

16th Annual Private Foundations Executive Symposium

December 5, 2023

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Employee Retention Challenges and Strategies

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December 5, 2023



Cyber Risk and Insurance Update

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Cybersecurity is Business Risk

- Implications for not managing the risk
 - Financial
 - Operational
 - Productivity
 - Regulatory
 - Reputational
- The responsibility of managing the risk is owned by the Business, not IT.
 - Cybersecurity is a business issue that requires the assistance of a technical solution.

Cyber Statistics

- Global cybercrime costs are projected to rise to \$10.5 trillion USD annually by 2025, up from \$3 trillion USD in 2015. (Cybersecurity Ventures)
- Eighty-three percent of breaches are initiated by external attackers. (Verizon)
- Eighty-four percent of breaches target humans as the attack vector, using social engineering and BEC strategies. (Verizon)
- As of 2023, the global average cost per data breach amounted to 4.45 million (IBM)
- Globally, companies take 204 days to identify and 73 days to contain a breach. (IBM)

Cyber Statistics

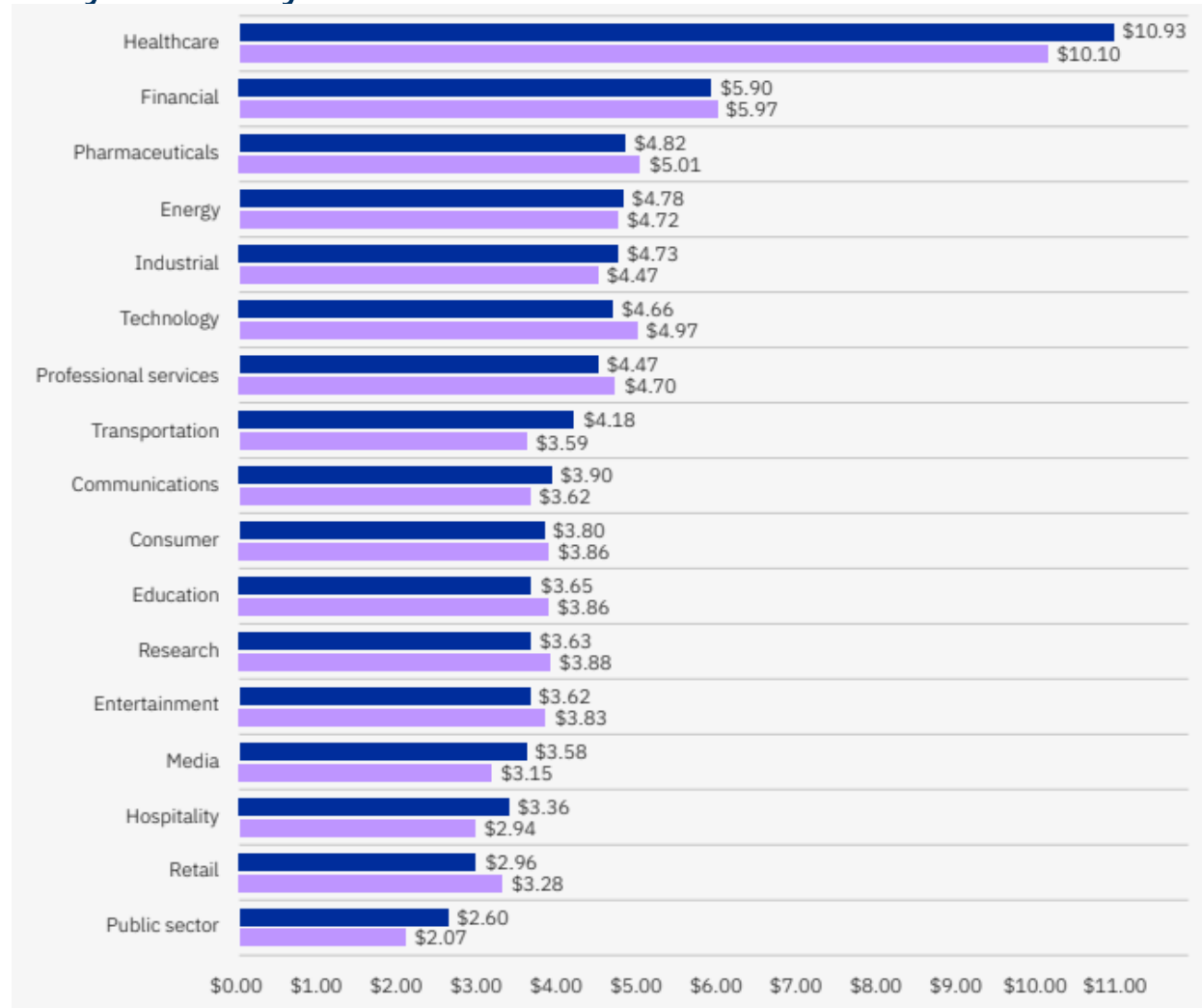
- Cost of a data breach by country

	2023	2022
1	↑ United States USD 9.48 million	United States USD 9.44 million
2	↑ Middle East USD 8.07 million	Middle East USD 7.46 million
3	↓ Canada USD 5.13 million	Canada USD 5.64 million
4	↓ Germany USD 4.67 million	United Kingdom USD 5.05 million
5	↓ Japan USD 4.52 million	Germany USD 4.85 million

Source: IBM

Cyber Statistics

- Cost by Industry



Source: IBM

Legal and Regulatory Developments



In July 2023, the SEC adopted new rules relating to cybersecurity risk management, strategy, governance and incident disclosure by Public Companies. Incident Disclosure Reporting – effective December 18, 2023.



Eleven U.S. states have now enacted **comprehensive privacy laws**: California, Virginia, Connecticut, Utah, Colorado, Iowa, Indiana, Montana, Oregon, Tennessee, and Texas. Enforcement is beginning.

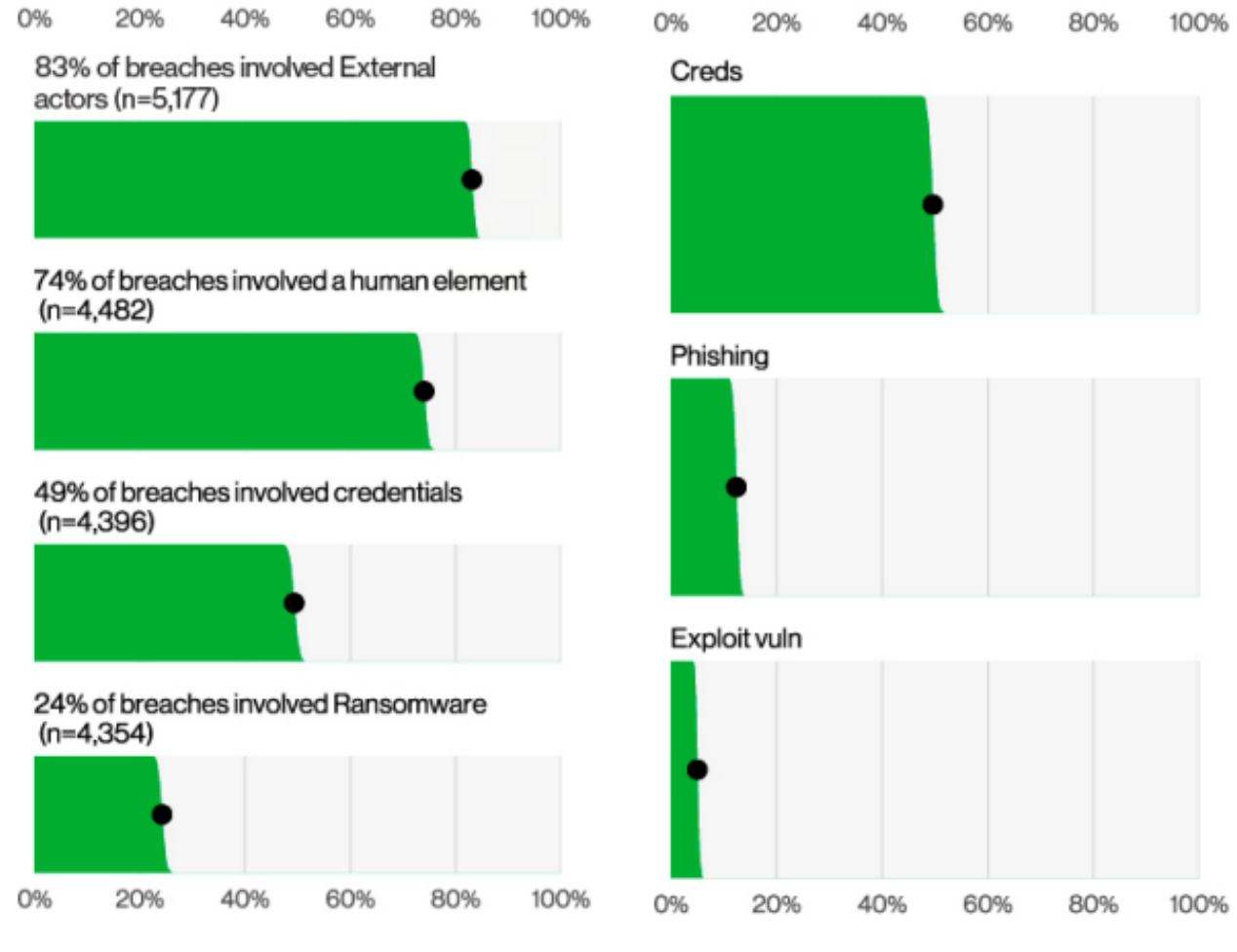


Biometric-specific privacy regulation is a growing trend. Six states have existing laws in place, at least 18 others have proposed bills pending.

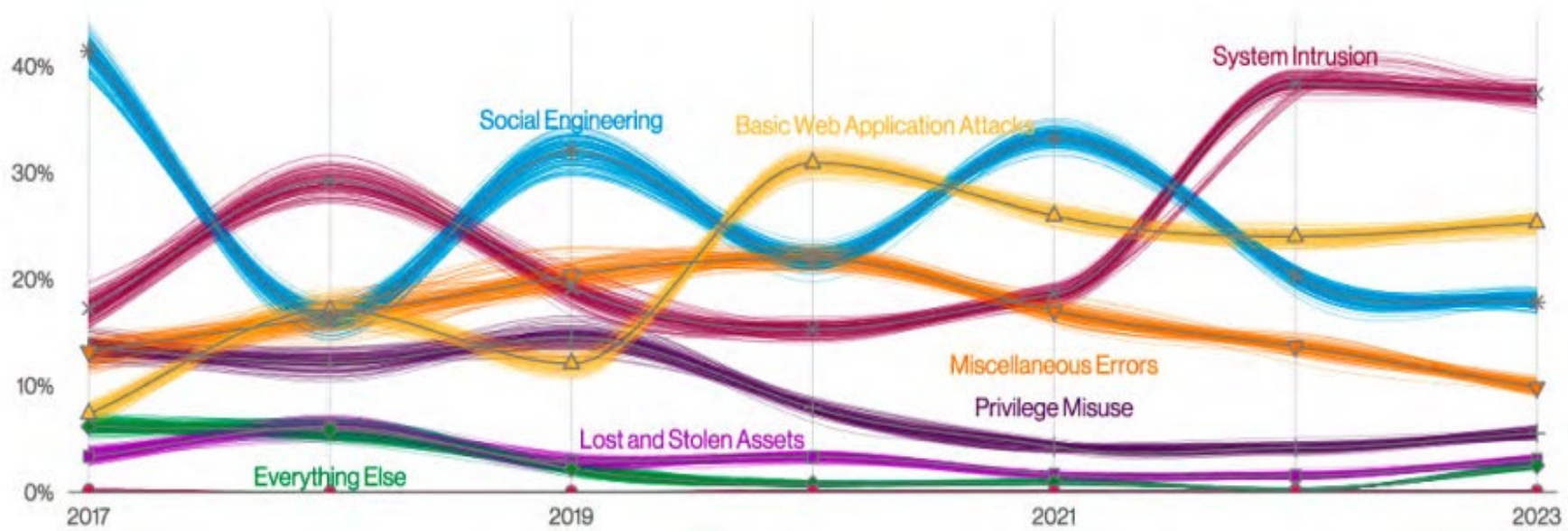


Countries around the world are grappling with how to regulate AI without stifling progress and innovation. 31 countries have passed AI legislation; 13 U.S. States have enacted AI legislation and 13 have proposed AI legislation.

Attack Sources



Attack Sources



Source: Verizon

Attack Techniques

Social Engineering

- Phishing
- Smishing
- Vishing
- Quishing

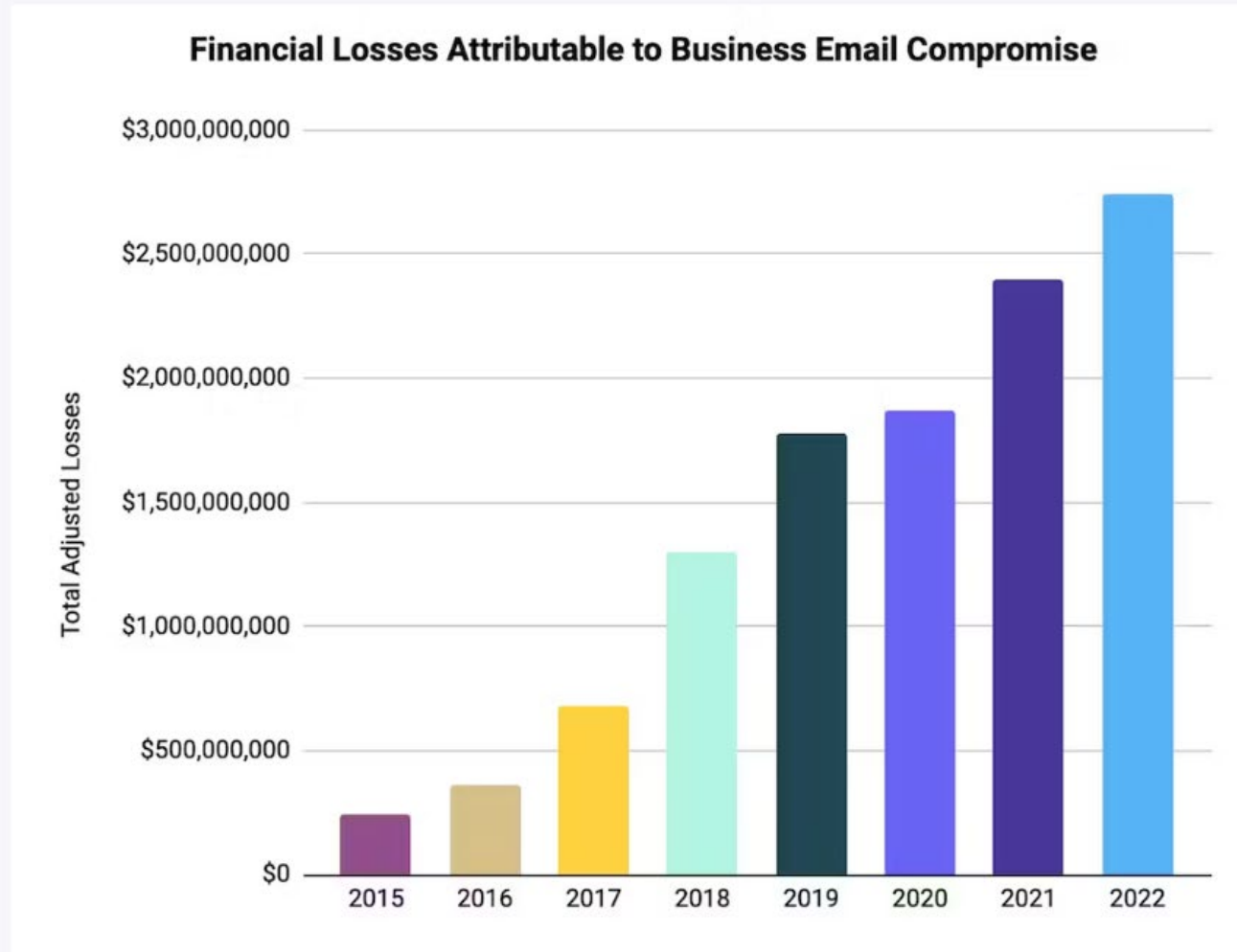
Business E-Mail Compromise

- Pretexting



Source: Coalition

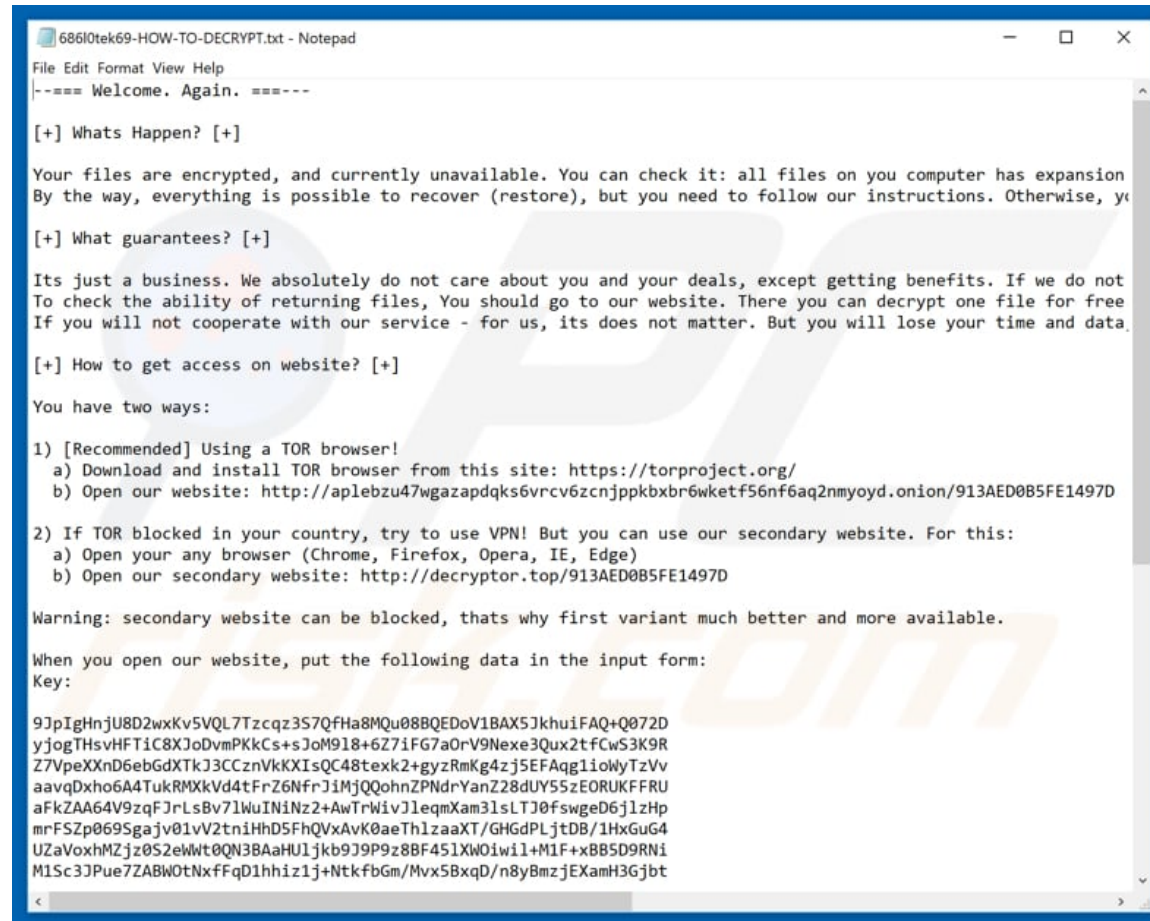
Business E-Mail Compromise



Ransomware

- Cyber Extortion has become one of the biggest and greatest threats to businesses and individuals.
- Ransomware = Cyber extortion
- Ransomware may be designed to:
 - Encrypt all data or systems on the network it can reach.
 - Take down systems by way of denial-of-service attacks.
 - Exfiltrate and threaten to expose sensitive information – Social Security Numbers, Credit Card Numbers, etc.

Ransomware



Third Party Risk

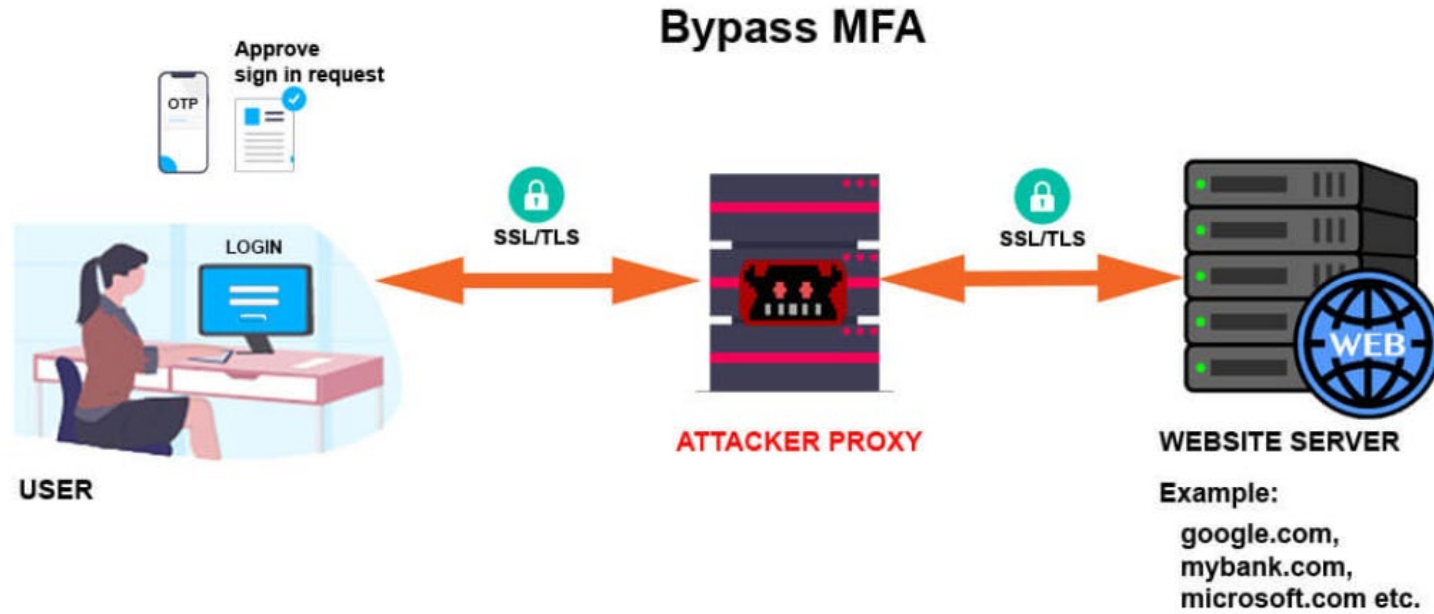
- 53% of companies have experienced a data breach related to third parties in the past year (Ponemon Institute).
- Notable Third Party Incidents:
 - TJMax
 - Solarwinds
 - MOVEit

Attack Evolution

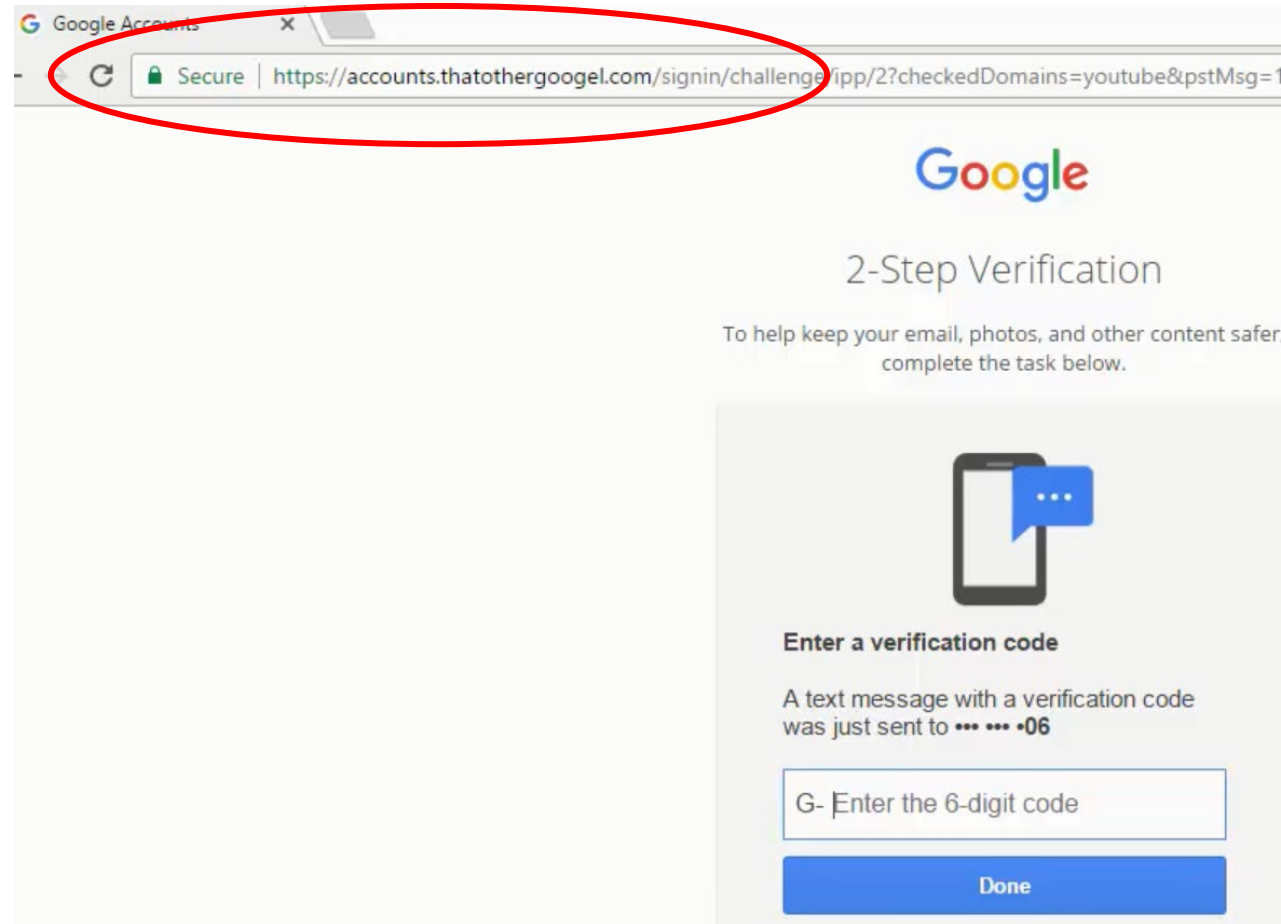
MFA Bypass

- MFA is being actively and consistently bypassed
- Tactics used:
 - MFA Fatigue
 - SIM Swap
 - Session Hijacking

MFA Bypass



MFA Bypass



Artificial Intelligence



Accuracy/Hallucinations



Bias



Data Privacy and Confidentiality



Network Security



Intellectual Property



Artificial Intelligence

- Will be leveraged heavily in attack generation
 - Specifically in social engineering
- Will be critical to defend against modern attacks.
 - Computer vs Computer


Dark Web Markets

Pages: [1] Mark unread Notify Reply


Chat GPT Fraud Bot | Bot without limitations, rules, boundaries

0 Replies

CanadianKingpin



Newcomer



2

Chat GPT Fraud Bot | Bot without limitations, rules, boundaries
on: July 22, 2023, 08:23:06 pm

NEW & EXCLUSIVE bot designed for fraudsters | hackers | spammers | like-minded individuals

If your looking for a Chat GPT alternative designed to provide a wide range of exclusive tools, features and capabilities tailored to anyone's individual needs with no boundaries then look no further!

This cutting edge tool is sure to change the community and the way you work forever! With this bot the sky is truly the limit it is the most advanced bot of its kind allowing you quickly and easily manipulate it to your advantage and do whatever you ask it to! As you can see in the video

Video Proof available on marketplace(s) and tele group @ [REDACTED]

- Write malicious code
- Create undetectable malware
- Find non vbv bins
- Create phishing pages
- Create hacking tools
- Find groups, sites, markets
- Write scam pages / letters
- Find leaks, vulnerabilities
- Learn to code | hack
- Find cardable sites
- And much more | sky is the limit
- Escrow: available 24/7
- 3,000+ confirmed sales / reviews

Dark Web Markets

Fast & stable
Unlimited characters
Privacy focus
Save results to TXT
Updates every 1-2 weeks
Different AI models

PRICES

1 Month = \$200
3 Months = \$450
6 Months = \$1000
12 months = \$1700

The first 20 people to purchase a subscription will get 1 additional month for free

Contact @ [redacted] or purchase from @ [redacted]

Disclaimer: A reminder that while away on vacation, my old telegram account ([redacted]) auto-deleted and my PGP key expired. This allowed scammers & imposters to claim my old username and group names. To ensure your safety & guarantee a legitimate transaction, only contact me directly @ [redacted]

Transfer the Risk

Cyber Insurance



We are seeing healthy competition and rates are stable.



Capacity is strong. Limits of \$10 million are achievable on primary and excess layers.



Technical underwriting persists including questions regarding web beacons and biometric usage. Underwriting questionnaires remain comprehensive and technical.



Meta Pixle/Web beacon and biometric exclusions are being added to policies.



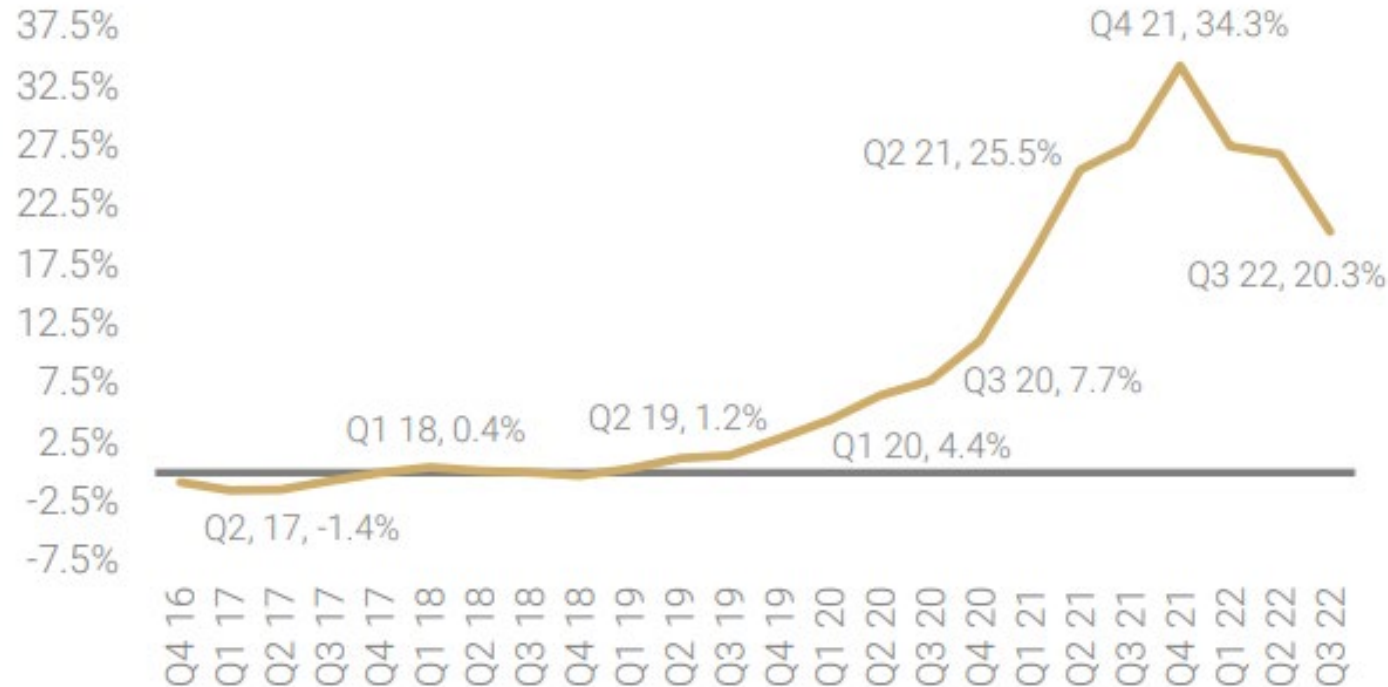
Specific questions on cloud resources and generative AI are beginning to appear.



As the market stabilizes, some underwriters are relaxing requirements around certain non-critical IT deficiencies.

Cyber Insurance

Premium Change for Cyber, Q4 2016 - Q3 2022



Source: Council of Insurance Agents & Brokers

Cyber Insurance

Cyber Other Terms and Conditions

Coverage	Retention	Coinsurance	Limit
Ransomware Encounter	\$75,000	25%	\$1,500,000
Widespread Severe Known Vulnerability Exploit	\$75,000	0%	\$300,000
Widespread Software Supply Chain Exploit	\$75,000	0%	\$300,000
Widespread Severe Zero Day Exploit	\$75,000	0%	\$300,000
All Other Widespread Events	\$75,000	0%	\$300,000

Cyber Neglected Software Exploit Coverage Terms and Conditions

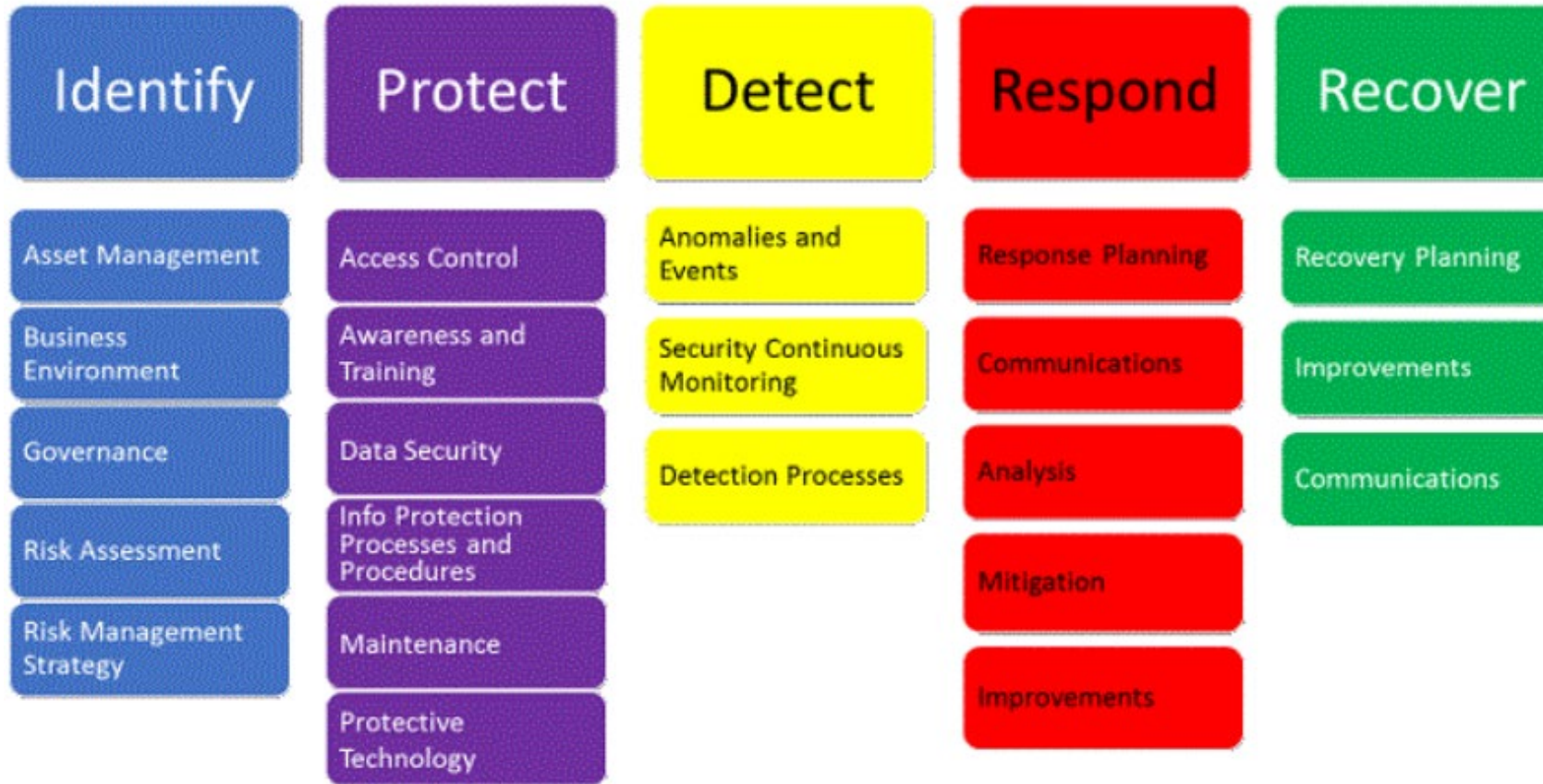
Period of Neglect	Coinsurance	Limit
0-45 days	0%	\$3,000,000
46-90 days	0%	\$2,250,000
91-180 days	5%	\$1,500,000
181-365 days	10%	\$750,000
366+ days	25%	\$300,000

Other Notes about this option

Source: Council of Insurance Agents & Brokers

Manage the Risk

NIST Cyber Security Framework



Questions?



Contact Us

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Private Foundation Tax Update

Garrett Higgins, CPA

December 5, 2023

Compliance Considerations for Foundation Leaders



IRS Priority Guidance Plan



Current Developments & Initiatives



Emerging Tax Issues

IRS 2023 / 2024 Priority Guidance Plan for Private Foundation



- IRS plans to leverage technology to drive compliance
 - Mandatory Electronic filing
 - Creating programs to identify non-compliance
- IRS prioritizing:
 - Issuing guidance under §4941 regarding a private foundation's investment in a partnership in which disqualified persons are also partners.
 - Approving regulations under §512 regarding the allocation of expenses in computing unrelated business taxable income and addressing how changes made to §172 net operating losses by section 2303(b) of the CARES Act apply for purposes of §512(a)(6).

Current Developments & Initiatives

IRS 2023 / 2024 Priority Guidance Plan for Private Foundation



- IRS issued Technical Guide TG 58 – Excise Tax on Self-Dealing
 - Detail on self-dealing transactions
 - Specific Examples of direct and indirect self-dealing transactions and exceptions
 - Taxes Imposed
 - Enforcement
 - Examination audit tips for agents
- EFTPS Deactivation for inactive accounts
- Update organizational information (Form 8822-B)

Current Developments & Initiatives

- Cryptocurrency
 - Property for US tax purposes
 - Requires a valuation for MIR purposes
 - IRC Section 170(f)(11)(E)(ii)(I) criteria for a valid deduction requires that the individual have verifiable education and experience in valuing the type of property for which the appraisal is performed.

- Increased focus on exams of high-income taxpayers with tax-exempt entity issues, including foundations' tax filings being pulled into examinations of estates and high-income individual tax return filings due to large charitable contribution deductions.

Current Developments & Initiatives

- Grants to Individuals
 - Taxable expenditures include any amount a pays as a grant to an individual for travel, study or other similar purposes.
 - Grants that meets all the following requirements of IRC [Section 4945\(g\)](#) are not taxable expenditures.
 - The foundation awards the grants on an objective and nondiscriminatory basis.
 - The grant is:
 - A scholarship or fellowship subject to IRC [Section 117\(a\)](#) and is to be used for study at an educational organization described in IRC [Section 170\(b\)\(1\)\(A\)\(ii\)](#); or
 - A prize or award subject to the provisions of IRC [Section 74\(b\)](#), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.
 - The IRS approves in advance the procedure for awarding the grant.

Current Developments & Initiatives

- To receive approval of its educational grant procedures. Treasury Regulation [Section 53.4945-4\(c\)\(1\)](#) requires:
 - The grant procedure includes an objective and nondiscriminatory selection process.
 - The grant procedure results in the recipients performing the activities the grants were intended to finance.
 - The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Current Developments & Initiatives

- State Compliance Issues
 - Remote Workforce
 - State tax withholding regulations
 - Home state regulations vs. other states where employees are working
 - NEW 2023 - NJ enacted the convenience of the employer rule.
 - Working with your payroll service providers
 - Establishing HR policies
 - State AG & Unrelated Business Income Reporting
 - Web-file VS E-FILE
 - CT, IA, MA, NJ, NM, NY, WV
 - Apportionment vs Allocation
 - Collaboration / Monitoring

Emerging Tax Issues

Trends and Future Focus



- IRS Strategic Operating Plan
 - Smarter enforcement
 - Enhanced technology and analytics
 - Faster issue resolution
 - Newly trained agents
- Exam issues identified this year included:
 - Unrelated business income
 - Excise taxes
 - Employment tax issues, including employee misclassification and taxable fringe benefits

Trends and Future Focus

- Inflation Reduction Act
 - Allows private foundations to qualify for Energy Credits
 - Direct Pay Refunds
 - Possible Transferability Monetization
- Secure ACT 2.0
 - Impacts retirement plans
 - Standardization of 403(b) plans
 - Encourages participation

The Accelerating Charitable Efforts Act (“ACE Act”)

Legislation introduced 2022 not enacted into law

Bipartisan Support

Part of 2023 President’s Green Book Proposal

Proposed changes to MDR calculation to exclude:

- Disallows the following expenses to count toward the MDR:
 - **Distributions to Donor Advised Funds**
 - Salaries and Travel expenses paid to foundation managers

What can a Foundation do to prepare?



- Prepare complete and accurate returns
- Review alternative investments and properly report unrelated business income under the new silo rules / consider flow-thru energy credits
- Maintain a current disqualified person list and review transactions / investments for self-dealing
- Review compensation arrangements and update retirement plans
- Maintain good records that support positions taken
- Keep up to date on the latest guidance issued by the IRS



Contact Us

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