EXECUTIVE BRIEF FOR DAF SPONSOR & COMMUNITY FOUNDATION CEOs AND BOARDS

The Technology Cornerstone

Why It Is Now the Most Important Strategic Decision Your Board Will Make

An operator's perspective for the boards and executive teams of the organizations that sponsor and administer charitable funds—community foundations, donor-advised fund sponsors, university foundations, and faith-based funds.

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The field of charitable fund administration is entering a phase in which the technology a sponsor runs on will increasingly determine the strategic options available to its board. This is applicable most visibly to donor-advised funds (DAFs) considering how commoditized they have become, but also for community foundations, university and faith-based funds, and every organization that stewards charitable capital. Most organizations do not yet treat this as a board-level consideration. **They will need to.**

This brief argues that technology is no longer downstream of strategy—it is the foundation on which strategy is built. Organizations whose architecture cannot support a modern donor experience, advisor channels, compliance-by-design, and operational leverage will lose ground to peers that can, not in five years, but over the next two to three. The most consequential decision a board will make in this cycle is whether its technology foundation can carry the strategy the board wants to execute.

I / The inflection point

The DAF category has grown into one of the most consequential vehicles in American philanthropy, and the structural drivers behind that growth—generational wealth transfer, tax-advantaged charitable planning, advisor-channel distribution, and donor demand for control and continuity—are accelerating rather than slowing. Assets are concentrating at the top while the middle tier of organizations faces increasing pressure on every dimension that matters. Five forces are converging to make this an inflection moment.

1. **Donor expectations, reset by the gorillas.** Fidelity and DAFgiving360 (formerly Schwab Charitable) have set the baseline. Donors now expect modern onboarding, mobile-friendly interaction, real-time visibility, and seamless granting.
2. **The advisor channel is now the dominant growth lane.** White-label and embedded DAFs through RIAs and wealth firms are, for many sponsors, already the dominant source of new assets—and only becoming more important. Seamless integration and partnership with advisors is more valuable, not less.
3. **Compliance dynamics are climbing quietly.** §4966, §4967, §4943, state distribution rules, and evolving anti-money-laundering and know-your-customer dynamics that—handled prudently—are not a strict requirement for a fund sponsor but increasingly shape what good practice looks like. It is a surface area legacy systems were never designed to manage.
4. **Operational leverage comes from software, not headcount.** On a modern platform, the marginal cost of adding a donor, grant, account, or advisor approaches zero. On legacy architecture, it still caps growth.
5. **AI is changing what excellent operations look like.** Not a feature to bolt on, but a principle shaping compliance review, donor service, grant due diligence, and reconciliation. Organizations whose systems can absorb AI will outrun those whose systems cannot.

II / The constraint

Most organizations administering charitable funds run on infrastructure designed for a different era—aging stacks, batch reconciliation, and donor portals that predate the smartphone. Across the vendors that dominate the market, the architecture story is broadly similar: an aging foundation, layered with point solutions, integrated by spreadsheets and human handoffs. The result is a set of constraints every organization on legacy infrastructure already experiences.

1. **A capacity ceiling.** Most legacy-platform organizations cannot grow assets faster than they grow operations staff. The platform sets the speed limit.
2. **The reconciliation tax.** Custodian feeds, accounting, donor and advisor portals, CRM, and tax tools were never designed to operate as one architecture. Keeping them aligned consumes bandwidth that should fuel growth.
3. **Compliance-by-heroics.** When compliance is reliant on staff vigilance rather than on systematic controls, the organization is one missed step away from a problem. The best teams manage this risk by working harder.
4. **Donor experience drag.** Weak donor portals lose donors who should be retained. The losses are quiet—but real, and compounding.
5. **A ceiling on advisor-channel growth**. Most legacy systems cannot support a true white-label or partner program where the giving experience lives natively inside an advisor's platform. Retrofitting multi-tenant architecture onto a single-tenant system rarely works.
6. **Key-person dependency.** When the system depends on a few people knowing how to run it, the organization carries a risk that never appears on the balance sheet.

These are not IT problems. They are strategic constraints—each one quietly determining what the organization can and cannot do.

One related trap deserves brief mention. Fund administration software vendors, and the organizations they serve, have long customized systems to each client's specific requests—a habit that has repeatedly produced complex, bloated platforms that struggle to automate or evolve. *The full report examines this dynamic in depth—and why standardizing back-office administration is precisely what frees an organization to differentiate where it counts.*

III / Modern technology: the cornerstone of the modern sponsor

A modern platform is defined by six characteristics. Organizations that exhibit all six are positioned to grow and to win the next generation of donors and advisor partners; those that exhibit few are increasingly visible to the market as legacy operators. The profile is not aspirational—organizations exhibit it today, both among the largest sponsors and among mid-sized organizations that have made the decision to modernize deliberately. The question for any board is not whether the profile is possible. It is whether the organization is on the curve toward it, or away from it.

1. **Integrated architecture.** A single source of truth across contributions, grants, investments, compliance, donor experience, and advisor relationships—not point solutions glued together by reconciliation.
2. **Automation depth.** Workflow automation that compounds. As an organization grows threefold, headcount grows modestly on a modern platform, and proportionally on a legacy one.
3. **Donor- and advisor-centric design.** Experiences that meet the standard set by leading sponsors and modern wealthtech. Not cosmetic—it determines retention, adoption, and competitive position.
4. **Compliance-by-design.** Regulatory rules encoded in the system rather than enforced by vigilance. Posture is visible in the architecture before it is visible in the policies.
5. **Partner-ready.** Native multi-tenancy and support for white-label, embedded, and co-branded programs without bespoke engineering. The advisor channel becomes a structural growth lane.
6. **AI-enabled where it matters.** Not AI as a feature, but as an architectural principle applied to compliance review, due diligence, donor service, document processing, and reconciliation.

The breadth matters as much as the modernity. For community foundations and organizations administering endowments, scholarships, agency, and designated funds, the platform must be broad as well as modern—capable of the full range of charitable fund administration on one integrated, configurable foundation, not a single-purpose DAF tool.

IV / The decision framework

Boards are accustomed to evaluating technology as an operational matter—an IT capital plan, a system upgrade, a vendor renewal. This brief argues for a change in that paradigm. Technology-platform decisions are strategic: the foundation is either an asset that expands what the organization can become or a liability that quietly forecloses it. Aging technology is a hidden form of organizational debt—it never appears on the balance sheet, but it limits the future just as surely as financial debt would, and many organizations are carrying it right now without having named it. Three questions clarify the decision.

1. **Where is the organization on the technology maturity curve today?** A simple assessment across the six characteristics, scored 1 to 5, gives the board an honest read. The pattern of strengths and weaknesses is more diagnostic than the aggregate score.

2. **Where does it need to be in three years to execute its strategy?** If the plan calls for 2x growth, an expanded advisor channel, younger donors, or new fund types, each ambition requires a specific level of platform maturity. The question is not "is our platform working?" but "can it carry the strategy we have committed to?"

3. **What has to be true for modernization to succeed?** Six conditions: executive sponsorship at the CEO and board level, a multi-year horizon, organizational readiness for change, a credible technology partner, sufficient capital, and a migration approach that protects the donor experience throughout.

The board's role is not to manage the technology. It is to recognize that the decision is strategic, ask the questions that surface honest answers, and hold the organization accountable to a multi-year arc.

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V / The path forward

For organizations that conclude their technology foundation needs to be rebuilt, the path is more straightforward than at any point in the past decade. The work, approached well, falls into three phases—the strategic decisions concentrated early, the returns compounding late.

PHASE ONE Diagnose the foundation 6–12 weeks	PHASE TWO Rebuild the foundation 6–12 months	PHASE THREE Compound the return 12–24 months
Establish the technology maturity baseline, define the strategic ambition the platform must carry, identify the gap, and select a technology partner. Most of the strategic work happens here.	Migrate, integrate, and validate—protecting the donor experience throughout. Donors should land on a noticeably better platform, never a degraded one mid-transition.	Returns compound: faster onboarding, scaled advisor partnerships, lower marginal cost, stronger compliance posture, and the capacity to launch new programs.

/ Where Foundation Source stands

Foundation Source built FundOS for this transition. A growing set of modern fund sponsors are actively administering charitable funds on the platform today—and, as a group, growing meaningfully faster than the broader DAF market—with more organizations deploying over the next twelve to eighteen months. This brief is not a pitch; boards should evaluate the full landscape rigorously and independently. It is a statement of where Foundation Source stands and what is being built.

CLOSING

The DAF industry—and the broader field of organizations that administer charitable funds will look meaningfully different in 2030 than it does today. The organizations that emerge strongest will not be the ones that ran fastest on the current architecture. They will be the ones that recognized the decision for what it was—strategic, not operational—named it honestly as a board-level matter, and committed to the multi-year work of rebuilding the foundation underneath their strategy. That work is happening now. **The question for any board is not whether to engage it. It is when.**

ABOUT FOUNDATION SOURCE

Foundation Source is the leading provider of philanthropic software and services. At the forefront of PhilTech, Foundation Source is the partner of choice for flexible software and services that offer end-to-end support for private foundations, donor-advised funds and planned giving. We offer a range of purpose-built, cloud-based platforms that facilitate all stages of giving and a configurable suite of administrative, compliance, tax, and philanthropic advisory services for donors, nonprofits and charities, and professional advisors, including RIAs and financial institutions serving wealth management and private banking clients.

With over 100 years of combined experience, Foundation Source empowers people and companies to create a better world through philanthropy. We support more than 27,000 charitable organizations, administer more than $55 billion in charitable assets, and facilitate more than 190,000 grants and planned gifts annually.

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