



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 giving experts are on hand to assist donors and their advisors through every step of the contribution.

Key Considerations for a Successful Contribution

In connection with its due diligence process, NPT will ask a number of questions for purposes of evaluating a gift opportunity, 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 3 most recent 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 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 and what percentage interest will NPT own after the gift?
- 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 and subject to NPT's Investment Policy Guidelines, 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, the DAF must have sufficient (liquid) assets to cover all carrying costs, including taxes, if applicable. Illiquid assets held are required to provide either independent valuations or audited statements annually.

Other Considerations (continued)

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.

ONGOING VALUATION. NPT requires ongoing valuation support for any non-publicly traded asset held as of June 30th of each year (NPT's fiscal year end). For investments in private companies (including private investment funds), NPT must receive audited financial statements no later than 120 days after the end of the issuer's fiscal year. In addition, if such financial statements are dated other than as of June 30th, NPT will require unaudited financial statements as of June 30th delivered by August 30th of each year. If financial statements are unavailable or not provided in a timely manner, NPT may, in its sole discretion, obtain an independent valuation of the asset, the cost of which will be deducted from the balance of assets held in the DAF.

LIQUIDITY. A DAF account is required to have sufficient liquidity to satisfy carrying costs, grants and fees, including but not limited to the Charitable Administrative Fee and any due diligence fees. The amount of liquidity is determined by NPT, in its sole discretion.

GIFT PROCESSING DUE DILIGENCE. NPT performs due diligence on all illiquid gifts prior to making a decision to accept the gift. NPT passes on to the DAF its costs incurred in connection with evaluating the asset. These costs will be incurred by the DAF whether or not NPT is able to accept the asset. The gift processing costs will depend on the level of due diligence required. NPT will provide donors with a good faith estimate of such costs prior to incurring them. Additional costs may be incurred in connection with NPT's holding and administration of the contributed asset, as well as in connection with the liquidation of the asset. The gift processing costs, and any additional administration and/or liquidation costs, generally will be deducted from the balance of the DAF. Donors will need to make a charitable contribution to their DAF to cover the due diligence expenses in advance of due diligence and gift processing.

NPT charges an ongoing charitable administrative fee to the DAF account, as described in *A Guide to Your Donor-Advised Fund*.

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 (S-corporations, C-corporations, LLCs and partnerships)	\$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

* These also represent investment minimums for Segregated Accounts.

** **Please Note:** For Structured Notes that NPT will sell upon receipt, NPT may waive the \$250,000 contribution minimum.

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 npt@nptrust.org or (888) 878-7900. We look forward to helping you fulfill your philanthropic goals.

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