



Contribution Guidelines for Illiquid Assets

Fundholders may contribute a range of assets to a fund at the Community Foundation of New Jersey (CFNJ). We ask several evaluation questions in due diligence, especially for gifts of privately held business interests. To start the process, CFNJ will likely request documentation related to the proposed asset.

These documents may include:

- Articles/Certificate of Incorporation or Certificate of Formation
- Bylaws
- Shareholder, operating, or partnership agreement
- Transfer agreement or Assignment of Interest (if required)
- K-1 statements (if applicable)
- Any other documents or agreements that will affect CFNJ's ownership such as voting rights, rights of first refusal, or co-sale agreements

Ownership

- Can CFNJ be the legal owner of the asset?
- Are there any restrictions on transferability or any holding period restrictions?

Risk and Cost

- Is the asset or the company subject to any claims, liabilities, or encumbrances outside of the ordinary course of business?
- Is there unrelated business income that would pass through to CFNJ (either from an active business or debt financed assets in the company)?
- What percentage interest does the client own in the company?
- Are there carrying costs or potential capital calls?

Gifts of illiquid assets require special attention but can be excellent sources of philanthropic capital. CFNJ can help donors develop the best possible giving strategy.

Liquidity

- What is the exit strategy (e.g., corporate redemption, shareholder buyback, third-party sale)?
- Is there a buyer interested in purchasing the asset?
- Has anything been signed in connection with an anticipated sale?

Other Considerations

CONTRIBUTION DETAILS – We need to know the approximate value and number of shares or percentage interest being contributed, when the donor expects the transfer to occur, and whether the gift consists of voting or non-voting shares/interests.

HOLDING PERIOD – CFNJ, at its discretion, may be able to hold an illiquid asset prior to sale for a period of time. The length is determined by such factors as market conditions and liquidity restrictions. During the holding period, donors may be asked to cover all carrying costs, including taxes, if applicable. The IRS has imposed certain limitations on the holding period.

APPRAISAL – The IRS requires that the donor obtain a qualified appraisal of the contributed asset to substantiate the value claimed for tax purposes. The appraisal must provide a value for the asset as of the date of the contribution, and may be obtained any time up until the donor files their annual tax return, though no earlier than 60 days prior to the gift. If a donor fails to obtain an appraisal, the IRS may disallow the tax deduction.

LIQUIDITY – A DAF account may be required to have sufficient liquidity to satisfy grants and fees, including but not limited to the Charitable Administrative Fee.

Fees

CFNJ does not charge a gift processing fee to cover its costs incurred in connection with accepting most assets.

Contribution Minimums

Gifts of privately held business interests are one of many types of illiquid assets CFNJ can accept as a contribution, and we may have contribution minimums for several types of assets.

Please contact us at **973.267.5533** to discuss details.

Examples of Illiquid Assets

Here are some examples of the types of assets we accept:

- Real estate (residential and commercial)
- Tangible personal property (artwork and collectibles)
- Alternative investments (hedge fund and private equity)
- Structured notes
- Privately held business interests
- Restricted stock

Get Started

Gifts of illiquid assets require special attention but can be excellent sources of philanthropic capital. CFNJ can help donors develop the best possible giving strategy. To learn more about how CFNJ can assist with charitable contributions of illiquid assets, contact Amanda Kwai Pun at akwaipun@cfnj.org or Hans Dekker at hdekker@cfnj.org. We look forward to helping you fulfill your philanthropic goals.

CFNJ does not provide legal or tax advice. The information provided in this document does not, and is not intended to, constitute legal or tax advice; instead, all information contained herein is for general informational and educational purposes only. Donors should contact their attorney or professional tax advisors to obtain advice with respect to their individual tax circumstances or any other legal or tax matter.