



COVENANT  
FOUNDATION

An affiliate of Canadian National Christian Foundation

# DONOR ADVISED FUNDS

Policies and Guidelines



[WWW.COVENANT.CA](http://WWW.COVENANT.CA)

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## Introduction

This document describes the Donor Advised Fund program of the Covenant Foundation. It sets forth policies and guidelines for establishing a Donor Advised Fund (DAF or “Fund”) with Covenant Foundation, and terms and provisions governing the administration of each DAF. These policies and guidelines are applicable to all DAFs established and maintained with Covenant Foundation, including initial contributions to a DAF, any additions to a DAF by the original donor(s) or other persons, and all income, profits, losses and expenses allocated to each DAF.

All activities of Covenant Foundation and all participation by donor(s) in the Donor Advised Fund program of Covenant Foundation are subject to these policies and guidelines, and Covenant Foundation reserves the right to modify them at any time.

The Covenant Foundation is an affiliate of the Canadian National Christian Foundation (referred to as “CNCF”) and is a registered trade name of CNCF. All Covenant Foundation accounts are managed by Capstone Asset Management Inc.

## About the Funds

### WHAT IS A DONOR ADVISED FUND (DAF)?

A Donor Advised Fund is a restricted fund set up by a donor to a public foundation in which the donor is able to ‘advise’ the board of the foundation as to where and when they would like the income and/or the capital of the fund to be distributed and for what purpose. The donor becomes an Advisor to the DAF unless they choose someone else to take that role. **It is important to understand that the Donor can only provide advice and recommendations to the board and that the law requires that all decisions concerning the DAF ultimately be made by the Board of Directors of the foundation.**

#### COVENANT FOUNDATION OFFERS:

##### GIVING FUNDS

The Covenant Foundation Giving Fund allows donors to make a contribution now, and make recommendations to distribute to charities of their choice immediately or take as much time as they wish to consider those grant recommendations.

The Covenant Foundation Giving Fund also serves those donors who wish to set aside some capital in a Fund in order to provide ongoing donations to a registered charity or charities of their choice beyond their death. This is usually referred to as a Legacy Fund. Although this account may be established during one’s lifetime, it may not be significantly funded until death. There is no mandated timeline for the distribution of gifts from a Legacy Fund, unless the donor declares such in their Will.

### WHO IS CNCF AND HOW ARE THEY ABLE TO OFFER DONOR ADVISED FUNDS?

The Covenant Foundation is an affiliate of the Canadian National Christian Foundation which is a federally incorporated charitable public foundation serving the needs of the Christian Community in Canada. The mission is to see Canadian Christians releasing their resources so they may fully experience God at work in their own lives and in our nation and beyond, and to see those resources used effectively by Canadian Christian charities associated with private foundations.

By making charitable gifts through Covenant Foundation, donors can avoid the costly legal fees, reporting requirements, and ongoing administrative overhead.

For the donor, having a Covenant Foundation Donor Advised Fund is very much like having a private foundation without the cost and workload involved. A Covenant Foundation Donor Advised Fund can be personalized, e.g. “The John Brown Legacy Fund.

## WHAT ARE THE BENEFITS OF A DONOR ADVISED FUND (DAF)?

There are many benefits dependent upon the individual's situation, but a few of them are:

- **Flexibility** - Donors make irrevocable donations to a personal Covenant Foundation DAF today and recommend grants to their chosen charities and ministries at any time.
- **Anonymity** – Grants to charity can be made anonymously through a Covenant Foundation Donor Advised Fund.
- **Ease of Set Up** - A Covenant Foundation Donor Advised Fund can be set up within a few hours.
- **Minimal Costs** - There are no significant start-up costs for establishing a DAF, unlike creating a private foundation where legal fees, investments fees and accounting fees are just some of the costs.
- **Simplicity** - All administrative, investment and record keeping services are provided by Covenant Foundation. No additional tax returns or accounting services are required by the donor.
- **Confidentiality** - A Covenant Foundation Donor Advised Fund is confidential. The public cannot access any information to tell them how much was given, by whom, or for what purposes.
- **Granting Privileges** - A contribution from a single source to a DAF can easily be granted as cash to several charities. (Example: the gift of securities can be divided between any number of charities.)
- **Immediate Donation Receipt** - A donation receipt will be issued immediately for a gift received, but distributions to charities can be decided upon later.
- **Enduring Family Legacy** – A Covenant Foundation DAF encourages the involvement of the next generation in decision-making for granting of legacy gifts to ministries and charities.
- **Enhanced Giving Power** – because Covenant Foundation is a registered charity, any growth in the asset value of a DAF accumulates tax free, enlarging the potential for granting to one's favourite charity in the future.

## WHO CAN SET UP A DONOR ADVISED FUND WITH COVENANT FOUNDATION?

Covenant Foundation will accept contributions from individuals, families, registered charities, groups of people, associations, corporations, etc. to establish a Donor Advised Giving Fund or Legacy Fund.

When more than one individual is involved in setting up a DAF, specific DAF Advisors must be selected to represent the Donor Advised Fund and provide all advice regarding its management and distribution of assets.

## HOW ARE COVENANT FOUNDATION DONOR ADVISED FUNDS DIFFERENT FROM OTHERS?

There are **two distinct differences** between Covenant Foundation's Donor Advised Funds and those offered in the financial industry at large:

1. Whereas an industry fund typically grants out only a small percentage of the Fund value each year (usually the investment growth only), Covenant Foundation offers a Giving Fund where the initial contribution is available to be distributed immediately.
2. Covenant Foundation's Donor Advised Funds are under the consideration of a board of Christian directors, all of whom subscribe to the Covenant Foundation Statement of Faith (found on page 9 of this document) and annually examine themselves and attest to the centrality of God's Word and His presence in their lives. Individuals and organizations may set up either a Giving Fund or a Legacy Fund by meeting with a Covenant Family Wealth Advisor, or by completing the forms and sending them in.

## Establishing a Covenant Foundation Donor Advised Fund

Individuals and organizations may set up a Giving Fund either by meeting with one of Capstone Asset Management's Portfolio Managers, or by completing the forms and sending them in.

Application forms are available by calling Covenant Foundation at **1.888.629.0044** or by emailing **info@covenant.ca** or by downloading from our website at **www.covenant.ca**.

### FUND NAME

Donors may recommend a name for their Fund. It may include a family name or the name of another party the donor wishes to honour (e.g. The JohnSmith Giving Fund), or it may be generic to allow for anonymous distributions (e.g. The Stewardship Fund). Donors may choose a name that reflects their particular charitable interests (e.g. The Leadership Development Legacy Fund).

### FUND ADVISORS AND PRIVILEGES

When a Covenant Foundation Donor Advised Fund is established, the donor establishing the Covenant Foundation Giving Fund may become an Advisor to that Fund (DAF Advisor), and may name another person or persons as additional DAF Advisors or successor DAF Advisors to the Fund. A DAF Advisor has the privilege of recommending distributions from the Fund.

### JOINT ACCOUNTS

Some couples may prefer to hold a DAF jointly and could both be DAF advisors. In such a situation, any recommendations for grants from the Fund must be signed by both DAF Advisors. In the case of a DAF that has been established by a group of individuals or a corporation, one or more DAF Advisors can be named on the Fund without it being considered a joint account. Please indicate your preference on the application form.

### SUCCESSOR ADVISORS

A donor should name successor Advisors to a DAF so that grants can continue to be made regularly upon the death or incapacity of the donor. If the donor dies, becomes incapacitated or cannot be located after Covenant Foundation and CNCF has conducted a reasonably diligent search, and if the donor failed to notify Covenant Foundation of a successor DAF Advisor, or if a recommended successor DAF Advisor is deceased, incapacitated or cannot be found after Covenant Foundation has conducted a reasonably diligent search, then in any of such events, the board of directors of Covenant Foundation shall be authorized to make grants from the Fund without seeking the advice of the donor's representative, taking into consideration previous recommendations made by the DAF Advisor.

### CHARITABLE GOALS

Naming the charitable goals for the donor-advised fund will assist Covenant Foundation and/or the investment manager in structuring the fund. The Giving Fund application form requests clarity through the following choices:

**Active Fund** – this type of fund is very active in the granting of its monies to charities. The investment advisor must ensure the availability of generous amounts of cash in order to meet the grant recommendations presented by the fund advisor.

**Long-Term Fund** – this fund will be held for as long as a donor wishes, with additional contributions at random and grants being distributed annually or as requested. This means some cash will always be available for granting while the rest of the fund is invested according to the investment policies of Covenant Foundation.

**Long-Term Fund with Timelines** – this fund will be held for as long as the donor indicates, with the original capital being granted over a prescribed period of time. Although this could be used in planned giving during one's lifetime, this strategy is most often used to set up a Legacy Fund. This type of fund would best suit those established through a legacy gift, where successor advisors are in place. Investment strategies will be appropriate for the timeline of grants to be made.

## Contributing to the Covenant Foundation Donor Advised Fund

### INITIAL CONTRIBUTION TO THE FUND

Covenant Foundation requires a minimum contribution having a fair market value of no less than \$50,000 for the establishment of a DAF, or a clear indication that this minimum will be met within approximately 30 days.

### ADDITIONAL CONTRIBUTIONS TO THE FUND

When a contribution is made and accepted by a public foundation like Covenant Foundation, it is irrevocable and cannot be refunded under any circumstances. All accepted contributions become the exclusive property of Covenant Foundation and CNCF. Covenant Foundation has the right to refuse any contribution and will provide written confirmation of such as soon as possible.

Additional contributions having a fair market value over \$10,000 can be made to the DAF at any time by the original donor or by others. Simply complete the "Covenant Foundation Contribution Form" to ensure proper receipting and file documentation.

### ACCEPTABLE CONTRIBUTIONS AND TAX CONSIDERATIONS

#### CASH—

Cash must be in Canadian dollars and delivered by direct deposit, cheque, or wire transfer. Cash will not be accepted. Cheque should be made out to 'Covenant Foundation'.

#### SECURITIES—

Publicly traded stocks, bonds and mutual funds may be transferred to Covenant Foundation as "in kind" gifts through the use of the "Direct Transfer" form. Donors should be aware that this process is not controlled by either the donor or Covenant Foundation and may be subject to time delays.

Contributions of securities may be eligible for enhanced tax treatment in that as of June 2006, the Department of Finance amended the *Income Tax Act* to eliminate the taxable capital gains inclusion in relation to gifts of publicly traded stocks, bonds and mutual funds and other securities to public foundations.

#### DEFERRED CONTRIBUTIONS—

Donors may wish to name the Covenant Foundation as the beneficiary of a charitable bequest in a Will, a life insurance policy, a registered account (RRIF or RRSP) or a charitable remainder trust. Donors should consult their tax accountant, their legal and financial advisors when setting up any deferred contributions. A Covenant Foundation Giving Fund application form should be completed and sent to Covenant Foundation when the beneficiary designation is made, naming successor advisors and a fund name. The designation document (Will or beneficiary selection form) should clearly indicate the donor's Giving Fund (or Legacy Fund) name as the destination of the payout.

**Please note:** Notifying Covenant Foundation of a Testamentary Donation as requested does not prevent the donor from changing or eliminating the proposed testamentary gift during his or her lifetime.

#### THIRD PARTY CONTRIBUTIONS—

Individuals or organizations other than the original donor may wish to make contributions to a Giving Fund and are then eligible to receive a tax receipt for their contribution. Simply complete a "CNCF Contribution Form" for proper receipting. Unlike the originating donor to a DAF, third party donors do not automatically become DAF Advisors unless the Fund originator indicates so.

### **LIFE INSURANCE—**

Life insurance can allow people with relatively small cash savings to make large cash gifts for charitable purposes.

A donor may purchase a policy and immediately donate it to Covenant Foundation and, as the owner of the policy, Covenant Foundation will designate itself as the beneficiary of the policy; the donor will continue to pay the premiums and will receive tax receipts for premiums paid each year. Alternatively, a donor can give an existing policy to Covenant Foundation, in which case the donor will be entitled to a tax receipt for the Fair Market Value (which is usually the cash surrender value) of the policy.

Life insurance can also be owned by the donor and left to Covenant Foundation in the donor's will or by making Covenant Foundation the irrevocable beneficiary. In this case, the donor does not receive a tax receipt for premium payments throughout their lifetime. Instead, he or she receives a tax credit at the time of death for the total death benefit paid to Covenant Foundation.

The Donor should prepare a "Letter of Direction" to Covenant Foundation, outlining specifically how the death benefit is to be distributed to registered charities once it is received by the foundation.

### **TESTAMENTARY DONATIONS—**

These are contributions occurring only after the donor's death and may be contributed to a Legacy Fund. These contributions may be the result of Covenant Foundation being the beneficiary under a will, a life insurance policy, a registered retirement plan (RRSP or RRIF), or a private foundation.

## **VALUATION OF CONTRIBUTION**

### **CONTRIBUTIONS OF CASH—**

A receipt will be issued for the amount of the cheque, direct deposit or wire transfer received by Covenant Foundation.

### **CONTRIBUTIONS OF SECURITIES—**

The value of the tax receipt for the donation of publicly traded stocks, bonds or mutual funds is the fair market value as established by Capstone Asset Management Inc. on the date that the securities are received into the Covenant Foundation. Once received, all securities will be sold by Covenant Foundation on the earliest practical date. Any costs incurred by Covenant Foundation to sell the securities, bonds or mutual funds will be deducted from the proceeds of the sale.

A donation receipt will be issued showing the number of shares/units, the date of transfer and the share/unit value on that date.

Thinly traded or illiquid securities often require special treatment or a lengthened timeframe so Covenant Foundation reserves the right to decline such donations at its sole discretion.

## **Managing the Funds**

The board of CNCF is responsible for the administration of all Giving Funds.

## **INVESTING THE FUND**

Covenant Foundation and CNCF shall have the right to invest any monies comprising a Donor Advised Fund as CNCF's board of directors determines is appropriate in accordance with the CNCF Investment Policy. DAF's will be managed by Capstone Asset Management Inc. under the terms of an investment policy statement developed with input from the DAF's advisors and if the minimum account balance is at least \$10,000.

## **REPORTING ON THE FUND**

The DAF Advisors will receive a financial report of the current status of a Giving Fund on a quarterly basis for information purposes.

## Granting from the Fund

Covenant Foundation is prepared to consider grants to eligible charities (see definition below) from both Giving and Legacy Funds upon receipt of a properly completed and signed 'Covenant Foundation Grant Recommendation Form' from the DAF Advisor(s). As much as possible, Covenant Foundation will make the recommended grants **within two weeks** of receipt of this required form.

Under current CRA rules, Covenant Foundation must distribute from each DAF an annual disbursement quota, calculated as 3.5% of the average value of the Giving Fund over the previous 2 years.

## DISTRIBUTION NOTIFICATION

The grant cheque is issued from Covenant Foundation and is accompanied by a cover letter identifying the Covenant Foundation Donor Advised Fund making the gift and at whose recommendation the grant is being sent. Unless the gift is anonymous, the cover letter furnishes the recipient charity with the DAF's name and address, so that the charity can extend its thanks to the donor(s) for the gift. Copies of the cheque and covering letters are sent to the DAF Advisor(s).

The charity is instructed not to send an official tax receipt to the donor, in order to protect the donor from inadvertently claiming an additional deduction on monies previously contributed to and received by Covenant Foundation.

If grants are to be used for a special purpose, this must also be outlined on the form so that Covenant Foundation can clearly indicate such in the cover letter.

## Eligible Charities

### Covenant Foundation and the CNCF board of directors will accept grant recommendations that

- 1) Further the work of and are consistent with CNCF charitable purposes
- 2) Are made to qualified donees as that term is defined in the *Income Tax Act* (Canada):
  - a. Registered Canadian charities
  - b. Registered Canadian amateur athletic associations
  - c. Registered national arts service organizations
  - d. Certain non-profit housing corporations resident in Canada that are constituted exclusively to provide low-cost accommodation for the elderly
  - e. The United Nations and its agencies
  - f. Charitable organizations outside Canada to which the federal government has made a gift in the current or previous calendar year, and
  - g. Canadian municipalities or the federal or a provincial government or their agencies.

### Covenant Foundation will not accept grant recommendations that

- 1) Contravene Biblical direction
- 2) Would directly or indirectly benefit the DAF Advisor or his/her immediate family or any other person who has contributed to the Fund, as defined by the *Income Tax Act*, and
- 3) Does not meet the minimum distribution requirement of \$250.

**Covenant Foundation will not approve grants to**

- 1) Individuals, couples or families
- 2) Non-profit organizations not registered as qualified donees with CRA
- 3) Political candidates or parties

Covenant Foundation will not approve grants for any private benefit such as membership fees or dues, tuition fees or goods purchased for charitable fundraising.

If Covenant Foundation rejects any recommendation made by a DAF Advisor, it will notify the DAF Advisor by telephone to discuss the reason(s) why the recommendation was rejected and seek new advice for distribution.

**Fund Fees****COVENANT FOUNDATION DAF FEES**

When you choose to work with Covenant Foundation, you do more than gain a partner in giving - you support a ministry. While we aren't the "hands and feet" in ministry – we're not the ones passing out Bibles or serving hot meals to the needy – we are an integral component of funding such work.

To fund the variety of solutions and resources we provide, we retain a small quarterly assessment from each Giving Fund or Legacy Fund.

**Accounts under \$2M** 1% per annum

**Accounts negotiable over \$2M** .35% per annum

*Special Assessment:* a charge may be imposed to cover any unusual amounts of time and/or expense on the part of Covenant Foundation in order to effectuate, administer and/or liquidate all or part of the assets gifted and forming part of the DAF.

**INVESTMENT MANAGEMENT FEES**

Capstone Asset Management Inc. charges quarterly fees in accordance with its standard letter of engagement.

## CNCF Charitable Purposes

The following are the objects (or purposes) of CNCF as set forth in its Letters Patent:

- 1) To receive and maintain a Fund or Funds and to apply all or part of the principal and income therefrom, from time to time, to registered charities pursuant to the *Income Tax Act* of Canada and to charitable purposes, all of which is in furtherance of the following objectives:
  - a. the preaching, promotion and advancement of the spiritual teachings of the Christian faith and the maintenance of the doctrines and spiritual observances and practices on which those teachings are based;
  - b. the support and maintenance of Christian missions and missionaries in order to propagate the Christian faith;
  - c. the support and equipping of Christian churches, ministries, leaders and lay persons thereby enabling them to minister within contemporary culture; and
  - d. the equipping of Christians for Biblical application in their daily lives and in His Service.
- 2) Fulfilling purposes that are beneficial to the community and that are recognized as charitable by applicable courts in Canada, including, with limitation:
  - a. providing immediate relief to victims of natural disasters or sudden catastrophes (e.g. floods, earthquakes and tornadoes);
  - b. preventing and relieving sickness and disability, both physical and mental (e.g. hospitals, nursing and convalescent homes and clinics, caring for the sick, and establishing workshops or other centres for disabled people);
  - c. providing counselling services for people in distress;
  - d. rehabilitating victims of substance abuse and preventing substance abuse;
  - e. providing public amenities to benefit communities, which includes establishing facilities for the entire community (e.g. community halls, picnic areas or playgrounds);
  - f. providing for the relief of poverty.
- 3) Advancing education through establishing or maintaining programs of training or instruction and providing scholarships, bursaries and prizes for academic achievement.
- 4) To do any such further acts or things, or execute such deeds, assurances or undertakings as will effectually assist in the furtherance of the objects of the Corporation.

## CNCF Statement of Faith

We believe...

- The Holy Scriptures (comprised of the Old and New Testaments) are divinely inspired, entirely trustworthy, and constitute the only supreme authority in all matters of faith and conduct.
- There is one God, eternally existent in three persons: Father, Son and Holy Spirit.
- Our Lord Jesus Christ is fully God and fully human; we affirm his virgin birth, sinless humanity, divine miracles, vicarious and atoning death, bodily resurrection, ascension, and personal return in power and glory.
- The salvation of lost and sinful humanity is possible only through the merits of the shed blood of the Lord Jesus Christ, received by faith apart from works, and is accompanied by the Holy Spirit and sincere love for Jesus.
- The Holy Spirit indwells believers to enable them to live a holy life, to love others, and to witness and work for the Lord Jesus Christ.
- The Church, the body of Christ, consists of all those whom Christ indwells by the Holy Spirit.
- Ultimately God will judge the living and the dead: those who are saved will be resurrected to eternal life with God, and those who are lost will be resurrected to eternal separation from God.

All directors and staff of CNCF must be in complete agreement with the CNCF Statement of Faith.

## Supervening Events

Neither Covenant Family Wealth Advisors, Covenant Foundation, Capstone Asset Management Inc., Covenant Planning Group Inc., CNCF nor its directors shall be liable for delay or failure in performance resulting from acts beyond their respective control, including, but not limited to acts of God, acts of war, riot, fire, flood, or other disaster, acts of government, strike, lock-out, or communications or power failures, or other causes beyond their respective control and without their fault or negligence.

## Privacy and Disclaimers

As expressed in Covenant Foundation's Confidentiality and Privacy Policy, all non-public personal information of donors is maintained in strict confidentiality and security. Information provided to Covenant Foundation will be used only to service the Funds, process transactions, respond to inquiries from donors and create new and improved levels of service for donors. Covenant Foundation holds itself to the highest standards of care in protecting the privacy and confidentiality of all donor information. Information regarding Fund contributions, distributions, and investment activity will only be discussed with individuals receiving express written consent by the donor.

Each individual's tax situation is unique and is likely to be impacted by specific facts and circumstances that are beyond Covenant Foundation's control or knowledge. Additionally, tax laws and regulations change frequently, and their application to a particular taxpayer's circumstances can vary widely. We strongly encourage the Donor to consult with his or her tax advisor. Covenant Foundation disclaims any responsibility for the accuracy or adequacy of any position taken by donors in their tax returns.

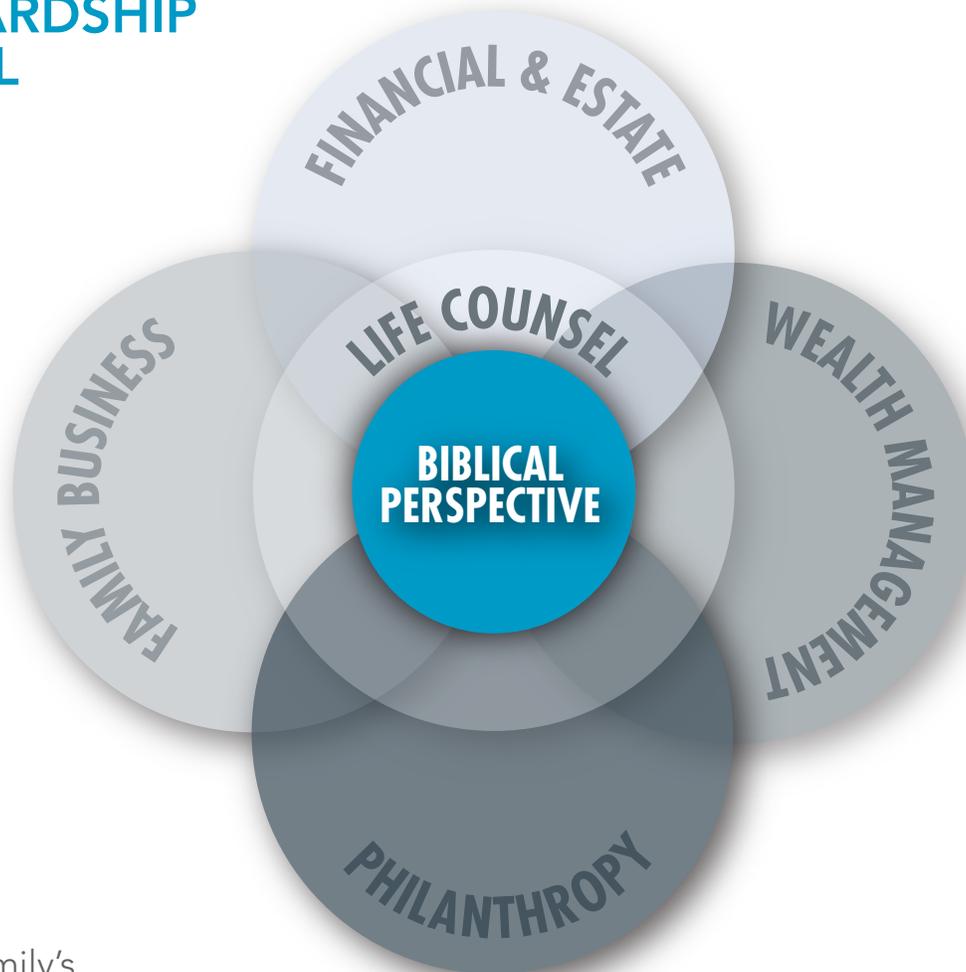
The information in this document is of a general nature and should not be construed as legal, financial or tax advice to any person, since each person's circumstances are different. Donors should consult with their own legal, financial and tax advisors for information about donating to Covenant Foundation.

**Capstone Asset Management Inc.**  
is the Portfolio Manager for all Covenant Foundation accounts.  
[www.capstoneassets.ca](http://www.capstoneassets.ca), 604.546.1500, 1.855.437.7103, #218 - 20353 64th Avenue, Langley BC V2Y 1N5

Additional information may be obtained from the Covenant website at [www.covenant.ca](http://www.covenant.ca) or by calling 1.888.629.0044 or by mailing 20385 64th Avenue, Langley BC V2Y 1N5

## Covenant Stewardship Model

### COVENANT STEWARDSHIP MODEL



As your family's wealth advisor, our team of professionals provide holistic counsel integrating the core areas of stewardship.

### WITH AN INTENTIONAL FOCUS ON STEWARDSHIP, TRANSITION & SUCCESSION

We partner with you in the creation of your own Holistic Stewardship Plan.