



# Illiquid Asset Contribution Guidelines

Donors may contribute a wide range of assets to their NPT Donor-Advised Fund (DAF). Complex and illiquid assets are unique, and they require individual due diligence evaluation. NPT's charitable experts are on hand to assist donors and their advisors through every step of the contribution.

## Key Considerations for a Successful Contribution

NPT asks a number of evaluation questions in its due diligence, especially for gifts of privately held business interests. To start the process, the donor provides documentation related to the asset for NPT's review, which may include:

- Articles/Certificate of Incorporation or Certificate of Formation
- Bylaws
- Shareholder, operating or partnership agreement
- Transfer agreement or Assignment of Interest (if required by the company to transfer the interest)
- Audited financial statements for 2-3 most recently completed tax years
- Recent company appraisal
- K-1 statements (if applicable)
- Organizational chart (of affiliated entities)
- Any other documents or agreements that will affect NPT's ownership such as voting rights, rights of first refusal or co-sale agreements

Some of the most common discovery questions may include:

### OWNERSHIP

- Can NPT 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 NPT (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?

### 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.** NPT needs 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 nonvoting shares/interests.

**Holding period.** NPT, at its discretion, may be able to hold an illiquid asset prior to sale for a period of time, the length of which is determined by factors including market conditions and liquidity restrictions. During the holding period, donors are asked to cover all carrying costs, including taxes, if applicable.

**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 is required to have sufficient liquidity to satisfy grants and fees, including but not limited to the Charitable Administrative Fee.

**Minimum Account Activity Policy.** NPT requires that each DAF account grants on a regular basis. At a minimum we require a grant of at least \$250 every three years. If a grant is not recommended, NPT will make a grant to the NPT Giving Fund.

## FEES

NPT charges a gift processing fee to cover its costs incurred in connection with accepting the asset. The size of the gift processing fee depends on the level of due diligence required. NPT will provide donors with a good faith estimate of the fee prior to incurring any costs. Additional costs may be incurred in connection with the liquidation of the contributed asset. The gift processing fee, and any additional liquidation costs, generally will be deducted from the balance of the donor-advised fund. However, NPT, at its discretion, may request that donors make a contribution to their donor-advised fund to cover these due diligence expenses in advance.

NPT also charges an ongoing charitable administrative fee to the DAF account after the gift is completed.

## CONTRIBUTION MINIMUMS

Gifts of privately held business interests are one of many types of illiquid assets NPT can accept as a contribution. The below table shows NPT's established contribution minimums for several types of assets NPT may accept.

TYPE OF ASSET	CONTRIBUTION MINIMUM
Real estate (residential and commercial)	\$2,000,000
Alternative investments (hedge fund and private equity)	\$1,000,000
Privately held business interests	\$500,000
Tangible personal property (artwork and collectibles)	\$250,000
Structured notes	\$250,000
Restricted stock (including Rule 144/145)	\$25,000
Cryptocurrency	\$25,000

## Get Started

*Gifts of illiquid assets require special attention but can be excellent sources of philanthropic capital. NPT can help donors develop the best possible giving strategy. To learn more about how NPT can assist with charitable contributions of illiquid assets, contact us at [ubsdaf@nptrust.org](mailto:ubsdaf@nptrust.org) or (877) 277-3191. We look forward to helping you fulfill your philanthropic goals.*

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