

# STEPS TO DONATING CLOSELY HELD BUSINESS INTERESTS

**As a business owner, does your exit strategy involve charitable giving? Including giving in your exit strategy can help mitigate your tax liability and benefit your community. If you are interested in making a closely held business interest gift to create or add to a fund at the Community Foundation of Broward, here are the steps you will take.**



## 1 BEFORE YOU MAKE THE GIFT

- Confirm the transferability of the business interest to charity.
- Consult with your tax advisor about:
  - gift timing
  - potential tax savings and possible charitable deduction
  - a pre-sale business interest gift versus a post-sale cash or publicly traded securities gift
- Discuss the potential gift and exit strategy with the Community Foundation
- Complete a short donation form: Application To Donate A Closely Held Business Interest
- Send the following documents to the Community Foundation for review. *The Community Foundation can sign a non-disclosure agreement if requested.*
  - Governing documents: Articles of Incorporation, Certificate of LP Formation, or LLC Articles of Organization
  - Stock certificate – copy of front and back (if applicable)
  - Bylaws and shareholders/LLC Operating or LP agreement including amendments or restatements.
  - First Right of Refusal, Co-Sale Agreements, etc. (if applicable)
  - Stock, Unit, or Partnership certificate (copy of front and back) (if applicable)
  - Recent valuations/appraisals, such as a 409A to provide an estimate of value
  - Two most recent K-1 forms
  - Two most recent Federal tax returns
  - Recent Financials: Balance sheet; Income (profits/loss) statement; cash flow statement
  - Current debt/liabilities documentation or statement
  - Draft transaction documents, e.g. LOI (if any)
- Arrange conversation with President/CEO of business and Community Foundation representatives to provide outlook and future issues.
- Select a qualified appraiser to prepare your gift appraisal. (not required prior to making the gift).

## 2 STEPS TO MAKE THE GIFT

- Complete Community Foundation of Broward Fund Agreement if you don't currently have a charitable Fund with us.
- Review and sign the Community Foundation's gift agreement (separate from Fund Agreement).
- Work with your counsel to prepare transfer documents and necessary consents for the Community Foundation to review and sign.
- Transfer cash or marketable securities to your fund to cover the Community Foundation's one-time transaction fee (if applicable) and fund mission support contribution.

## 3 AFTER YOU MAKE THE GIFT

- Retain the tax receipt provided by the Community Foundation
- Obtain a qualified appraisal for your gift if you haven't already done so. Ensure the appraisal meets IRS requirements.
- Send a copy of your qualified appraisal to the Community Foundation, ideally by January 31 of the year following your gift. If your gift is not liquidated and is held for longer than one year we may need to obtain subsequent appraisals. Costs for subsequent appraisals will be charged to your fund or an additional contribution may be requested.
- Prepare and send IRS Form 8283 to the Community Foundation for signature. You and your qualified appraiser will sign the form prior to sending.
- Notify the business of the Community Foundation's ownership and confirm the Community Foundation will receive distributions and tax documents.
- Notify the Community Foundation of any ownership changes to ensure we abide by IRS rules regarding excess business holdings.
- Ensure there is sufficient liquidity in your fund to cover any fees, taxes, capital calls and other expenses related to the Community Foundation's ownership of the business interest.

## 4 LIQUIDATING THE BUSINESS INTEREST FOR CHARITABLE DOLLARS

Our Philanthropic Services team's priority is to maximize the charitable dollars in your fund for charitable granting. Although the Community Foundation legally owns the business interest, our team will work with you on the timing and liquidation of the interest.

- Notify the Community Foundation of a potential third-party sale or company redemption. Provide any purchase agreement and consents that the Community Foundation will need to review and sign.
- Provide the Community Foundation with:
  - A copy of the final executed purchase agreement
  - Details regarding the distribution schedule for sale proceeds
  - Final tax documents (e.g. K-1)
  - Confirmation of the dissolution of the business, if there is an asset sale
- Use your donor advised fund to support charitable causes on your timeline and/or other charitable funds to provide annual support according to your Fund Agreement.

The Community Foundation of Broward does not provide tax, legal or accounting advice. This is for information purposes only.

## QUESTIONS?

Contact Mark Kotler, Senior Director Philanthropic Services at  
[mkotler@cfbroward.org](mailto:mkotler@cfbroward.org) or 954-761-9503



**954-761-9503 | [www.cfbroward.org](http://www.cfbroward.org)**