

IMPROVING THE INTEGRITY OF PRESCRIBED PRIVATE FUNDS

SUBMISSION

In the 2008 Budget the Treasurer announced that the Government would introduce legislation to improve the integrity of Prescribed Private Funds (PPFs). This would include provisions to ensure that PPFs regularly value their assets to market, give the Australian Taxation Office greater regulatory powers and require PPFs to make minimum distributions.

The Treasury has called for discussion on implementing the announcement and has issued an initial Discussion Paper.

This Submission has been prepared to further the discussion.

1. SPEED AND TRACEY

We have acted as lawyers for those considering establishing a PPF, and who have not done so, as well as acting for a number who have established large to very large PPFs.

We have also acted as lawyers on a pro-bono basis for PPFs once established, as well as serving on a voluntary basis as trustees of PPFs.

Since the provision for PPFs was introduced in 2001 we have observed, and been involved in the establishment and operation of a range of PPFs and believe that we have been able to obtain some insight into their growth and success.

This Submission does not necessarily represent the views of our clients but rather contains the independent views of Speed and Stracey in the consultative process to obtain the most suitable integrity measures for PPFs.

2. GENERAL AGREEMENT WITH DISCUSSION PAPER

We are in general agreement with the Discussion Paper. In particular we agree with that relating to PPFs being required to regularly revalue their assets to market and giving the Australian Taxation Office greater regulatory powers.

In this Submission we concentrate on that part of the Discussion Paper relating to imposing on PPFs a compulsory requirement to make minimum distributions and on certain ancillary matters.

3. MINIMUM COMPULSORY DISTRIBUTIONS

(a) Common ground

We assume that there is common ground on the following points:

- PPFs are to be encouraged and not “killed off”.
- The finance officer of a large operating charity, such as the Salvation Army, is as an essential part of its charitable operations as the employee who serves hot meals to the homeless. The finance officer is part of the charitable works despite the fact that he or she may prepare a financial budget, rather than Christmas dinner for those who cannot afford one.
- PPFs were not designed, and their founders had no desire for them, to undertake day to day face to face charitable works.
- PPFs were designed to increase philanthropy in Australians by encouraging them to create ongoing charitable funds to fund and work with face to face charities (here used in its widest sense).
- PPFs were not designed, and their founders had no desire, for them to be a substitute for annual donations by founders and their families direct to operating charities.

(b) Treasury's success in establishing PPFs

There is no doubt that the Treasury has to date been highly successful in the way it has encouraged Australians to create PPFs to fund and work with face to face charities.

The Treasury has done this by creating and overseeing flexible guidelines, rather than rigid requirements. Whilst there will always be some who abuse freedom, there are always those who abuse rigid requirements. The exceptions are not the measuring stick of success, but the net achievements of all. **On this basis PPFs have been an outstanding success story which the Treasury can be proud.**

There are now over 700 PPFs and they distributed in the period from 2001 to 2007 over \$300million to operating charities.

Even if not a further \$1.00 is donated to a PPF and no new PPF is created, the existing PPFs have sufficient funds (taking into account future investment income) to distribute to face to face charities around \$100 million per annum in investments income and to distribute capital resources of over one and a half billion dollars. If it is assumed that each year the investment income is distributed and 5% of the initial capital base then total distributions from PPFs over the next 20 years would be around \$2.6 billion .

From our own experience we consider that without PPFs much of this amount would not have been donated to charities and the valuable charitable work of charities made possible by funding from PPFs would not have occurred.

(c) What is the role the Treasury worked out for PPFs?

The role the Treasury worked out for PPFs in establishing the existing guidelines was to provide a flexible framework with tax deduction status for founders in effect to “own” their own charity. This had the result that:

- The founders took on seriously the responsibility of ensuring that the PPFs had adequate funds; and
- The founders ensured that distributions were well spent on charitable works.

The founders did not have ownership in a proprietorial sense of being able to obtain a benefit (direct or indirect) from the funds, but as the funds originated from them they naturally wanted to make sure that “their” money was not wasted.

In effect the role worked out by Treasury was for the founders of PPFs to assume responsibilities akin to the fund raisers, managing directors and finance officers of charities such as the Salvation Army in raising

funds for and then selecting, monitoring and budgeting for worthwhile charitable works. Whilst not themselves engaged in the actual face-to-face charitable works the role worked out by Treasury is one in respect of which the founders of PPFs were likely to be well-positioned, experienced and qualified to undertake.

Such responsibility takes time and effort on the part of each founder of a PPF. The surprising thing about the PPFs we are associated with (and we imagine with others) is the difficulty of finding worthwhile charitable projects which are not daily handouts, and the time and effort put in by founders and their families in finding, funding and monitoring charitable projects.

Management of a PPF's funds takes relatively a small amount of time. PPFs are not formed to manage funds in the interim from founder to charity, no more than the Reserve Bank was formed to employ economists.

Each PPF has its own unique contribution to charity, ranging in the medical field alone from funding research into the cause of cancer, to purchasing desperately needed medical equipment, to basic care for pregnant mothers. The range is demonstrated by PPFs in the period from 2002 to 2007 having made total contributions to charities of in excess of \$300 million spread over the following categories:

- Cultural Organisation \$53 million
- Education \$41 million
- Environment \$16 million
- Health \$17 million
- International affairs \$20 million
- Others \$51 million
- Research \$6 million
- Welfare \$97 million

The diversity is illustrated by “Others” being third-highest at \$51 million.

Clearly the Treasury worked out at an early stage that the role of PPFs was not to promote them as some sort of tax deduction scheme (which clearly they are not) or as some sort of temporary financial holding entity waiting distribution (which would have had no attraction to founders).

The role was to have the founders and their families take “ownership” of PPFs and be directly involved in charitable works on an ongoing basis

into the future. This ensured that greater amounts were given than otherwise would have been and that the founders and their families volunteered their services and considerable resources in finding, funding and monitoring charitable projects for the benefit of Australians.

When we advise a prospective founder of a PPF we advise him or her not to consider doing so unless the founder and his or her family are prepared to put substantial personal time, effort and resources into operating the PPF.

(d) PPF's address one of the major problems facing charities

One of the major problems facing charities worldwide, including Australia, is raising initial funds for potential projects to address causes of social problems or needs and then having guaranteed funds and decision makers committed to see the project to its conclusion.

The world is full of charitable projects that never start or start and then are abandoned for want of finance or such people.

PPFs are increasingly performing the role in Australia of providing initial funds and guaranteed long term funds and the necessary decision makers to establish and complete worthwhile charitable projects.

The Treasury provided the framework within which founders of PPFs make a greater financial contribution to charities than they

would otherwise make and make a greater personal time contribution than that they would otherwise make. PPFs galvanise new funds for charities and galvanise decision makers to work with charities on achieving worthwhile charitable objectives. Neither government nor charities are necessarily good at performing that special role.

The Treasury plan has been highly successful and today PPFs play an important role in identifying, funding and monitoring charitable works in Australia.

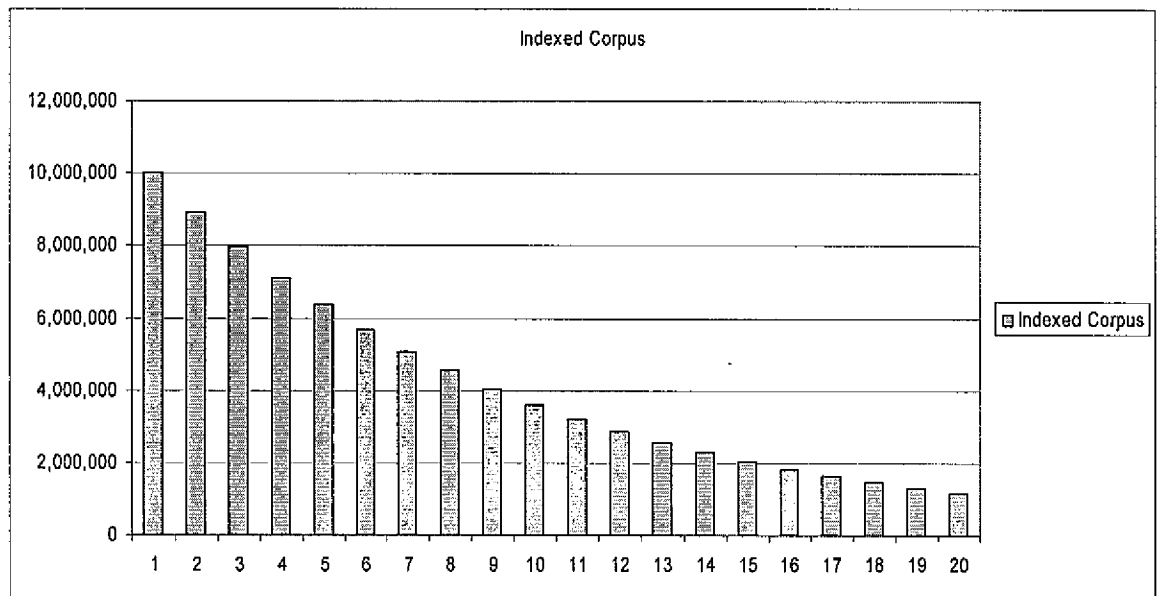
(e) Setting the rate for minimum distributions

We are not aware of PPFs being abused by low distributions or otherwise. In our experience what drives the distribution of funds by PPFs is the existence of worthwhile projects and the desire to monitor the expenditure on projects to ensure the funds are not wasted. We have not encountered a desire by any founder of a PPF to accumulate funds for the sake of doing so.

In the case of abuse, consideration of the appropriate rate which PPFs should be required to make as minimum distributions involves ensuring that the rate does not interfere with the proper role of those PPFs not abusing the system.

For example, if a new PPF was required to distribute the bulk of its funds within 10 years of establishment we would doubt if many PPFs would be established.

The following graph plots the drop in value over 20 years in real terms of the PPF today worth \$10 million - assuming investment income at the current Reserve Bank cash rate of 5.25%, CPI at the rate of 3.20% and a distribution rate of 15% of the capital value of the total fund.



What the above graph illustrates is that within 5 years the capital of the fund has dropped from \$10 million to just over \$6 million (a drop of about 40%). At the end of 10 years the fund has dropped from \$10 million to just over \$3 million (a drop of about 70%).

In our view a 15% per annum distribution rate would in practice work to prevent the establishment of new PPFs. Prospective founders of PPFs

would appreciate that capital committed to PPFs cannot be preserved and hence would not commit capital to PPFs.

Without the establishment of PPFs and the commitment of capital in PPFs prospective founders of PPFs will inevitably have a less "ownership" in and be less committed, both financially and in terms of time and effort, to the achievement of the end charitable works which PPFs currently fund. Any capital the prospective founder may otherwise earmark for charity, but not commit to charity by putting it in a PPF, may in due course instead be redirected to other ends as circumstances change or generosity hardens - to the end detriment of charities.

It is therefore a matter of balancing the objectives sought to be achieved by the rate of minimum distributions with the objective of encouraging the establishment and ongoing operation of PPFs.

(f) Accumulation of funds to reach a targeted capital base

Particular PPFs may require a capital base of a particular size to achieve its individual charitable objectives.

If accumulation over a defined period followed by acceptable annual distributions is necessary to achieve a worthwhile charitable object, then it makes little sense to prohibit the accumulation. Rather, it is

suggested, that the particular abuse Treasury is aware of, should be more carefully targeted.

We consider that a prohibition on accumulations would not simply delay the establishment of PPFs for the period the founder accumulated funds, but result in them not being established.

In our view if a reasonable case is made out to the satisfaction of the ATO that accumulation is necessary to achieve a particular charitable objective, it should be allowed, with appropriate safeguards, if necessary.

(g) Should the minimum distribution rate apply to that part of the donated funds as equates to the allowed tax deduction

If it is assumed that a founder donates \$1 million to a PPF the founder may obtain a tax deduction of up to 45%, depending on whether the founder is a company or individual (and in the later case on the individual's tax rate).

If the sole reason for a minimum distribution rate is that the tax deduction amount could instead have been given directly to charity by the Government in the year the deduction is claimed, then it is reasonable to ask, amongst other things, whether a minimum distribution rate should only apply to the amount allowed as a tax deduction. For

example, should a 15% per annum minimum distribution rate apply to the tax deduction of say 30% (and not the remaining 70%).

(h) Minimum distribution rates

On the assumption that the rate of distributions from PPFs should, as a minimum, be such as to exceed over time the tax forgone on contributions made to PPFs and on income earned by PPFs we have first looked at the tax forgone on contributions made to PPFs. Second we look at the tax forgone on income earned by PPFs. Third we combined the two above analyses.

In the attached schedule 1 we compare the net present value of donations made by a PPF with the net present value of the tax forgone across a range of distribution rates of 0%-8% on the following assumptions:

- The fund receives contributions of \$1million a year over a period of 4 years;
- Tax is forgone with respect to those contributions at a rate of 45% ie \$450,000 p.a. for 4 years;
- The PPF earns no income,
- A discount rate of 5.25% (the current RBA cash rate) is applied to calculate present values; and

- the fund ceases to operate after 25 years.

As the attached schedule 1 reveals with a minimum distribution rate of 3% or more the present value of donations made by the PPF equals or exceeds the present value of the tax forgone with respect to new contributions made to a PPF when calculated applying a tax rate of 45%.

Given that many PPFs are established when income flows can be controlled – undertaking the above analysis on the basis of the highest individual tax rate of 45% is considered conservative.

In the attached schedules 2 and 3 we undertake the same analysis but rather assumed that the tax foregone on contributions to the hypothetical PPF is calculated applying tax rates of 15% and 30% respectively. These schedules reveal that with a minimum distribution rate of 3% or more the present value of donations made by the PPF substantially exceeds the present value of the tax forgone with respect to new contributions made to a PPF when calculated applying tax rates of 15% and 30%.

In the attached schedule 4 we compare the net present value of donations made by a PPF with the net present value of the tax forgone across a range of distribution rates of 0%-5.25% on the following assumptions:

- The fund receives contributions of \$1million a year over a period of 4 years;
- No tax is forgone with respect to those contributions;
- The PPF earns income at the rate of 5.25% (the current RBA cash rate);
- Tax is forgone on income earned by the PPF at the rate of 30%;
- A discount rate of 5.25% (the current RBA cash rate) is applied to calculate present values; and
- The fund ceases to operate after 25 years.

Given that the corporate tax rate is 30% and that the amounts contributed to these funds, to the extent they would earn income, otherwise would likely be invested through a corporate structure it seems reasonable to assume that the tax foregone on income earned by PPFs would be 30% of that income.

As the attached schedule 4 reveals with a minimum distribution rate of just 2.75% the present value of donations made by a PPF would substantially exceed the present value of the tax forgone with respect to the income earned by a PPF.

In the attached schedule 5 we combine the above two analyses on the same basic assumptions but assuming a minimum distribution rate of 5.75% and varying the tax foregone on contributions between 0% and 45%.

This schedule then reveals that with a minimum distribution rate of 5.75% the present value of donations made by the PPF will substantially exceed the present value of the tax foregone with respect to both those contributions and the income earned by the fund:

- **by 50% - where the effective rate of tax on contributions is assumed to be 45%;**
- **by 95% - where the effective rate of tax on contributions is assumed to be 30%; and**
- **by 181% - where the effective rate of tax on contributions is assumed to be 15%;**

EXAMPLE

- John Brown's family company gave \$1 million to a PPF. Each year the PPF distributed 5.75% of its retained capital to the Royal North Shore Hospital for a project to better manage pain in children with leukaemia. After 25 years the project is successfully completed and the PPF's retained capital is then gifted to the

hospital to acquire some new equipment. The company obtained a tax deduction for the \$1 million gift to the PPF. On the same assumptions as above the net present value of the annual distributions of capital and income by the PPF to the hospital is \$962,878. An excess of \$461,891 over the net present value of the tax deductions of \$300,000 and \$200,987 respectively claimable with respect to the initial contribution and earnings on PPF income (at the company's tax rate).

In considering these figures it should be remembered that what is being discussed is the **minimum** distribution rate imposed not the average rate.

A minimum distribution rate needs to achieve an acceptable balance between:

- ensuring that PPFs provide a benefit to the charitable sector that is more than if the Government had taken the revenue forgone (by way of PPF tax concessions) and given that revenue forgone direct to charities after taking into account the other benefits provided by PPFs; and
- ensuring founders continue to use PPFs to facilitate generous donations to charities over the long term (acknowledging that at best the tax deduction available to a donor is less than half the money foregone by the taxpayer in favour of charities).

Whatever rate is chosen it should be averaged over 5 years to allow for fluctuations in expenditure – eg. a fund may in fact distribute more than the minimum rate in a year depending on the requirements of the charity and carry forward the excess to the next 4 years to set off the average minimum distribution requirement for each of those years.

4. DISCRETION OF ATO TO RELAX THE LAW

We are not in favour of the ATO having power to relax the law. Our opposition is not only philosophical but on a practical grounds that the discretion would be seen as a “sop” or reversion to the present guidelines.

The primary function of the ATO is to collect tax. It is put in a position of conflict when given a discretion to, in effect, waive tax for a particular taxpayer.

5. SHOULD PPFs BE REQUIRED TO INVEST ONLY IN “LIQUID” INVESTMENTS

PPFs are presently under trustee obligations by trust law to invest their funds prudently and conservatively.

In addition PPFs are expressly prohibited from conferring any benefit, direct or indirect, on the trustee (including any of its members or directors) or on any donor or associate. The prohibition extends to PPFs not being able to enter into uncommercial transactions with any of those persons.

We consider it “overkill” to require that PPFs only invest in liquid investments. The recent global financial crisis has shown that liquid investments provide no safeguard against loss. Liquidity is not a measure of a safe investment.

In our view there should be no requirement that PPFs hold liquid investments. However we consider that the prohibitions mentioned above against founders benefiting from a PPF should be put in legislative form.

6. TRANSITIONAL ISSUES

In our view there is no necessity for transitional rules in the operation of legislation along the lines of that contained in this Submission for PPFs established after the legislation takes effect. Founders of new PPF's will know the relevant rules and be in a position to evaluate the consequences of establishing a new PPF.

In respect of PPFs established before the new legislation takes effect a distinction is required to be drawn between administrative matters and others.

There is no reason in principle or law why new administrative matters contained in the new legislation should not apply to existing PPFs (with necessary short term transitional rules). For example, the requirements to value assets to market, the new regulatory powers of the ATO and the like.

A different position applies to other matters such as legislation imposing on existing PPFs a compulsory obligation to distribute greater amounts than that

agreed upon with the Government at the time the fund was established or legislation prohibiting or restricting accumulation inconsistent with such an agreement.

In the current guidelines for PPFs the Government states:

The "Government accepts that a founder's intention for a fund may be to accumulate sufficient capital over an extended donation period in order for the fund ultimately to be self-sustaining. That is, once a target amount is achieved, the fund will be capable of making a significant ongoing donations without serious erosion of its capital base." and

"The founding documents of the fund may allow accumulation of other income (that is, income not including donations, gifts, government grants and other voluntary transfers of property referred to above) to an extent which maintains the real value of the capital of the fund, based on the Consumer Price Index figure for the previous financial year. In other words, the amount of other income retained must be limited to an amount which maintains the capital value on hand at the start of the financial year in line with the All Groups Consumer Price Index for the previous financial year"

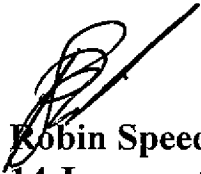
Founders have relied upon this statement in establishing PPFs and donating funds.

There is every reason in principle and in law why such new legislation should not seek to override that previously agreed upon with the Government and which was the basis on which a PPF was established and founders irrevocably donated their money. In our view legislation which sought to do so would have questionable constitutional validity and would create litigation for breach of trust, contract and otherwise (such legislation would not simply be a matter of a change of a tax rate). This would create an unsavoury conclusion to such a successful initiative.

In our view the non-administrative part of any new legislation should not seek to override the agreed basis on which the Government expressly encouraged PPFs to be established, on which founders relied and which PPFs had planned their activities.

We look forward to discussing this Submission with Treasury.

SPEED AND TRACEY LAWYERS



Robin Speed and Peter Speed
14 January 2009

BLACK FOUNDATION

25 YEAR ANALYSIS - Varying Rate of Donations on Contributions

SCHEDULE 1

Annual Contributions	1,000,000 \$
Period of Accumulation	4 yrs
RBA Cash Rate (NPV)	5.25 %
Earnings on Corpus	0.00 %
CPI	3.20 %
Donations (rel. to Corpus)	4.00 %
Donations on Contributions	0 %
Effective Tax Rate on Contributions	45.00 %
Effective Tax Rate on Earnings	30.00 %

Donations Rate %	NPV Tax Forgone	NPV Donations	
0	1,663,146	1,038,820	62%
1	1,663,146	1,259,966	76%
2	1,663,146	1,455,144	87%
3	1,663,146	1,627,795	98%
4	1,663,146	1,780,887	107%
5	1,663,146	1,916,970	115%
6	1,663,146	2,038,247	123%
7	1,663,146	2,146,613	129%
8	1,663,146	2,243,705	135%

Contribution	Tax Forgone	NPV Tax Forgone	Donation on Contribution	Indexed Corpus	Earnings	Tax Forgone	NPV Tax Forgone	Min. Earnings Donation	Retained Contributions	NPV Total Donations
1	1,000,000	450,000	450,000	1,000,000	0	0	0	40,000	960,000	37,900
2	1,000,000	450,000	426,375	1,960,000	0	0	0	78,400	1,881,600	70,384
3	1,000,000	450,000	403,990	2,881,600	0	0	0	115,264	2,766,336	98,046
4	1,000,000	450,000	382,781	3,766,336	0	0	0	150,653	3,615,683	121,422
5	0	0	0	3,615,683	0	0	0	144,627	3,471,055	110,445
6	0	0	0	3,471,055	0	0	0	138,842	3,332,213	100,461
7	0	0	0	3,332,213	0	0	0	133,289	3,198,925	91,379
8	0	0	0	3,198,925	0	0	0	127,957	3,070,968	83,119
9	0	0	0	3,070,968	0	0	0	122,839	2,948,129	75,605
10	0	0	0	2,948,129	0	0	0	117,925	2,830,204	68,770
11	0	0	0	2,830,204	0	0	0	113,208	2,716,996	62,553
12	0	0	0	2,716,996	0	0	0	108,680	2,608,316	56,898
13	0	0	0	2,608,316	0	0	0	104,333	2,503,983	51,755
14	0	0	0	2,503,983	0	0	0	100,159	2,403,824	47,076
15	0	0	0	2,403,824	0	0	0	96,153	2,307,671	42,820
16	0	0	0	2,307,671	0	0	0	92,307	2,215,364	38,949
17	0	0	0	2,215,364	0	0	0	88,615	2,126,749	35,428
18	0	0	0	2,126,749	0	0	0	85,070	2,041,679	32,226
19	0	0	0	2,041,679	0	0	0	81,667	1,960,012	29,312
20	0	0	0	1,960,012	0	0	0	78,400	1,881,612	26,663
21	0	0	0	1,881,612	0	0	0	75,264	1,806,347	24,252
22	0	0	0	1,806,347	0	0	0	72,254	1,734,093	22,060
23	0	0	0	1,734,093	0	0	0	69,364	1,664,730	20,066
24	0	0	0	1,664,730	0	0	0	66,589	1,598,140	18,252
25	0	0	0	1,598,140	0	0	0	63,926	1,534,215	16,602
25								1,534,215		398,443
4,000,000	1,800,000	1,663,146			0	0	0	4,000,000		1,780,887

BLACK FOUNDATION

25 YEAR ANALYSIS - Varying Rate of Donations on Contributions

SCHEDULE 2

Annual Contributions	1,000,000 \$
Period of Accumulation	4 yrs
RBA Cash Rate (NPV)	5.25 %
Earnings on Corpus	0.00 %
CPI	3.20 %
Donations (rel. to Corpus)	6.00 %
Donations on Contributions	0 %
Effective Tax Rate on Contributions	15.00 %
Effective Tax Rate on Earnings	30.00 %

Donations Rate %	NPV Tax Forgone	NPV Donations	
0	554,382	1,038,820	187%
1	554,382	1,259,966	227%
2	554,382	1,455,144	262%
3	554,382	1,627,795	294%
4	554,382	2,038,247	368%
5	554,382	1,916,970	346%
6	554,382	2,038,247	368%
7	554,382	2,146,613	387%
8	554,382	2,243,705	405%

	Contribution	Tax Forgone	NPV Tax Forgone	Donation on Contribution	Indexed Corpus	Earnings	Tax Forgone	NPV Tax Forgone	Min. Earnings Donation	Retained Contributions	NPV Total Donations
1	1,000,000	150,000	150,000		1,000,000	0	0	0	60,000	940,000	56,850
2	1,000,000	150,000	142,125	0	1,940,000	0	0	0	116,400	1,823,600	104,499
3	1,000,000	150,000	134,663	0	2,823,600	0	0	0	169,416	2,654,184	144,109
4	1,000,000	150,000	127,594	0	3,654,184	0	0	0	219,251	3,434,933	176,709
5	0	0	0	0	3,434,933	0	0	0	206,096	3,228,837	157,388
6	0	0	0	0	3,228,837	0	0	0	193,730	3,035,107	140,176
7	0	0	0	0	3,035,107	0	0	0	182,106	2,853,000	124,847
8	0	0	0	0	2,853,000	0	0	0	171,180	2,681,820	111,195
9	0	0	0	0	2,681,820	0	0	0	160,909	2,520,911	99,036
10	0	0	0	0	2,520,911	0	0	0	151,255	2,369,656	88,207
11	0	0	0	0	2,369,656	0	0	0	142,179	2,227,477	78,561
12	0	0	0	0	2,227,477	0	0	0	133,649	2,093,828	69,971
13	0	0	0	0	2,093,828	0	0	0	125,630	1,968,199	62,319
14	0	0	0	0	1,968,199	0	0	0	118,092	1,850,107	55,505
15	0	0	0	0	1,850,107	0	0	0	111,006	1,739,100	49,435
16	0	0	0	0	1,739,100	0	0	0	104,346	1,634,754	44,029
17	0	0	0	0	1,634,754	0	0	0	98,085	1,536,669	39,215
18	0	0	0	0	1,536,669	0	0	0	92,200	1,444,469	34,927
19	0	0	0	0	1,444,469	0	0	0	86,668	1,357,801	31,107
20	0	0	0	0	1,357,801	0	0	0	81,468	1,276,333	27,706
21	0	0	0	0	1,276,333	0	0	0	76,580	1,199,753	24,676
22	0	0	0	0	1,199,753	0	0	0	71,985	1,127,768	21,978
23	0	0	0	0	1,127,768	0	0	0	67,666	1,060,102	19,575
24	0	0	0	0	1,060,102	0	0	0	63,606	996,495	17,434
25	0	0	0	0	996,495	0	0	0	59,790	936,706	15,528
25									936,706		243,267
	4,000,000	600,000	554,382			0	0	0	4,000,000		2,038,247

BLACK FOUNDATION

25 YEAR ANALYSIS - Varying Rate of Donations on Contributions

SCHEDULE 3

Annual Contributions	1,000,000 \$
Period of Accumulation	4 yrs
RBA Cash Rate (NPV)	5.25 %
Earnings on Corpus	0.00 %
CPI	3.20 %
Donations (rel. to Corpus)	4.00 %
Donations on Contributions	0 %
Effective Tax Rate on Contributions	30.00 %
Effective Tax Rate on Earnings	30.00 %

Donations Rate %	NPV Tax Forgone	NPV Donations	
0	1,108,764	1,038,820	94%
1	1,108,764	1,259,966	114%
2	1,108,764	1,455,144	131%
3	1,108,764	1,627,795	147%
4	1,108,764	1,780,887	161%
5	1,108,764	1,916,970	173%
6	1,108,764	2,038,247	184%
7	1,108,764	2,146,613	194%
8	1,108,764	2,243,705	202%

	Contribution	Tax Forgone	NPV Tax Forgone	Donation on Contribution	Indexed Corpus	Earnings	Tax Forgone	NPV Tax Forgone	Min. Earnings Donation	Retained Contributions	NPV Total Donations
1	1,000,000	300,000	300,000		1,000,000	0	0	0	40,000	960,000	37,900
2	1,000,000	300,000	284,250	0	1,960,000	0	0	0	78,400	1,881,600	70,384
3	1,000,000	300,000	269,327	0	2,881,600	0	0	0	115,264	2,766,336	98,046
4	1,000,000	300,000	255,187	0	3,766,336	0	0	0	150,653	3,615,683	121,422
5	0	0	0	0	3,615,683	0	0	0	144,627	3,471,055	110,445
6	0	0	0	0	3,471,055	0	0	0	138,842	3,332,213	100,461
7	0	0	0	0	3,332,213	0	0	0	133,289	3,198,925	91,379
8	0	0	0	0	3,198,925	0	0	0	127,957	3,070,968	83,119
9	0	0	0	0	3,070,968	0	0	0	122,839	2,948,129	75,605
10	0	0	0	0	2,948,129	0	0	0	117,925	2,830,204	68,770
11	0	0	0	0	2,830,204	0	0	0	113,208	2,716,996	62,553
12	0	0	0	0	2,716,996	0	0	0	108,680	2,608,316	56,898
13	0	0	0	0	2,608,316	0	0	0	104,333	2,503,983	51,755
14	0	0	0	0	2,503,983	0	0	0	100,159	2,403,824	47,076
15	0	0	0	0	2,403,824	0	0	0	96,153	2,307,671	42,820
16	0	0	0	0	2,307,671	0	0	0	92,307	2,215,364	38,949
17	0	0	0	0	2,215,364	0	0	0	88,615	2,126,749	35,428
18	0	0	0	0	2,126,749	0	0	0	85,070	2,041,679	32,226
19	0	0	0	0	2,041,679	0	0	0	81,667	1,960,012	29,312
20	0	0	0	0	1,960,012	0	0	0	78,400	1,881,612	26,663
21	0	0	0	0	1,881,612	0	0	0	75,264	1,806,347	24,252
22	0	0	0	0	1,806,347	0	0	0	72,254	1,734,093	22,060
23	0	0	0	0	1,734,093	0	0	0	69,364	1,664,730	20,066
24	0	0	0	0	1,664,730	0	0	0	66,589	1,598,140	18,252
25	0	0	0	0	1,598,140	0	0	0	63,926	1,534,215	16,602
25									1,534,215		398,443
	4,000,000	1,200,000	1,108,764			0	0	0	4,000,000		1,780,887

BLACK FOUNDATION
25 YEAR ANALYSIS - Varying Rate of Earnings

SCHEDULE 4

Annual Contributions	1,000,000 \$
Period of Accumulation	4 yrs
RBA Cash Rate (NPV)	5.25 %
Earnings on Corpus	5.25 %
CPI	3.20 %
Donations (rel. to Corpus)	2.75 %
Donations on Contributions	0 %
Effective Tax Rate on Contributions	0.00 %
Effective Tax Rate on Earnings	30.00 %

Donations Rate %	NPV Tax Forgone	NPV Donations	
0	1,260,111	0	0%
1	1,134,950	720,603	63%
2	1,025,593	1,302,341	127%
2.5	976,156	1,549,453	159%
2.75	952,639	1,663,338	175%
3	929,688	1,771,211	190%
4	845,975	2,148,508	254%
5	772,267	2,451,642	317%
5.25	755,269	2,517,564	333%

	Contribution	Tax Forgone	NPV Tax Forgone	Donation on Contribution	Indexed Corpus	Earnings	Tax Forgone	NPV Tax Forgone	Min. Earnings Donation	Retained Contributions	NPV Total Donations
1	1,000,000	0	0		1,000,000	52,500	15,750	14,923	27,500	1,025,000	26,056
2	1,000,000	0	0	0	2,025,000	106,313	31,894	28,633	55,668	2,075,625	49,994
3	1,000,000	0	0	0	3,075,625	161,470	48,441	41,205	84,580	3,152,516	71,946
4	1,000,000	0	0	0	4,152,516	218,007	65,402	52,712	114,194	4,256,329	92,037
5	0	0	0	0	4,256,329	223,457	67,037	51,193	117,049	4,362,737	89,385
6	0	0	0	0	4,362,737	229,044	68,713	49,718	119,975	4,471,805	86,809
7	0	0	0	0	4,471,805	234,770	70,431	48,286	122,975	4,583,600	84,308
8	0	0	0	0	4,583,600	240,639	72,192	46,894	126,049	4,698,190	81,879
9	0	0	0	0	4,698,190	246,655	73,996	45,543	129,200	4,815,645	79,520
10	0	0	0	0	4,815,645	252,821	75,846	44,231	132,430	4,936,036	77,229
11	0	0	0	0	4,936,036	259,142	77,743	42,957	135,741	5,059,437	75,004
12	0	0	0	0	5,059,437	265,620	79,686	41,719	139,135	5,185,923	72,843
13	0	0	0	0	5,185,923	272,261	81,678	40,517	142,613	5,315,571	70,744
14	0	0	0	0	5,315,571	279,067	83,720	39,350	146,178	5,448,460	68,706
15	0	0	0	0	5,448,460	286,044	85,813	38,216	149,833	5,584,672	66,726
16	0	0	0	0	5,584,672	293,195	87,959	37,115	153,578	5,724,289	64,803
17	0	0	0	0	5,724,289	300,525	90,158	36,045	157,418	5,867,396	62,936
18	0	0	0	0	5,867,396	308,038	92,411	35,007	161,353	6,014,081	61,123
19	0	0	0	0	6,014,081	315,739	94,722	33,998	165,387	6,164,433	59,362
20	0	0	0	0	6,164,433	323,633	97,090	33,019	169,522	6,318,544	57,651
21	0	0	0	0	6,318,544	331,724	99,517	32,067	173,760	6,476,507	55,990
22	0	0	0	0	6,476,507	340,017	102,005	31,143	178,104	6,638,420	54,377
23	0	0	0	0	6,638,420	348,517	104,555	30,246	182,557	6,804,380	52,810
24	0	0	0	0	6,804,380	357,230	107,169	29,374	187,120	6,974,490	51,289
25	0	0	0	0	6,974,490	366,161	109,848	28,528	191,798	7,148,852	49,811
25									7,148,852		1,856,593
	4,000,000	0	0			6,612,589	1,983,777	952,639	10,612,589		3,519,931

BLACK FOUNDATION

25 YEAR ANALYSIS - Varying Effective Tax Rate forgone

SCHEDULE 5

Annual Contributions 1,000,000 \$
 Period of Accumulation 5 yrs
 Investment Rate (NPV) 5.25 %
 Earnings on Corpus 5.25 %
 CPI 3.20 %
 Donations of Earnings 5.75 %
 Donations on Contributions 0 %
 Effective Tax Rate on Contributions 45.00 %
 Effective Tax Rate on Earnings 30.00 %

Effective Tax Rate Forgone				
Contributions	Earnings	NPV Tax Forgone	NPV Donations	
0	30	872,037	4,340,784	498%
15	30	1,547,314	4,340,784	281%
30	30	2,222,591	4,340,784	195%
45	30	2,897,858	4,340,784	150%

	Contribution	Tax Forgone	NPV Tax Forgone	Donation on Contribution	Indexed Corpus	Earnings	Tax Forgone	NPV Tax Forgone	Min. Earnings Donation	Retained Contributions	NPV Total Donations
1	1,000,000	450,000	450,000		1,000,000	52,500	15,750	14,923	57,500	995,000	54,481
2	1,000,000	450,000	426,375	0	1,995,000	104,738	31,421	28,209	114,713	1,985,025	102,984
3	1,000,000	450,000	403,990	0	2,985,025	156,714	47,014	39,991	171,639	2,970,100	146,000
4	1,000,000	450,000	382,781	0	3,970,100	208,430	62,529	50,396	228,281	3,950,249	183,987
5	1,000,000	450,000	362,685	0	4,950,249	259,888	77,966	59,539	284,639	4,925,498	217,366
6	0	0	0	0	4,925,498	258,589	77,577	56,131	283,216	4,900,871	204,924
7	0	0	0	0	4,900,871	257,296	77,189	52,919	281,800	4,876,366	193,195
8	0	0	0	0	4,876,366	256,009	76,803	49,890	280,391	4,851,984	182,137
9	0	0	0	0	4,851,984	254,729	76,419	47,034	278,989	4,827,725	171,712
10	0	0	0	0	4,827,725	253,456	76,037	44,342	277,594	4,803,586	161,883
11	0	0	0	0	4,803,586	252,188	75,656	41,804	276,206	4,779,568	152,618
12	0	0	0	0	4,779,568	250,927	75,278	39,411	274,825	4,755,670	143,882
13	0	0	0	0	4,755,670	249,673	74,902	37,155	273,451	4,731,892	135,647
14	0	0	0	0	4,731,892	248,424	74,527	35,029	272,084	4,708,232	127,883
15	0	0	0	0	4,708,232	247,182	74,155	33,024	270,723	4,684,691	120,563
16	0	0	0	0	4,684,691	245,946	73,784	31,134	269,370	4,661,268	113,662
17	0	0	0	0	4,661,268	244,717	73,415	29,352	268,023	4,637,961	107,157
18	0	0	0	0	4,637,961	243,493	73,048	27,672	266,683	4,614,772	101,023
19	0	0	0	0	4,614,772	242,276	72,683	26,088	265,349	4,591,698	95,241
20	0	0	0	0	4,591,698	241,064	72,319	24,595	264,023	4,568,739	89,789
21	0	0	0	0	4,568,739	239,859	71,958	23,187	262,703	4,545,896	84,650
22	0	0	0	0	4,545,896	238,660	71,598	21,860	261,389	4,523,166	79,805
23	0	0	0	0	4,523,166	237,466	71,240	20,608	260,082	4,500,550	75,237
24	0	0	0	0	4,500,550	236,279	70,884	19,429	258,782	4,478,047	70,931
25	0	0	0	0	4,478,047	235,097	70,529	18,317	257,488	4,455,657	66,871
									4,455,657		1,157,157
	5,000,000	2,250,000	2,025,831			5,715,599	1,714,680	872,037	10,715,599		4,340,784