

**exponent
philanthropy**

2024

**FOUNDATION OPERATIONS
AND MANAGEMENT REPORT**

**THE PREMIER BENCHMARKING RESOURCE
FOR FOUNDATIONS WITH FEW OR NO STAFF**

About Exponent Philanthropy

Exponent Philanthropy is the country’s largest association of funders—nearly 1,600 strong—and the only one dedicated to private and community foundations with few or no staff, philanthropic families, and individual donors. Our vibrant network has in common lean operations and a style of philanthropy motivated by personal passion, community needs, and a strong desire for better outcomes. Members connect with experts and peers in the field through high-quality programs, resources, and discussions designed specifically for foundations with few or no staff, philanthropic families, and individual donors.

WE THANK OUR SUSTAINING PARTNERS FOR THEIR CONTINUED SUPPORT:



We are grateful for our donors’ support, which allows us to strengthen the effectiveness of the largest segment of philanthropy—those who give with few or no staff—and maintain a dues structure that encourages participation and inclusiveness. To learn more about supporting our mission, visit exponentphilanthropy.org/our-mission/support-us.

“ The philanthropic sector is more vital when we have many different voices at the table, with everyone feeling welcome and included.”

Dear Lean Philanthropy Leaders,

Each year, Exponent Philanthropy surveys its membership community to understand and share how lean funders, those with few or no staff, manage their foundation operations. This marks our fifth year partnering with Harder+Company to produce this report, which lets us streamline the process while ensuring accurate and high-quality data. In this year's edition, you'll find more long-term data to see how funders evolve.

This year's report also shows how lean funders responded to historic inflation in 2022—more than a quarter of members adjusted their funding strategies to support grantees. We reported how funders changed compensation practices to support their staff and examined how inflation affected their investment strategies.

Another first for the report is the chapter on Catalytic Leadership in Philanthropy (CLIP). CLIP is a mindset and practice that empowers lean, place-based foundations to unleash their full potential to spark transformative change on issues prioritized by local communities. This new chapter discusses how lean funders exhibit next-level leadership by working beyond grants to create an outsized impact in their communities. For example, some CLIP strategies include going on site visits, assessing impact, simplifying grantee reports, learning from one's work, engaging in advocacy, and more.

Equity and inclusion continue to be central themes of this report. However, a concerning trend in this year's data is that fewer funders explicitly focus on racial equity. We also saw very little progress around the number of funders engaged in practices that support disability inclusion. The philanthropic sector is more vital when we have many different voices at the table, with everyone feeling welcome and included. We hope funders of all shapes and sizes will do more work to advance equity and inclusion in their work this year.

Remember, the information in this report is a benchmark, not a checklist. And you should keep your foundation's mission, vision, and goals in mind when reviewing it. As always, please let us know how you use this report, how it improves your impact, and how we may best serve you and your organization.

In service and partnership,



Paul D. Daugherty
Chief Executive Officer

EXECUTIVE SUMMARY

WHO RESPONDED

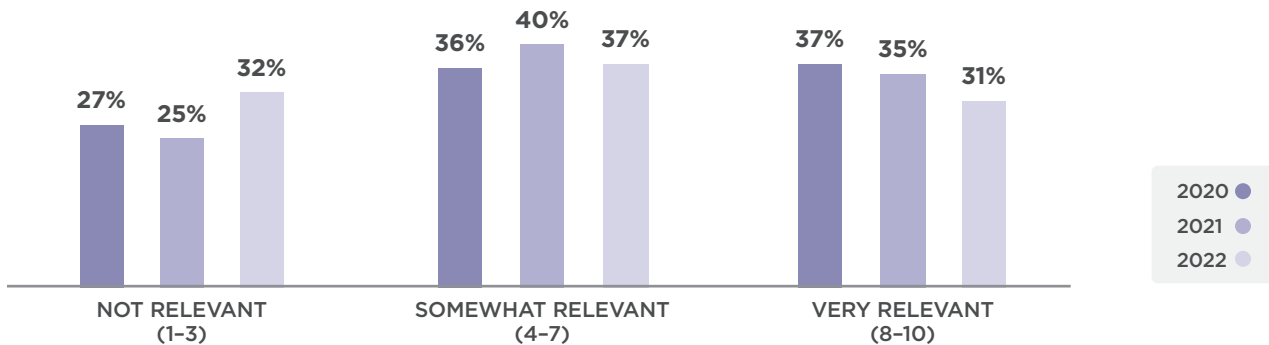
Of 1,565 foundations, 373 Exponent Philanthropy members completed the 2023 Foundation Operations and Management Survey (FOMS) for a 24% response rate. A little more than half (54%) of respondents identified as family foundations and 38% identified as independent foundations. Respondents were fairly evenly distributed across the United States.

EQUITY AND INCLUSION PRACTICES

The survey defined *racial equity* as “the systematic fair treatment of people of all races that results in equitable opportunities and outcomes for everyone.”¹ We asked participating foundations about the relevance of racial equity to their mission. Slightly fewer than a third (31%) of members indicated racial equity was very relevant to their foundation’s mission, 37% reported that racial equity was somewhat relevant, and 32% indicated it was irrelevant.

In 2022, a slightly smaller percentage of foundations rated racial equity as very relevant to their foundation’s mission compared with the year before. Racial equity was significantly more relevant to the participating foundation’s mission in 2021 compared with 2022 (5.9 versus 5.3 on the 10-point scale, respectively).² However, when examining racial equity ratings for the past 5 years for all participating foundations, data showed that the relevance of racial equity to the foundation’s mission has not significantly changed over time.³

i. Relevance of racial equity to foundations’ mission (n = 311)



A key factor appeared to influence the relevance of racial equity to a foundation’s mission: the diversity of a foundation’s board. Foundations with more than one member of the Black, Indigenous, People of Color (BIPOC) community on their board rated racial equity as significantly more relevant to their foundation’s mission than foundations with one or zero members on their board who identified as BIPOC. Further, foundations with asset sizes between \$10 million and \$99.9 million were more likely to rate racial equity as very relevant to their mission.

¹ Apollon, D., Keheler, T., Medeiros, J., Ortega, N. L., Sebastian, J., & Sen, R. (2014). *Moving the race conversation forward*. Race Forward. https://act.colorlines.com/acton/attachment/1069/f-0114/1/-/-/-/1/Racial_Discourse_Part_1.PDF

² A paired samples t-test was conducted to determine significant differences on foundations’ racial equity relevance ratings from the 2022 FOMS to 2023 FOMS. To measure these changes, we used a panel approach by examining responses of 189 organizations that participated in the FOMS in 2022 and in 2023.

³ An analysis of variance (ANOVA) test was used to determine significant differences on foundations’ racial equity relevance ratings over the past 5 years (i.e., FOMS 2019–2023). Repeated measures ANOVA tests have been used in previous analyses to examine changes among foundations that have participated every year over the past 5 years. Current analyses examine trends across time for all participating foundations, independently of how many times they have participated in the FOMS over the 5-year period (2019–2023).

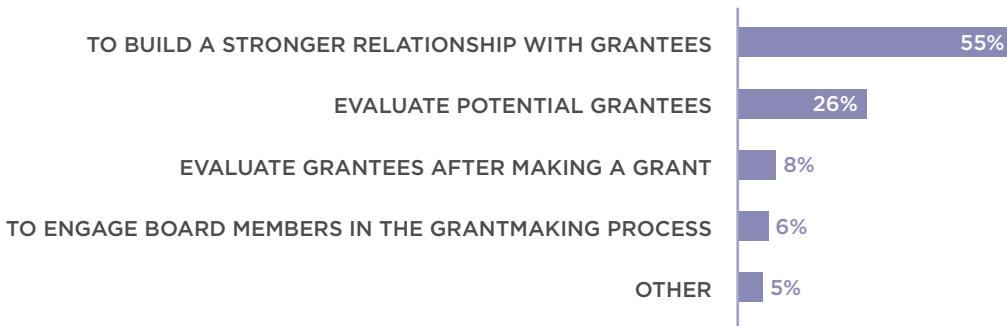
CATALYTIC LEADERSHIP IN PHILANTHROPY

Catalytic Leadership in Philanthropy (CLIP) is a mindset and practice that empowers lean, place-based foundations to unleash their full potential to spark transformative change on issues prioritized by local communities.

Site Visits

A key part of CLIP is developing skills around deep listening, building strong relationships, and understanding the ecosystem so that you are better prepared to leverage nongrant assets in support of your foundation's mission. One key tactic that supports these skills is conducting site visits with nonprofits. A vast majority (85%) of participating foundations conducted site visits in their previous fiscal year. More than half (59%) of those that conducted a site visit indicated doing so both before and after making a grant. In general, foundations (55%) reported that their primary goal when conducting site visits was to build a stronger relationship with grantees.

ii. Primary goal of site visit (n = 296)



Assessment of Impact

Assessing impact is an opportunity for a foundation to look back to see what works and where the foundation can improve. Over the past 3 years, foundations have assessed their impact most commonly through anecdotal feedback from grantees. Slightly fewer than half (42%) of participating foundations indicated assessing impact through formal reflection at the board level, and one-third (33%) assessed impact through anecdotal feedback from beneficiaries.

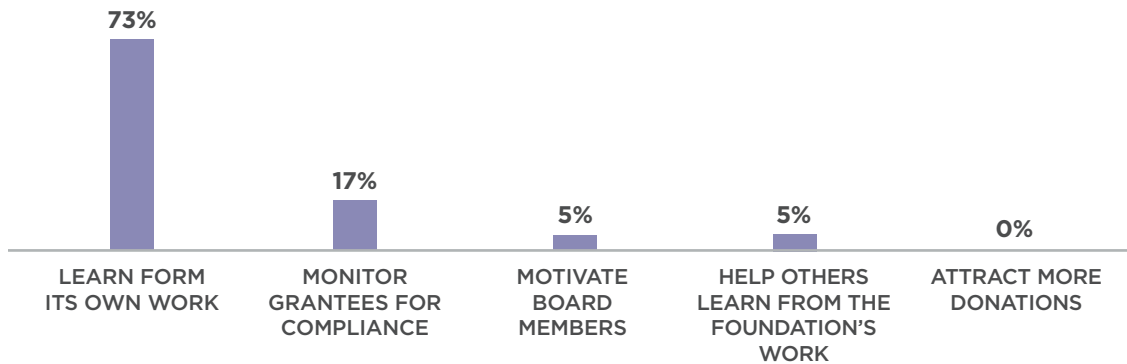
iii. Assessing impact (n = 352)



Of participating foundations that assessed their impact, only 14% indicated sharing learnings externally. Foundations that rated racial equity as somewhat or very relevant to their mission were most likely to share their learnings externally.

The purpose of assessing impact also varied for participating foundations. Nearly three-quarters (73%) did so to learn from their own work.

iv. Primary purpose for assessing impact (n = 294)



STAFF, COMPENSATION, AND BENEFITS

Nearly three-quarters (73%) of participating foundations had paid staff. The average number of paid staff was three, whereas the median was two. The average number of paid staff has not significantly differed over time.⁴ More than two-thirds (68%) of the staff at participating organizations worked full-time—30 hours or more per week—and the remaining 32% worked part-time.

Staff Demographics, by Race/Ethnic Diversity

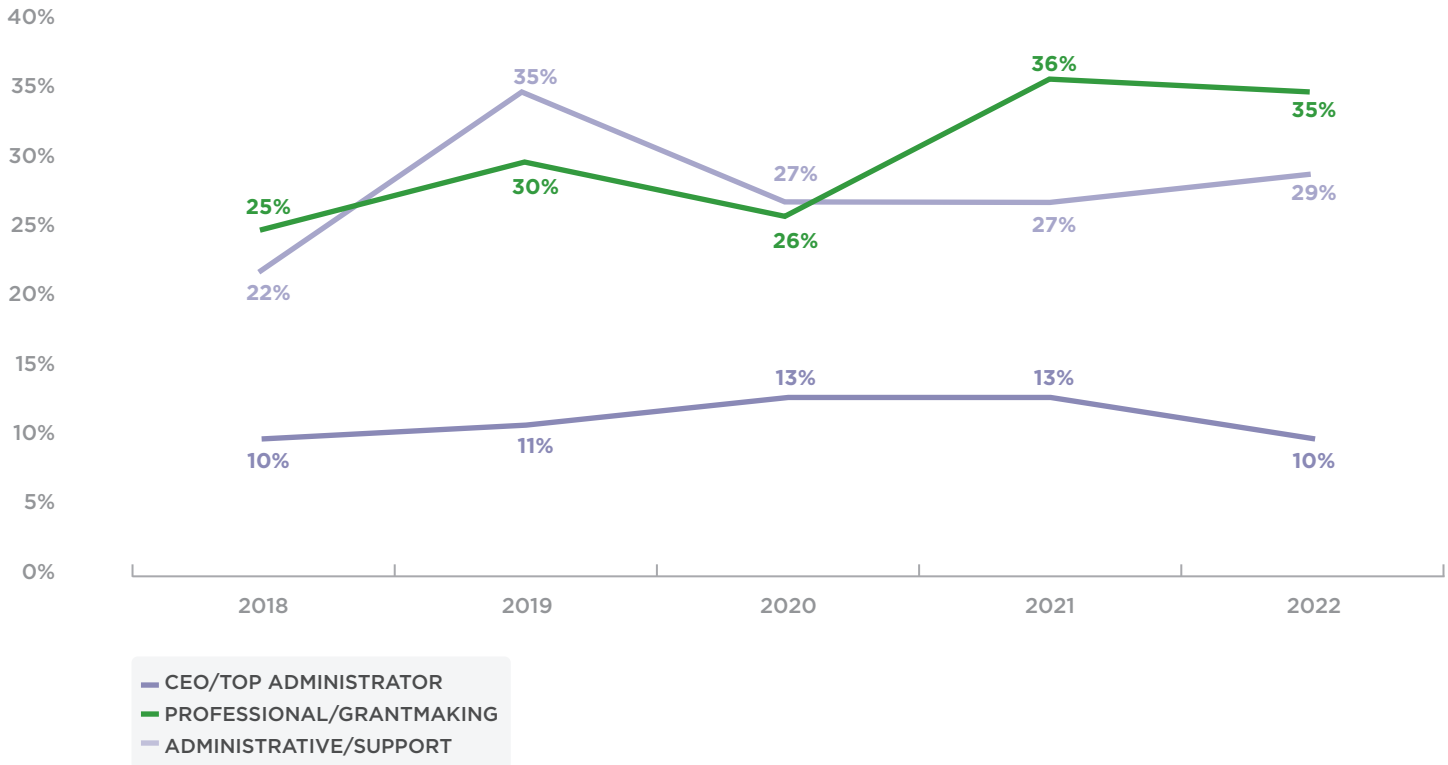
Although a lot of foundations said racial equity was somewhat or very relevant to their foundation's mission, the racial/ethnic diversity of foundation staff was low. Almost two-thirds (62%) of participating staffed foundations had no paid BIPOC staff; that is, their entire paid staff identified as White.

The percentage of foundations that had full-time staff who identified as BIPOC in each of these roles (CEO/top administrator, professional/grantmaking staff, administrative/support staff) has not changed significantly in the past 5 years.⁵

⁴ An ANOVA test was used to determine significant differences in the number of paid staff in the past 5 years (FOMS 2019–2023).

⁵ ANOVA tests were used to determine significant differences in the percentage of foundations reporting having a full-time CEO/top administrator, at least one professional/grantmaking staff member, or at least one administrative/support staff member who identified as BIPOC over time (FOMS 2019–2023).

v. Percentage of full-time staff who identified as BIPOC over time



Staff Compensation

Based on the 2023 FOMS, the average and median salaries for full-time CEOs/top administrators were \$162,860 and \$153,542, respectively. Compensation for full-time CEOs/top administrators has significantly increased over time.⁶ As seen in table vi, matched salary data showed an upward trend in CEO/top administrator, professional/grantmaking, and administrative/support staff salaries. However, these differences were not statistically significant for professional/grantmaking and administrative/support staff.⁷

vi. 2021-2022 matched salary changes, by role

ROLE	BASE SALARY					
	AVERAGE			MEDIAN		
	2021	2022	PERCENTAGE CHANGE	2021	2022	PERCENTAGE CHANGE
CEO/TOP ADMINISTRATOR (n = 114)	\$149,886	\$159,582	6.5%	\$141,668	\$150,146	6.0%
PROFESSIONAL/GRANTMAKING STAFF (n = 58)	\$100,460	\$104,393	3.9%	\$93,995	\$96,800	3.0%
ADMINISTRATIVE/SUPPORT STAFF (n = 24)	\$74,744	\$76,390	2.2%	\$75,750	\$76,250	0.7%

* Statistically significant increase, $p < .05$.

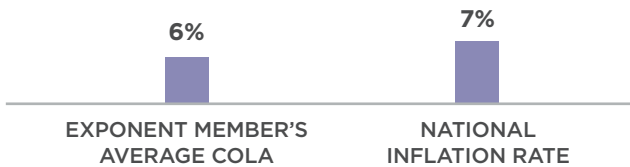
⁶ A repeated measures ANOVA test was used to determine significant differences in the compensation for full-time CEOs/top administrators over time (FOMS 2019-2023).

⁷ A paired samples t-test was used to examine differences in average salaries for full-time professional/grantmaking and administrative/support staff from 2021 to 2022.

Response to 2022 Inflation

Almost three-fifths (54%) of participating foundations reported making a cost-of-living adjustment (COLA) to employee salaries in response to historical inflation in 2022. On average, foundations gave all their employees a 6% (median of 5%) increase.

vii. COLA compared to national inflation



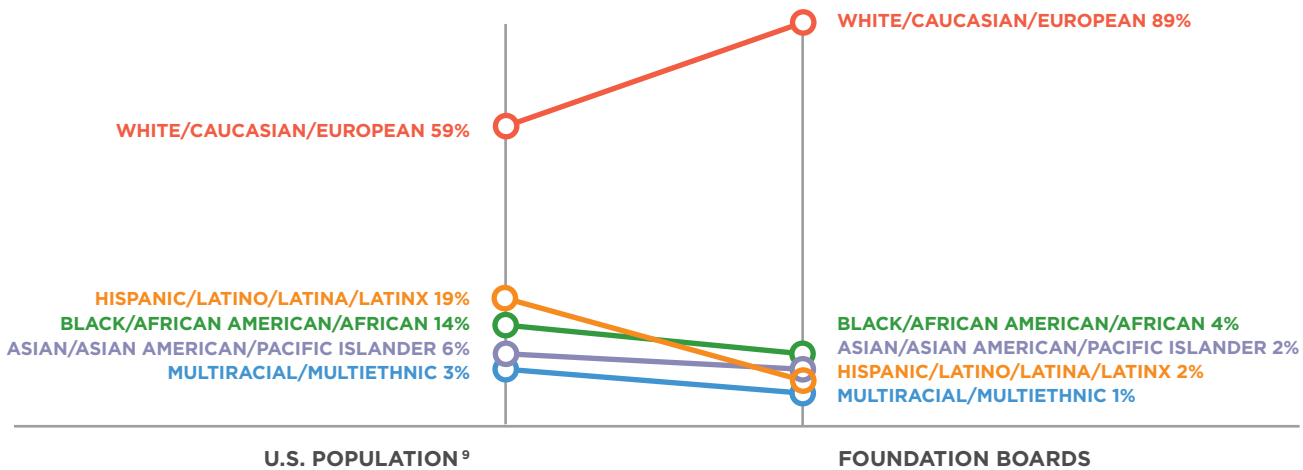
BOARDS AND GOVERNANCE

Although board size varied greatly among respondents, the majority (73%) had between three and nine members, and the median and mean board sizes were relatively similar (6.0 and 6.8 members, respectively). Board size, however, has not significantly changed in the past 5 years.⁸

Board Demographics, by Race/Ethnic Diversity

Compared with the overall U.S. population, boards had less racial/ethnic diversity. Looking at the total population of board members of participating foundations ($n = 298$ foundations), 89% identified as White; 4%, as Black or African American; 2%, as Asian or Pacific Islander; 2%, as Latinx; and 1%, as Multiracial.

viii. Race/ethnicity of foundation boards compared with the U.S. population



⁸ An ANOVA test was used to examine differences in board size in the past 5 years (i.e., from 2018 to 2022).

⁹ U.S. Census Bureau. (n.d.). Quickfacts: United States. <https://www.census.gov/quickfacts/fact/table/US/PST045219>

Frequency of Board Meetings

The frequency of board meetings (in-person and virtual) among respondents varied greatly from no meetings to 42 meetings in the past year. Specifically, on average, foundation boards had in-person meetings three times per year (median of two times per year) and met virtually (e.g., board meetings held by phone), on average, two times per year (median of once per year). Independent foundations had in-person and virtual meetings more often than family and other types of foundations.

Source of Wealth

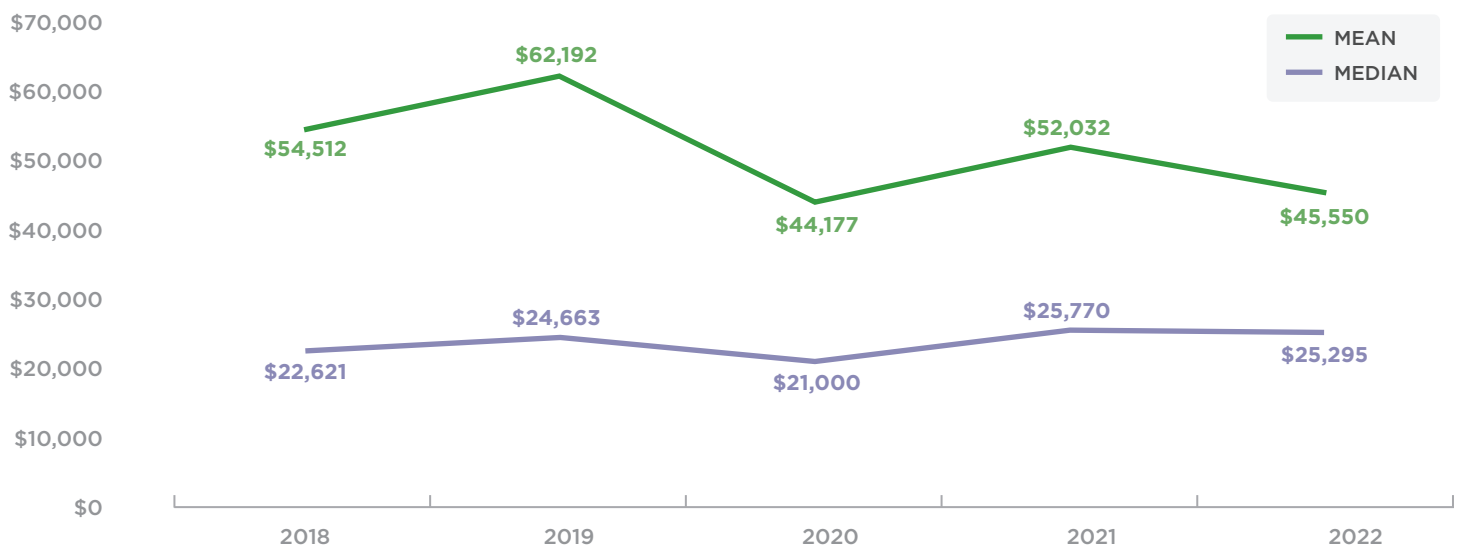
The majority (79%) of foundations reported that they have publicly acknowledged the source of their wealth. Family and independent foundations were more likely to publicly acknowledge the source of wealth compared with other foundation types.

To learn more about how the 1772 Foundation publicly acknowledged the source of its wealth, check out [this episode of The Catalytic Philanthropy Podcast](#).

GRANTMAKING

On average, participating foundations awarded 73 grants (median of 48 grants) in the most recent fiscal year. The average grant was \$45,550 with a median value of \$25,295. On average, the number of grants awarded by participating foundations has increased in the past 5 years.¹⁰ Data showed that the average grant amount has decreased over time, with the lowest grant amount being awarded in 2020. However, this decrease was not statistically significant.¹¹ The qualifying distributions as a percentage of noncharitable-use assets significantly increased from 2021 to 2022 (4.8% and 5.0%, respectively.)¹²

ix. Mean and median grant awards over time



¹⁰ An ANOVA test was used to examine differences in the average number of grants awarded in the past 5 years (i.e., from 2018 to 2022).

¹¹ An ANOVA test was used to examine differences in the average grant size awarded in the past 5 years (i.e., from 2018 to 2022).

¹² Paired samples t-tests were conducted to determine significant differences in the percentage of noncharitable-use assets awarded as qualifying distribution from 2021 to 2022. To measure these changes, we used a panel approach by examining responses of 119 organizations that participated in the FOMS in 2022 and in 2023.

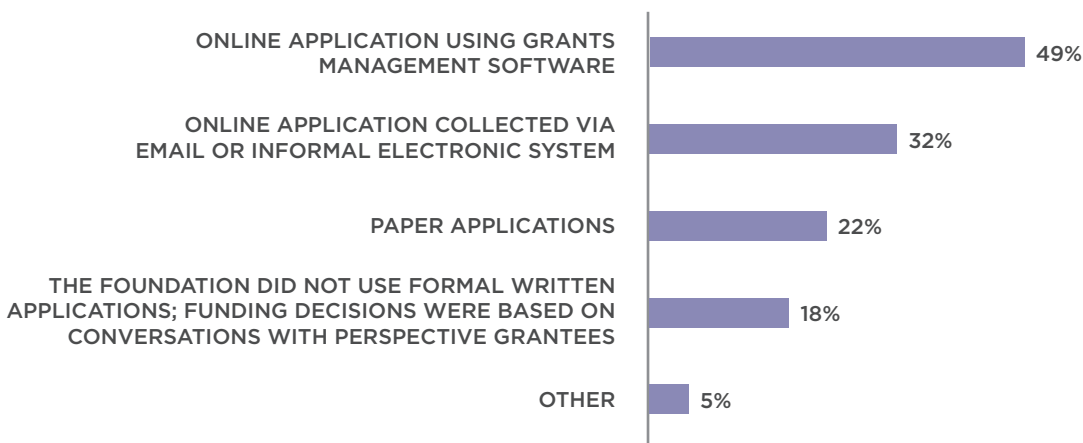
2022 Inflation

The United States experienced historically high inflation rates during 2022, taking a toll on communities, nonprofits, and foundations alike. More than one-quarter (29%) of participating foundations indicated helping grantees to address rising costs associated with that historic inflation, and foundations most likely to do so rated racial equity as somewhat or very relevant to their mission. Some of the ways foundations helped grantees with rising costs included converting programmatic grants to general operating expense grants, increasing the size of grants, and making additional grants.

Grants Administration

Participating foundations collected applications and proposals in a variety of ways. Almost half (49%) accepted proposals through an online application using a grants management software, whereas nearly one-third (32%) accepted applications through email or another informal electronic system.

x. Methods for collecting grant applications and proposals (n = 353)

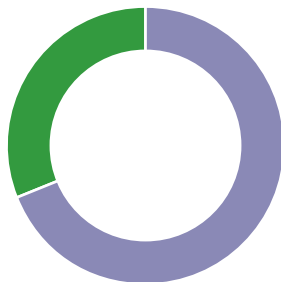


Types of Grants

In the past year, participating foundations provided several types of grants.

xi. Types of grants awarded

GENERAL OPERATING SUPPORT GRANTS



● YES 69%
● NO 31%

MULTIYEAR GRANTS



● YES 60%
● NO 40%

CAPACITY-BUILDING GRANTS

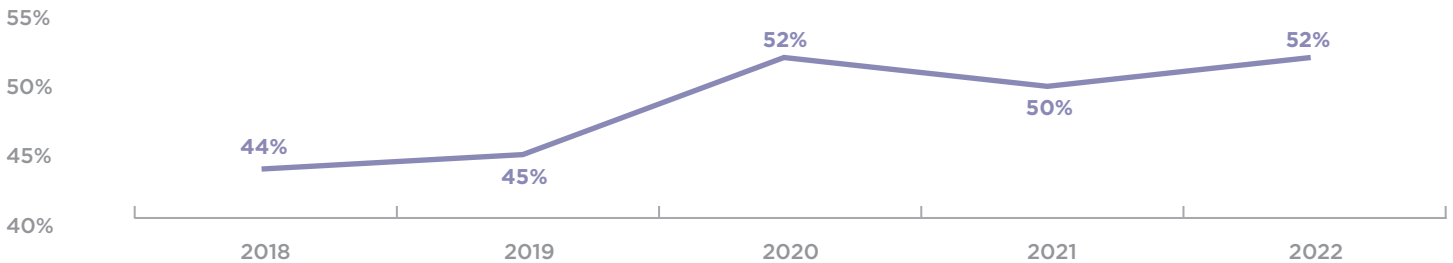


● YES 39%
● NO 61%

The percentage of foundations awarding general operating support grants and multiyear grants has not changed statistically significantly over the past 5 years (2018 compared with 2022). Except for 2021, which showed a significant increase, the percentage of foundations providing capacity-building grants has decreased over the past 5 years.¹³

The percentage of the total grantmaking budget allocated for general operating support grants has significantly increased in the past 5 years (44% in 2018 compared with 52% in 2022).¹⁴

xii. Percentage of total grantmaking budget allocated to general operating support grants over time



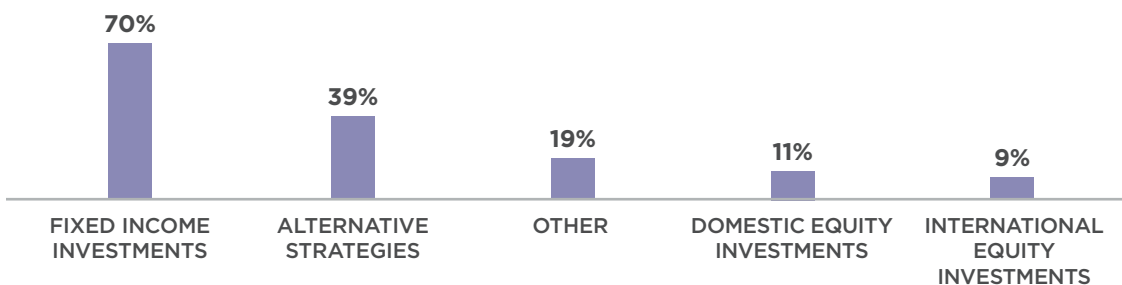
INVESTMENTS

We asked participating foundations to rate their investment strategy on a scale from 1 (very conservative) to 10 (very aggressive). On average, respondents gave their strategy a 5.8 (median of 6.0). Further, most participating foundations (75%) rated their investment approach as moderate (i.e., between 4.0 and 7.0).

Changing Tactics in Response to Inflation

A small percentage (12%) of participating foundations adjusted their investment strategy because of the historic inflation in 2022. For those that adjusted their portfolio allocations, a majority (70%) of participating foundations increased their fixed income investments, whereas slightly fewer than half (39%) increased their alternative strategies. A smaller proportion of participating foundations increased their domestic and international equity investments. The likelihood of adjusting the foundation's portfolio allocation in response to inflation did not vary significantly by key foundation characteristics.

xiii. Increase in allocations due to inflation (n = 27)



¹³ An ANOVA test was used to determine significant differences in the percentage of foundations providing capacity-building grants over the past 5 years (i.e., FOMS 2019-2023).

¹⁴ An ANOVA test was used to determine significant differences in the percentage of the total grantmaking budget allocated to general operating support grants over the past 5 years (i.e., FOMS 2019-2023).

Investment Returns

In 2022, participating foundations reported mean net investment returns of -5.5% and median returns of -10.2%. These findings did not vary by the organization's investment strategy. Average net investment returns did not significantly differ by a foundation's asset size.

xiv. Average 2022 net investment returns, by investment strategy (n = 278)

OVERALL	VERY CONSERVATIVE (1-3)	MODERATE (4-7)	AGGRESSIVE (8-10)
-5.5%	-3.5%	-6.1%	-7.8%

Note: Before comparing your annual returns to the market or other foundations, remember to consider the investment strategy and the target returns in your investment policy statement (IPS).

