I. INTRODUCTION

In order to protect the interests of the School and the donors who support its programs and services, these guidelines are designed to assure that all gifts to the School provide maximum benefit to both parties. Any contract, investment or management decision, therefore, shall consider fully the best interests of both.

These guidelines are intended for both current (outright) and deferred (planned) gifts, with special attention being given to various types of deferred gifts and gifts of non-cash property.

The primary purpose of these guidelines is to promote financial support of the School without encumbering the institution with gifts that:

- may prove to generate more cost than benefit;
- are restricted in a manner which is not in keeping with the stated goals of the School; or
- by virtue of their acceptance might create a perception of the School that is not in keeping with its mission.

As needed, the School will seek the advice of qualified legal counsel in matters pertaining to gift transfers, including any agreements, contracts, trusts and other legal documents. Furthermore, donors are advised to seek advice from their personal financial advisors and counsel on taxes, all aspects of their gifts, and the terms being considered.

To optimize financial support from individuals, the School must be capable of responding quickly and positively to all gift proposals offered by prospective donors. It should be understood that, except where stated otherwise, these are guidelines only. Flexibility must be maintained to accommodate complex gift situations that may occur.

All gifts accepted by the School can and will be accepted only insofar as they further the mission of the School. Headwaters reserves the right to amend these policies and guidelines at any time with approval by the Board of Trustees.

II. GENERAL GUIDELINES REGARDING FUNDRAISING ACTIVITIES

These guidelines, which are intended to serve as operational guidelines for the Office of Advancement, shall be reviewed periodically by the Development Committee.
A. **Responsibility for Fundraising:** The raising of funds by the School is the responsibility of the Board of Trustees and the Advancement Office and is accomplished through the cooperative efforts of staff and volunteers. Although the Board may delegate fundraising responsibilities to the Development Committee, other committees, or professional consultants, the Board shall retain final responsibility for all fundraising activities and acceptance of all philanthropy to the School.

B. **Fundraising Priorities:** Funds will be sought only for general support or for projects and capital purposes that are approved by the administration and the Board of Trustees. In general, solicitation of donors should not be made without the approval and knowledge of the Head of School and the Senior Director for Advancement and Strategy.

C. **Donor Privacy:** Advancement Office information will be considered confidential to all but those involved in solicitation strategies. Mailing lists will not be available to outside organizations. The Annual Report, however, is public information and may be made available to outside groups.

D. **Unacceptable Gifts:** The School reserves the right to refuse any gift that is not consistent with its Purpose, Promise, and PACT (the School’s mission). In general, we will not accept gifts that:

1. seek to create a fund for any purpose that could cause embarrassment to the School, or that reserve to the donor alone the right to designate a recipient;
2. require any action on the part of the School that is unacceptable to the Board of Trustees;
3. commit the School to name a faculty chair, program, building or endowment fund but are revocable;
4. stipulate to the School the future permanent employment of any specified person;
5. contain unreasonable conditions
6. are intended to circumvent tuition payments for a family member or designee of the donor; or
7. are financially unsound, or could expose the School to liability.

E. **Stewardship and Gift Acknowledgement:** All gifts to the School will receive acknowledgement from the Advancement Office within 1 week of our receipt of the gift, when possible. The acknowledgement will provide the donor with thanks and the date, purpose and amount of the gift. The Head of School, Senior Director for Advancement, or Director of Development will sign all letters that acknowledge gifts. Files of acknowledgement letters are held in the Advancement Office with copies made available to donors in case of loss of the original.

F. **Donor Recognition:** The Annual Report and other publications are the School’s main recognition tools. The School encourages leadership donors to allow their names to be cited, as their gifts may inspire others. Plaques and named facilities are acceptable means to recognize gifts of unusual distinction or for particular programs.

G. **Anonymity:** Requests for anonymity will be confirmed, clarified, and honored accordingly, and donors who wish to remain anonymous may do so with every confidence.
H. **Honor or Memorial Gifts**: Gifts of any amount made in honor or in memory of someone will be recognized in the Honor/Memorial section of the Annual Report. While gifts of any size can be contributed toward an established fund, new memorial funds may not be established without a minimum gift as noted in the endowment section of this document. The School may accept gifts in honor/memory of someone to be directed to a restricted purpose, without a named memorial fund created. When not specified, such gifts will automatically be credited to the School Annual Fund.

I. **Services and Gifts in Kind**: The donor’s acknowledgment for gifts of personal property or services will carry a description of the gift and indicate the donor’s valuation, if provided. The IRS requires that donors seeking to claim a charitable tax deduction for a personal property gift with a fair market value in excess of $5,000 obtain a qualified appraisal. Gifts of $5,000 and under may be reported at either the value declared by the donor or the value placed on them by a qualified expert on staff. If a price is not determined, the value shall be recorded at $1. Costs associated with gifts of professional services performed for the School may be deductible with appropriate documentation, however the services themselves are not eligible as a charitable deduction for the purposes of federal or state tax. However, the donor may be assigned gift credit for the purpose of recognition in our Annual Report or other donor recognition.

J. **Naming Opportunities**: The naming of buildings, spaces, or items may be available at the discretion of the Advancement Office and will require the approval of the Board of Trustees upon completion of a pledge agreement of at least $20,000. Naming opportunities for specific endowed funds are specified in the endowment section of these guidelines.

K. **Determining the Date of a Gift**: Property physically delivered will be assigned the date of delivery. Items sent through the mail will be assigned the date of the postmark. Items sent with other delivery services such as Federal Express will be assigned the date they arrive on campus. Gifts that are electronically transferred will be assigned the date they are received into the School’s brokerage or bank account. Real estate gifts are considered complete and delivered on the date a properly executed deed is properly recorded in conformity with local statutes where the property is located.

L. **IRS Audits and Investigations**: The School will cooperate fully in all matters related to IRS audits and investigations of charitable gift deductions.

III. TYPES OF GIFTS

A. **The School Annual Fund**

1. The School Annual Fund revenues are used to offset the yearly operational costs of the School not funded through tuition, endowment draw, and other income. Annual Fund gifts are generally unrestricted, but may be restricted to a specific purpose as long as the gift offsets a regular, budgeted operating expense. Gifts may be made via cash, check, credit
card, electronic transfer, publicly-traded securities, or any other liquid monetary instrument.

a) Cash and Checks: Checks should be made payable to the School, and in no event should be made payable to an employee, agent or volunteer of the institution.

b) Credit cards accepted are valid Visa, Mastercard or any card accepted by the school at the time of the gift.

c) Marketable Securities: The School is pleased to encourage and accept gifts of stock and mutual funds valued over $10,000. Donors should notify the School before seeking to make a transfer in order to assure a smooth transaction.

When a stock gift is made, the valuation for tax purposes will be determined by calculating the mean of the high and low sales price of the stock on the day the stock transfer was effected, i.e., the day on which the transfer is posted into the school’s brokerage account.

When transferred through the donor’s broker to the School’s broker, the donor will receive credit from the School for the mean (average of high and low) on the date of transfer to the School’s broker. When the donor delivers to the School an actual stock certificate, he/she will receive credit from the School for the mean (average of high and low) value of the security on the date he/she gave the gift. If mailed, the post date is the acceptable gift date. The School will give the donor credit for the full value of the securities (as valued above) before any brokerage fees have been charged.

Generally, gifts of stock will be sold within 24 hours or as soon as practicable.

B. Restricted Gifts

1. Funds donated for a specific purpose and which do not offset a regular, budgeted operating expense, will be considered restricted gifts. Such gifts therefore will not be credited or counted as gifts to the Annual Fund. The School reserves the right to decline such gifts when they do not meet needs/standards as noted in the general guidelines above.

2. Gifts-in-kind (tangible personal property such as equipment, collectibles, jewelry, artwork, or antiques) will be accepted only if the School is able to:

   a) honor the donor’s intended use
   b) determine that costs related to relocating the item or putting it into service are reasonable and acceptable to the School (such as insurance, storage, maintenance)
   c) assess the continuing long-term value of the gift to the School
   d) determine the possibility of future sale or cost of disposal in the future
   e) be certain of a clear title to the property
Costs of appraisal are the responsibility of the donor.

3. The School will not accept gifts that oblige it to hold property in perpetuity without Board approval.

4. The School will accept other non-cash property such as mortgages, notes, copyrights and royalties only after consultation with legal counsel.

C. Gifts for Facilities/Building projects

The School welcomes gifts that support facility construction and improvements. However, any gifts made outside the parameters of capital campaigns must be approved by the School Administration, and must be consistent with the School’s Long-Range Strategic Plan. The School reserves the right to refuse a gift at any time that does not further the interests of the School.

D. Real Estate

The School will gladly accept donations of real estate. The following guidelines apply:

1. Real estate gifts shall be accepted only on approval by the Board of Trustees after consideration of such matters as location, marketability, loan to value ratio, possible environmental hazards, and any other relevant concerns specific to the property offered.

2. Proposed gifts of real estate must be appraised in accordance with IRS guidelines by a qualified appraiser, undergo a title search, be appraised, and be deemed eligible for a title insurance policy. All costs of appraisals, environmental studies, and title search and policy will be borne by the donor.

E. Endowment Gifts

While Headwaters does not currently have an endowment, if and when one is established, the following policies will govern it. Endowment gifts contribute to the long-term financial health of the School and are deeply appreciated and encouraged. Endowment gifts may be made at any time, by bequest or through a planned income gift. All endowment gifts are held in perpetuity, subject to endowment distribution policies approved by the School’s Board of Trustees.

1. An endowment gift augments or creates a special fund whose distributions from earnings generated can be used for the ongoing operational expenses of the school or for a stipulated use.

2. Donors may name and restrict a new fund with prior acceptance of the restrictions by the Board of Trustees. Both parties must understand exactly what is expected from the donor and the School. Named, endowed funds are listed in our Annual Report each year in order to encourage further gifts to the funds.
3. All endowment funds will be overseen by the School’s Investment Committee.

4. The Investment Committee receives, holds, manages, invests and reinvests the Endowment Trust Fund and makes distributions for the benefit of the school.

5. Endowment Restrictions:
   
a) No restrictions on how gifts may be used will be honored without prior approval of the Advancement Office and the Board of Trustees.

b) All restrictions must be consistent with the Purpose, Promise and PACT of the School.

c) All gifts received for restricted endowment purposes will be accepted only on the condition that should the purpose for which the funds are provided cease to exist, the School may re-allocate the principal to the General Endowment.

d) Any Endowment Funds may be augmented by gifts from other individuals with similar interests once it is established. This is encouraged through listing of the various endowed funds in the School’s Annual Report.

e) The Board of Trustees shall set a minimum amount to establish new restricted endowment funds.

F. Deferred and Planned Gifts

If and when Headwaters is presented with an opportunity for a deferred or planned gift, the following policies will apply and would be carefully reviewed at that time and amended as needed.

1. Bequests

Bequests of all kinds (fixed or percentage, residual, contingent or testamentary trusts) are welcome and will be encouraged. Donors should notify the School before seeking to make arrangements for bequests in order to assure a smooth transaction and proper stewardship. The School has created a special honorary group to recognize those who have made a bequest or other planned gift to the school.

a) The Advancement Office will attempt to secure the appropriate codicils or letters of intent from bequest donors whenever possible in order to provide appropriate recognition, to avoid gift arrangements that do not conform to these guidelines, and to identify any restrictions from the donor on the use of funds.

b) Representatives of the School may supply sample language, such as model provisions, to assist donors in making bequests in their wills.
c) Property donated to the School via bequest generally will be liquidated following the settlement of the estate unless it finds a purpose within the school program to retain the property.

d) Unrestricted bequests will be placed in the School’s general endowment, unless otherwise recommended by the Head of School and approved by the Board of Trustees.

e) The School reserves the right to refuse bequeathed gifts if they do not conform to the general guidelines for gifts as outlined in section II.

2. Life Income Plans

Vehicles such as charitable remainder annuity trusts, charitable remainder unitrusts, charitable lead trusts, and gift annuities can offer substantial benefits to both the donor and the School. The School encourages such gifts, subject to the following guidelines:

a) Trusts where the net present value of the remainder interest in the trust is calculated at less than $25,000 shall not be accepted without prior approval of the Board of Trustees. This rule must especially be considered when a donor is interested in naming beneficiaries under the age of 50 or more than two beneficiaries.

b) Calculations of tax consequences and projected remainder value for life income plans can be made for specific donors through the Advancement Office, but only with the proviso that the donor seeks the advice of his or her legal and tax advisors before enacting any such arrangement.

c) All life income plans must be irrevocable.

d) No representation in literature or discussion of a life income plan shall be made which could be construed as marketing the fund as an investment or security of any type.

e) The donor must choose the trustee and pay any expenses related to the trust, unless the Board of Trustees approves an alternate arrangement.

3. Planned Giving Vehicles Currently Available to Donors

a) Charitable Gift Annuities: This popular tool, which contracts the School to pay a guaranteed lifetime income to a donor, is available with a minimum gift of $50,000. Deferred annuities are acceptable as long as the income stream begins after the donor reaches the age of 50. The annuity rate is based on the rates approved by the American Council on Gift Annuities.
b) **Charitable Remainder Unitrusts (CRUT):** These trusts generally pay income to beneficiaries based upon a fixed percentage of trust assets based on the trust’s fair market value. The minimum amount to establish a trust is $50,000, although no trust shall be encouraged where the net present value of the remainder interest in the trust is less than $25,000.

c) **Charitable Remainder Annuity Trusts (CRAT):** These trusts make the same payment year in and year out. The fixed dollar payment is initially determined as a percentage of the value of the assets contributed. Once established more assets cannot be contributed. The minimum amount to establish a trust is $50,000. The trust should be funded with cash or securities.

d) **Charitable Lead Trusts (CLT):** This is a trust arrangement that provides an income payment to the School at some designated rate for the donor’s life or over a pre-established term of years. At the conclusion of the payment period, the assets are returned either to the donor or to someone designated by the donor. Tax consequences differ depending on the designation of income. Lead trusts can be started with a minimum gift of $50,000 for a minimum of five years and are usually funded with cash or securities.

4. **Life Insurance**

The School encourages the donation of life insurance gifts in the following forms:

a) Existing paid-up whole-life policies naming the school as the irrevocable owner. Upon receiving a paid up policy, the School may choose, after consultation with the donor, to surrender the policy and obtain the cash value or retain the policy until the death of the donor.

b) Naming of the school as the beneficiary on any existing policy.

c) The purchase of a new policy naming the school as the irrevocable owner. The donor is then responsible for paying the premium, but may choose to donate an amount equivalent to the premium payments to the School (“pass through”). In this second arrangement, the donor assumes no obligation for the School to apply the gift to the premium amount, thus making it an outright and tax-deductible gift to the School.

5. **Life Estate Gifts**

Donors who wish to make a donation of property yet retain a life interest in the property are encouraged to consider a Life Estate Gift which may provide substantial tax savings for the donor.

a) The property contributed through a retained life estate agreement (RLEA) may be a donor’s home, vacation home, co-op or condo, farm or ranch (with residence).

b) The donor irrevocably relinquishes full or part ownership of the home in exchange for the right to enjoy use of the property for as long as he or she wishes.
c) The donor is then responsible for maintenance, taxes and insurance on the property as long as he or she occupies it under the RLEA unless there is an agreement stating otherwise approved by the Board of Trustees.

d) No income is paid to the donor by the School as a home is a non-income producing asset.

IV. GIFT REPORTING, RECOGNITION AND ACCOUNTING GUIDELINES FOR VARIOUS CAMPAIGNS

A. All gifts will be counted toward a campaign goal beginning with the first gift made and concluding with the final gift made in the final year of the campaign solicitation period.

B. Pledges will be collected for three to five years after the date of the commitment, on any other schedule the donor prefers, but not to exceed five years.

C. For capital campaign purposes, oral pledges will be recorded only after the donor confirms the pledge in writing, indicating the amount, its purpose, and the pledge payment period. Such pledges are to be recorded using a Letter of Intent form that states the amount, purpose, pledge payment schedule, and the donor’s signature.

D. Planned gifts will be counted at face value for purposes of recognition to the donor. Both the face value and the present value will be reported to the Board of Trustees and to any auditing bodies monitoring the School’s finances. Planned gifts will be accepted only for endowment purposes and, at the discretion of the Board, may or may not be counted in campaign totals.

E. For any property received that has a value of $5,000 or larger, the donor is required to have the property appraised and should provide the School with a completed IRS Form 8283. This form has areas that need to be completed by the donor, the appraiser and by the School itself. The completed form will be kept in a file established for this property. Subsequently, if the School chooses to sell or otherwise dispose of the property within two years after receiving it, the School must then file a Form 8282 with the IRS and send a copy to the donor. Beyond two years there are no reporting requirements.

F. All gifts will be recognized in the Annual Report.