

## Knox County Foundation Donor Advised Fund Activity Policy

The Knox County Foundation encourages our Donor Advised Funds (DAF) to actively recommend grants to their chosen charitable causes. To ensure that the DAFs remain active and therefore, making a charitable impact on our region, we adhere to a Donor Advised Fund Activity Policy.

As a reminder, all contributions to a DAF are irrevocable charitable contributions that are legally owned by the Knox County Foundation. These funds are institutional funds of the community foundation—not a personal savings account of the donor—and may only be used for charitable purposes which do not confer any private benefit to the donor or any other person.

### Acceptable Types of Fund Activity

The following are definitions of appropriate fund activity and philanthropic planning for DAFs. Grantmaking from DAFs cannot take the fund balance below the \$5,000 minimum balance without approval from Foundation in advance.

“Underwater” donor advised funds, where permanently endowed contributions exceed the fund balance, may make grant recommendations consistent with Foundation restrictions. The Foundation may limit, or disallow completely, the grant recommendation based upon the fund balance, how far the fund is “underwater”, projected future investment growth, and future donor giving intentions.

- Regular Grant Recommendations. Donor advisor generally recommends grants at least annually to qualified charitable organizations. The amount of grantmaking can vary from year to year but the Foundation does request grant recommendations be at least \$100. The donor advisor can request a grant to automatically reoccur for a period of years or until the Foundation is notified to discontinue the recurring grant.
- Long-term Giving Plan. Donor advisor deliberately reduces the frequency or size of grant recommendations from their fund, for example:
  1. During his or her working years with the intention of increasing the donor advised fund balance to support grantmaking during his or her retirement, when the advisor expects his or her income to change. This is often done in conjunction with the New Philanthropy Matching program where contributions are endowed.
  2. A donor may want to build a fund over time so the donor’s children can make grants later (the idea being the donor is leaving a charitable legacy for the next generation to administer).
  3. Starter Fund. Donor advised funds may need time to build the fund balance to make substantial grants to the community. Therefore, there may be no distributions made until the fund balance reaches a specified amount or after a period of time. Donor advisors should relay these intentions to the Foundation, whether verbally or written.
- Specific Occasion Grant. Donor advisor refrains from recommending grants for a number of years with the specific charitable goal of recommending a grant upon a specific occasion. Often this is utilized when a donor advisor wishes to make a large grant recommendation in the future and intends to accumulate funds to support this goal.

Should grant activity stop for more than a 3-year period without prior communication of such intent, steps will be taken by the staff or the board to activate that fund. These steps may include such activities as:

- Notifying the fund advisor regularly and periodically to encourage greater utilization of the donor advised fund.
- Closing of a “starter” fund if the “starter fund” balance does not reach the Foundation’s required minimum amount within a stated, or reasonable, period of time. For example, re-allocating the fund proceeds to the Knox County Foundation’s Unrestricted Fund or issuing the balance as a charitable grant to a qualified recipient based upon historical giving activity. If the donor advisor can be reached by the Foundation, the Foundation will verify the donor’s intent for the fund, and where to distribute the fund balance if determined appropriate.
- If contact with the donor advisor is not made after this period of time, the Foundation Board of Directors may elect, but is not required, to distribute annual grants awards from the fund to qualified grant recipients that align with the donor’s historical giving and intent. Such distributed grants, if elected by the Foundation, will be consistent with both the intent and amount of prior historical grant awards. If the Foundation determines such intent is obsolete, incapable of being fulfilled, impractical, or inconsistent with the community’s charitable needs, then exercise of the Board of Directors’ overriding variance power to enable the community foundation to continue to use its resources to meet the needs of the community and to address the charitable purposes for which the funds were committed.
- If the Foundation is unable to contact a donor advisor, or contingent advisor, after an extended period of time and the fund becomes dormant, the Foundation will convert the fund to the final intended purpose of that fund, such as a designated, scholarship, or unrestricted fund. Absent any instructions per the fund agreement or other notification from the advisor, the fund will convert to an unrestricted fund for the benefit of the Foundation’s competitive grant program through its variance powers established in the fund agreement. The Foundation Board of Director will determine on a case-by-case basis the definition of an “extended period of time” based upon factors including last contact with an advisor, prior contribution and/or grant activity, and any other relevant factors. The Board will review each fund on an annual basis for fund activity and attempted contact with the fundholder(s). However, at a minimum, the fund must be dormant and no contact established with the fund advisor for at least five years before the donor advised fund would be converted to another fund type.