



GIFT ACCEPTANCE AND STEWARDSHIP POLICY

Purpose

1. Community Foundation North East (the Foundation) is proud that donors choose us for their giving and philanthropy. The purpose of this policy is to set out for donors the basis on which we accept gifts and steward funds.

Introduction

2. The Foundation is a registered charity (number 700510) and limited company (number 2273708) benefiting communities particularly, but not exclusively, in Tyne and Wear and Northumberland. We are governed by a board of trustee directors. A staff team led by the Chief Executive has delegated responsibility for our day-to-day activities.
3. We aim to be the North East's go-to place for philanthropy and to inspire more people and business to set up and add to funds at the Foundation through lifetime and legacy gifts. Funds can be named for an individual, a family or an organisation, or they can be set up anonymously. Alternatively, several donors can support a collective giving fund with one-off or regular gifts. Together our funds support charitable activities in line with our purposes, mainly through grant-making to charities and community organisations.
4. There are two fund types (although in some cases we can combine elements of both):
 - i. **Invested:** we hold gifts as capital within our endowment. The investment generates revenue each year to support charitable activities in perpetuity.
 - ii. **Annual funds:** we hold gifts as cash revenue to support charitable activities in the year ahead, though we expect that donors will commit to making gifts sufficient for the fund to exist for at least three years.
5. This policy also describes the acceptance and management of donations to our collective giving funds and our other discretionary funds.

Legal and fiscal context for gifts

6. A fund at the Foundation is not a distinct legal structure like a charitable trust. It is a vehicle for giving in line with donors' wishes but without the administrative or regulatory requirements that would be required of a separately constituted charity.
7. For individual, family or organisation funds, donors gift assets to the Foundation which we account for separately. Depending on its size, a donor may have the privilege of setting a fund's criteria and recommending charitable support from the revenue (see 'Options for funds' below). Depending on the donor's wishes, and the fund's size, the fund may be legally restricted if it has specific purposes, or unrestricted if its criteria are more general.

8. For collective giving funds, several donors' contributions are pooled, but within a fund which has an agreed purpose.
9. **Donations to establish, grow or contribute to all funds at the Foundation are outright and irrevocable gifts. Once received, funds become our asset (unless specific alternative provision is made in line with paragraph 18 below) and our board carries the legal responsibility for ensuring that donations are used for charitable purposes in line with any restrictions agreed with donors.**
10. Subject to compliance with HMRC regulations, cash donations from individual UK taxpayers are eligible for Gift Aid, which means we can claim an additional 25% of the value of the gift (at current rates). We add Gift Aid to funds alongside the original donation as agreed with donors. Higher-rate taxpayers may be able to claim additional tax relief on their donations. Non-UK taxpayers should seek professional advice about tax-effective ways of giving to the Foundation as a UK-registered charity.
11. For the Foundation to claim Gift Aid, and for donors to benefit from other tax efficiencies relating to charitable gifts, the donor must part with ultimate control over the donated asset. Actual or perceived direct control by donors over funds may jeopardise the basis on which gifts are made and our charitable status. Therefore, donors and fund advisors cannot act independently of the Foundation in relation to a fund they support. Donors, fund advisors and related parties (e.g. donor's family members or business interests) also cannot receive any direct private benefit from support from their funds.

Advice for donors

12. We engage donors living, working or interested in our area of benefit. We recognise that donors have a range of interests and want them to make informed choices. Our main purpose is to support philanthropy that benefits local causes, and we promote the case for doing so through us. However, we can provide advice to donors who want to give in ways other than through us, subject to a consultancy fee.
13. We always respect the wishes of potential donors and never pressure them into one course of action. We disclose the key issues that could reasonably be expected to influence a donor's decision to make a gift. We make especially clear that all donations (other than where paragraph 18 applies) are irrevocable, and that market values, investment returns and other factors can affect the amount available in any year for charitable activities.
14. We also recommend that prospective donors obtain independent professional legal and/or financial advice regarding any proposed gift.

Types of gifts the Foundation can accept

15. We can accept donations of a variety of asset types by living donors made on a one-off or regular basis. All are outright and irrevocable gifts unless paragraph 18 applies. We can also accept planned gifts that take effect on the donor's death.

16. We welcome the following types of outright gifts.

- Cash of any amount, although donations to establish funds must meet the minimum requirements as set by our board from time to time (see paragraph 44).
- Publicly traded shares at fair market values. Our board has full discretion over the sale of any gifted shares.
- Untenanted land and buildings if, at our board's discretion, they may be sold and/or generate revenue for charitable purposes surplus to any costs.
- Personal property, if the items are saleable, and at a value which will offset any costs we incur in selling.
- Crypto-assets donated via our third-party platform that means such gifts are converted to cash before we receive them.
- Asset transfers from other charities and trusts enabling them to wind up while continuing similar charitable purposes.¹

17. The Foundation may also be named as the beneficiary of planned gifts.

- Residuary legacies – a gift made from some or all the remainder of an estate after all other gifts have been distributed and debts paid off.
- A pecuniary legacy – a gift made of a fixed sum of money.
- A specific legacy – a particular named item left as a gift in a will, for example, shares, property, jewellery, furniture or a painting, as long as the items are saleable, and at a value which will offset any costs we incur in selling.

18. We may accept a donation with a condition that some or the entire amount may be returned in the exceptional case where the donor is an institution that gifts assets comprising untraceable client/dormant accounts in line with its legal and regulatory requirements. In such circumstances, we may provide an indemnity stating that we 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 we receive.

19. We may also work with donors who wish to undertake social investment where gifts are 'recycled' and some or all the donated assets may ultimately be returned to us. Such arrangements will be subject to separate policies and agreements.

Refusing and returning gifts

20. In exceptional circumstances, and in line with Charity Commission regulation, we reserve the right not to accept a gift. This could be because:

- the restrictions and liabilities attached would be detrimental to our work;
- there would be a conflict with our values, mission and policies;
- there would be a risk of significant reputational damage amongst current and potential donors, grantees or other stakeholders;
- we have insufficient information on the donor or the gift's provenance; or
- we have reasonable grounds to believe a donor lacks the capacity to decide.

¹ Transfers of legally permanent endowment are held as restricted capital in the Tyne and Wear Foundation Trust which is part of the Community Foundation group. More information is on our Investment Policy.

21. Likewise, subject to Charity Commission rules, we reserve the right to return a gift if any concerns of the type listed above arise retrospectively.
22. In all such cases, we will evaluate the situation on its merits, with all potentially contentious gifts referred to our Board for consideration.

Options for funds

23. Individual, family and organisation donors who establish funds may choose a level of involvement in line with their wishes and the minimum fund values set by our Board from time to time.
24. The options are:
- **Unrestricted** – the donor gives the Foundation’s Board full discretion to address pressing priorities through research, initiatives and funding.
 - **Field-of-interest** – the donor sets their preferred causes or places, and the Foundation awards funding in line with those wishes at our Board’s discretion.
 - **Donor-advised** – the donor, or a named advisor, makes recommendations for funding based on proposals we prepare in line with their wishes. They may also nominate organisations for support in line with our grant-making policy.
 - **Panel-advised** – as donor-advised, but where the donor wishes a panel or committee to recommend grants on their behalf.
 - **Designated** – supporting one or more named organisations agreed with the donor when the fund is set up and reviewed thereafter at agreed intervals.
 - **Agency** – an invested fund set up to support one named charity in perpetuity.
 - **Operating** – supporting the costs of the Foundation’s charitable activities.
25. We will advise donors on the most appropriate option depending on the gift value, likely revenue and the level of engagement they wish to have. We will then draw up a **philanthropy agreement** for the fund, setting out its origin, type, operational arrangements, and succession plans. We will review agreements from time to time with the donor/fund advisor and may approve amendments.

Fund advisors

26. Individual, family or organisation donors who establish a fund may designate themselves and/or anyone else over the age of 18 to be a fund advisor. A fund may have a maximum of three advisors.
27. Advisors’ privileges include agreeing and reviewing the fund criteria with us, agreeing succession arrangements and being engaged in our wider work. For donor-advised funds that continue to meet the minimum value set by our board, advisors may also make recommendations to us on grants. Advisors do not play any formal governance or managerial role relating either to the Foundation as a whole or to our funds.
28. For panel-advised funds that continue to meet the minimum value set by our board, donors may nominate fund panel members, who must be over 18. Panel members may be involved with the fund advisor in making funding recommendations. They do not have the same advisory privileges relating to criteria and succession.

Succession

29. We recommend that donors who set up invested funds, and/or their fund advisors, determine arrangements for how they wish the fund to be managed when they are no longer willing or able to act as advisors. For businesses who are donors, this includes where the company ceases trading or is taken over.
30. Donors/advisors who wish the Foundation to continue to maintain a separate fund may choose one of the following options.
- i. Designate our unrestricted Strategic Fund, another collective giving fund, and/or our operating fund, to receive future revenue. We will honour such an arrangement by maintaining the separate fund in perpetuity, but we may transfer its revenue to the closest equivalent fund should the one chosen close for any reason.
 - ii. Give our board discretion to award grants on a 'field-of-interest' basis, as in paragraph 24 above. We will from time to time determine a fund value at which this arrangement can remain in perpetuity (currently £1m). Below this, we will honour the arrangement for 25 years, after which we will continue to maintain a separate named fund, but transfer revenue to our Strategic Fund as in (i) above
 - iii. Nominate a **successor advisor** to take over their advisory privileges. The maximum number of successor advisors for a Fund is three. Successor advisors act in that role for up to 25 years, after which we will designate our Strategic Fund, another collective giving fund, or our operating fund to receive revenue. Subject to any legal restrictions on the original gift, successor advisors may request a change to the purpose of the fund. Following the 25-year period, further successor advisors can be nominated in the following circumstances:
 - where one or more of the successor advisors makes additional gifts to the fund at least equal in value to the current minimum amount set by our board to establish a named fund, they may nominate one further successor advisor each, to act in the role for a further 25 years;
 - where the fund value is over a minimum amount set by our board from time to time (currently £1m), successors can continue to nominate further successor advisors (one per advisor).
- In all cases, successor advisors must be over 18 at the time they succeed and must accept that the original donation is irrevocable. At any time, there can be no more than three successor advisors.
31. Succession arrangements must be detailed in the Philanthropy Agreement. Requests to modify arrangements by the founding donor must be communicated to us in writing, and a written acknowledgement received confirming the request has been approved.
32. If a donor does not make any succession arrangements, and subject to any legal restrictions on the gift, the assets of the fund remaining following their death or business closure will transfer to our Strategic Fund or a collective giving fund at our board's discretion.

33. We will honour other succession arrangements agreed with donors/advisors based on previous versions of this policy² and/or as set out in their Philanthropy Agreement.

Regular and one-off donations without establishing a named fund

34. We welcome gifts from donors who wish to make one-off or regular gifts rather than set up a fund. The options are:

- to contribute to one or more collective funds;
- to make an entirely unrestricted gift which we may use to support our operating costs, a collective fund or specific initiatives at our board's discretion.

35. We will take reasonable steps to establish donors' wishes for such gifts but, if none are established, the Board will apply gifts at its discretion. Where donors share their details with us, we will offer them opportunities to stay in touch with us.

Donor recognition and membership

36. We will acknowledge donors appropriately and publicise their involvement in line with their wishes. Donors may remain publicly anonymous if they prefer. We will keep details of our agreements with donors confidential, subject to our legal and regulatory reporting requirements.

37. The Foundation has a formal membership structure. Individuals, voluntary groups, businesses and public bodies that meet the eligibility requirements may become members. Members have the right to elect/nominate representatives to sit on our Board and vote at Annual General Meetings. We invite donors who establish funds, or who make one-off or regular donations of sufficient value, to become members and we waive the subscription fee. In accordance with our governing Articles, all members must undertake to pay a maximum £1 in the unlikely event the Foundation is wound up.

Management of investments

38. We hold donations to establish or increase invested funds at the Foundation as capital within our endowment according to the powers set out in our Articles and in line with our Investment Policy (which includes separate provisions for the management of legally permanent endowment and Community First Endowment Match Challenge funds).

39. Most invested funds are held in a legally expendable endowment portfolio, allowing us to operate a total return policy. This means our Board sets a level of cash to be withdrawn each year from dividends and capital. The withdrawal rate, which is available on request, is reviewed regularly to ensure we produce as much as possible for distribution and maximising the long-term real value. Funds are pooled and allocated units within the overall portfolio and credited with their income quarterly. It is our policy not to spend capital other than in maintaining the withdrawal rate.

40. Donors, fund advisors and successors do not have direct control over the investment of donated assets, but they may express preferences as follows.

² Version 1 was produced in 2011 and version 2 in 2016.

- At a donor's request the capital of their fund may be invested in the part of our portfolio which has ethical exclusions as set out in our Investment Policy.
- Advisors/successors may request that our board reinvests some or the entire amount withdrawn from a named fund for a period of usually no longer than two years rather than use it for charitable activities, to grow the capital value.
- In the case that we acquire a major invested fund gift with significant involvement from a professional advisor, the donor may request that we consider investing the capital with that advisor's firm. Such arrangements are exceptional, entirely at our board's discretion and subject to our normal investment policies.

Cost contributions

41. The Board applies a cost contribution to all funds which it may vary from time to time. Current rates are available from our office. Our aim is to cover the running costs of our charitable activities while offering donors and partners options and encouraging additional gifts. So, we set rates that vary depending on fund size and the level of involvement a donor wants. The more discretion our Board has, the lower the contribution rate. As funds increase, rates also reduce though tiered 'price-break' points.
42. Contribution rates for invested funds are based on market values. Those for annual funds are based on a percentage of the cash donation.
43. Each fund option has a different minimum value. The greater the Board's discretion, the lower the minimum. For designated funds, there is also an indicative maximum value. With our agreement, donors may build up to the appropriate minimum over a set period.
44. Where a donor has set up more than one fund with us that we can run in combination, we normally base cost contribution rates on the consolidated value of the funds.
45. We apply cost contributions towards our operating costs without further recourse to donors. Interest earned on unallocated revenue balances in a fund also accrues to us to support costs, except where our Board has agreed specific alternative provision.
46. Some funds and activities usually have separate cost contribution arrangements.
- Operating funds where the entire revenue supports the Foundation's running costs.
 - Unrestricted funds where contributions are set separately by the Board.
 - Legally permanent endowment funds which use the revenue contribution structure.
 - Community First funds, which are managed in line with national arrangements.
 - Community benefit funds, which are agreed based on long-term contracts.
 - Programmes, partnership projects or other initiatives involving third-party funders.
 - Funding and philanthropy advice and grant-making services to support third-parties without us holding a fund where daily staff rates are normally used.
 - There may be a set-up contribution in some circumstances e.g. where there is match element on a gift which requires additional administration.
47. Normally we do not take additional contributions from donations to grow the capital of existing endowment funds except where the Board has agreed a set up cost as in the case of match schemes. However, contributions may be taken on donations to add to the available revenue of endowment funds.

Fundraising activities and fund expenses

48. We do not normally undertake direct fundraising activities. However, occasionally it may be appropriate for donors/advisors to fundraise themselves to add to funds. To comply with Charity Commission and other regulation, we must pre-approve such fundraising and it must be done in line with our Fundraising Guidelines, including the use of our name and charity number. We can provide donors with information on how best to advertise their fundraising to generate donations, but we cannot manage the fundraising itself. We also cannot reimburse donors, advisors or any other parties for expenses relating to fundraising activities they undertake.
49. No other expenses incurred by donors/advisors can be paid from a fund's revenue unless explicitly stated in the philanthropy agreement.

Fund inactivity and closure

50. As a registered charity, the Foundation must use the cash income available to us to meet our charitable purposes. So, our aim is to spend invested and annual fund revenues every year except where we have agreed a plan to spend over a longer period to support charitable activities.
51. For donor- and panel-advised funds, we seek to ensure high spending levels by presenting fund advisors with sufficient good quality proposals which meet their wishes, or by agreeing a plan over more than one year.³ However, if we are not able to engage fund advisors, we reserve the right to act in line with our responsibilities as follows.
- If less than 50% of a fund advisor or panel's available fund revenue has been spent for two consecutive financial years, no spending plan agreed, and no mitigating circumstances notified to us by the fund advisor, we will at our board's discretion run the fund on a temporary 'field-of-interest' basis from the end of that two-year period.
 - If at any time in this two-year period the advisor makes contact and we agree a spending plan that results in more than 50% of the revenue available across the two years being spent, we can run the fund again on a 'donor-advised' basis.
 - If a further year passes with no effective engagement with the advisor, we will at our board's discretion, and subject to any legal restrictions on the gift, transfer the fund in its entirety and permanently to our operating fund, Vital Community Fund, or a Collective Giving fund with a similar purpose to the original fund.
52. Fund donors/advisors may close an endowment fund by transferring its assets to another fund at the Foundation. Annual funds may be closed by the donor/advisor recommending distribution of the remaining fund balance, less any cost contributions, to support charitable organisations/activities, or by nominating that the balance be transferred to our operating fund, Strategic Fund, or another collective giving fund. All fund closures are subject to any legal restrictions on the original gift(s).

³ We may agree plans, for example, to accumulate revenue over more than one year to enable larger and/or longer-term grants; to automatically move any unallocated revenue to another fund at the year-end; or to temporarily re-invest fund revenue as set out in paragraph 40.

53. Where a fund was established prior to the date of this policy, we will continue to honour any alternative approaches to fund inactivity specified in the most up-to-date version of the Philanthropy Agreement.

Ultimate responsibility and resolution of disputes

54. Our board has the ultimate responsibility for awarding grants and for the management of donations of all types once given. Our Board:

- will not agree requests to spend capital from invested funds unless there is specific provision to do so in a philanthropy agreement; and
- reserves the right **not** to approve fund/panel/successor advisors' recommendations if it determines that they are not charitable, would conflict with the Foundation's stated policies, or damage our reputation.

55. Any problems must be dealt with between the donor/advisor and the staff member managing the fund. In the case that a dispute arises, the matter may be referred to the Chief Executive and/or the Chair of the board, 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.

Variations to this policy

56. The Foundation may vary the terms of this policy from time to time. Changes will be notified to current fund/successor advisors.

Date originally approved by Board	2011
This version	4.0 December 2023
Date last updated	2020
Reason for this update	Scheduled review Updated fund language Updated language on fund inactivity Inclusion of option to donate crypto-assets
Next review due	2026
Owner	Rob Williamson
Job title	Chief Executive
Related procedures (if applicable)	Current cost contribution rates Cost contribution procedure Investment policy Grant-making policy

Appendix - Explanation of terms used in this policy

- *Annual funds*: funds established by donors who give an amount each year to be spent on grant-making, rather than invested to generate a return.
- *Collective giving fund*: a type of named fund founded and/or supported by gifts from several donors who share a common interest.
- *Cost contributions*: the sums retained from funds to support the running costs of the Foundation's charitable work.
- *Designated fund*: a fund set up to support one or more specific charities.
- *Invested funds*: funds which are held by the Foundation in its endowment and whose investment income is used to support charitable activities. The majority are held as long-term capital, but in a legally *expendable endowment*, which allows the Foundation to apply a total return policy (see below). A minority are held as legally *permanent endowment* where they have been transferred from other charitable bodies where the former trustees did not have the power to spend the capital invested. These funds receive only the direct income received from dividends and interest.
- *Flow-through fund*: an alternative name for annual funds (see above).
- *Fund advisor*: a person over 18 with privileges in relation to a fund which may include setting and reviewing criteria, making recommendations on grants and agreeing succession arrangements. The role has no formal part in either the governance or management of the Foundation as a whole or of its funds.
- *Gift Aid*: 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 gift. Higher-rate taxpayers can also claim extra relief on donations.
- *Grant*: a financial award made by the Foundation from its funds to support charitable activities, usually to registered charities or charitable community groups, but sometimes to public bodies or individuals.
- *Articles*: the Foundation's governing document as a registered charity and company limited by guarantee.
- *Operating fund*: the income which supports the Foundation's staffing and overheads.
- *Panel member*: an individual over 18 who is nominated by fund advisors to be involved in making recommendations on grants from a fund.
- *Philanthropy Agreement*: a document agreed with donors who establish named or Collective Giving funds setting out how the fund will be managed, what activities the Foundation will undertake and how the donor(s) will be involved.
- *Restricted fund*: a legal and accounting term describing a fund which the Foundation must use for certain specific purposes defined by the donor.
- *Strategic Fund*: the main unrestricted fund held by the Foundation which the Board of trustees may use entirely at its discretion to support charitable purposes.
- *Successor advisor*: a person who is nominated by a donor or fund advisor, in certain circumstances set out in this policy, to take over fund advisor privileges when they are no longer willing or able to do so.
- *Total return*: the investment policy applied to the Foundation's expendable endowment funds whereby the Board sets a level of cash to be withdrawn each year from dividends and capital.
- *Unrestricted fund*: a legal and accounting term for funds which the Foundation may use at its discretion to support its charitable purposes.