



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.

Donating Illiquid or Non-Publicly Traded 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)?
- Are there carrying costs or potential capital calls?

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.

Examples of Illiquid Assets

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

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

Fundholders can also expand the boundaries of giving and unlock the full potential of non-publicly traded assets.

These include:

- **Real estate (residential and commercial)**
- **LLC interests**
- **Digital currency cryptocurrencies**

Non-Publicly Traded Assets

Gifts of LLC interests can entitle the donor to a tax deduction of the fair market value of the asset — not its cost basis, which may be low — and without counting the appreciation as income.

CFNJ will work with you and your advisors to determine the most advantageous approach. Many donors like devoting dollars that would otherwise go toward capital gains taxes to be donated to charity instead.

When we accept a donation of a business interest, we will work with the business owner to determine the best avenue and timing for ultimately liquidating the asset.

A gift of real estate to the Community Foundation can also give rise to a substantial charitable deduction, as you are able to deduct the full market value. When making a similar gift to a private foundation, you may only deduct your basis. There are many ways to gift real estate, depending on your financial and charitable goals. In addition, we can accept gifts in what are known as cryptocurrencies such as bitcoins. CFNJ will accept the gift and, at some point, convert it to U.S. dollars. The deduction works in a similar fashion to appreciated stock.

Comparison

To illustrate an example, let's assume that you have appreciated shares in a private company. If you would like to deploy the value of those shares toward charity, you could sell the shares and donate the proceeds or donate the shares directly.

The option you choose will have a direct impact on the causes you wish to support, as well as your own bottom line (see the chart on the right).

	Sell the shares and donate the proceeds	Donate the shares directly
Asset value	\$1,000,000	\$1,000,000
Capital gains	\$950,000	\$950,000
Taxes paid	\$226,100	\$0
Gift to charity	\$773,900	\$1,000,000
Charitable deduction*	\$773,900	\$900,000
Donor tax savings	\$80,364	\$356,400

* Subject to AGI limits

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.