Phoenix Hayward

MOORE STEPHENS

Philanthropy report for family offices

May 2016

Joint report by Moore Stephens and Phoenix Hayward

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MOORE STEPHENS

Moore Stephens

Moore Stephens is a leading financial advisory firm for family offices and their principals. We have the experience and expertise coupled with an international outlook.

We act for many clients through several generations and help them adapt their structures to suit their personal circumstances and the changing environment. We understand that balancing family and business interests is not always easy, especially as one can impact significantly on the other.

Our Family Office team provides a range of services, from financial and tax advisory through to assurance, regulatory consultancy and operational risk management, aimed at both individuals and family structures and funds. Our aim is to help our clients structure and protect their wealth effectively.

Moore Stephens International Limited is a global accountancy and consulting network, headquartered in London. With revenues of $2.7 billion and offices in 106 countries, you can be confident that we have access to the resources and capabilities to meet your needs.

Clients have access to a range of core and specialist services including audit and assurance, tax compliance and advisory, wealth management, private client consultancy, corporate finance, management consultancy, restructuring and insolvency, forensic accounting, business support and outsourcing.

Phoenix Hayward

Phoenix Hayward

Phoenix Hayward offers a fresh approach to philanthropy. Our goal is to reinvigorate the philanthropy sector and make it easier to achieve philanthropic aims. Philanthropy should be personal, fun and rewarding, both emotionally and financially.

Philanthropy made simple

The world of philanthropy is surrounded by industry jargon and presents a complicated and multi-dimensional landscape for potential philanthropists. We offer a full and strategic service, giving you a framework and roadmap for achieving your philanthropic goals based on best practice in the field.

Our service is divided into three essential areas, the combination of which ensures a rewarding and stress free experience:

Holistic – a personal approach

We will explore your reasons for philanthropy, identify your passions and areas which resonate with you and in turn will develop a strategy which has genuine personal significance to you and your family. By offering a bespoke service centred on your goals and aspirations, we bring philanthropy back to a human level where you will be able to see the profound effect of your involvement.

Tailored – we search for extraordinary individuals doing astonishing things

As an independent philanthropy consultancy, our impartial research identifies outstanding leaders who have the inspiration, dynamism and passion to deliver and really make a difference. We undertake extensive due diligence and offer our clients an honest and ethical balanced view on the entities we recommend.

Objective – continuous evaluation

Through robust reporting methods, our objectivity means we are best placed to deliver concise, straightforward and detailed commentary. Our clients feel engaged, fulfilled and supported and a personal approach is our cornerstone.

Phoenix Hayward takes the leg-work out of the development of your philanthropic work, enabling you to commence your activities and contribution knowledgably, positively and efficiently.

Phoenix Hayward – enabling extraordinary possibilities.

Introduction

While preserving family wealth remains the core driver for setting up a family office, many wealthy families also want to make the world a better place by supporting causes they feel passionate about. Family offices are therefore becoming increasingly involved with philanthropic ventures and impact investing, which seeks to generate social or environmental benefits alongside a financial return.

Choosing the right project and achieving successful ongoing engagement requires care and attention, but the benefits can be substantial. Family members can become united around a common goal, while younger generations may have the opportunity to develop valuable business and management skills.

This report provides a best practice guide for family offices when deciding whether a philanthropic venture is appropriate and, if it is, how to bring philanthropic goals to fruition. We highlight current trends in philanthropy and provide overviews of charitable giving in the US, the UK and Switzerland, including relevant rules, reliefs and levels of activity. We turn the spotlight on two collaborative organisations – Concordia and Youth Business International – as examples of how working together from a philanthropic perspective can effect meaningful change.

We also draw on findings from a recent survey of the family office community, which highlights the many different causes that family offices seek to support, their priorities when setting their philanthropy strategies and the processes they consider important for success. It reveals the emphasis that family offices place on effective due diligence, and their willingness to support good causes by providing expertise as well as money.

In such ways family offices are making a real difference to social and environmental causes, with successive generations leaving a legacy that will benefit many people across the world.

Philanthropy survey results

In March 2016 we surveyed the family office community on the key priorities in setting up philanthropic ventures. Set out below are our findings. The family offices surveyed support a wide range of causes, as our league table shows:

Rank	Cause	Percentage
1	Educational	81%
2	Arts and culture	70%
3	Youth development	65%
4	Health	52%
5	Environmental	48%
6=	Community projects	45%
6=	Relief of poverty	45%
8=	Disaster relief	39%
8=	Next generation	39%
10	Public/private partnership	29%

When asked about their philanthropy strategy, the vast majority of respondents (87%) think it very or relatively important to support causes that are part of their family clients' philanthropy legacy. A majority also think the following elements are important:

- providing expertise as well as money (71%);
- seeking a financial return as well as a social return on philanthropic investments (68%);
- focusing on traditional charitable causes such as the relief of poverty, health and education (74%);
- supporting efforts that address root causes and attempt systematic solutions (68%);
- preferring to give multi-year donations or commitments (65%);
- giving only when they can designate exactly how their contribution will be used (58%).

We also found that the majority of our respondents (61%) support only not-for-profit organisations. In addition, 84% think it relatively unimportant (a little important or not at all) to fund commercial ventures. Educational institutions might be concerned to learn that over three-quarters of respondents (77%) think it relatively unimportant to support the family's alma mater.

Our survey found evidence of sound practices and processes among the family office community when seeking to bring philanthropy goals to life. Most respondents stress the importance of the following processes:

- a clear understanding of their philanthropy strategy (97%);
- due diligence on potential recipients (94%);
- measuring the impact of their philanthropy (84%);
- operational due diligence (90%);
- understanding what percentage of an organisation's funds go to charitable programmes versus overhead (81%).

Most respondents (57%) regard potential recipients' approach to diversity and inclusiveness as relatively unimportant.

The most popular vehicle used by our respondents as a channel for their philanthropy was a family foundation (68%) followed by a donor advised fund (52%).

Why engage in philanthropy?

The subject of philanthropy is being increasingly discussed within the private family office space, usually within the confines of the individual offices due to a desire for privacy.

Philanthropy is a centuries old concept and many have spent a considerable amount of time and money researching and practising it – from well-known American philanthropists, Andrew Carnegie and John D. Rockefeller, to Paul Tudor Jones and Muhammad Yunus. But why do people engage in philanthropy? And why do some people give (whether that is money, time and/or experience) and others choose not to?

Albert Einstein said that "it is every man's obligation to put back into the world at least the equivalent of what he takes out of it". He stood by his words during his lifetime. Many people, wealthy and less well off, choose to support causes they care about and so give something back, however large or small, to their community or the wider environment.

There are in fact many well-documented reasons why people engage in philanthropy. Here is a selection:

Feel good factor – French philosopher and Buddhist monk, Mathieu Ricard said: "In truth, anyone can find happiness if he or she looks for it in the right place." It can be very rewarding to become involved in areas you care deeply about.

Family legacy – tradition is very powerful, as is the desire to see it continue.

Lifetime event – thoughts of philanthropy are sometimes triggered by a lifetime event which acts as a catalyst to explore feelings of giving back.

Faith – whether this is religious or otherwise.

Sense of duty – feeling the burden of the responsibility of wealth.

Peer pressure – being persuaded to become involved in causes which may be wonderful (but perhaps do not resonate with you). Feeling that you must do 'something' to help.

Familial moral compass and common goal – engaging the next generation on issues which are important to the family. For a strong and forward-thinking family unit, this is perhaps one of the most compelling reasons to engage in philanthropy.

A catalyst – a philanthropic activity can be a trigger for broaching the subject of family business succession planning.

Pure tax planning purposes – there can be sound tax reasons behind pursuing a philanthropic project.

Whatever your motivations, if you have made the decision to become a philanthropist and that decision has been based on solid personal reasons, then the experience can be a hugely enriching and positive one.

How to be a successful philanthropist

Becoming a philanthropist is often a confusing process. You may find many people willing to give their opinion on what you should do and how you should do it. Here are some key tips to keep in mind before you begin your philanthropic journey:

- Follow your passions – philosopher Denis Diderot said: "Only passions, great passions, can elevate the soul to great things."
- Do not feel guilty about what you want to support – this is one area where you should be able to be driven by what matters to you and your family.
- Ask your peer network and learn from their experiences – but remember, philanthropy is about you, your beliefs, your values and your experiences. We can all learn from others who have embarked on philanthropy but their circumstances and drivers may be totally different from our own. Discover your own way.

1 *Give $mart* by Thomas J. Tierney and Joel L. Fleishman

- Do not be rushed into setting up your own Foundation or Trust – look at all the options/vehicles for giving.
- Be clear on what you are trying to achieve. "Great philanthropy is distinguished not by the sheer size of a gift or grant, but by what it accomplishes."[1]
- Get good tax advice to make the process as financially efficient as possible.
- Research, research, research.
- Don't forget to have fun along the way. Philanthropy is supposed to be a joyous experience.

Strengthening family bonds

Increasingly, philanthropy is being used as a vehicle to reinforce family values when considering business succession. Succession planning is not an overnight achievement and using good philanthropy strategies can lay the framework for making collective decisions whilst also instilling the family values in generations to come.

One reason family businesses fail is because the next generation has not been sufficiently prepared to take on leadership roles. A philanthropic project can help to address this problem. "As family firms mature, not all family members will be involved in management or ownership, and a philanthropic agenda can become a rewarding way of fostering family cohesion, representing an opportunity for the family to work together to remain connected to their shared history of achievement."[2]

The initiator of philanthropy is usually the head of the family, yet increasingly we are seeing the younger generation driving this agenda. Philanthropy is a great way for younger generations to learn essential business skills and highlights from a young age, what is and will be required of them in the future. By introducing the concept to future family Heads and recipients of the family estate, you can prepare younger members for their role and responsibility by giving them the opportunity to really think about, and emotionally invest in your family's legacy.

Philanthropy is a unique opportunity to create unity and focus all the family on areas which are non contentious – usually personal agendas are usually placed to one side in the interest of a common family goal.

Will philanthropy solve all family issues? – Probably not – but it does give a family another opportunity to get together to discuss values and strategy and generate a unified perspective on how the unit feels about themselves and the future of the family legacy.

Having those initial conversations is a valuable step in the philanthropic process. No one should feel they have to be philanthropic but if something matters to an individual or family and they are in a position to effect a positive change on whatever scale, then there are compelling reasons to get involved.

2 *Family Enterprises, The Essentials* by Peter Leach

Starting your philanthropic journey

Successful philanthropy requires careful planning and execution. It begins with finding the right recipient for your money or other form of support. You also need to consider how you will engage with your chosen organisation on an ongoing basis.

Choosing the right recipient

Once you have decided to explore philanthropy or you want to improve current philanthropic activities, the research process begins. Spending time thinking through what has inspired you about a particular cause will help you narrow down how you can become involved.

Most importantly, define what you are hoping to achieve. You will accomplish far more if you set out to accomplish something specific[1]. Being clear about where your passions lie makes the research elements of your strategy more straightforward. Make philanthropy personal to you. Be passionate about it and be creative.

There are over 1.2m charities and foundations globally. Choosing the right one takes time and effort, but get it right and the rewards are immense.

Many books have been written on how to choose the right recipient, here are some pointers to set you on the right track:

Educate yourself: Explore your area of interest. Who is already active within this sector? Is there research material already available? In particular, learn what makes a good charity.

Search thoroughly for organisations: Make your research as broad and deep as possible initially so your net catches smaller, less well known organisations which often fall below the radar.

Find out about the CEO: Who is the inspiration behind the organisation? Usually this is the CEO who actively demonstrates his or her passion for the entity and is not afraid of trail blazing in their sector. If the leader has passion and touches everyone, this will filter down throughout the organisation. Finding exceptional people doing astonishing things is a great motivator but make sure that your values are aligned with those of the CEO. Without this connection and common ground, it will be impossible to build an effective relationship.

Ask essential questions: Once you have identified an inspirational leader within your field or interest, ask them three important questions. An article published in The New York Times[2] sums this up beautifully:

- what is the problem you are trying to solve?
- how do you think the problem will actually get solved?
- what evidence do you have that you are helping to solve the problem?

Due diligence: It is very easy to become dazzled by a persuasive individual. So once you are satisfied with the answers to the three questions above, you must carry out solid due diligence. Are the accounts and financial statements sound? Any organisation, small or large should be able to demonstrate strong financial management. Look at where their income derives from and how self-sufficient they are or could become over time. If the evidence backs up the CEO's vision, then you are well on the way to a rewarding partnership.

1 *Give $mart* by Thomas J. Tierney and Joel L. Fleishman

2 *The New York Times* Saturday, December 11, 2010

Don't try to change the organisation: Try not to put your own stamp on the organisation, unless of course you have set up your own not-for-profit entity. You have been inspired to become involved with that organisation because of the vision of the CEO, the work it does and its superb financial management.

> "There are over 1.2m charities and foundations globally. Choosing the right one takes time and effort. Get it right and the rewards are immense."

Consider your exit: As part of the natural planning process, think about your exit strategy so as to create autonomy for the charity. This could be years down the line but thinking clearly about it now will save problems in the future.

Try to remain objective: Look at the organisation from another perspective. Speak with the volunteers, the employees, the users of the service to see how well the vision has filtered through the organisation. Having an honest and transparent appraisal of a charity can help you remain.

Check how performance is measured: Is the organisation able to demonstrate its methods for collecting information on whether it is being 'successful'? Everyone wants to have a positive effect and it is important to understand the organisation's internal processes.

Look in depth at the Board of Trustees: Is it well balanced? Does it have strong governance in place? Do members work together as an effective team? Being comfortable with the blend of skills on a board is essential. However, be mindful that members of the board are also volunteers and in their own way are fellow travellers giving of themselves what they can.

Don't overwhelm with financial donations: "Good philanthropy is good timing…you can fund outstanding people undertaking important work – but the results will often prove disappointing unless you dispatch your grant at the right time"[3].

Be flexible: As with any organisation, there will be varying degrees of efficiency. If you have identified your passions, found an organisation where the values of the CEO mirror your own but the due diligence unearths irregularities, don't immediately walk away. Dig a little deeper to find out the cause.

3 *Grassroots Philanthropy* by Bill Somerville

Consider core and project funding: Do you want to provide support for core activities (e.g. funding for basic organisational and administrative costs) or fund specific projects? Anyone interested in the debate between core and project funding should view the TED Talk given by Dan Pallotta[4]. Having an open mind to this concept could radically change the charitable sector.

If after all of your research there are no entities out there who are tackling the issues you are passionate about, ask yourself four questions:

1. Why not – is this due to a lack of research, a lack of funding or the sheer scale of the problem?
2. Has someone tried before and failed? – If they have, could you learn from their experiences?
3. Is there a genuine need or are you pursuing a vanity project?
4. Is there a better approach that will enable you to tackle the problem?

Be open to where these questions lead you. Sometimes we are all guilty of tunnel vision, so allow your views to be challenged. However, if you conclude that there is a worthy cause that no one else is addressing, founding your own charitable organisation could perhaps be the way forward.

Ongoing engagement

If your philanthropy is to be as successful as you hope, you need to build a relationship with the charity. As human beings we look for connections in every area of our lives and when that fails, we feel let down and disheartened.

According to **www.npENGAGE.com**, nearly three out of every four new donors leave and never come back. This is a sad statistic. The relationship typically breaks down when charitable organisations and philanthropists fail to speak the same language.

Three key reasons why problems arise are as follows:

1. Undertaking philanthropy within an area which has no personal significance to you. Without your genuine passion and interest, you are less likely to want to find a solution when you incur problems.
2. Issues with the selection process in choosing the right organisations. Ensure your due diligence is comprehensive – but at the same time, be human.
3. Weak ongoing processes after your involvement has begun. Poor reporting and communication between parties is a recipe for disinterest and lack of engagement.

4 Dan Pallotta: The way we think about charity is dead wrong…TED.com 11 March 2013

To avoid potential setbacks, donors and their chosen charity need to clarify their collective aims from the outset. Be very clear on what you are trying to achieve. Look to spread your involvement out over a pre-agreed timeframe with key milestones along the way. This way you can minimise the risk and spread your donations out according to results. The charity will then be held accountable for its performance over the agreed timeframe. If parameters have been agreed up front, then there should be a clear framework for how the organisation anticipates achieving its aims. This should avoid the situation where donors feel they are not being communicated with, while the charity thinks that unreasonable demands are being placed upon it.

> "Facing challenges and overcoming them in partnership can make philanthropy even more rewarding."

However, if a charity has not achieved all its objectives but is clearly making progress, this also equates to a successful outcome. External factors may mean that all objectives cannot be achieved. This should not be seen as a failure so a degree of donor flexibility and understanding is required.

Remember that investments can never be risk free whether charitable or otherwise. In the not-for-profit sector the relationship between risk and reward must be placed in a social action and economic context.

In an ideal world, the charity should have a clearly defined process for highlighting the impact of its work (or be well on their way to developing one). This impact should cover[5]:

- **need:** what is the problem that the charity is trying to address?
- **activities:** what is it doing to address this?
- **outcomes:** what are the results of its activities?
- **evidence:** how do you know if the charity has made a difference?
- **lessons learnt:** how will it change its work for the better?

Be mindful that you have chosen the organisation based on the inspirational work that it does. You should expect communication and an open relationship.

Here are a few additional suggestions to help you build a strong relationship with the organisation you support:

- **Look beyond the money.** Your support need not be solely about donating funds. In fact, receiving an overwhelming sum may paralyse the organisation and make it lose focus, so it is important to achieve balance and good timing. Apart from financial support, charities would often welcome input on business processes and help with, making connections and creating opportunities. Sometimes the ability to effect introductions is just as valuable a part of the philanthropy process as donating funds.

- **Don't be put off by jargon**. It is easy to feel overwhelmed by the terminology of the charitable sector – impact reporting, outcomes (hard and soft), metrics, strategy, legacy, core funding, project funding to name but a few. You just need to understand where your chosen organisation is now, what it is trying to achieve and have a plan of how it is planning to get there.

- **Be accessible and understanding.** There are no certainties in philanthropy but with clear communication, trust can be built. Make it clear that you would rather know if performance against agreed milestones is slipping. Most charities are nervous of reporting disappointing news for fear of losing your support.

- **Work collaboratively** If you have chosen your organisation well and have a good rapport with the CEO, through effective collaboration you can seek to find solutions to perceived set-backs. Facing challenges and overcoming them in partnership can make philanthropy even more rewarding.

If we can learn from the set backs and fine tune what we are trying to achieve and how we are going about this, then ultimately our philanthropy will be more rewarding.

5 *Result! What good impact reporting looks like* NPC January 2016

Trends and innovation in philanthropy

Philanthropy is an evolving area of activity. According to a Forbes Insight[1] survey, the five current trends in philanthropy are as follows:

Impact investing – emphasis placed on social and environmental returns before financial returns. Philanthropists are now looking at a more diverse portfolio – part donation, part involvement and part impact investment. A whole new global industry is being created around social investment. We look at impact investing in more detail later in this report.

Collaborative philanthropy – being collaborative is an important development where big impact or social change is required. According to The Bridgespan Report[2] there are usually five areas of integration with fellow philanthropists ranging from knowledge exchange, through to co-ordinate funding, co-investing in existing initiatives, creating a new entity/initiative and at its highest point of integration, funding the funder. However, the first challenge is to get private offices or/foundations talking to one another. This is not an easy task due to their inherent desire for privacy and anonymity. Collaborating with government to scale up successful activities is also seen as an important development going forward.

Sharing of data, best practices, needs and skills – a platform where philanthropists can share their experiences, highs and lows is a useful mechanism in the philanthropy process, as long as those involved don't have 'other' agendas. One hurdle to overcome is the natural loss of privacy. However, if philanthropists can be more open about their set-backs as well as their successes, this can be a great learning opportunity for those looking to refine their philanthropic activities.

Addressing the root causes of social problems – this idea has gained momentum over the last decade as people become more educated about how they can make a difference. There is growing interest in analysing the cause of a problem, rather than just addressing the symptoms. Looking at ways of creating sustainable long-term change is a powerful and proven concept.

Venture philanthropy – applies the venture capital methodology to encourage start-up, growth and risk taking within social enterprises.

Other main trends

Philanthropic money managers – research has shown that the use of philanthropic money managers is becoming increasingly popular. A survey of 83 single-family offices found that 59% have considered including philanthropic money managers among their advisors within the past three years. The objective of these investment professionals is to connect philanthropically orientated investors with high-quality social and environmental investments[3].

Charity incubators – donors with a higher appetite for risk has led to the establishment of several charity incubators. Having discovered a need within society, they support an inspiring individual and test the concept locally with a view to rolling it out if successful.

Living while giving – donors are becoming increasingly aware of the personal benefits of becoming involved in charitable organisations while they are still around to see the impact of their involvement. Whilst gifting through a Will remains an essential part of the charitable sector, being able to experience the effects of your philanthropy first hand offers a greater sense of achievement. Older generations often waited until retirement to develop their philanthropic interests. However, younger generations, as below, seem particularly keen to see change happen in their lifetime.

Next generation of entrepreneurs – how the next generation of entrepreneurs is engaging with philanthropy is having a huge impact on the sector. They are building platforms for effecting the most change over their lifetime and disposing with a considerable percentage of their wealth. In doing so they are inspired by the likes of Bill and Melinda Gates and Mark Zuckerberg and his wife, Priscilla Chan. "Entrepreneurs bring business methods and disciplines to philanthropy – they don't like wasting money and like to be focused and planned and their charitable parties to be vetted."[4] These individuals are inspired not just to give but also to offer strategic planning and innovative ways of creating brighter futures.

1 Forbes Insight – 2 March 2015 *The Top Five Most Promising Trends in Philanthropy* by Kasia Moreno

2 The Bridgespan Report *Lessons in Funder Collaboration* by Judy Huangand Willa Seldon

3 Forbes Insight - January 2015 Family Office Are Increasingly Considering Philanthropic Money Managers by Russ Alan Prince

4 Why entrepreneurs like Bill Gates become philanthropists by Charles Harvey The Guardian 22 May 2014

According to a recent American survey[5] the five key areas trending amongst the next generation in general is as follows:

- they want to leave their own mark on society;
- they network for greater results – technology has proved to be an invaluable device in connecting like-minded individuals;
- they are 'all-in' creating relationships with their organisations and causes they support;
- they have a sense of immediacy;
- they are flexible in their approach.

Co-creation – an emerging theme of tackling various root causes. One example could be connecting the beneficiaries of charities with philanthropists in order for both parties to brainstorm creative responses that the charities will ultimately deliver.

Philanthropy advisors – seeking advice from experts who work in the philanthropy sector to explore approaches to philanthropy is becoming increasingly popular. If you seek help choose your philanthropy advisor with care. In particular, make sure they listen to your personal agenda rather than promoting their own. Having someone who is independent, can maintain your anonymity and who protects your interests at all times, is invaluable.

What about the next 20 years?

Philanthropic activity may already be relatively commonplace in the US, but could well spread more widely in the years ahead. Profound change within the not-for-profit sector is on the horizon. People increasingly want to see positive changes in their lifetime and are feeling empowered to make them happen. If we all became aware of the benefits philanthropy can bring, the topic would be regularly discussed around the dinner table. It shouldn't take a life-changing event to force the issue.

5 NextGen Donors: Respecting Legacy, Revolutionizing Philanthropy by the Dorothy A. Johnson Center for Philanthropy

Engaging the next generation

'The next generations of major philanthropists, those who fit into 'Gen X' (born 1964-1980) or 'Gen Y/Millennial' (born 1981-2000) will have tremendous influence on the direction of and support for efforts to improve local communities and solve global problems over the next several decades'[1].

More than $59 trillion will pass into the hands of the next generation by 2050[2], so empowering them now to begin making their own philanthropic choices is the way to ensure philanthropy becomes a mainstream topic.

Teaching the next generation how to follow good practices in giving money away can be highly worthwhile. Younger family members can learn the true value of money and the impact of that money can have. Getting them involved on a personal level can be a very powerful experience.

Philanthropic activities involving the younger generations can also help to unite families, which can become fragmented through divorce or through being based in different geographical locations. Some family members have no desire to become involved in the family business or may lack the required skills to do so. Being able to involve them in developing the family legacy offers an opportunity for inclusion and accountability.

Succession planning can also be enabled. Some family entities treat succession planning as a particular event in time, whilst others view it as a continual and gradual process over many years. Conflicts will inevitably arise but engaging the family early in philanthropy provides an opportunity to bind its members together over core values before difficult conversations take place.

The way you decide to engage your younger generations in philanthropic activity may well be guided by your family constitution. Family constitutions or charters are essential for documenting how the family makes collective decisions regarding management and ownership of the business, whilst also highlighting the organisation's values.

How to engage the next generation successfully

There is no right or wrong way to engage your younger family members in philanthropy. Nevertheless, the following suggestions may offer some insights:

- allow time to experiment with what works for your family.
- be prepared that the process may develop in a way you had not envisaged.
- start with the concept of philanthropy at a young age. As with all behaviours, we learn from our elders so instil good practices early;
- technology is a natural part of life for younger generations. Allow them the freedom to embrace the way social media and the digital age inspires their philanthropy;
- encourage family members to see inspiration from the positive impact achieved by high profile personalities championing causes that matter to them personally. More importantly, it is something for them to be inspired by;
- establish individual philanthropy pots of money for each member of the younger generation. Start small and develop as they grow in confidence and ability;
- ask individuals to research what is important to them, find organisations and report this information back to the family board;
- encourage younger generations to have some form of personal involvement in their chosen cause, volunteering where possible and then ensure they report back on their efforts;
- encourage a sense of responsibility and accountability for all the decisions family members make. This way are you developing both a sense of financial awareness, whilst also equipping them with essential life skills.

As this report highlights individuals, families and indeed corporations could all benefit if they decide to explore philanthropy. It is never too early to start and never too late to learn.

Through philanthropy we can give our children the opportunity to take responsibility and the freedom to become involved in causes they care about. The lessons they learn will create solid foundations – and understanding of best practice procedures – ready for when the financial stakes increase. Ultimately, the whole family benefits. Creating a family legacy is a process all family members can be involved with offerings the opportunity for unity through clearly defined values and goals.

One piece of advice: take a few risks, keep it simple, be passionate and do it.

1 *NextGenDonors: Respecting Legacy, Revolutionising Philanthropy,* Johnson Center for Philanthropy and 21/64

2 *How to attract a next-gen philanthropist* by Molly Anders

Impact investing

As highlighted earlier in this report. Impact investing is an important current trend in philanthropy. Impact investing seeks to generate a financial return in tandem with a philanthropic return, thus aligning investments with values, and enabling an investor to give money and make money.

It is a relatively new iteration of longstanding concepts such as venture philanthropy. It focuses on investing in both social enterprises (for-profits seeking to make a social impact) and enterprising not-for-profits (charities with a business income). The Global Impact Investors Network and J.P. Morgan estimate that impact investment assets under management amount to $60 Billion (May 2015).

Impact investing is spawning a whole new industry, with sites such as **impactalpha.com** publishing deal flow and profiles of impact investment opportunities – from investments in sustainable cattle in Brazil to solar energy in Rwanda.

There is also an impact measurement and certification regime, with third party, objective standards and verification.

Measuring impact

Although there is considerable debate about how to measure social impact, there is a consensus that there is a binary impact – a product impact in the form of goods and services produced by the enterprise (e.g. solar power generated) and an operational impact in the form of its employees' health and security, its community and the environment. It is important to focus on outcomes rather than outputs. For example, an increase in solar power outputs should have the positive outcome of increasing economic productivity. Examples of key indicators include jobs created, average income, or the percentage of the population with access to clean water, electricity, or the internet. The Global Impact Investing Network has published Impact Reporting and Investment Standards (IRIS), with a comprehensive set of social and environmental metrics. (see below for an example).

> "Large and entrenched social, economic and environmental challenges are invariably accompanied by large and entrenched market failures. Finding financing solutions that overcome these market failures requires and ability to commit resources, take on risk, and assume a long term investment horizon. Philanthropy is uniquely positioned to do this."
>
> **Lorenzo Bernasconi, Associate Director, The Rockefeller Foundation**

Financial returns may be surprising. For example, the Global Impact Investing Network and Cambridge Associates found that a group of impact funds launched after 1998 delivered returns comparable to those that did not have social impact as a goal.

Like most investing, there is a choice between investing into a managed fund or investing directly into a project. Investing directly will typically enable the donor to have a closer involvement with the project. The Global Impact Investing Network has a database of funds called ImpactBase.

Metrics adopted by IRIS in the education sector:

- Teachers employed
- School enrolment (female, poor, rural, disabilities, minorities)
- School fees
- Teacher attendance rate
- Student attendance rate
- Student to teacher ratio
- School tests pass rate
- Student dropout rate
- Student to classroom ratio
- Students awarded scholarships
- Job placement rate
- Vocational and technical training enrolment
- Free or subsidised school meals
- Value of educational materials
- Teacher qualifications
- Textbook to student ratio
- Days of school per year
- Extracurricular programmes offered

Family office involvement

According to the World Economic Forum, 17% of the assets under management in impact investing projects stem from family offices. There are plenty of good reasons why family offices would want to become involved in impact investing. The World Economic Forum lists three of them:

- as a way to unite families around values and positive legacies;
- helping family members to be explicit about their shared values;
- helping to engage a younger generation in the leadership and management of a family office.

Effective structuring of impact investments can help mitigate risk, while supporting the growth and long term success of the investee. For example, investment agreements can include covenants which require:

- compliance with key financial ratios;
- regular social impact reporting; or
- reporting material changes.

> "So many things have a social return but not a financial return" he told the Financial Times in October 2015. "There are a few things like new educational technology or better medicines or bootstrapping new charter schools, where you get onto something that has got a non-zero return if things go well. You really have to be careful thinking you have your cake and eat it too".

A survey carried out by Barclays in September 2015 reported that, whilst more than half of the respondents expressed an interest in impact investments, fewer than 10% had engaged. In October 2015, Bill Gates reported that impact investing was among the most popular sessions when the billionaire signatories of his "giving pledge" gathered for their 2015 annual event. However, he predicted that charitable grants would remain the dominant way for wealthy people to tackle some of the world's most pressing social and environmental needs.

Widespread opportunities

2015 was a stellar year in the world of international development, with the World Economic Forum's discussions in Davos in January, the United Nations meetings in New York in September to discuss Sustainable Development Goals (SDGs), and the Paris Climate Conference in December. The UN estimates that it will cost $3.9 trillion a year to achieve the SDGs in developing countries alone.

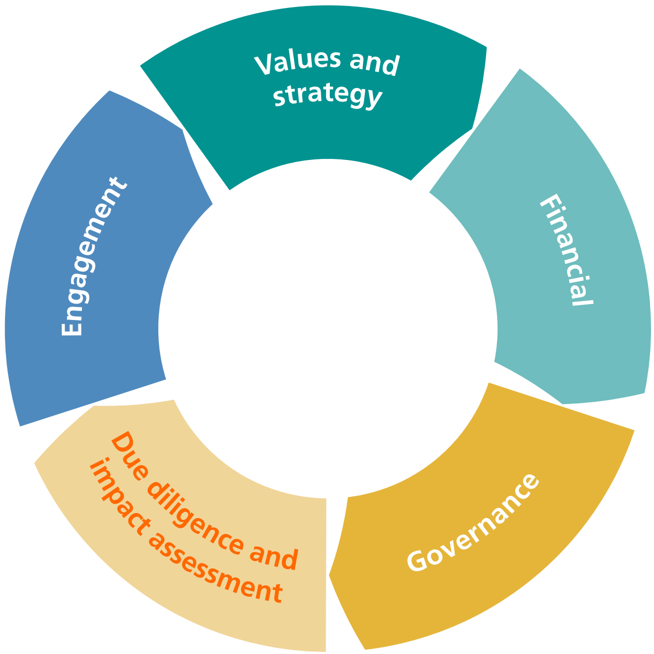
Current levels of both private and public funding cover only $1.4 trillion, leaving an annual shortfall of $2.5 trillion. One means of partially addressing the shortfall is to consider novel financing solutions, dubbed 'innovative finance', including micro financing initiatives and novel securitisations. Prominent successes include a more efficient model for financing vaccines, new and predictable funding streams for treatments for HIV/AIDS, malaria and tuberculosis, and more efficient private sector financing for social outcomes, including social impact bonds. Whilst a recent study estimates that approximately $10 billion in public and private capital is channelled through innovative finance solutions annually, this represents less than 0.4% of the estimated annual shortfall.

Any family offices that decide to investigate impact investing to fulfil their philanthropic aims will find many worthy causes to support.

The philanthropy framework

Philanthropy represents a unique opportunity to involve the next generation in decision-making and to introduce an enduring governance framework.

In some cases the framework will be driven by the legal structure, for example the articles of a family foundation, or the legal requirements of a registered charity. Some families have adopted a family charter incorporating principles of governance for family philanthropy, and in most cases the following principles will apply:



Setting out the family philanthropy strategy is an opportunity for the family members to buy into an over-riding strategy which reflects their cultural or religious values, interests and expertise, and to provide an enduring framework for charitable giving. The strategy will typically cover:

- defining charitable objectives, causes and sectors – traditionally health, education or relief of poverty, increasingly international development, human rights, sustainability, the environment, entrepreneurship or diversity;
- partnering with public or private organisations;
- single donations or multi-year engagement;
- impact investing;
- level of ongoing engagement;
- communication and publicity;
- restrictions and prohibitions;
- termination.

As stewards of foundation assets, trustees should look to ensure that:

- they exercise oversight over the foundation management;
- they act reasonably and diligently;
- they avoid conflicts of interest;
- they comply with relevant laws and regulation;
- they reflect the values of the foundation.

Financial parameters may be built into the constitution of the philanthropic vehicle (such as a simple trust requiring the annual distribution of income) or act as guidance. They will probably apply to the endowment and the operations in addition to the philanthropic activities. Typical parameters could include:

- minimum and maximum donation thresholds;
- expected annual donations;
- target impact investing returns;
- annual operating budget (expressed as an absolute number, or as a percentage of donations); and
- endowment investment guidelines.

The Sigrid Rausing Trust is a grantmaking foundation, founded in 1995 to support human rights globally. Since then, the Trust has given away approximately £230 million to human rights organisations all over the world. The Trust's guiding principles are:

- we recognise the value of core funding;
- we look for good and effective leadership;
- we are flexible and responsive to needs and opportunities;
- we value clarity and brevity in applications and reports;
- we look to establish long-term relationships with grantees.

The endowment investment guidelines typically cover asset allocation and risk appetite, restrictions (tobacco, alcohol, etc), risk management, hedging and derivatives, liquidity requirements, target returns, benchmarking and performance measurement.

In addition to legal and constitutional requirements applicable to the philanthropic vehicle, governance arrangements will typically include:

- philanthropic approval procedures, due diligence;
- risk management policies and procedures;

- management board constitution, voting arrangements;
- family oversight board constitution;
- financial reporting policies and procedures, internal control over financial reporting;
- succession plans and termination events.

Due diligence on charitable giving is critical to good governance, enabling the family foundation to make reasoned decisions. The due diligence process will focus on the quality of the opportunity, and additionally the following aspects of the recipient:

- project management;
- impact analysis;
- roster of donors;
- regulatory and statutory status;
- management team credentials and expertise;
- financial position and prospects; and
- risk management and internal control over financial reporting.

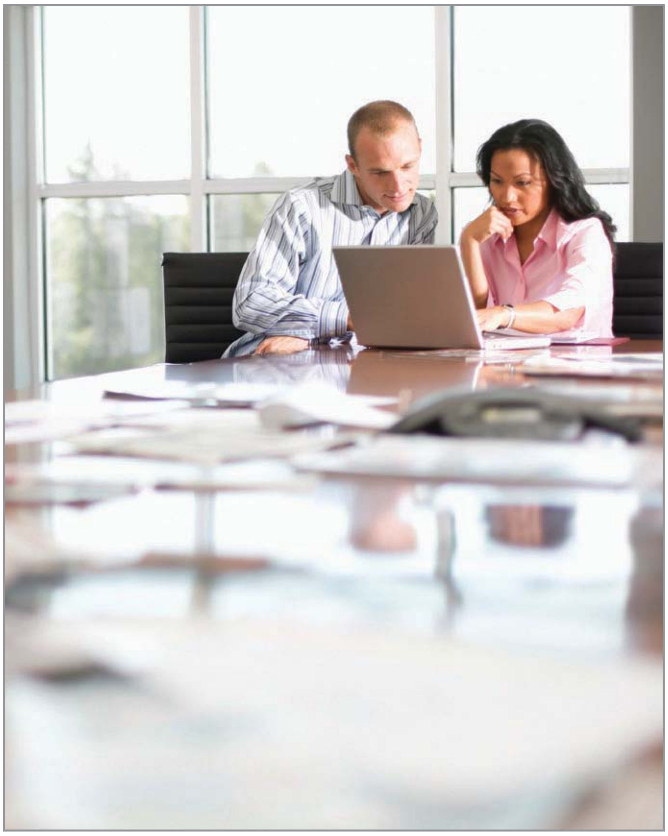
An impact assessment will often involve a comprehensive set of social and environmental metrics such as the Global Impact Investing Network Impact Reporting and Investment Standards (IRIS).

Most family foundations will engage with their donor recipients on an ongoing basis, often through participation in management, site visits, or simply through regular reporting.

Charitable structures

The 2015 pledge by Mark Zuckerberg to give away 99% of his Facebook shares was worth a record $45 billion. Many commentators noted that he intends to structure his philanthropy through an investment company that will make long term investments as well as supporting charitable activities. This contrasts with his 2013 pledge, when he donated 18 million Facebook shares, worth some $1 billion, to a donor advised fund called the Silicon Valley Community Foundation.

Family foundations or enduring companies such as Zuckerberg's philanthropic company are usually appropriate for the ultra-wealthy who want to create a culture of giving within their family. They give the family freedom to choose where their funds are allocated. However, for those donating less than $1 million, a family foundation is often inefficient because of the high costs of administration, due diligence and compliance borne by the trustees. A donor advised Fund may well be a more efficient way of irrevocably donating funds while keeping control over where it is distributed.



The Sigrid Rausing Trust identifies potential new grantees through recommendations and fieldwork.

New grantees are considered for a one year grant, during which the grant is reviewed. If all has gone well, the grantee can apply for a three year grant, followed by two more terms of three year grants. The trust aims to establish long term partnerships with their grantees.

"We evaluate our grantees by looking at what they do, and how they do it. We know the best human rights organisations are those which combine clarity of thinking, energy and imagination. Advocacy skills and good research capacity are essential. We look for good leaders; people who take clear and principled decisions, empower and inspire their teams, and are articulate spokespeople for their causes.

The Trust monitors and evaluates its long term relationships with grantees through annual reporting (including a review of annual financial records), regular communication, and periodic site visits. We look at methodology, the quality of reporting, and impact. We also ask grantees to keep us apprised of changes within their organisations."

Charitable giving in the United States

Charity plays an important role in family finances. It is generally in the top four when a family determines how to allocate its resources, behind healthcare, retirement, and discretionary family needs.

In the United States, families donate to charity in a variety of ways:

- direct cash from bank accounts or an individual retirement account (IRA);
- donations of stock;
- as part of a pre-death financial and estate plan;
- volunteer time.

Tax considerations

Under the Internal Revenue Code, there are limitations on the deductibility of charitable contributions. Generally, aggregate deductible charitable contributions cannot exceed 50% of Adjusted Gross Income (AGI). For example, if a taxpayer has salary, interest income, dividend income, and other income totalling $500,000, the maximum charitable deduction that may be claimed is $250,000. The remaining $250,000 may be carried forward for a maximum of five years.

The 50% limitation applies to donations to certain not-for-profit organisations. These include many not-for-profit agencies and entities organised for charitable, religious, educational, scientific, or literary purposes[1]. A 30% of AGI limitation applies to donations made to certain types of charities, such as veterans' organisations, domestic fraternal societies, not-for-profit cemeteries, and some private foundations[2]. A 30% of AGI limitation also applies to donations of capital gain property (i.e. stock, real estate) to charities that would normally qualify for the 50% limitation[3]. A 20% of AGI limitation applies to donations of capital gain property to organisations that do not ordinarily qualify under the 50% limitation[4]. The 30% and 20% limitations are considered after applying the 50% limitation.

Taxpayers do not realise gain on the donation of stock. One receives a charitable deduction for the value of the stock on the date of donation. Highly appreciated stock may be donated first, avoiding a capital gains tax while receiving a deduction.

Many volunteer their time to charities. As a U.S. taxpayer, the value of a service rendered to a charitable organisation is not deductible[5], but out-of-pocket expenses, such as uniforms, telephone, or travel are deductible[6].

The United States allows a tax benefit for charitable contributions made directly from IRAs. This is available to taxpayers older than age 70½, up to $100,000. Congress permanently extended this rule in the Protecting American from Tax Hikes Act of 2015 (PATH Act). When a taxpayer donates directly from an IRA, the first $100,000 is applied to their minimum required distribution for the year. It is also not taxable, although one may not claim a charitable deduction either. This is compared to withdrawing $100,000, which is a taxable distribution, and claiming a $100,000 charitable deduction. In addition to the 50% and 30% limitations, there may be other phase-outs of the deduction, so there may not be a dollar-for-dollar offset.

Donor advised funds

When an individual is not sure of the charities to which they would like to donate, but would like to take advantage of a charitable deduction, they may donate to a donor advised fund (DAF). There are a number of organisations in the U.S. that create DAFs. An individual may donate to a DAF, claim the deduction in the year of the donation, and decide later how to disburse the funds to certain charities. This is beneficial in high-income years.

DAFs may also be used to donate stock of a privately held business in pre-sale planning. A business owner may donate some of their stock to a DAF, receiving a charitable deduction. When the stock is sold, the business owner pays tax on the shares they own, not the shares donated to the DAF. The DAF's shares are sold within the same sale as the owner's.

1 IRC Sec 170(b)(1)(A)
2 IRC Sec 170(b)(1)(B)
3 IRC Sec 170(b)(1)(C)
4 IRC Sec 170(b)(1)(D)
5 Treasury Reg. 1.170A-1(g); Revenue Ruling 162)
6 Revenue Ruling 84-61

Estate planning

In addition to direct donations, families organise charitable initiatives as part of an estate plan. Some designate part of their estate to be left to charity, receiving a charitable deduction on the estate tax return. This reduces the value of the estate subject to estate tax. If one dies with an IRA, this should be among the first assets to consider for donation because it is subject to tax twice. An IRA is first includible in a decedent's estate and subject to estate tax, and then it is subject to ordinary income tax when withdrawn by the beneficiary.

Some wealthy families create a family foundation either during their life or through their will at death. A family foundation is viewed as a vehicle to keep the next generation involved in charitable initiatives. A living individual or an estate receives a charitable deduction for donations to the family foundation. A family foundation creates a mission statement and pays grants to organisations that coincide with the mission statement.

Charitable Remainder Trusts (CRT) and Charitable Lead Trusts (CLT) are also used to donate to charities and pass wealth to beneficiaries. CRTs provide for an income stream to beneficiaries over a period of time with the remainder going to charity. CLTs make donations to charities over a period of time with the remainder going to the trust beneficiaries. Both are subject to complex rules which are beyond the scope of this article. CRTs and CLTs are sometimes used with a family foundation as the charity.

There are many charitable alternatives to consider as a United States taxpayer, so an experienced tax and wealth professional should be consulted to choose the best alternative to achieve your goals.

Charitable giving in the UK

Legal framework

The main piece of legislation governing charities in the UK is the Charities Act 2011 (the Act) which sets out how charities in England and Wales are registered and regulated. The responsibility for such registration and regulation lies with the Charity Commission, an independent body tasked with promoting compliance and accountability. A charitable institution may be incorporated or unincorporated and can include a trust or undertaking. Not all charities are required to be registered and ultimately the determination of status lies with the courts.

Definition

The general use of the word 'charity' does not necessarily fit with the legal definition. All charities must be established for exclusively charitable purposes and be established for public benefit. Each and every purpose must therefore be charitable and those purposes must be capable of benefitting the public at large.

There are 13 charitable purposes listed in the Act which are:

- the prevention or relief of poverty;
- the advancement of education;
- religion;
- health or the saving of lives;
- citizenship or community development;
- arts, culture, heritage or science;
- amateur sport;
- human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity;
- environmental protection or improvement;
- relief of those in need;
- animal welfare;
- promotion of the efficiency of the armed forces, police, fire and rescue or ambulance services;
- any other purposes currently recognisable as charitable or which can be recognised as charitable by analogy to or within the spirit of the purposes in the preceding list or any other purpose recognised as charitable under the law of England and Wales.

The first twelve derive from case law with the last enabling the interpretation to evolve with the needs of society. All assets and profit must be applied for the charitable purposes.

The Public Benefit requirement is not defined in the Act, but an institution must be able to demonstrate that its purposes are for the public benefit.

Taxation

Various reliefs and incentives are available to charities and their donors. The Finance Act 2010 defines 'charity' for tax purposes and requires the following:

- the body or group of persons is established for charitable purposes only;
- it is subject to the control of a UK court (or of the EU or specified relevant territories)
- it has complied with any requirement to register with the Commission (or equivalent) if applicable.
- it is managed by fit and proper persons.

Reliefs and exemptions for charitable giving

Capital gains tax: Gains on gifts to charities are treated on a no gains no loss basis for CGT purposes.

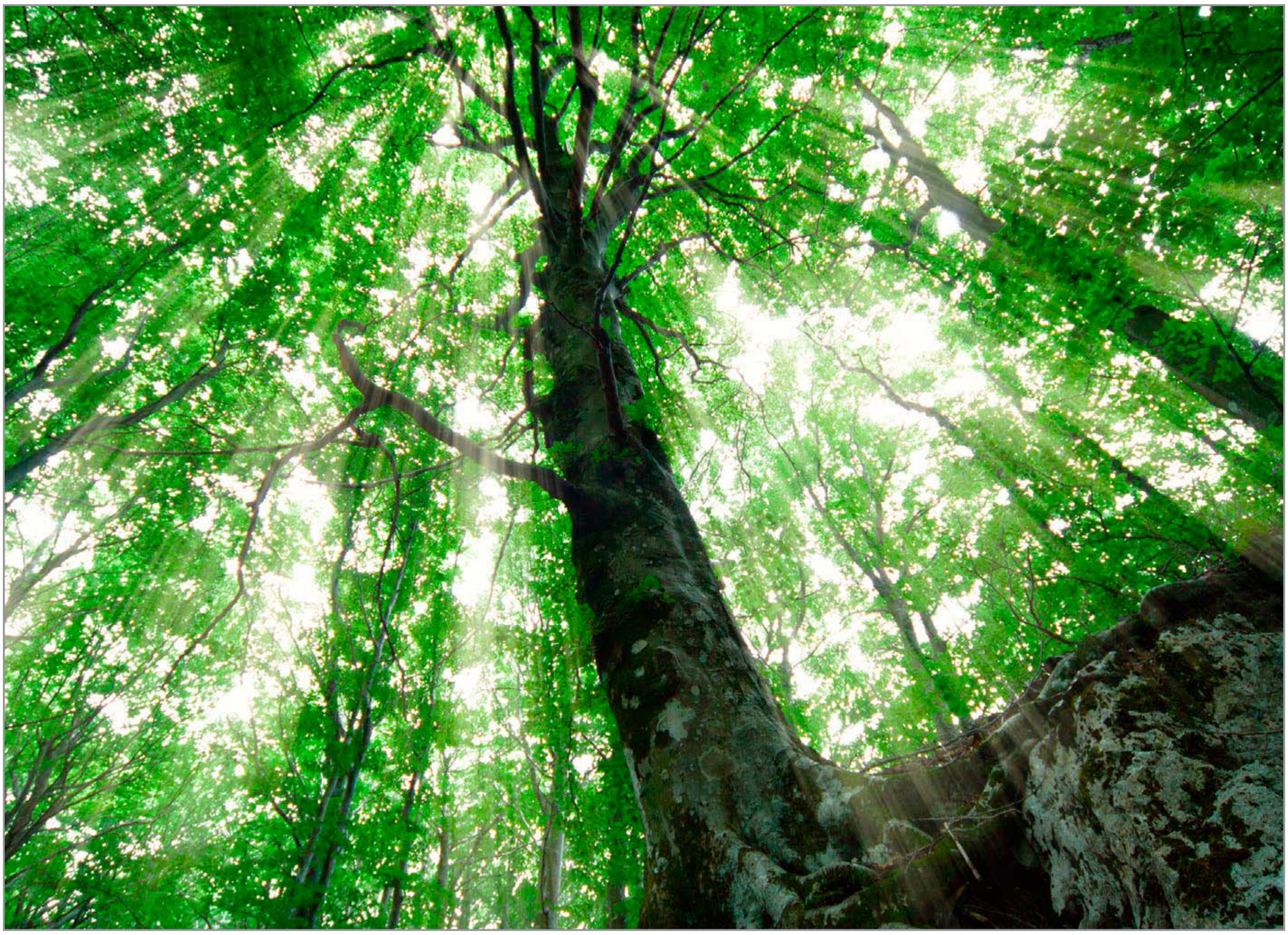
Income tax: Relief is given to individuals for gifts made to charity through Gift Aid. This allows the charity to claim back the basic rate of tax on the grossed up amount of the donation, providing that the UK tax payer has paid sufficient tax. Higher rate and additional rate tax payers may claim the difference between the basic rate and higher rate or additional rate of tax paid on the grossed up gift against their own income or gains. Relief is also available at source to those who give directly from their pay through Payroll Giving.

Income tax relief on gifts of certain assets: Income tax relief is also available where qualifying assets are gifted to charities. These include quoted shares, units in an authorised unit trust or shares in an open ended investment company, units in an offshore fund, freehold land or a leasehold interest. The market value of such gifts count as a deduction from taxable income in the year of the donation.

Corporation tax: Relief is given to companies for gifts made to charity through corporate Gift Aid.

Inheritance tax: Outright gifts to charities are exempt from IHT. In addition a lower rate of 36% IHT (as opposed to 40%) is available to testators who leave 10% or more of their net estate to charity.

The latter remains the most important charitable tax relief for individuals in the UK.



Reliefs for charities

A variety of reliefs are available to charities if they meet the criteria for recognition by HMRC. Charities do not pay tax on most of their income provided that the money is used for charitable purposes, known as 'charitable expenditure'. This includes tax on donations, profits from trading, rental and investment income, profits from the sale or disposal of an asset and tax on the purchase of property. Charities can also claim back tax paid on bank interest and donations through Gift Aid.

In addition Business Rates Relief is available for a property occupied by a charity and used for their charitable purposes. This provides a reduction of 80% and the local authority has discretion to grant relief for the remaining 20%. This relief is currently the most important single relief for charities and can significantly reduce their overheads.

Charities do pay tax on dividends from UK companies, profits from developing land or property and on purchases (although special VAT rules apply).

Charitable giving in Switzerland

Switzerland has a rich tradition of philanthropy. The first Swiss foundation, the Inselspital in Bern, was founded in 1354. It was created by Mrs Anna Seiler and is still operating today, more than 650 years later.

Charitable foundations

There are over 13,000 foundations with a public interest in existence today. This implies one foundation per 625 Swiss inhabitants compared to 5,000 in Germany. Half of the charitable foundations were created over the last 20 years.

Zurich remains the canton hosting the largest number of foundations (2,250) followed by Vaud, Bern and Geneva. These three cantons each account for more than 1,000 foundations.

The foundation sector is highly developed. This is mainly because many banks have introduced in recent years a philanthropy desk for Swiss and international clients and many of the 300-400 Swiss family offices coordinate public interest activities on behalf of rich families.

Structure of the sector and activity

The Swiss foundation sector is diverse and composed of multiple small foundations. 80% of foundations do not have paid staff and 85% have assets of less than CHF 5 million.

Most foundations are active in the following areas:

Social	30%
Arts and culture	27%
Education	13%
Health	6%
Other	23%

Wealth

Foundations represent a large philanthropic resource in Switzerland since the totals assets are estimated to be worth CHF 70 billon. These foundations pay out circa CHF 1.5-2 billion per year in grants and charitable operating expense which represents about 2-3% of their assets.

The foundations assets come essentially from private giving. In Switzerland, private giving amounts to an estimated 1.2% of annual disposal income. More that two third of households give regularly. There are regional differences however, the Swiss Germans donate twice as much as Swiss French speakers.

Legal

Switzerland has a favourable legal environment for foundations. Indeed, foundations are simple to set up based on provisions of the Swiss civil code. A founding document that includes a defined purpose and a registration on the Register of Commerce are required. Furthermore, a little capital is needed – CHF 50'000 (amount fixed by the oversight authority).

Each foundation is regulated by an oversight authority and a full scope audit must be performed if two of the following are exceeded during two years:

- balance sheet: CHF 20 million;
- revenue: CHF 40 millon; or
- full time employees: 250.

A foundation must present its financial statements based on generally accepted accounting standards (IFRS, IFRS for SMEs, Swiss GAAP RPC, US-GAAP) if a full scope audit is required.

Strengths of the sector

In addition to the light regulatory structure discussed above, the philanthropic activity can benefit from the high quality of the Swiss not-for-profit sector. 70% of not-for-profit directors have a university degree. Furthermore, the ZEWO certification program is increasing in popularity. This quality label ensures to donors that their money is used in the right way.

Potential weaknesses of the sector

One of the major handicaps of the universe of Swiss foundations is its fragmentation into multiple small foundations. The budgets for these small foundations are often not sufficient to ensure their survival. It is up to these foundations to further cooperate.

Some studies worry that oversight could be stronger. Indeed, only larger foundations need to conduct a full scope audit. Furthermore, the Swiss foundation sector suffers from a lack of transparency since most foundations do not publish information about their work. However, a Swiss Foundation Code has been established to improve best practices within the industry.

Another point for improvement is the visibility of the sector. Indeed, the lack of visibility is mainly due to the discretion of many donors and the low media attention. More open communication from donors and better media coverage would be helpful to support the future of philanthropy.

Taxes

In Switzerland, the Confederation on the one hand, and the cantons and municipalities on the other hand levy taxes on the income of natural persons and the profit of legal entities. Regarding not-for-profit organisations, a circular letter from the federal tax authorities is harmonising the various cantonal regulations as well as the sparse interpretation. Even if the circular letter is non-binding for the tax authorities, it lays down the long-standing practice adopted by the Swiss Federal Court with regard to the tax exemption of not-for-profit legal persons.

With regard to direct taxes, the same principles apply to both the direct tax advantages of organisations and the indirect tax advantages of donors by means of tax deductibility. Donations to a tax-exempt not-for-profit organisation may, up to a certain extent, be deducted from the donor's tax on income or profit provided that the not-for-profit organisation has its registered office in Switzerland.

The tax exemption of legal persons requires, first of all, a not-for-profit purpose. It means that, on the one hand the activities of the organisation must be in the general public interest (common good promoted by activities in charitable, humanitarian, health promoting, ecological, educational, scientific and cultural areas) and, on the other hand, the activities must be of an altruistic or selfless character (neither linked to the economic and personal interest of the legal person nor its members and/or affiliated persons). In addition, the class of beneficiaries must be open. In addition to the not-for-profit purposes, the tax exemption requires legal entities to pursue public purposes. This notion covers only a limited scope of activities which have to be closely related to public tasks and which do not require any sacrifices from the organisation or its employees.

When a tax exemption is granted to a not-for-profit organisation, it is basically exempt from profit taxes on the federal level and from profit and capital taxes on the cantonal level provided that the relevant requirements are met. As a result, the income that has been dedicated to not-for-profit purposes (donations) is not subject to taxes. It includes capital interests, dividend income and even profits made from special business purposes if they are clearly subordinate to the not-for-profit purpose.

If the not-for-profit organisation could be tax exempt under certain conditions, then the voluntary contributions of money or other assets (donations) made to those entities with registered office in Switzerland could be deducted under certain conditions too. Endowments and additional funding are also included.

The income tax law allows natural persons to deduct monetary contributions as well as contributions in kind with a maximum amount corresponding to 20% of the taxable income decreased by certain expenditures. Membership fees paid to associations are not included and should therefore be considered as non-deductible living expenses.

With reference to legal persons, the voluntary contributions of money and other assets to not-for-profit legal entities with their registered office in Switzerland are deductible from the taxable net profit as business expenses in the amount of up to 20% of the net profit.

To conclude, from a procedural point of view, a not-for-profit organisation may request a general tax exemption order from the competent tax authority outside the regular taxation procedure. It is, therefore, the duty and responsibility of the tax authorities to check whether or not an organisation meets the material conditions necessary for a tax exemption.

Donor advised funds

Donor advised funds (DAFs) are typically sponsored by a bank, community foundation (as in Zuckerberg's Silicon Valley Community Foundation) or a national charity and represent a cost-effective way to establish a charitable fund to donate to charitable causes. Donors make irrevocable (and often tax deductible) contributions to the fund, and they can recommend grants from the funds to charitable organisations.

The principal advantage of a DAF over a private foundation is that a DAF can be established immediately at low cost. Once established, the sponsor handles administration, including investment management, record keeping, tax administration and grant administration, leaving the donor to focus on their charitable goals. Many DAFs accept non-cash assets which encourages people to give more generously than they might otherwise since they get the benefit of a hefty tax deduction without a lot of hassle.

It is important to recognise that the donor only has advisory privileges to grant the assets in their DAF. It is the sponsor who has the authority to approve or reject such recommendations. Hence the donor does not control grant-making. Tax regulations often include additional restrictions – for example donors cannot receive any benefits from their grant (such as a ticket to a gala) and cannot pay tuition to private schools or colleges.

DAFs enable the donor to donate anonymously, and the fund is often named after its mission rather than its donor.

Critics point out that sponsors offering DAFs also manage to profit from them, in the form of management fees. For example, Fidelity charges donors 0.6% of the first $500,000 donated to a DAF, and donors with assets invested in mutual funds may also pay fees associated with those funds. CNBC report that "the biggest criticism of donor-advised funds, though, is that they serve as financial holding pens for the assets of people who want to grab a tax deduction but have no immediate plans for any charitable giving."

Spotlight on Concordia

Concordia is a platform for leaders who are committed to public-private collaboration. Our mission is to identify new avenues of collaboration for governments, businesses, and not-for-profits through issue-based campaigns, year round programming, and our Concordia Partnership Index. Concordia promotes effective public-private collaboration to create a more prosperous and sustainable future.

Concordia was founded on the belief that in collaboration lies success. From extremism to unemployment, there is no challenge, no matter how chronic or complex, that is beyond solution. We know that governments, businesses, and not-for-profits working together is the answer to the numerous problems of our time. Simply put, too often the opportunity for solution is missed. Reshaping and enhancing collaboration enables free exchange of knowledge and, as a result, elevates public-private partnerships (P3s) as the solutions to the world's most intractable problems.

Our annual Summits have brought together over 1500 of the world's most influential minds including: U.S. Vice President Joe Biden; former U.S. President George W. Bush; former U.S. President Bill Clinton; former Colombian President Álvaro Uribe Vélez; former Polish President Aleksander Kwaśniewski; former Spanish President José María Aznar; Peruvian President Ollanta Humala; Georgian President Mikheil Saakashvili; Estonian President Toomas Hendrik Ilves; Andrew Liveris, President, Chairman, and CEO of Dow Chemical; U.S. Senator John McCain; John P. Bilbrey, President and CEO of The Hershey Company; Dr. Jacob Frenkel, Chairman of J.P. Morgan Chase International; among many others. The stakeholders at our annual Summits, as well as our member gatherings, learn from each other and explore ways to work together. Our key take away: the power of shared responsibility can achieve more than one independent body ever could.

What we do

Programming

Throughout the year, Concordia presents diverse programming to inspire conversation and spark collaboration. From our annual Summit, to private research briefings, to our year round engagement opportunities, our programming aims to connect Concordia members with social innovators while encouraging participation and contribution beyond our events.

Partnership index

The Concordia Partnership Index was developed as a tool for public, private, and not-for-profit organisations to evaluate partnership opportunities. The Index ranks countries based on their readiness and need to engage in public-private partnerships (P3s). The inclusion of the need indicators sets the Index apart from other

indices that measure P3 environments. While the success of a P3 depends on a country's political and market structures, the Index recognises that for a P3 to be truly impactful it must address a large-scale need.

Campaigns

A Concordia campaign is a topic-driven effort where we narrow our programmatic, research, and networking focus. Each campaign will consist of a two to five-year commitment from Concordia that advances a specific cause. By establishing private sector, public sector, not-for-profit, and academic partners, each campaign employs the Concordia platform to drive focus and attention around an issue.

The Annual Concordia Summit: A Global Stage

The Summit is a global platform that convenes over 1,000 thought-leaders and decision-makers in New York City during the UN General Assembly, including the most innovative CEOs, current and former heads of state, and nonprofit managers from around the world. During the Summit, these leaders address the world's most pressing global challenges by highlighting the potential that effective cross-sector collaboration can have in creating a more prosperous and sustainable future.

Our exclusive media partnerships amplify these announcements and include content agreements with global media corporations. Concordia's partnership with Yahoo Finance and Yahoo News at the 2015 Summit exemplified the elevated coverage and distribution potential and the longevity of content exposure.

The 2015 Concordia Summit convened ten heads of state and government, 20 programming partners, 143 speakers, and 997 participants, including closing remarks by Vice President Joe Biden and the annual gathering of our esteemed Leadership Council.

Concordia's Leadership Council

Concordia's Leadership Council is a powerful roster of former heads of state, leaders of industry, and policy experts with practical experience at every level of government and business. By offering strategic guidance, expanding our community, and advising programming, the Leadership Council contributes to all areas of our ever-growing organisation.

Global Partnerships Week

Concordia, the Secretary's Office of Global Partnerships at the U.S. Department of State, the USAID, and PeaceTech Lab partnered to create Global Partnerships Week (GPW). Held every March, GPW highlights the important role that public-private partnerships play in promoting diplomacy and development. Through a Practitioner's Forum in Washington, DC and other events held around the world, GPW brings together diverse stakeholders to explore potential avenues of collaboration.

P3 Impact Award

The U.S. Department of State Secretary's Office of Global Partnerships (S/GP), Concordia, and the University of Virginia Darden School of Business Institute for Business in Society (IBiS) created the P3 Impact Award to recognise public-private partnerships (P3s) that are changing our world in the most impactful of ways.

In 2015, the winner was TV White Space Partnership, an innovative collaboration between Microsoft, USAID, and the government of the Philippines. The partnership uses an innovative technology to extend Internet access to remote coastal communities to support government efforts to register fisherfolk and sustainably manage the nation's fisheries.

The P3 Impact Award is presented every year at the Concordia Summit. In addition to raising awareness about cross-sector collaboration, the award and its accompanying publication help identify leading practices, deliver practical learning, and generate a database of information relevant to P3s.

Read the report on the winner: **http://uploads.concordia.net/2015/11/03201449/2015-P3-Impact-Award-Report_final.pdf**

Concordia Partnership Index

In today's world of increasingly constrained resources, public, private, and not-for-profit organisations are searching for ways to achieve goals at a lower cost. Amidst fiscal crises, governments struggle to provide services to their citizens and support their economies. Fighting budget cuts and reduced consumer spending, companies strain to increase productivity and meet profit projections. And not-for-profit desperately search for ways to diversify funding sources. In their common struggle, public, private, and not-for-profit entities are finding it more important than ever to work collaboratively.

The use of P3s to address public needs are common in some countries but less so in others. In countries new to P3s, both public and private entities are reticent to reach across sectors. This uncertainty is further fuelled by the lack of concrete understanding of what works in terms of P3s. Each P3 is so unique that what works for one partnership may in fact hinder another. Therefore, it is often difficult and time consuming to identify and structure P3s.

The Concordia Partnership Index aims to bridge information gaps in order to make it easier for entities to identify opportunities for partnership. The Index ranks countries based on their readiness and their need to engage in P3s. The Index measures readiness by assessing countries' political and market structures and measures need by assessing their infrastructure deficits. The inclusion of a need assessment differentiates Concordia's Index from other indices that measure P3 environments. While the success of a P3 depends on a country's political and market structures, the Index recognises that for a P3 to be truly impactful it must address a large-scale need.

The Index's in-depth examination of countries' readiness and need for P3s is a valuable tool for the public, private, and not-for-profit sectors. By examining the individual indicators that make up a composite score, stakeholders can better understand whether P3 engagement would be beneficial, and if so, in which sectors.

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Spotlight on Youth Business International

Help us to create new businesses and beat youth unemployment

Youth Business International: dedicated to helping young entrepreneurs start successful businesses.

Finding work for the growing youth population is one of the biggest challenges that the world faces right now.

The situation facing young adults in many countries is frankly horrifying. The EU has suffered a sharp rise in youth unemployment following the 2008 crisis – in Greece and Spain, youth unemployment has been over 50% for the last five years. Across the Middle East and Africa the formal jobs market just cannot absorb the school leavers and graduates – in Uganda, for example, there are 400,000 young Ugandans entering the job market each year to compete for just 9,000 jobs in the formal sector. Overall, an estimated 73.4 million young people are unemployed around the world – youth are three times more likely than adults to suffer unemployment.

Investing in youth and youth employment matters. Engaging the positive spirit of young people helps build their future and that of society as whole. Failing to do so risks economic growth, civil unrest and the emergence of an entire generation lacking life satisfaction. Youth unemployment is also a major driver behind the growth in migration, as young workers leave their home countries in search of work, often taking huge personal risks to cross borders. We see on a daily basis in the media the far reaching impacts of this migration, now swollen by those fleeing warzones, from the Calais 'Jungle' to Donald Trump's Mexican wall, and the political fallout.

Entrepreneurship can play a critical role in tackling the youth unemployment crisis and lack of quality jobs. In every country, there are potential young entrepreneurs; young people with good business ideas, and the will and the talent to see these through.

Take Thomas Oloya, a 29 year old living in western Uganda. He was working on his uncle's fish farm, but when his uncle stopped paying him, he realised that the only chance he had to make a living was to create his own work. From having started off with a small pond, he grew his business until he had a stock of 4,000 fish. Now, three years later, he has expanded to other projects, such as poultry and horticulture, and has a successful, thriving business.

In Sweden, a very different part of the world, is Penikandjomon Kone, an immigrant from the Ivory Coast. He set up P.Solenergi & Service, a plumbing business which specialises in installing solar

energy systems, and also exports Swedish plumbing materials to the Ivory Coast and neighbouring countries. Not only has he set up a successful business, but he's contributing to the shift of a low carbon economy.

But neither Thomas nor Peni could have done this alone and without support.

It is not easy for anyone starting up a business. In practical terms, people draw heavily on their own experience, on their networks and personal savings, and rely on friends and family for encouragement and advice. Even for an experienced business person, failure rates are high – and for a young person, lacking experience, track record, contacts and finance, the challenges are even greater.

With the right kind of support, though, it doesn't have to be this way and that is where Youth Business International comes in.

Founded in 2000, we are global network of not-for-profit organisations across more than 40 countries, helping under-served young people to start and expand their businesses and become successful entrepreneurs. We do this by providing a combination of training, access to finance and mentoring. In 2014, we helped over 18,000 young people to start or grow their own business – which will go on to create jobs and strengthen the local communities.

Backed by major corporations such as Accenture, Barclays and Citigroup, as well as public sector institutions such as the Inter-American Development Bank and the UK government's Department for International Development, we are world leaders in helping young people start their own business.

So what does this mean in practice for the young entrepreneurs we work with? Well, it means different things for people operating in different contexts.
In Uganda for most people, entrepreneurship is not highly regarded, and there is an embedded culture of dependency after decades of aid handouts. So we provide training that sparks and inculcates entrepreneurial attitudes, as well as practical business skills. When fish farmer Thomas Oloya participated in this training, he realised that he had the resources to start growing his business with what he already had – he didn't need to wait for a government handout to get his venture going. And once his business got off the ground, we paired him with a mentor, a successful farmer who gives Thomas advice and guide him.

When Penikandjomon Kone came to Sweden, he had no experience in starting a business, and no understanding of what it was like to do business in the country. So we provided him with an advisor, who gave him one-to-one guidance on what he needed to do. But perhaps more importantly, she gave him confidence, and encouragement that he could achieve his goals. He says: "My advisor helped me with contacts and networking in Sweden. They had the right contacts to help me. Without Swedish Jobs & Society YBI's partner in Sweden I would not be sitting here today."

Youth unemployment is a huge problem, but we see young people as an asset, not a burden. Many of them are more than equipped to start their own business – and some have talent to create literally hundreds of jobs for others. We know: we have been working with them for over 15 years. They just need a bit of help to unlock their potential, and some support in those crucial few months and early years before they stand alone in the commercial world.

We're looking for partners who can help us provide that helping hand. If you would like to support us, we would love to speak to you.

- There are 3 billion young people in the world.
- Almost 73 million young people are actively looking for work.
- Over 500 million young people are underemployed (i.e. have some work but not enough to sustain them).
- The International Labour Organisation has warned of a 'scarred' generation of young workers facing a dangerous mix of high unemployment, increased inactivity and precarious work in developed countries, as well as persistently high working poverty in the developing world.
- For many young people, especially in developing countries, self-employment is the only way to create a livelihood.

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