



New Jersey Health  
Charitable Gift Fund

*A New Jersey Health Affiliate*

# Donor-Advised Fund Policies and Guidelines

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## **Introduction**

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Thank you for your interest in establishing a Donor-Advised Fund with New Jersey Health Charitable Gift Fund (NJHCGF). This brochure describes the policies and guidelines of NJHCGF’s Donor-Advised Fund program. Please contact us at (908) 315-5870 with any questions regarding a Donor-Advised Fund.

## **About New Jersey Health Charitable Gift Fund**

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NJHCGF is a Donor-Advised Fund held within and managed by New Jersey Health Foundation, Inc. (the “Foundation”). The mission of NJHCGF is to further the exempt purposes of the Foundation and generally support medical, dental and other healthcare education and research, including but not limited to the forgoing, and for other scientific, charitable, literary and educational purposes.

## **New Jersey Health Charitable Gift Fund’s Relationship to New Jersey Health Foundation**

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The Foundation, founded in 2002, is recognized by the IRS as a tax exempt public charity under Sections 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. The Foundation is the sponsoring organization of NJHCGF. As the sponsoring organization, the Foundation provides extensive expertise to NJHCGF such as conducting due diligence to assess whether a grantee is a public charity that is eligible to receive a grant, providing information about strategic or effective grantees and prospective grantees, and providing investment and administrative services to NJHCGF.

## **Contents**

Establishing a Donor-Advised Fund	3
Contributions	3
Tax Considerations	4
Investment Options	5
Grantmaking	6
Gift Acknowledgments and Reporting	7
Naming Secondary Advisors	8
Succession Options	8
Fees and Expenses	8

## **Establishing a Donor-Advised Fund**

### **Opening a Donor-Advised Fund**

Individuals, families, companies, trusts, estates, and nonprofits are all eligible to open a Donor-Advised Fund. The individual or entity that opens an account is the Primary Advisor. A fund can be opened by completing a Donor Application, and providing an initial minimum contribution of \$10,000.

Applications and other forms may be obtained online at NJHCGF's website [www.njhealthcharitable.org](http://www.njhealthcharitable.org), or by calling NJHCGF at (908) 315-5870. Once completed, the forms should be mailed to NJHCGF. Once the fund is established, additional contributions may be made at any time.

### **Naming a Donor-Advised Fund**

Your Donor-Advised Fund may be named for yourself, your family, your company, a relative or friend, or a philanthropic interest.

### **Naming a Primary Advisor**

The Primary Advisor is typically the primary donor to the account. The Primary Advisor has the authority to recommend grants as well as name and remove Joint Advisors, Secondary Advisors, Successors and/or Charitable Beneficiaries to the account.

All account correspondence will be sent to the Primary Advisor at his/her address of record.

### **Naming a Joint Advisor**

In addition to the Primary Advisor, you may name another person (such as a spouse, family member, friend, etc.) to be a Joint Advisor to the account. Each Joint Advisor will have full and equal privileges to recommend grants; and to name and remove Secondary Advisors (see below), Successors and/or Charitable Beneficiaries to the account.

### **Naming Secondary Advisors**

You may assign Secondary Advisors who will be able to recommend grants from the fund. A Secondary Advisor is usually a family member, relative or friend whom the donor believes will recommend grants from the fund consistent with the donor's

areas of interest. A Secondary Advisor does not automatically become a Successor to the fund (see below).

### **Naming Successor(s) or Charitable Beneficiary(ies)**

You may name one or more Successors or name one or more Charitable Beneficiaries to the account. A Successor gains full responsibility for the account after the death of all of the original Primary and Joint Advisors, including the ability to make contributions, recommend grants, and name Joint Advisors, Secondary Advisors, Successors and/or Charitable Beneficiaries.

Charitable organizations may be named as Charitable Beneficiaries if you prefer to have a specific percentage of the account balance annually distributed or grant the remaining assets in the account to a charitable organization after the death of the Primary and Joint Advisors.

If you do not name a Successor(s), or if a Charitable Beneficiary(ies) is not named, the remaining balance will be transferred to New Jersey Health Foundation, Inc.

### **Updating Advisor and Fund Information**

The Primary or Joint Advisor may add or update any other advisor's contact information; change or add fund Advisors, Successors, or Charitable Beneficiaries; and make other modifications at any time by using the Donor-Advised Fund Change Form. Primary or Joint Advisors being added or removed must provide signed consent on the Donor-Advised Fund Change Form.

## **Contributions**

### **Contributions are Irrevocable**

Once NJHCGF accepts a contribution, it is irrevocable, and NJHCGF retains exclusive legal control over the contributed asset. A donor may not impose restrictions or conditions on the assets contributed to their Donor-Advised Fund. NJHCGF will review and approve all contributions. If a contribution cannot be accepted, you will be notified as quickly as possible.

If you have questions about a proposed contribution, please call NJHCGF at (908) 315-5870.

### **Contribution Process**

Depending on the type of asset, different procedures are required. Please contact NJHCGF for further guidance, if necessary.

- **Cash Contributions:** Cash may be delivered by check, credit card or wire. Checks should be made payable to New Jersey Health Charitable Gift Fund.
- **Publicly-Traded Stock:** Stocks can be transferred electronically (DTC) to NJHCGF's brokerage account. Forms and instructions are included online at [www.njhealthcharitable.org](http://www.njhealthcharitable.org) or can be obtained by contacting NJHCGF at (908) 315-5870. After NJHCGF receives the donated securities, the securities will either be held or sold in accordance with NJHCGF's investment policy. Restricted and thinly-traded securities may require special treatment and must be pre-approved by NJHCGF.
- **Mutual Funds:** Mutual fund shares may be contributed by either having the asset ownership transferred to NJHCGF or funds sent electronically to NJHCGF brokerage account.

### **Testamentary Gifts/Gifts from Trusts**

Contributions to NJHCGF can be an important part of your overall estate planning. A Donor-Advised Fund can be the beneficiary of:

- A bequest from a will or other testamentary instrument;
- A retirement plan, such as an Individual Retirement Account (IRA) or 401(k) plan;
- A Charitable Remainder Trust and certain Charitable Lead Trust;
- A life insurance policy;
- A brokerage account or other account allowing for the designation of beneficiaries.

Please contact us for suggested language to use when designating NJHCGF as the beneficiary of such assets. Be sure to consult your tax, legal, or

financial advisor when setting up any testamentary gift, trust, or other deferred gift.

## **Tax Considerations**

### **Federal, State and Local Taxes**

This document only addresses federal taxes, and is not intended as legal or tax advice. Individual circumstances and state and local tax laws vary. Please consult your tax advisor for guidance.

### **Deduction Eligibility and Timing**

Donors may be eligible for an income tax deduction for their contributions to a Donor-Advised Fund managed by NJHCGF. Donors who itemize tax deductions are eligible for a deduction up to the maximum allowed by law for such contributions. Only contributions from a donor to a DONOR-ADVISED FUND managed by NJHCGF qualify for income tax deductions. Grants recommended by the donor or advisor from NJHCGF to a charitable organization, and donor-advised account balance fluctuations due to market changes, are not tax-deductible. A Donor-Advised Fund advisor may not claim a tax deduction for contributions to their accounts by other persons.

### **Deduction Limits**

Tax deductions for contributions to NJHCGF are limited each year depending on the type of property gifted. In general, the maximum charitable deduction a donor can take in the year of the contribution is based on a percentage of the donor's adjusted gross income (AGI). Also, the donor should keep a written acknowledgement of each contribution on file for deductions taken on any income tax return.

### **Carryforward Provision**

Contributions exceeding these limits may be carried forward on tax returns for up to five years after the year of the contribution.

### **Gift Valuation**

Tax regulations set gift valuation guidelines and deduction limits. In general, determining the contribution's value is based on the date of contribution and the donated asset type. Ordinarily, the date of contribution is the date when

the transfer of the property to NJHCGF takes place. This date may vary, based on the type of asset donated.

Under IRS regulations, it is the donor's responsibility to determine the valuation date and the fair market value of donated securities on that date.

Donors may be eligible for the maximum income tax deduction for their charitable contribution to a Donor-Advised Fund managed by NJHCGF. Generally, contributions are subject to the following rules:

### **Cash and Cash Equivalents**

A deduction may be claimed by the donor for the amount of a donation of cash and cash equivalents, in the year the contribution is made, in an amount up to 50% of the donor's AGI.

### **Securities**

For gifts of securities owned for more than one year, a donor is eligible to take an income tax deduction for the fair market value of the long-term appreciated security, up to 30% of the donor's AGI. The deduction for donated securities owned for one year or less is limited to the cost basis or their current fair market value (whichever is lower).

For purposes of determining the value of the donor's gift of publicly traded securities, the fair market value is generally the average of its high and low trading prices on the date transferred to NJHCGF.

For guidance in gift valuation, please contact your professional advisor and/or refer to IRS Publication 526, "Charitable Contributions".

### **Report Only Donor Contributions to the IRS**

Donors claiming a tax deduction should only report contributions made to their Donor-Advised Fund held at NJHCGF on their tax returns. No other donor-advised account activity, such as grants made from a Donor-Advised Fund or Donor-Advised Fund balance fluctuations due to market changes, affects a donor's tax reporting.

### **Grants from NJHCGF Are Not Deductible**

Donors may not claim a charitable tax deduction for a grant made from NJHCGF, even if the grantee provides a receipt. Grants from NJHCGF should not be reported on individual tax returns.

### **Form 8283**

Federal Form 8283, Noncash Charitable Contributions, is required to be completed when an individual donor intends to claim a noncash charitable deduction in excess of \$500 on a tax return. However, Form 8283 is only required to be submitted to NJHCGF for signature when the donation is greater than \$5,000 and it consists of property other than publicly traded securities. Donors of certain publicly traded securities should report their gifts in Section A of Form 8283. IRS regulations state that valuation is a donor's responsibility and, as such, NJHCGF cannot assign or certify the gift value for this form.

In applicable cases, the donor must submit a completed Form 8283 to NJHCGF as soon as possible after the donation. NJHCGF will complete the acknowledgement section of the form solely to confirm receipt of the gift; not to endorse the valuation in any way.

### **Investment Options**

NJHCGF's goal is to provide the best potential investment opportunity to grow your charitable contribution while matching your grant-making timetable. Your gift is held in either the money market pool or the investment pool depending on the timing of anticipated grant payouts. Contributions with grant making timetables of less than two years are held in the money market pool and contributions with longer grant making timetables are invested in the investment pool.

New Jersey Health Foundation's (the Foundation) Finance Committee guides the endowment portfolio in compliance with the Investment Policy approved by the Board of Directors. The investment pool is included in the endowment portfolio of the Foundation. The Foundation utilizes a total return approach to investment management. The total return of each fund is a result of the change in fund value over time due to interest, dividends, unrealized and realized gains (losses).

Each fund is allocated a pro-rata share of monthly income and unrealized gains or losses, net of investment management expenses. The Board of Directors of the Foundation retains full discretion over the investment and reinvestment of all Foundation assets.

Based upon the anticipated grant-making timetable at the time your fund is established, NJHCGF will place your contribution in the money market pool or investment pool.

### **Money Market Pool**

The money market pool is for funds with a grant making horizon of two years or less.

### **Investment Pool**

The investment pool maintains a long-term investment strategy which provides diversification through a range of assets classes; including alternative assets, private equity, and through various investment managers. Our strategies in the investment pool attempt to minimize risk while focusing on longer term returns. The investment pool is for funds with a grant making horizon longer than two years.

### **Investment Management**

To ensure that your Donor-Advised Fund is carefully and professionally managed, NJHCGF has carefully chosen an independent investment advisor to assist in the recommendation of new investment managers, to monitor current investment managers and to monitor investment compliance and investment performance. Individual investment managers have the authority to invest assigned assets in securities and other investments consistent with the investment policies of the Foundation.

Our investment advisor meets on a quarterly basis with the Finance Committee to review the asset allocation, investment performance and individual managers. The Finance Committee has the ability to add or change investment allocations and investment managers at any time, in compliance with the Investment Policy.

### **History of Proven Investment Performance**

New Jersey Health Foundation's endowment portfolio, in which the investment pool is invested, provides your fund with the advantage of a larger investment portfolio with a history of proven success. The Foundation's endowment portfolio's return for each of the years in the two-year period ended June 30, 2011 (the most recent available) has exceeded the average of 850 colleges, universities and foundation across the country, according to the NACUBO-CommonFund Study of Endowments®. Past performance is not a guarantee of future results; however, our strategy and investment philosophy remains consistent and focused on long-term growth.

### **Grantmaking**

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#### **Recommending a Grant**

You and your designated advisors may recommend grants to qualified charitable organizations. Requests for grants can be made by completing and submitting a Grant Recommendation Form to NJHCGF. Forms can be obtained at [www.njhealthcharitable.org](http://www.njhealthcharitable.org) or by calling (908) 315-5870. Grant recommendations are subject to the review and approval of NJHCGF's Board of Directors. Upon receipt of your recommendation, NJHCGF will verify that the charitable organization is eligible to receive the grant (see Eligible and Ineligible Grant Recipients and restrictions below).

If the grant recommendation is not approved, NJHCGF will contact you directly, and explain the reasons for declining the recommendation. You may decide whether to submit an alternate grant recommendation.

#### **Eligible Grant Recipients**

Grants can be made to IRS-approved public charities. Approved organizations are U.S. based organizations that qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code and are public charities as defined by Section 509(a) of the Code. Grants can also be made to private operating foundations as described in Section 4942(j)(3) of the Code.

## **Ineligible Grant Recipients**

NJHCGF will not approve grants to:

- Individuals;
- Private foundations (except for private operating foundations, as noted above);
- Non-functionally integrated Type III supporting organizations;
- Political campaigns, candidates, or to support lobbying activity;
- Fulfill an existing pledge (an existing pledge is one made before the grant has been approved by NJHCGF);
- Pay for dues, membership fees, tuition, goods from charitable auction, or other goods or services;
- A charitable organization whose tax-exempt status is currently pending, is in poor financial health or that exhibits other weaknesses in governance or management;
- For-profit organizations for charitable purposes.

## **Number of Grants**

NJHCGF allows you to make an unlimited number of grants from your Donor-Advised Fund account as long as there are available funds.

## **Donor Recognition or Anonymity**

When recommending a grant, you may choose a number of ways to be recognized:

- Your name and your Donor-Advised Fund name;
- Fund name only;
- In honor of, or in memory of someone;
- Remain anonymous.

## **Recurring Grants**

You may recommend that a grant be made on a recurring basis--quarterly, semi-annually, annually--to a specific charity. Please note that recurring grants may be discontinued for insufficient funds, or if you send NJHCGF instructions to suspend such grants.

## **Grant Minimum**

The minimum grant amount the donor or other advisor(s) can recommend is \$250 per grant. NJHCGF will provide notice to the donor if this

minimum payout requirement is amended or removed. If the amount of a grant recommendation exceeds the total account balance, NJHCGF will contact you.

## **Minimum Account Activity**

If your Donor-Advised Fund is dormant for three (3) years (no grant recommendations from the account), NJHCGF will make every effort to contact you, and/or your advisor(s), and/or successor(s) to request that a grant recommendation is made. If you or your representative do not respond within a reasonable time, the remaining balance will be transferred to New Jersey Health Foundation Inc. and will be awarded to qualified charities.

## **Grant Review and Distribution**

After receipt of your grant recommendation and approval by NJHCGF's Board of Directors, NJHCGF will distribute grants.

## **Gift Acknowledgments and Reporting**

NJHCGF will provide you with a gift acknowledgement for each contribution made to your Donor-Advised Fund. The gift acknowledgement serves as your written confirmation of each contribution from NJHCGF as required by the IRS. A donor cannot claim an income tax deduction for any single contribution of \$250 or more unless the donor obtains a written acknowledgement from NJHCGF and retains it to substantiate the contribution.

Gift acknowledgements will show the type of gift (cash, securities, etc.). Please consult your tax advisor for guidance regarding the fair market value deduction on your income tax return.

You will receive annual account statements detailing Donor-Advised Fund transactions: contributions, grant activity, account balances, and funds available for grantmaking. Quarterly reports are available upon request.

NJHCGF will provide donors with any other financial reports or other information required by applicable law or requested by donors.

## **Naming Secondary Advisors**

When establishing an account, you may assign Secondary Advisors who may recommend grants from the account. A Secondary Advisor is usually a child, relative or friend that you believe will recommend grants from the account that are consistent with your areas of interest and continue your charitable legacy. A Secondary Advisor does not automatically become a Successor(s) to assume responsibility for the Donor-Advised Fund after the death of the Primary and Joint Advisors.

You may change advisors at any time by completing and returning the Donor-Advised Fund Change Form to NJHCGF. If a group of individuals is contributing to a Donor-Advised Fund, or if a corporation has established a fund, up to two individuals or officers can be designated to recommend grants from that fund.

## **Succession Options**

When establishing a Donor-Advised Fund, you should specify a succession plan that advises NJHCGF how to treat the assets after the last Primary or Joint Advisor has died. You may choose one of the following succession plan options described below. If no option is chosen, the New Jersey Health Foundation, Inc.'s Board of Directors will be designated as your successor. We recommend reviewing successor information annually to ensure that it remains consistent with your wishes and to verify that all contact information is current. You may request a change to your succession plan at any time.

### **1. Retaining Assets in the Account and Appointing Account Successors**

You may name one or more Successors, including your spouse, a child, or other descendant, heir or representative. A Successor gains full responsibility for the account after the death of the Primary and Joint Advisors, including the ability to make contributions, recommend grants, and name Advisors and Successors. If the fund is a joint account, succession applies only after the death of the original Primary and Joint Advisors. Therefore, if the Primary Advisor dies, the Joint Advisor(s)

retains all privileges to recommend grants and name Successors. NJHCGF must be provided with written notification and proof of the donor's death for succession to take effect. The process of assigning Successors can continue in perpetuity.

### **2. Creating New Program Accounts for Multiple Account Successors**

A new Donor-Advised Fund account will be established for each individual named as a Successor. If you select this option, the new accounts will be funded equally from the remaining account balance after the death of the Primary and Joint Advisors. Upon assuming Primary Advisor privileges, the Successor(s) may designate their own Successor(s). Successor accounts must be funded with a minimum of \$10,000. Accounts with a balance of less than \$10,000 will have the option to combine assets with another Successor to make additional contributions to reach the \$10,000 minimum within 12 months from the date of notification. Alternatively, Successors may recommend grants equal to the accepted balance within 90 days. If a Successor fails to respond to the notification within 90 days, the balance will be granted to qualified charities selected by NJHCGF's Board of Directors.

### **3. Naming Charitable Beneficiaries**

One or more public charities may be designated to be considered for grants from the fund upon the death of the last Primary or Joint Advisor. Charitable Beneficiaries may receive either an annual percentage distribution of the fund balance or the remaining balance of the fund's assets. These organizations are subject to the same grant approval process as grant recommendations made during the Primary and Joint Advisor's lifetime. If a designated organization no longer exists, NJHCGF will make every effort to make a grant to an organization that supports similar purposes.

## **Fees and Expenses**

### **Charitable Administrative Fee**

Each fund is subject to an annual charitable administrative fee, which is paid to NJHCGF to cover Donor-Advised Fund operating expenses such as grantmaking, recordkeeping, annual audits, tax

filing, quarterly statements, and other legal and fiscal responsibilities. An annual fee of one percent (1%) of the asset value of the Donor-Advised Fund will be applied to your account.

**Investment Expenses**

Each fund is assessed a pro rata share of investment expenses. Investment management expenses are approximately 0.62% annually for the investment pool. Investment performance is reported net of investment expenses.

**Minimum Account Fee**

Accounts with a value of less than \$25,000 will be charged a minimum fee of \$250/year.