

DONATION ACCEPTANCE POLICY

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1. INTERPRETATION

The following definitions apply in this policy:

“Funds”	means the Named Funds established by donors who give an amount each year to be spent on grant-making rather than invested to generate a return.
“Board”	means the Trustee Board of the Foundation for the time being.
“Donation Agreement”	means an agreement between the Foundation and a donor establishing Named or Themed Funds and setting out how the fund will be financed, managed, what activities the Foundation will undertake and how the donor will be involved.
“Expendable Endowment Fund”	means a fund without restriction on the donated assets being converted into spendable income. The discretionary power of whether or not to do this rests with the Board. The donated assets will remain as capital in nature until they are converted into income.
“Gift Aid”	means a scheme whereby the Government increases the value of donations by UK taxpayers to UK registered charities by allowing the beneficiary to reclaim basic rate tax on the donation.
“Governing Document”	means the Foundation’s governing document as a registered charity.
“Grant”	means a financial award made by the Foundation from funds under its custodianship to support charitable activities, usually to registered charities, social enterprises, or charitable community groups, but sometimes to public bodies or individuals.
“Operating Fund”	means the fund whose revenue supports the Foundation’s operations including staffing, overheads and development.
“Permanent Endowment Fund”	means a fund whose donated assets are to be held as capital and which the Board may not spend as if it were income. Permanent endowments can only be spent where permissible if the Board agree it is necessary to help the Foundation carry out its charitable purposes more effectively, but external authority must be sought before the money is spent.
“Successor Advisor”	means a person who is nominated by a donor or Fund Advisor in certain circumstances set out in clause 0.
“Total Return”	means an investment policy whereby the Board can set a target of cash to be withdrawn each year from dividends and/or capital.

2. MISSION

Lincolnshire Community Foundation CIO (the **Foundation**) is a registered charity with number 1196448 whose mission is to create stronger and more sustainable communities and help the residents of Lincolnshire and beyond to overcome



disadvantage. This is achieved mainly through charitable grant-making at the Foundation and community development works.

3. PURPOSE

- 3.1 This donation acceptance policy (this **Policy**) establishes guidelines governing the acceptance of donations by the Foundation for the benefit of any of its operations, programs or services, and provides guidance to prospective donors and their advisors when donating to the Foundation. This Policy should be read alongside the relevant Donation Agreement. Where there is any inconsistency between this Policy and a Donation Agreement, the terms of the Donation Agreement shall prevail to the extent of that inconsistency.
- 3.2 The Foundation recommends that prospective donors obtain independent professional legal and/or financial advice regarding any proposed donation.

4. DONATIONS

- 4.1 The Foundation may accept a variety of donations. All are **outright donations** of assets by living donors made on a one-off or regular basis unless the circumstances outlined in 4.5 apply. The Foundation can also accept **planned donations** that take effect on the donor's death.
- 4.2 **Outright Donations.** The Foundation will accept the following types of outright donations:
- (a) **Cash** or cash equivalents of any amount, although donations to establish Named Funds must meet the minimum requirements set by the Board from time to time. Cheques must be made payable to the Foundation and may not be made payable to any individual representing the Foundation.
 - (b) **Publicly traded shares** at fair market values. The Board will have full discretion over the sale of any donated shares.
 - (c) **Land and buildings** at the Board's discretion to sell and/or generate revenue from them for charitable purposes surplus to any costs.
 - (d) **Tangible personal property** which may include art, furniture, jewellery, equipment, cars, boats and any other personal item owned by a donor and only as long as the tangible personal property is marketable and at a value which will offset any costs the Foundation incurs in selling.
- 4.3 **Planned Donations.** The Foundation may also be named as the beneficiary of the following planned donations:
- (a) **Residuary Legacy** – a donation of some or all of the remainder of an estate after all other assets have been handed out and debts paid off.
 - (b) **Pecuniary Legacy** – a donation of a fixed sum of money.
 - (c) **Specific Legacy** – a particular named item left as a gift in a will, for example, shares, property, jewellery, furniture or art.
 - (d) **Letter of Wishes** – an informal letter, signed and dated by the legator. Although not legally binding, it provides guidance on how the deceased would want their life to be celebrated and ensures the gifts they wish to make from their estate are applied.
- 4.4 For the avoidance of doubt, the value of any asset donated to the Foundation can decrease as well as increase in accordance with market conditions and other factors.



- 4.5 Donations from individuals that have been subject to Gift Aid and/or tax refund claims cannot be repaid under any circumstances. The Foundation may accept a donated asset with the condition that some or the entire amount may be returned in the exceptional case where the donor is an institution donating assets comprising its untraceable client or dormant accounts in line with its own legal and regulatory requirements. In such circumstances, the Foundation can provide an indemnity stating that it will refund any monies that the institution might be liable to pay to a person or body. The indemnity is limited to the book value of the donation received.
- 4.6 The Foundation may also work with donors who wish to undertake social investment where their donations are 'recycled' and some or all of the donated assets may ultimately be returned to the Foundation for further application to its charitable purposes in line with any restrictions agreed with the donors. Such arrangements will be subject to separate policies and agreements.
- 4.7 Assets donated to establish, grow or contribute to funds at the Foundation are irrevocable. They become the Foundation's property (unless specific alternative provision is made in line with clause 4.5) and the Board carries the legal responsibility for ensuring that donations are used for charitable purposes in line with any restrictions agreed with donors.
- 4.8 The Foundation may carry out appropriate due diligence and regulatory checks on donors in order to identify and manage any associated risks. The Foundation reserves the right not to accept a donation if the Board determines that the restrictions, liabilities or reputational risks in doing so would be too great.

5. GIFT AID

- 5.1 Subject to compliance with HM Revenue & Customs regulations, cash donations made by UK taxpayers are eligible for Gift Aid which means that the Foundation can claim an additional 25% of the value of the donation (at current rates). Gift Aid received is added to funds alongside the original donation. Higher-rate taxpayers may be able to claim additional tax relief on their donations.
- 5.2 For the Foundation to claim Gift Aid and for donors to benefit from tax advantages relating to charitable donations, donors must part with ultimate control over the donated asset. Actual or perceived direct control by donors may jeopardise the basis on which donations are made and the charitable status of the Foundation. Therefore, donors and Fund Advisors cannot act independently of the Foundation in relation to their fund. Donors, Fund Advisors and related parties (such as donors' family members or business interests) also cannot directly benefit from their funds.

6. FUNDS

6.1 Fund Types

- 6.1.1 A fund at the Foundation is not a distinct legal structure like a charitable trust. Rather, it is a vehicle for having regard to the donor's wishes without the administrative or regulatory requirements that would be required of a separately constituted charity.
- 6.1.2 The **Named Fund** is the principal fund type set up by an individual, a family or an organisation, often in the donor's name or that of someone or something with whom they feel closely associated. Alternatively, the fund can be anonymous. Donors may set up a Named Fund with a donation of a minimum value set by the Board from time to time. There are four models of Named Funds:
- (a) **Endowment Fund** – the donation is held as an asset and invested within the Foundation's endowment. The investment return provides revenue which is used to support charitable works each year.



- (b) **Acorn Fund** – type of Endowment Fund (see 6.1.2(a)) that builds up through donations made over a number of years to the point when the fund ‘matures’ (currently with assets of £25,000) and the revenue from the investment return can be used for charitable causes.
- (c) **Distribution Fund/Flowthrough Funds** – the donation is treated entirely as revenue to support charitable causes.
- (d) **Combined Fund** – the donation is held partly as an Endowment Fund (see 6.1.2(a)) and partly as a Distribution/Flowthrough Fund (see 6.1.2(c)).

6.1.3 The **Themed Fund** is an alternative type of fund supported by one-off or regular donations from a number of donors who share a common interest.

6.2 Fund Options

6.2.1 Donors who establish Named Funds may choose to make one or more of the following recommendations as to how they would wish for their fund to be used:

- (a) **Unrestricted** – the fund’s revenue supports the activities of the Foundation or its general grant-making at the discretion of the Foundation.
- (b) **Field of Interest** – the fund’s revenue supports the donor’s preferred causes or localities and allows the Foundation discretion to make grants in line with their wishes.
- (c) **Donor Advised** – the donor determines the purpose of the fund and recommends grant recipients from shortlists prepared by the Foundation.
- (d) **Panel Advised** – as 6.2.1(b) but where the donor wishes a panel or committee to recommend grants on their behalf.
- (e) **Donor Nominated** – the donor recommends charities to be beneficiaries of Grants from the fund each year.
- (f) **Agency** – where the fund is set up solely to benefit a named organisation.
- (g) **Designated** – the fund’s revenue supports a series of named organisations each year agreed with the donor at the point it is founded.

6.2.2 Donations of legally permanent endowment (see 6.4.2) can usually only be accepted to establish Unrestricted, Field of Interest, Agency or Designated funds.

6.2.3 The Foundation will advise on the most appropriate model depending on the level of donation, likely fund revenue and the amount of engagement the donor wishes to have.

6.2.4 The restrictions applicable to each Fund, including its charitable purposes, geographic focus, beneficiary criteria and any other donor-agreed conditions, shall be those set out in the relevant Donation Agreement. In the event of any inconsistency, the Donation Agreement shall prevail.

6.3 Fund Advisors and Panel Members

6.3.1 Donors who establish Named Funds may appoint any person aged 18 years or over to be a **Fund Advisor**. A fund may have more than one Fund Advisor but ideally no more than three. Fund Advisors’ privileges include setting and reviewing the fund criteria with the Foundation, agreeing succession arrangements and being engaged in the Foundation’s wider work.

6.3.2 For **Donor Advised** funds that continue to meet the minimum market value set by the Board, Fund Advisors may also make recommendations on Grants. Fund Advisors do not, however, play any formal governance or managerial role relating either to the Foundation as a whole or to its funds.



- 6.3.3 For **Panel Advised** funds that continue to meet the minimum market value set by the Board, donors may nominate persons aged 18 years or over to be **Panel Members**. Panel Members may be involved with the Fund Advisor in making Grant recommendations. However, Panel Members do not have the same advisory privileges relating to fund criteria and succession arrangements.

6.4 Endowment Funds

- 6.4.1 Donations to establish or contribute to **Endowment Funds** at the Foundation are held as capital and invested according to the powers set out in its investment policy as reviewed by the Board from time to time. The capital sum is invested to maintain and, if possible, enhance the value whilst generating income for grant-making. Funds are pooled and allocated units within the overall portfolio and credited with their income. It is the Foundation's policy not to spend capital unless instructed by the donor under the Donation Agreement.
- 6.4.2 The majority of new Endowment Funds are held as legally **Expendable Endowment Funds** which allows the Foundation flexibility to apply a Total Return investment policy at a future point as agreed by the Board. However, the Foundation can also receive donations of legally **Permanent Endowment Funds** from charities whose trustees have chosen to wind up their affairs. These are held in a separate but wholly controlled charitable body for this distinct purpose.

6.5 Management of Investments

- 6.5.1 Donors, Fund Advisors and Successor Advisors do not have direct control over the investment of donated assets but they may express preferences as follows:
- (a) At a donor's request, the capital of their fund may be invested taking into account ethical considerations.
 - (b) Fund Advisors or Successor Advisors may request that the Board reinvests some or the entire amount withdrawn from their Named Fund for a period (usually no longer than two years), rather than use it for Grants, to grow the capital value.
 - (c) In the case that a major Endowment Fund donation is acquired with significant involvement from a professional advisor, the donor may request that the Foundation considers reinvesting the capital with that advisor. Such arrangements are exceptional and entirely at the Board's discretion and they will be subject to the Foundation's normal investment policies.

6.6 Fees

- 6.6.1 All funds take a share of the overall costs of the Foundation carrying out its charitable activities. These include grant-making from funds, engagement of donors, developing new philanthropy and sharing expertise on issues affecting communities. The contribution made by each fund (the **Fee(s)**) depends on the level of engagement the donor requires and the size of their fund.
- 6.6.2 The current annual fees are available separately. Irrespective of fund criteria or restrictions, the Foundation applies Fees towards its operating costs and general purposes without further recourse to donors.
- 6.6.3 Interest earned on unallocated revenue in a fund accrues to the Foundation to support costs, except where specific alternative provision has been agreed by the Board for funds operating under national models or partnerships.
- 6.6.4 Where a Named Fund has additional requirements above the normal support work done by the Foundation, there will usually be additional contributions made towards the direct costs of such further charitable activities.



- 6.6.5 The Board will review Fees from time to time and reserves the right to vary them if necessary.

6.7 Fundraising Activities

- 6.7.1 The Foundation in general does not undertake direct fundraising activities. However, occasionally it may be appropriate for donors or advisors to use fundraising approaches to grow the Named or Themed Funds. Any such fundraising must be approved by the Foundation as it will require the use of its name and charity number.
- 6.7.2 The Foundation can provide donors with information on how best to advertise their fundraising efforts to generate donations but it cannot manage the fundraising itself. The Foundation also cannot reimburse donors, advisors and any other parties for expenses relating to fundraising activities they undertake.
- 6.7.3 No other expenses incurred by donors or advisors can be paid from the fund's revenue unless explicitly stated in the Donation Agreement.

6.8 Fund Inactivity and Closure

- 6.8.1 If Fund Advisors or Successor Advisors do not make recommendations to the Foundation on the fund's distribution and if there is no other arrangement in place, then the fund will be deemed inactive.
- 6.8.2 The Foundation will attempt to contact Fund Advisors or Successor Advisors at least three times in writing. If contact cannot be made after a year, the Board will agree distribution of resources in accordance with the fund criteria (unless otherwise agreed as part of the Donation Agreement).
- 6.8.3 Fund Advisors and Successor Advisors may themselves close an Endowment Fund by transferring its assets to another fund at the Foundation or any other agreement referred to in the Donation Agreement. Funds may be closed by the donor or advisor recommending Grants of the remaining fund balance to support charitable organisations or activities, or by nominating that the balance be transferred to another Themed Fund.
- 6.8.4 The Board may, at its discretion, close, merge or transfer a Fund where its value falls below an administratively viable threshold determined by the Board from time to time. In doing so, the Board will have regard to the original purpose of the Fund and, wherever reasonably practicable, ensure that any remaining assets continue to be applied for charitable purposes consistent with the donor's intentions.

6.9 Variation of Restrictions

- 6.9.1 Subject to the terms of the Donation Agreement, donors accept that the Foundation must remain sufficiently flexible to respond to changing community needs. Accordingly, the Board may, at its sole discretion and in accordance with the Donation Agreement and this Policy, amend restrictions applying to the use of a Fund if it believes those restrictions:
- (a) cannot be satisfied or are not in accordance with the original wishes of the donor or the original spirit of the donor's donation; or
 - (b) have become impractical, unsuitable, irrelevant, obsolete or undesirable.
- 6.9.2 The Board will not amend any restrictions applying to the use of funds if those amendments would allow the fund to be used for any purposes that are not charitable under the law of England and Wales.



7. COMMUNITIES FIRST ENDOWMENT

Some funds are part of the Communities First Endowment (the **Trust**). The Trust was established as part of a government endowment match challenge scheme which ran from February 2012 to October 2014 (the **Scheme**). It was a condition of the Scheme that matched donations were held in the Trust and invested by one body. The Foundation receives direct income from the Trust funds and distributes this in accordance with the terms of the Scheme. Although the match scheme has closed, it is the Board's policy that donations may be added to funds in the Trust unless they are at a level to establish a separate Named Fund within the general portfolio.

8. SUCCESSION ARRANGEMENTS

- 8.1 The Foundation recommends that donors with Named Endowment Funds or their Fund Advisors determine arrangements for how they wish their fund to be managed following their death or when they are no longer willing or able to act. For corporate donors, this includes circumstances where the company ceases trading or is taken over.

8.1.1 Succession arrangements must be detailed in writing to the Foundation.

8.1.2 Requests to modify succession arrangements should be communicated to the Foundation in writing and a written acknowledgment confirming the request has been approved will be issued.

8.2 Succession Options

8.2.1 Donors or Fund Advisors who wish the Foundation to continue to maintain a separate Named Fund may choose one of the following options:

- (a) Designate another Themed Fund or its Operating Fund as the recipient of future revenue. The Foundation will honour such an arrangement by maintaining the separate Named Fund in perpetuity, but it retains the right to transfer fund revenue to the closest equivalent Themed Fund should the one chosen be closed for any reason.
- (b) Give discretion to the Foundation to continue awarding Grants in line with the wishes and restrictions set out in the Donation Agreement.
- (c) Give discretion to the Foundation to continue awarding Grants in line with the wishes and restrictions set out in the Donation Agreement on the understanding that the Board will from time to time determine a level of fund value at which this arrangement can remain in perpetuity (currently £25,000). Below this level, the Foundation will honour the arrangement for 25 years, after which it will continue to maintain a separate Named Fund but transfer its revenue to an alternative fund as in 8.2.1(a) above.
- (d) Nominate one or more Successor Advisors, who must be aged 18 years or over and willing to act in this capacity, to take over their advisory privileges (see 8.3 below).

8.3 Successor Advisors

- 8.3.1 Successor Advisors do not play a formal governance or managerial role and must accept that the original donation is irrevocable.
- 8.3.2 Successor Advisors may not recommend changes to the fund purposes unless permission is explicitly given by the founding donors or Fund Advisors in the Donation Agreement.
- 8.3.3 A Successor Advisor normally acts in the role for one generation (**First Generation Successor Advisor**). However, further generations of Successor Advisors can be nominated in the following circumstances:
- (a) Where the First Generation Successor Advisor makes additional donations to the fund at least equal in value to the current minimum amount set by the Board



to establish a Named Fund (currently £25,000), they may nominate one further generation of Successor Advisors.

- (b) Where the fund value is over a minimum amount set by the Board from time to time (currently £1million), Successor Advisors can continue to nominate further generations of Successor Advisors.

8.3.4 If, for any reason, nominated Successor Advisors are unable or unwilling to continue to act as Fund Advisors or if no succession arrangements are made to replace the current Fund Advisors then discretion to continue awarding Grants will be transferred to the Foundation under its delegated powers. The name of the Named Fund will be maintained and Grants will be awarded in line with the original purpose and focus of the fund, unless the original donor or existing Fund Advisor has specified differently in a written expression of wishes in relation to succession arrangements.

9. RESPONSIBILITY AND DISPUTES

9.1 Although it will always take account of the wishes of donors, the Board has the ultimate responsibility for awarding Grants from all funds held by the Foundation (subject to any restrictions agreed with donors) and for the management of donated assets once given. In particular, the Board reserves the right:

- (a) not to agree to requests to spend capital from Endowment Funds unless there is specific provision to do so in the Donation Agreement; and
- (b) not to approve Fund Advisors, Panel Members and/or Successor Advisors' recommendations if it determines that they are not charitable, would conflict with the Foundation's stated policies or damage its reputation.

9.2 In the case that a dispute arises, it must be dealt with between the donor or its advisors and the staff member managing the fund in question. In some circumstances, the matter may be referred to the CEO(s) who will seek to resolve it through further discussion. However, this Policy is overriding and ultimately the Foundation's decision regarding any dispute is final.

10. PUBLICATIONS

The Foundation will acknowledge donors appropriately and publicise their involvement in line with their wishes. Donors may remain anonymous if they prefer. In all cases, the Foundation will keep the details of its particular agreements with donors confidential, subject to its legal and regulatory accounting requirements.

11. VARIATIONS TO THIS POLICY

11.1 The Foundation may amend this Policy from time to time to reflect changes in legislation, regulation, Charity Commission guidance or best practice, or to improve the administration of its charitable activities.

11.2 The current version of this Policy will be published on the Foundation's website. Unless expressly varied by a Donation Agreement, the version of this Policy in force from time to time shall apply to all Funds administered by the Foundation.