FEG Insight

2024 Community Foundation Survey Executive Report

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AGENDA

The 2024 Community Foundation Survey received 107 responses across 31 states, representing approximately $40.9 billion in assets.[1] Organization asset size ranged from less than $25 million to greater than $1 billion, with 30% of respondents reporting assets between $101-$250 million. Overall, the survey revealed several key themes: the OCIO advisory model is gaining traction, though traditional consulting models remain more popular; many foundations are considering increasing private investments and reducing hedge fund exposures; legislative actions have slowed momentum for diverse asset managers, but some institutions are shifting towards private capital for impact investing; and while half of respondents support responsive investing, actual investments remain limited. Finally, community foundation spending rates have slightly increased compared to last year and minimal changes are expected in the coming year.

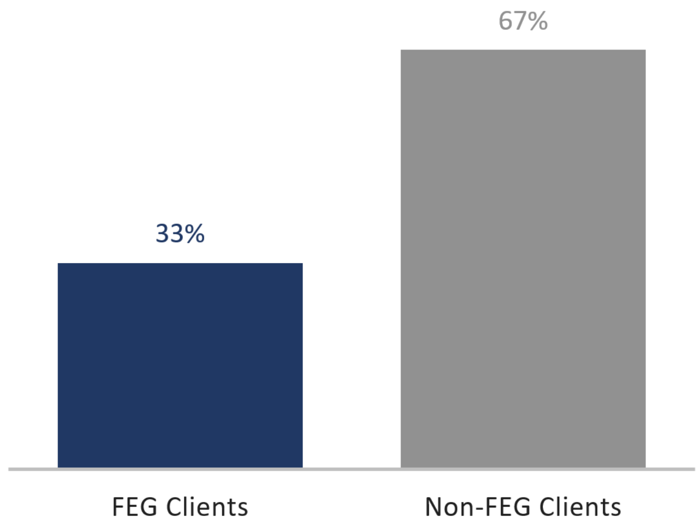
[1] Assets under advisement were self reported by respondents as of September 30, 2023.

ABOUT THE SURVEY

The FEG Community Foundation Survey collects data on a variety of financial and enterprise topics to provide insight on issues affecting community foundations.

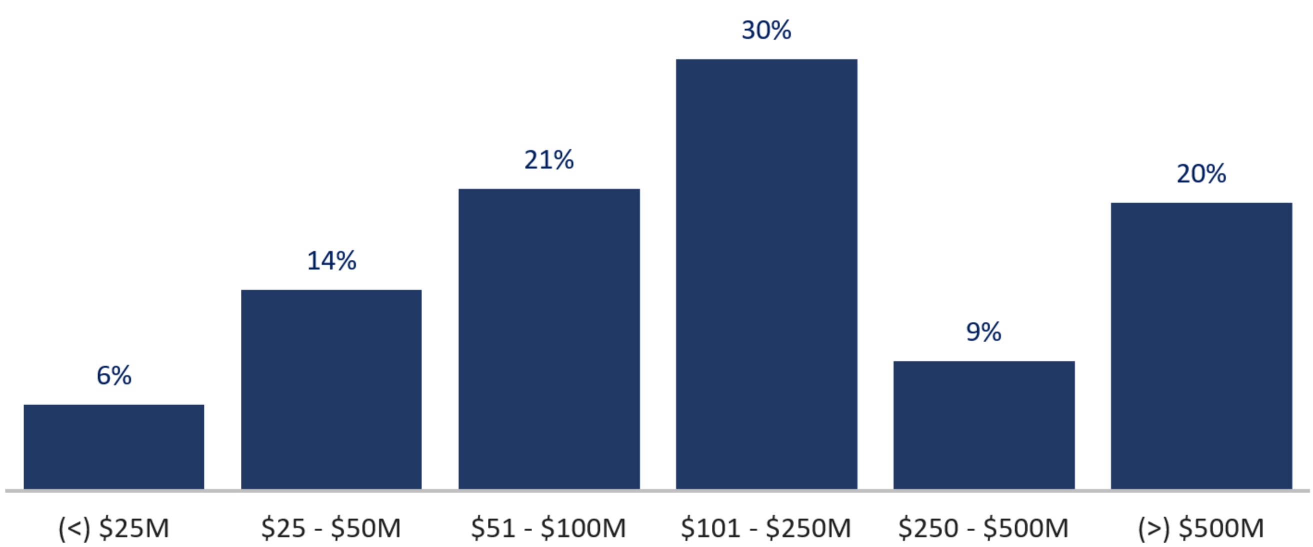
The survey was completed primarily by senior-level investment decision-makers. Responses were accepted from January 16 to March 8, 2024. FEG would like to thank all community foundations dedicated to serving the needs of their communities—especially those who contributed to the survey.

FEG CLIENT VS. NON-CLIENT PARTICIPANTS



N = 107

INVESTABLE ASSET BASE OF ORGANIZATION



Note: Assets under advisement were self reported by respondents as of September 30, 2023.

N = 107

$40.9B

Assets represented by the survey respondents

31

States with participating community foundations

A LOOK AT COMMUNITY FOUNDATION GOVERNANCE

Advisory/Consultant Service Model

While traditional consulting/non-discretionary models remain the most popular service model, there has been a noticeable increase since the inception of this survey in the number of community foundations with an OCIO/discretionary service model. Approximately 37% of respondents indicated they utilize an OCIO model, a 2% point increase from the prior year's survey and a 14% point increase from the initial survey in 2016. However, traditional consulting is still the most popular model, with 47% of respondents indicating they have adopted this approach.

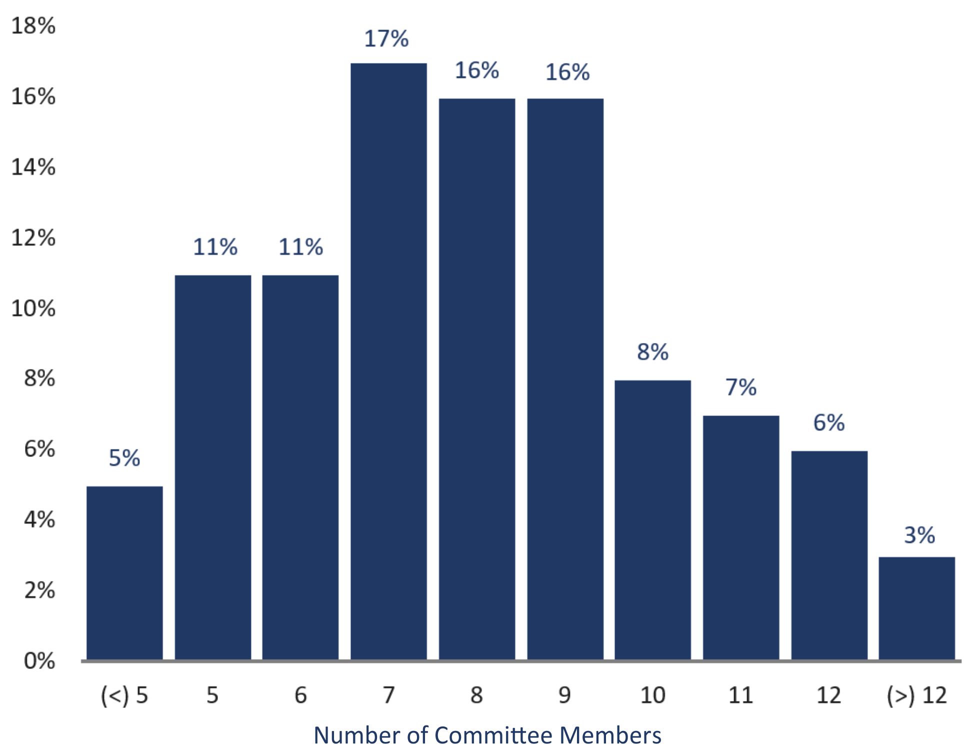
When considering a service model adjustment, community foundations should reflect candidly on their governance and the roles and responsibilities of their investment committee, staff, and advisor(s). Community foundations should also take into consideration investment resources—both staff and the investment committee.

In this year's survey, the trend of limited investment staff continued, with approximately 83% of respondents stating they have one or fewer full-time equivalent (FTE) staff to administer the foundation's investment portfolio. Moreover, 79% of respondents indicated they expect staffing levels to remain static over the next 5 years.

To learn more about FEG's approach to governance, visit **www.feg.com/governance.**

Investment Committee Composition

NUMBER OF INVESTMENT COMMITTEE MEMBERS



While the number of investment committee members in a given organization ranged from less than 5 to over 12, more than 60% of respondents indicated they have between 6 and 10 investment committee members.

Source: 2024 FEG Community Foundation Survey, N = 107

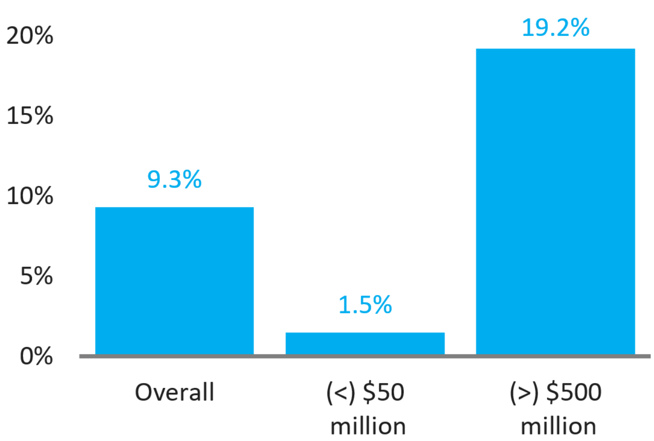
SIZE MATTERS: DIFFERENCES BETWEEN SMALL & LARGE COMMUNITY FOUNDATIONS

Asset Allocation

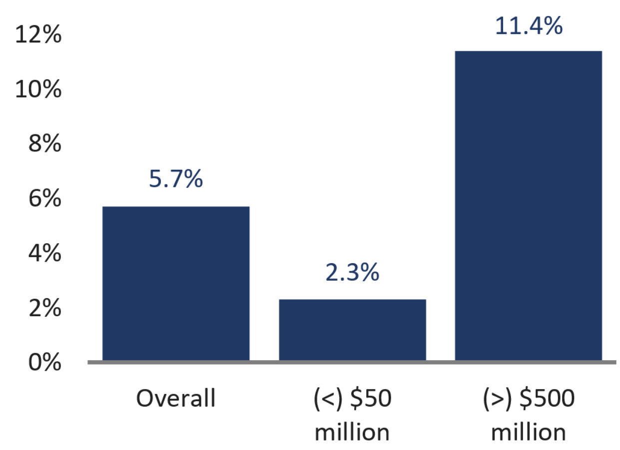
Similar to previous years, smaller community foundations[2] indicated a stronger home country bias, with 47% of portfolio assets dedicated to U.S. equities. This year's investment performance results reflected smaller community foundations, on average, outpacing larger organizations on a trailing 1-year basis. While 2022 was a difficult year for both public equity and fixed income, 2023 was a year of recovery in the public markets. The relative performance differential between large and small foundations is due in part to the lagged reporting methodology of private capital investments. The differential was further exacerbated by the outsized performance of the U.S. large cap—where, again, smaller foundations maintained a higher concentration—amid the 2023 recovery. Over longer periods of time, however, a return premium has been observed for those foundations that have allocated to the private markets. This has benefitted many large community foundations with mature private capital programs. The average allocation to private investments for community foundations with more than $500 million is 19.2%.

While every community foundation has unique factors that contribute to risk levels and liquidity needs, the survey has found consistently over the years that larger community foundations allocate more to alternatives.

PRIVATE INVESTMENTS



HEDGE FUNDS



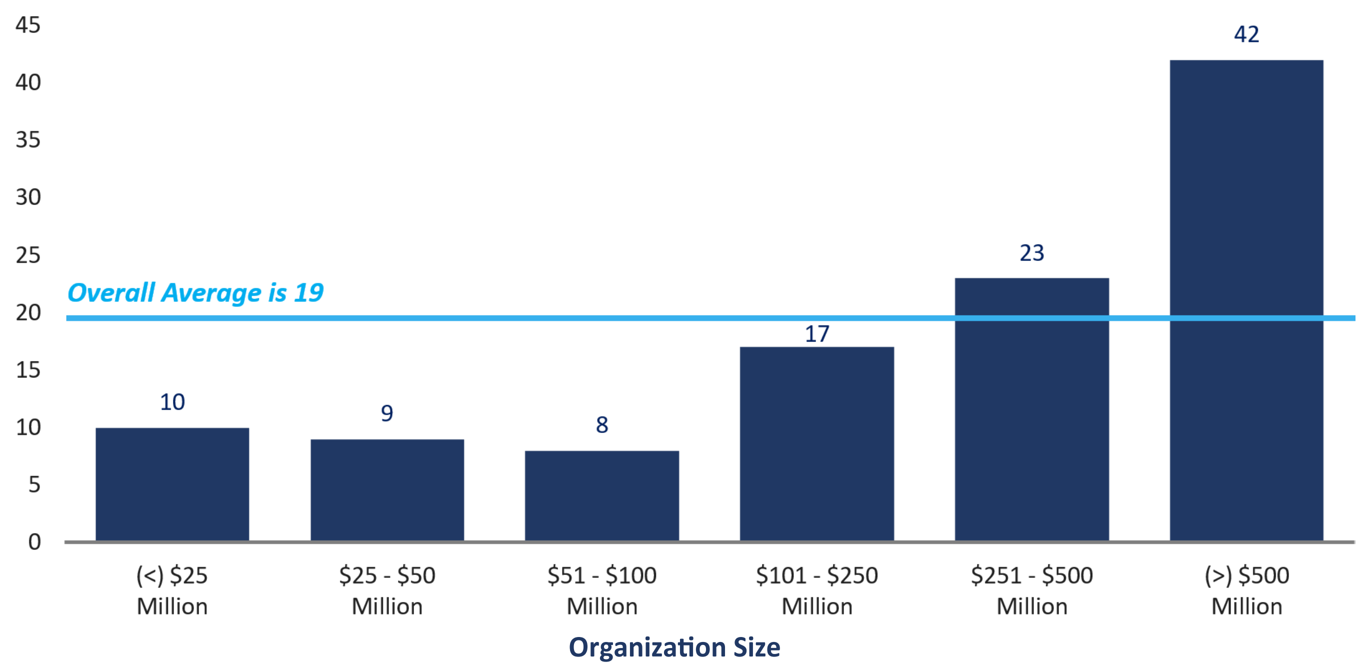
Source: 2024 FEG Community Foundation Survey.
Note: Asset Allocation as of September 30, 2023 and shown as average of survey responses. PI: N=96/19/20; HF: N=92/18/20.

Number of Investment Managers

Another area in which the survey identified a significant difference depending on a community foundation's size was the number of investment managers. Overall, foundations reported an average of 19 investment managers in their primary pool, but the number of managers varied greatly depending on asset size. Community foundations with assets greater than $500 million averaged 42 managers, while those with assets less than $25 million only had approximately 10 managers. The reason for the higher number of managers may be attributed to a greater utilization of private capital.

[2] *Smaller organizations were those with less than $50 million in AUA and larger organizations were those with more than $500 million AUA.*

AVERAGE # OF INVESTMENT MANAGERS IN PRIMARY POOL

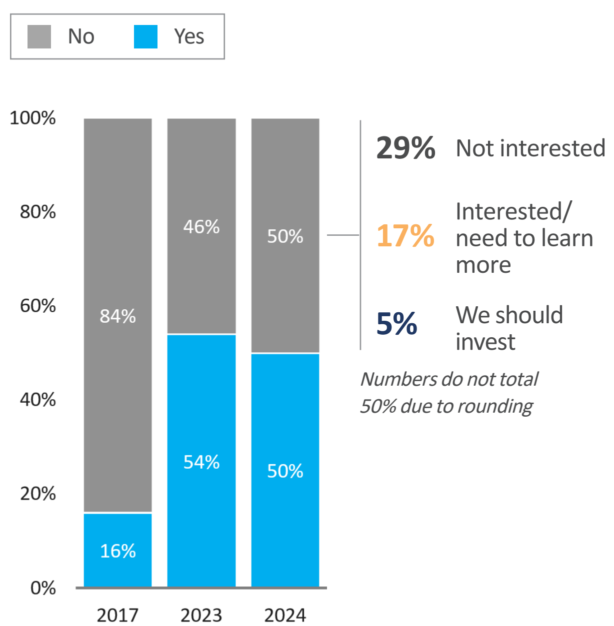


Source: 2024 FEG Community Foundation Survey, N = 20

Responsive Investing (RI)

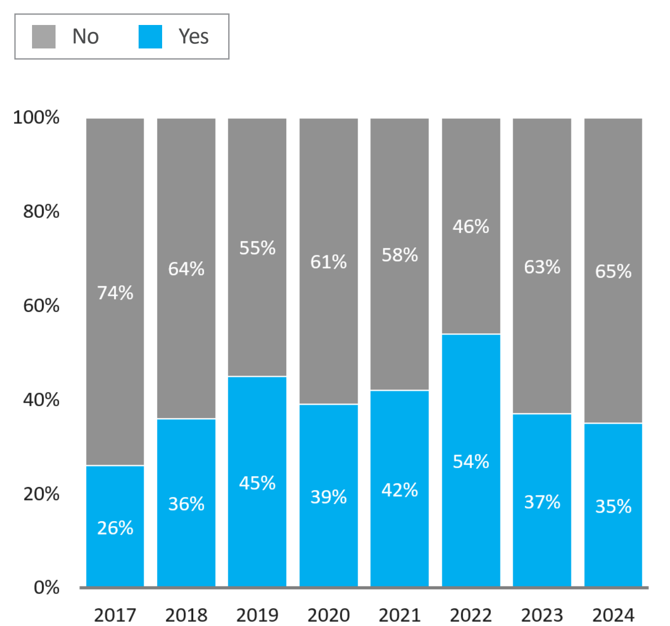
Interest—and investment—in responsive investing has increased since 2017. However, in recent years overall adoption and donor interest have decreased from peak levels experienced in 2022. Half of the respondents (50%) indicated they have responsive investing strategies within their portfolio—down from 54% in 2023—but the actual dollars invested of the total portfolio remain limited.

CURRENTLY HAVE RI INVESTMENTS



2017 N = 88 / 2023 N = 99 / 2024 N =105

CONSISTENT DONOR INTEREST IN RI AS LAST YEAR



2017 N = 87 / 2018 N = 101 / 2019 N = 111 / 2020 N = 90 / 2021 N = 108 / 2022 N = 98 / 2023 N = 100 / 2024 = 105

A GROWING TREND: DIVERSE ASSET MANAGERS

As community foundations continue exploring implementation of DEI to align their missions with their investments, there has been a bit of a pullback this year and somewhat of a plateau in terms of the number of community foundations interested in investing in diverse managers. Nearly 44% of respondents indicated having hired or having considered hiring a diverse asset manager, which is down from 49% in the 2023 survey. Education and inventory are the major areas where community foundations are seeking further assistance regarding DEI and diverse managers. Furthermore, investing in diverse asset managers/DEI is among the top trends being discussed by investment committees.

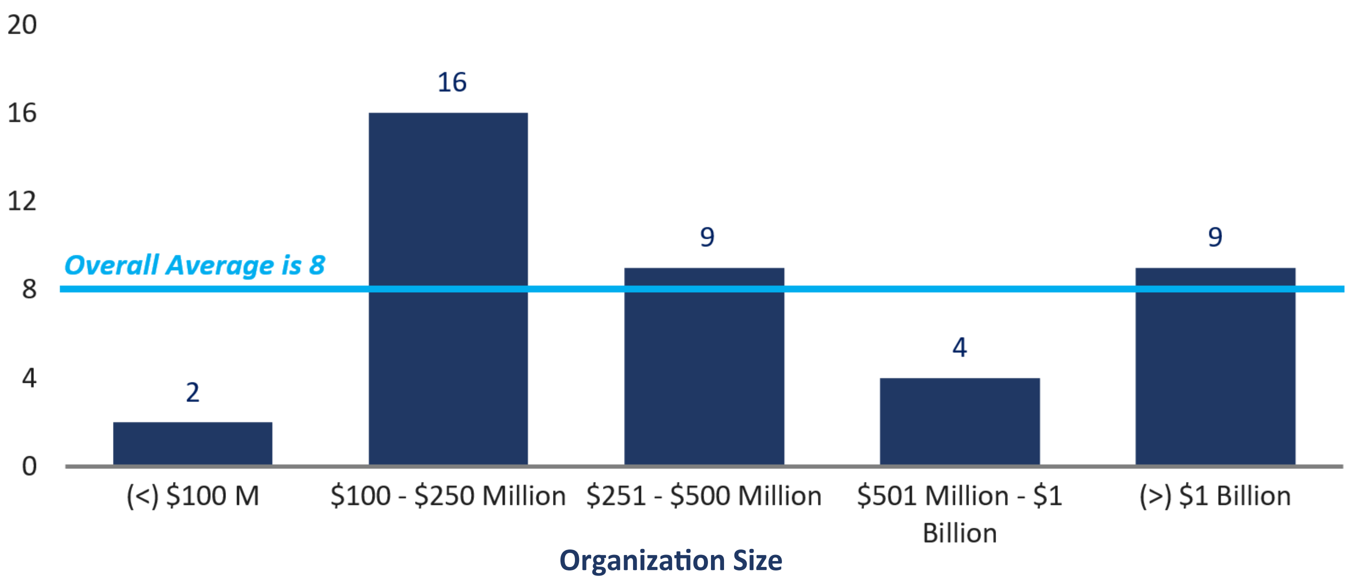
44%

Community foundations that have considered hiring or hired diverse asset managers

Defining Diverse

While it can be challenging to arrive at a universal definition of diverse, more than half the respondents indicated they define a diverse manager as one with more than 50% composition of ownership and/or portfolio managers who are described as women or persons of color.

AVERAGE NUMBER OF DIVERSE ASSET MANAGERS CURRENTLY HELD



Source: 2024 FEG Community Foundation Survey, N = 20

DEFINITION

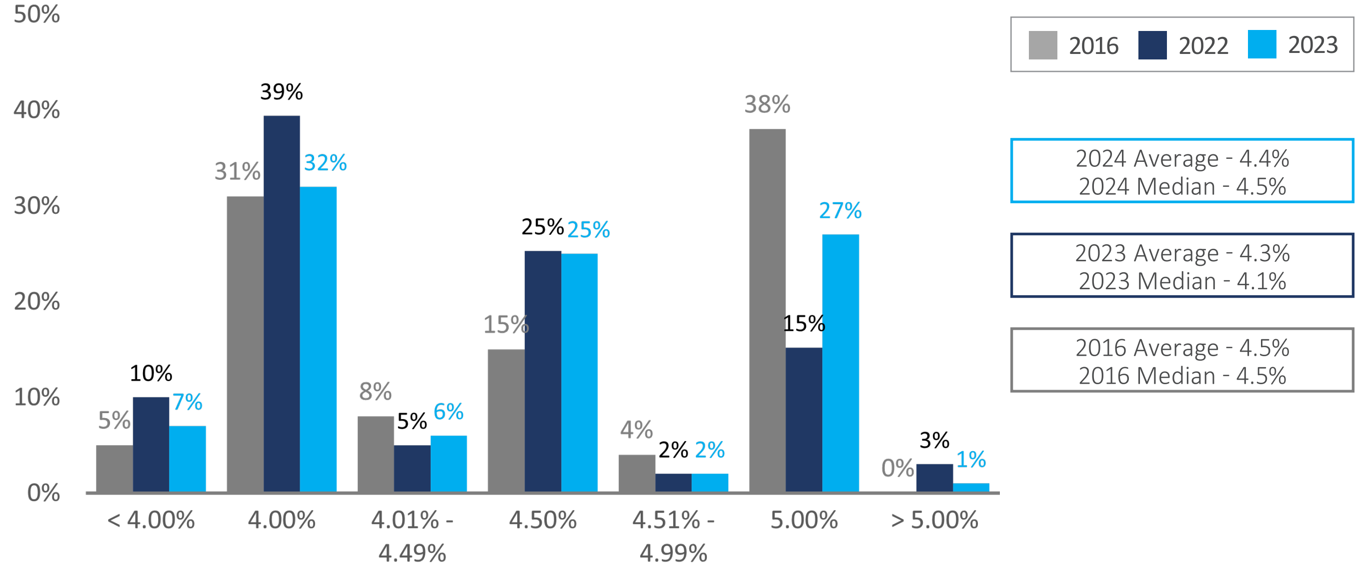
FEG defines diversity as women, BIPOC (Black, Indigenous, and people of color) individuals, LGBTQ+ individuals, veterans, and people with disabilities.

FACTORS OF SPENDING POLICY

Spending Rates

Average and median community foundation spending rates increased year over year as equity and fixed income markets rebounded from 2022. The average and median spending rates are 4.4% and 4.5%, respectively. Notably, only 12% of respondents signaled an intent to change spending rate in the coming year.

SPENDING POLICY RATE[1] EXCLUDING ANY ADMINISTRATIVE FEES



[1] Answers were grouped. Answers may have been excluded that were more than 20% off the average.
2016 N= 80 / 2023 N = 100 / 2024 N = 107

Spending Methodology

The methodology an organization uses to determine its endowment spending can help mitigate the impact of volatility. Similar to the results shown in the 2023 Community Foundation Survey, the most common methodology used as indicated in the 2024 Community Foundation Survey was moving average, primarily over a rolling 12-quarter period.

CLOSING THANKS

Thank you to the community foundations that participated in the survey and contributed to its content. FEG greatly appreciates the time and energy of those who have participated in the past and looks forward to increasing the number of participants and improving the usefulness of the data in the future.

Should you have any ideas or feedback to incorporate for the 2024 survey, please send an email to communications@feg.com.

GLOSSARY

Investment Consulting Models

TRADITIONAL CONSULTING / NON-DISCRETIONARY

Traditional consulting is the use of a third party that advises a board/committee on investment decisions but does not have discretionary power—sometimes referred to as an investment advisor.

OCIO / DISCRETIONARY

An OCIO is a third party that manages an investment portfolio.

DELEGATED INVESTING MODEL

This model combines traditional consulting and OCIO. The consultant—a third-party advisor—advises the board/committee on investment decisions but might have some discretionary power.

INVESTMENT MANAGER

A mutual fund manager (e.g., Morgan Stanley).

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The Community Foundations data is obtained from the proprietary FEG 2024 Community Foundation Survey. The study includes a survey of 107 U.S. Community Foundations. The survey was open for responses online from January 16 - March 8, 2024. Participants also had the option to complete as a word document and email the results back to FEG. The data from this survey is in preliminary stages and not yet finalized. Participants include community foundations with assets ranging from less than $25 million to greater than $1 billion. The information in this study is based on the responses provided by the participants and is meant for illustration and educational purposes only.

Data in this presentation may also be obtained from the 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016 proprietary FEG Community Foundation Surveys. To receive the full disclosures for these surveys, please email communications@feg.com.

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