

FEG COMMUNITY FOUNDATION 2016 SURVEY REPORT



Fund Evaluation Group®
investment advisors

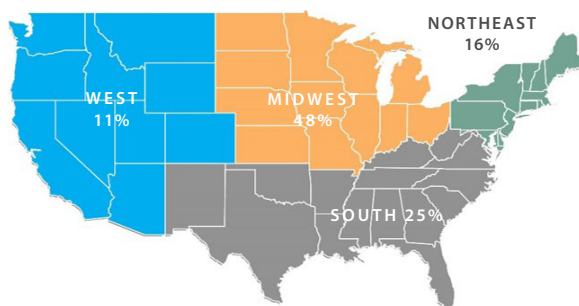
About the Survey

The proprietary FEG Community Foundation Survey was provided to community foundations nationwide, and resulted in 88 responses from foundations with assets ranging from less than \$25 million to greater than \$1 billion. The survey investigated an array of investment and enterprise topics, including performance, asset allocation, spending policy, donor advised funds practices, responsive / mission-based investing, technology, grant cycles, and fundraising.

Survey Demographics

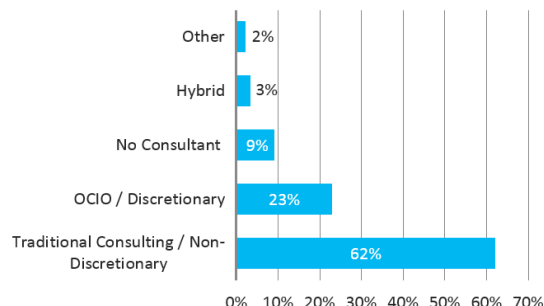
GEOGRAPHIC REGION FOR SURVEY RESPONDENTS

FEG received responses from 30 states, with 73% of the respondents from the Midwest and South Regions.



COMMUNITY FOUNDATION CONSULTING MODEL

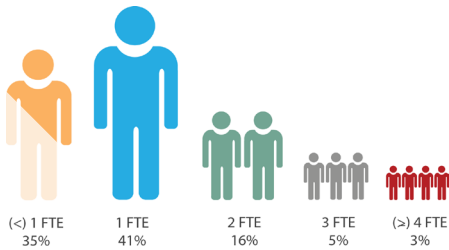
62% use traditional consulting model;
23% use an Outsourced CIO model.



Survey Demographics Continued

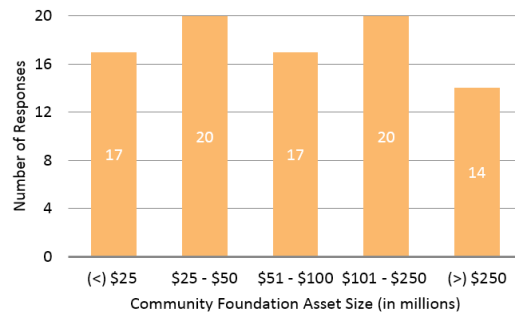
COMMUNITY FOUNDATION STAFFING LEVELS

76% of respondents have one or less than one full-time employee (FTE) devoted to managing investments.



COMMUNITY FOUNDATION INVESTMENT ASSET SIZE

Distribution of participant asset sizes was relatively even.



Overall

Participants ranked how important various topics were to their community foundation by selecting *Very Important, Important, Neutral, Unimportant, or Not at all Important*.

- Asset allocation was chosen as the single most important issue for participating community foundations, followed by spending policy.
- Next in importance were donor advised funds and fundraising (with a respective 91% and 83% of respondents citing this as important or very important).
- Only 22% of respondents consider Responsive Investing (i.e., PRI, MRI, ESG, SRI)¹ important or very important.

TOPICS ORDER OF IMPORTANCE²

CATEGORY	VERY IMPORTANT	TOP TWO ³
Asset Allocation	84%	99%
Spending Policy	77%	96%
Donor Advised Funds	66%	91%
Fundraising	55%	83%
Rebalancing	38%	90%
PRI / MRI	11%	22%
ESG / SRI	2%	18%

¹ Program-Related Investing, Mission Related Investments, Environmental, Social and Governance, Socially Responsible Investments

² Asset Allocation N=86; Spending Policy N=86; Donor Advised Funds N=53; Fundraising N=88; Rebalancing N=88; PRI/MRI N=88; ESG/SRI N=77

³ Very Important or Important

Asset Allocation

Larger foundations allocate more to hedge funds. Median allocations ranged from 0% for community foundations with less than \$25 million in assets, to 19% for community foundations with more than \$250 million in assets. The average allocation to hedge funds was 10%.

COMMUNITY FOUNDATION ASSET ALLOCATION

	DOMESTIC EQUITIES	INT'L DEV. EQUITIES	EMERGING MARKETS	CORE FIXED INCOME (FI)	CREDIT SENSITIVE FI	PUBLIC REAL ASSETS	PRIVATE INVESTMENTS	HEDGE FUNDS / LOW VOLATILITY	SHORT- TERM SECURITIES ¹
Overall Median	35	16	6	18	0	2	2	10	3
(<) \$25 million	48	12	3	25	0	0	0	0	3
\$25 - \$50 million	41	18	4	20	0	2	0	9	4
\$51 - \$100 million	36	15	6	18	5	3	0	7	1
\$101 - \$250 million	35	18	6	18	0	4	2	15	1
(>) \$250 million	29	15	6	12	3	3	5	19	3

N=87

COMMUNITY FOUNDATION PERFORMANCE²

As of September 30, 2015

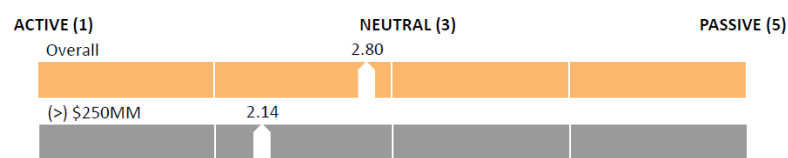
The average 1-year performance was negative at -3.3% for the 12-month period spanning September 30, 2014 to September 30, 2015. However, average 10-year performance was positive at 5.1%

FOUNDATION SIZE	1-YR	3-YR	5-YR	7-YR	10-YR
Overall Median	-3.3	5.6	6.4	6.2	5.1
(<) \$25 million	-2.5	5.2	6.3	6.2	5.4
\$25 - \$50 million	-3.3	5.6	6.4	5.8	5.3
\$51 - \$100 million	-3.6	6.2	7.3	6.6	4.9
\$101 - \$250 million	-3.3	5.7	6.4	6.4	5.1
(>) \$250 million	-3.5	5.0	5.9	5.9	4.9
	N=82	N=80	N=77	N=53	N=63

The majority of community foundations were neutral in the preference towards active vs. passive investment strategies, with entities greater than \$250 million expressing a more favorable opinion of active strategies.

AVERAGE COMMUNITY FOUNDATION POSITION

Active vs. Passive on a Scale of 1 to 5



N=86

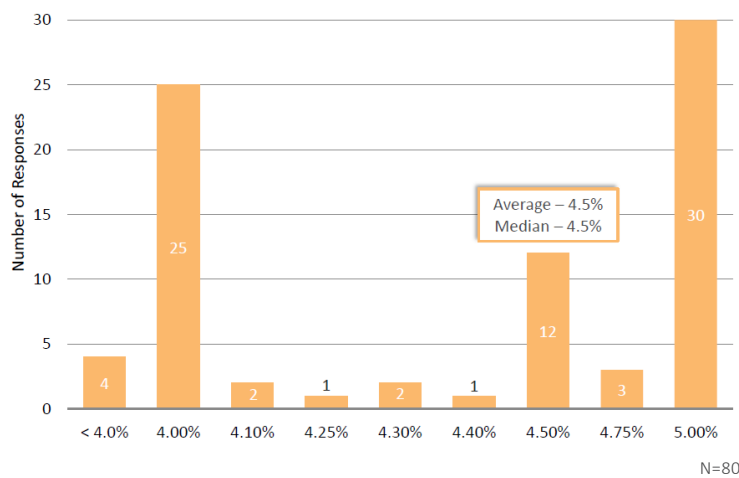
¹ Cash / Other

² Performance shown as median. Note: Taking the median of each asset may not add up to 100. Answers that were more than 20% off a total of 100 were removed.

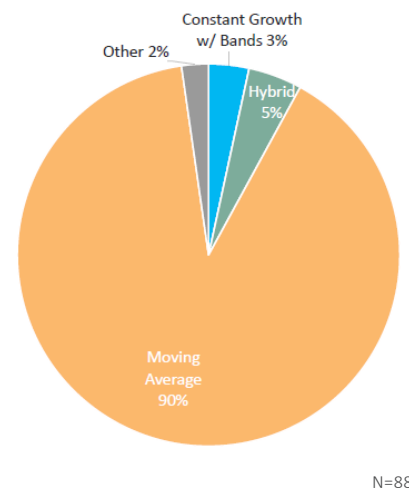
Spending Policy

- The average foundation spends 4.5% of its assets per annum. However, the result distributions showed that community foundations preferred a spending policy rate of 5.0%, 4.0%, or 4.5%.
- The most common spending policy methodology was a 3-year moving average.
- Community foundations supported an average of 24% of operating budgets through endowment distributions.

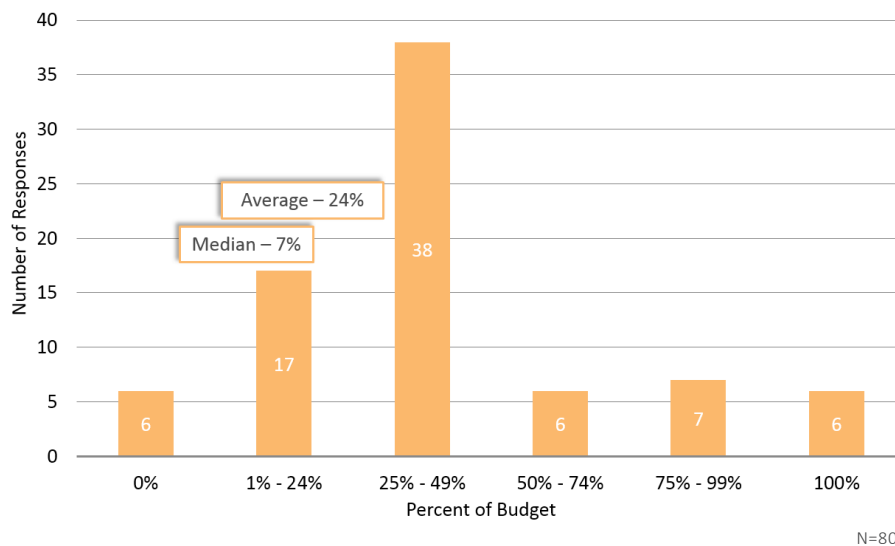
SPENDING POLICY RATE¹



SPENDING POLICY METHODOLOGY



PERCENTAGE OF OPERATING BUDGET SUPPORTED BY FOUNDATION DISTRIBUTIONS²



¹ Answers below 4.0% were grouped

² Answers were grouped into ranges

Donor Advised Funds (DAF)

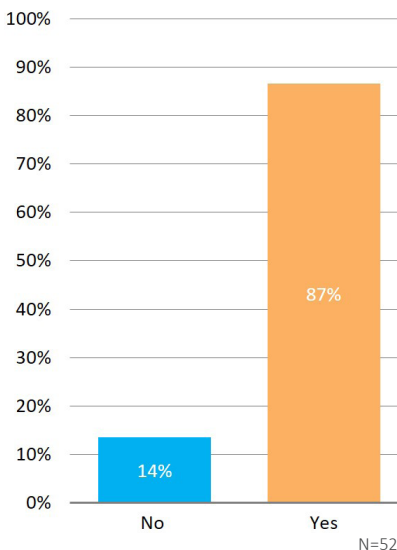
60% of community foundations allowed donors to have their accounts managed by outside advisors.

DONORS ALLOWED TO HAVE ACCOUNTS MANAGED BY OUTSIDE ADVISORS

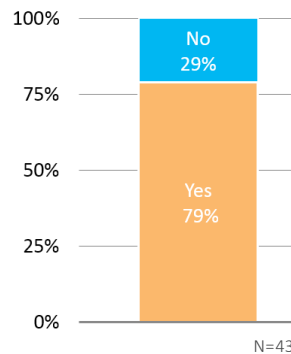


N=88

DAF CAN STAY WITH OUTSIDE ADVISOR

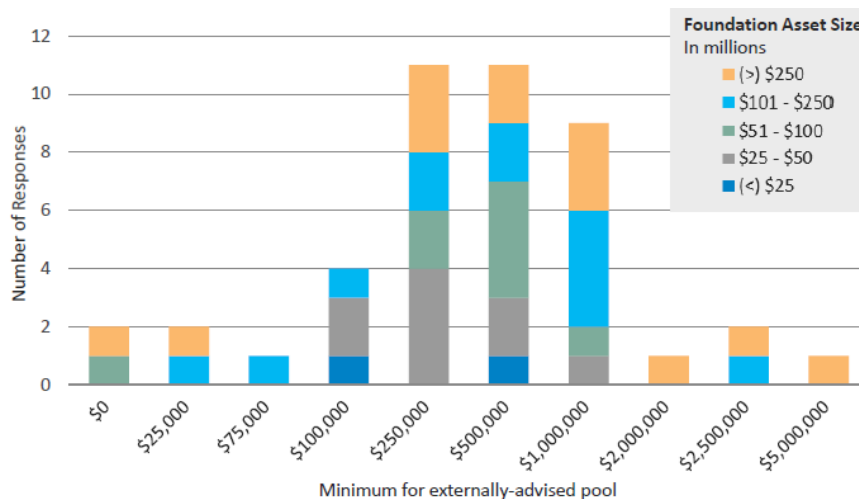


INTERNAL POOLS REQUIRED



87% of community foundations allow donor advised fund (DAF) assets to stay with an outside advisor, but 79% of those respondents require outside advisors to use internal pools.

MINIMUM FOR EXTERNALLY-ADVISED POOLS



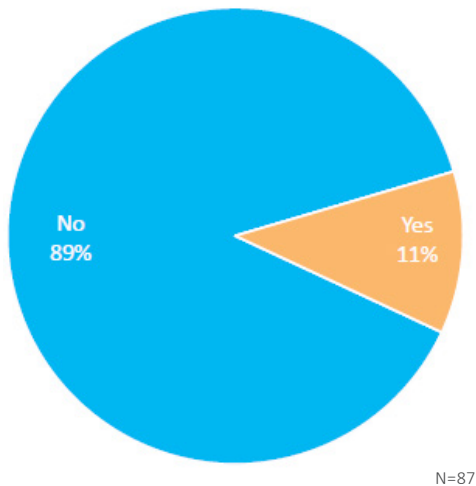
Responsive Investing

26% of community foundations surveyed have investments in Responsive Investing Strategies—a broad term encompassing Environmental, Social and Governance, Mission Related Investing, Program-Related Investing, and Socially Responsible Investing.

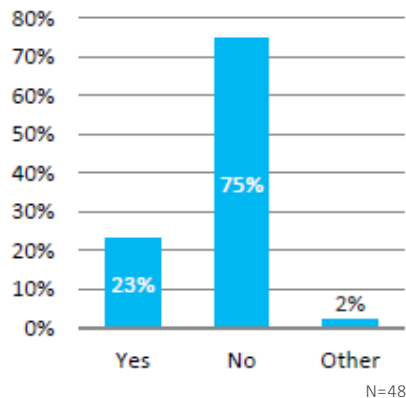
PROGRAM RELATED INVESTING / MISSION-RELATED INVESTING

INVESTMENTS IN PRI/MRI

11% of respondents have PRI/MRI investments. 23% of those not currently invested are considering PRI/MRI investments.



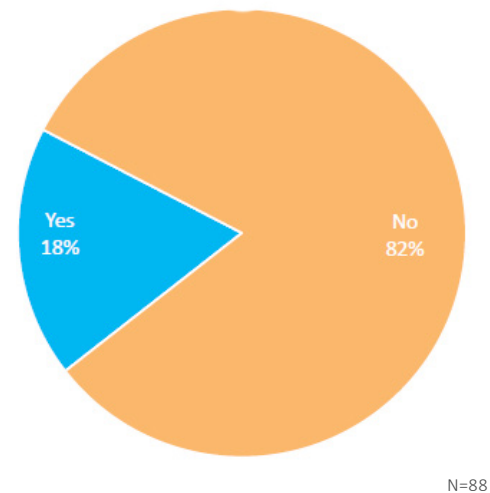
CONSIDERING PRI/MRI



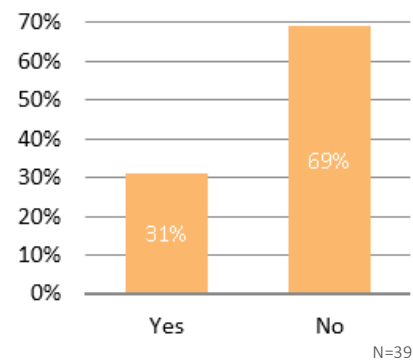
ENVIRONMENTAL, SOCIAL AND GOVERNANCE / SOCIALLY RESPONSIBLE INVESTING

INVESTMENTS IN ESG/SRI

More respondents demonstrated interest in ESG/SRI with 18% having investments. Further, 31% of those not currently invested are considering ESG/SRI investments.



CONSIDERING ESG/SRI



Value for your Community Foundation

SCOPE OF SURVEY

The proprietary FEG Community Foundation survey goes beyond typical surveys in this segment by exploring potential trends and observed areas of interest in addition to the basics of asset allocation and spending policy.

COMPARISONS TO PEERS IN THE COMMUNITY FOUNDATION UNIVERSE

Using this report, Community Foundations can compare their organization to similar organizations in their field. The survey contains a wide range of responses across asset size, consulting model, and geographic locations.

FEG INSIGHT

FEG provides survey participants with the survey report, a one pager summary of our thoughtful analysis, and elite access to our interactive tools. We also provide an array of one-pagers to assist your Boards / Committees in industry best-practices and benchmark strategies.

GLOSSARY

Donor Advised Fund (DAF) is a separately identified fund or account comprised of contributions made by individual donors that is maintained and operated by a Community Foundation.¹ They are used by donors who want to personally recommend grant awards from a fund they set up with the Community Foundation.

Environmental, Social and Governance (ESG) refers to the three central factors—environmental, social, and governance—in measuring the sustainability and ethical impact of an investment in a company or business.

Mission Related Investments (MRI) is the use of investments designed to generate a positive social or environmental impact, while generating reasonably competitive rates of financial return.²

A Program-Related Investment (PRI) is an investment to support a charitable program objective or activity and is expected to be repaid.³

Socially Responsible Investments (SRI) is an investment that considers both financial return and social good.⁴

DISCLOSURES

This was prepared by Fund Evaluation Group, LLC (FEG), a federally registered investment adviser under the Investment Advisers Act of 1940, as amended, providing non-discretionary and discretionary investment advice to its clients on an individual basis. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directed to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202 Attention: Compliance Department.

The data is obtained from the proprietary 2016 FEG Community Foundation Survey. The study includes a survey of 88 U.S. Community Foundations as of March 31, 2016. The data from this survey was divided into five categories based on assets of the Community Foundation with assets ranging from less than \$25 million to over \$250 million. The information in this study is based on the responses provided by the participants and is meant for illustration and educational purposes only.

The information herein was obtained from various sources. FEG does not guarantee the accuracy or completeness of such information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. FEG assumes no obligation to update this information, or to advise on further developments relating to it.

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Net Returns – Returns net of fees may or may not include the reinvestment of all dividends and income.

Past Performance is not indicative of future results.

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Index performance results do not represent any managed portfolio returns. An investor cannot invest directly in a presented index, as an investment vehicle replicating an index would be required. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time-period or those investors will not incur losses.

¹ <https://www.irs.gov/charities-non-profits/charitable-organizations/donor-advised-funds>

^{2,3} <http://web.cof.org/2013fall/docs/resources/Impact-Investing-Basics.pdf>

⁴ https://en.wikipedia.org/wiki/Socially_responsible_investing



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