The International Family Offices Journal

Editor: Nicola Saccardo

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The International Family Offices Journal

Contents

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Welcome to the 28th issue of The International Family Offices Journal!

Nicola Saccardo

Welcome to the latest issue of *The International Family Offices Journal*. This issue includes contributions from an array of contributors on an equally varied number of topics; this reminds me of the depth and breadth of expertise of those working with family offices. I hope you will find the issue interesting (maybe even a good summer holiday read!).

The issue opens with observations from Anna Steward of Sequent on how to build a prosperous relationship between trustees and family offices. She notes that while a family office and trustees may well be pulling in the same direction, the roles are specialised and separate. She highlights a number of ways that a family office might engage with running a trust day-to-day.

Anna touches on the role of private trust companies in her article. This is also the focus of Todd D Mayo from UBS. Todd examines the strengths and weaknesses of a private trust company model before going on to explore possible structures and suitable jurisdictions for private trust companies – an excellent resource for those wishing to understand more about these popular trustee arrangements.

David Whittaker of Mishcon de Reya focuses on the importance of confidentiality for ultra-high-net-worth individuals. He notes that information confidentiality has been subject to fundamental legislative changes over the last 10 or so years. These changes have brought into question our traditional ideas about information privacy, including the differences between state and public disclosure. He covers the Common Reporting Standard but also the United Kingdom's Trust Registration Service, Register of Overseas Entities and Persons with Significant Control Register.

> *I hope you will find the issue interesting (maybe even a good summer holiday read!).*

Tsitsi M Mutendi then looks at modern families and cultural diversification. She highlights the huge variety in the modern families that family office professionals now serve using a case study. Tsitsi's article highlights how family dynamics and relationships need as much care and consideration as legal and tax planning.

After a challenging few years globally, family therapist Dr Paul Hokemeyer introduces issues we should consider which relate to behavioural health challenges of the families we support. This includes issues relating to poor mental health and its consequences, including a case study to better understand its impact.

How family offices might support the individuals they serve when considering the bigger questions of life is then discussed by Jim Coutré of Fidelity. He looks at how a family office can bring what matters most to those it serves to the forefront of its work.

Philanthropy continues as a theme in this issue. David Werdiger writes on finding balance in wealthy families. David observes that when one's time does not need to be spent in the active pursuit of income, the choice of how to spend that time becomes even more important. He discusses the spectrum of for profit/non-profit work and how individuals find the right mix to suit them and their families. Mary Elizabeth Klein then explores the use of private philanthropic foundations, exploring best practices, stewardship principles and trends within them.

In their article Sarah Kelly, Stacey Fletcher and Henry Brandts-Giesen outline important employment issues relating to family offices in this useful review of the relevant considerations in this area. A "must read" for family office principals and those in human resources.

The penultimate piece is a review of the new publication by Mark Somers entitled *Family Office Fundamentals: Human Capital Matters*. Dennis Jaffe outlines this new title together with other publications he considers important if you want to set-up or are part of a family office.

Liam Bailey of Knight Frank then shares his insights into the global property investment and luxury goods market after a turbulent 2022. His article notes the desire for families to be increasingly mobile, the competition to attract “footloose wealth” via a range of alternative visa schemes and what impact that is having.

Finally, in the usual way, we finish with a selection from the STEP News Digest which may be of interest to those working in the family office sector.

Effective implementation of a family's philanthropic mission through charity

Mary Elizabeth Klein

The proper aim of giving is to put the recipient in a state where he no longer needs our gift. It must work toward its own abdication. We must aim at making ourselves superfluous. The hour when we can say "They need me no longer" should be our reward.
CS Lewis, *The Four Loves*

Introduction

Charity[1] is undergoing a transformation evidenced by the magnitude of foundation assets exceeding $1.5 trillion, with 60% primarily concentrated in the United States and 37% in Europe. Institutional philanthropy[2] has a global reach with more than 260,000 foundations in 39 countries. Rapid economic growth and the significant increase in private wealth accumulation, persistent economic and social inequalities, and government and private initiatives to support philanthropic institutions and giving are major factors contributing to this trend.[3] Worldwide disasters such as the pandemic, cost-of-living crises, and war have highlighted how dependent society is on the contribution of civil society and spirit, and the extent to which such external factors have a long-term impact on the charity sector.[4] Against this backdrop, families who decide to embark on a philanthropic mission to alleviate these and other problems in the world need to devise appropriate strategies in concert with their trusted advisers.

Summary

This article explores the best practices, stewardship principles and trends which philanthropic families and individuals need to understand and implement so that their legacies endure generationally and accomplish the desired wealth preservation goals. Success is dependent upon a well-articulated vision, core values based on integrity and nurturing trusted relationships.

In the United States, private foundations[5] are considered the optimal giving vehicles for those seeking to maximise impact and flexibility for their philanthropy. Although well-known philanthropists are hallmarked for their sizeable donations in the billions, over 90% of US-based private foundations have assets less than $10 million, and just 2% have assets greater than $50 million.[6] Even foundations with less than $10 million can be effective, as evidenced by some cultural philanthropies referenced in this article. Globally, over 90% of individual philanthropies have reported assets of less than $10 million, and nearly 50% reported assets of less than $1 million.[7]

Private foundations as optimal vehicles for family philanthropy

Families may execute their philanthropic mission in several ways. For example:

- chequebook philanthropists provide critical unrestricted support for nonprofit organisations;
- responsive funders solicit proposals from active organisations who serve areas of particular interest;
- venture philanthropists strengthen nonprofits for scale-up and sustainability; and
- mission-aligned families partner with each other for collective impact.

Families interested in building long-term, multigenerational legacies that benefit society, many of whom may engage in one or more of the above-described approaches, often decide to start a private foundation as the central hub of their philanthropic activities.

In the United States, private foundations are charitable vehicles used by many funders due to the beneficial features of control and flexibility, and for tax planning. More than any other charitable giving vehicle, foundations are equipped with a powerful and versatile philanthropic toolkit for creatively solving problems and effective change.[8] An individual can create a foundation qualified for tax exemption and be its sole trustee or director, retaining absolute control. Oftentimes, a donor and his or her family members comprise the governing board of a private foundation. However, US law limits the ability of insiders (or what the Internal Revenue Code calls "disqualified persons") from transacting with a foundation or its assets. Private non-operating foundations are common for families who wish to design impactful philanthropic grantmaking strategies. On the other hand, private operating foundations are less common. Private operating foundations actively run their own charitable programmes or services. While they are not as common, families who are interested in more hands-on philanthropy use them to operate cultural institutions (such as museums and libraries), *Philanthropists seeking a simpler alternative to running a private foundation may find donor advised funds (DAFs) to be appealing.*

establish and run research facilities, or foster grass-roots charitable efforts such as animal rescues or community food pantries and housing solutions.

For many families, the private foundation also serves income and estate tax planning goals. Marketable securities that have appreciated in value can be contributed to the foundation, and the contributor may claim a charitable contribution deduction based on the full fair market value of the stock. The foundation can retain the stock or sell it to raise cash or to diversify its portfolio. Because it is a tax-exempt entity, realised capital gains are generally not taxed as income, which allows foundations to continue to compound their principal endowment base. Indeed, it is not unusual for private non-operating foundations to plan and budget their charitable grantmaking and expenditures from investment income in an effort to preserve the principal and invest it for continued growth.[9] Families will also include their foundations as a beneficiary of their estates at death to mitigate estate and inheritance taxation, while continuing the family's philanthropic legacy.

Private foundations can be complex to set up, operate and maintain.[10] Because private foundations enjoy tax-exempt status, and are controlled by individuals and, often, their families, they are subject to anti-abuse provisions. The US tax law imposes stricter operating restrictions in the form of excise taxes for compliance failures. Provisions of the tax code regulate 'self-dealing' by insiders through a framework of punitive excise taxes and correction requirements, with narrow exceptions.[11] Private foundations are also required to distribute 5% of noncharitable assets (a minimum required distribution (MRD)), and suffer significant tax penalties for shortfalls and violations.[12] The MRD rules essentially force foundations to carry out a minimum level of philanthropic activity that justifies the foundation's tax-exempt status. Under the excess business holdings rules, private foundations are prohibited from owning more than a 20% interest in a business, and are subject to tax penalties if they have a more significant ownership interest. There are also rules and regulations concerning jeopardising investments and unrelated business taxable income, among others. In addition, there are often state law compliance requirements. Consequently, private foundation administration may feel onerous to many philanthropists with straightforward goals.

Philanthropists seeking a simpler alternative to running a private foundation may find donor advised funds (DAFs) to be appealing. A DAF is considered a public charity in the United States, and many are administered by community foundations, or as special programmes run by financial institutions. Being characterised as a public charity, a contribution to a DAF generally has a higher tax deductibility limit as compared with a contribution to a private nonoperating foundation. DAFs are and have become increasingly popular for families who have charitable grantmaking intentions but are leery of the administrative burdens of running a private nonoperating foundation. The administrative responsibilities and compliance tasks are shifted to the entity running the DAF programme (ie, the community foundation or financial institution). Also, unlike private foundations whose activities are disclosed on information returns that are publicly searchable, the activities of a DAF are not published. This is attractive for many wealthy families and family offices who are concerned about privacy and information security. Naturally, there are tradeoffs in choosing to carry out philanthropic activity through a DAF versus a private nonoperating foundation, but for many, it is a viable choice.

Running a philanthropy is similar in many ways to running a for-profit enterprise. Both require a compelling mission and vision, effective implementation, sturdy governance, as well as ongoing engagement from stakeholders, including board members, strategic partners and beneficiaries. Further, to ensure that a philanthropy's mission remains relevant, foundation boards should ideally be aware, flexible and willing to embrace change.[13]

Foundation investment and giving trends

According to the most recent publicly available information, there are almost 100,000 foundations in the United States.

US-based private, non-operating foundations

Asset size	Number of foundations	Percentage of total
Less than $1 million	62,599	62.9%
$1 million – $10 million	28,566	28.7%
$10 million – $50 million	6,316	6.3%
$50 million or more	2,097	2.1%
Total	99,578	100.0%

A recent study by Foundation Source of 948 private and family foundations[14] with assets between $1 million and $500 million revealed that the foundations surveyed collectively made grants totalling $689 million in 2021, an increase of $40 million from 2020. While larger foundations increased their giving by nearly 21% in 2021, smaller foundations ($1 million to $10 million in assets) gave more, relative to their asset size, distributing 8.9% of their total assets (down slightly from 9.1% in 2020), and nearly double the 5% MRD.[15]

In a 2022 study, small foundations showed the highest contributions of new assets, and realised the highest gain in assets, adding 15.6% in net value. Small foundations also exceeded the minimum distribution requirement of 5% by the highest margin.[16]

Smaller foundations disburse a larger percentage of their assets in grants and expenses and therefore require more liquidity to fund their activities.

Managers of a private foundation have a fiduciary responsibility to safeguard foundation assets on behalf of the charitable constituents. Although they are subject to jeopardising investment regulations under the tax code, US foundation managers have a good deal of latitude to exercise investment discretion. They are held to the prudent investor standard, which means they must exercise "ordinary business care and prudence, at the time the investment was made, in providing for the short-term and long-term financial

Foundations distinctions by size – estimated growth and giving trends in 2021

Giving	Contributions of new assets rate	Asset allocation	Average distribution ratio of assets
Large ($50 – $500 million)			
Increased nearly 21%	Increased 5.7%	Large foundations maintained an asset allocation to equities of 47.1% and devoted 23.5% of their portfolios to alternatives. The fixed income allocation was 13.5%.	7.1%
Mid-size ($10 – $50 million)			
Decreased nearly 7%	Increased 5.1%	Mid-size foundations maintained an asset allocation to equities of 56.8% and devoted 13.4% of their portfolios to alternatives. The fixed income allocation was 12.6%.	6.4%
Small $1 – $10 million)			
Decreased 2%	Increased 9.9%	Small foundations had the largest allocation to equities and cash holdings at 73.5%, and the lowest allocation to alternative assets at 4.6%. The fixed-income allocation was 15.7%.	8.9%

needs of the foundation in connection with the conduct of its charitable programs".[17]

Investments and enterprise risk for foundations
From an investment perspective, equities have consistently represented the largest share of private foundation endowment portfolios.[18] Programme-related investments (PRIs) and mission-related investments (MRIs) are additional tools that can be used by a private foundation to further its mission in ways that are complementary to its traditional grantmaking strategy.

A PRI, which originated as part of the US tax code in 1969, is an investment such as a loan, equity investment or financial guarantee made by a foundation to pursue its charitable mission rather than to generate income. PRIs can be counted to meet the 5% MRD. Despite the tax advantages and ability to help mission-aligned organisations access capital on potentially advantageous terms, only 2% of US foundations use PRIs. Key barriers are a lack of understanding of PRIs, the requisite skillset to perform financial and legal due diligence and analysis, and difficulty in measuring the success of PRI outcomes.[19]

An MRI, also known as an 'impact' or 'socially responsible investment' is essentially a financial investment which offers both a return and opportunity for alignment with ethical guidelines.

A 2013 investigation by *The Washington Post* found that over a four-year period, more than 1,000 major US non-profit organisations had suffered a "significant diversion" of assets from internal wrongdoing.[20] Internal controls are therefore extremely important. Also, effective enterprise risk management (ERM) systems can help fiduciaries to safeguard assets and preserve principal by driving risk-awareness and dynamic responsiveness principles into a foundation's organisational culture.

Rather than view risk negatively, foundation managers are considering how risk can be a valuable resource to be embraced, optimised and budgeted. Over the long term, a foundation can be rewarded for taking the right amount and types of risk.[21] An effective risk management strategy needs to acknowledge the realities of the prevailing economic and philanthropic environment. A comprehensive strategy should:[22]

- define 'risk' in a way that acknowledges continuing uncertainty;
- allocate and budget for appropriate risk, while eliminating risks that exceed agreed upon levels;
- engage board leadership while deploying tools that monitor for risk on an automatic basis;
- seek to evaluate and balance risk, rather than define it as per se harmful to a philanthropy's mission; and
- manage risk holistically.

Boards are increasingly engaging with management to identify the types of risk facing the foundation, and assess exposure in areas such as investment allocation strategy, tax planning, philanthropic outreach, compliance practices and due diligence.

International giving and grantmaking considerations for US private foundations
Under US law, contributions from US taxpayers are not eligible for a charitable deduction if the donee organisation is not formed in the United States or recognised by the United States as charitable.[23] Many US charitable organisations that engage in cross-border grantmaking are public charities, not private foundations. (International foundations typically are foundations based outside the United States that make grants within their own countries and to non-US jurisdictions. The term 'international foundations' can also refer to foundations in any country that primarily engages in cross-border grantmaking.)

Because of the complexities of international grantmaking, many US private foundations with cross-border missions give overseas *indirectly* by partnering with a US-based 'Friends of' organisation that is well-suited to carry out due diligence and expenditure responsibilities that would otherwise be burdensome and costly for the private foundation. The 'Friends of' organisation serves as a conduit for the flow of funds to non-US-based philanthropies.[24]

Stewardship and best practices
Family philanthropy is sustainable over generations only when stewardship is one of the pillars of governance. Stewardship principles and practices can help family foundation boards and staff discuss issues

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before they arise and enable proactive policy and practice. Some helpful practices[25] may include:

- establishing a governing board comprised of dedicated and passionate members who are committed to the foundation's mission and who have authority to run the foundation ethically, effectively and efficiently and provide fiduciary and fiscal oversight;
- identifying a defined mission that is connected to a set of core values and principles;
- respecting nonprofit partners' missions and expertise;
- striving to build relationships based on candor, understanding and fairness;
- welcoming public or community interest;
- communicating openly;
- planning for family continuity and leadership succession; and
- honouring donor intent and later generations' interests while also considering the demands of an ever-changing world.

For consideration, the following is a list of innovations that have rapidly evolved during the last few years, due to the global pandemic and other world crises, and some illustrations of these practices in action.

Create partnerships based on shared values

When donors collaborate, more can be accomplished through shared experiences and networks. Individuals and family foundations collaborate to fund programmes organised by Carnegie Hall to make music education possible for families with young children aged zero through 12 integrating music and art to strengthen family bonds. Carnegie Hall's music

Innovation	Strategy	Actions
Create partnerships based on shared values.[26]	Overarching shared values based on integrity are essential to successful collaborations.	Achieve impact through broader versus individual philanthropic models.[27]
Engage in venture philanthropy and increase impact investing by leveraging next generation donors.	Given the 5% minimum grantmaking payout, maximise the vast amount not granted by making impact investments and expand the use of programme-related investments.	Make strategic for-profit mission-related investments and programme-related investments.
Incorporate trust-based philanthropy planning.	Enable charity recipients to ultimately become independent of the donor's financial gifts.	Develop trust-based values to guide philanthropic actions.
Direct more investment into local communities.	Empower localities economically to promote resilience and societal cohesiveness.	Focus on community initiatives that may have been overlooked.
Re-envision the philanthropic mission periodically.[28]	Consider re-envisioning the mission to ensure that it remains robust and relevant and use philanthropic dollars to support innovation and change.	Discuss and implement mission changes with investment, tax and legal advisers to align funding and compliance requirements.
Devise effective enterprise risk management systems.[29]	Risk management improves a foundation's (or any organisation's) resilience and expands its range of potential opportunities.	Secure approval from the board of directors and designate an executive or committee to be responsible for risk mitigation.
Accelerate the pace of giving.	Increase charitable giving rather postpone it during challenging and uncertain times.	Hold family discussions about the family legacy and fostering social impact now rather than later.

Modern philanthropy embraces a venture approach to charitable giving. Such 'venture philanthropy' is evidenced by charitable startups and benefit corporations often initiated by venture capitalists.

education and social impact programmes reach more than 800,000 people annually around the world, including schools, arts organisations, homeless shelters, correctional facilities, refugee camps and hospitals.

Engage in venture philanthropy and increase impact investing leveraging next generation donors

Modern philanthropy[30] embraces a venture approach to charitable giving. Such 'venture philanthropy' is evidenced by charitable startups and benefit corporations often initiated by venture capitalists.

Next generation philanthropists may have a different perspective regarding the objective of the family's philanthropy. Environmental, social and governance (ESG) investing is a form of sustainable investing that considers these elements to judge not only an investment's financial potential, but also its ability to achieve a trifecta positive bottom-line effect including social and environmental impact.

In a 2022 study, the momentum towards ESG investments continued to gain traction, with more than 25% of global investors surveyed saying ESG was central to their investment approach.[31]

Enabling the growth of economic sectors such as alternative energy, life sciences and biotechnology, and infrastructure, through companies with strong governance practices, can lead to reaping positive investment results, improving people's lives, and driving social change.

The Patagonia Purpose Trust is an example of a unique solution and structure implemented by Yvon Choinard, the founder of clothing-maker Patagonia, to satisfy family legacy planning and make a real-time positive impact on society in the areas of worker well-being and climate action. The voting stock of this $3 billion company (representing 2% of the value of the company) and nonvoting stock (representing 98% of the value of the company and which receives annual profits of the company worth $100 million) was transferred to a private foundation.[32]

Incorporate trust-based philanthropy planning[33]

Trust-based philanthropy focuses on the development of trust-based core values, and integrates four key dimensions of a grantmaking organisation's work: culture, structures, leadership, and practices. Examples of this approach include sharing power with those closer to the issues, being accountable, and partnering in a spirit of service. As evidence of this movement, philanthropist, MacKenzie Scott, recently announced that her donations since 2019 have totalled more than $14 billion and helped to fund approximately 1,600 nonprofit organisations. She has targeted a wide spectrum of causes without a formal application process and apparently no strings attached.[34]

Support investment into local communities

Settlement Music School was founded in 1908 by Jeanette Selig Frank and Blanche Wolf Kohn as the music programme of the College Settlement in the Southwark section of Philadelphia, US. In 1917, Mary Louise Curtis Bok made a $150,000 gift to the school to support music education. Although founded primarily for the benefit of school-aged children, Settlement developed a conservatory division offering pre-professional training that was of sufficient stature to serve as the nucleus of the Curtis Institute of Music, established in 1924. The music programme grew rapidly, from volunteers offering piano lessons for a nickel to a full programme of instruction in all musical instruments taught by professionals, including several members of the Philadelphia Orchestra. During the past century, alumni have gone on to prestigious careers in music, dance, education, politics, science and become Nobel Laureates, MacArthur Fellows, Pulitzer Prize winners, Fulbright scholars, published authors and Grammy Award winners.[35]

The DiMenna Center for Classical Music opened in 2011 and is New York City's only acoustically optimised rehearsal and recording space dedicated to classical music. Owned and operated by Orchestra of St Luke's, thousands of musicians and hundreds of ensembles from around the world bring classical music to free community events. The DiMenna Center for Classical Music was funded by Joseph DiMenna with a $5 million donation.[36]

Re-envision philanthropic mission

During the pandemic, New York's Lincoln Center completed the fundraising for the $550 million David

Geffen Hall project, to create one of the world's most extraordinary performance spaces. In its desire to stretch beyond its 'high society' foundations, Lincoln Center underwent a physical and ideological redesign. The concert hall was gutted to improve acoustics and bring audience seating closer to the performers. When performances are scheduled, passersby without concert tickets can watch performances on a 50-foot video screen simulcast.[37] By building through the pandemic forces, the project created over 6,000 jobs, and over half-a-billion dollars of economic activity. Of particular note, 40% of contracts for the project were with minority and women-led business enterprises, and over 50% of the workforce were from diverse backgrounds.

Summary and conclusion

There are many different approaches which can be used to execute a family's philanthropic mission through charity depending on the amount of time, interest and resources available. The strategy should be flexible, cohesive and factor in the constituents' philanthropic areas of preference. Leveraging familial relationships and their external networks based on shared values and vision are important factors contributing to success. Trusted advisers must be part of the journey to support a robust enterprise risk management investment strategy and develop a strong governance system.

By implementing well thought out and devised philanthropic strategies, families can develop and execute long-standing giving structures such as foundations, which will result in the creation of meaningful family legacies, preserve generational wealth, and enhance family relationships through a common purpose. This type of family philanthropy can be "a unifying and ennobling odyssey for families with the means and the determination to make a difference in the world around them".[38]

I would like to thank Susan Brady, chief development officer, Carnegie Hall; Jessica Donahue, senior managing director, Foundation Source; Jacqueline Duval, partner, K&L Gates; William Kennedy, co-founder, chief executive officer and chief investment officer, RiskBridge Advisors; and Elizabeth Nam, managing director, head of JP Morgan Family Dynamics, for their invaluable contributions regarding the complex world of foundations and non-profit organisations, which is a broad area intersecting many areas such as family wealth and investment management, tax law, social equity planning, and arts cultural philanthropy.

Mary Elizabeth Klein currently serves as chief operations and financial officer for a boutique global law firm. She has held senior partner leadership roles at Ernst & Young LLP and served as chief financial officer for a multi-billion dollar single-family office. Mary is an advisory board member of RiskBridge Advisors, LLC, continues to represent Carnegie Hall as an advisory director, and has performed in piano recitals in the United States and Vienna, Austria.

1 Bruce R Hopkins and Jody Blazek, *The Tax Law of Private Foundations*, 5th edn, Section 1.6: "The term 'charitable' in the US federal income tax context embraces a variety of purposes and activities and is based on English common law and trust law precepts. These include relief of the poor and distressed or of the underprivileged, the advancement of religion, advancement of education, advancement of science, lessening of the burdens of government, community beautification and maintenance, promotion of health, promotion of social welfare, promotion of environmental conservancy, advancement of patriotism, care of orphans, maintenance of public confidence in the legal system, facilitating student and cultural exchanges, and promotion and advancement of amateur sports."

2 Council on Foundation: "Philanthropy is defined in different ways. The origin of the word 'philanthropy' is Greek and means love for mankind. It includes the concept of voluntary giving by an individual or group to promote the common good. Philanthropy also commonly refers to grants of money given by foundations to nonprofit organizations. Philanthropy addresses the contribution of an individual or group to other organizations that in turn work for the causes of poverty or social problems and improve the quality of life for all citizens." "Glossary of Philanthropic Terms", https://cof.org/content/glossary-philanthropic-terms.

3 Paula D Johnson, *Global Philanthropy Report*, Harvard Kennedy School, the Hauser Institute for Civil Society/UBS, pp10, 12.

4 Daniel Ferrell-Schweppenstedde, "Key Challenges and Opportunities Facing the Charity Sector", Charities Aid Foundation, www.cafonline.org/about-us/blog-home/charities-blog/challenges-and-opportunties-facing-charity-sector.

5 Under the US tax law, a Section 501(c)(3) organisation is presumed to be a private foundation unless it requests, and qualifies for, a ruling or determination as a public charity, www.irs.gov/charities-non-profits/eo-operational-requirements-private-foundations-and-public-charities. Private foundations and public charities are distinguished primarily by the level of public involvement in their activities.

6 US Internal Revenue Service Business Master File, May 2021.

7 Paula D Johnson, *Global Philanthropy Report*, Harvard Kennedy School, the Hauser Institute for Civil Society/UBS, p10.

8 Sunil Garga, "2022 Report on Private Philanthropy", Foundation Source, p2.

9 Bruce R Hopkins and Jody Blazek, *The Tax Law of Private Foundations*, 5th edn, Section 1.1.

10 Jacqueline Duval, partner at K&L Gates, "For US tax purposes, the 'life cycle's stages are defined as: 1. starting out; 2. applying for exemption; 3. required filings; 4. ongoing compliance; 5. significant events" (irs.gov; Life Cycle of a Private Foundation).

11 Bruce R Hopkins and Jody Blazek, *The Tax Law of Private Foundations*, 5th edn, Section 1.4 (d): "Generally, self-dealing transactions are: (1) sales, exchanges, or leasing of property between a private foundation and a disqualified person; (2) lending of money or other extension of credit between a private foundation and a disqualified person; (3) furnishing of goods, services, or facilities between a private foundation and a disqualified person; (4) payment of compensation, or payment or reimbursement of expenses, by a private foundation to a disqualified person; and (5) payment by a private foundation to a governmental official (with exceptions). There are exceptions to these general rules, including (1) payment of compensation by a private foundation to a disqualified person for certain personal services, where the compensation is reasonable and is in furtherance of the foundation's exempt purposes; (2) certain lending and furnishing arrangements without interest or other charge, when done in furtherance of charitable purposes; and (3) certain transactions occurring during the administration of a decedent's estate."

12 Bruce R Hopkins and Jody Blazek, *The Tax Law of Private*

Foundations, 5th edn, Section 1.4 (e): "An initial tax is imposed on a private foundation equal to 30 percent of undistributed income. An additional tax may be imposed on a foundation equal to 100 percent of undistributed income. There is a correction requirement. Tax abatement is potentially available."
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16 "2022 Report on Private Philanthropy", Foundation Source, pp2, 6, 14, 25, 28.
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