2% were established by a private foundation. Balances, contributions, and distributions were also all in single digit percentages. Therefore, private foundation-established DAFs are rare within Michigan's DAF universe.

- There is evidence that DAFs responded to the crises in 2020.

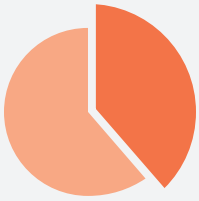
  - Two-thirds of all DAFs made distributions in both 2019 and 2020, with just over one-third (35%) increasing both the dollars distributed and the payout rate in 2020 compared to 2019.
  - Nearly one in five distributed dollars in 2020 came from DAFs that made no distributions during 2019.
  - The median distribution from a Michigan DAF rose from $8,500 in 2019 to $9,750 in 2020.

MORE THAN

2,600 Total DAFs in this study

2020 MICHIGAN COMMUNITY FOUNDATION DAF PAYOUT RATES

43%
paid out
5% or more



39%
paid out
6% or more

32%
paid out
9% or more

Introduction

As part of its commitment to ensure the health and integrity of the charitable sector, the Council of Michigan Foundations (CMF) supports research relevant to the Michigan community of philanthropy as well as the field at large. As part of those efforts, CMF commissioned research to evaluate the required private foundation payout rate as well as hypothetical model portfolios and actual investment returns. Cambridge Associates completed prior studies in 2000, 2004, 2013, and 2016 using data from a sample of 48 Michigan private foundations over a nearly 30-year period.

In December 2020 and again in March 2021, CMF commissioned updates to this series of reports. The Dorothy A. Johnson Center for Philanthropy (Johnson Center) at Grand Valley State University in collaboration with Plante Moran Financial Advisors (PMFA) used data from more than 50,000 private foundation IRS Form 990-PF returns and more than 1,000 community foundation IRS Form 990 returns from across the United States in place of the previous sample of 48 Michigan private foundation returns. Results from these studies pointed to a diverse set of investment strategies used by grantmaking institutions. These strategies, in turn, influenced how each private and community foundation chose to make annual distributions to benefit charitable organizations — and the effects of those investment decisions are reflected in the wide variety of payout rates across the more than 50,000 foundations presented in the most recent studies.

Identifying and displaying the variation in payout rates of active grantmakers assists both CMF and its national peers in avoiding a "one size fits all" approach to policies, procedures, and regulatory discussions about foundations. However, the national discussion has frequently missed information from a universal study of donor advised funds (DAFs) at an individual account level. DAFs and DAF-holding institutions face many of the same concerns as foundations around payout rates to nonprofits, prompting CMF's request for a research study focusing on DAFs held within Michigan-based community foundations.

DAFs have emerged as a significant and rapidly growing component of American philanthropy as an easily accessible method for individuals, families, and corporations to engage in philanthropic giving. DAFs provide donors with

- Immediate tax benefits (i.e., charitable deductions) for their gifts;
- Access to investment pools managed by the sponsoring organization (that is, the custodian of the DAF) which can be a community foundation or other entity;
- Lower initial startup costs, and a lower annual administrative burden, for the funder compared to creating a freestanding private or family foundation; and
- A substantial amount of flexibility for the donor to identify and implement short-, medium-, and long-term strategies for subsequent gifts to charitable organizations.

Due to their increasing popularity, DAFs are drawing increasing attention from across the philanthropic, financial, and governmental sectors. In particular, two aspects of DAFs are raising policy, taxation, and regulatory questions:

- Unlike a private or community foundation which file regular annual summary information via IRS Form 990 or Form 990-PF detailing major contributions and itemized outbound grants, entities that hold DAFs are not required to publicly identify the DAF account holders, distributions, or any account-level information. Therefore, disbursements from DAFs appear to be disbursements from the foundation itself. Especially for community foundations, this means that it is difficult to distinguish grants which are truly discretionary based on the foundation's own grantmaking priorities from grants that are recommended from DAF account holders.
- The absence of a legally defined minimum annual payout means that lump sum contributions to DAFs — which may replace larger annual gifts directly to charities as part of family or corporate tax planning — may sit in the DAF's asset balance for years before being granted to nonprofit recipients. This potential for delayed funding to nonprofits, while the DAF account holder enjoys immediate tax savings, can create the opportunity for unequal benefit between the DAF account holder and the larger nonprofit sector.

These broad concerns have not gone unnoticed by DAF account holders, regulators, sponsoring organizations, or professional philanthropic associations. For example, to address the concern about DAFs that do not make annual or periodic disbursements, the community foundation field[3] developed recommended professional practices. As a result of these efforts, three-quarters of CMF's community foundation members have a written policy about inactive DAFs and require distributions from a DAF every three years.

In response to these questions, CMF asked staff from the Johnson Center[4] to conduct a comprehensive study of DAFs housed at Michigan community foundations from 2017 to 2020. The 2017–2019 time period mirrors the research and analysis conducted for the private foundation December 2020 report and the community foundation March 2021 report. In addition, this study also explores DAF distribution rates during 2020 to examine how DAFs responded to multiple national crises (the COVID-19 pandemic as well as racial justice inequities).

Detailed information is available for both private and community foundations via the IRS Form 990 series. However, DAF information is limited to four summary fields for all DAFs held at each community foundation on the IRS Form 990: number of DAFs, total contributions, total distributions, and total balance at year end. Therefore, to more deeply analyze individual DAFs, the project team needed access to account-level data for every DAF housed at each Michigan community foundation for the years 2017, 2018, 2019, and 2020.

[3]See, for example, the Council of Foundation's National Standards for U.S. Community Foundations® https://www.cof.org/national-standards-us-community-foundations.

[4]Researchers were assisted by staff at Plante Moran Financial Advisors, who helped verify calculation methodologies used in the prior private and community foundation reports were appropriately adjusted for the DAF account-level data.

This report is unique because:

- Like the private foundation and community foundation reports, this study uses a census approach — instead of gathering a sample of data — that combined summary data about DAFs at community foundations across the United States with detailed, de-identified DAF account-level information from CMF's community foundation members.
- Thanks to the outstanding cooperation of CMF members, the resulting detailed dataset represents 47% of Michigan's community foundations, which hold 85% of all Michigan community foundation DAFs and 86% of all Michigan community foundation DAF assets, based on the latest complete year of IRS 990 returns (2018).
- By accessing de-identified account-level information, the project team was able to examine the individual DAFs at each community foundation and calculate investment returns, inbound contributions, outbound distributions (grants), and payout rates for each of the four years in this study.

This report and the associated Technical Appendix:

- Include summary information for DAFs held at community foundations in Michigan, as well as comparative information for DAFs held at community foundations across the nation.
- Calculate the actual, individual DAF-level inflation-adjusted (that is, real) investment returns.
- Present contribution and distribution money flows for each year, and for each type of DAF.
- Calculate individual DAF-level payout rates.
- Examine the annual activity level of each DAF.
- Compare both contribution and distribution information from 2020 to the prior three years to determine whether the pandemic influenced DAF account holder behavior.

Special Note

DEFINING A DONOR ADVISED FUND (DAF)

The concept of a DAF is outlined in the Pension Protection Act of 2006 and the Internal Revenue Code (IRC) Section 4966. Generally, DAFs are accounts or funds with the following attributes:

- The account or fund is separately identified by reference to contributions made by a donor or donors.
- The account or fund is owned and controlled by a sponsoring organization, such as a community foundation or other public charity that holds DAFs.
- The donor (or their appointee) has advisory privileges regarding the granting or investment of the money held in the DAF account.

For example, these are scenarios where a DAF could be created at a community foundation:

- A donor establishes a fund at a local community foundation and makes an initial donation followed by a series of smaller donations in later years — and potentially a final gift upon the donor's death. Over a matter of decades, the donor, their lawyer, and/or adult children recommend regular grants to charitable organizations out of the fund. After the original donor's death, their children, grandchildren, and additional appointed representatives continue to advise the foundation regarding grants generated from the fund.
- An organization (i.e., chamber of commerce, fraternal organization) establishes a fund at their local community foundation, intended to benefit charitable organizations in their community. The organization establishes an advisory board made up of its members, board members, or other affiliated individuals.
- A corporation establishes a fund at a community foundation through periodic donations. The corporation establishes an advisory board of corporate leaders and employees to recommend grants benefitting charitable organizations in the community.

Please see the Technical Appendix for additional examples of DAFs, as well as exceptions that signal a fund is not legally a DAF (regardless of how the fund is marketed or referred to in conversation).

DEFINING TERMS

For readability, this report will use:

- "endowment" or "corpus" to refer to the investable assets of the community foundation.
- "balance" to refer to the financial value of the DAF's assets as disclosed in the Michigan detailed DAF dataset.
- "payout," "distribution," or "grants" to refer to the outbound flow of dollars from the DAF to an eligible nonprofit recipient.

Part 1: Summary of Donor Advised Funds at Community Foundations

Most community foundations in the United States hold at least one DAF. Table 1 shows the share of community foundations in the IRS 990 e-file database, by year, with and without DAFs:

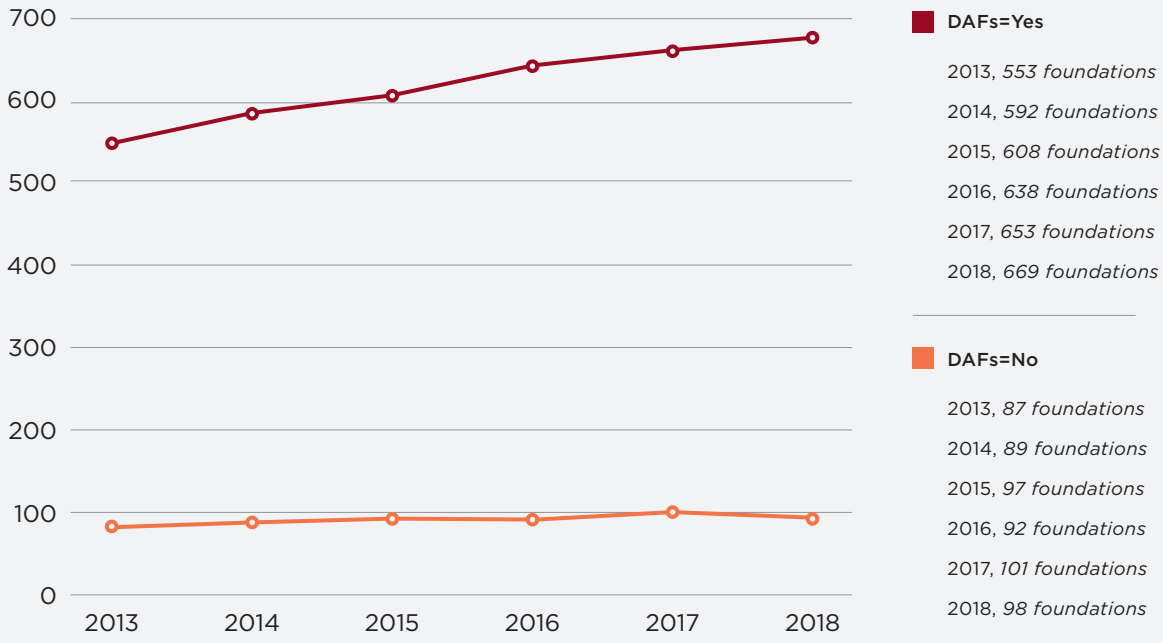


Table 1: DAFs at community foundations, by year, Schedule D Information, USA

Based on the IRS Form 990 data, the median corpus of a DAF holding community foundation is roughly eight times larger than the median corpus of a non-DAF holding community foundation.

Focusing only on the community foundations that serve as DAF sponsors, and dropping the incomplete data from 2019, Table 2 aggregates all of the information on DAFs available from IRS Form 990 Schedule D:

TAX YEAR	NUMBER OF DAFs, ALL COMMUNITY FOUNDATIONS	TOTAL DAF CONTRIBUTIONS, ALL COMMUNITY FOUNDATIONS	TOTAL DAF DISTRIBUTIONS, ALL COMMUNITY FOUNDATIONS	TOTAL DAF BALANCE, YEAR END, ALL COMMUNITY FOUNDATIONS	TOTAL CORPUS, ALL CFs (WITH AND WITHOUT DAFs)	TOTAL DAF BALANCE AS A PERCENT OF TOTAL CORPUS
2013	44,638	$3,511,790,376	$1,930,351,209	$15,905,239,351	$35,985,081,070	44%
2014	53,042	$4,671,181,213	$2,985,134,822	$21,346,810,216	$46,555,048,816	46%
2015	56,952	$4,464,531,914	$3,313,089,071	$22,543,773,046	$49,300,934,378	46%
2016	61,450	$5,435,179,982	$4,384,292,099	$28,133,253,109	$61,219,351,665	46%
2017	67,602	$6,814,428,835	$5,573,148,780	$37,310,905,363	$69,139,613,567	54%
2018	74,002	$6,931,926,851	$5,993,114,282	$34,510,141,914	$76,334,028,453	45%
AVERAGE GROWTH RATE (ANNUALIZED)	**10.6%**	**14.6%**	**25.4%**	**16.8%**	**16.3%**	

Table 2: Summary, Schedule D Information, USA

Joining the information from Table 1 and Table 2, we can start to see that DAFs in total composed just under half (roughly 45%) of all community foundation assets nationwide from 2013 through 2018, with the exception of 2017[5]. The data also show that, at an aggregate level, distributions from DAFs grew faster than either DAF contributions or the ending balance; while aggregate DAF balances approximately doubled during this six-year period, aggregate DAF distributions tripled.

Table 2 begins to show the limitations of the information included in Schedule D. As the project team discussed in the private foundation and the community foundation reports, totals and averages hide the wide variation across private and community foundations, and the DAF data are no different. When we look at the same information on a per community foundation basis in Table 3, a different picture emerges:

TAX YEAR	MEDIAN NUMBER OF DAFs, PER COMMUNITY FOUNDATION	MEDIAN TOTAL DAF CONTRIBUTIONS, PER COMMUNITY FOUNDATION	MEDIAN TOTAL DAF DISTRIBUTIONS, PER COMMUNITY FOUNDATION	MEDIAN TOTAL DAF BALANCE, PER COMMUNITY FOUNDATION	MEDIAN TOTAL DAF BALANCE AS A PERCENT OF EACH CF's CORPUS
2013	33	$404,189	$264,316	$3,352,350	24.4%
2014	38	$600,726	$329,729	$4,080,606	23.6%
2015	39	$486,079	$394,806	$4,376,206	23.2%
2016	40	$586,031	$417,528	$4,905,669	23.4%
2017	43	$735,940	$442,541	$5,586,314	25.0%
2018	44	$741,391	$509,021	$5,434,579	24.6%
AVERAGE GROWTH RATE (ANNUALIZED)	**5.9%**	**12.9%**	**14.0%**	**10.1%**	

Table 3: Detail, Schedule D Information, USA

[5]The Tax Cuts and Jobs Act (TCJA), passed in December 2017, made several significant changes to the individual income tax rules and regulations. One potential explanation for the sharp increase in DAF contributions in 2017 is that high net worth individuals who were prepared for the tax law changes may have grouped (or "bunched") charitable donations in 2017 prior to year end to ensure the maximum deductions.

The summary data in Table 2 suggests that DAF balances represent half of all endowments at community foundations across the country – but the foundation-level data in Table 3 shows that half of all community foundations hold 40 DAFs or less, and the median DAF balance represents roughly 25% of community foundation assets. While Table 3 is helpful, it still leaves out critical information. The DAF contributions, distributions, and balances are summary statistics – they do not represent the median contribution, distribution, or balance of a single DAF. Rather, each of those statistics represent the sum total of all contributions to DAFs at that particular community foundation, and the project team is no closer to understanding the behavior of an individual DAF account.

As noted in our prior research, the Schedule D information also highlighted an important difference between Michigan community foundations and their national peers, displayed in Table 4[6]:

> *Nationally, the median ratio between funds held in DAFs at a community foundation and the total community foundation corpus is 25%. Said another way, one in four grant dollars at national community foundations are directed by donors — not the community foundation's board or grants committee. In Michigan, however, only one in ten dollars is directed by donors (11%). That factor — where national community foundations hold more than twice the assets in DAFs as a share of the endowment compared to Michigan community foundations — appears in every year of the data from 2013 to 2018, as well as across every range of assets (except for the smallest range of assets), age band of foundations, and employee size of foundation. The difference also appears regardless of which payout calculation the research team applied — so it is not a factor of calculation method.*

	MEDIAN NUMBER OF DAFs, PER COMMUNITY FOUNDATION		MEDIAN DAF BALANCE AS A PERCENT OF EACH CF's CORPUS	
YEAR	MICHIGAN	REST OF THE NATION	MICHIGAN	REST OF THE NATION
2013	14	34	10.9%	25.5%
2014	16	39	10.1%	25.0%
2015	19	40	11.0%	24.2%
2016	17	41	13.5%	24.5%
2017	17	45	11.4%	26.5%
2018	18	46	10.2%	26.4%

Table 4: DAFs in Michigan versus the rest of the USA, Schedule D information, USA

[6]An Evaluation of Community Foundation Investment Returns & Payout Rates, page 5.

Using the most widely available information about DAFs from IRS Form 990 Schedule D, we can only talk in broad terms about the aggregate level of DAF activity at community foundations from 2013–2018:

- Most community foundations (nearly 90%) across the United States are the sponsor for at least one DAF.
- Aggregate DAF balances across all community foundations are close to half of the total endowment held by community foundations, and aggregate distributions from community foundation DAFs grew faster than contributions or the aggregate DAF balances (25% compared to roughly 16% per year, respectively).
- When viewed on a median — instead of aggregate — basis, approximately one in four dollars at a community foundation across the nation is held in a DAF (as opposed to the foundation's general endowment or a named fund), and the growth rates between contributions, distributions, and ending DAF median balances are similar (10%–14% per year).
- As a group, Michigan's median community foundation had far fewer assets managed by DAFs compared to the national median — 11% compared to 25%, on average, across the study period.

Part 2: Detail of Donor Advised Funds at Michigan Community Foundations

The challenge with the aggregate statistics in Part 1 of this report is that policymakers, researchers, nonprofits, and the public have no way of knowing whether each of the 74,002 DAFs in 2018 made distributions totaling $5.9 billion or whether (at the extreme) two DAF accounts advised on nearly $6 billion in grants while the remaining 74,000 DAFs made no payouts. This issue — that the lack of account-level data hides key statistics — is extremely common in research about DAFs.

To address the challenge, the project team worked with CMF staff to request and obtain DAF account-level information from community foundations throughout Michigan. The effort focused on receiving nine key data points for each DAF at each Michigan community foundation:

- **Unique identifier:** A code that uniquely identifies each individual DAF fund.
- **Tax year:** The year of the data.
- **Beginning of year fund balance:** Balance of the DAF on January 1 (or the first day of the annual reporting period).
- **Inbound contributions (total dollars):** Total of contributions from the DAF account holder into the fund during this year.
- **Outbound distributions (total dollars):** Total of grants paid from this DAF on a cash (not accrual) basis.
- **End of year fund balance:** Balance of the DAF on December 31 (or the last day of the reporting period).
- **Management Fees:** Total management fees paid from the DAF to the community foundation, but not including investment fees (e.g., mutual fund quarterly fees).
- **Type of DAF:** Endowed vs. spendable.
- **Established by a private foundation:** Was this DAF established by a private foundation? (yes, no).

The project team collected data in March and April 2021, and analyzed the data in April and May. Thanks to the outstanding cooperation of CMF members, the resulting detailed dataset represents[7]:

- 47% of Michigan's community foundations
- 85% of all Michigan community foundation DAFs by number (2,373 of 2,790 total)
- 86% of all Michigan community foundation DAF assets ($528.7 million of $615.3 million total)

[7]Calculated using the latest complete year of IRS 990 returns (2018) and combining e-file and paper returns. See the Technical Appendix for more information about how Michigan's community foundations are defined.

Obtaining the account-level detail directly from the foundations also means that this study is able to include two additional years of data (2019 and 2020) where the IRS has not fully processed Form 990 data at the time of publication.

To aid readers in tracking the two datasets in this report, Table 5 displays the descriptive statistics for each dataset, compared to the known universe (see the Technical Appendix for additional comparative information):

	NUMBER OF DAFs AT MICHIGAN COMMUNITY FOUNDATIONS			AGGREGATE BALANCE, YEAR END		
YEAR	IRS 990 SCHEDULE D E-FILERS ONLY (AGGREGATE DATA)	CMF DETAILED DATASET (ACCOUNT-LEVEL DATA)	UNIVERSE (IRS 990 E-FILERS PLUS PAPER FILINGS; AGGREGATE DATA)	IRS 990 SCHEDULE D E-FILERS ONLY (AGGREGATE DATA)	CMF DETAILED DATASET (ACCOUNT-LEVEL DATA)	UNIVERSE (IRS 990 E-FILERS PLUS PAPER FILINGS; AGGREGATE DATA)
2018	2,432	2,373	2,790	$408,559,741	$528,655,505	$615,303,719

Table 5: Coverage calculations, by source

Using the Michigan account-level dataset, the remainder of this report examines each DAF account's:

- Investment return
- Payout rate
- Flows of contributions, distributions, and fees
- Pattern of activity
- Key characteristics (that is, differences between endowed vs. spendable DAFs, as well as by type of DAF account holder)
- Behavior in 2020 compared to 2017–2019

INVESTMENT RETURNS

Across the four study years, median real investment returns for Michigan DAFs were calculated at 6.9%. (See Table 6.) As expected and consistent with general market performance, 2018 was a low point for investment returns with a healthy recovery in 2019. As this dataset includes two years beyond the earlier reports, we also were able to observe comparative investment underperformance of the lowest quartile of DAFs, which struggled in 2019 and 2020 to recover from the 2018 investing market decline.

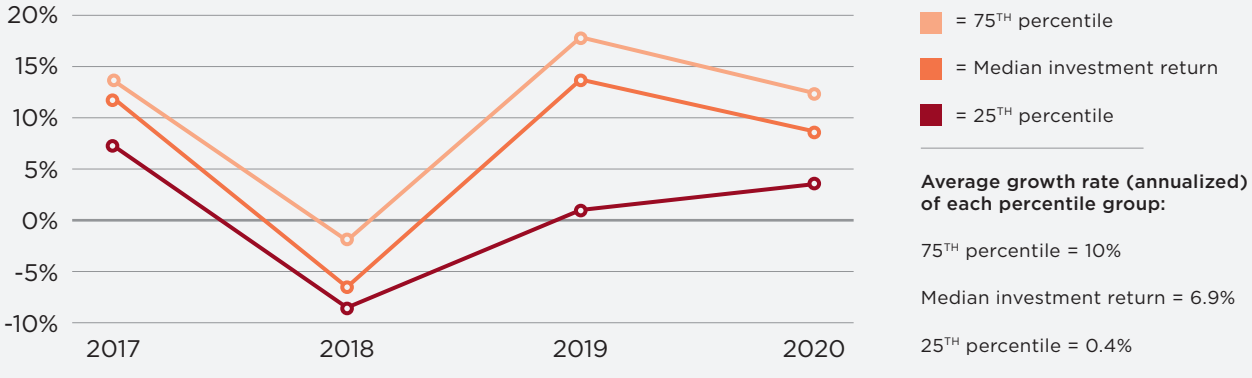


Table 6: Annual calculated investment returns, Michigan account-level dataset

PAYOUT RATES

Important note: For a more detailed explanation of what is included in each calculation, please see the Technical Appendix.

Median payout rates

The initial analysis shows that half of all of Michigan's DAFs paid out an average of 3.5% across the four study years, with the top 25% of DAFs paying out an average of 13.1%. (See Table 7.) In addition, at least a quarter of Michigan's DAFs did not make a payout in any given year.

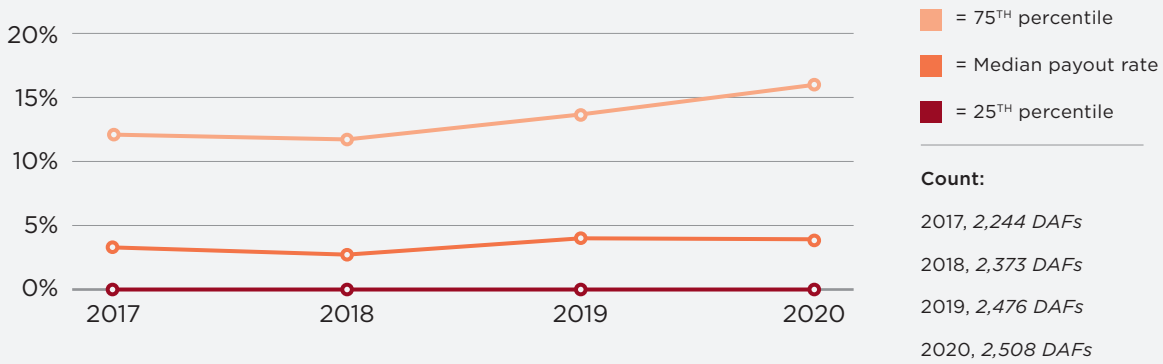


Table 7: Payout rates, Michigan account-level dataset

To explore this issue further, the project team ran these calculations excluding DAFs with zero distributions, since there is no requirement in IRS code or regulations for DAFs to make grants in any given year. When we look at DAFs that chose to make a distribution, half made distributions of 8% or more and one-quarter made distributions of 25% or more in any given year. (See Table 8.)

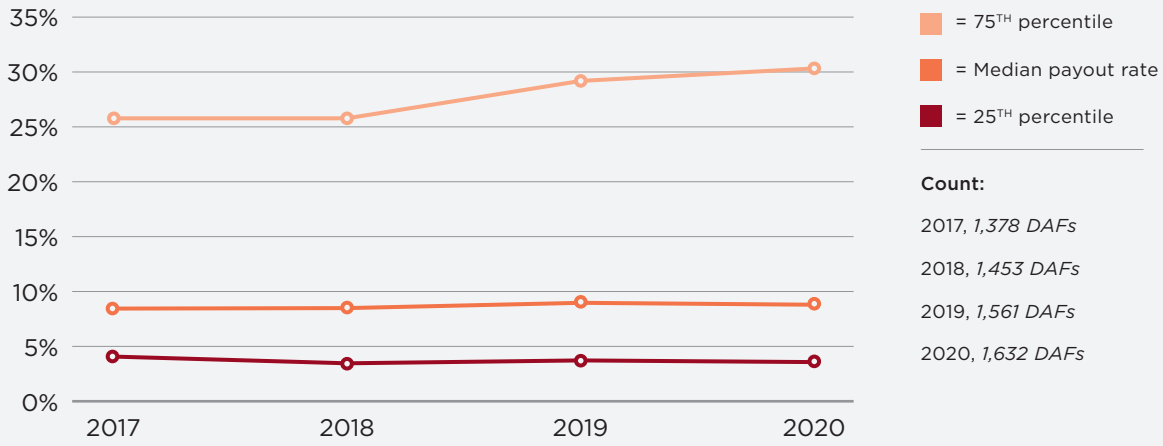


Table 8: Payout rates, excluding DAFs with no distributions, Michigan account-level dataset

Distribution of payout rates

Looking at the latest year of available data (2020), just under half (43%) of Michigan's DAFs paid out 5% or more of their balance, and almost a third (32%) paid out 9% or more. These figures include all DAFs that made zero distributions in 2020 (35%). (See Table 9A. For more information about DAFs with no annual payout, please see the Patterns of Activity section later in this report.)

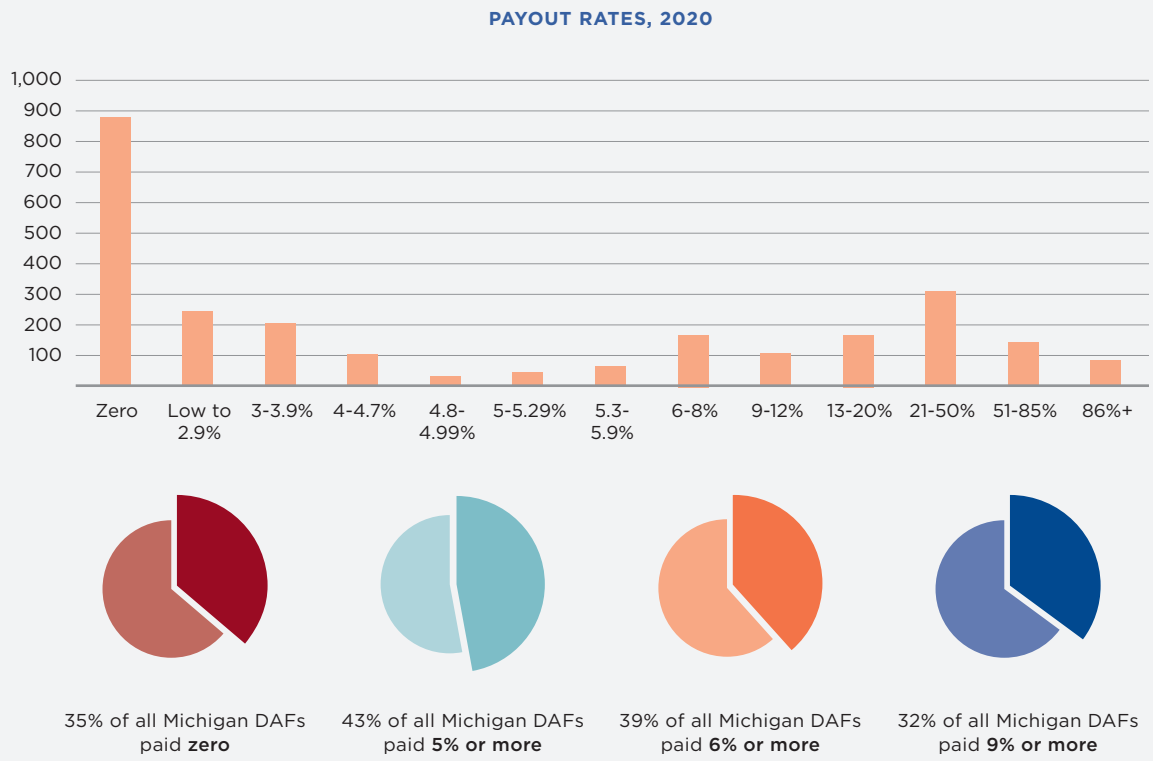


Table 9A: Histogram, 2020 payout rates, Michigan account-level dataset

DAFs by size

In addition, the research team reviewed payout rates by the asset size of the DAF by creating five categories based on the annual ending balance:

- Up to $15,586 (25th percentile) as **small DAFs**
- More than $15,586 through $43,644 (median) as **medium DAFs**
- More than $43,644 through $144,808 (75th percentile) as **large DAFs**
- More than $144,808 through $502,874 (90th percentile) as **very large DAFs**
- More than $502,874 (top 10%) as **largest DAFs**

Payout rates for each category of DAFs by asset size for the most recent year are shown in Table 9B. These payout rates are very consistent across each of the four study years within each size category, with the largest volatility in payout rates in small DAFs. (For more information about the payout rate for each year by size of DAF, please see the Technical Appendix.)

YEAR	SMALL DAFs	MEDIUM DAFs	LARGE DAFs	VERY LARGE DAFs	LARGEST DAFs
2020	46.3%	9.6%	7.6%	6.0%	4.6%

Table 9B: Payout rate of grantmaking DAFs, by asset category, Michigan account-level dataset

FLOW OF CONTRIBUTIONS, DISTRIBUTIONS, AND FEES

Much of the discussion about DAFs centers around their transactional nature. DAF account holders can contribute to DAFs in small and frequent increments as well as make distributions in small increments and/or frequent disbursements. That transactional flexibility stands in contrast to a private or community foundation where less frequent, larger gifts form a corpus which allows relatively large grants from investment earnings.

When we look at account-level information, we learn that the median DAF received nothing in contributions, yet made a distribution of just over $1,600 in any given year.

Contributions

Looking across all Michigan DAFs, in any given year, the majority (60%) did not receive any contributions – which means the median contribution on a per-fund basis is $0. (See Table 10.) If we look only at the approximately 40% of DAFs each year that receive inbound contributions, the median rises to just over $10,000 in each of the study years, with one-quarter of this group (equivalent to 10% of all DAFs) receiving approximately $50,000 in any given year. (See Table 11.)

ALL DAFs

YEAR	COUNT	25TH PERCENTILE	MEDIAN	75TH PERCENTILE	90TH PERCENTILE
2017	2,244	$0	$0	$8,625	$50,000
2018	2,373	$0	$0	$5,000	$50,000
2019	2,476	$0	$0	$5,000	$45,888
2020	2,508	$0	$0	$3,077	$50,000

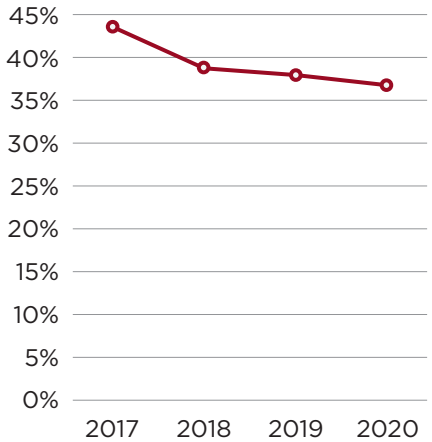
Table 10: Contributions, Michigan account-level dataset

ONLY DAFs RECEIVING CONTRIBUTIONS

YEAR	COUNT	25TH PERCENTILE	MEDIAN	75TH PERCENTILE	90TH PERCENTILE
2017	983	$2,000	$10,721	$46,804	$136,924
2018	917	$2,015	$11,800	$50,000	$150,000
2019	942	$2,000	$12,025	$50,000	$150,000
2020	904	$2,000	$13,705	$52,830	$200,000

Table 11: Contributions, excluding zero activity, Michigan account-level dataset

SHARE OF DAFs WITH A CONTRIBUTION ONLY, MICHIGAN ACCOUNT-LEVEL DATASET



Distributions

In contrast to contributions, more than 60% of DAFs had a distribution in any given year with a median of just over $1,600 across the four study years. (See Table 12.) Excluding DAFs without a distribution, the median rises to more than $8,000 in average across the study, with one-quarter of this group distributing more than $25,000 in any given year. (See Table 13.)

ALL DAFs

YEAR	COUNT	25TH PERCENTILE	MEDIAN	75TH PERCENTILE	90TH PERCENTILE
2017	2,244	$0	$1,500	$11,550	$48,300
2018	2,373	$0	$1,391	$12,300	$45,000
2019	2,476	$0	$1,800	$13,420	$52,831
2020	2,508	$0	$2,000	$16,300	$60,650

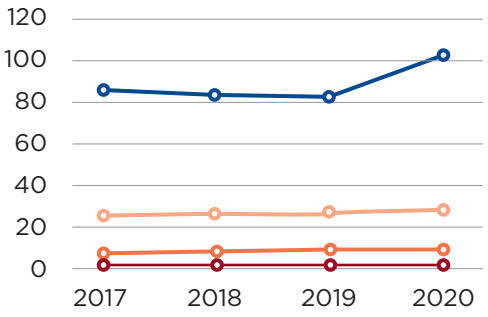
Table 12: Distributions, Michigan account-level dataset

ONLY DAFs MAKING DISTRIBUTIONS

YEAR	COUNT	25TH PERCENTILE	MEDIAN	75TH PERCENTILE	90TH PERCENTILE
2017	1,378	$2,000	$7,000	$26,500	$85,105
2018	1,453	$2,300	$7,459	$27,500	$82,900
2019	1,561	$2,300	$8,500	$29,000	$82,450
2020	1,632	$2,400	$9,750	$31,150	$102,000

Table 13: Distributions, excluding zero activity, Michigan account-level dataset

DAFs WITH A DISTRIBUTION ONLY, MICHIGAN ACCOUNT-LEVEL DATASET (IN 1,000s)



Share of DAFs with a distribution:

2017, *61%*

2018, *61%*

2019, *63%*

2020, *65%*

= 90TH percentile

= 75TH percentile

= Median

= 25TH percentile

Management fees

Management of DAFs is a highly competitive market. DAF account holders could choose to locate a fund at a Michigan community foundation, a national provider such as the National Philanthropic Trust, or a commercial provider such as Fidelity or Schwab Charitable. Therefore, as expected, management fees were very consistent across the DAFs held by Michigan's community foundations. (See Table 14.)

YEAR	COUNT	25TH PERCENTILE	MEDIAN	75TH PERCENTILE	90TH PERCENTILE
2017	2,244	0.61%	0.68%	1.01%	1.44%
2018	2,373	0.62%	0.69%	1.02%	1.42%
2019	2,476	0.64%	0.72%	1.03%	1.42%
2020	2,508	0.59%	0.67%	1.02%	1.33%

Table 14: Management fees, Michigan account-level dataset

COMPARISON TO MICHIGAN PRIVATE FOUNDATIONS AND COMMUNITY FOUNDATIONS

DAF investment returns closely follow their community foundation's investment returns. This is expected, as some foundations require DAF balances to be invested alongside the community foundation's own investment portfolio. Some community foundations allow DAF sponsors to select from a limited list of model portfolios (e.g., conservative, moderate, growth); but again, these funds are pooled with the foundation's own corpus in terms of overall assets.

As was the case when the project team compared private and community foundations, the median DAF and community foundation appears to accept more risk — and therefore enjoy a higher return — than their private foundation philanthropic peers. The median DAF returned 11.0% in 2017 (higher than the Michigan private foundation median of 7.1%) during a year of market growth, but also declined more than the median Michigan private foundation the following year during a market contraction (-6.6% for the DAF, vs. only -5.5% for the private foundation). (See Table 15).

MEDIAN REAL INVESTMENT RETURN	MI PRIVATE FOUNDATION	MI COMMUNITY FOUNDATION	MI DAF
2017	7.1%	10.0%	11.0%
2018	-5.5%	-7.0%	-6.6%

Table 15: Investment return comparison, Michigan Community Foundations and Michigan DAFs, Michigan account-level dataset

Payout rates

When we look at DAFs that have a payout, the median DAF payout is well above both the median Michigan private and community foundation. (See Table 16.) For 2018, the median DAF with a non-zero payout had a payout rate of 7.9%, in comparison to a 5.9% rate for the median private foundation and 5.6% rate for the median community foundation.

MEDIAN PAYOUT RATES	PRIVATE FOUNDATION	COMMUNITY FOUNDATION	DAF (ALL)	DAF (NON-ZERO PAYOUT ONLY)
2017	5.9%	5.4%	3.3%	7.9%
2018	5.9%	5.6%	3.1%	7.9%

Table 16: Payout rate comparison of Michigan private foundations, community foundations, and DAFs

PATTERNS OF ACTIVITY

Up to this point in the report, the project team has presented data about each DAF on an individual year basis. However, only part of the conversation about DAFs concerns their annual activity level. For purposes of discussion, the project team categorized each DAF for every year into one of four groups[8]:

- DAFs that received contributions and made payouts (distributions) in the same year as **highly active.**
- DAFs that only made distributions (payouts) in a given year as **active-outbound only.**
- DAFs that only received inbound contributions in a given year as **active-inbound only.**
- DAFs that had no contributions or distributions in a given year as **quiet.**

Proportion of DAFs making distributions in any given year

Across each of the four study years, Table 17 shows that the share of DAFs in each category was generally consistent:

- Approximately two-thirds of all DAFs were active in grantmaking (highly active and active-outbound only).
- Just over one in ten DAFs had only inbound activity.
- One in four DAFs was categorized as quiet, with no donor activity inbound or outbound.

YEAR	HIGHLY ACTIVE	ACTIVE-OUTBOUND ONLY	ACTIVE-INBOUND ONLY	QUIET	TOTAL
2017	29%	33%	15%	23%	100%
2018	25%	36%	14%	25%	100%
2019	27%	36%	11%	26%	100%
2020	27%	38%	9%	26%	100%
Average	**27%**	**36%**	**12%**	**25%**	**100%**

Table 17: Annual categorization, Michigan account-level dataset

[8]Because the project team had account-level data, we were interested in examining how many DAFs had money flowing in both directions compared to active-inbound and active-outbound only DAFs. We also note that combining this report's categories of "highly active" and "active-outbound only" is consistent with the National Standards' definition of an "active DAF."

Proportion of DAFs making distributions in every year

Another way to look at the DAFs in the study is to analyze the activity level of each DAF across all four study years combined. The study tracked 2,678 unique DAFs; most (78%) appeared in all four years of the study. The remainder were nearly evenly split at appearing in three years (9%), two years (8%), and a single year (6%).

Most of the DAFs (86%) made an outbound grant in at least one of the four years in this study, with roughly half of that group (or 41% of all DAFs) making a grant in every year of the study. Only one in every eight DAFs was either always quiet (8%) or only received inbound contributions (5%). (See Table 18.)

Combining those always outbound active DAFs (41%) with DAFs that alternate between inbound and outbound active (18%), we find that just under two-thirds of all DAFs (59%) are regularly active. Those DAFs received nearly all of the contributions (96%), made nearly all of the distributions (88%), and held most of the assets (82%) in 2020 — and those shares were relatively consistent across the four years. (See the Technical Appendix for more detailed information.)

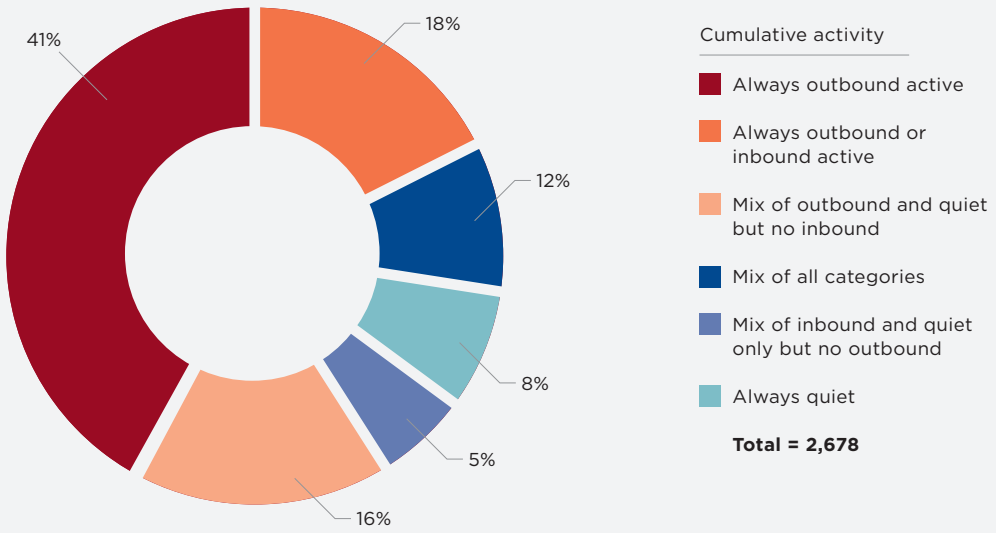


Table 18: Cumulative DAF activity categories, Michigan account-level dataset

Summary of contributions, distributions, and payout rates for each activity pattern

Further grouping the activity levels into three broad groups — DAFs that regularly make grants, DAFs that are always either quiet or only receiving inbound contributions, and DAFs that are always quiet — it is clear that the regular grantmaking category holds the majority of DAFs, distributions, and balances. DAFs with regular outbound grants represent nearly 86% of all DAFs, all distributions (by definition), and hold 95% of all DAF balances. (See Table 19 below, and see the Technical Appendix for detailed statistics about all six cumulative categories from Table 18 above and three activity groups in Table 19 below.)

Conversely, the quiet and inbound DAFs hold less than 5% of all DAF balances.

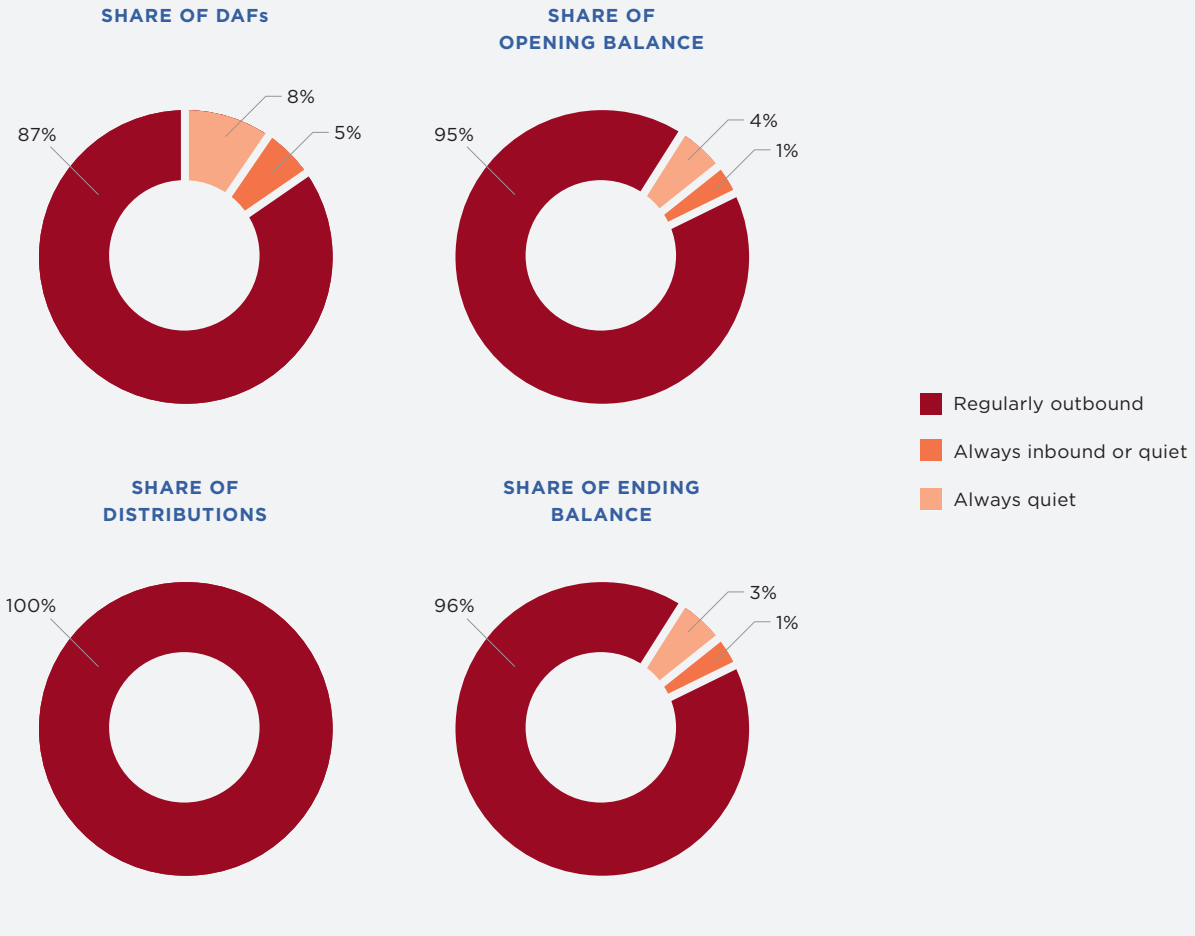


Table 19: Cumulative activity group, 2020, Michigan account-level dataset

TYPES OF DAFs

Beyond activity level, the project team also reviewed two other groupings of DAFs:

- Endowed vs. spendable
- Established by a private foundation

Endowed vs. spendable

Among Michigan-based community foundations, donor advised funds are created based on two distinct strategies and fund agreement types:

- An **endowed DAF** is established with the intent of long-term use. A relatively high minimum level must be maintained in the fund to ensure sufficient investment returns, and not all community foundations provide a structure for an endowed DAF. Typically, distributions from an endowed DAF are limited to a fixed percentage of the balance (e.g., the same as the community foundation's selected endowment payout rate) — but occasionally a community foundation may allow additional distributions from the DAF beyond a true endowment payout (a "permanent" DAF). For simplicity of language, this report will refer to both endowed and permanent DAFs as "endowed" DAFs.
- A **spendable DAF** is intended to be used by donors to fill the fund and payout the majority of the fund within a short period of time. They can then refill and reuse the account regularly to support their charitable donations. Typically, spendable DAFs can be drawn down to zero, but some community foundations may instead allow unlimited distributions until a specific minimum balance is reached (e.g., a $5,000 or $25,000 floor).

Please see the Technical Appendix for additional examples of these two types of DAFs.

Michigan's DAFs are nearly evenly divided in both number and total assets between endowed and spendable DAFs, with endowed DAFs holding just over 50% of all assets. However, there is a material difference in both contributions and distributions. Spendable DAFs comprise nearly three in four dollars contributed to DAFs, as well as dollars distributed from DAFs, drawing in an average of $71 million each year and distributing an average of $60 million each year. (See Table 20, with raw dollar figures provided in the Technical Appendix.)

YEAR	SHARE, TOTAL DAFs	SHARE, OPENING BALANCE	SHARE, CONTRIBUTIONS	SHARE, DISTRIBUTIONS	SHARE, ENDING BALANCE
ENDOWED DAFs					
2017	52%	57%	34%	26%	57%
2018	51%	57%	16%	17%	57%
2019	50%	57%	13%	26%	54%
2020	50%	53%	42%	19%	56%
Average	**51%**	**56%**	**26%**	**22%**	**56%**
SPENDABLE DAFs					
2017	48%	43%	66%	74%	43%
2018	49%	43%	84%	83%	43%
2019	50%	43%	87%	74%	46%
2020	50%	47%	58%	81%	44%
Average	**49%**	**44%**	**74%**	**78%**	**44%**

Table 20: Comparison, aggregate values, DAF types, Michigan account-level dataset

The large amount of annual distributions on a dollar basis also indicated that the payout rate for spendable DAFs is higher than endowed DAFs, shown in Table 21. The median payout rate of spendable DAFs averages nearly four times more than endowed DAFs (20% and 4.5%, respectively). One-quarter of spendable DAFs distribute nearly half of their balance in any given year, and one in every ten spendable DAFs distribute almost all of the available balance in any given year (80% or more).

YEAR	COUNT	25TH PERCENTILE PAYOUT RATE	MEDIAN PAYOUT RATE	75TH PERCENTILE PAYOUT RATE	90TH PERCENTILE PAYOUT RATE	95TH PERCENTILE PAYOUT RATE
ENDOWED DAFs						
2017	681	3.2%	4.6%	7.9%	18.6%	34.4%
2018	703	2.9%	4.0%	7.8%	21.6%	41.1%
2019	742	3.4%	4.6%	8.4%	18.8%	39.7%
2020	736	3.1%	4.2%	8.1%	18.2%	35.5%
SPENDABLE DAFs						
2017	697	7.9%	20.0%	44.3%	77.0%	90.8%
2018	750	7.6%	19.1%	42.9%	80.1%	97.6%
2019	819	8.3%	20.9%	45.9%	80.1%	96.3%
2020	896	7.8%	21.6%	46.5%	82.8%	96.9%

Table 21: Payout rates, by type of DAF, Michigan account-level dataset

The project team also reviewed DAF type by activity level, and found very little variation between type of DAF and the activity level; see the Technical Appendix for additional detail.

Established by a private foundation

Finally, the project team analyzed the Michigan DAF data by whether the DAF itself was established by a private foundation. The answer is clear: out of the approximately 2,600 unique DAFs housed at Michigan's community foundations only 2% were created by a private foundation. Balances, contributions, and distributions were also all in single digit percentages. Therefore, private foundation-established DAFs are rare within Michigan's DAF universe. (See the Technical Appendix for the raw dollar figures for Table 22.)

YEAR	SHARE, DAFs CREATED BY A PRIVATE FOUNDATION	SHARE, OPENING BALANCE	SHARE, CONTRIBUTIONS	SHARE, DISTRIBUTIONS	SHARE, ENDING BALANCE
2017	2%	9%	4%	11%	7%
2018	2%	7%	1%	3%	7%
2019	2%	7%	2%	7%	6%
2020	2%	6%	3%	6%	6%
Average	**2%**	**7%**	**3%**	**7%**	**7%**

Table 22: Summary statistics, DAFs established by a private foundation, Michigan account-level dataset

SPECIAL FOCUS: RESPONSE TO CRISES IN 2020

With access to four years of account-level information, the project team was curious to know if – as an immediate response to the events of 2020 – we would be able to observe any changes to the pattern of contributions or distributions from Michigan DAFs. To examine this question, we ran three queries: two at the summary level, and one at the account level to categorize the behavior of individual DAFs.

If we look at the aggregate data only — in essence, using the account-level data to generate what Schedule D will look like when it is compiled and 2020 returns are submitted to the IRS — we see that total distributions increased by $10 million from 2019 to 2020, and total inbound contributions increased by $12.7 million. (See Table 23.)

YEAR	COUNT	TOTAL INBOUND CONTRIBUTIONS	TOTAL GRANTS
2019	2,476	$104,060,300	**$78,454,648**
2020	2,508	$116,739,818	**$88,616,659**

Table 23: Summary statistics, DAF contributions and grants, 2019-2020, Michigan account-level dataset

However, Table 23 includes all DAFs in the data set, instead of only the 2,378 DAFs that existed in both 2019 and 2020 as shown in Table 24. Focusing on those DAFs, a different aggregate picture emerges showing that distributions increased $13.6 million and contributions decreased $28.7 million.

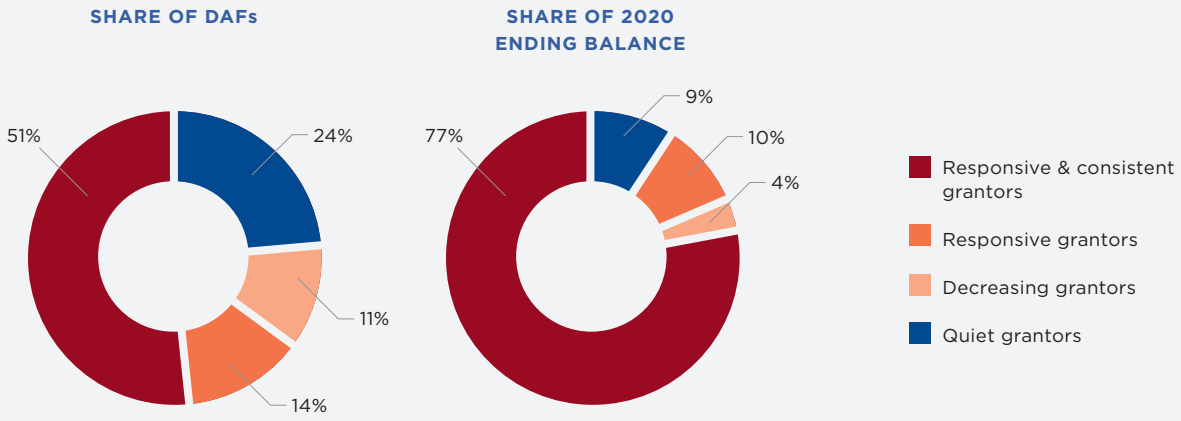
YEAR	TOTAL DAFs	SUM, OPENING BALANCES	SUM, CONTRIBUTIONS	SUM, DISTRIBUTIONS	SUM, ENDING BALANCES
2019	2,378	$516,780,512	$103,183,305	$69,530,373	$612,541,068
2020	2,378	$612,541,103	$74,455,545	$83,175,698	$660,851,819
Change, 2019 to 2020	***N/A***	***$95,760,591***	***($28,727,760)***	***$13,645,325***	***$48,310,751***

Table 24: Summary statistics, DAFs in 2019 and 2020, Michigan account-level dataset

Therefore, at the summary level, we have evidence that distributions increased and contributions fell. However, Table 24 also shows that the ending balances increased, so an increase in total dollars distributed is expected assuming a consistent payout rate.

What the project team really wanted to know was, "How many individual DAFs increased their grantmaking dollars and/or payout rate in 2020 compared to 2019?" Using the 2,378 matched DAFs in 2019 and 2020, we sorted every 2020 DAF into one of four categories (see Table 25):

- DAFs making grants in both 2019 and 2020 as **responsive & consistent grantors**
- DAFs making grants in 2020 but not 2019 as **responsive grantors**
- DAFs making grants in 2019 but not 2020 as **decreasing grantors**
- DAFs making no grants in either 2019 or 2020 as **quiet grantors**



CATEGORY	COUNT	2020 ENDING BALANCE
Responsive & consistent grantors	1,238	$508,621,978
Responsive grantors	328	$66,741,788
Decreasing grantors	251	$28,499,764
Quiet grantors	561	$56,988,287

Table 25: Grantmaking activity, 2019 and 2020, Michigan account-level dataset

Table 26 shows the account-level results:

- The 51% of all DAFs that made grants in both 2019 and 2020 received $8.3 million more in contributions and made $1.2 million more in grants in 2020.
- The 14% of DAFs that made no grants in 2019 — but made grants in 2020 — received $34 million less in contributions and made $16 million more in grants in 2020. These responsive DAFs composed nearly 1 in 5 dollars of all DAFs during 2020.

COUNT	GRANTMAKING CATEGORY	INBOUND, 2019	GRANTS, 2019	INBOUND, 2020	GRANTS, 2020
1,238	Responsive & consistent	$59,384,708	**$65,944,340**	$67,769,435	**$67,116,166**
328	Responsive	$37,627,080	**$0**	$3,414,767	**$16,059,532**

Table 26: Summary statistics, DAFs by grantmaking category in 2019 and 2020, Michigan account-level dataset

Regardless of the grantmaking activity category, the median DAF paid out roughly 8.5% of its balance in 2020, with one quarter of DAFs paying out 23% or more. For the largest group — responsive and consistent grantmakers — the 25th percentile and median were nearly unchanged from 2019 to 2020, but the 75th and 90th percentile payout rates increased by 4 and 5 percent, respectively, to 30% (75th percentile) and 60% (90th percentile).

Putting the pictures together, the project team does observe an increased response to the crises of 2020. Two-thirds of all DAFs made outbound grants in both 2019 and 2020, and more than one in three DAFs (35%) increased both the dollars distributed as well as the payout rate from 2019 to 2020. In addition:

- In aggregate across all DAFs in the Michigan dataset, both contributions and distributions increased in 2020 compared to 2019.
- When looking only at DAFs that existed in both 2019 and 2020, grants increased $13.6 million and contributions decreased $28.7 million — potentially as DAF creators switched some portion of their charitable contributions directly to nonprofits.
- One in five DAFs that made a distribution in 2020 had not made any distribution in 2019. In responding to events in 2020, their payout rates mirrored the payout rates of the consistent DAFs grantors.
- Within the consistent DAF grantor group, the payout rates at the 75th and 90th percentiles increased by at least 4% from 2019 to 2020.

Conclusions

GENERAL METRICS

- Most community foundations in the United States (nearly 90%) hold at least one DAF.
- At an aggregate level, DAF balances compose half of all community foundation endowments in the nation.
- Looking foundation by foundation, the median community foundation in the nation holds roughly one in four dollars of its endowment on behalf of a DAF, compared to one in ten for Michigan's community foundations.
- The median DAF housed at a Michigan community foundation had a balance of $46,500 in each of the four study years.

INVESTMENT RETURNS

- The median real, annualized investment return for Michigan's DAFs was 6.9%.
- The median Michigan DAF experienced investment returns consistent with the median Michigan community foundation. DAF gains were slightly higher, and losses slightly greater, suggesting that the median DAF accepts more risk with the opportunity for higher return.

PAYOUT RATES

- Aggregate distributions from community foundation DAFs in the nation grew faster than contributions or the aggregate DAF balances (25% compared to roughly 16% per year, respectively). In Michigan, annualized growth in aggregate distributions also outpaced growth in contributions (12.2% and 5.4%, respectively).
- The median payout rate of all Michigan DAFs is 2% lower than the median Michigan private or community foundation. However, when only including DAFs that made a payout, the median DAF payout rate moves to 2% or more higher than the median private or community foundation payout rate.
- In any given year, just over one in ten Michigan DAFs was categorized as active-inbound only, meaning it received inbound contributions but made no payouts.
- In 2020, just under half (43%) of Michigan's DAFs paid out 5% or more of their balance, and almost a third (32%) paid out 9% or more. These figures include all DAFs that made zero distributions in 2020 (35%).

PATTERNS OF ACTIVITY (FLOWS, TYPES)

- More Michigan DAFs made a distribution (more than 60%) than received an inbound contribution (roughly 40%).
- The median Michigan DAF received zero contributions in a given year, and distributed just over $1,600 in any given year on average. Looking only at DAFs with distributions, the median rises to over $8,000 in any given year on average.
- Even though an average of one in four Michigan DAFs was quiet (inactive) in any single year, across the four study years less than 10% of all Michigan DAFs were inactive in every year. These inactive DAFs hold less than 5% of total DAF assets in the state.
- For the most recent year of data available, DAFs that are active in every year — with a contribution, distribution, or both — comprise the majority of Michigan's DAFs (59%), receive nearly all of the contributions (96%), make nearly all of the distributions (88%), and hold nearly all of the assets (82%).
- Michigan's DAFs are nearly evenly divided in both number and total assets between endowed and spendable DAFs, with endowed DAFs holding just over 50% of all assets. However, spendable DAFs comprise nearly three-quarters of all contributions and distributions.
- One-quarter of Michigan's spendable DAFs distribute nearly half of their balance in any given year, and one in every ten spendable DAFs distributes almost all of the available balance in any given year (80% or more).
- Out of the approximately 2,600 unique DAFs housed at Michigan's community foundations, only 2% were established by a private foundation. Balances, contributions, and distributions were also all in single digit percentages. Therefore, private foundation-established DAFs are rare within Michigan's DAF universe.

SPECIAL FOCUS: 2020

- Two-thirds of all DAFs made outbound grants in both 2019 and 2020, and more than one in three DAFs (35%) increased both the dollars distributed as well as the payout rate from 2019 to 2020.
- When looking only at DAFs that existed in both 2019 and 2020, grants increased by $13.6 million and contributions decreased by $28.7 million — potentially as DAF creators switched some portion of their charitable contributions directly to nonprofits.
- One in five DAFs that made a distribution in 2020 had not made any distribution in 2019. In responding to events in 2020, their payout rates mirrored the payout rates of the consistent DAFs grantors.
- The median distribution from a Michigan DAF rose from $8,500 in 2019 to $9,750 in 2020. In addition, the payout rate increased by at least 4 percentage points from 2019 to 2020 for the largest grants at the 75th and 90th percentiles.

About the Project Partners

Council of Michigan Foundations

The Council of Michigan Foundations (CMF) leads, strengthens and supports Michigan's community of philanthropy by emboldening and equipping CMF members in the relentless pursuit of equitable systems, fortifying the field through public policy action, fostering the growth of current and future philanthropy leaders and advancing exemplary philanthropic practices and field expertise.

www.michiganfoundations.org

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Established in 1992 with support from the W.K. Kellogg Foundation and Grand Valley State University (GVSU), the Dorothy A. Johnson Center for Philanthropy is an academic center within GVSU's College of Community and Public Service. We envision a world shaped by smart, adaptive, and effective philanthropy that helps to create strong, inclusive communities. Our mission is to be a global leader in helping to understand, strengthen, and advance philanthropy.

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FOR MORE INFORMATION

Visit the Technical Appendix located on the CMF website at https://www.michiganfoundations.org/resources/payout-study, or contact:

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