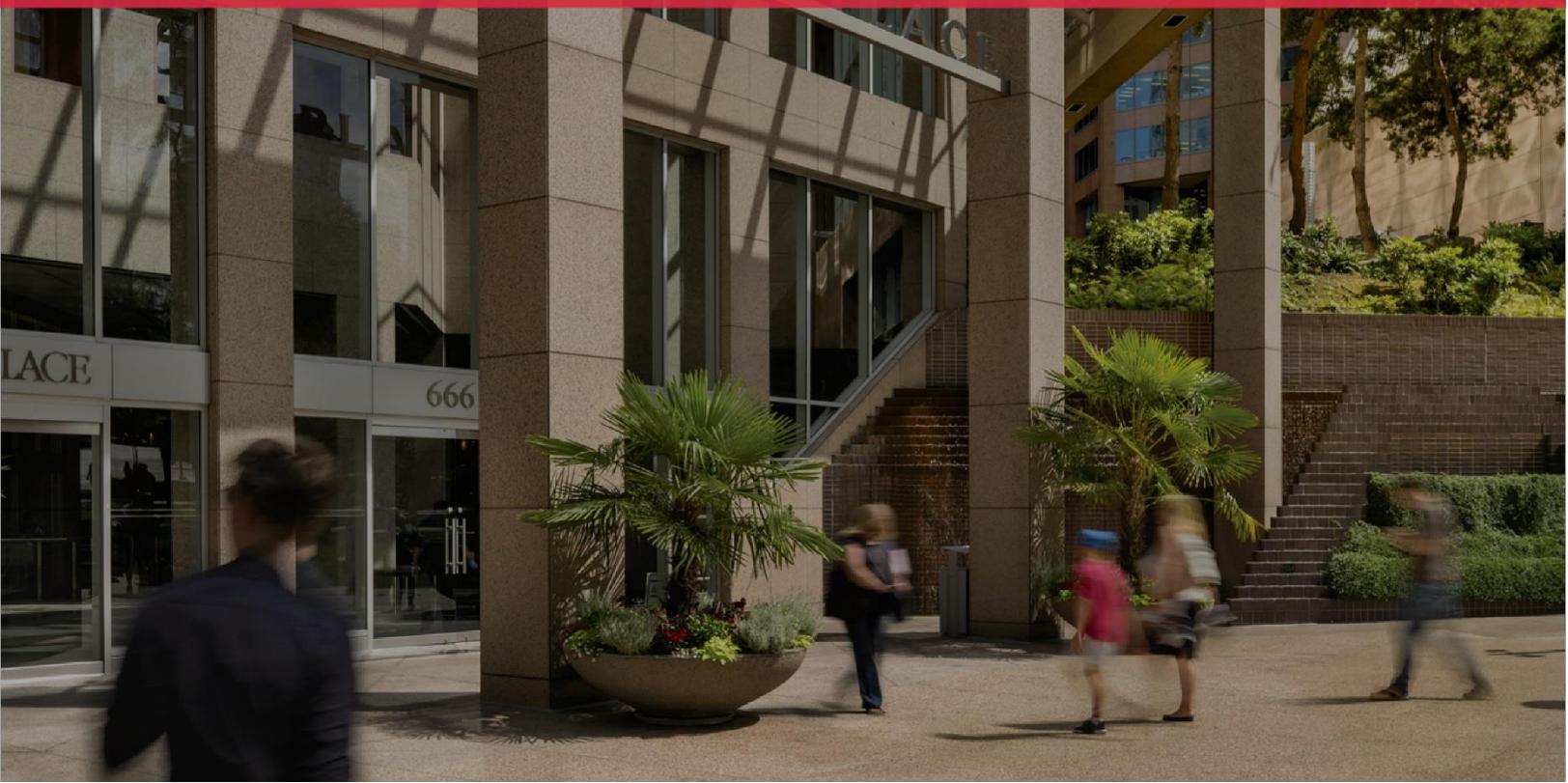




ZLC FOUNDATION
DONOR ADVISED FUNDS
Policies and Guidelines





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INTRODUCTION

Thank you for considering ZLC Foundation (“the Foundation”) to facilitate your charitable giving. This guide sets forth policies and guidelines for establishing a Donor Advised Fund (“DAF”) with the Foundation, and terms and provisions governing the administration of each DAF. Please take a few minutes to read this information before or after you establish your DAF, so that you will be familiar with the inner workings of the fund and all the opportunities that will be available to you.

About ZLC Foundation

The Foundation is a charitable public foundation registered with the Canada Revenue Agency (“CRA”) (89747-6560 RR0001). Its purpose is to receive and maintain funds and to apply the income and capital from the funds to eligible charities. Its mission is to encourage and enable Canadians to establish DAFs to facilitate their philanthropic planning.

All activities of the Foundation and all participation by donor(s) in the DAF program of the Foundation are subject to these policies and guidelines. The board of the Foundation reserves the right to modify them at any time.

The Foundation is incorporated under the laws of British Columbia. It is subject to the laws applicable to Canadian registered charities, and participation in these programs is subject to the terms and conditions of the Foundation articles of incorporation, bylaws, and this document. The Foundation reserves the right to modify the terms and conditions of its DAF program and/or any of the associated documents at any time without notice.

What is a DAF?

A DAF is a fund set up by a donor within a public foundation in which the donor is then 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 granted, 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 of the foundation, and that the law requires that all decisions concerning the DAF ultimately be made by the board of the foundation.

What are the benefits of a DAF?

There are many benefits dependent upon the individual's situation that may include the following:

- **A Legacy Today and Beyond**– A DAF set up during one's lifetime can continue beyond one's passing. You can make donations to your DAF during your lifetime, and name a Successor DAF Advisor to carry on your family values and legacy, as well as the responsibilities of your DAF.

- Ease of Set Up - A DAF can be set up quickly and easily without a requirement for legal or other professionals.
- Gifting Flexibility - Donors make irrevocable donations to a DAF today and recommend grants to their chosen charities and ministries at any time, now or into the future.
- Enhanced Giving Power –The Foundation uses investment management services from ZLC Wealth Inc., a discretionary portfolio management firm. Any growth in the total asset value of a DAF accumulates tax free because the Foundation is a registered charity, enlarging the potential for granting to one's favourite charity in the future.
- Privacy & Anonymity – You can choose to remain anonymous when making grants to charities or receive recognition by disclosing your name, address and/or your DAF to grant recipients.
- No Start Up Costs - There are no 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 the Foundation. No additional tax returns or accounting services are required by the donor.
- Confidential Reporting - Financial reporting to CRA is in conglomerate, not by individual DAF. The public cannot access information on individual DAF contributions and disbursements.
- Granting Privileges - A contribution from a single source to a DAF can easily be granted as cash to any number of charities. (Example: one gift of appreciated securities can be divided between many charities.)
- Multiple Donors – Anyone can contribute to your DAF, and a personal donation receipt will be issued to them.
- Immediate Donation Receipt – Donate now and decide later to eliminate the pressure of selecting charities upfront. A donation receipt will be issued in the year in which the gift is contributed but grants to charities can be decided upon in the near or distant future.

ESTABLISHING A DAF

Individuals, families, registered charities, groups of people, associations, corporations, and other organizations may set up a DAF by meeting with a Foundation representative and completing a Gift Agreement provided by the Foundation.

Fund Name

In the Gift Agreement, donors may recommend a name for their DAF. It may include a family name or the name of another party the donor wishes to honour (e.g. The John Smith Fund), or it may be generic to allow for anonymous grants (e.g. The Stewardship Fund). Donors may also choose a name that reflects their particular charitable interests (e.g. The Leadership Development Legacy Fund).

Fund Advisors and Privileges

When a DAF is established, the donor establishing the DAF may become an Advisor to that fund ("DAF Advisor"), or they may appoint another person to be the DAF Advisor. There may only be one DAF Advisor for each DAF and the DAF Advisor must be at least 18 years old.

A DAF Advisor has the privilege of recommending grants from the DAF. In the case of an organizational DAF, the DAF Advisor may change as tenures are completed for that organization.

Successor Advisor

A donor must name a Successor DAF Advisor so that grants can continue to be made regularly upon the death or incapacity of the DAF Advisor. A Successor DAF Advisor must provide written notice and sufficient proof to the Foundation of the DAF Advisor's death or incapacity to succeed the DAF Advisor.

If the DAF Advisor dies, becomes incapacitated, or cannot be located after the Foundation has conducted a reasonably diligent search, and if the donor failed to notify the Foundation of a Successor DAF Advisor, or if a recommended Successor DAF Advisor is deceased, incapacitated or cannot be found after the Foundation has conducted a search, then in any of such events, the board of the Foundation shall be authorized to transfer to the funds to the General Fund without seeking the advice of the donor's representative, taking into consideration previous recommendations made by the DAF Advisor.

CONTRIBUTING TO A DAF

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

All donations will be received in strict compliance with the provisions of the Income Tax Act ("ITA") and with regulations and rules issued from time to time by the CRA.

Initial Contribution to the Fund

The Foundation requires a minimum contribution and ongoing minimum balance with a fair market value (“FMV”) of no less than \$25,000 for the establishment of a DAF.

Additional Contributions to the Fund

Additional contributions that have a FMV over \$2,000 can be made to the DAF at any time by the original donor or by others who also wish to contribute to the fund.

Gift Acceptance Committee

A Gift Acceptance Committee has been established to represent the interest of the Foundation in all matters relating to the acceptance of gifts outlined in this document. The Gift Acceptance Committee will be comprised of three members of the board of the Foundation, and any other members appointed as the Foundation deems appropriate.

All gifts shall be brought to the Gift Acceptance Committee for approval, with the exception of Cash, Securities and Flow-Through Shares.

Before accepting the gift, the Gift Acceptance Committee may have its legal counsel review the legal issues related to the proposed gift and any other professional advice it deems appropriate. It will also collect relevant information about the proposed gift, including a copy of any appraisal secured by the donor. The Gift Acceptance Committee reserves the right to secure and rely on its own appraisal.

Acceptable Contributions and Tax Considerations

Contributions may be made in the form of:

Cash – Cash donations must be made in Canadian dollars and delivered by direct deposit, cheque, or wire transfer. Physical cash will not be accepted. Cheques should be made out to ‘ZLC Foundation’ with the fund name in the memo.

Securities – Publicly traded stocks, bonds and mutual funds may be transferred to the Foundation as “in-kind” gifts using the “Direct Transfer” form. Donors should be aware that this process is not controlled by either the donor or the Foundation and may be subject to time delays while the investment companies process the transfer. Contributions of securities are eligible for enhanced tax treatment in that as of June 2006, the Canadian Department of Finance amended the ITA to eliminate the taxable capital gains in relation to gifts of publicly traded stocks, bonds and mutual funds and other securities to charities and foundations. While there is no tax payable on the capital gains realized on the donated securities, any income realized as a result of a donation of securities will be taxable to the donor.

Segregated Funds – A segregated fund policy from a living donor may be transferred “in-kind” by means of an absolute assignment of ownership to the Foundation. Donors should be aware that this process is not controlled by either the donor or the Foundation and may

be subject to time delays while the carriers process the transfer. Like securities, contributions of segregated funds may be eligible for enhanced tax treatment in that as of June 2006, the Canadian Department of Finance amended the ITA to eliminate the taxable capital gains in charities and foundations.

Flow-Through Shares – Flow-through shares may be transferred to the Foundation when an arrangement is in place for the Foundation to re-sell the shares immediately to a secondary buyer at an established discount. The arrangement must be facilitated by an established investment firm with extensive experience in managing and facilitating the transaction. Donors should obtain professional advice at their own cost before participating in such transactions. Unlike other securities, capital gains are not eliminated on the donation of flow-through shares. The donor will realize a deemed capital gain equal to the actual capital gain realized on the donation or their “exemption threshold,” whichever is less. In simplified terms, the exemption threshold is equal to the original cost of all the flow-through shares of the same class, less any cumulative capital gains realized on the disposition of flow-through shares in the same class. Subsequently, the exemption from capital gains tax will only be available to the extent that the actual capital gain on the donation of flow-through investments is in excess of the donor’s original cost.

Life Insurance Policies – Existing or new life insurance policies may be donated to the Foundation so the proceeds at death are added to a DAF. The Foundation must be named as both the beneficiary of a policy and as the owner. The Foundation will not make any investments or grants until it has received the proceeds of the insurance policy. If the donor does not continue to pay the premiums, the Foundation may in its sole discretion opt to continue to pay the premiums itself or surrender the policy for its cash surrender value.

Deferred Contributions – Donors may wish to name the Foundation as the beneficiary of a charitable bequest in a Will, a life insurance policy, a registered account (RRIF, RRSP, TFSA) or a charitable remainder trust. Donors should consult with their tax accountant, their legal and investment advisors when setting up any deferred contributions. The Gift Agreement must be completed and sent to the Foundation when the beneficiary designation is made, naming DAF advisors and offering a fund name. The designation document (Will or beneficiary selection form) should clearly indicate the DAF as the destination of the payout.

Please note that notifying the Foundation of a deferred contribution as requested does not prevent the donor from changing or eliminating the proposed gift during their lifetime.

Private Shares – The Gift Acceptance Committee will consider a gift of private shares. The donor must seek approval from the Gift Acceptance Committee in advance of naming such assets as gifts.

Other In-Kind Gifts – These gifts (e.g. real estate, artwork, options, loans receivable) may not be donated to the Foundation.

Third Party Contributions – Individuals or organizations other than the original donor may wish to make contributions to a DAF and are then eligible to receive a tax receipt for their contribution. Unlike the originating donor to a DAF, third party donors do not automatically become DAF Advisors unless the current fund Advisor indicates so.

VALUATION OF CONTRIBUTIONS

The Foundation must be able to determine the FMV of any non-cash gifts. Should the Foundation not be able to reasonably determine the FMV of a gift, the donor's acknowledgement will state a value of zero (\$0). If the FMV of an item can be easily determined (cash register receipt for a new purchase), a third-party appraisal may not be required. The FMV of a gift-in-kind does not include taxes paid on purchasing the item.

Cash – The value of the donation receipt for the donation of cash will be the amount of the cheque, e-transfer, direct deposit or wire transfer received by the Foundation less any advantage or benefit conferred on the donor.

Securities – The value of the donation receipt for the donation of publicly traded stocks, bonds or mutual funds is the FMV as established by the Foundation in its sole discretion, less any advantage or benefit received by the donor on the date that the securities are received into the Foundation account. A donation receipt will be issued showing the number of shares/units, the date of transfer and the share/unit value on that date, as required by the CRA. Thinly traded or illiquid securities often require special treatment or a lengthened timeframe so the Foundation, at its sole discretion, reserves the right to decline such donations.

All securities will be sold by the Foundation at the earliest practical date and any costs (including any redemption charges) incurred by the Foundation to sell the securities will be deducted from the proceeds of the sale. An amount equal to the net proceeds after liquidation will be deposited into the donor's DAF.

Segregated Funds – The value of the donation receipt for the donation of segregated fund policies is the value of those units calculated by multiplying their net asset value per unit, as determined by the issuer, by the number of units donated to the Foundation, less the value of any advantage or benefit received by the donor.

All segregated fund units will generally be redeemed by the Foundation at the earliest practical date. The Foundation may elect to defer redemption of the segregated fund units in circumstances where material benefits under the segregated fund policy are shortly expected to be paid. Any costs incurred (including redemption charges) by the Foundation to sell the segregated fund units will be deducted from the proceeds of sale. An amount equal to the net proceeds after liquidation will be deposited to the donor's DAF.

Flow-Through Shares – The value of the donation receipt for the donation of flow-through shares is the re-sell proceeds of the shares received by the Foundation, less any advantage or benefit received by the donor, on the date that are received into the Foundation account. A donation receipt will be issued showing the number of shares/units, the date of transfer and the share/unit value on that date, as required by the CRA.

Life Insurance - For an existing policy, the CRA provides guidance on what to consider when determining this value of the donation receipt (including the policy's cash surrender value, the value of any policy loans, the policy's face value, the insured individual's state of health and life expectancy, policy conversion privileges, riders, and the policy's replacement value). Given the complexity in determining a policy's FMV, this valuation must be completed through a professional, actuarial assessment.

Consideration also needs to be given to the applicability of subsection 248(35) of the ITA that deems the FMV of a life insurance gift to be the lesser of the FMV otherwise determined and the policy's adjusted cost base, where the gift of life insurance was made either:

- Within the first three years of the policy's purchase; or
- Within 10 years of purchase, if it is reasonable to assume that the life insurance was acquired with the intention of making a gift.

Gifts of a life insurance policy to charity is also considered a disposition of the policy for tax purposes where the donor will realize a taxable policy gain to the extent that the cash surrender value of the policy exceeds the policy's adjusted cost base.

For new and existing policies, the donor receives a donation receipt for the amount of the annual premium, less any advantage or benefit received by the donor. The donor must annually provide to the Foundation written proof from the insurer of payment of these premiums.

MANAGING THE FUND

Although the Foundation has ultimate authority over the assets in its DAF program, it will generally act on the recommendations of the DAF Advisor with respect to naming the account, recommending grants to charities or other qualified donees, and recommending how the account will be managed after the donor's lifetime.

What to Expect After Opening a DAF

Once a donation is accepted, a donation receipt will be issued and delivered electronically by email to the donor. Receipts for subsequent donations will be delivered electronically by email.

Donations to the Foundation generally qualify for an individual income tax credit or corporate tax deduction in the tax year in which the donation was made as a charitable

donation to a registered charity. For individuals, the maximum amount of charitable donations that may be claimed for credit in any one year is 75% of net income (100% in the year of death, and the year immediately before death). Unused donations can be carried forward (but not backwards) for up to five years beyond the year of the donation, subject to the 75% limit in each year claimed.

Account Minimum

As previously mentioned, there is a minimum donation of \$25,000. It is expected that this account size be maintained over time. Should a DAF Advisor recommend a grant(s) that would reduce the DAF below this threshold, the Foundation at its sole discretion may distribute 100% of the DAF to its General Fund and close the account.

Investing the DAF

Once the donation proceeds have been received by the Foundation, they will be deposited by the Foundation in an investment account at ZLC Wealth Inc. a discretionary portfolio management firm.

For DAF accounts less than \$250,000, the funds will be pooled with other donations in an interest-bearing savings account. Interest income earned and fees incurred will be allocated to each DAF.

DAF accounts over \$250,000 have the option to open a separate investment account at ZLC Wealth Inc. and make an investment recommendation based on the granting objectives for the DAF. Investment gains, losses, income and investment management fees will be allocated to the particular DAF. It is expected that the \$250,000 investment account size be maintained over time. Should a DAF Advisor recommend a grant(s) that would reduce the DAF below this minimum amount, the Foundation at its sole discretion may close the separate investment management account at ZLC Wealth and pool the funds with the other donations. Notwithstanding other policies maintain by the Foundation, the DAF will continue as a DAF for the donor.

Investment management fees for services provided by ZLC Wealth Inc. for all DAFs is 0.75% per annum.

Reporting on the Fund

DAF Advisors may receive a Statement of Activity from the Foundation. Other reports on granting activity are available on request.

ZLC Foundation General Fund

The Foundation intends to maintain a charitable giving fund account called the "General Fund." The board of the Foundation will have authority over the General Fund and will determine which eligible charities will receive grants from the General Fund.

GRANTING TO ELIGIBLE CHARITIES

Recommending Grants and Grant Payment Dates

Grants may be recommended by the DAF Advisor to eligible charities (see definition below) by submitting a properly completed and signed 'Grant Recommendation Form'.

As much as possible, the Foundation will make the recommended grants within ten business days after receipt of the recommendation. Donors should be aware grants will not be made directly from the investment account and that the process of liquidating investments for the purposes of granting is not controlled by either the DAF Advisor or the Foundation, and may be subject to time delays while the investment firm, ZLC Wealth, processes the transactions.

Grant Disbursement Quota

The Foundation is subject to rules under the ITA that specify the minimum amount it must annually disburse from donations received (its "disbursement quota"), including donations received other than through its DAF accounts. The current minimum disbursement quota is calculated as 5% of the average value of its assets over the previous two years. The Foundation will determine how much it must disburse from its assets each year to satisfy the requirements of the ITA and will allocate at least this amount among all its DAFs. As much as possible, the Foundation will provide DAF Advisors 60 days' notice if they need to submit a Grant Recommendation Form for minimum disbursement quota purposes.

Grant Notification

Grants will be issued by Electronic Funds Transfer (EFT) unless a cheque is requested. The Foundation will send a cover letter by email to the eligible charity identifying the DAF making the gift and at whose recommendation the grant is being sent. Unless the gift is anonymous, the cover letter provides the recipient charity with the DAF holder's name and address so that the charity can extend its thanks to the donor(s) for the gift. In the case where a cheque is requested, the cover letter will be sent by mail along with the cheque.

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

Anonymous gifts are noted as such in the cover letter and no donor information is disclosed.

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

Eligible Charities

The Foundation will accept grant recommendations that are made to qualified donees as defined in the ITA:

- a. a registered charity (including a registered national arts service organization)

- b. a registered Canadian amateur athletic association
- c. a registered journalism organization
- d. a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged
- e. a registered Canadian municipality
- f. a registered municipal or public body performing a function of government in Canada
- g. a registered university outside Canada, the student body of which ordinarily includes students from Canada
- h. a registered charitable organization outside Canada to which His Majesty in right of Canada has made a gift
- i. His Majesty in right of Canada, a province, or a territory
- j. the United Nations and its agencies

His Majesty in right of Canada, a province, or a territory, and the United Nations and its agencies are qualified donees that do not have to be registered to be recognized as such.

The Foundation will not accept grant recommendations that:

- a. 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 ITA, and
- b. Does not meet the minimum grant requirement of \$250 per eligible charity.

In accordance with CRA rules, the Foundation will not approve grants to:

- a. Individuals, couples or families (e.g. GoFundMe campaigns)
- b. Non-profit organizations not registered as qualified donees with CRA, or
- c. Political candidates or parties.

The Foundation will not approve grants that will result in any private benefit such as membership fees or goods purchased for charitable fundraising (e.g. a charitable auction). This is because the ITA requires that the FMV of a benefit received by the donor be deducted from the total donation value for receipting purposes. Since the Foundation has already receipted the money received into a DAF, the donor cannot receive a material benefit due to a grant from the fund. Please note that CRA provides some exceptions for donations for tuition purposes, but the board of the Foundation will evaluate these type of donations on a case-by-case basis.

The Foundation retains sole discretion to approve or decline a recommended grant. If a grant recommendation is declined, the Foundation will seek to notify the donor and request a revised recommendation.

Charitable Registration Numbers for charities can be confirmed by accessing the following site: <http://www.cra-arc.gc.ca/>

The Foundation will take remedial action if it discovers that grants have been made for improper purposes such as those listed above. Remedial actions may include, but are not

limited to, requiring the return of a grant, or transferring the Account's assets to the General Fund and closing the Account.

Income and Grants

As a registered charity, the Foundation is tax exempt. Income and capital gains from DAFs are income and capital gains of the Foundation and not of the donor. When the Foundation makes a grant from a DAF, the Foundation is making a grant from its own assets, which is not a gift being made by a donor, therefore a donor will not receive an additional tax receipt.

FEES AND EXPENSES

Administration Fee

The Foundation charges an administration fee of 0.5% per annum for all DAFs.

Expenses

If significant charitable operating expenses are incurred by a particular DAF, such as legal fees incurred because of an estate dispute, then the Foundation may allocate these expenses directly to that DAF. The Foundation reserves the right to change the fees at any time with reasonable fee notice.

Investment Management Fees

ZLC Wealth Inc. charges investment management fees of 0.75% per annum. These fees are paid directly by the Foundation to ZLC Wealth Inc. from the DAF investment account on quarterly basis.

MATERIAL CONTRACTS

ZLC Financial Ltd.

The Foundation has entered into a charitable administrative services provider agreement with ZLC Financial Ltd, a company with directors in common with the Foundation, to assist with the fulfillment of most or all of the charitable administrative functions of the Foundation. the Foundation will pay ZLC Financial Ltd. for these services.

ZLC Wealth Inc.

The Foundation has entered into a Managed Account Agreement whereby ZLC Wealth Inc., a company with directors in common with the Foundation, to provide discretionary portfolio management services. These fees are paid directly by the Foundation to ZLC Wealth Inc. from each investment account on quarterly basis.

SUPERVENING EVENTS

Neither the Foundation 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 the Foundation Privacy Policy, all non-public personal information of donors is maintained in strict confidentiality and security. Information provided to the Foundation will be used only to service the DAFs, process transactions, respond to inquiries from donors and create new and improved levels of service for donors. The Foundation holds itself to the highest standards of care in protecting the privacy and confidentiality of all donor information. Information regarding DAF contributions, grants, 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 the Foundation's control or knowledge. Additionally, tax laws and regulations change frequently, and their application to a particular taxpayer's circumstances can vary widely. The information contained in this guide is of a general nature and should not be construed as legal, financial or tax advice to any person, as each person's circumstances are different. We strongly encourage the donor to consult with his or her tax advisor. The Foundation disclaims any responsibility for the accuracy or adequacy of any position taken by donors in their tax returns.

The Foundation falls under the jurisdiction of Canada and the province of British Columbia. The policies and guidelines outlined in this document and the interpretation of them are conducted under the laws of Canada and the province of British Columbia.

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, investment and tax advisors for information about donating to the Foundation.

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