

Frequently Asked Questions about Customized Donations / Investments

Does FJC allow donation of private equity fund interests or units to FJC? What about recommending investments in PE funds or hedge funds, using cash or proceeds from stocks and marketable securities?

Yes to all. We welcome donors that have creative approaches to increase the scale of their charitable giving.

Gifts of illiquid or non-traditional assets must be reviewed by FJC's Gift Acceptance Committee, which typically occurs within a few days of receiving sufficient due diligence information. Certain gifts may require an additional review by FJC's Investment Committee, if the asset is an interest in a business or an alternative investment.

Likewise, FJC welcomes recommendations from donors that wish to invest in products that go beyond our core investment menu of low-cost mutual funds. This opportunity to "order off the menu" is available with donors with larger accounts (generally over \$1 million). FJC has approved investments in: hedge funds, private equity funds, alternative investments, and mission-investments that blend both impact and market-rate returns.

What does FJC require as part of its due diligence process when considering these transactions?

FJC's mission is to increase charitable giving. Staff and board share a commitment to making sure that asset donations will ultimately result in benefits to nonprofit organizations. This means we want an understanding of how these investments will become liquid over time to allow for grantmaking, and that we have a reasonable expectation that the investments will perform well. These goals are in keeping with our fiduciary duty as a nonprofit.

In considering illiquid asset donations and alternative investments, FJC staff will review legal agreements and corporate structure, valuation, financial statements, donor disclosures confirming no personal benefit, and other due diligence items.

Due diligence items typically include:

1. Subscription Agreement
2. Operating Agreement (LP/LLC Agreement)



3. PPM/COM
4. Last 3 years of audited financial statements
5. Most recent DDQ/ADV
6. Most recent reporting of fund performance.

We view it favorably when donors invest their personal wealth in the same products that they are donating or recommending their DAF account to invest in. This demonstrates “skin in the game” – that the donor is confident enough in the performance of the asset to invest alongside FJC.

Wherever possible, FJC looks to invest in the offshore fund options to avoid unrelated business income taxes. If an offshore fund option is not available, FJC may consider restricting a portion of liquid assets within the donor advised fund account to cover potential future tax liabilities.

Does FJC provide tax receipts for these donations? How are they valued for tax purposes?

FJC will provide a tax receipt to the donor that will describe the asset being donated, for example “Donor contributed [X#] of limited partnership interests in [name of fund or privately held company].” FJC does not provide third-party valuation services, so the donor will need to consult their tax advisor or other expertise to determine what dollar value of tax deduction to report to the IRS. In some cases, FJC may require the donor to submit an appraisal of the asset or investment as part of our due diligence process prior to donation. Additionally, in some cases, the donor may be required by the IRS to obtain a professional appraisal of the asset for tax deduction purposes.

Is there a minimum size of account that can request such donations? Minimum size of investment?

FJC will entertain recommendations to customize investments from donors with accounts generally larger than \$1 million. In considering the size of a donation or customized investment, FJC will attempt to ascertain the additional administrative work and expense involved in executing the transaction and monitoring the investment over the long term, including managing capital calls, accounting and tax compliance, valuation, and sufficient DAF liquidity. We will also consider any one donation or



investment in the context of the donor's (and sometimes wealth advisor's) broader relationship with FJC.

How does FJC determine liquidity requirements for these accounts? How does FJC deal with capital calls?

FJC requires that donors fund their DAFs with sufficient liquidity to cover donor grant-making, FJC fees, capital calls and potential unrelated business taxes. The required liquidity balance may reside in any combination of cash and marketable securities. To the extent the liquidity balance is earmarked for capital commitments or estimated tax liability, that balance will be excluded from the donor's balance available to recommend grants.

How does FJC guard against private inurement?

It is not uncommon for a donor to recommend an investment or donate an illiquid asset where the donor has a relationship that may result in compensation to the donor. Each situation is unique and at our investment committee's discretion to approve or reject. When these situations exist, we recommend that the donor negotiate a side agreement that will exempt FJC from fees or transactions that will benefit the donor.

Frequently Asked Questions About FJC's Online Portal

How often is the fair value of my client's DAF account updated?

DAF accounts that are solely invested in publicly traded investments will reflect the prior trading day's closing price. If a portion of the DAF account is invested in illiquid assets, those values may not be updated as frequently. These assets may be updated monthly, quarterly or even annually depending upon how accessible the information is available to FJC, so the total account balance will reflect those timing delays.

My client says they see a discrepancy between the FJC balance reflected in our custodian portal and the balance in FJC's portal. Why is there a discrepancy and which one is correct?

We recommend that clients refer to their DAF balance as reflected in the FJC portal rather than the balance shown in the custodied brokerage account. The FJC portal provides the most complete and accurate view of the fund.



FJC maintains an internal general fund that facilitates liquidity management across funds. When a DAF holder requests a grant, for example, our system processes an internal exchange in which the DAF account's investment holdings are exchanged with the general fund for the cash required to fulfill the grant. This internal transfer of ownership ensures that sufficient liquidity is available without necessarily requiring immediate external trade at the custodian level.

For that reason, temporary differences can arise between the brokerage account balance and the balance shown in the FJC portal. The FJC portal reflects the official fund balance, inclusive of all activity, internal adjustments, and pending transactions.

Why is there a difference in FJC's portal between my client's "Total DAF Balance" and "Available Balance"?

The "Available Balance" is the portion of the account that is available for grantmaking. When there is a difference between the two, it is a result of pending grants, illiquid assets, or balances earmarked for future capital commitments or tax liabilities.

We Welcome Additional Questions

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