

FOUNDATIONSOURCE

2023 REPORT ON

PRIVATE PHILANTHROPY



***Giving +
Investment
Trends*** WITHIN
PRIVATE
FOUNDATIONS

A Deep Commitment to Philanthropy

Charitable giving trends in 2022 are nuanced.

Despite challenging macro-economic conditions, including a sustained market downturn, geopolitical and economic uncertainty, and record-high inflation, private foundations exhibited tactful planning and preparation following investment gains in 2021 allowing them to increase the number, amount and size of their grants in 2022.

Generosity and a deep commitment to philanthropy were certainly factors in this year-over-year uptick in giving. However, double-digit declines in endowment portfolios may signal a softer environment for giving between now and the end of the year. These dynamics warrant a closer look to fully understand last year's trends, and what they may mean for us going forward.

As additional background, the latest Giving USA report shows that the largest source of charitable gifts, those from individuals, declined by more than 6% in 2022 and was largely responsible for total contributions being down during the year. In this type of climate, foundations play an increasingly vital role in the philanthropic ecosystem and are an essential lifeline to the nonprofits who rely on funding from donors to operate.

We invite you to explore our *2023 Report on Private Philanthropy: Giving and Investment Trends within Private Foundations* where we analyze a sample of nearly 1,000 foundations with assets between \$1 million and \$500 million across the 24-month period encompassing 2021 and 2022. The findings we share can provide a valuable benchmark for private foundations and their professional teams as they evaluate effectiveness and recalibrate for maximum impact – and they offer further evidence that foundations are both dedicated and resilient when it comes to supporting causes and driving change.

Foundation Source will continue to serve as the partner in giving for philanthropic foundations, as we have for the past 23 years, and we remain committed to helping philanthropists stay abreast of issues that can shape their work and providing them with the tools, resources and strategies that will enable them to achieve the greatest charitable outcomes.

We hope our *2023 Report on Private Philanthropy* enriches your planning as we look forward to a rewarding giving season. As always, we are here to help.

Thank you,

Gillian Howell

Head of Client Advisory Solutions



Table of Contents

Key Findings	4
About This Report	7
Report Methodology & Sample Demographics	8
Giving Trends	11
Grantmaking.....	12
Payout Requirement	14
Giving by Charitable Category	15
Where Grants Were Made	16
When Grants Were Made.....	17
General vs. Specific-Purpose Grants.....	18
Other Tools for Giving	19
Investment Trends	21
Portfolio Growth	22
Asset Allocation	23
Changes in Asset Values.....	25
Conclusion	28
Terminology	29



Key Findings

Amid a harrowing economic environment, private foundations leveraged a variety of tools and techniques to give more money through more grants in 2022 than they did in 2021.

Strong Giving Continues

After record giving in 2020 and 2021, **private foundations continued to give generously in 2022** despite difficult macro-economic conditions.

- / Collectively, the 980 foundations in our study made a total of **31,373 grants in 2022 representing \$865 million in charitable aid**. This is a 7.1% increase in grants and 14.7% increase in dollars granted over the prior year.
- / In 2022, foundations made more and larger grants than they did in 2021. **The average number of grants made annually per foundation increased from 31 to 33**, while the average grant size increased from \$25,000 to \$28,000.
- / As in prior years, foundations granted **more than the required 5% distribution—an average of 6.6% of assets** in 2022.

Focused on Mission

Foundations leveraged a **variety of tools and techniques** to manage and deploy their charitable assets to effect desired outcomes.

- / In 2022 foundations increased their funding for non-501(c)(3) organizations by 88.9%, **nearly doubling from \$18 million in 2021 to \$34 million in 2022**. They also increased their use of gifts to individuals by 39.6% over 2021.
- / Foundations directed **19.5% of total grant dollars to Public/Societal Benefit charities** in 2022, a 2% year-over-year increase. Funding for Education-related charities dropped 1.8% to second place, receiving 18.1% of grant dollars.
- / **Larger foundations favored specific-purpose grants at a rate of 2:1** in 2022 to ensure their charitable missions are being pursued in a way that aligns with their vision and incorporating documents.
- / **Smaller foundations maintained the highest allocations to public equities (57.9%)**, fixed income (15.5%) and cash (12.2%), one of the ways they ensure liquidity for their overall higher levels of giving. **Larger foundations had the highest allocation to alternatives (28.0%)** to help provide diversification and return potential to their long-term portfolios.
- / Due to market performance, **foundations shifted their asset allocation**; their equities dropped to an average allocation of 47.0% and alternatives hit a peak of 20.2%.

Emerging Headwinds

2022 presented a number of challenges that, if left unchecked, might adversely affect the nonprofits that rely on foundations for funding.

- / Due to sobering market conditions in 2022, including lower realized gains and contribution rates as well as generally weaker investment performance, **foundations experienced a decrease of 14.5% in their net assets and a year-over-year change in asset value of -31.5%**. This outcome may have a greater impact on 2023 foundation giving since each year's payout requirement is a factor of the prior year's assets.
- / The largest percentage of 2022 grant dollars, **20.3% or \$175 million, went to charities without NTEE codes**, a system used by the IRS and the National Center for Charitable Statistics to classify grants and grant recipients. This helps illuminate a growing blind spot in the philanthropic sector as funders, nonprofits, industry leaders, regulators, and other key influencers seek to understand giving trends and obstacles.



About This Report

As the nation's largest provider of management solutions for family, corporate and professionally staffed foundations, **Foundation Source is uniquely positioned to provide insights into the grantmaking and investment activity of private foundations.**

For more than 10 years, we have collected and analyzed transaction-based data to provide a timely, quantitative benchmark for the nonprofit sector and the professionals who support private foundations to help them optimize their operations and, ultimately, magnify their impact.

According to publicly available data from the IRS, the U.S. is home to more than 100,000 private non-operating foundations. Despite the considerable attention given to the largest foundations and the highest profile philanthropists, the large majority of them (90.9%) have assets under \$10 million, and just 2.4% have assets exceeding \$50 million.

This report presents a year-over-year analysis (2021 to 2022) of foundations with assets between \$1 million and \$500 million to provide insights into how the wealthiest families and most philanthropic organizations are effecting change in the world. It discusses their advanced grantmaking activities, including the size, timing and locations of the grants, their financial inflows and outflows, and their investment activity, including portfolio growth and asset allocation.

U.S.-Based Private Non-Operating Foundations by Asset Level

\$ ASSETS	# FOUNDATIONS	% TOTAL
<\$1M	65,215	61.7%
\$1-10M	30,850	29.2%
\$10-50M	7,121	6.7%
\$50M+	2,571	2.4%
TOTAL	105,757	100.0%

Source: IRS Exempt Organizations Business Master File, June 2023



Report Methodology + Sample Demographics

The findings in this report are based on our analysis of the activities of a sample of 980 private, non-operating foundation clients. **Our data are drawn from investment returns, asset balances, and transactions recorded by Foundation Source**, as we paid grants and expenses on behalf of our clients, prepared their tax returns, and recorded investment information provided by each foundation's financial institution, as we do not custody or manage assets.

Each of the foundations in our sample met the following criteria:

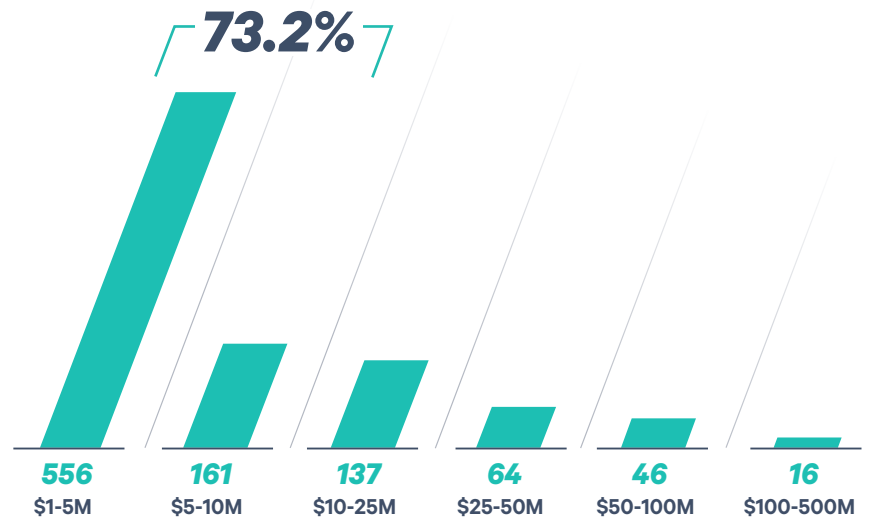
- / Active across the two years of the study period: 2021 and 2022
- / In existence for at least two years
- / Assets between \$1 million and \$500 million

Here is a closer look at the **980 foundations** we analyzed in this report.

COMPOSITION BY

Asset Size

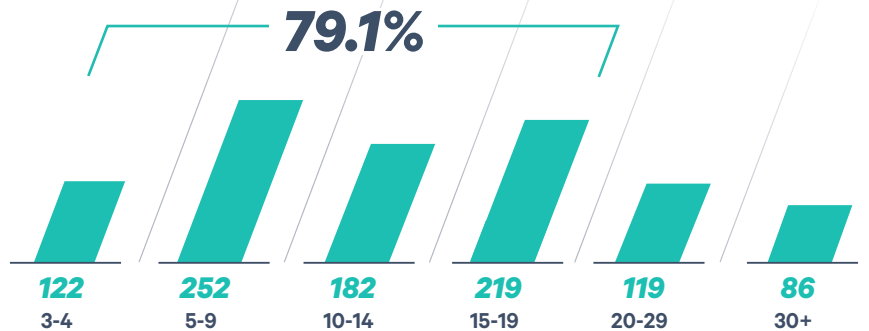
The vast majority, or 73.2%, of the foundations analyzed have assets of \$10 million or less. This sampling breakdown is consistent with the overall universe of U.S.-based private foundations, as noted on page 7.



COMPOSITION BY

Age

Although the report includes foundations ranging in age from two years to more than 30 years, most of the foundations in our sample (79.1%) have been in existence fewer than 20 years.



The largest sub-group of foundations (252 of the 980) have existed between five and nine years, closely followed by those aged 15-19 years (219 of the 980), and as such have been through several grant cycles and potentially had the involvement of more than one leader or generation in both daily activities and governance matters.

Additionally, the majority of these foundations are led and managed by a founder or family leader, while larger and more complex foundations may be professionally staffed.

Throughout the report, we present both the aggregate results for the entire sample of foundations, as well as the results for subsets of foundations, based on the following three asset bands:



SMALLER FOUNDATIONS:

assets between \$1 million and \$10 million



MID-SIZE FOUNDATIONS:

assets between \$10 million and \$50 million



LARGER FOUNDATIONS:

assets between \$50 million and \$500 million

The foundations in our sample had an average age of **15.3 years** and average assets of **\$13.4 million.**





Giving Trends

PUBLIC AND SOCIETAL BENEFIT
CHARITIES CAPTURED NEARLY 20%
OF ALL GRANT DOLLARS IN 2022 AS
FOUNDATIONS PURSUED THEIR MISSIONS
AND RESPONDED TO EMERGING NEEDS.

Grantmaking

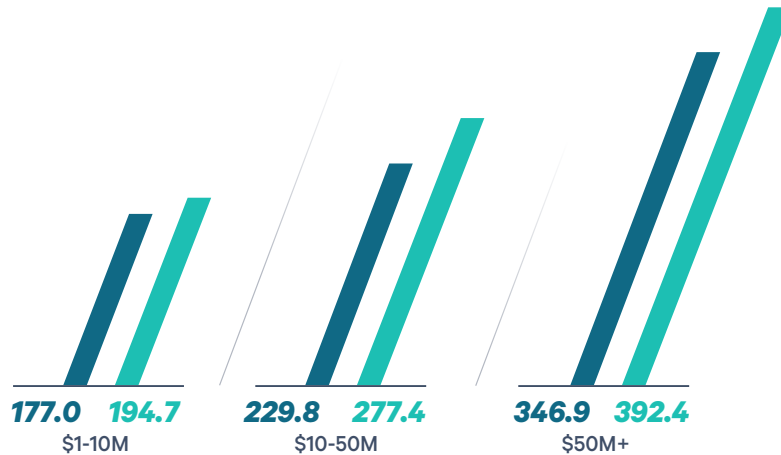
Collectively, the 980 private foundations in our study made **1,553 more grants** and gave nearly **\$111 million more in 2022** than 2021.

GRANTMAKING TOTALS BY

Asset Size

All Foundations

2021 \$753.7 M
2022 \$864.5 M



The total value of all grants awarded increased from \$754 million representing 29,280 grants in 2021 to \$865 million representing 31,373 grants in 2022. This increase occurred across all foundation sizes, particularly by mid-size and larger foundations: Total grant dollars awarded by smaller foundations increased 10.2%; mid-size by 20.4%; and larger by 13.6%. This uptick is in line with the increase in foundation assets in 2021, as a foundation’s payout (distribution) requirement is calculated on the prior year’s assets. (See *Payout Requirement* on page 14 to learn more about how the minimum distribution requirement is calculated. See *Portfolio Growth* on page 22 and *Changes in Asset Values* on page 25 to understand how foundation assets changed year-over-year.) As such, increased payout requirements may be a factor in the increase in the total amount granted.

All Foundations

2021 Mean = \$25,000 / Median = \$5,000 **2022** Mean = \$28,000 / Median = \$5,000

Average Grant Size



Median Grant Size



The average size of grants also increased across all segments, with mid-size foundations jumping the most from an average of \$27,000 to \$32,000. Median grant size remained constant year-over-year for smaller and mid-size foundations, while decreasing from around \$13,000 to \$10,000 among larger foundations. As mentioned previously, a foundation's annual payout requirement is calculated on the prior year's assets. Given the strong market performance in 2021, many foundations experienced an uptick in assets which translates to an increased payout requirement in 2022. The approach for managing this increase varies by foundation; some make more grants, some make larger grants, some will do both, and others meet their higher payout requirement with carryovers from prior years.

The average number of grants awarded by all foundations in the sample increased from 31 in 2021 to 33 in 2022, though the greatest increase occurred among larger foundations where the average number of grants increased from 74 to 80. As mentioned previously, increased payout requirements may be a factor in the increase in the number of grants.

All Foundations

2021 Mean = **31** / Median = **17** **2022** Mean = **33** / Median = **16**

Average Number of Grants



Median Number of Grants



On average in 2022, the foundations in our study made **33 grants** totaling \$903,000. Collectively they granted \$865 million (\$111 million more than in 2021) to 17,544 nonprofit organizations.



Payout Requirement

Foundations are required to disburse an amount of charitable funding each year equal to roughly 5% of their net assets of the previous year, known as the “minimum distribution requirement” (MDR). It is often assumed that most private foundations will curtail their charitable activities to stay at or near the 5% minimum requirement in order to sustain operations as long as possible. In 2022, however, the foundations in our study **collectively distributed an average of 6.6% of their assets for charitable purposes**—exceeding the MDR by more than 1.5%. This finding is consistent with previous reports we’ve published using different samples of client foundations.

How Much Foundations Gave Relative to Their Assets

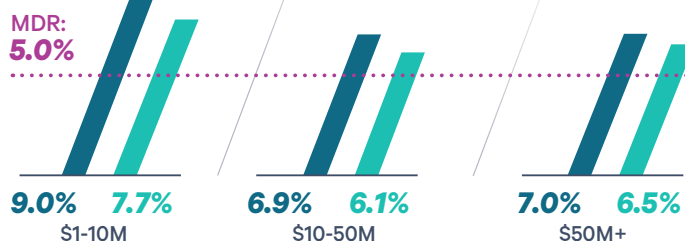
Over more than two decades of working with foundations of all sizes, we have consistently seen their charitable distributions exceed the 5% minimum distribution requirement, and this year was no different. Historically, the smallest foundations have been the most generous relative to their asset size, and they were the leaders again in 2022, distributing 7.7% of their total assets, down from 9% in 2021. Meanwhile, mid-size and larger foundations distributed 6.1% and 6.5% of their assets, also down from 6.9% and 7%, respectively.

Overall, in 2022, foundations distributed an average of 6.6% of their assets, down from 7.3% in 2021. These year-over-year decreases are likely due to foundations responding in real-time to the challenging economic conditions of 2022. (See *Changes in Asset Values* on page 25 for additional context.)

Average Distribution BY ASSET SIZE

All Foundations

2021 7.3%
2022 6.6%



The foundations in our study have a total of nearly **\$1.1 billion in excess grant carry-overs** for the 5-year period from 2018-2022, as a result of consistently giving above the MDR.













Giving by Charitable Category

The National Taxonomy of Exempt Entities (NTEE) category capturing the most funding from foundations in 2022 was **Public/Societal Benefit** at 19.5% of all grant dollars, up from 17.5% in 2021. **Education** was the second largest category at 18.1% (down from 19.9%) and **Human Services** rounded out the top three at 12.9% (down from 13.9%) for the same timeframe. The other category that experienced a shift of at least 1% year-over-year was **Arts, Culture & Humanities** which decreased from 7.0% to 5.8%. All other NTEE categories saw just minor changes in total funding from foundations in 2021 to 2022.

Given the increase in grant dollars to Public/Societal Benefit organizations, it's worth noting that the category encompasses the following subsectors: Civil Rights, Social Action & Advocacy; Community Improvement & Capacity Building; Philanthropy, Voluntarism & Grantmaking Foundations; Science & Technology; Social Science; and Public & Societal Benefit.

Of note, the largest percentage of 2022 grant dollars from foundations, or 20.3%, went to Unknown or Unclassified organizations. As of June 2023, 33% of the 1,854,097 verified public charities in the U.S. did not have NTEE codes which represents a growing blind spot in the philanthropic sector.

Foundations  **increased** their giving to Public and Societal Benefit organizations by **2%** in 2022.

		2021	2022	CHANGE	
UNKNOWN/UNCLASSIFIED		18.9%	20.3%	↑	1.4%
PUBLIC/SOCIETAL BENEFIT		17.5%	19.5%	↑	2.0%
EDUCATION		19.9%	18.1%	↓	1.8%
HUMAN SERVICES		13.9%	12.9%	↓	1.0%
HEALTH		7.9%	7.2%	↓	0.7%
INTERNATIONAL/FOREIGN AFFAIRS		6.0%	6.6%	↑	0.6%
ENVIRONMENT AND ANIMALS		6.2%	6.2%	—	—
ARTS, CULTURE & HUMANITIES		7.0%	5.8%	↓	1.2%
RELIGION RELATED		2.8%	3.4%	↑	0.6%
MUTUAL/MEMBERSHIP BENEFIT		0.04%	0.06%	↑	0.02%

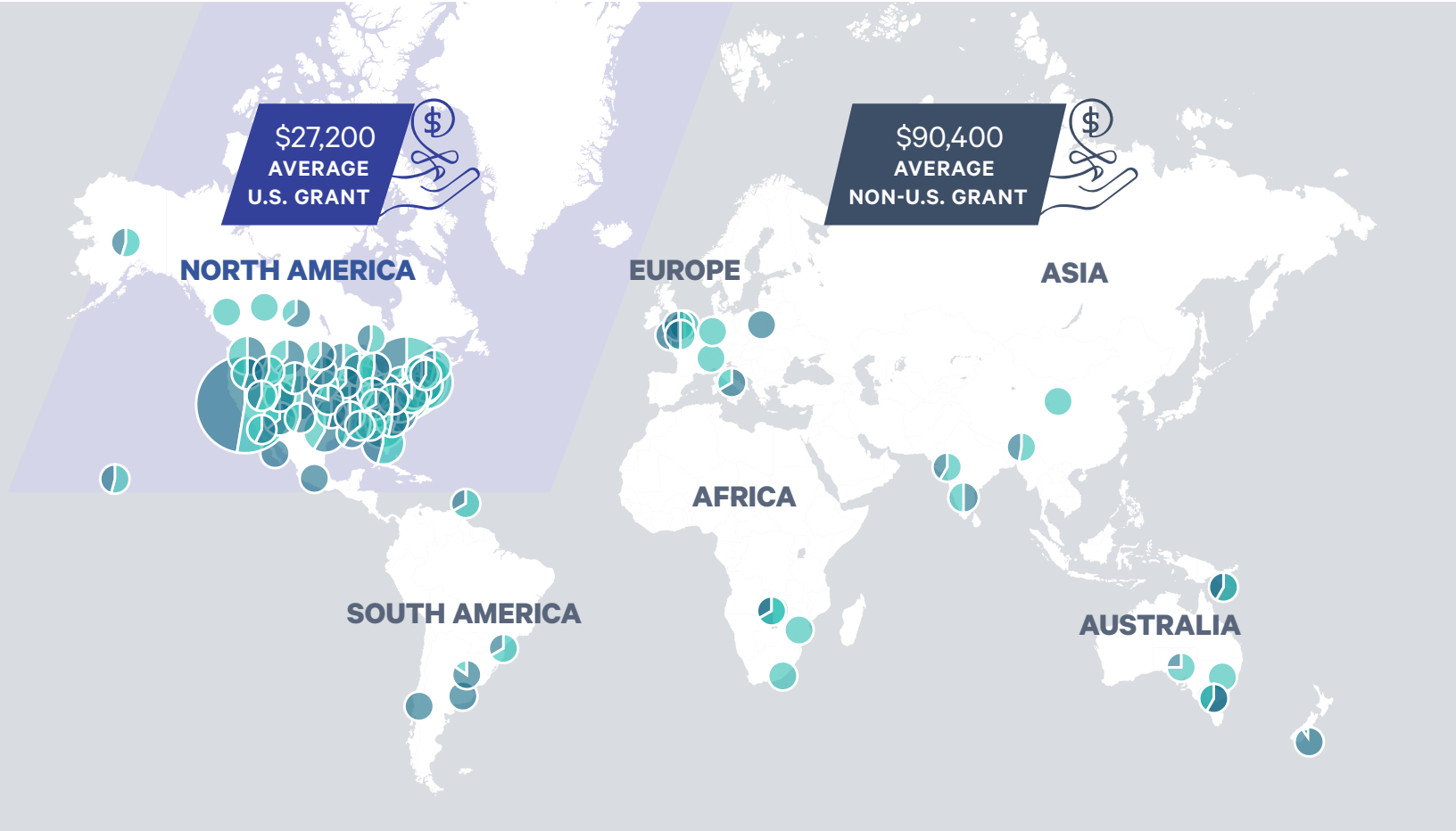
Where Grants Were Made

The map below shows the geographic location of grant recipients in 2021 and 2022. Although most of the grants made by the foundations in our sample were made domestically, grant dollars were directed to recipients in the U.S. as well as 34 other locations around the world over the past two years.

Of note, **the average grant for non-U.S. locations is \$90,400** which is more than triple the size of the average US grant of \$27,200.

Grants Geolocation

2021
2022



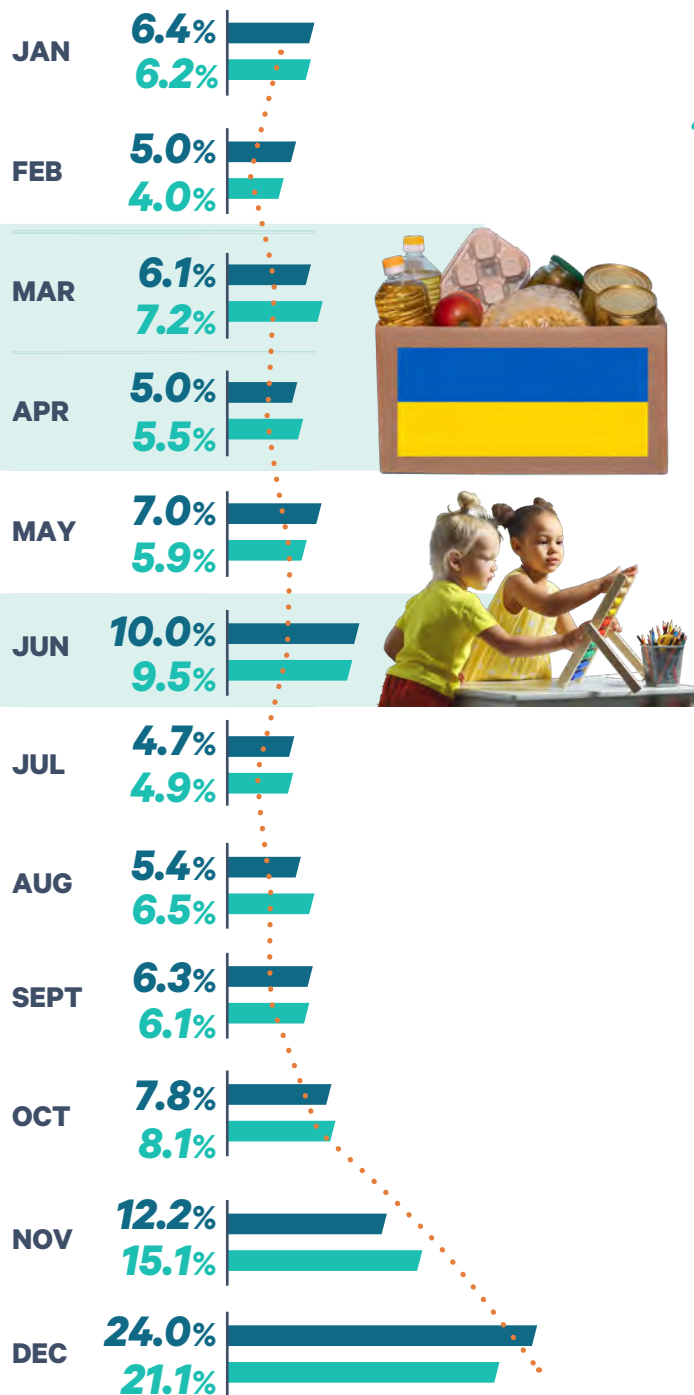
When Grants Were Made

As in previous years, foundation grantmaking activity in 2022 reached its highest point at the end of the calendar year. In both 2021 and 2022, more than one-third of all grants were awarded in the “giving season” of November and December—most likely because these months encompass several holidays and occur just before the end of the fiscal tax year.

Timing of Grants

2021

2022



Additionally, as we’ve seen in most previous reports, we observed evidence of a “summer bump” in grantmaking activity in June 2022. This is likely due to: (1) foundations revisiting their charitable goals at mid-year, and (2) some foundations having fiscal tax years ending in June. In March and April of 2022, there was a year-over-year increase in grant volume due in part to relief efforts following Russia’s invasion of Ukraine in late February 2022.

General vs. Specific-Purpose Grants

Grants can be made as general operating support or for a specific purpose. **General operating support** is particularly treasured by nonprofits because it **can be used as they wish**, either to pay basic expenses that help keep the lights on, launch a new program, or address new or unexpected needs such as a sudden call for emergency aid.

Foundations, however, typically favor **specific-purpose grants** because they want their resources **devoted to programs that further their own charitable objectives**.

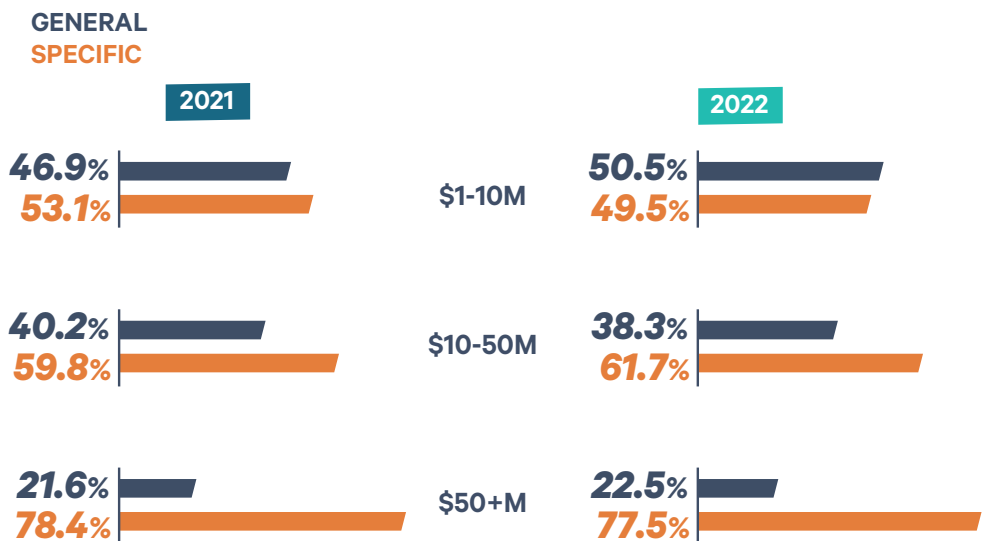
All Foundations

In 2022, approximately one-third of private foundations' grants were for general operating use and two-thirds were for designated programs or initiatives, which is substantially similar to 2021.



By Foundation Size

Funding for general operating support versus specific purposes tends to vary by foundation size. In both 2021 and 2022, grants from smaller foundations were roughly split between general and specific purposes while mid-size and larger foundations were more likely to give specific-purpose grants. About 60% of grants from mid-size foundations and 80% of grants from larger foundations were for specific purposes, which was fairly constant year-over-year and may be linked to bigger gifts where funders have explicit goals.



Other Tools for Giving

While gifts to public charities are the cornerstone of foundation giving, the features of a private foundation allow funders to deploy assets in a wide variety of ways that gives them an extraordinary and flexible toolkit to pursue their missions. **Some of these tools include:**

Direct Charitable Activities

DCAS can include conducting educational seminars, conferences or **research**, establishing and running a museum, or one-time activities like serving in a soup kitchen or running a community-wide clean-up.



Gifts to Individuals

Instead of funding a charity, GTIs can include providing emergency relief or hardship assistance directly to **individuals and families**, as well as running prize-based programs that award individuals with scholarships or grants.



Gifts to Non-501(c)(3) Entities

These may include international and global entities, 501(c)(4) and social welfare organizations, such as **civic leagues**, when those funds are used to advance the foundation's charitable mission.



Program-Related Investments

PRIs help foundations make low-cost financing available to other charitable entities, such as **affordable housing or community development** projects, in the form of loans, loan guarantees and equity investments.

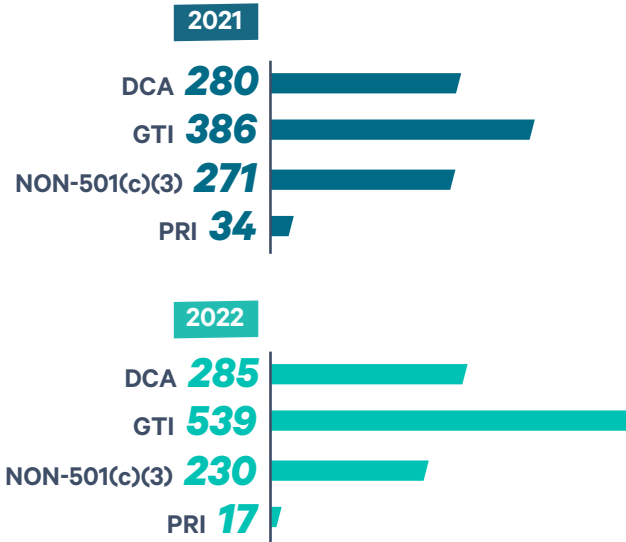


Advanced Grantmaking Activities

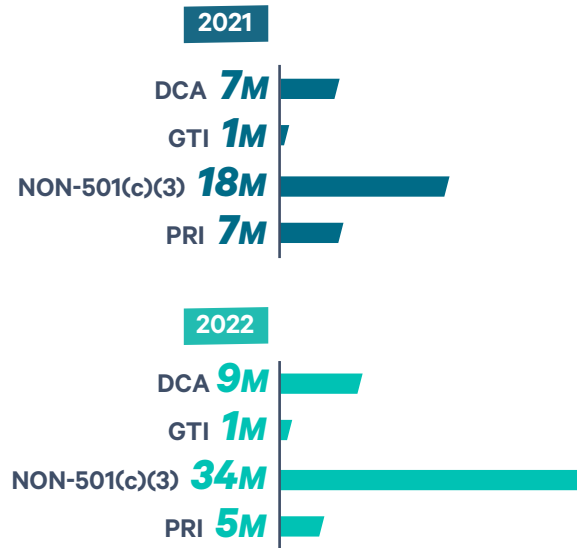
In 2022 foundations made more – but smaller – emergency and hardship gifts to individuals while also increasing their funding for non-501(c)(3) organizations.



By Number



By Dollar Amount



In 2021 and 2022, just a small portion of annual giving was facilitated with these advanced capabilities. One notable change was a 40% increase in gifts to individuals (GTIs) in 2022 over 2021 levels. Since the dollar amount granted through GTIs was constant year-over-year, this means foundations made more gifts that were smaller in size. Another notable change was the increase in the total amount granted to non-501(c)(3) organizations, nearly doubling from \$18 million in 2021 to \$34 million in 2022. In this case, the number of grants declined over the same timeframe meaning that foundations made fewer grants that were larger in size to non-501(c)(3) organizations.



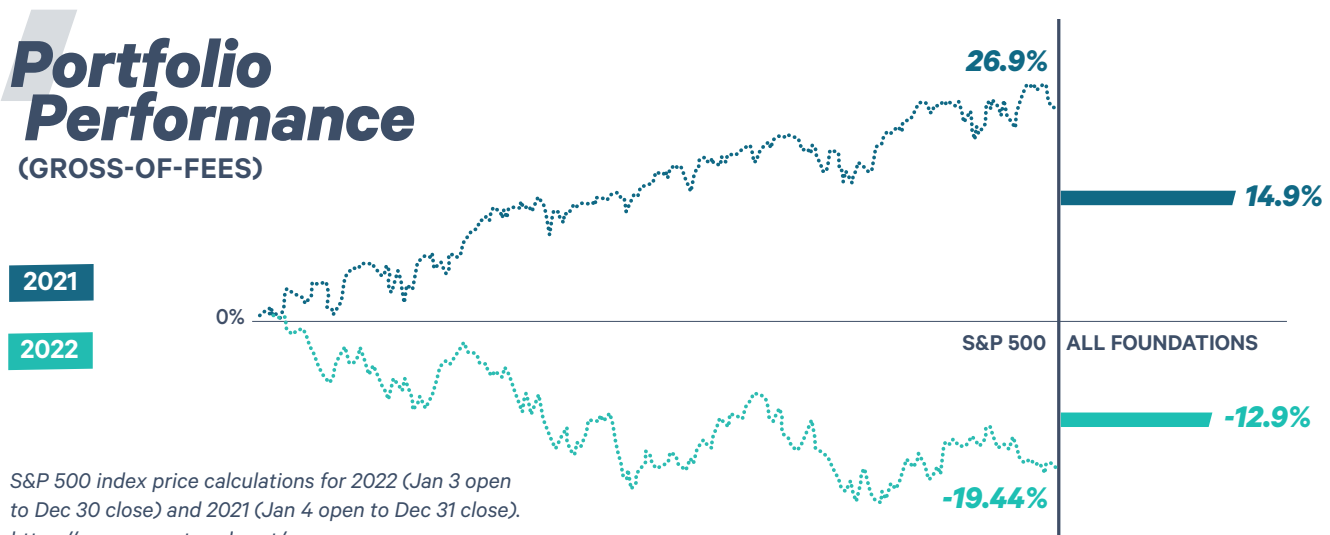
Investment Trends

AFTER A STRONG 2021, FOUNDATION ENDOWMENTS DECREASED IN VALUE DURING 2022 DUE TO A COMBINATION OF GRANTS, EXPENSES AND UNDER-PERFORMING INVESTMENTS. /

Portfolio Growth

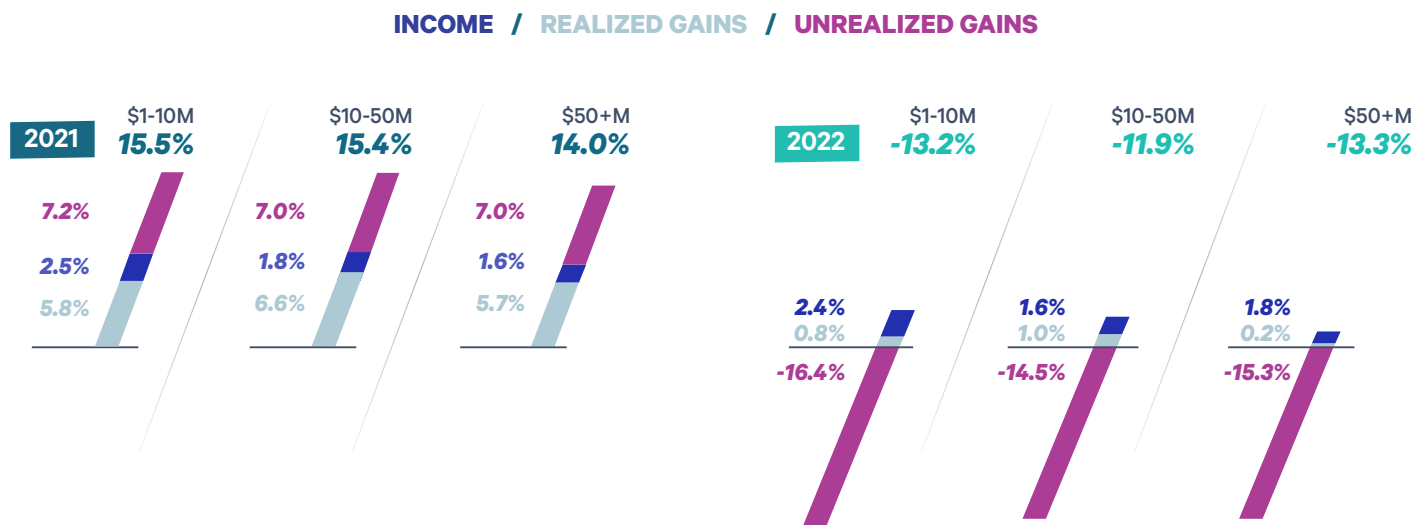
To examine **how the foundations in our sample fared relative to the market**, we looked at the change in their investment portfolios due to capital gains, unrealized gains, and dividend and interest income.

Overall portfolio performance was strong for the first 12 months of the study (2021) then weakened considerably in 2022, which is consistent with the performance of the U.S. equity markets, the largest holding in most foundation endowments.




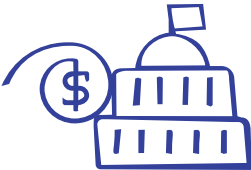



By Foundation Size (GROSS-OF-FEES)

On average, foundations achieved roughly 15% growth in 2021, then experienced a nearly 13% decrease in assets on a gross-of-fees basis in 2022, due in large part to unrealized losses on the holdings that are still in their portfolios.



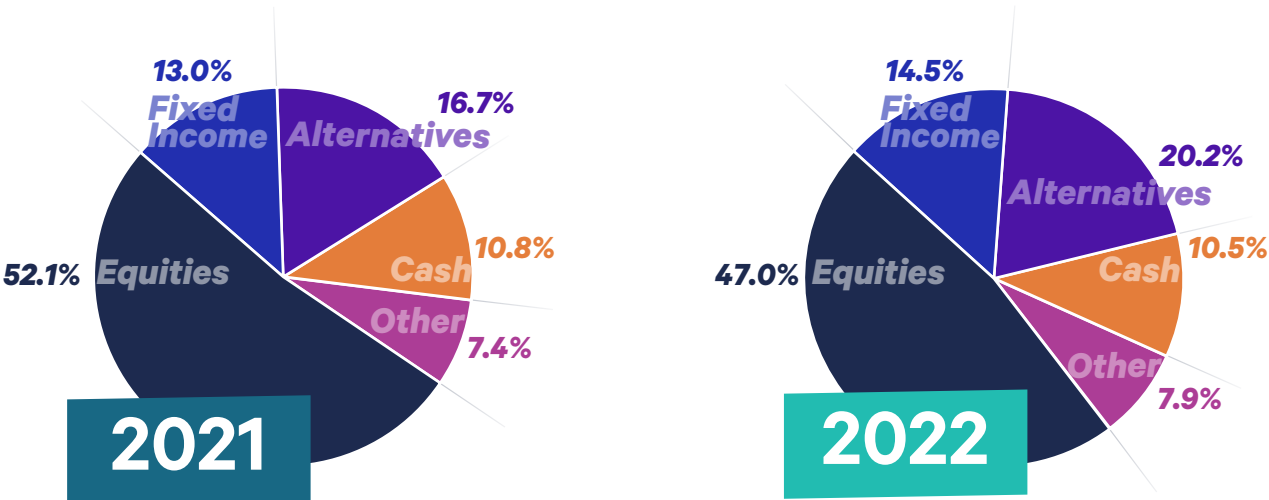
Asset Allocation

The study analyzed foundation asset allocation across **five broad categories**:

 <p>Equities domestic and international</p>	 <p>Fixed Income corporate and government bonds</p>	 <p>Alternative Investments private equity, hedge funds, publicly traded partnerships, real property and cryptocurrency</p>	 <p>Cash cash and cash equivalents</p>	 <p>Other life insurance, program-related investments, receivables, closely-held stock, annuities and inventory</p>
---	---	---	---	---

Over the 22 years that we have worked with private foundations, equities have consistently represented the largest share of endowment portfolios which is understandable given the long-term investment horizon for most foundations. The underperformance in equities during 2022 was reflected in the overall decrease in equity allocations and a corresponding increase in the exposure to alternative investments and fixed income.

All Foundations



By Foundation Size

The foundations in the study continued to invest the largest share of their portfolios in equities, however allocations to the asset class were down from 52% to 47% on a year-over-year basis. Allocations to alternative investments increased by 3.5% and allocations to fixed income increased by 1.5% during the same timeframe. The use of equities and alternatives varies significantly by the size of the foundations, while the use of fixed income, cash and other types of assets tends to be more consistent regardless of size.

2021	EQUITIES	FIXED INCOME	ALTERNATIVES	CASH	OTHER
\$1-10M	62.5%	13.6%	5.6%	11.9%	6.4%
\$10-50M	55.1%	13.9%	12.8%	10.4%	7.7%
\$50+M	45.8%	12.1%	24.0%	10.7%	7.5%

2022	EQUITIES	FIXED INCOME	ALTERNATIVES	CASH	OTHER
\$1-10M	57.9%	15.5%	6.8%	12.2%	7.6%
\$10-50M	49.6%	14.6%	16.5%	11.4%	7.9%
\$50+M	40.9%	14.1%	28.0%	9.1%	8.0%

SMALLER FOUNDATIONS (\$1-10M)

Smaller foundations had the highest allocation to equities and the lowest allocation to alternatives in both 2021 and 2022. As noted in prior reports, the proportionately higher allocations to fixed income and cash, relative to their mid-size and larger counterparts, aligns with the need for greater liquidity to fund the higher levels of overall giving that occur among smaller foundations.



MID-SIZE FOUNDATIONS (\$10-50M)

The allocation to equities decreased most sharply among mid-size foundations, down from 55.1% in 2021 to 49.6% in 2022. At the same time, they increased their exposure to alternatives from 12.8% to 16.5%.



LARGER FOUNDATIONS (\$50-500M)

As in previous years, the largest foundations in our sample had the lowest allocation to equities at 40.9% and the highest allocation to alternatives at 28.0% in 2022. Larger foundations currently maintain more than four times the exposure to alternatives as compared to smaller foundations, likely seeing the potential for enhanced returns and lower correlation with other asset classes as key benefits over the long-term.



Changes in Asset Values

The foundations in our study sample experienced considerable decline in their endowments – from **\$15.4 billion at the end of 2021 to \$13.2 billion at the end of 2022** – due to the combination of grants, expenses and 2022’s negative portfolio performance.

While smaller foundations felt the shift in conditions most acutely, the trend was widespread as foundations of all sizes showed a decrease in total assets ranging between approximately 14-17% on a year-over-year basis.

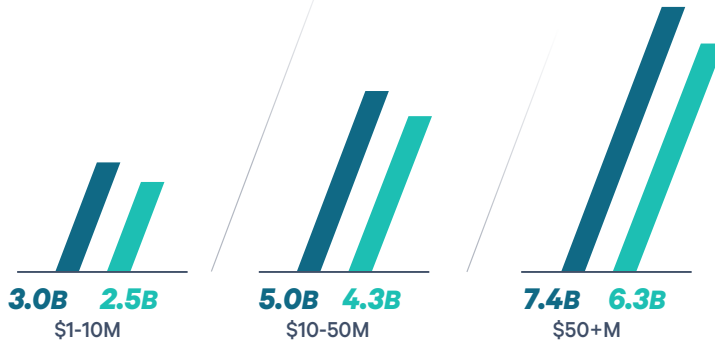
Total Asset Balance

BY FOUNDATION SIZE

All Foundations

2021 \$15.4 B

2022 \$13.2 B



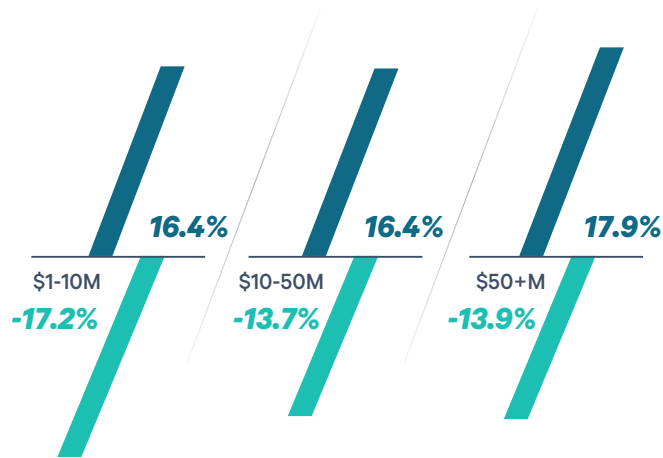
Total Asset Growth

BY FOUNDATION SIZE

All Foundations

2021 17.0%

2022 -14.5%



Analysis of Changes in Asset Values

The foundations in our study experienced a **decrease of 14.5% in their net assets in 2022** and a year-over-year change in asset value of **-31.5%**. **Grants and expenses** remained relatively flat from year to year, with lower contribution rates and underperformance of investments (both realized and unrealized) in 2022 as the biggest factors behind the decline.








Grants and expenses accounted for 6.8% of outflows in 2022. Contributions were down year-over year from 9% in 2021 to 5.2% in 2022. Said another way, they contributed 52 cents to their endowments for every 68 cents disbursed as grants and charitable expenses. Incoming contributions are an important signal of ongoing philanthropic intent, but they can vary based on personal circumstances and market conditions as funders and their advisors look for the most opportune times to make tax-advantaged donations.

As discussed previously, difficult market conditions and poor performance of key asset classes also played significant roles in the net negative change in asset values.

The 2022 asset decrease was distributed across the three foundation cohorts relatively consistently; all of them experienced substantial declines in unrealized gains and gave less in contributions, as shown below.

Net Change Asset Values

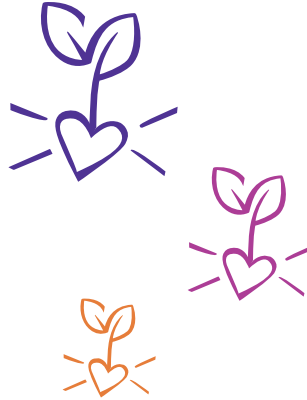
ALL FOUNDATIONS

		2021	2022	NET CHANGE
CONTRIBUTIONS		9.0%	5.2%	↓ -3.8
GRANTS		-5.8%	-5.6%	↓ -0.2
EXPENSES		-1.1%	-1.2%	↑ 0.1
REALIZED GAINS		6%	0.6%	↓ -5.4
INCOME		1.8%	1.8%	—
UNREALIZED GAINS		7.1%	-15.3%	↓ -22.4
NET		17.0%	-14.5%	↓ -31.5

All foundations experienced decreases in their overall assets in 2022:

LARGER FOUNDATIONS (\$50-500M)

Larger foundations decreased 13.9% in net value, just slightly more than mid-size foundations (13.7%). This decline is primarily due to their 15.3% decrease in unrealized gains as well as the 6.4% they disbursed as grants and expenses. The larger foundations also had the highest increase in contributions (5.7%) compared to their smaller and mid-size counterparts (3.9% and 5.2% respectively).

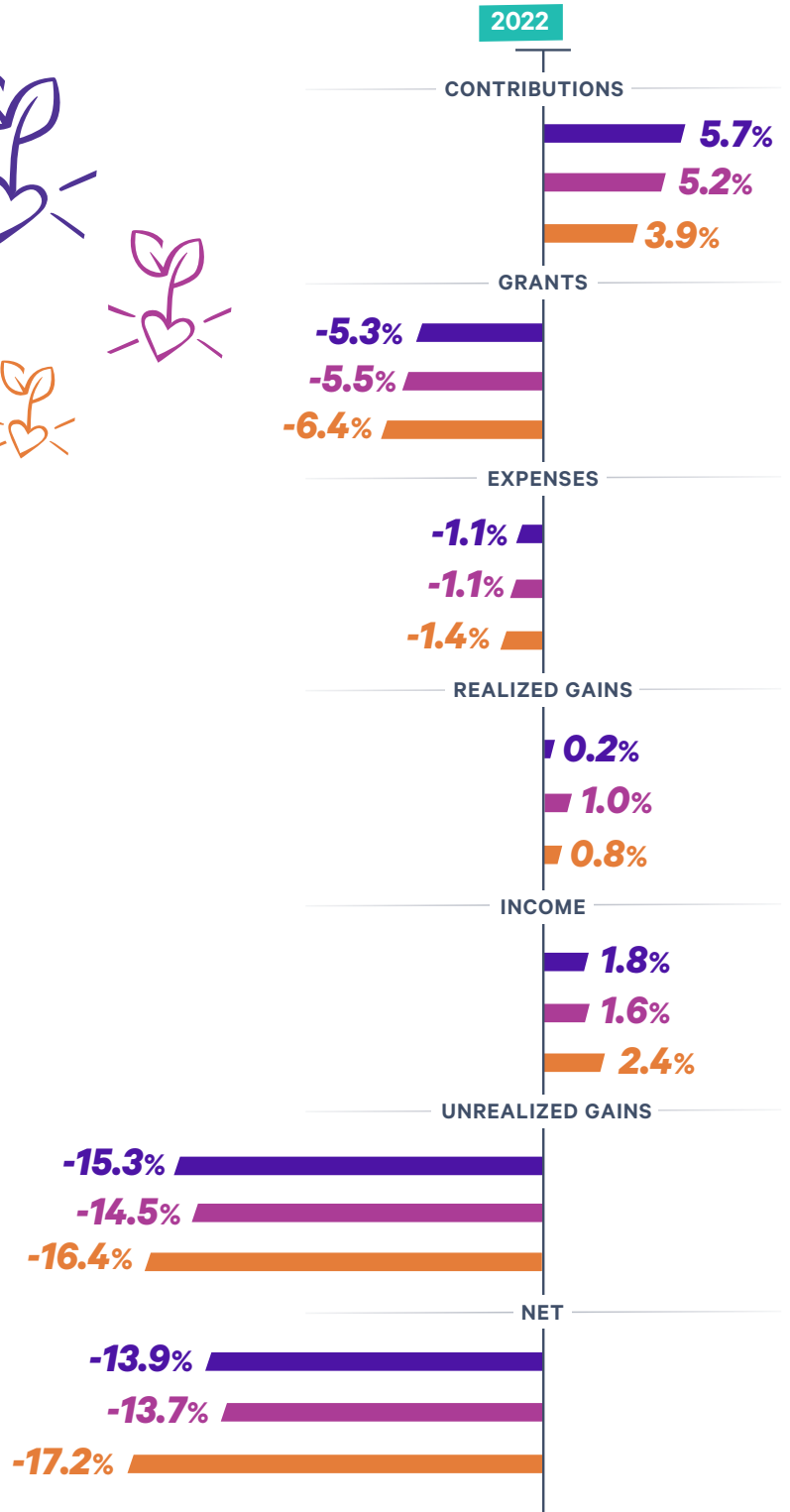


MID-SIZE FOUNDATIONS (\$10-50M)

Mid-sized foundations decreased the least (13.7%) in net value. Overall, their asset value data is very similar to that of the larger foundations; their increases in income and contributions (1.6% and 5.2% respectively) are just slightly less than those of their larger counterparts (1.8% and 5.7%). Their net decline was largely due to a 14.5% decrease in unrealized gains as well as the 6.6% they disbursed as grants and expenses.

SMALLER FOUNDATIONS (\$1-10M)

Smaller foundations suffered the greatest decline in net value (17.2%), primarily due to a 16.4% decrease in unrealized gains. However, they still gave a higher percentage of their own assets in grants and expenses (7.8%) than mid-size and larger foundations. They also realized the largest increase in income (2.4%) and made the smallest increase in contributions (3.9%) which helped to offset their losses.



Some foundations included in the research sample own investments in partnership interests requiring Schedule K-1s. Because the IRS deadline for issuance of Schedule K-1 is after the date we compiled this data, there may be changes in asset balances due to K-1 activity reported after publication of this report.

Conclusion

2022 was a challenging time of geopolitical instability, rising interest rates, record-high inflation and market volatility. Private foundations experienced a 14.5% decline in their growth and a 31.5% drop in their asset value—a stark contrast to the robust economy of 2021 when their endowments enjoyed double-digit growth.

Foundations prevailed, however, and continued to increase their giving in 2022: They gave \$111 million more year-over-year, totaling \$865 million. They granted more than their annual distribution requirement of 5%, and they pursued their core missions while responding to urgent needs triggered by natural disasters and political unrest. Further, they employed their unique giving capabilities such as emergency grants to individuals (GTIs), impact investing, and scholarship/award programs.

Foundations' success lies in their ability to focus on the long term. ***Regardless of the economic environment, they remain committed to philanthropy and plan accordingly to ensure generous future giving.*** We are confident that they will continue to look for the optimal ways to support their charitable causes and achieve maximum philanthropic impact. We are grateful for the opportunity to partner with them as they strive to effect positive, lasting change in our world.



Terminology

ASSETS/ENDOWMENT

All investments, cash, and other property held by the foundation for investment purposes at a given moment in time, generally the last day of the year, unless otherwise noted. Our definition does not include property used directly in carrying out the foundation's charitable mission, such as land used to operate a camp for disadvantaged youth or a building used as a community center.

AVERAGE INVESTMENT ASSETS

The assets against which the 5% mandatory distribution requirement is measured. It is calculated by valuing all investments periodically throughout the year (monthly for most liquid assets) and taking the average of those values. This number does not include assets used in carrying out the foundation's charitable mission, such as buildings, art, property, or equipment used directly for charitable activities.

CHARITABLE EXPENDITURES

All funds expended by the foundation in furtherance of its charitable purposes, including all grants and all reasonable and necessary administrative expenses. These expenditures do not include investment expenses or other expenses attributable to producing income.

CONTRIBUTIONS

New gifts to the foundation. These gifts are typically from the founder or parent company (in the case of a company foundation), but they may also come from family members, related businesses, and others close to the organization. While some foundations also conduct occasional fundraising events, the amounts collected at such events typically do not represent a significant source of new revenue. Because of somewhat complicated IRS rules that can discourage foundation-to-foundation transfers, contributions generally do not include funds from other private foundations.

EXPENSES

All amounts spent by the foundation including administrative expenses, investment management fees, compensation paid to employees, rent, fees for services, and all other program and operational expenses; but not including grants.

GRANTS/GIVING

Funds distributed to individuals, charitable organizations, or other organizations that are used exclusively to support charitable activities. Money spent on rent, to purchase supplies, or in any other quid pro quo transaction—even if entered into to further the charitable programs and mission of the foundation—is considered an expense, not a grant.

MINIMUM DISTRIBUTION REQUIREMENT

Federal tax laws require that private foundations distribute a certain amount each year for charitable purposes, which can include some administrative expenses. That amount is equal to 5% of the foundation's average investment assets from the previous year, less a few minor modifications and credits set forth in the tax regulations.

PRIVATE, NON-OPERATING FOUNDATION

This type of foundation is also known as a grantmaking foundation, distinguishing it from an operating foundation which devotes most of its resources, at least 85%, to the active conduct of its own charitable, educational and other exempt activities.

ABOUT FOUNDATION SOURCE

Foundation Source **empowers people and companies to create a better world** through philanthropy. As the nation's largest provider of foundation management services, we're a trusted source for philanthropic expertise. We invest in industry-leading technology for private foundations and offer a configurable suite of administrative, compliance, tax and advisory solutions that meet you where you are in your philanthropic journey.

For more than two decades, we've worked with individuals, families, boards and professional advisors to preserve legacies and make giving easier. Today we are proud to support **more than 2,000 unique foundations** and have facilitated over **\$10 billion in charitable aid**. With a 98% retention rate, we are honored to have earned the trust and loyalty of our clients.

HAVE A QUESTION?

Call 800.839.0054 or send us an email at info@foundationsource.com.

www.foundationsource.com

© 2023 Foundation Source Philanthropic Services Inc.
All rights reserved.

The information provided in this document is for general information purposes only, and does not constitute legal, tax or investment advice.

FOUNDATIONSOURCE