



# Foundations and **endowment funds** in **France** from 2001 to 2018

A study conducted in collaboration with the Office of Associations and Foundations at the Ministry of the Interior and with the assistance of Viviane Tchernonog, researcher at the Centre d'économie de la Sorbonne/CNRS.

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# Foundations and endowment funds in France from 2001 to 2018

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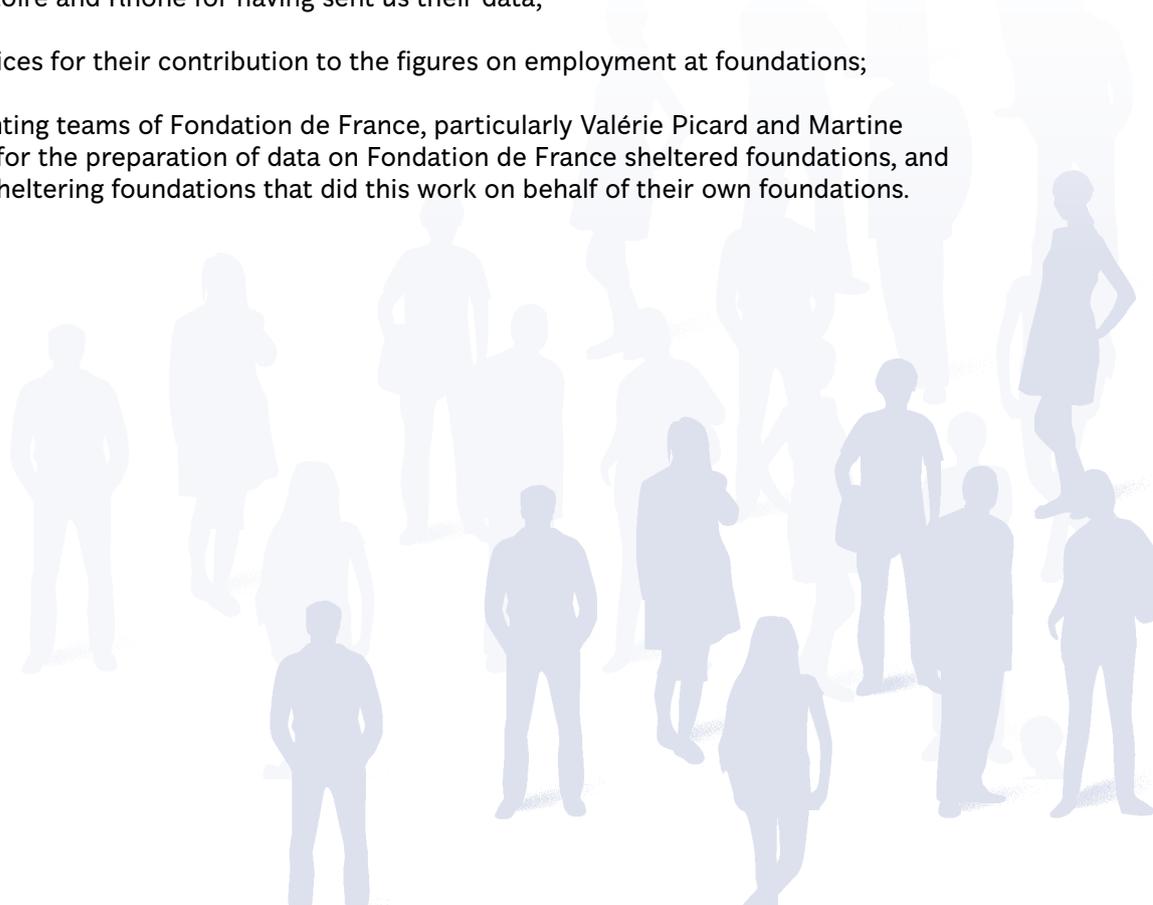
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# Editorial

## Fifty years of French philanthropy

**A**s Fondation de France celebrates its 50<sup>th</sup> anniversary in 2019, it is with great satisfaction that it sees the rapid and solid development of philanthropic engagement in our country. The results of this fifth edition of the National Foundations and Endowment Funds Survey, for which I would like to thank Viviane Tchernonog for her valuable and loyal contribution, present us with a growing and mature sector.

The first observation is that there has been a considerable rise, both in terms of the number of foundations created, one third of them have been created since 2010, and in terms of their economic weight, since the foundations' annual expenditure has increased by 34% in four years. Today, they contribute no less than €10 billion each year to general interest causes. However, it is important to highlight that these figures relate to 2017 and that 2018, marked by several changes in taxation, has seen a sharp drop in gifts, recalling the vulnerability of the philanthropic sector to the legal and tax framework in which it operates. It could be argued that while these difficulties have not slowed the pace of the creation of new foundations, the volume of annual expenditure, however, has certainly been affected.

While operating foundations, which directly implement projects, are responsible for the majority of the annual expenditure of foundations, the share of grant-making foundations continues to grow significantly to a quarter of the total, or €2.4 billion per year. The grant-making model has become the large majority in France, following a global trend: for every 10 new foundations today, 9 choose this model. The typical grant-making foundation, whether funded by individuals or a company, is created on a flow model, as the funds provided are intended to be spent immediately. This choice reflects philanthropists' desire to respond quickly to needs without waiting over the long term.

The second observation is the maturing of the foundations. Employee numbers are rapidly increasing, attesting to the professionalisation of the sector, and grant-making foundations are dedicating increasing resources to complex tasks that relate to the implementation of their social mission: the selection and monitoring of projects, the networking of beneficiaries, assessment, capitalisation and research.

By broadening their roles, these foundations affirm their added value as a producer rather than just a financier of the public interest. These changes in grant-making philanthropy have been encouraged and supported by Fondation de France for the past fifty years as part of its programmes and through the 850 or more foundations it shelters.

Thanks to unprecedented data collection with the collaboration of the Ministry of the Interior and seven prefectures, this edition of our survey has also allowed us to objectify the development of endowment funds, 10 years after their introduction into the law. The results, however are mixed: although this system has contributed, through its flexibility, to the rapid development of the sector, only 60% of endowment funds are in operation, and the volume of their spending is 10 times lower, for an equivalent number of active structures, than that of the purely grant-making foundations. This finding reminds us that the collection of gifts, on which a number of endowment funds that have remained empty relied, is now very professional and competitive. Donors, already overstretched, are attentive to the impact and reliability of the organisations in which they place their trust.

It should be noted that the French foundations now choose social action, in all its forms, as a priority. More than one third of them act in favour of young people, and half of them prefer to work on a territorial level. There are also very encouraging indicators in terms of the importance of philanthropy's contribution to the construction of a more just and sustainable society, as close as possible to the needs of each resident.

We are confident that the foundations, whose functioning and role remain largely unknown to the French population, will continue their promising development so that our philanthropic sector can reach the level of those of our European neighbours in a few years, and use all its potential to serve the general interest.

**Axelle Davezac**  
Chief Executive Officer  
Fondation de France

# Foreword

## from the Ministry of the Interior

**F**our years after its last edition, this new report on foundations and endowment funds in France provides us with rich and useful lessons for action.

The first of these lessons is the confirmation of what we feel every day at the Ministry of the Interior: the foundation sector is dynamic, and its players are often young and always very diverse. This could seem paradoxical at first sight for foundations who must, by definition, plan their action over the long term: the ephemeral and the superficial are not conducive to the protection of the general interest. This study confirms one of the major strengths of the sector, which knows how to combine stability with constant renewal.

This report confirms another essential fact: the considerable weight of foundations in philanthropy and society. The assets of some 655 public utility foundations and their 1,400 sheltered foundations, which carry the majority of the sector's economic weight, amount to nearly €27 billion. Above all, together with corporate and university foundations, they redistribute more than €10 billion each year to highly diverse public interest causes: aid to the most vulnerable populations, support for culture, research, promoting intellectual life, environmental conservation, etc.

This power forces us to build on the trust that the double "foundation" and "public utility" label inspires.

It requires foundations to become increasingly rigorous and professional in the management of funds derived from the generosity of the public and benefiting from significant tax deductions.

It also puts requirements on the Ministry of the Interior in terms of its role to control and support foundations, at all stages of their life:

Firstly, the recognition of public utility, which is a fundamental first step. The Ministry advises founders to define the foundation's purpose of general interest, its means of action, the sustainability of its economic model, and its operation.

Then, the Ministry's Office of Associations and Foundations also supports foundations wishing to change their articles of association or company rules and regulations. The definition of new statutes in 2018 has enabled us to continue to modernise the sector, while confirming what makes up the strength of the foundation model and its added value for the general interest: a light and responsive governance that comprises different expertise and legitimacy, the collegiality of decisions, the necessary exemplary nature of its management (selflessness, prevention of conflicts of interest, etc.).

Lastly, the Ministry also participates in the lives of foundations by sitting on their board of directors. It is not a guardianship role because foundations are private individuals whose autonomy must be respected. The role of the representative of the Ministry of the Interior or the Government is to secure the decisions of the foundation, ensure its proper management and ensure the performance of its mission of general interest, without interfering in the day-to-day management of the foundation. This is a demanding yet exciting task.

This study shows that public utility foundations have been successful in gaining and maintaining public confidence and respect for the public, donors and beneficiaries. The Ministry of the Interior will continue to work alongside them so that they remain this cornerstone to French philanthropy.

**Thomas Campeaux**  
Director of Public Liberties  
and Legal Affairs  
Ministry of the Interior

# Introduction

Foundations, with their philanthropic purpose often misunderstood by the French, are sometimes confused with other bodies, such as associations in particular. The official introduction of the foundation as one of the four major families of the social and solidarity economy, through the law on this subject in 2014, has allowed it to position itself in this sector. A multi-faceted mechanism, foundations can be created by all types of players, and serve all general interest causes.

The law of 23 July 1987 on the development of philanthropy defines the foundation as “**the act by which one or more individuals or corporate bodies decide on the irrevocable assignment of property, rights or resources for the realisation of a work of general interest and not for profit**”. Since 1987, several texts have amended the regime and statuses of foundations.

The French system of foundations has long been marked by four characteristics:

- The definitive nature of liberalities, defined by the 1987 law;
- The link with public power, through the a priori control of the creation of foundations by public authorities (with the exception of endowment funds);
- The sustainability of their action, initially translated into the obligation to ensure the sustainability of funds;
- Governance, via a restricted board of directors without an obligation to represent contributions.

However, these determining principles from the origin of the French funds and foundations sector are not fixed and have evolved over the past twenty years. Conducted since 2001, the national surveys by the Philanthropy Observatory make it possible to understand these developments.

## History of the development of funds and foundations in France

In comparison with other European countries, the development of foundations in France is relatively low and late. We can distinguish at least three factors that have hindered the emergence of foundations in France:

- Historically, the State’s strong influence on general interest has been accompanied by a fear of private competition, which through the accumulation of wealth has the capacity to constitute a real counter-power.
- The second explanation for the modest number of French foundations is the great success of the

association form in this country. Consecrated by the famous law of 1901, associations have undergone enormous development thanks to the liberty granted to them to free themselves from financial resources and therefore the authorisation to establish themselves. While only 4,000 funds and foundations have emerged from a multi-secular tradition, a hundred years have been enough to create 1.5 million associations.

- The final reason, mentioned less often and yet crucial to explaining the modest development of foundations, is the legal protection of heirs by inheritance rights. This provision provides that descendants automatically receive a fraction of the deceased's wealth. Direct heirs who consider themselves adversely affected by large sum liberalities made by the deceased are entitled to claim, up to ten years after their death, that their proportional right is recalculated. However, the 2006 inheritance reform opens up the possibility to make “future inheritance pacts”: the rightful heirs can renounce the exercise of their right of recourse in advance, particularly for the benefit of a foundation. In addition, the development of the French people’s understanding of the system is currently fuelling debates that suggest a future reform of inheritance rights in favour of philanthropic projects.

## Eight statuses, two modes of operation

In 2017, there were **eight statuses of funds and foundations** in France that will be used throughout the report as a key analysis tool. Established in different periods, these statuses formally correspond to **six legal statuses** and **two sub-statuses**:

### Four general statuses:

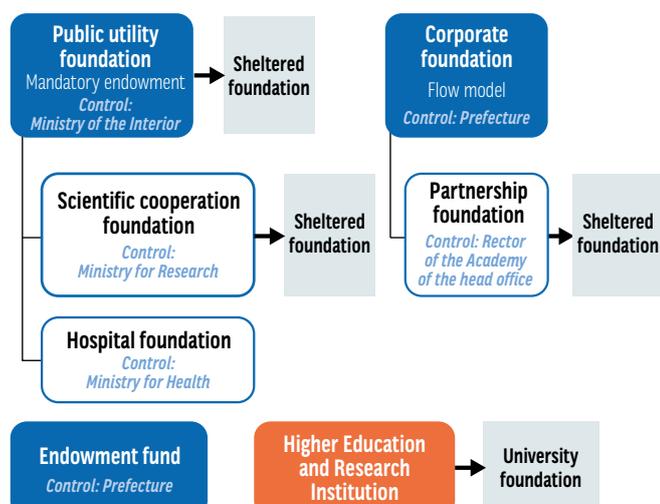
- Public utility foundation (PUF) ..... end 19<sup>th</sup> century/1987
- Sheltered Foundation (SF),  
under the aegis of a PUF ..... end of 19<sup>th</sup> century/1987
- Corporate Foundation (CF) ..... 1990
- Endowment Fund (EF) ..... 2008

### Four specialist statuses:

- Scientific Cooperation Foundation (SCF) ..... 2006
- Partnership Foundation (PF) ..... 2007
- University Foundation (UF), under the aegis  
of a higher education and research institution ..... 2007
- Hospital Foundation (HF) ..... 2009

These statuses share, as appropriate, certain legal and prerogative characteristics. As shown in [Figure a](#), the statuses of scientific cooperation and hospital foundations derive from the status of public utility foundation and thus inherit the initial endowment obligation, while the status of partnership foundation derives from the status of corporate foundation and follows the flow regime. [Figure a](#) also presents the administrative authority for each status and their sheltering capacity where applicable.

**Figure a.** Organic links between legal statuses, sheltering capacity and administrative authorities



A detailed analysis of each of these statuses and a description of the foundations' tax and governance framework are available in the Appendix at the end of this report.

The analysis of the eight statuses leads to the following observations:

- The tax regime applicable to philanthropists (individuals or companies) and to the structures themselves is almost identical for all these organisations, although they do not all present the same guarantees of soundness and quality;
- The division of the administrative authority of foundations between different departments and local governments complicates the legibility of the landscape;
- The four sectoral statuses are not often used: scientific cooperation foundations, university foundations and partnership foundations have a total of fewer than 100 foundations, and so far there is only one hospital foundation.

Beyond the various statuses and frameworks, **the modes of operation of the foundations** are very useful in the analysis of the main aspects of the sector. French foundations can operate according to two distinct mode of operation:

- **Grant-making foundations**, also known as funding or financing foundations are dedicated to the financing and support of external projects by distributing subsidies to associations, institutions or groups, and grants or awards to individuals (researchers, students, etc.). This model first appeared in France in the second half of the 20<sup>th</sup> century, based on American grant-making philanthropy and has become more widespread with the development of corporate foundations from the 1990s onwards. These grant-making foundations do more than just finance projects, they choose which projects to support and help with their development.
- **Operating foundations** themselves implement activities directly through employed teams (management of a museum, retirement home, hospital, etc.). This is an older model, inherited from the 19<sup>th</sup> century.

This report presents the results according to the division of foundations into these two types of foundations, defined according to their main mode of operation. A number of foundations can apply a combination of these two models in their activities.

## The National Foundations and Endowment Funds Survey

This study has been part of a series carried out for nearly 20 years by the Philanthropy Observatory of Fondation de France, with data collected nationally every four years since 2001 from a questionnaire sent to French foundations and, since 2009, to endowment funds.

The comparison over time of data from the Foundations and Endowment Funds Survey is essential to understanding the philanthropic sector and its dynamics. This new edition shows sustained growth in the number and economic weight of foundations and confirms the emergence of the grant-making model in the sector. In addition, for the first time, thanks to an unprecedented amount of data collected on endowment funds, the study has qualified their strong growth in numbers and revealed an economic weight unparalleled with that of foundations.

# Methodology of the national survey

This edition of the Foundations and Endowment Funds study by the Philanthropy Observatory was conducted on the basis of a questionnaire sent to active funds and foundations in France, which are the subject of a rolling census by the Philanthropy Observatory, and covers data for 2017.

## 1. A questionnaire survey

The survey was conducted during the second half of 2018 on the basis of a questionnaire, sent by post to all funds and foundations, regardless of their legal status, including the sheltered foundations for which we have a separate address from that of their sheltering foundation. Funds and foundations could return the paper questionnaire or complete it online.

The questionnaire consists of nearly 200 variables covering the profile of the foundation, its legal status, its governance, the presence and characteristics of an endowment, the nature and profile of the founders, the modalities and territorial scale of the actions carried out, the target populations, the main areas of intervention and the expenditure for these areas, the level and characteristics of staff employment, the assessment and strategy of the foundations and their financial and budgetary elements. Budgetary data is used to accurately analyse the nature of the foundations' resources and their expenditure.

The questionnaire is very close to that of the 2014 survey in order to allow comparisons between the two periods. The wording of certain questions has been modified to improve the quality of the data collected. However, there is a need for caution when comparing the results between the two surveys for certain indicators. In general, when comparisons were valid and relevant, they are presented in the report.

## 2. The survey basis: the 4,981 funds and foundations listed in 2017

The structure of the field of funds and foundations at the end of 2017<sup>(1)</sup> is as follows:

The funds and foundations in France in 2017 according to their legal status	Number 2017	% 2017 (excl. EFs)	% 2017 (with EF)
Public utility foundations	638	26%	13%
Corporate foundations	405	16%	8%
Sheltered foundations	1,360*	55%	27%
Scientific cooperation foundations, Partnership foundations and University foundations	84	3%	2%
Endowment funds (EF)	2,494**	-	50%
<b>Total (without EF)</b>	<b>2,487</b>	<b>100%</b>	<b>-</b>
<b>Total (with EF)</b>	<b>4,981</b>		<b>100%</b>

\*Excluding Institut de France

\*\*See box below: 40% of all EFs are empty or inactive.

All foundations created after 31 December 2017, or considered inactive at the launch of the survey, were excluded from the data.

1. The Institut de France sheltered foundations are not included in this report, since the Institut did not wish to participate in our survey.

### 3. Spontaneous participation and additional filling in of the questionnaire

A total of 549 funds and foundations completed the questionnaire. This **11% spontaneous participation** rate is very satisfactory for a survey of this format that asks respondents to reorganise their data. For funds and foundations that did not respond to the survey at the end of 2018, the questionnaire was completed by the Philanthropy Observatory team from the following sources:

- records of sheltered foundations at Fondation de France and several other sheltering foundations;
- records of public utility foundations held by the Office of Associations and Foundations at the Ministry of the Interior;
- information published publicly on the websites of the funds and foundations or on other public information sites, including the Official Journal (OJ).

### 4. Sample available for analysis

In total, the sample available for the study comprises 2,982 entities broken down as shown in the following table.

The representation rate of the sample available for analysis is excellent: the sample's foundations represent 57% of the total number of foundations and 63% of the number of endowment funds created. This rate varies according to legal status: it is excellent with regard to public utility foundations (62%) that make up the bulk of the economic weight of the foundations and for the sheltered foundations (66%), highly accurate for corporate foundations (29%). It is still low for university foundations: the nine foundations in the sample account for only 11% of the number of foundations with this status. It appears exceptional for endowment funds: given the state of the information available

on the subject, the 63% presence in the sample of funds created enables a deeper understanding of endowment funds whose weight, activity and operating procedures are still relatively unknown. The

establishment of the sample of endowment funds has been analysed to estimate the actual number of endowment funds in operation (see next page).

Sample size and representation rate	Sample size	Representation rate*
Public utility foundations	397	62%
Corporate foundations	117	29%
Sheltered foundations	897	66%
Scientific cooperation foundations, Partnership foundations and University foundations	9	11%
Total foundations excl. EF	1,420	57%
EF	1,562	63%
Total number of foundations and EFs	2,982	60%

\*The representation rate is the ratio of the sample size to the total number of funds or foundations.

→ Note: 62% of PUFs are included in the sample.

# Collection methodology for endowment funds

The endowment fund, the most recent status in the field of foundations, has grown in popularity since its introduction in 2009. A total of more than 3,000 structures have been created, more than the number of foundations over a much shorter period. Nevertheless, since 2012, several sources indicate that many endowment funds are empty or inactive. As part of this survey, the ability to estimate the overall actual degree of activity of endowment funds was therefore an important issue, requiring a specific collection effort.

- **EF: complex counting, often misinterpreted figures**

It is difficult to establish the total number of EFs. Even if an announcement in the OJ attests to the creation of an EF, the number of creation ads is not enough to determine the number of EFs, thus requiring careful analysis.

At the end of 2017, the OJ site reported 2,885 creations, but this figure does not correspond to the actual number of EFs.

- It does not take into account the 209 dissolutions that occurred before the end of 2017.
- The changes and amendments to published announcements are recorded as creations generating duplicates or triplicates.

**The Philanthropy Observatory database, updated regularly from the OJ, listed 2,494 endowment funds at the end of 2017, the baseline for the Funds and Foundations study.**

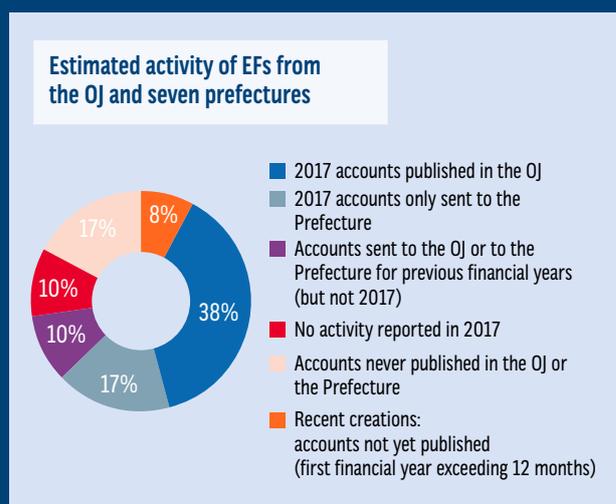
- **Estimated rate of EFs in operation**

EFs have a legal obligation to publish their accounts in the OJ every year, and to send them to the prefecture accompanied by an annual report. 38% of EFs published their accounts on the OJ website for 2017 (base year of the survey). It was therefore necessary to better characterise the activity of endowment funds that had not published their accounts. The Observatory therefore requested several prefectures to obtain additional data on the activity of the EFs that had not published their accounts.

The data collection on EFs was carried out as follows:

- Random input of accounts for 2017 published in the Official Journal;
- Input of all accounts published in the OJ in 13 departments;
- Input of accounts not published in the OJ in five departments (Paris, Hauts-de-Seine, Alpes-Maritimes, Hérault, Maine-et-Loire);
- Qualified information on the activity and inactivity of endowment funds in two departments (Gironde and Rhône).

Collaboration with prefectures helped to refine the proportion of EFs not in operation. For the seven prefectures that shared their data, of a total of 1,188 EFs (including 761 in the Paris prefecture), the activity is broken down as follows:



→ Note: of the 1,188 EFs, 38% published their accounts in the OJ, 17% only sent them to the prefecture.

The estimate of the proportion of endowment funds operating in 2017 (60%) includes the 38% of EFs that published their accounts in the OJ, the 17% that had, in the absence of publication in the OJ, sent their accounts to the prefecture and half of the 10% that had been active in a previous financial year. However, the analysis of the accounts reveals that a significant number of EFs that published their accounts in the OJ or sent them to the prefecture, or that had been active in previous financial years, are in fact inactive endowment funds. The estimate of 60% of active EFs in 2017 is therefore broad.

## 5. Results extrapolation methods

Although the representation rate of the sample appears very good, it is nevertheless partial data that needs to be reworked at several levels to prepare estimates for France as a whole. To this end, the sample was adjusted to reflect the breakdown of foundations by legal status. The results for single option and multiple-choice questions are therefore presented using a theoretical sample with the same structure as all foundations according to legal status.

The extrapolation of numerical variables raises other difficulties. Significant work on data control and consistency led to the correction of a number of data. The extrapolation of numerical data, particularly budget data, implies that the average values observed in the sample can be adjusted to reflect the entire sector. The extrapolation required special management of atypical values and the *ad hoc* treatment of the 19 largest foundations whose values,

for certain headings, were likely to distort the averages observed.

Budget heading data was calculated only for the foundations by segmenting the foundations field into five categories:

- two types of public utility foundations (with more than 10 employees or less than 10 employees),
- corporate foundations,
- sheltered foundations,
- academic-related foundations (scientific cooperation foundations, partnership foundations, university foundations).

Initial extrapolations were carried out on the basis of the averages calculated according to each of these types and according to their number. The values observed for the 19 largest foundations were then added to the values obtained.

Similarly, the data based on mode of operation was analysed with

a segmentation into 10 types of foundations, defined by the combination of the five categories listed above and the two modes of operation (grant-making/operating). Analysis of the results according to the mode of operation is essential for a better understanding of the foundations' work. However, the results may be less accurate than those based on legal status because the definition of the statuses is indisputable, whereas that of the mode of operation is sometimes relative.

Extrapolation was also performed for the endowment funds by isolating them from the rest of the sample.

By default, all the tables and figures in this report are based on the information from the aforementioned survey carried out in 2018. Where other sources were used, they are cited.

### MAIN ABBREVIATIONS

**PUF:** Public Utility Foundation

**CF:** Corporate Foundation

**SF:** Sheltered Foundation

**SCF:** Scientific Cooperation Foundation

**UF:** University Foundation

**PF:** Partnership Foundation

**EF:** Endowment Fund

**n.s.:** non-significant



# Key figures

## Number of foundations and endowment funds

in 2018



**2,551**  
foundations



**1,651**  
active  
endowment  
funds



**127,000**  
employees



## CREATION OF FOUNDATIONS

**2/3**

of foundations  
that have been  
created since  
2000

**1/3**

since 2010

## CATEGORY OF FOUNDERS

foundations

**54%**  
Individuals



**36%**  
Companies



endowment  
funds

**38%**  
Associations



**37%**  
Individuals



# Economic weight in 2017



## Assets held

€26.5 bn  
by foundations  
**+ 19%**  
in four years

€1.3 to €1.6 bn  
by endowment funds

## Annual expenditure

€10 bn  
by foundations  
**+ 34%**  
in four years

€220 to €270 m  
by endowment funds

€2.4 bn in expenditure  
by grant-making foundations

→ i.e. **1/4 of foundations' expenditure**

## AREAS OF INTERVENTION



Health and  
medical  
research

47%  
of expenditure  
€4.7bn



Social action

29%  
of expenditure  
€2.9bn



EDUCATION  
and higher  
education

6%  
of expenditure  
€600m



Arts &  
culture

6%  
of expenditure  
€600m

**24%** of  
foundations  
were dedicated to  
**social action**  
in 2017



## Target populations

**37%** of  
foundations  
focus on  
children  
and young  
people



# FONDATION DE FRANCE, PIONEER OF FINANCING PHILANTHROPY

In the early 1960s, André Malraux, Minister for Culture, decided that it would be desirable to develop private philanthropy for culture in France. He sent a member of his firm, Michel Pomey, to study this subject in the United States. Upon his return, Michel recommended creating a generalist framework to boost private gifts not only for culture, but for all general interest causes. Malraux is therefore no longer directly involved in the development of the project.

When Michel Pomey left the Ministry of Culture to join the Caisse des dépôts et consignations, he took the project with him, where François Bloch-Lainé, Chief Executive Officer of the Caisse, encouraged all the banks at the time to collectively form the Fondation de France's first endowment. Michel Debré, Minister for the Economy and Finance, became involved in the creation of this new body dedicated to private philanthropy, and the decree to create Fondation de France was signed by Charles de Gaulle on 9 January 1969. Michel Pomey was its first CEO.

Fondation de France celebrates its 50th anniversary in 2019. It shelters more than 850 foundations and finances nearly 10,000 general interest projects every year.

Working primarily to shelter and manage foundations on the one hand, and to raise funds to support social innovation on the other, Fondation de France has very quickly developed, in the logical extension of these missions, work to promote the philanthropic sector and to reflect on its practices, in accordance with its statutory mission, and boost the professionalisation of the sector through representative groups, training and research support.

# Results of the 2018 National Foundations and Endowment Funds Survey

## 1 RAPID EXPANSION OF FUNDS AND FOUNDATIONS

### A. Steady growth of a dynamic sector

In France, the number of funds and foundations has multiplied almost four-fold in just under two decades; it has increased from 1,109 entities in 2001 to 4,202 in 2018, considering that 60% of the 2,752 endowment funds are active entities<sup>(1)</sup> (Table 1). This growth, which follows a regular trend, takes into account the balance between creations and closures. In fact, although some foundations last over the long term, this is not the case for the majority, and deletions or closures are regularly announced either by the administrative authorities or by sheltering foundations regarding their sheltered foundations.

**Table 1**  
Number and percentages of funds and foundations by legal status from 2001 to 2018

	2001**		2009		2014			2017	2018		
		% foundations		% foundations		% foundations	% funds and foundations			% foundations	% funds and foundations
PUF	471	42%	578	34%	634	28%	15%	638	655	25%	16%
CF	67	6%	250	15%	344	16%	9%	405	415	16%	10%
SF*	571	52%	811	48%	1,161	52%	29%	1,360	1,391	55%	33%
SCF	-	-	25	2%	41	2%		36	36	1%	
PF	-	-	7	0%	20	1%	4%	20	28	1%	4%
UF	-	-	15	1%	29	1%		28	26	1%	
<b>Total foundations</b>	1,109	100%	1,686	100%	2,229	100%		2,487	2,551	100%	
Active EFs (estimate)	-	-	162	-	1,842	-	45%	1,496	1,651	-	39%
<b>Total active funds and foundations</b>	1,109	-	1,848	-	4,071	-	100%	3,983	4,202	-	100%

\*Excluding Institut de France sheltered foundations (data not available).

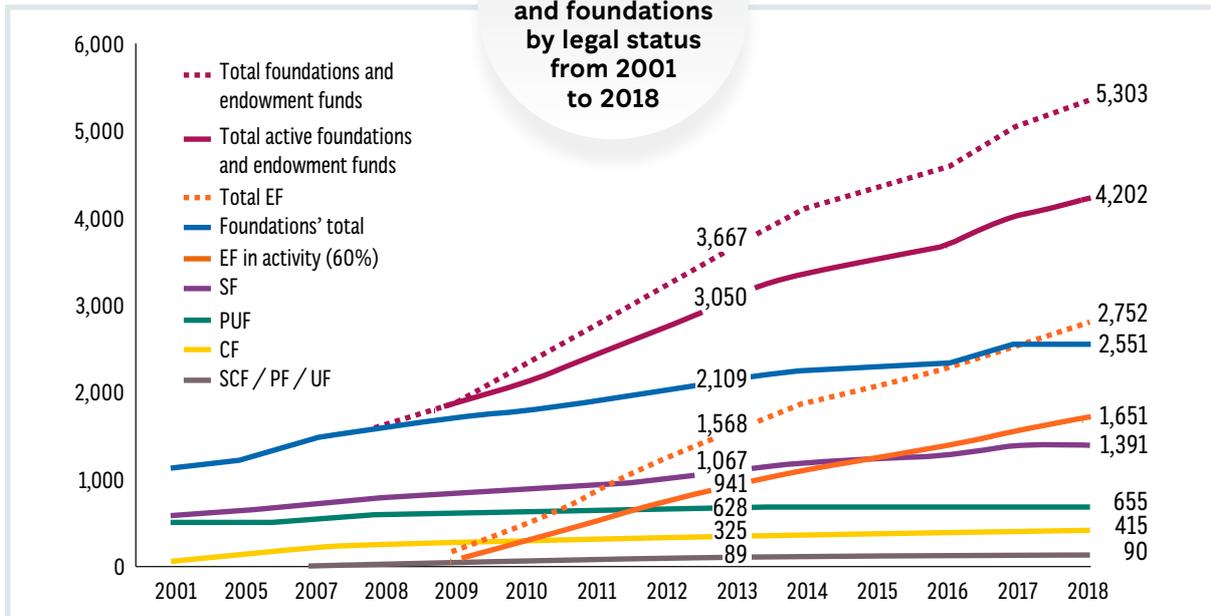
\*\*SCF, PF and UF statuses introduced between 2007 and 2009, no data available for 2001.

→ Note: in 2018, 25% of foundations are PUFs, i.e. 655 entities.

1. The estimated proportion of empty or inactive endowment funds is detailed in the methodology.

Figure 1

Changes in funds and foundations by legal status from 2001 to 2018



→ Note: the total number of active funds and foundations in France in 2018 is 4,202, of which 2,551 are foundations and 1,651 are active endowment funds.

### C. Strong growth in the number of sheltered foundations and corporate foundations

While the number of entities has continued to grow since 2014 with average annual growth of 6% (4% for foundations and 11% for active endowment funds), this differs significantly according to legal status (Table 2).

Growth in the number of sheltered foundations, which had accelerated during the previous period, has continued over the past five years, from 1,161 to 1,391 between 2014 and 2018 (+20%). There are currently 80 foundations with the capacity to shelter other foundations: 65 public utility foundations, 5 scientific cooperation foundations and 10 partnership foundations<sup>(2)</sup>.

While most of these sheltering foundations have one or no foundation, at the end of 2018 there were 16 sheltering foundations with more than 10 sheltered foundations<sup>(3)</sup>, five of which have over 50 sheltered foundations. In addition to a few large generalist sheltering foundations that are able to accommodate all types of projects under their aegis, the new sheltering foundations are mostly characterised by specialities, either based on theme or territory, and/or by their faith-based nature.

The number of corporate foundations has also experienced significant growth: this has increased by 21% over the period 2014-2018, showing an active desire for companies to support general interest causes.

Table 2 Change in the number of entities by legal status between 2014 and 2018	Number of foundations and EFs	PUF	CF	SF	SCF, PF, UF	Total foundations	Active EFs	Total foundations and active EFs
	Change over 4 years 2014/2018		3%	21%	20%	0%	14%	49%
Average annual change 2014/2018		1%	5%	5%	0%	4%	11%	6%

→ Note: the number of foundations increased by 14% between 2014 and 2018, representing annual growth of 4%.

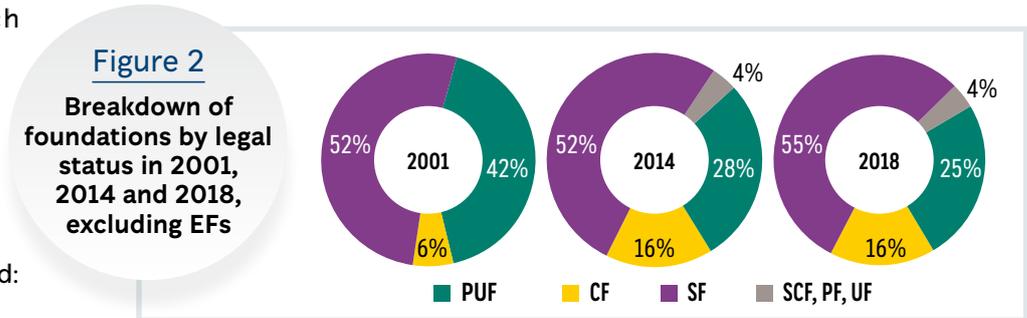
2. According to the November 2017 report by the CFF on sheltering foundations.

3. Fondation de France, Institut de France, Fondation Caritas France, Fondation du Judaïsme Français, Fondation du Protestantisme, Fondation Agir contre l'exclusion, Fondation Notre-Dame, Fondation AnBer, Fondation Saint-Matthieu, Fondation pour l'université de Lyon, Apprentis d'Auteuil, Fondation pour la Recherche médicale, Fondation Léa et Napoléon Bullukian, Fondation du Patrimoine, Fondation pour l'École, Fondation des Petits Frères des Pauvres.

The number of specialist higher education foundations (scientific cooperation foundations, partnership foundations, university foundations) has not increased over the past four years. In fact, there were 90 foundations of this type in 2018, a constant number since 2014, whereas they had almost doubled in number between 2009 and 2014. The strong specialisation of these statuses and the limited number of organisations that may carry them can explain this stagnation.

they accounted for 42% of all foundations in 2001 and represent only one quarter of all foundations in 2018. This decrease is mainly due to the significant increase in corporate foundations, which rose from 6% to 16% of the total number of foundations between 2001 and 2018. However, the breakdown of foundations by status has been relatively stable since 2014, although the percentage of sheltered foundations continues to grow to more than half of the total (Figure 2).

Thus, the weight of each status in the total of all foundations has changed. While nearly 90 public utility foundations have been created since 2010, the proportion of public utility foundations in all foundations has decreased:



→ Note: in 2018, 55% of foundations were sheltered foundations.



## From one status to another: transformation of foundations

Although the six legal statuses, plus two sub-statuses, offer structure in terms of analysis of the foundations sector, it should be noted that these frameworks are not completely fixed: thus, a foundation can choose, when its model or objectives evolve, to change its status. According to our survey, changes of status concern approximately 5% of funds and foundations. The most common cases are:

### SF or EF → PUF:

A sheltered foundation can play a role in the incubation of a philanthropic project which, if it holds sufficient resources (at least €1.5 million in assets according to the jurisprudence of the Council of State), can, once it reaches a certain stage of maturity, become autonomous and as such, a legal entity. However, certain sheltered foundations with significant levels of capital make the choice to remain under the aegis of a PUF, in order to benefit from expert support on the causes in which they are involved, and leave the sheltering foundation to cover all administrative tasks, or ensure their future after the death of the founders.

An endowment fund may also become a PUF if it has collected the necessary capital.

### PUF → SF:

This case is much more rare, although it can technically happen, particularly in the event that a PUF created by individuals sees its founders die without heirs, and would like to entrust the continuation or the long-term sustainability of its mission to a sheltering PUF.

### EF → SF:

This scenario corresponds to either a similar scenario (funds whose creators without heirs anticipate their death and entrust their project to a sheltering PUF), or in the case of individuals selecting a supported approach after having initially chosen autonomy.

### SF → EF:

Conversely, philanthropists can initially create a sheltered foundation, then take their autonomy by transforming it into an endowment fund (PUF being an option only once they have amassed €1.5 million in capital).

### SF → CF:

A company can first choose to create a sheltered foundation in order to learn the fundamentals of philanthropy and then later adopt the status of corporate foundation to manage the project in full autonomy.

### CF → SF:

Conversely, a company can create its foundation according to its dedicated status, and then later choose to be supported in terms of administrative tasks, financial management and legal and tax advice, as well as with regard to its philanthropic strategy.

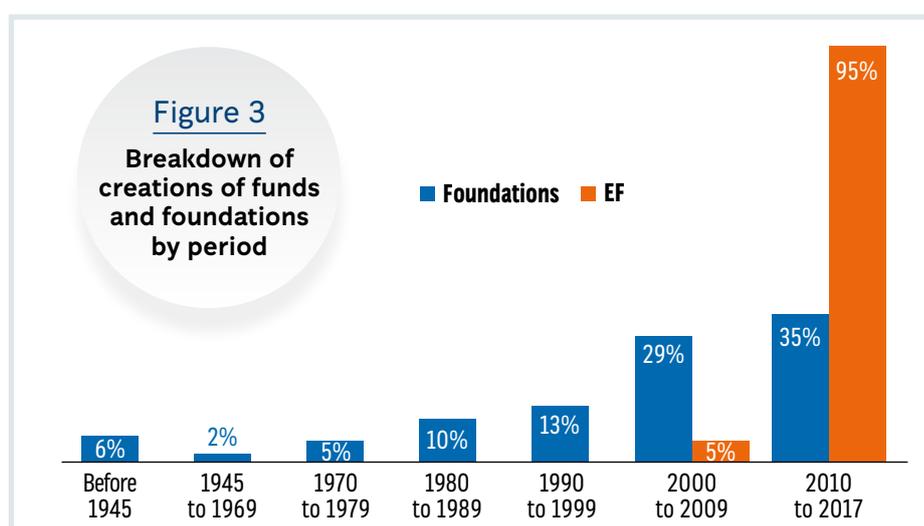
## D. One third of foundations have been created since 2010

Even without taking into account endowment funds, whose status is very recent, foundations are young organisations: three-quarters of French foundations have been created since 1990. In **the last two decades, there has been an acceleration in the number of creations**, which strengthens this analysis: 13% of the foundations created between 1990 and 2000, then 29% between 2000 and 2010 and 35% of the total created since 2010, of which 14% of foundations created between 2015 and 2017 (Figure 3).

Almost a quarter (24%) of public utility foundations are very old structures created before World War II (Table 3). On the other hand, 90% of corporate foundations were created after 2000, 10 years after the law establishing their existence. However, sheltered foundations did not wait for the same law, which formalised their existence, since 18% of them were created before 1990, mainly under the aegis of Fondation de France.

They then experienced rapid growth in the 2000s and 2010s with the multiplication of sheltering foundations (66% of sheltered foundations created in these two decades).

Amongst the active endowment funds, more than two-thirds (68%) were created within six years of the introduction of this new philanthropic structure. Their growth is still significant since 32% of endowment funds were created between 2015 and 2017. This trend could have slowed after the minimum threshold of €15,000 of initial assets was introduced in 2015. However, this success should be nuanced with regard to the estimated proportion of empty or inactive endowment funds (40%) and their disproportionate economic weight compared with that of foundations.



→ Note: 35% of foundations have been created since 2010. Only active EFs are taken into account.

**Table 3**

Breakdown of creations of funds and foundations by legal status and period

	PUF	CF	SF	SCF, PF, UF	All foundations	EF
Before 1945	24%	–	–	–	6%	–
1945 to 1969	8%	–	1%	–	2%	–
1970 to 1979	10%	–	4%	–	5%	–
1980 to 1989	11%	2%	13%	–	10%	–
1990 to 1999	13%	8%	16%	–	13%	–
2000 to 2009	20%	47%	24%	77%	29%	5%
2010 to 2014	11%	25%	24%	23%	21%	63%
2015 to 2017	3%	18%	18%	–	14%	32%
Total	100%	100%	100%	100%	100%	100%

→ Note: 21% of foundations were created between 2010 and 2014. Only active EFs are taken into account.

# 2 GRANT-MAKING FOUNDATIONS, DOMINANT MODEL OF FRENCH PHILANTHROPY

The mode of operation adopted by foundations is an essential criterion for analysing the philanthropy sector because it characterises both the content of the action and the types of resources mobilised. In fact, French foundations and endowment funds can operate according to two distinct mode of operation, and some apply a combination of these two modes:

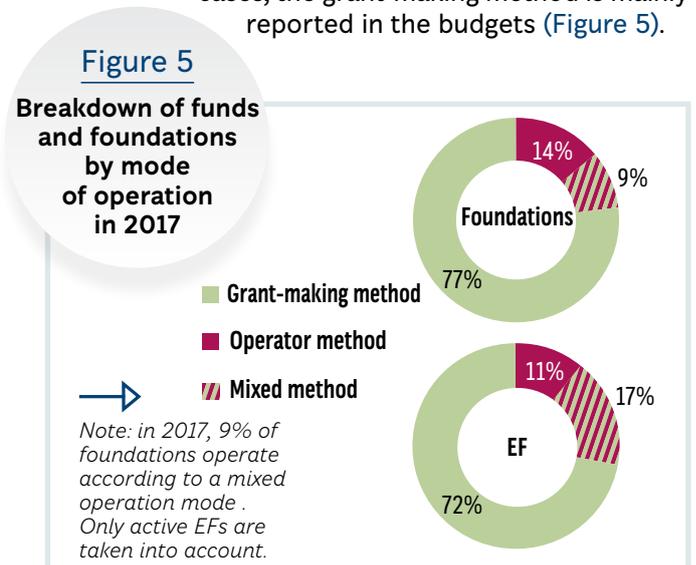
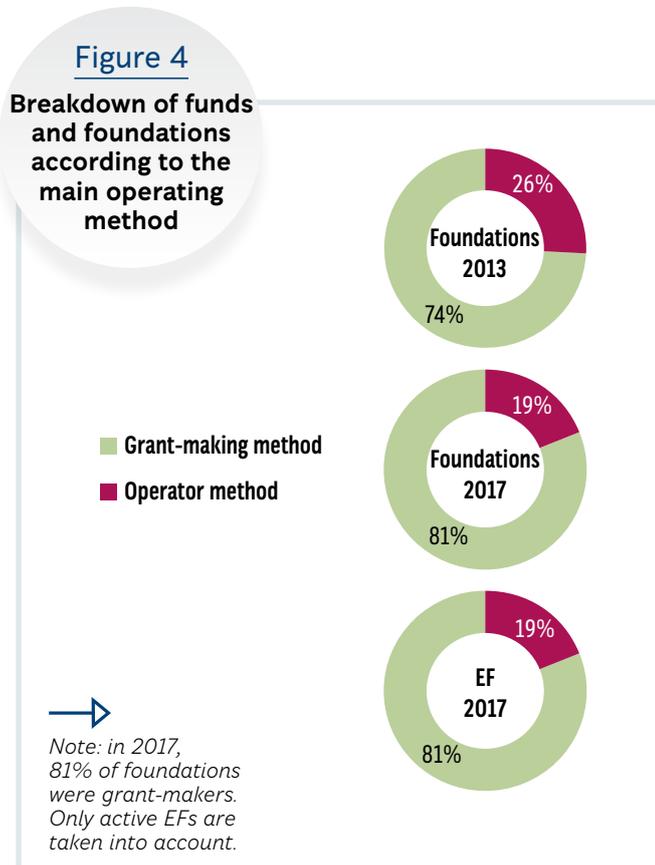
- **grant-making funds and foundations** are dedicated to the financing of projects external to them by distributing subsidies to associations, institutions or groups (e.g. research teams) and grants or awards to natural persons (students, researchers, etc.), and assisting these projects by supporting skills building, networking, assessment, promotion and capitalisation;

- **operating funds and foundations** implement activities themselves directly through employed teams (management of a museum or heritage site, retirement home, hospital, lecture series, publications, etc.).

The analysis of the results of the study is mainly structured around these two categories, with mixed models categorised according to the main method declared financially by the bodies concerned.

**The proportion of grant-making foundations, already the majority in the previous survey, has increased further since 2013, from 74% to 81% (2,026 foundations), compared with 19% of operating foundations (461 foundations).** Operating foundations also experienced significant growth, but at a slower pace. The breakdown is exactly the same for endowment funds: most of them choose to operate as a funder (81%) and 19% say they are a direct operator (Figure 4).

It appears that a greater proportion of endowment funds than foundations (17% vs. 9%) report intervention according to a mixed operating method (distribution activities but also direct project management). In both cases, the grant-making method is mainly reported in the budgets (Figure 5).



## A. Sheltered foundations and corporate foundations: the vast majority of grant-making foundations

The main mode of operation varies greatly depending on legal status: sheltered foundations are all, with a few exceptions, grant-making foundations, under the aegis of financial backer sheltering foundations. Most of the public utility foundations are operators, while corporate foundations have widely chosen the funder model (89%).

This structure is largely similar to that seen in 2013 for sheltering foundations and corporate foundations. Nevertheless, while most of the public utility foundations remain operators, the proportion of the grant-making model within this status has increased significantly (from 25% in 2013 to 40% in 2017). Lastly, specialist higher education and research foundations are not presented here, as the data on mode of operation is not sufficient given the low number of entities in the sample (Figure 6).

Consideration of mixed models also highlights differences according to status. Public utility foundations differ from the other statuses, with nearly a quarter of these foundations declaring that they operate according to both operator and grant-making methods (Figure 7).

**Figure 6**

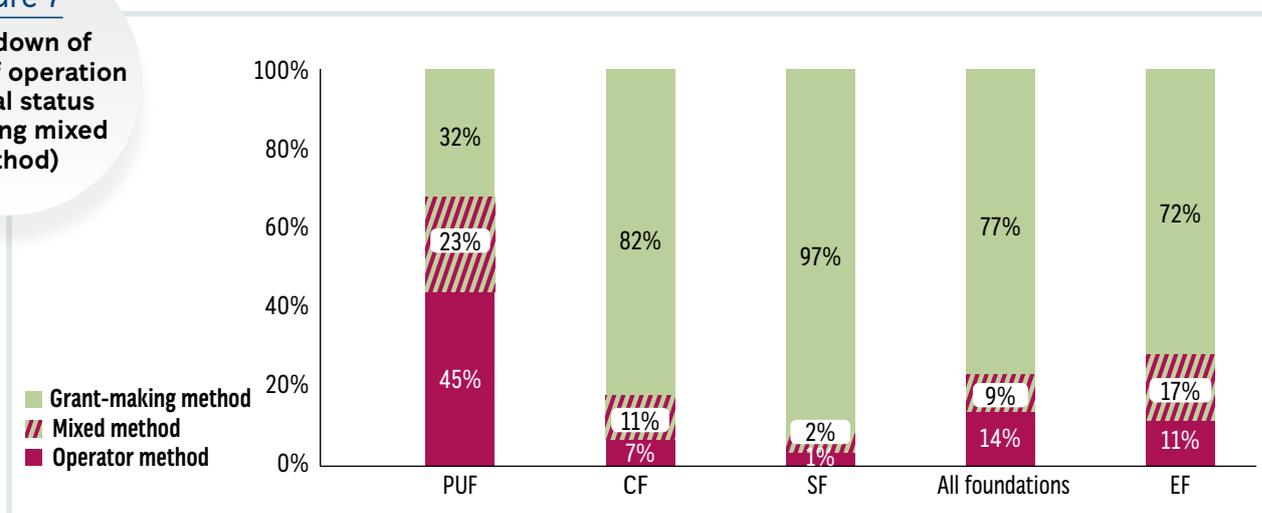
**Breakdown of mode of operation by legal status (main method)**



→ Note: in 2017, 60% of PUFs were operating foundations. Only active EFs are taken into account.

**Figure 7**

**Breakdown of modes of operation by legal status (including mixed method)**



→ Note: in 2017, 23% of PUFs operated according to a mixed operation mode, 32% were grant-makers and 45% were operators. Only active EFs are taken into account.



## Towards a hybridisation of operation modes?

Although the philanthropic sector is still very new in France, we do see a form of hybridisation of operation modes, which tends to make the analysis of the sector more complex:

- On the one hand, a number of large operator PUFs overseeing the management of several, particularly medico-social, establishments, have begun to develop a project financing activity in addition to their operational management activity, in their field of activity. This allows them, through a call for projects, to give themselves a broader view of the ecosystem in which they operate, and thus enhance their analysis of the issues they address.
- On the other hand, the grant-making foundation sector, although still recent and poorly understood, is evolving: an increasing number of foundations are no longer limited to project financing through subsidies, grants or awards, but have broadened the spectrum of their intervention by providing structures with more overall support, ranging from capacity building through non-financial support, particularly in skills, networking, promotion through the organisation of symposia and capitalisation through publications. As a result, a number of foundations are becoming less and less recognised as “grant-makers”, given that the scope of their intervention is broader than purely funding. The psychological dimension is not neutral in this

respect: the term operator may seem more appropriate when characterising the work of a foundation. As a result, they appear more directly involved with the general interest issues in the field, while the term grant-maker or funder lends itself more to a role similar to that of a bank, and establishes a distance from the target populations.

- In addition, some grant-making foundations choose to focus on a limited number of organisations, offering sizeable, cross-functional and long-term support. This approach, which is similar to the *venture philanthropy*, sometimes tends to involve the foundations more in the management of these structures, which may explain why they declare a portion of activity as an operator, while their role remains that of a heavily involved grant-maker.

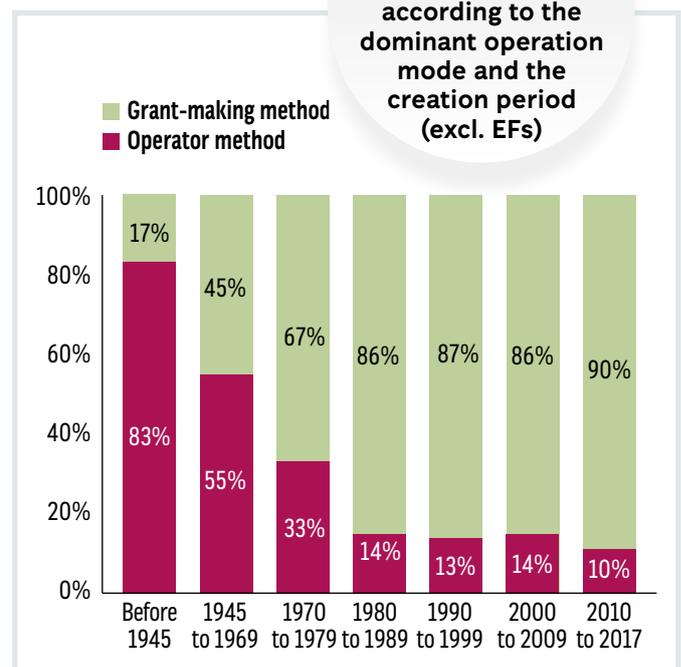
In this context, it is important to precisely document the practices of the foundations and to use terms that accurately describe their activities, insofar as the operation modes of operator and grant-maker remain fundamentally different with regard to the types of resources they use, the temporality and working methods, and the specific added value of their contribution to the general interest.

### B. 90% of new foundations are grant-makers

Amongst the foundations created before 1945 and still active in 2017, 83% are operating foundations, the main operating method of foundations created between 1945 and 1969 (55% operating foundations, and 45% grant-makers). The shift towards the grant-making model began in the 1970s; 67% of new foundations are grant-making foundations. The creation in 1969 of Fondation de France, which began to host grant-making sheltered foundations under its aegis, largely explains this evolution. This trend has continued to grow since 1980; for every five foundations created, at least four are backers. **Since 2010, 9 in 10 new foundations have been created using the grant-making model (Figure 8).**

Figure 8

Breakdown of foundations according to the dominant operation mode and the creation period (excl. EFs)



→ Note: 67% of foundations created between 1970 and 1979 are operating foundations.

# 3 SUSTAINED GROWTH IN THE ECONOMIC WEIGHT OF FOUNDATIONS

## A. Assets, expenditure and employment: rapid growth

The economic weight of foundations has been growing steadily since 2013. In 2017, the assets held by foundations amounted to €26.5 billion and these incurred annual expenses of more than €10 billion, including social security and management fees (Table 4).

With regard to the **growth in foundations' assets** (+19% over the period), besides the increase in the number of foundations, we note the following explanatory factors:

- A favourable financial market between 2013 and 2017 (up 20% over the period). This is the most significant factor since the assets of foundations are mainly financial;
- A fast-growing real estate market, particularly in major cities. This applies to foundations owning real estate, including operating foundations that own their own premises;

As a comparison, it is interesting to note that the average annual growth rate of associations, by contrast, has been stagnant over the 2011-2017<sup>(4)</sup> period.

The annual expenditure-to-asset ratio, often referred to as the vitality index, is very positive: **French foundations spend on average 38% of their assets each year**. This can be explained by the significant, growing number of flow foundations that spend everything they receive in the short term, and expendable-endowment foundations that look to a relatively longer term but decide from the outset to spend their capital.

These positive developments follow the trend seen for the period 2009-2013 with, however, slightly less significant increases in assets and expenditure between 2013 and 2017. On the other hand, **workforces have grown by 51% in the last four years**. This significant growth in employment at foundations reflects the dynamism and professionalisation of the sector. However, this observation should be nuanced, noting that these are not exclusively full-time equivalent staff.

Table 4

Changes in the main indicators of economic weight of foundations and 2017 indicators for EFs

- Variable but generally rather low inflation over the period (0.5% to 0.8% per year).

	FOUNDATIONS					EF 2017
	2001	2013	2017	Changes 2013-2017 (excl. EFs)	Average annual growth (excl. EF)	
Number of foundations	1,109	2,109	2,487	+18%	+4%	1,498
Expenditure in millions of euros (social missions and management fees)	3,912	7,592	10,174	+34%	+8%	220 to 270
Assets in millions of euros	9,819	22,300	26,515	+19%	+4%	1,300 to 1,600
Vitality index (expenditure-to-asset ratio)	40%	34%	38%	–	–	–
Number of employees*	47,000	84,100	127,000	+51%	+11%	–

\*Data on staff employment at foundations from INSEE – DADS (annual declaration of social data).

→ Note: in 2017, foundation expenditure amounted to €10.174 billion and EF expenditure between €220 and €270 million. Only active EFs are taken into account. Asset and expenditure figures are adjusted for inflation for 2001 and 2013.

4. Viviane Tchernonog, *The French associative landscape*, 2019.



## Employer and non-employer PUFs

Employment is an important variable when analysing the economic weight of foundations, and of PUFs in particular. Those who do not have employees account for 6% of the total number of foundations (excluding EFs), or 151 foundations out of a total of 2,487 active foundations in 2017. They represent 24% of all PUFs.

Non-employer PUFs have the following characteristics:

- their founders are most often individuals or local authorities;
- their mode of operation is grant-making;
- their area of intervention is most often heritage.

Employer PUFs, for their part:

- are most often operators, notably through the management of places of residence;
- often have a target population of elderly people;
- have associations, the State or congregations amongst their founders.

PUFs employing more than 10 people generate 79% of all foundations' assets, and represent 91% of their expenditure.

## B. First estimate of the economic weight of endowment funds

The first overall estimate of the economic weight of endowment funds has been achieved through unprecedented data collection work, in collaboration with seven department prefectures. Given the large proportion of empty or inactive endowment funds (see methodology p. 10), it is nevertheless difficult to establish unique values for indicators of economic weight, so we are limited to ranges here.

The total assets of endowment funds are estimated at between €1.3 billion and €1.6 billion, i.e. approximately 6% of the assets of foundations, and their annual expenditure is estimated at between €220 million and €270 million, or 2% of the expenditure of the foundations. Their average annual expenditure therefore represents between 14% and 21% of their assets.

## C. Breakdown of the economic weight of foundations by period

Table 5 and Figure 9 present the breakdown of assets, public subsidies received and funding distributed by foundations according to the period in which they were created.

There is a significant difference between the proportion of foundations created by period and the **share of concentrated assets in these foundations**. As such the oldest foundations, created before 1945, represent only 7% of total foundations but own 30% of all foundations' assets.

Although the last two decades have seen the largest number of foundation creations (63%), the foundations created during this period represent only one quarter of assets (26%).

Foundations created between 1970 and 1999, on the other hand, represent a proportion of the assets (37%) well above their share in the total number of foundations (28%). This period corresponds to the first three decades of the existence of Fondation de France, during which this new grant-making and sheltering foundation, initially acting on the whole general interest scope, has created a number of important sheltered foundations under its aegis. These philanthropic projects with several dozens or even hundreds of millions of euros came from families from relatively humble backgrounds or belonging to the middle classes, of which one entrepreneurial member made a fortune in one generation.

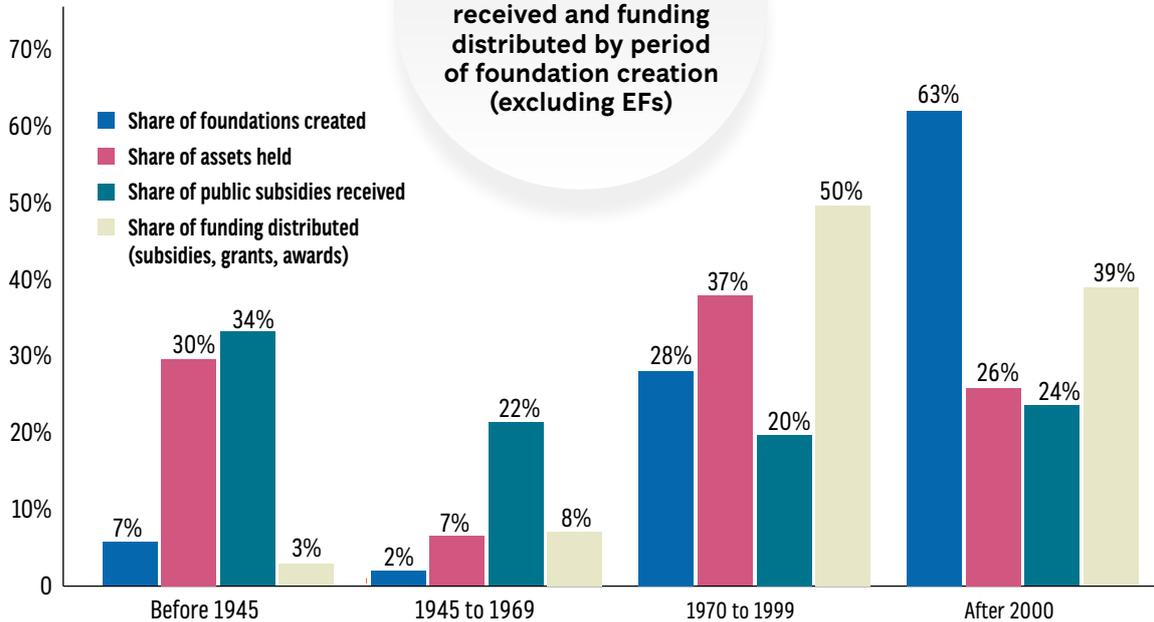
**Table 5**  
Relative economic weight of foundations in 2017 according to their period of creation (excluding EFs)

	Before 1945	1945 to 1969	1970 to 1999	after 2000	Total
Number of foundations	7%	2%	28%	63%	100%
Assets	30%	7%	37%	26%	100%
Resources	40%	9%	24%	27%	100%
Private generosity (gifts, corporate giving)	22%	11%	34%	33%	100%
Public subsidies (State and local authorities)	34%	22%	20%	24%	100%
Expenditure	44%	7%	24%	25%	100%
Funding distributed (subsidies, grants, awards)	3%	8%	50%	39%	100%
Number of employees	51%	4%	18%	27%	100%

→ Note: in 2017, 51% of foundation employees worked in foundations created before 1945, and 39% of subsidies, grants and awards were allocated by foundations created after 2000.

**Figure 9**

**Breakdown of the share of assets, public subsidies received and funding distributed by period of foundation creation (excluding EFs)**



→ Note: 39% of the funding granted by foundations is distributed by those created after 2000.

With regard to **public subsidies received by foundations**, it is striking to note that the small majority (9%) of foundations created before 1969, almost exclusively on the operator model, represent more than half (56%) of these resources. It is noted, however, that public subsidies are present in relatively consistent proportions (between one quarter and one fifth of the total), regardless of the period in which the foundation was created. However, it should be noted that the foundations created since the 2000s benefiting from public subsidies are not of the same type as those created before 1970: these are essentially specialist higher education and research foundations. On the other hand, the oldest foundations, created before 1945 (7% of the total) account for more than half (51%) of paid jobs. These are the managing foundations of medico-social establishments.

Lastly, **the funding (subsidies, grants, awards) distributed by the foundations** is for the most part (89%) related to the foundations created since the early 1970s. This is consistent with the rapid development of grant-making foundations since this decade.

## D. Still highly concentrated assets

The analysis of the breakdown of **foundations** by asset ranges shows that the concentration of foundations' capital is relatively stable: between 2013 and 2017, the share of foundations holding more than €50 million in assets remained stable, at 5% of the total. **Concentration is still very high** since the 3% of foundations holding assets in excess of €100 million have 62% of the asset total (Table 6).

A few significant figures:

- In 2001, there were approximately 100 foundations with between €10 million and €50 million in assets; this figure was just under 250 in 2017.
- In 2017, more than 70 foundations each held more than €100 million in assets. This number was around 50 in 2013 and 10 in 2001.

This high concentration of assets that is increasing the economic weight of the sector should not mask the **significant growth of small and medium-sized foundations**: between 2001 and 2017, the percentage of foundations holding less than €100,000 in assets increased from 15% to 21%. **In 2017, one in five French foundations had less than €100,000 in assets.**

Table 6

**Concentration of foundation assets in 2001, 2013 and 2017 and EF assets in 2017**

	2001		2013			2017					
	Foundations		Foundations		% of foundation assets	Foundations		% of foundation assets	EF*		% of EF assets
	Number	%	Number	%		Number	%		Number	%	
No assets	-	-	-	-	-	-	-	-	997	40%	0%
Less than €100k	166	15%	432	20%	n.s.	522	21%	n.s.	784	31%	1%
€100k to €1m	422	38%	860	40%	1%	870	35%	1%	488	20%	7%
€1m to €10m	388	35%	576	27%	7%	721	29%	7%	191	8%	25%
€10m to €50m	100	9%	206	9%	19%	249	10%	18%	34	1%	67%
€50m to €100m	22	2%	49	2%	15%	50	2%	13%			
€100 million and over	11	1%	49	2%	58%	75	3%	62%			
Total	1,109	100%	2,172	100%	100%	2,487	100%	100%	2,494	100%	100%

\*The figures presented here for endowment funds refer to all EFs, including the estimated 40% inactive funds. Groupings were made for the asset ranges of EFs above €10 million because the numbers are low.

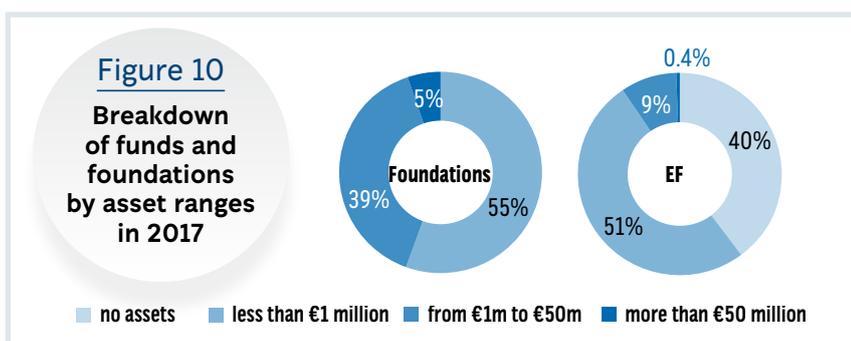
→ Note: in 2017, 75 foundations, or 3% of all foundation, held more than €100 million in assets each. This category comprises 62% of the total assets of foundations. The breakdown of asset ranges in total assets is not available for 2001.

Lastly, with regard to **endowment funds**, the structure according to the level of assets is radically different from that of the foundations. One can talk about **hyper-concentration**: in 2017, only 1% of endowment funds had assets in excess of €10 million (vs. 15% of foundations) and these alone represent two thirds of endowment funds' assets (67%). More specifically, the five endowment funds in the sample with the highest level of assets account for more than half of estimated endowment fund assets. At the other end of the spectrum, **18% of endowment funds have less than €15,000 in assets, which is currently the minimum required to create an endowment fund.**

By grouping together asset ranges (Figure 10), the difference in the asset structure of foundations and endowment funds appears significant: while 39% of the foundations hold assets of between €1 and €50 million, this is the case for only 9% of endowment funds (whether they are active or not).

The analysis of **the breakdown of assets by legal status** shows significant differences (Table 7). It makes sense that we observe the highest proportions of the highest asset tranches in public utility foundations: more than a third of public utility foundations have assets of more than €20 million. Corporate foundations, designed on the basis of the flow model, have significantly less in terms of average assets, and the ranges above €10 million are not represented within this status. The majority of corporate foundations hold assets of between €100,000 and €5 million, as is the case for sheltered foundations. Nevertheless, sheltered foundations have a more contrasting asset structure. If nearly one third have assets of less than €100,000, 6% of them have assets of more than €5 million, and all of the highest asset ranges are represented: 1% hold more than €100 million in assets.

The situation is even more contrasted for endowment funds. If we consider all the existing funds to date, 40% have no assets and approximately 30% have less than €100,000 in assets (Figure 11). Only 0.4% of endowment funds hold more than €50 million in assets, compared to 5% of foundations, across all statuses.



→ Note: in 2017, 40% of EFs had no assets.

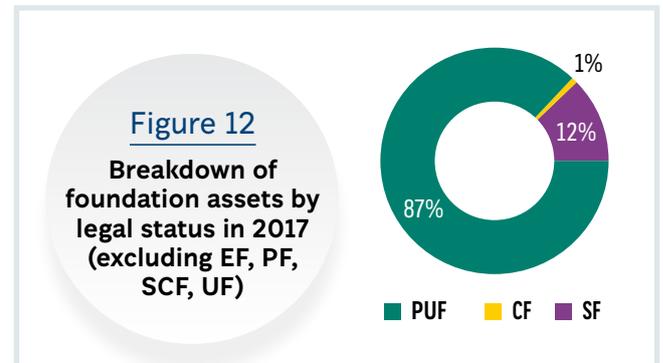
**Table 7**

**Breakdown of funds and foundations by asset ranges and by legal status in 2017**

	PUF	CF	SF	All foundations	EF
No assets	-	-	-	-	40%
Less than €10k	n.s.	5%	9%	6%	10%
€10k to €50k	1%	11%	11%	8%	15%
€50k to €100k	1%	7%	10%	7%	7%
€100k to €500k	4%	39%	31%	24%	14%
€500k to €1m	3%	11%	15%	11%	5%
€1m to €5m	25%	22%	18%	22%	7%
€5m to €10m	18%	5%	2%	7%	1%
€10m to €20m	15%	n.s.	2%	5%	0%
€20m to €100m	24%	n.s.	1%	7%	1%
€100 million and over	9%	n.s.	1%	3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

→ Note: in 2017, 9% of PUFs held assets of more than €100 million.

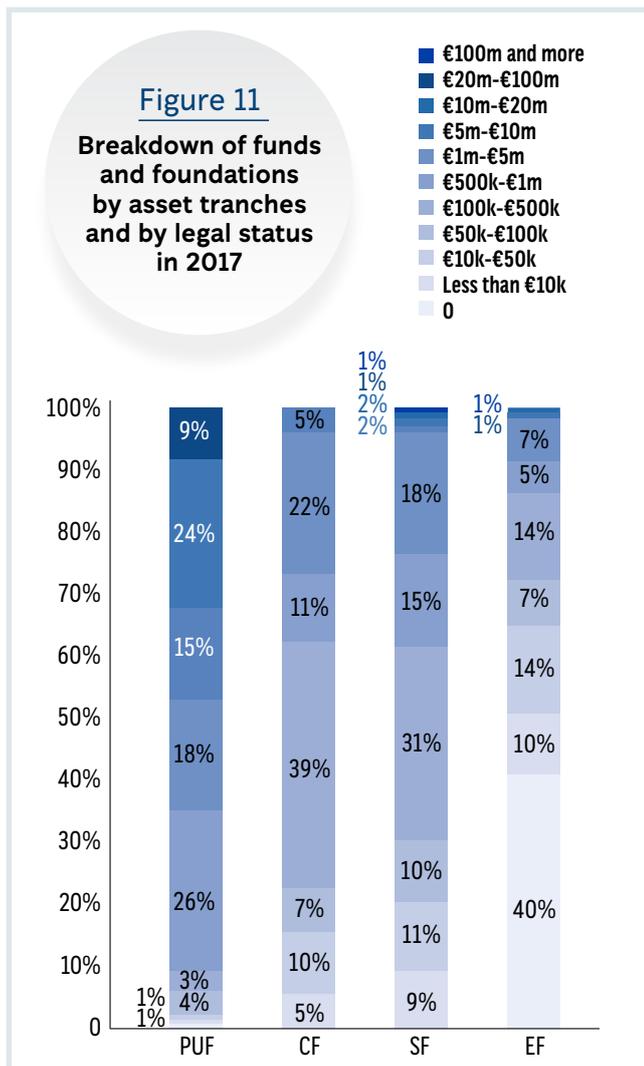
Lastly, if we consider the overall breakdown of the foundations' assets by legal status, in 2017, 87% of foundations' assets are held by public utility foundations (Figure 12).



→ Note: in 2017, 87% of assets were held by PUFs. This breakdown does not take into account the assets of university foundations, for which the low number of base entities does not allow for reliable extrapolation.

**Figure 11**

**Breakdown of funds and foundations by asset tranches and by legal status in 2017**



→ Note: in 2017, 24% of PUFs held between €1 million and €5 million in assets.

Since 2001, there has been a **diversification in the types of foundations that hold assets**, from public utility foundations to other categories of foundations, in particular to sheltered foundations which doubled their weight in total assets between 2001 and 2013 from 7% to 15% (Table 8). The breakdown in 2017 is more favourable to the public utility foundations, which represent 87% of assets, thus approaching the figures seen in 2009. However, the weight of sheltered foundations was much higher in 2017 than in 2001 since they held 12% of assets. On the other hand, corporate foundations, mostly based on a flow model, hold a very small share of all assets (1%), well below their weight in the total sample of foundations (16%).

**Table 8**

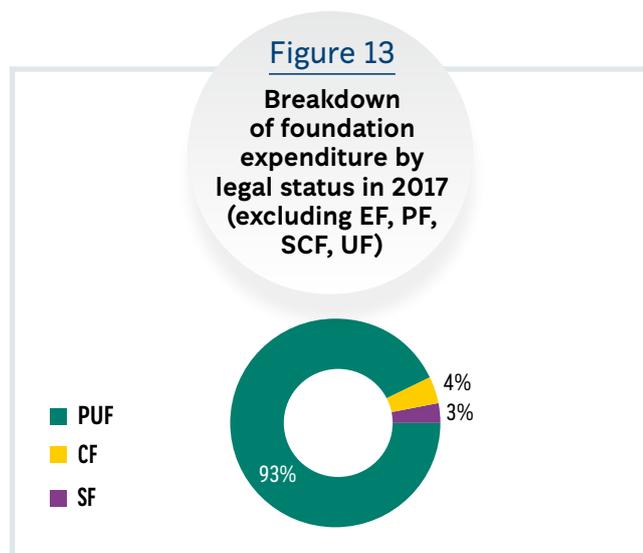
**Breakdown of foundation assets by legal status since 2001 (excluding EF, PF, SCF, UF)**

	2001	2009	2013	2017
PUF	93%	85%	84%	87%
CF	n.s.	3%	1%	1%
SF	7%	11%	15%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

→ Note: in 2017, 87% of foundations' assets were held by PUFs.

## E. Stabilisation of the breakdown of expenditure

The diversification in the breakdown of foundations' assets is partially reflected in their expenditure. In 2017, public utility foundations continued to account for the vast majority of foundations' expenditure (93%). The decrease in the relative weight of public utility foundations in previous periods stopped in 2017. Similarly, the relative weight of sheltered foundations (3%) and corporate foundations (4%) was stable in terms of the foundations' expenditure (Figure 13, Table 9).



Note: in 2017, 93% of expenditure was made by PUFs. This breakdown does not take into account the assets of university foundations, for which the low number of base entities does not allow for reliable extrapolation.

**Table 9**  
Breakdown of foundation expenditure by legal status since 2001 (excluding EF, PF, SCF, UF)

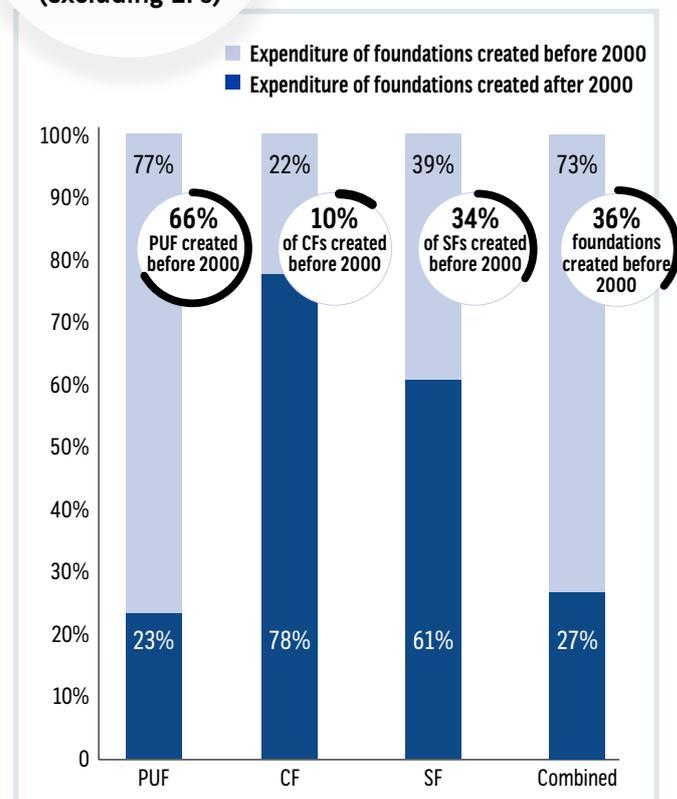
	2001	2009	2013	2017
PUF	97%	95%	92%	93%
CF	1%	3%	4%	4%
SF	3%	2%	4%	3%
Total	100%	100%	100%	100%

Note: in 2017, 93% of foundation expenditure was made by PUFs. This breakdown does not take into account the assets of university foundations, for which the low number of base entities does not allow for reliable extrapolation.

While the breakdown of expenditure by legal status appears stable, the volume of expenditure continues to rise (+34% between 2013 and 2017) in a variety of ways according to status. The expenditure of public utility foundations and corporate foundations has increased by about 9% per year since 2014 and that of sheltered foundations by 1% per year.

The comparison of the weight of expenditure by period of creation highlights different trends depending on the legal status. It appears that **the public utility foundations created before 2000 represent three quarters of the expenditure of all public utility foundations (PUFs) while the youngest corporate foundations and sheltered foundations have more weight in the expenditure for each of these statuses (Figure 14).** This is generally consistent with the periods of creation of each of these statuses, with the PUFs being older and the corporate and sheltered foundations being more recent. However, although the PUFs created from 2000 onward represent 34% of all foundations of this status, they represent less than one quarter of their expenditure. The oldest PUFs therefore have an actual greater weight than the more recent ones. Similarly, 90% of corporate foundations

**Figure 14**  
Breakdown of foundation expenditure in 2017 by period of creation and by legal status (excluding EFs)



Note: 66% of PUFs were created before 2000; they represent 77% of all PUF expenditure.

were created from 2000 onward but they represent only 78% of their expenditure. Thus, the first corporate foundations, created before 2000, are larger.

**Average annual expenditure per foundation** has increased since 2001, and the increase observed between 2009 and 2013 has continued between 2013 and 2017 for corporate foundations and public utility foundations (Table 10). The average expenditure of the latter increased from €11.4 million to €14.7 million (+29%) and that of corporate foundations increased from an average of €959,000 to more than €1 million per foundation (+13%). The average expenditure of sheltered foundations has stabilised since 2013, at around €200,000.

Similar to the analysis of assets by range, the average annual expenditure of the foundations masks significant differences between large and small foundations.

Lastly, with regard to endowment funds, although the available figures do not allow for the establishment of specific averages or ranges, these differences are even more pronounced.

**Table 10**

**Change since 2001 in the average value of annual expenditure per foundation by legal status, in thousands of euros 2017**

	2001	2005	2009	2013	2017
PUF	7,981	8,464	8,677	11,376	14,679
CF	759	761	725	959	1,088
SF	–	110	112	219	214

→ Note: in 2017, each sheltered foundation spent an average of €214,000 per year.

## F. Grant-making foundations reach one quarter of expenditure

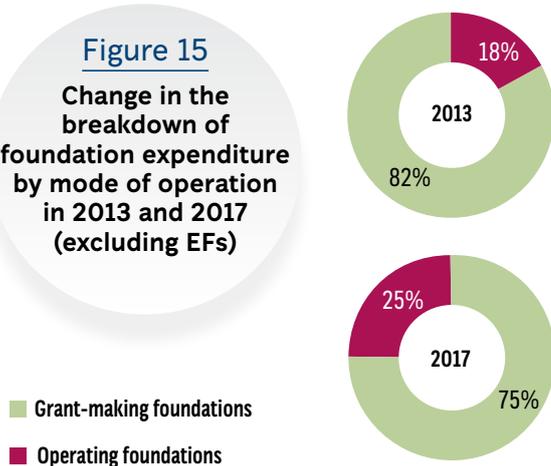
Although the legal statuses are a very reliable variable for the use of the data, it is essential to also analyse the mode of operation of foundations in order to understand developments in the sector, and economic weight in particular.

**The growth in the number of grant-making foundations has been faster than that of operators since 2013. As such, their relative weight in the total expenditure of foundations increased from 18% to 25% between 2013 and 2017 (Figure 15).**

It should be recalled here that from the point of view of mode of operation, approximately 9% of foundations apply a mixed model. For these foundations, the economic weight here has been broken down according to the dominant mode.

**Figure 15**

**Change in the breakdown of foundation expenditure by mode of operation in 2013 and 2017 (excluding EFs)**



→ Note: in 2017, grant-making foundations represented 25% of total foundation expenditure.

# 4 FOUNDATION RESOURCES AND EXPENDITURE

## A. Public resources for operating foundations, private resources for grant-making foundations

While resources from the public and private sectors are now equally present in the overall resources of foundations, their distribution is nevertheless very uneven according to the statuses and modes of operation of the foundations (Table 11).

- The resources of operating foundations come mainly from the public power (67% in 2017 versus 73% in 2013);
- 97% of the resources of grant-making foundations, however, are of private origin, if we include investment income.

With regard to resources of public origin, it should be noted that there are several types, of essentially different natures: if subsidies represent funding granted to carry out an activity designed and supported by a private player, per-diem charges, on the other hand, correspond to the State's practice of reimbursing health or social costs that it would bear directly if they related to public players, such as hospitals for instance.

In 2017, more than half of the resources of operating foundations (52%) were either State or community sales and services, or per-diem charges, which are exclusively concentrated in public utility foundations. Per-diem charges, which cover almost all of these resources, are consubstantial to the model of social and medico-social establishments: the person concerned is a client of the establishment, but the cost of the services is paid for in full or in part by a third party, in this case the public power. Depending on the case, the funder is the State for health insurance (insurance scheme), or the Departmental Council for social assistance (assistance scheme). Since these types of

Table 11

Resource structure of funds and foundations in 2017

	PUF	CF	SF	SCF, PF, UF	Foundations		Operating foundations		Grant-making foundations		EF	
Public subsidies	13%	1%	0%	n.s.	12%		15%		3%		0%	
Per-diem charge / sale of products and services to the State and local authorities	43%	56%	0%	0%	n.s.	39%	51%	52%	67%	0%	3%	0%
Proceeds of private generosity	21%	95%	69%	n.s.	25%		9%		72%		63%	
Investment income	6%	1%	23%	n.s.	6%		2%		15%		15%	
Sale of products and services to the private sector	13%	1%	5%	n.s.	13%		17%		4%		18%	
Benefits in kind	n.s.	n.s.	n.s.	n.s.	0.2%		n.s.		0.1%		0%	
Other income	4%	2%	3%	n.s.	5%		5%		6%		4%	
Total	100%	100%	100%	n.s.	100%		100%		100%		100%	

→ Note: in 2017, 25% of foundations' resources and 63% of EF resources came from private generosity.

funding are considered to be compensation for the delivery of services, the foundations that receive them are not subject to public accounting rules.

With a few rare exceptions (e.g. apprentice compensation subsidies), public resources are zero in corporate foundations, in accordance with their status, and almost nil in sheltered foundations.

**Nearly three quarters (72%) of the resources of grant-making foundations come from private generosity:** these are gifts and bequests irrevocably granted to a general interest cause by companies or individuals that constitute these foundations.

Lastly, financial **investment revenues** represent a small proportion of the foundations' resources, but are **significantly larger in the resource structure of grant-making foundations (15%) than amongst operators (2%)**. These resources, by their very nature, fluctuate significantly from year to year, as a large number of foundations hold securities.

**With respect to endowment funds, their resources are primarily derived from private generosity (63%)** and investment income constitutes a substantial portion of their resources (15%) as do sales of products and services to the private sector (18%). However, 73% of these private sector sales resources relate to a single endowment fund (Figure 16).

## B. An expenditure structure determined by the mode of operation of foundations

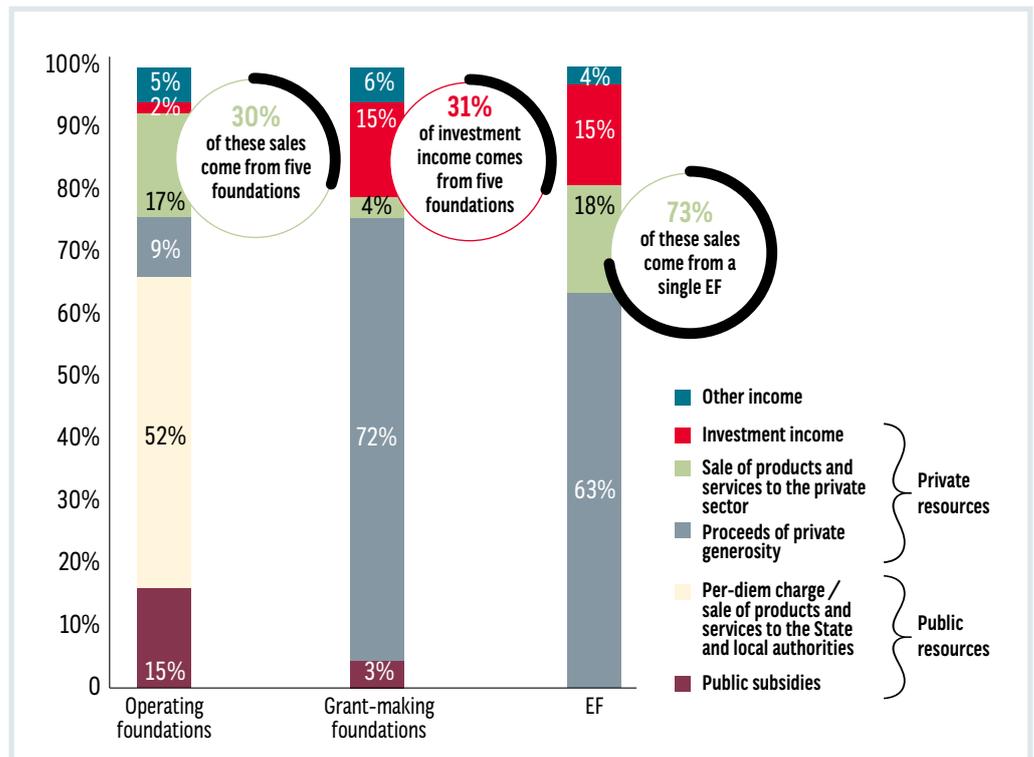
The analysis of the expenditure structure is more appropriate when we look at mode of operation as opposed to legal status, insofar as, within each status, the operating costs and/or wages of large operating foundations inflate the average of this type of expenditure for the foundations of this status, and drown out the redistribution expenses of grant-making foundations.

Mixed foundations, which combine the two modes of operation, are assigned to the category that corresponds to their financially dominant activity.

For **operating foundations**, of a total expenditure of €7.8 billion, the majority is linked to the management of institutions. The expenditure structure is very clearly dominated by **management and operating costs, on the one hand, and staff costs** on the other hand: grouped together, these two items **represent 85% of the expenditure** of operating foundations. These types of expenditure constitute the social missions of these foundations (funding for researchers, healthcare staff, etc.).

Figure 16

Resource structure of foundations in 2017 by operating method and EFs



Note: in 2017, 52% of the resources of operating foundations came from private generosity (gifts and corporate giving). Only active EFs are taken into account.

Since 2013, the share of management and operating costs of operating foundations has remained stable (from 33% to 34%); the share of staff costs has increased more significantly (from 47% to 51%), notably to the detriment of the proportion of the distribution of aid, subsidies, grants and awards, which fell from 9% to 6%. However, the amount of redistribution fees amongst operating foundations, which was small in 2009, has increased over the period (Table 12,

Figure 17). This relative diversification of expenditure has occurred despite a significant increase in employee numbers, and therefore staff costs: 84,100 to 127,000 for all foundations.

**Table 12**  
Expenditure structure of operating foundations in 2009, 2013 and 2017

	Operating foundations		
	2009	2013	2017
Funding distributed (subsidies, grants, awards)	3%	9%	6%
Staff costs	51%	47%	51%
Management and operating costs	35%	33%	34%
Taxes and duties	4%	4%	4%
Financial costs	3%	1%	1%
Other expenses	4%	6%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

→ Note: in 2017, 51% of operating foundations' expenditure related to staff costs.

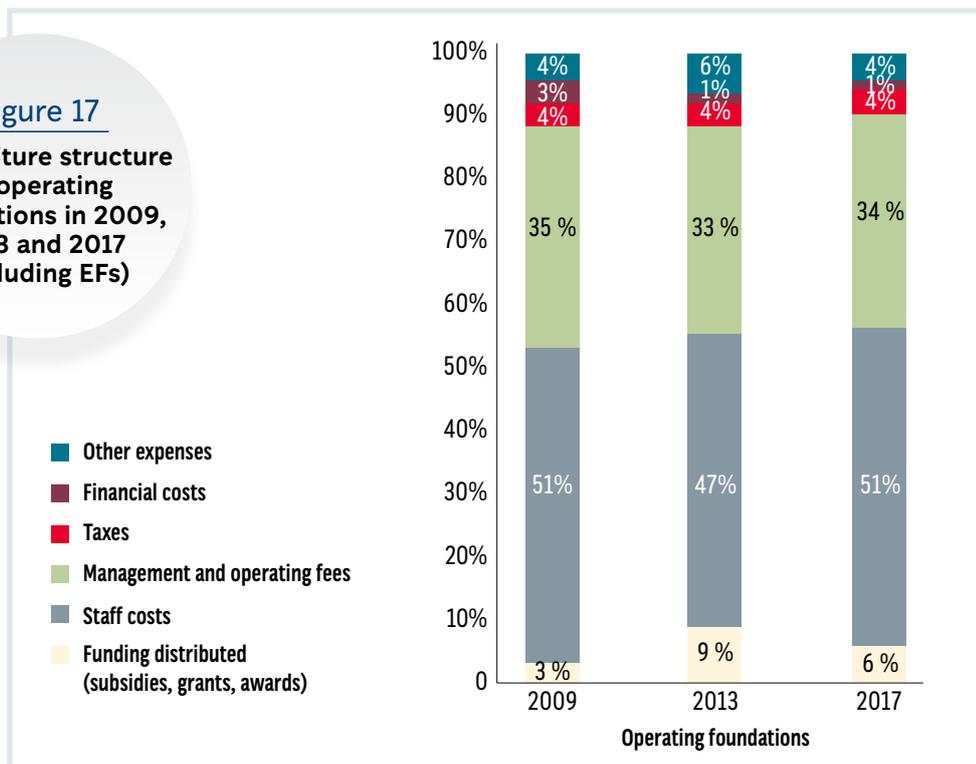
With regard to **grant-making foundations**, of a total amount valued at €2.4 billion, more than half of expenditure (56%) is dominated by subsidies, grants and awards (Table 13, Figure 18).

The increase in the proportion of management and operating costs (from 13% to 17% between 2013 and 2017) corresponds in principle to the diversification of the activities of grant-making foundations and not purely structural expenses (see box on page 35).

The relative increase in salary costs over the period within grant-making foundations (from 8% to 12%) also reflects the growing professionalisation of these foundations. Indeed, faced with the increasing demands of donors as well as the degree of technicality of the legal and tax environment of foundations, a number of small foundations recruit a first employee, and medium or large grant-making foundations need to strengthen the number and level of qualification of their teams.

Lastly, a few large foundations, mainly grant-making, also directly manage activities (mixed model), which helps explain the significant weight of management fees and staff costs in this category.

**Figure 17**  
Expenditure structure of operating foundations in 2009, 2013 and 2017 (excluding EFs)



→ Note: in 2017, 51% of operating foundations' expenditure related to staff costs.

**Table 13**

**Expenditure structure of grant-making foundations in 2009, 2013 and 2017 (excluding EFs)**

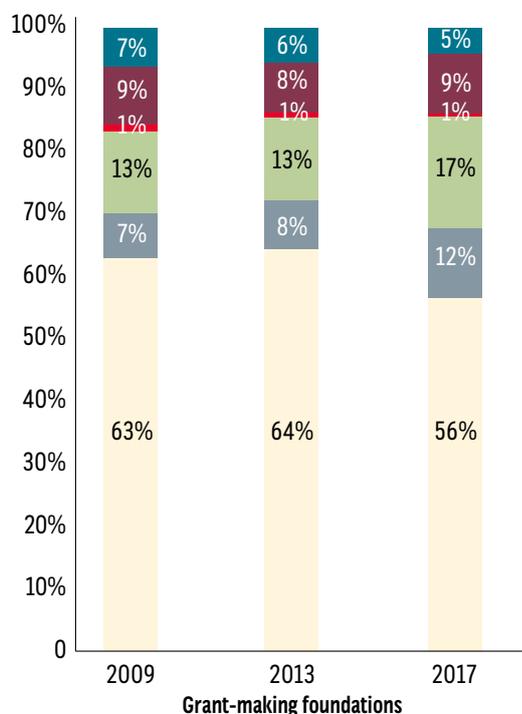
	Grant-making foundations		
	2009	2013	2017
Funding distributed (subsidies, grants, awards)	63%	64%	56%
Staff costs	7%	8%	12%
Management and operating costs	13%	13%	17%
Taxes and duties	1%	1%	1%
Financial costs	9%	8%	9%
Other expenses	7%	6%	5%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

→ Note: in 2017, 56% of the expenditure of grant-making foundations related to funding distributed (subsidies, grants, awards)

**Figure 18**

**Expenditure structure of grant-making foundations in 2009, 2013 and 2017 (excl. EFs)**

- Other expenses
- Financial costs
- Taxes
- Management and operating fees
- Staff costs
- Funding distributed (subsidies, grants, awards)



→ Note: in 2017, 56% of the expenditure of grant-making foundations related to funding distributed (subsidies, grants, awards)

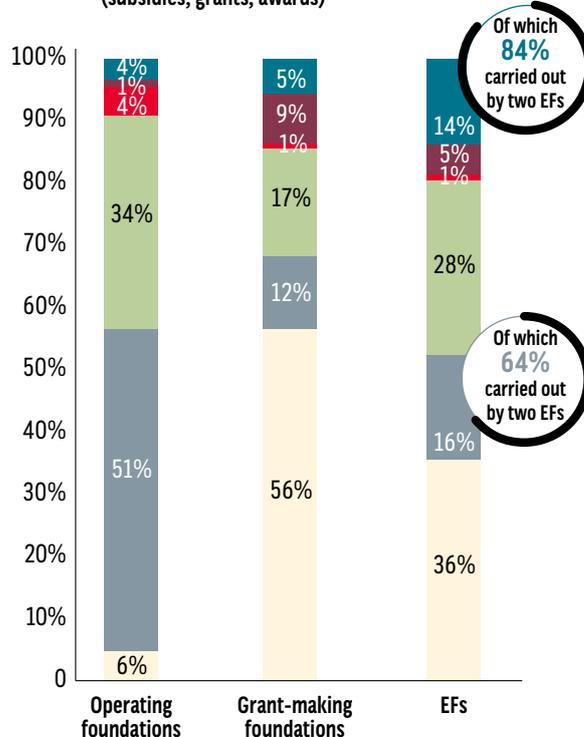
If we consider the change in the expenditure structure of foundations in figures, the following amounts can be used:

- Foundation staff costs totalled €4.2 billion in 2017, of which €4.1 billion came from public utility foundations.
- Funding distributed by foundations in 2017 (subsidies, grants and awards) totalled €2 billion, an increase of 31% compared to 2013<sup>(5)</sup>.

**Figure 19**

**Expenditure structure of foundations in 2017 by mode of operation and EFs**

- Other expenses
- Financial costs
- Taxes
- Management and operating fees
- Staff costs
- Funding distributed (subsidies, grants, awards)



→ Note: in 2017, 51% of the expenditure of operating foundations related to staff costs. Only active EFs are taken into account.

5. Calculation based on 2013 amounts, adjusted for inflation

The expenditure structure of endowment funds, which this survey reveals for the first time, is closer to that of grant-making foundations than operating foundations, although there are some differences (Figure 19).

- The share of funding distributed represents only little over one third (36%) of endowment fund expenditure (vs. 56% for grant-making foundations), while the share of management and operating fees is significantly higher than in grant-making foundations (28% versus 17%). It should be noted that for some endowment funds with a low level of expenditure, these are almost exclusively made up of operating expenses.

- Although staff costs and “other expenses” are significant here, it should be noted that most of these expenses relate to only two endowment funds.

In general, the expenditure structure of endowment funds, which lends itself more to the grant-making rather than the operator model, must be considered carefully because of the hyper-concentration of the economic weight of endowment funds: **the five largest endowment funds in our sample make up nearly half of all endowment fund expenditure.**



## Social mission vs. operating costs: analysis of the expenditure of grant-making foundations

Beyond a traditional accounting interpretation, an analytical interpretation according to the type of expenditure may be relevant to the analysis of grant-making foundations’ activities:

- **Financing of field projects:** these are all expenses incurred in the field for the benefit of beneficiaries, whether they are intermediaries (e.g. an association implementing projects for the benefit of an end beneficiary population) or direct beneficiaries (e.g. students receiving a grant). This expenditure is incurred in different forms:
  - Grants to associations or public authorities;
  - Grants, or awards for individuals;
  - Interest-free loans to individuals or companies.
- **Implementing the social mission:** this is expenditure that, in addition to funding granted in the field, serves the general interest causes to which the foundation is dedicated and helps in the implementation thereof. This category may include:
  - The costs of launching and monitoring/assessing a programme;
  - The share of staff costs relating to the selection of projects and the distribution of support (e.g. programme manager);
  - The costs of supporting a project leader or networking (e.g. organisation of seminars between project leaders);
  - Research and capitalisation expenses relating to supported causes (e.g. organisation of a symposium and publication of documents).
- **Management/operational costs:** all purely administrative costs must be recorded in this category: premises, computer equipment and telephony, accounting, legal support, support services.

This categorisation of expenses enables us to understand the business of grant-making foundations. We can see an increase in costs associated with the implementation of social missions, linked to two structural changes in the sector:

- The professionalisation of grant-making foundations, which increasingly rely on employees and recruit at a higher level of qualification;
- The enhancement of the role of funder: in their early days (until the end of the 1990s), grant-making foundations focused their resources on the distribution of funding, however they now organise their work in a more inclusive and strategic way, and are increasingly committed to supporting project leaders, networking, and promoting/capitalising on their actions.

**According to this survey, project financing and the costs of implementing the social mission would represent a total of 60% of the expenditure of grant-making foundations. But this ratio is likely to be negatively affected by the fact that few foundations clearly distinguish between the costs of implementing the social mission and operating costs.**

This analysis, introduced for the first time in our national survey, will be worth monitoring over the coming years in order to document changes in the business of grant-making foundations. It requires support from stakeholders in order to gradually harmonise the analysis of practices at sector level, insofar as an accurate reference framework for the purchases and wages of foundations is yet to be established.

# 5 BEQUESTS AND ENDOWMENTS: CHANGES IN FOUNDATION CONSTITUTION MODELS

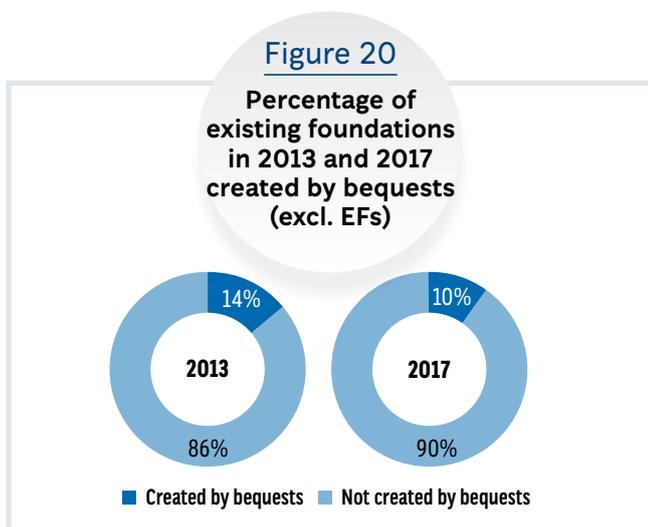
Beyond their intention to serve the general interest via a non-profit model, foundations have a number of shared characteristics, including the definitive nature of liberalities. Nevertheless, they can be created according to different models and through the contribution of different types of resources (gifts, bequests, multi-year contributions indexed to the turnover of a company).

While the principle of sustainability has long been a defining element for French foundations, this paradigm has evolved over time, and different models exist today (long-term or expendable endowment, pure flow model).

However, the nature of the initial capital contribution and the projected lifetime of the foundation have a profound impact on its operation.

## A. Only 10% of foundations are created by bequests

**The decline in the creation of foundations by bequests, already observed in the previous survey, is confirmed:** between 2013 and 2017, the proportion of foundations created by this means has decreased from 14% to 10%. Only one tenth of the French foundations currently in existence were created using this model (Figure 20).

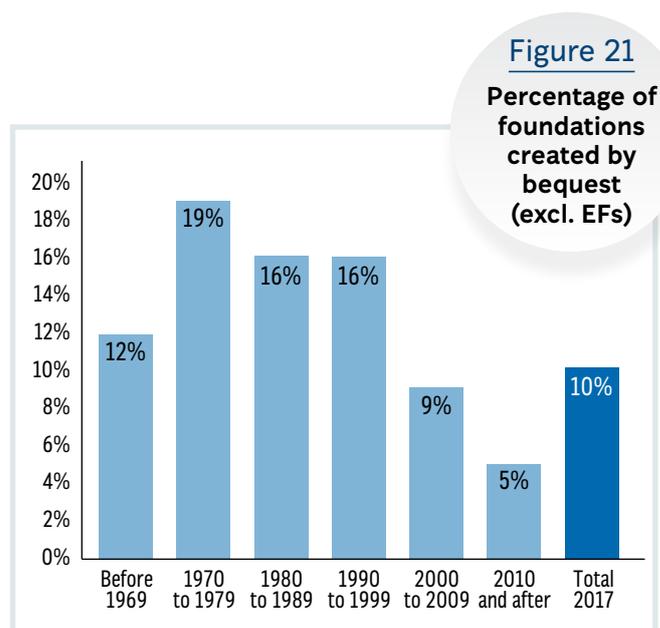


This development is relatively recent: until the 1990s, an average of 16% of new foundations were created by bequests. For foundations created after 2000, this proportion has fallen to 9% and then to 5% since 2010. The foundations created since 2000 represent 63% of total foundations, with the decrease in the share of bequests over this period leading to a fall in the average across all foundations (Figure 21).

It is clear that a number of foundations cannot be created by bequests, such as corporate foundations, which represent a significant percentage of recent foundation creations.

With regard to foundations created by individuals, which remain the majority, this phenomenon can be explained by two factors:

- On the one hand, wealth creation dynamics have not been the same since the early 2000s as they were in the last third of the 20<sup>th</sup> century. While wealth was once made over one or two generations,



→ Note: 5% of the foundations created between 2010 and 2017 were created by bequests.

contemporary entrepreneurial models, particularly in new technologies, are now generating wealth within one decade, or even a few years. And while the people who once made such fortunes could consider their commitment through a bequest that would take effect upon their death, today we are witnessing a faster and more immediate trend of engagement, labelled by Americans as *Sunset giving*, or *Giving while living*: faced with a certain sense of urgency, whether in relation to social or climatic causes, these young entrepreneurs are choosing to make donations or create foundations during their lifetime, as opposed to leaving bequests.

- In addition, longer life expectancy is also an obstacle to the creation of foundations by bequests, particularly for small and medium-sized philanthropic projects. A growing share of the population is facing increasingly high health costs (Ehpad, home medical care, multiple pathology), sometimes for many years, which reduces the wealth available to leave a philanthropic bequest, or to create a foundation.

## B. Nearly half of foundations do not have an endowment

In 2017, 55% of existing foundations chose to set up an endowment when they were created. This is the case for almost all operating foundations, but almost half of grant-making foundations are created without an initial endowment (Table 14).

**Table 14**  
Percentage of foundations with or without an endowment, by operating method (excl. EF)

	Grant-making foundations	Operating foundations	Total
Without endowment	48%	12%	45%
With endowment	52%	88%	55%
Total	100%	100%	100%

→ Note: 48% of grant-making foundations were created without an initial endowment.

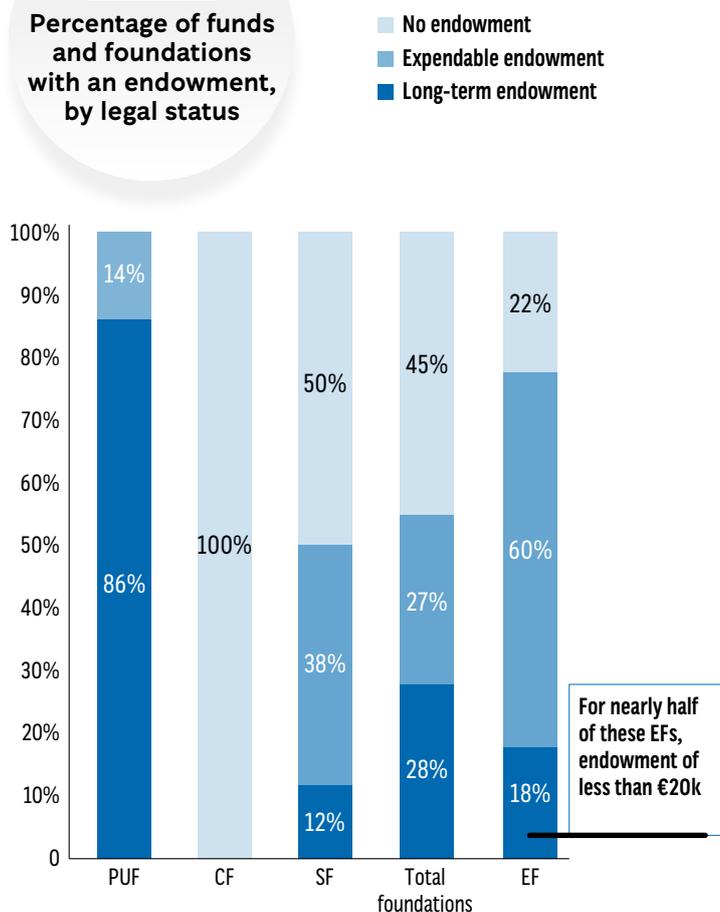
The creation of an endowment concerns by definition all public utility foundations. This is not the case for sheltered foundations: more than one third of them (38%) have an expendable endowment, and all corporate foundations are flow foundations, even though they are based on an initial five-year commitment from their founder (Table 15, Figure 22).

**Table 15**  
Endowment type of funds and foundations according to legal status

	PUF	CF	SF	All foundations	EF
No endowment	0%	100%	50%	45%	22%
Expendable endowment	14%	0%	38%	27%	60%
Long-term endowment	86%	0%	12%	28%	18%
Total	100%	100%	100%	100%	100%

→ Note: in 2017, 45% of foundations were created without an initial endowment. Only active EFs are taken into account.

**Figure 22**  
Percentage of funds and foundations with an endowment, by legal status



→ Note: in 2017, 45% of foundations were created without an initial endowment. Only active EFs are taken into account.

For foundations that have chosen to set up an initial endowment or have been the subject of a multi-year commitment from companies, in 2017 the value of these, which tended to decrease between 2009 and 2013, returned to levels close to those of 2009: one third of foundations (33%) have endowments or multi-year commitments of less than €500,000, and one quarter of them (25%) are above €3 million (Figure 23). On the other hand, this is the case for nearly half (46%) of operating foundations. These larger endowments are the initial investments required by operators to

begin operations. Conversely, only 12% of operating foundations have initial endowments of less than €500,000, which is the case for 39% of grant-making foundations (Table 16).

**Table 16**

**Breakdown of the endowment amount and multi-year commitments of the foundations in current value by mode of operation (excl. EFs)**

	Grant-making foundations	Operating foundations	Total foundations (excl. EF)
Less than €100k	10%	5%	9%
€100 to €500k	29%	7%	24%
€500k to €1m	17%	8%	15%
€1m to €3m	25%	34%	27%
€3m to €10m	14%	26%	17%
More than €10m	5%	20%	8%
Total	100%	100%	100%

→ Note: in 2017, 10% of grant-making foundations had endowments of less than €100,000.

The analysis of the endowment amounts by legal status highlights the fact that the creation of a public utility foundation is intrinsically linked to the contribution of significant capital: 83% have initial endowments of more than €1 million (Table 17). Although this amount is not legally fixed, the jurisprudence of the Council of State has currently set the minimum threshold for obtaining public utility status at €1.5 million.

With regard to corporate foundations, the breakdown by range of multi-year commitments is relatively consistent, but the amounts do not exceed €10 million. Sheltered foundations, lastly, are on average the least well-funded, since nearly half (48%) of them have

**Table 17**

**Breakdown of the endowment amount and multi-year commitments of funds and foundations in current value by legal status**

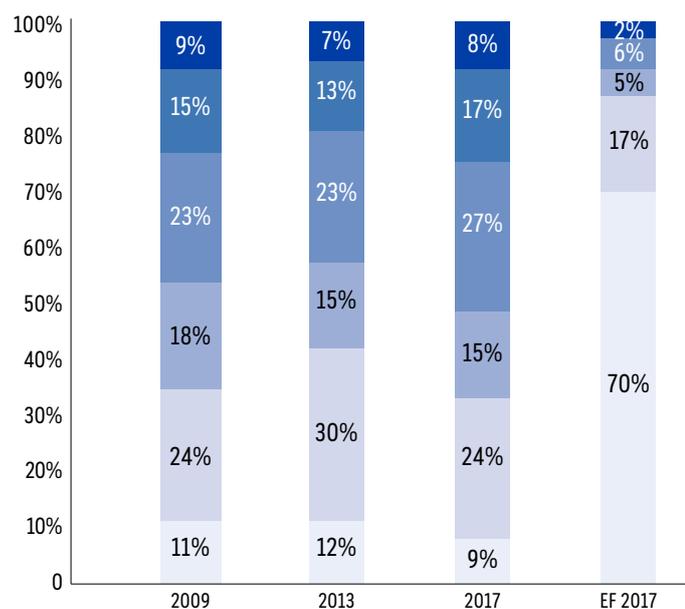
	PUF	CF	SF	All foundations	EF
Less than €100k	3%	11%	13%	9%	70%
€100 to €500k	6%	30%	35%	24%	17%
€500k to €1m	8%	14%	22%	15%	5%
€1m to €3m	38%	24%	19%	27%	6%
€3m to €10m	25%	21%	8%	17%	n.s.
€10 million and over	20%		3%	8%	2%
Total	100%	100%	100%	100%	100%

→ Note: 20% of PUFs have an endowment of more than €10 million, 30% of CFs have multi-year commitments of between €100,000 and €500,000. Only active EFs are taken into account.

**Figure 23**

**Breakdown of the endowment amount and multi-year commitments of foundations in current value in 2009, 2013 and 2017 and of EFs in 2017**

- More than €10m
- €3m to €10m
- €1m to €3m
- €500k to €1m
- €100k to €500k
- Less than €100k



→ Note: in 2017, 9% of foundations had an endowment of less than €100,000. Only active EFs are taken into account.

endowments of less than €500,000, but there are nevertheless a small number of sheltered foundations with very large endowments, of more than €10 million (3%).

Lastly, the case of endowment funds is unique: although 78% of them say they have an endowment (versus only half of all foundations), these are extremely low; less than €100,000 euros for 70% of them. In addition, **for nearly half of the endowment funds that declare having a long-term endowment, the value of this endowment is less than €20,000. This level of capital is too low to guarantee sustainability while incurring expenses.** This observation refers to the definition of the concept of a long-term endowment, which assumes the recapitalisation of funds in line with inflation in order to preserve its initial value (see box below).

## C. Almost three quarters of the newest foundations are flow foundations

The choice to create a foundation with an endowment is clearly on the decline: before 1945 and until the end of the 1970s, during which half of public utility foundations were created, almost all foundations were created with an endowment. This proportion increased to 80% and then 75% in the 1980s and 1990s, and **it was in the 2000s that the shift was made to a majority of flow foundations.** Nearly three quarters (73%) of the most recent foundations are created on a flow model (Figure 24).



### What is an endowment?

The endowment of a foundation is similar to the share capital of a company. Recorded on the liabilities side of the balance sheet, it establishes the value of assets to be maintained to ensure the sustainability of the foundation, regardless of the nature of the assets concerned. The only information relating to the nature of the assets used to properly interpret the value of an endowment is whether the endowment contains only income-producing assets or whether it includes preservation assets. Depending on the answer to this question, two foundations with endowments of similar values can be in radically different economic situations.

From an endowment point of view, there are three categories of funds and foundations:

- **Flow funds and foundations**, which are limited to an initial contribution of assets intended to be consumed immediately and which can be renewed thereafter, notably through non-founder contributions (fundraising, bequests, etc.). Corporate foundations, although based on an initial five-year commitment from their founder, fall under this scheme, as do partnership foundations.

*Foundations concerned: all CFs and PFs, certain SFs, UF and certain EFs.*

- **Expendable endowment funds and foundations:** these structures use an endowment as a source of income for the general interest cause that they have chosen as the purpose of their foundation, but choose to give themselves the option to spend part of this endowment, at a rate provided for in their articles of association.

*Foundations concerned: SFs, EFs, rarely PUFs and SCFs.*

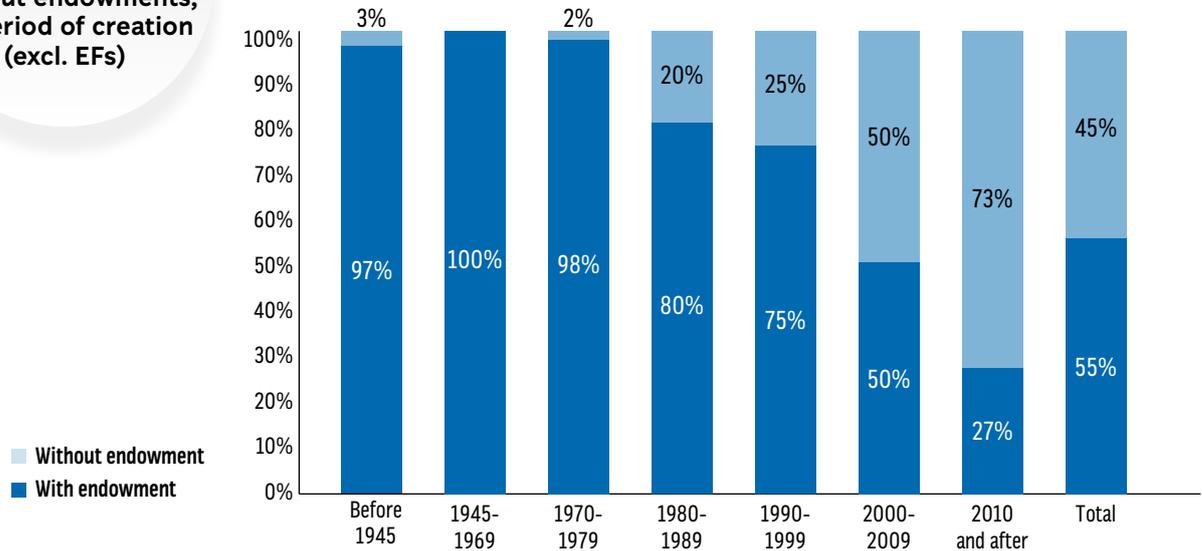
- **Long-term endowment funds and foundations:** the origin of the initial endowment is intangible. Only the income that it generates will be spent on the general interest cause selected by the foundation. Having a long-term endowment assumes that this can be kept at a constant value over time, which means that it must be recapitalised continuously in line with inflation.

*Foundations concerned: mainly PUFs and SCFs; sometimes SFs and EFs.*

NB: an endowment fund, contrary to what its name suggests, is an arrangement that does not require a sustainable contribution of wealth. Although a minimum initial contribution of €15,000 is now required, the establishment of an endowment remains optional.

**Figure 24**

**Breakdown of foundations with or without endowments, by period of creation (excl. EFs)**



→ Note: 97% of foundations created before 1945 have an initial endowment.

Flow foundations are characterised by the absence of an initial endowment, the contribution of resources being intended to be spent immediately, and can subsequently be increased by further contributions from the founder(s), or from third parties (fundraising, bequests, etc.). This development is notably linked to the rapid development in the number of sheltered foundations in the 2000s and 2010s.

Sustainability, which was one of the founding principles of the foundations since their origin and when creating the first legal statuses, is no longer a *sine qua non* condition for the creation and operation of a foundation. In fact, it is the opposite. It is mainly associated with operating foundations rather than grant-making foundations. This trend, which also concerns associations, is explained by several factors:

- Due to inflation, spending only income from capital does not allow for significant philanthropic action in the short-to-medium term, and may even impede spending for a number of years if the foundations are low in funding.
- A growing number of philanthropists want to create a structure that supports projects, rather than establish long-term activity.

The with or without endowment model, which determines the timeframe over which the foundation plans to operate, is also strongly linked to the area of intervention chosen by the founders: although it is natural to subscribe to a rapid expenditure model to meet immediate needs in the field of solidarity, it is, however, more relevant to plan targeted action over dozens of years in the field of medical research, insofar as progress takes longer. The challenge is therefore, for the philanthropist when defining their strategy, to align the resources they have and the area in which they wish to intervene with the expected lifetime of their foundation.

# 6 WHO CREATES FOUNDATIONS?

## A. Individuals for more than half of all foundations, companies for more than a third

In 2017, more than half (54%) of French foundations had individuals amongst their founders. While this proportion has decreased since 2001 (61%), it has remained relatively stable since 2013 (52%) (Table 18).

The percentage of foundations with one or more companies amongst their founders has increased significantly between 2001 (20%) and 2013 (29%) and until 2017: this now concerns more than one third (36%) of foundations.

A little more than one in 10 foundations have an association amongst their founders. While the relative weight of associations in the creation of foundations fell

significantly between 2001 (21%) and 2013 (10%), it stabilised between 2013 and 2017, as the two-point gap observed here is not very significant.

In total, in 2017, **87%<sup>(6)</sup> of foundations have at least one company and/or individual amongst their founders, and 8%<sup>(7)</sup> have one representative of public power**, whether the State, a local authority, a university or a hospital. This observation confirms the fact that foundations today are for the most part tools for mobilising private players to serve the general interest.

The presence of the State and local authorities has been less pronounced in the creation of foundations since 2010, contrary to what seemed to be the trend during the previous period. Today, the presence of the public power amongst their founders is much more rare than in the oldest foundations.

Table 18

Breakdown of categories of founders by period of foundation creation (excl. EFs)

	Before 1945	1945-1969	1970-1979	1980-1989	1990-1999	2000-2009	2010 and after	Total 2001	Total 2013	Total 2017
Individuals, families	82%	87%	81%	74%	63%	41%	45%	61%	52%	54%
Companies	6%	14%	2%	17%	24%	52%	40%	20%	29%	36%
Associations	2%	5%	17%	9%	12%	9%	16%	21%	10%	12%
State	8%	9%	2%	2%	1%	4%	1%	4%	5%	4%
Local authorities	2%	5%	2%	1%	2%	2%	1%			
Higher education and research institutions / Hospitals	6%		3%	1%	2%	10%	4%	5%	4%	6%
Foundations	4%				1%	3%	1%	2%	1%	1%
Congregations	10%		2%	3%	1%	1%	1%	2%	1%	1%
Other			2%	3%	1%	1%	1%	3%	1%	-
Total	120%	120%	111%	110%	107%	123%	110%	118%	103%	114%

→ Note: in 2017, 54% of foundations had at least one individual amongst their founders. The totals are greater than 100% because each foundation can have several founders.

6. This proportion is not equal to the sum of the percentages of the "Individuals, Families" and "Corporates" categories in Table 18 because the two categories of founders may appear in a single foundation. The proportion calculated here takes into account only once each foundation with the two categories of founders.

7. In the same way, this proportion is calculated to ensure that foundations including several categories of founders are counted only once.

The more recently the foundation was created, the more likely it is to have a company amongst its founders. This is the case with 52% of the foundations created between 2000 and 2009. More than 25 years after the law that established corporate foundations, almost all major companies have set up philanthropic activities. New foundations are now more usually created by medium-sized enterprises, small and medium-sized enterprises (SMEs) and micro businesses wishing to engage on a territorial level, which sometimes create their foundation alongside their founder or sole or majority shareholder, often in the form of sheltered foundations, allowing these small structures to remain free from all administrative tasks and to rely on the thematic and/or territorial expertise of a sheltering foundation.

Lastly, in the 2000-2009 decade, during which the three specialist statuses dedicated to higher education and research were created, the largest proportion (10%) of foundations were created by universities or hospitals.

**The 2000 and 2010 decades saw an increase in the percentage of community-based foundation projects:** these may be several medium-sized companies that combine forces to develop a local philanthropic project, or a group of friends or members of a large family who combine their resources to act together on a cause of their choice. This increase in collective power is a sign of the certain maturing of French philanthropy, since the combination of various resources and skills often makes it possible to take more significant action.

## B. Sheltered foundations favoured by individuals; endowment funds preferred by associations

From the point of view of the mode of operation of foundations, it is clear that individuals are widely represented amongst the founders in both models (53% and 52%) (Table 19, Figure 25).

However, significant differences appear for the following categories:

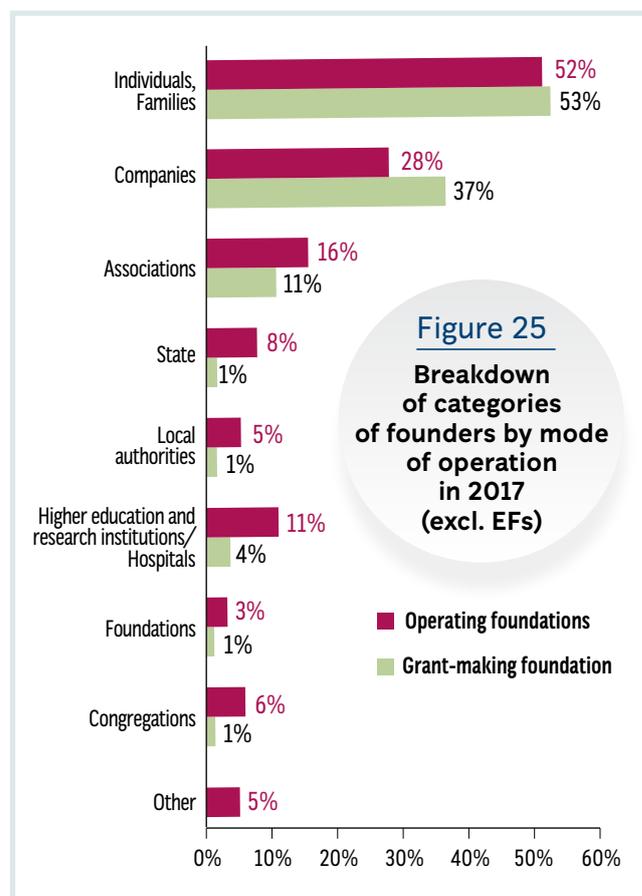
- Grant-making foundations more often include companies amongst their founders (37%, compared with 28% for operators);
- Associations are more represented within operator (16%) than grant-making foundations (11%);
- This is even more clearly the case for the State (8% vs. 1%), higher education and research institutions and hospitals (11% vs. 4%) and local authorities (5% vs. 1%);
- Religious congregations, lastly, are significantly more represented amongst operating (6%) than grant-making foundations (1%).

Table 19

**Breakdown of categories of founders by operating method in 2017 (excl. EFs)**

	Operating foundations	Grant-making foundations	Total
Individuals, families	52%	53%	54%
Companies	28%	37%	36%
Associations	16%	11%	12%
State	8%	1%	2%
Local authorities	5%	1%	2%
Higher education and research institutions / Hospitals	11%	4%	5%
Foundations	3%	1%	1%
Congregations	6%	1%	1%
Other	5%	n.s.	1%
<b>Total</b>	<b>134%</b>	<b>109%</b>	<b>114%</b>

→ Note: in 2017, 37% of grant-making foundations had at least one company amongst their founders. The totals are greater than 100% because each foundation can have several founders.



→ Note: in 2017, 37% of grant-making foundations had at least one company amongst their founders. The totals are greater than 100% because each foundation can have several founders.

However, these observations should be interpreted together with the fact that operating foundations have tended to declare multiple founders more than grant-making foundations, hence the total of 134%.

The breakdown of the different categories of founders according by legal status is similar to that observed in 2013, to which that of endowment funds is added (Table 20):

- **Public utility foundations comprise all categories of founders** (individuals, companies, public power, associative sector).
- **Corporate foundations** are by definition all created by companies and have no other type of founders.
- Sheltered foundations are the main **philanthropic tool for individuals**, who are present in more than two thirds of these structures (68%), and to a lesser extent, companies, present in one in every five cases.
- **Endowment funds** are by far the most common legal structure used by **associations** (38%) and companies are amongst the founders for a quarter of endowment funds. Individuals are also well represented amongst the founders of endowment funds (37%) but in a much less systematic way than within public utility foundations or sheltered foundations.

**Table 20**  
Breakdown of categories of founders by legal status in 2017

	PUF	CF	SF	All foundations	EF
Individuals, families	63%		68%	54%	37%
Companies	19%	100%	20%	36%	25%
Associations	23%		11%	12%	38%
State	9%			2%	2%
Local authorities	3%			2%	3%
Higher education and research institutions / Hospitals	5%		1%	5%	6%
Foundations	3%		1%	1%	2%
Congregations	6%			1%	3%
Other	3%			n.s.	4%
<b>Total</b>	<b>134%</b>	<b>100%</b>	<b>101%</b>	<b>114%</b>	<b>120%</b>

→ Note: in 2017, 63% of PUFs had at least one individual or family amongst their founders. The totals are greater than 100% because each foundation can have several founders. Only active EFs are taken into account.

The difference between the presence of associations as founders of public utility foundations or endowment funds should be highlighted. In the first case, this generally relates to the transformation of a recognised public utility association into a public utility foundation, through the devolution of assets. The association then disappears as part of the transaction. However, when an association creates an endowment fund, it is not replaced by the latter, but instead is established as a fundraising tool, with a view to diversifying its resources.

### C. Profile of individual and company founders

The average age of individual founders has decreased since the previous survey, from 61 to 58 years (Table 21). The number of young founders is growing; one in 10 individual founders are under 35 years old (Figure 26). The creators of sheltered foundations are on average significantly younger (57 years old) than those who create public utility foundations (61 years old). In endowment funds, the average age of individual founders is 61 years.

**Table 21**  
Average age of individual founders in PUFs, sheltered foundations and EFs

	Average age of individual founders
Public utility foundation	61
Sheltered foundation	57
<b>Total foundations (excl. EFs)</b>	<b>58</b>
Endowment fund	61

→ Note: in 2017, the individual founders of sheltered foundations were on average 57 years old. Only active EFs are taken into account.

Several questions in the study provide an understanding of the main characteristics of individual founders:

- Foundations are mainly created by men, although women are present in approximately one in three cases;
- In the vast majority of cases, and most often in the private sector, founders are business professionals;

- Founders are most often senior executives, but there is also a significant share of clergy members, artists and liberal professions.

In the case of endowment funds, individual founders are even more often men, and are most often retired. The other characteristics are very similar to the founders of foundations, with the exception of members of the clergy, less represented amongst the founders of endowment funds.

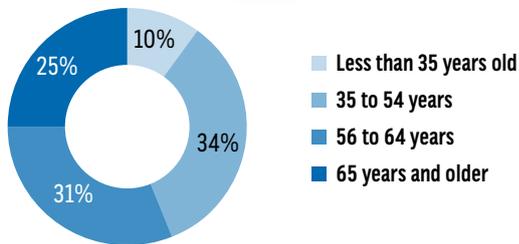
With regard to companies, the most represented sectors of activity within foundation creators are as follows in order of importance:

- Banks, credit institutions, financial services (19%);
- Industry (14%);
- Services (excluding financial services) (13%);
- Energy (11%);
- Insurance (11%).

The numbers of responses for endowment funds were too low to present the answers to this question.

**Figure 26**

**Breakdown of individual founders by age bracket (excl. EFs)**



→ Note: in 2017, 10% of individual founders were under the age of 35.



## **Funds and foundations created by companies: 32% of funds and foundations and 10% of expenditure**

Many EFs and foundations are created by companies, whether they have chosen legal status as a corporate foundation or another status. They are estimated at **32% of all foundations and active EFs**. Companies are amongst the founders of **20% of sheltered foundations, 19% of PUFs and 25% of endowment funds**. In addition, companies are often founders of partnership foundations and scientific cooperation foundations.

The choice of legal statuses other than that of corporate foundation allows the company to commit over a longer term than the usual five-year commitment. Choosing a sheltered foundation also enables it to free itself from all administrative management and accounting tasks, and to benefit from expert advice on its social mission.

While it is difficult to estimate the share of expenses specific to companies in the case of foundations created by several types of founders, the total amount of expenditure incurred by foundations in which companies are represented can be assessed. **All statuses combined, they incur approximately €1 billion in expenditure per year, or 10% of the expenditure of all foundations**. Generally more inclined to choose the grant-making model rather than be project operators, **they make up two fifths of the economic weight of grant-making foundations, which incur a total of €2.4 billion in annual expenditure**.

**Sheltered foundations created by companies** generally have **higher annual average expenditure than the average of sheltered foundations**, while **PUFs with one or more companies amongst their founders** generally have an **average annual budget lower than that of all PUFs**.

# 7 AREAS OF INTERVENTION AND TARGET POPULATIONS

## A. One quarter of foundations engaged in social action, one quarter of endowment funds in culture

The analysis of the areas of intervention chosen by the foundations is essential to understanding the philanthropic sector. In order to improve the accuracy of this analysis and to take account of the development of the sector, the nomenclature of the intervention areas has been slightly modified between the questionnaire for the 2013 survey and the 2017 survey questionnaire. In particular, a new "Education" category has been added to better understand the foundations acting in this field. The time comparison must therefore be interpreted with caution.

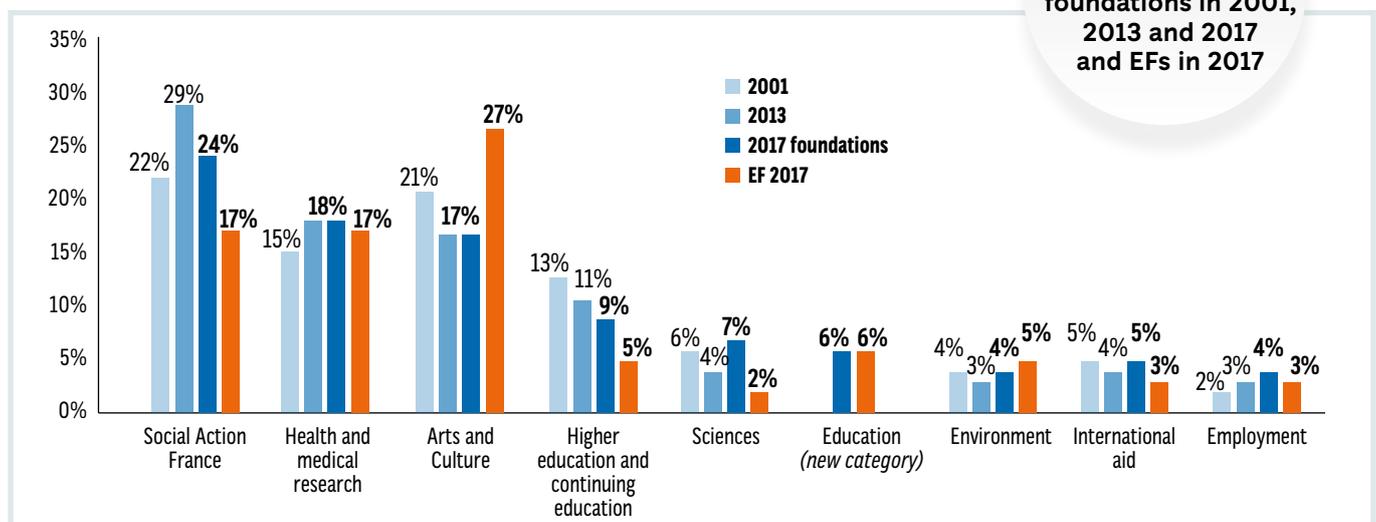
**Social action is the area of intervention that applies to the greatest number of foundations (Figure 27):** 24% choose this theme. The slight decline compared to 2013 (29%) is likely due to the addition of the "Education" category, which concerns 6% of

foundations. Similarly, the "Higher Education" category also experienced a slight decline compared to 2013. The "Sciences" category has seen its weight almost double since 2013.

Within social action, the "Other" category increased significantly between 2013 and 2017, to the detriment of the "Help and services to people: emergency material aid, services to vulnerable populations, listening and counselling services" category (Table 22). It appears that two thirds of the foundations that have chosen this category have the fight against poverty and exclusion as their social purpose.

**The "Arts and Culture" and "Health" categories are next,** at the same levels as 2013, with 17% and 18% of foundations respectively working in support of these themes.

**Figure 27**  
Main areas of intervention of foundations in 2001, 2013 and 2017 and EFs in 2017



Note: in 2017, 24% of foundations worked in the fields of social action. Only active EFs are taken into account. In 2017, a new "Education" category was added, which automatically led to a decrease in the "Social Action France" and "Senior Education" categories.

Table 22

**Breakdown of foundations according to their main area of intervention from 2001 to 2017 and EFs in 2017**

	Foundations				EFs
	2001	2009	2013	2017	2017
Heritage	-	5%	6%	6%	15%
Artistic creation	-	-	-	6%	7%
Cultural education	-	-	-	3%	2%
Arts and Culture - Other	-	-	-	2%	3%
<b>Total Arts and Culture</b>	<b>21%</b>	<b>22%</b>	<b>17%</b>	<b>17%</b>	<b>27%</b>
Medical care	-	5%	5%	6%	5%
Medical research	-	10%	10%	9%	5%
Mental health	-	1%	1%	1%	2%
Health - Other	-	3%	2%	2%	5%
<b>Total Health</b>	<b>15%</b>	<b>19%</b>	<b>18%</b>	<b>18%</b>	<b>17%</b>
Assistance and services to people: emergency material aid, services to vulnerable populations, listening and counselling services	-	6%	10%	4%	4%
Places of residence: temporary specialist residences (day care, short-term accommodation) or long-term residences (retirement homes)	-	8%	10%	7%	1%
Social inclusion, fight against isolation, social life of people: reintegration into society of people through cultural, sports and leisure activities	-	3%	4%	4%	4%
Social Action France - Other	-	5%	5%	9%	8%
<b>Total Social Action</b>	<b>22%</b>	<b>22%</b>	<b>29%</b>	<b>24%</b>	<b>17%</b>
Education - Infants	-	-	-	1%	0%
Primary school and extracurricular education	-	-	-	2%	5%
Secondary education (including scholarships)	-	-	-	3%	1%
<b>Total Education</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6%</b>	<b>6%</b>
Sciences	-	4%	2%	4%	1%
Social sciences	-	2%	2%	3%	1%
<b>Total Sciences</b>	<b>6%</b>	<b>6%</b>	<b>4%</b>	<b>7%</b>	<b>2%</b>
Higher education and continuing education	13%	17%	11%	9%	5%
International Aid: emergency, development and conflict resolution	5%	5%	4%	5%	3%
Environment	4%	3%	3%	4%	5%
Employment and labour market	2%	2%	3%	4%	3%
Protection of animals	n.s.	1%	1%	n.s.	2%
Entertainment and sports	2%	n.s.	1%	1%	4%
Religion	3%	1%	3%	n.s.	2%
Housing and development in France	6%	1%	2%	2%	1%
Citizenship, human rights	-	-	-	2%	1%
Other	1%	1%	4%	1%	3%
Media, pluralism, access to information	-	-	-	n.s.	1%
Philanthropic intermediaries, volunteers, not-for-profit infrastructure	-	-	-	n.s.	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

→ Note: in 2017, 17% of foundations and 27% of EFs acted mainly in the area of arts and culture. Only active EFs are taken into account.

As in 2013, the “International Aid” category remains stable at around 5% since 2001, as does the “Environment” category, declared by only 4% of French foundations as their main area of intervention. This does not impede the creation of new foundations on these issues: approximately one third of the foundations operating in one of these two areas as a priority have been created since 2014. However, they are still too small in number to have a proportional impact on all foundations.

In terms of endowment funds, the breakdown by main area of intervention is significantly different. The top three areas of intervention are the same as for foundations, but in a different order: **Arts and Culture** is at the forefront with **27% of endowment funds** committed to these issues, Social Action and Health represent 17% each. Endowment funds are notably distinguished from foundations on the issue of **Heritage (15% of endowment funds versus only 6% of foundations)**.

It should be noted that this analysis covers the main area of intervention declared by the funds and foundations. **However, nearly two thirds of foundations report one or more secondary areas of intervention.** For example, 8% of foundations are involved at least partially in the environmental field, and 10% in international aid. From this point of view, it is essential to consider expenditure analysis.

## B. Expenditure by area: health and social action for foundations, culture for endowment funds

The analysis of the expenditure structure by area of intervention highlights the **preponderance of social action and health & medical research, which covers three quarters of foundations' expenditure.** The order is in contrast to the main area of intervention reported, since health and research account for 47% of expenditure, while 29% is devoted to social action (Table 23). This high percentage of health and medical research expenditure is due to a number of large operating foundations each managing several medical facilities, but also to the substantial budgets dedicated to medical research by foundations, particularly grant-making ones.

Arts and culture (6%) and education and higher education (6%) rank third in terms of expenditure according to the sector of activity, but are far behind the first two areas of intervention.

The analysis of the breakdown of expenditure by area of intervention and by legal status shows quite significant variations (Table 23).

- The preponderance of health, particularly for medical care (24%), medical research (20%), and social action (30%, of which 25% for places of residence) is very clear in the expenditure of **public utility foundations**;
- **Corporate foundations still spend 21% of their expenditure on health and medical research, ahead of arts and culture (18%) and social action (13%).** Education and higher education are in fourth place with 9% of their expenditure, at the same level as employment and the labour market (9%) and ahead of spending related to entertainment and sports (8%);
- The **sheltered foundations have arts and culture as their main area of expenditure (35%, of which 15% dedicated to heritage), ahead of health and medical research (19%) and education and higher education (17%);**

**Table 23**

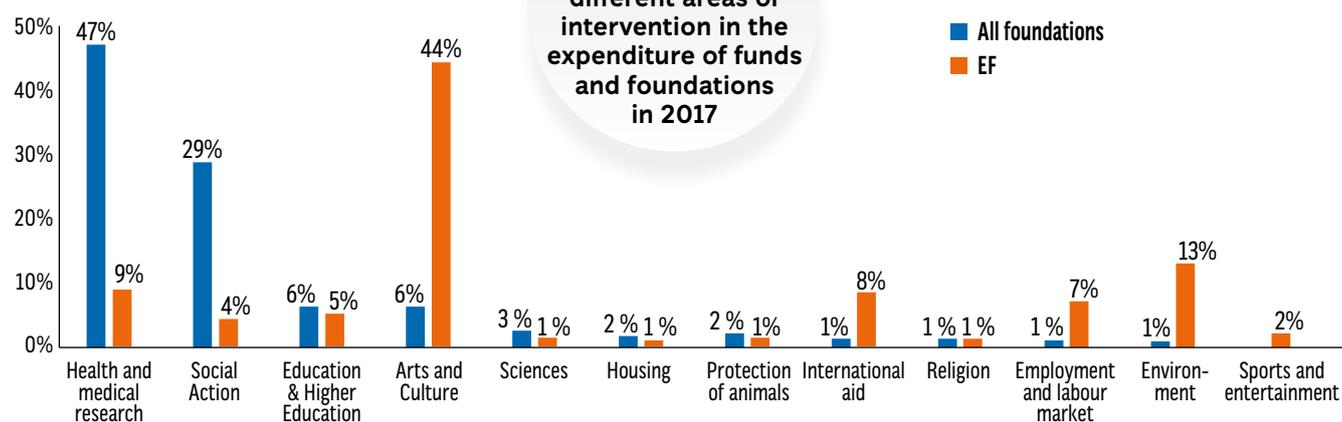
**Percentage of different areas of intervention in foundation expenditure by legal status and EFs in 2017**

	PUF	CF	SF	SCF, PF, UF	All foundations	EF
Health and medical research	50%	21%	19%	2%	47%	9%
Social action	30%	13%	7%	n.s.	29%	4%
Education and higher education	5%	9%	17%	47%	6%	5%
Arts and culture	4%	18%	35%	2%	6%	44%
Sciences	2%	4%	5%	49%	3%	1%
Housing	2%	3%	5%	n.s.	2%	1%
Protection of animals	2%	n.s.	n.s.	n.s.	2%	1%
International aid	1%	7%	2%	n.s.	1%	8%
Religion	1%	n.s.	n.s.	n.s.	1%	1%
Employment and labour market	n.s.	9%	3%	n.s.	1%	7%
Environment	1%	5%	3%	n.s.	1%	13%
Entertainment and sports	n.s.	8%	1%	n.s.	n.s.	2%
Citizenship, human rights	n.s.	1%	1%	n.s.	n.s.	n.s.
Media, pluralism, access to information	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Philanthropic intermediaries, volunteers	n.s.	n.s.	1%	n.s.	n.s.	n.s.
Other	2%	2%	1%	n.s.	1%	4%
Total	100%	100%	100%	100%	100%	100%

► Note: in 2017, 47% of foundations' expenditure was on health and medical research. Only active EFs are taken into account.

Figure 28

Percentage of the different areas of intervention in the expenditure of funds and foundations in 2017



Note: in 2017, 47% of foundations' expenditure was on health and medical research. Only active EFs are taken into account.

- The expenditure of **foundations specialising in higher education and research** is, as we would expect, concentrated in the areas related to this speciality: 47% for education and higher education and 49% devoted to science, with the remainder divided between arts and culture and health and medical research;

- The **endowment funds** present a very different breakdown of expenditure by area of intervention to that of the foundations (Figure 28): **44% of their spending is on arts and culture and 13% on environmental issues**, placing this area of intervention in second place even though only 5% of endowment funds define it as their main area of intervention. International aid is also more prominent compared to foundations, representing 8% of endowment funds' expenditure. This analysis should be nuanced with respect to the concentration of expenditure for each of these areas in a very small number of structures: these expenses are incurred by one to three endowment funds only.

- Some areas are mostly or exclusively related to grant-making foundations: arts and culture, education and higher education and international aid.

Table 24

Breakdown of foundations' expenditure between the main areas of intervention, by mode of operation

	Operating foundations	Grant-making foundations
Health and medical research	48%	26%
Social action	31%	12%
Education and higher education	5%	14%
Arts and culture	4%	24%
Sciences	3%	4%
Housing	2%	1%
Protection of animals	2%	2%
International aid	1%	4%
Religion	n.s.	3%
Employment and labour market	1%	2%
Environment	n.s.	2%
Entertainment and sports	n.s.	1%
Citizenship, human rights	n.s.	1%
Media, pluralism, access to information	n.s.	1%
Philanthropic intermediaries, volunteers	n.s.	1%
Other	3%	2%
Total	100%	100%

Note: in 2017, 48% of operating foundations' expenditure was spent on health and medical research.

### C. Grant-making foundations: more diversified spending by area

The way in which foundations operate affects the breakdown of their expenditure by area of intervention. Thus, several specificities are noted (Table 24):

- If health expenses account for nearly half of operators' expenditure (48%), they nevertheless represent 26% of that of grant-making foundations.
- Social action is more supported by operating foundations (31%) than by grant-making foundations (12%).

## D. Young people, a population benefiting from philanthropy

When they do not target all populations as a priority (37%), foundations tend to focus on children and young people (37%). The analysis by mode of operation (Table 25) shows that **young people and children are the leading population targeted by grant-making foundations (38%), whereas they are the second target population for operating foundations.** Endowment funds are primarily intended for all populations. In addition, the breakdown of endowment funds by target population is on the whole relatively close to that of foundations (Figure 29).

While these two populations are predominantly ahead of other populations, **the foundations still pay significant attention to other specific populations.** More than one in seven foundations focus on people in economic difficulty, sick people and people with disabilities.

The target populations differ marginally depending on the mode of operation. Operating foundations mainly focus on three populations, after all populations and children and young people: elderly people (19%), people with disabilities (19%) and sick people (15%). This corresponds to the target populations of operating foundations that manage specialist residences.

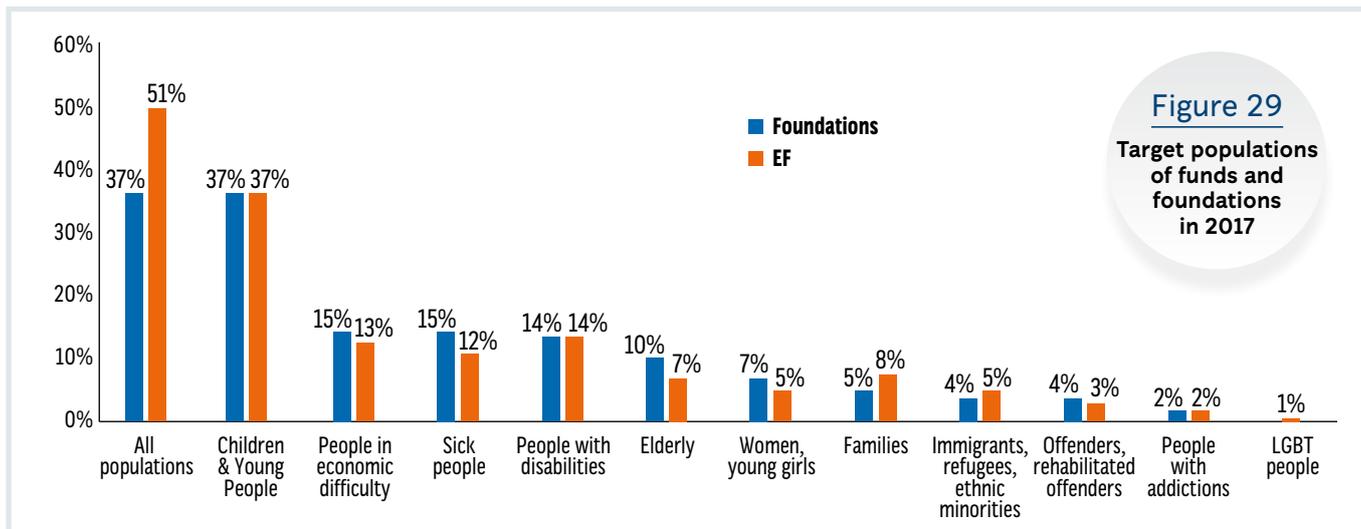
**The grant-making foundations are aimed at a greater diversity of populations.** They target the same populations as operators as well as a number of specific populations:

- People in economic difficulty are targeted by 17% of grant-making foundations compared to 10% of operating foundations;
- Women and young girls (7%), as well as immigrants, refugees or ethnic minorities (5%), are more the focus for grant-making foundations.

**Table 25**  
**Breakdown of funds and foundations by target population and operating method in 2017**

	Operating foundations	Grant-making foundations	All foundations	EFs
All populations	40%	36%	37%	51%
Children and young people	34%	38%	37%	37%
People in economic difficulty	10%	17%	15%	13%
Sick people	15%	15%	15%	12%
People with disabilities	19%	13%	14%	14%
Elderly people	19%	8%	10%	7%
Women, young girls	4%	8%	7%	5%
Family	5%	5%	5%	8%
Immigrants, refugees, ethnic minorities	2%	5%	4%	5%
Offenders, rehabilitated offenders	2%	4%	4%	3%
People with addictions	3%	2%	2%	2%
LGBT people	n.s.	n.s.	n.s.	1%
Other	8%	9%	9%	12%
Total	161%	160%	159%	170%

➤ *Note: in 2017, 37% of foundations targeted children and young people. The total is more than 100% because each foundation can choose several beneficiary populations. Only active EFs are taken into account.*



**Figure 29**  
Target populations of funds and foundations in 2017

→ Note: in 2017, 37% of foundations targeted children and young people. Only active EFs are taken into account.



## Women and young girls: involvement of recent foundations, active internationally

**In 2017, 7% of French foundations declared working in favour of women and young girls.**

Action for this population has grown significantly in recent years, from 2% in 2013. Action in favour of this population is a recent concern for foundations: 80% of these foundations have been created since 2000. Most

of these are sheltered foundations and are therefore generally grant-making. Lastly, a significant feature of these foundations is the scale of intervention: more often than for other populations, their action is deployed internationally, particularly in sub-Saharan Africa.

# 8

## LOCATION AND SCALES OF INTERVENTION: RISE OF THE TERRITORIAL LEVEL

### A. Territorial level is the priority for foundations

More than a third of French foundations act nationally (36%), however, a quarter act on a local scale (26%) and a quarter also on a departmental and/or regional level (25%) (Figure 30). **The territorial aspect is therefore a priority in the action of French foundations.**

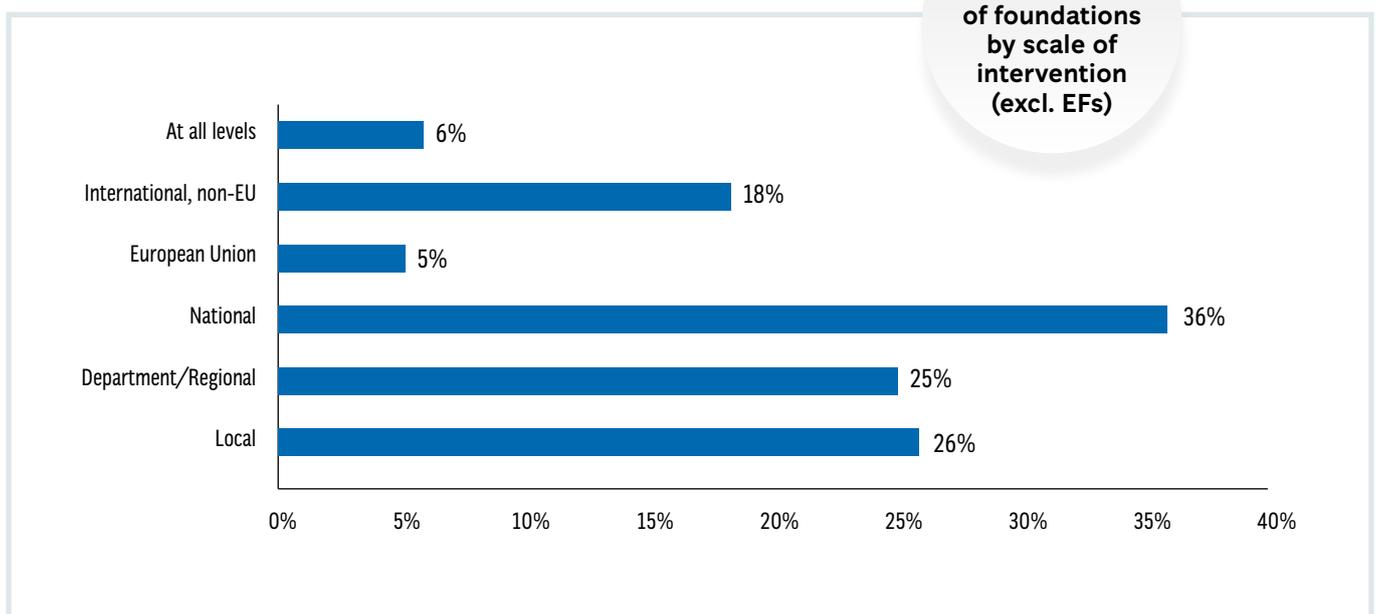
Mainly foundations also operate internationally: 5% say they act at European Union level, and 18% on an international level outside the European Union.

Foundations that act on a national scale only most commonly operate in the field of social action, and more often than not are founded by associations. These include major operating foundations that manage several social institutions.

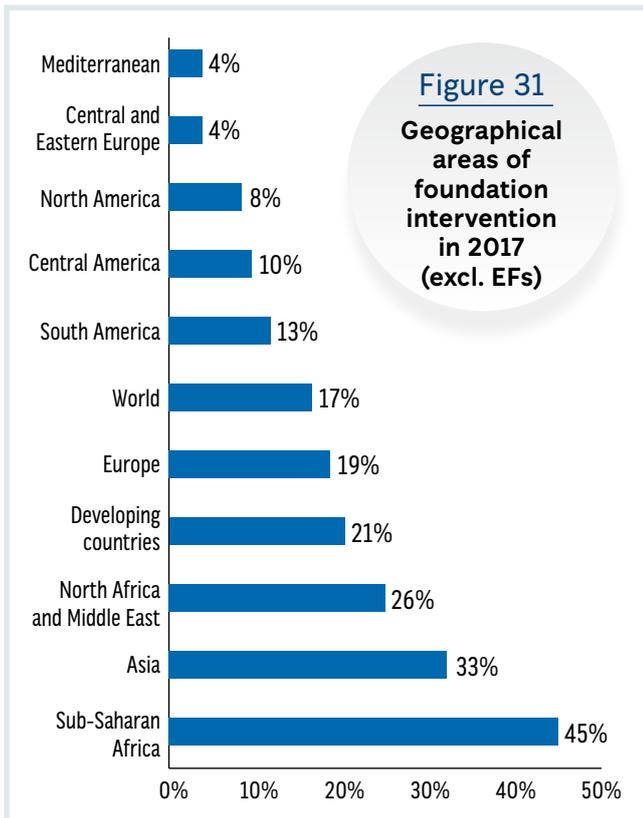
Compared to all foundations, the foundations that report acting exclusively at local level are most often public utility foundations created before 1945, generally operating either in arts and culture (museum management) or social action (management of places of residence).

**The international scale is favoured by sheltered foundations and more generally by grant-making foundations.** Sub-Saharan Africa is one of the main areas of action of French foundations abroad, as are Asia, North Africa and the Middle East (Figure 31). Operating foundations are distinguished from grant-making foundations by their action on a global level without any specific area of priority.

Figure 30  
Breakdown of foundations by scale of intervention (excl. EFs)



→ Note: 26% of foundations act locally. The total is more than 100% because foundations may report more than one scale of intervention.



→ Note: 45% of foundations acting internationally act in sub-Saharan Africa.

## What is a territorial foundation?

The term “territorial foundation” is a French translation of community foundations. This concept, which is very common worldwide, was developed in the 2010s in different regions of the world, particularly in Europe.

According to the definition by the European Community Foundations Initiative, community foundations are not-for-profit organisations that mobilise and invest technical and financial resources in a specific geographical area. Their goal is to improve the quality of life of a population, by linking donors and associations to enable the development of a community.

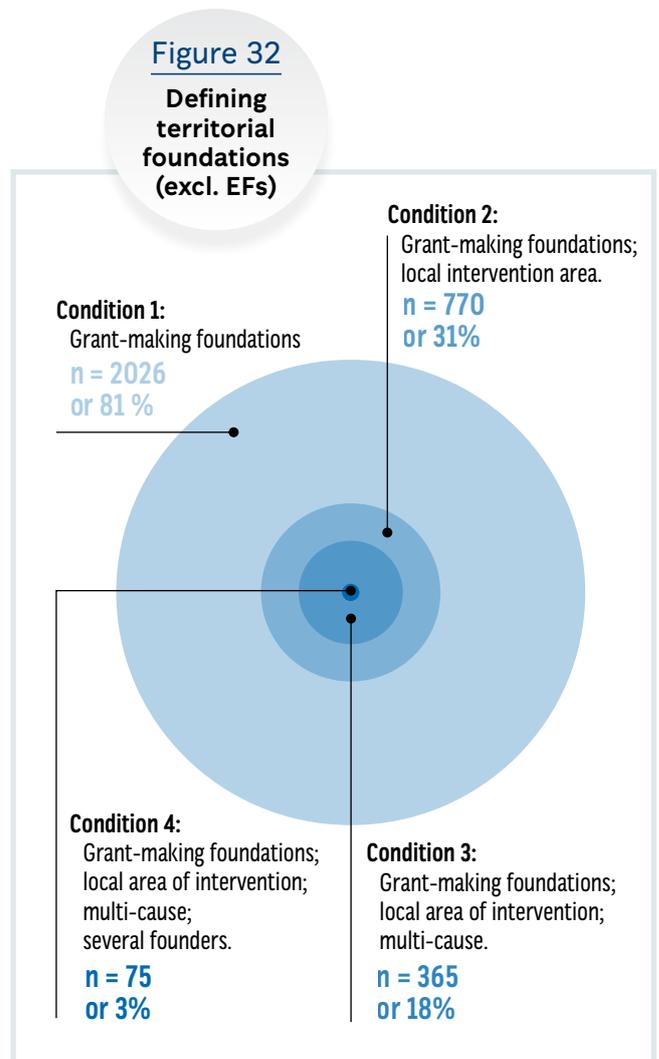
The transposition into French of the concept of community foundation is delicate insofar as the term “community” refers intuitively to either religious communities or the sensitive concept of communitarianism. It is also usually translated into French as “territorial foundation”, which focuses more on the geographical aspect than on the sense of collective belonging to a group of human beings.

## B. Territorial foundations: an emerging model

The territorial foundation remains a misidentified philanthropic object, insofar as it does not correspond to a legal status, and carries a variable definition. The data collected during this survey enables us to apply a concentric circle approach to this phenomenon, based on cumulative criteria that correspond to a more or less strict or extensive definition of the concept, represented in Figure 32.

The foundations covered by the four criteria for defining territorial foundations have the following characteristics:

- 50% of these are sheltered foundations, and one third are employer public utility foundations;
- 50% were created after 2000;



→ Note: 3% of foundations correspond to the strict definition of a territorial foundation: they are grant-making, act on a local scale, in several areas, and have several categories of founders.

- The three most represented categories of founders are associations, individuals and companies (in a variety of combinations);
- Although they all have several areas of intervention, their priority field is education and higher education. Then, at equivalent levels, health, social action and arts and culture.

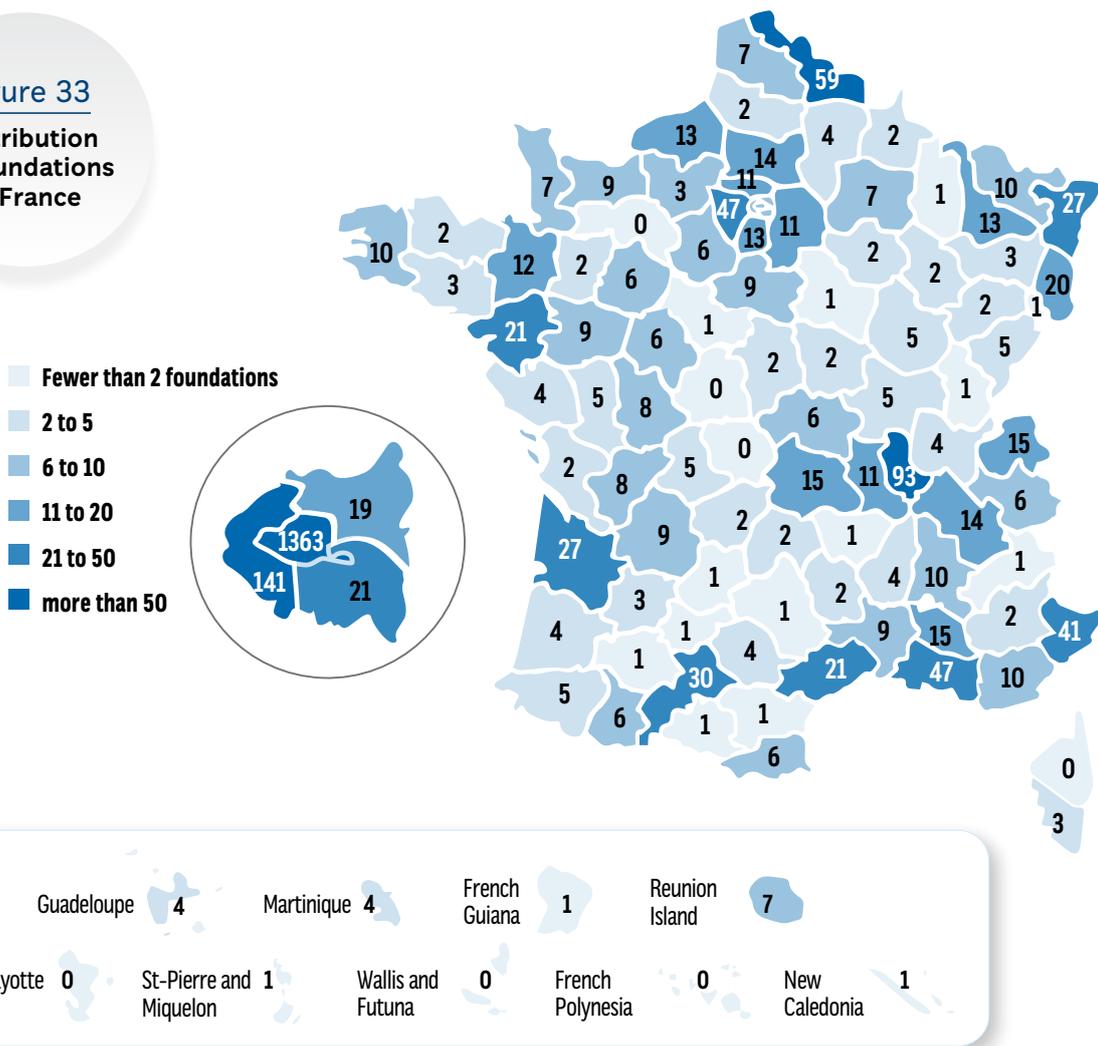
### C. Distribution of funds and foundations across the country

The distribution of funds and foundations across the country is far from uniform. However, the action of funds and foundations may be dependent on local presence since today nearly half of foundations say they act locally or regionally. Mapping their geographic location and economic weight in the territories is therefore a supportive factor in understanding the

role of location in the sector. The following maps were constructed from the postal addresses of the entities surveyed by the Philanthropy Observatory, and from INSEE data (DADS – annual declaration of social data) on the geographical distribution of employees.

The map of the distribution of foundations across France shows that **nearly two-thirds of foundations are located in the Paris region** (1,544 foundations in Paris and its inner suburbs out of 2,487 in total, or 62% of the total), and especially in central Paris, which comprises 1,363 foundations, equal to 53% of all French foundations (Figure 33). While the creation of foundations is known to be correlated to a high concentration of heritage assets, these proportions are nevertheless far higher than those of the population or national wealth concentrated in the capital region<sup>(6)</sup>. One can explain this over-representation of Paris in terms of sheltered foundations: most sheltering entities have an administrative address in Paris, to which the

**Figure 33**  
Distribution of foundations in France

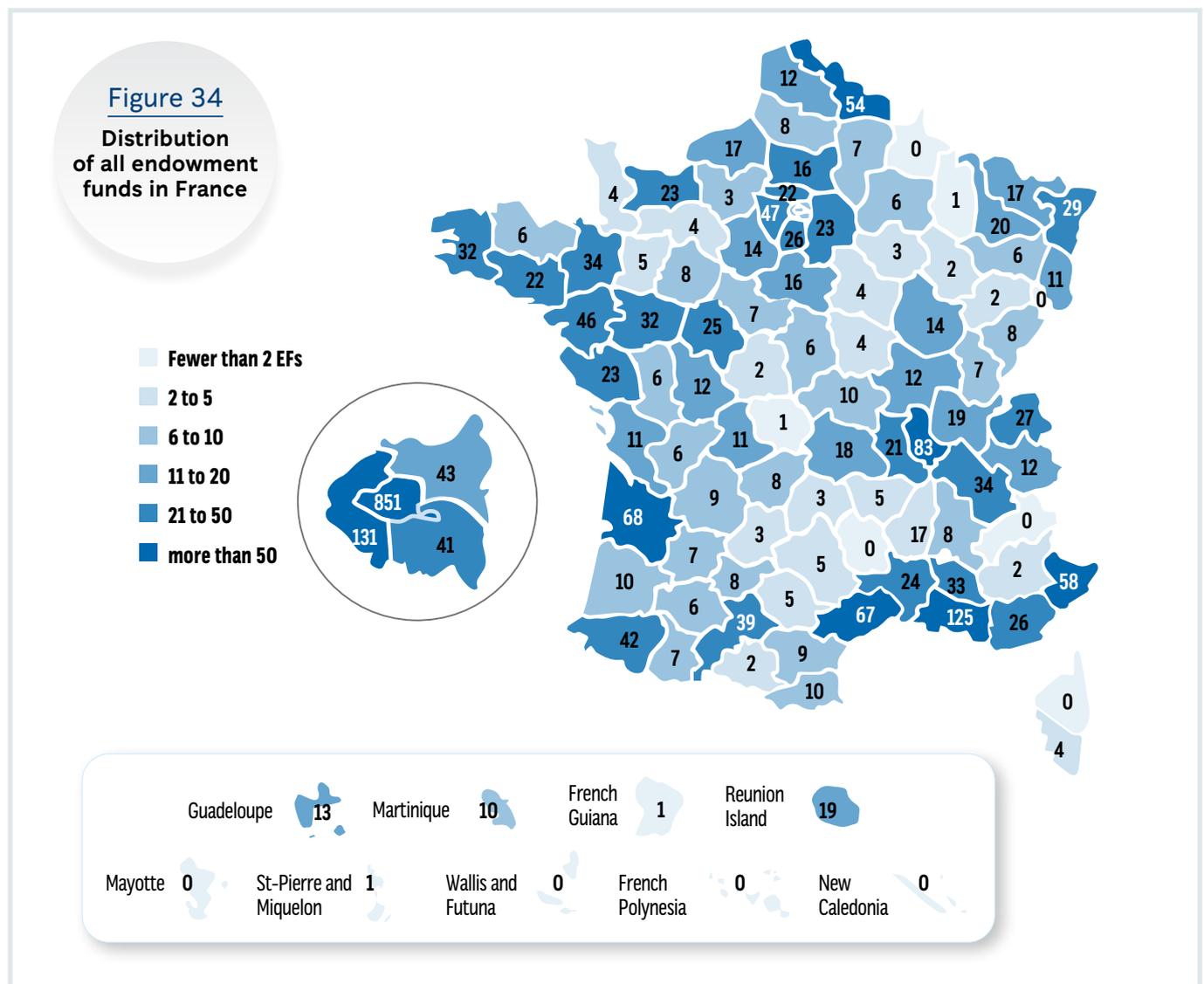


foundations placed under their aegis are attached, even though they may be located in another department, and created by founders from elsewhere in the country. We can therefore consider that the Paris figure is somewhat overestimated compared to the actual location of foundations.

Aside from the Paris concentration, foundations are present throughout the country. However, their distribution is uneven since **35 French departments, more than one third of the total, have no more than two foundations in their region.** This proportion has barely changed since 2013: there were then 38 departments with fewer than two foundations. The classification of departments, after Paris and its inner suburbs, which contain the most foundations, remains equivalent to that of 2013, although the number of foundations has increased slightly in each department:

- Rhône, incl. Lyon (93 foundations);
- Nord, incl. Lille (59 foundations);
- Bouches-du Rhône, incl. Marseille (47 foundations);
- Alpes-Maritimes, incl. Nice (41 foundations);
- Haute-Garonne, incl. Toulouse (30 foundations);
- *Ex aequo* with 27 foundations: Gironde, incl. Bordeaux and Bas-Rhin, incl. Strasbourg;
- *Ex aequo* with 21 foundations, Loire-Atlantique incl. Nantes and Hérault incl. Montpellier.

**The distribution of endowment funds is also characterised by a very high concentration in Paris:** with 851 EFs in Paris, the capital comprised 31% of endowment funds at the end of 2018 (Figure 34). **The concentration is nevertheless significantly lower than that of the foundations:** this reinforces the assumption of the Parisian over-representation in the previous map, due to the phenomenon of “Paris



8. In 2017, the Greater Paris region accounted for 18.2% of the metropolitan population and 31% of national wealth (source: Insee).

sheltering foundations”, which does not exist for endowment funds. However, the most well-funded endowment funds are located in Paris.

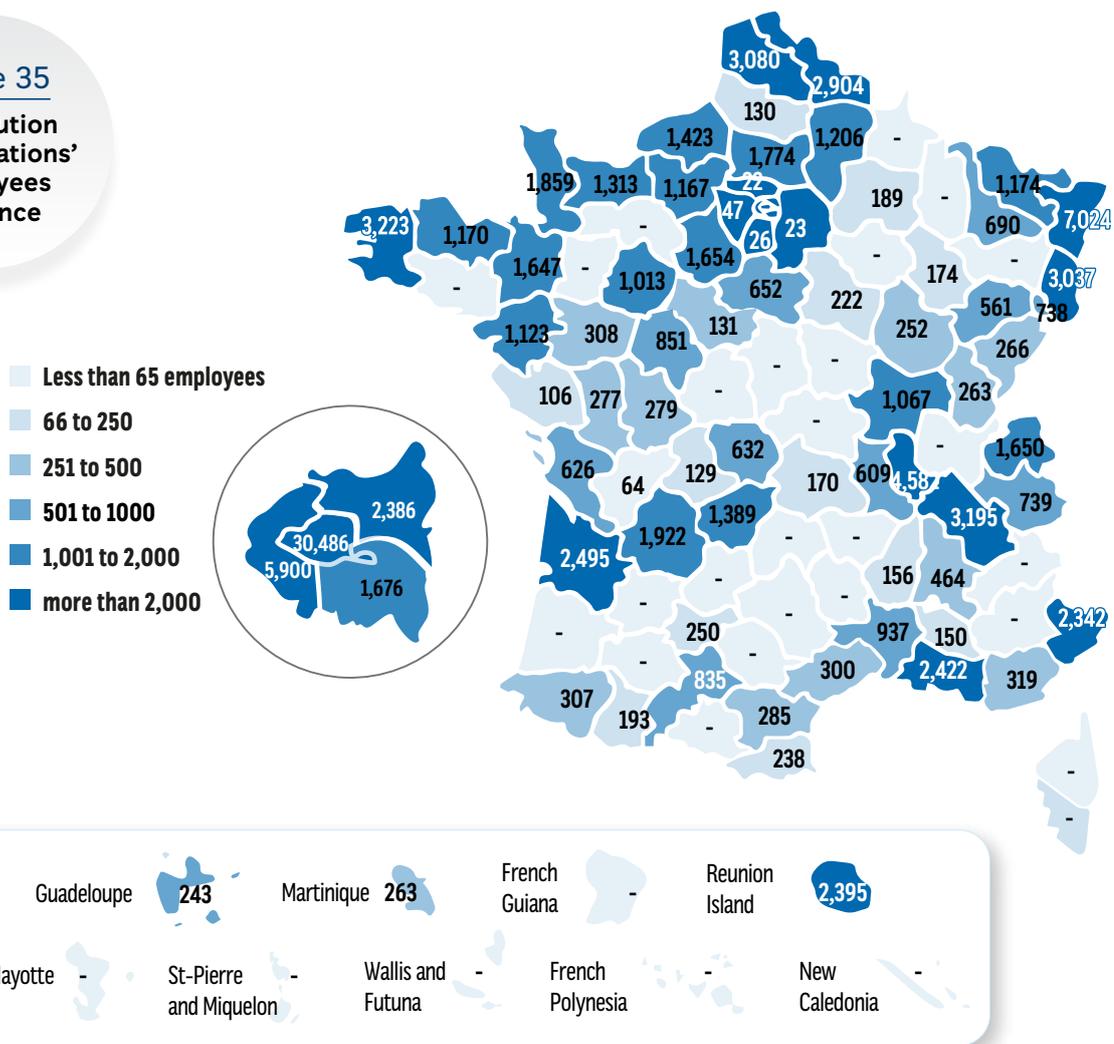
The national penetration rate of endowment funds is higher than that of the foundations: 54 French departments have more than 10 endowment funds, compared to only 30 departments with more than 10 foundations.

In the same way as for foundations, **concentration is increasing in coastal and border areas.** This can be explained by different factors depending on the area: for some, a regional tradition of solidarity or religious practice, and for others, strong inequalities with part of the population having significant resources, has boosted the development of philanthropic actions in these areas.

Lastly, the endowment fund map also covers overseas territories: 19 endowment funds were created in Reunion Island, 13 in Guadeloupe and 10 in Martinique.

The employee map provides an indication of the distribution of the economic weight of the foundations (Figure 35). It logically reveals a concentration of employment in departments with a large number of foundations. However, the important roles of Alsace, Finistère, Isère and Reunion Island are reflected in the employment of foundations, due to the presence of foundations managing health, social and medico-social establishments.

**Figure 35**  
Distribution of foundations' employees in France



Source: INSEE, DADS (annual declaration of social data).

# 9 STRATEGIES FOR FOUNDATIONS

## A. Intervention approaches and methods for foundations

As part of this survey, we sought to identify more clearly how foundations worked and acted for the benefit of the general interest in 2017, and the types of strategies they implement. Beyond the mode of operation, which is widely used in this report to analyse the foundations sector, several levels of the strategy of foundations can be distinguished. As the number of responses to these questions was relatively low, we have chosen to present these in order of magnitude rather than using specific figures.

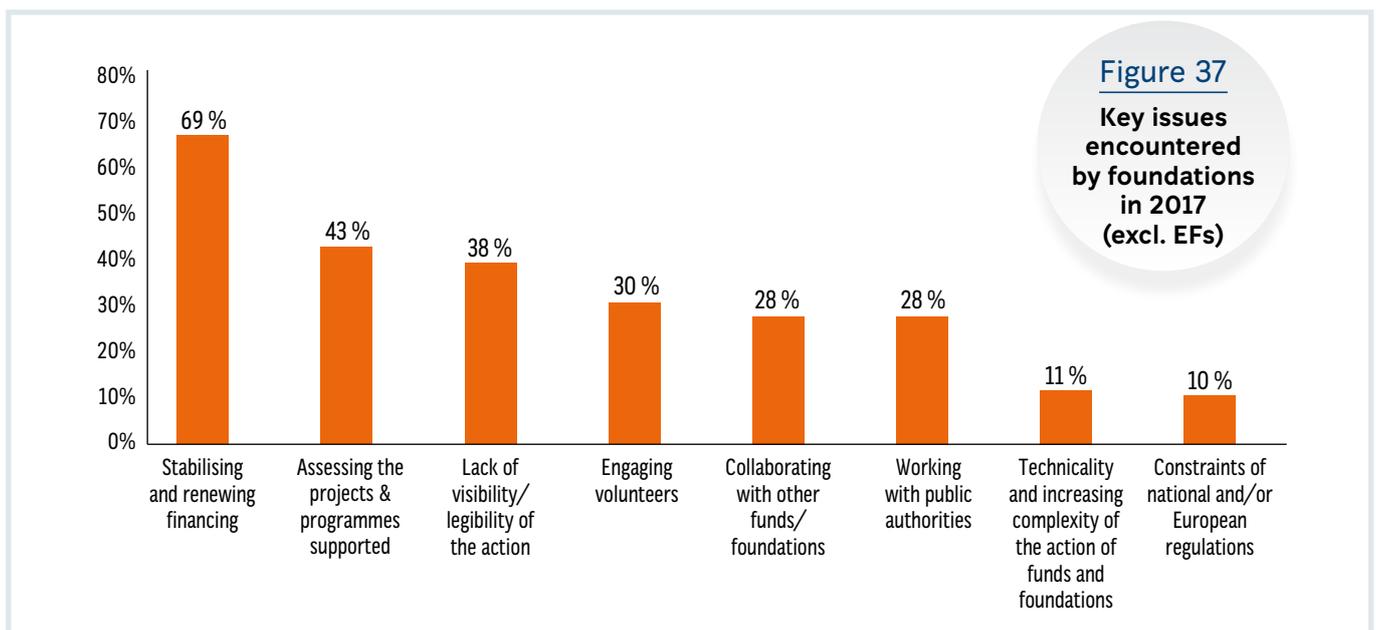
- The **types of approaches** selected for a given theme:
  - Developing or supporting local actions: this is the approach used by the vast majority since it concerns 80% of foundations (whether operating or grant-making);
  - Financing research, hard sciences or social sciences (one third of foundations);
  - Developing or funding prevention/awareness-raising/advocacy actions (one in five foundations). It should be noted that foundations primarily dedicated to advocacy are difficult to categorise as having either a grant-making or operator model. They develop their own awareness-raising programmes, but do not necessarily finance other structures. However, it is not entirely accurate to consider them as operating foundations, insofar as the projects they operate do not directly serve the populations affected by the causes they cover;
  - Working to increase the capacity, networking and management of the voluntary sector (one in seven foundations).
- With regard to the beneficiaries of these foundations (of which the number one is associations), the **types of needs** that they will decide to support are numerous:
  - The funding of projects or programmes remains the leading area of intervention for foundations, reported by over 80%;
  - The coverage of operating and structural costs concerns approximately one third of foundations. This significant proportion corresponds to changes in the attitude of funders, who are increasingly willing to support their beneficiaries in a structural way in the context of declining public financing;
  - Amongst the other needs of beneficiaries supported by foundations, research is relatively well placed (almost 30% of foundations);
  - The financing of fundraising costs or deficits for an association is, however, much less common;
  - In general, beyond project financing, a majority of foundations report providing non-financial support to their beneficiaries, especially public utility foundations and corporate foundations. For the latter, this may take the form of corporate volunteering.
- Lastly, when developing their strategy, foundations can use a variety of **financial mechanisms or instruments**, which may cover both their social mission and financial management (Figure 36). While the operational management of projects and the distribution of subsidies, grants and awards remain the most common mechanisms, nearly one in ten public utility foundations state that they use loans for their beneficiaries. Lastly, a very small minority of foundations (3%) use social impact investing.

## B. Partnerships and assessment

A number of new questions have been added to the survey on **partnerships entered into by the foundations and the assessments carried out on their work**. Due to the fact that only a minority of the foundations answered these questions, the results should be considered as indications of trends.

When asked about the issues they face, a majority of the foundations mentioned the issue of **funding stabilisation and renewal** (69%) (Figure 37). This issue has the most impact on operating public utility foundations, faced with the reduction in public subsidies, as opposed to grant-making foundations, which are financed almost exclusively by private resources.

Issues of **collaboration**, whether with other foundations or with public authorities, were reported by more than half of foundations. The majority of foundations indicate collaboration with other funds or foundations, and half with public authorities. While corporate foundations are more likely to collaborate with other funds or foundations, collaboration with public authorities applies most to public utility foundations. In both cases, collaborations mainly relate to the co-financing of projects and programmes. Mutual learning and the co-development of projects and programmes were also reported by more than a quarter of the foundations concerned.



→ Note: in 2017, the issue of assessing supported projects and programmes concerned 43% of the foundations that responded.

Lastly, **project assessment** is a major issue shared by foundations, as reported by 43%. In response to this issue, approximately two thirds of foundations report conducting an assessment of their actions. In this case, the use of an external service provider is the less-common option, as public utility foundations are more likely to use such a service than corporate foundations. For these assessments, foundations use both quantitative and qualitative criteria.

The results of the assessments are primarily for internal use in nearly half of the cases, but are also disseminated to stakeholders for nearly one third of the foundations concerned. Public utility foundations also use these results to fuel their advocacy initiatives with public authorities.

# Conclusion

This fifth edition of the national survey on foundations and endowment funds in France confirms the trends observed since the early 2000s: the dynamism of the sector is driven by its young age and number of annual creations. Currently, three in five foundations have been created over the past twenty years and between 2013 and 2017, the number of entities increased by 26%. This growth does not follow the same pace for all legal statuses: the number of public utility foundations is slowly increasing, the specialised university-related statuses are stagnating, sheltered and corporate foundations are experiencing sustained growth and endowment funds are growing rapidly.

These differing trends are explained by more or less severe structural constraints: the legal and financial prerequisites of public utility foundations are the most restrictive, while at the other end, endowment funds benefit from unprecedented legal and financial flexibility. This study estimated that 40% of endowment funds are empty or inactive, which is shading their significant development. The economic weight of endowment funds, which are heavily concentrated within approximately ten structures, cannot be compared with that of foundations since they hold 20 times less assets than the foundations, and their expenditure is 40 times lower.

Analysis by legal status enables us to identify some important features of the foundations landscape today. Public utility foundations with significant assets act as operators, generally to manage medico-social institutions. Sheltered foundations, mainly created by individuals or families, act with much more modest means, more often on a local scale, in the fields of social action, education and even international aid. Corporate foundations are distinguished by work in favour of employment and culture. Lastly, endowment funds are most often created by associations and act widely in the cultural arena.

The grant-making model is today dominant since 80% of foundations choose this form of operation. While operating foundations still account for three quarters of the €10.2 billion expenditure of foundations, grant-making foundations have nevertheless seen their weight in expenditure increase significantly over four years, reaching €2.4 billion. With regard to the resource structure, operating foundations are mainly financed by public authorities through per-diem charges whereas grant-making foundations mostly obtain their resources from private generosity.

Although grant-making foundations spend most of their expenditure on funding projects and awarding grants, the study shows an increase in their staff and management costs. This reflects the professionalisation of the sector since foundations are increasingly using paid employment (+51% between 2013 and 2017), but also reflects the complexity of the role of grant-makers. Aside from the money distributed directly in the field, expenditure incurred by grant-making foundations to implement their social mission covers project selection and monitoring tasks, as well as beneficiary networking and research and capitalisation. This edition's new questions on the foundations' strategies also point to the rise in non-financial support and collaboration between foundations, beyond the traditional methods of intervention. Lastly, the majority of foundations are now performing assessments of their work, demonstrating their attention to the effectiveness of their actions in favour of the general interest. As such, in French foundations, philanthropy is becoming increasingly strategic.

# Foundations in France: definitions and principles

## GUIDING PRINCIPLES OF FOUNDATIONS

### Definition

The **law of 23 July 1987 on the development of philanthropy** defines a foundation as “*the act by which one or more individuals or corporate bodies decide on the irrevocable assignment of property, rights or resources for the realisation of a work of general interest and not for profit*”.

Based on the heritage they are responsible for managing, foundations can organise services in various sectors, hospitals, retirement homes, research centres, museums, social receptions, etc., or finance associative projects, prizes and grants.

### The recent appearance of the term foundation in France

For a long time, the positive right applied to foundations was based solely on the jurisprudence of the Council of State and the civil courts, while from a tax point of view, associations and public utility foundations were considered the same thing. **We had to wait until 1987 for the word foundation to appear in French law.** The story then accelerated. In the 1990s, several texts set out the regime and prerogatives of these prestigious institutions. 2003 marked an important step: the Council of State revised the statuses of public utility foundations, while the legislator significantly strengthened tax incentives for giving. 2008 saw the arrival of the endowment fund.

### Initial characteristics of foundations and their evolutions

The French system of foundations has long been marked by four characteristics, the fruit of a strong legacy of the past which has, however, evolved over the past 20 years.

- **The definitive nature of liberalities**

The definitive nature of liberalities granted to foundations is clearly asserted by the law of 23 July 1987 on the development of philanthropy. It has not been called into question since.

- **The link with public power**

Both upon creation and throughout their lifetimes, foundations have long been linked to the direct opinions and controls of public power. The French system of foundations still retains the footprint of the approach developed by royalty: the creation of a foundation (public utility, corporate, scientific cooperation) is subject to the *a priori* control of a competent authority. After royal approval, it requires the consent of the Government, and then the Prime Minister in the form of a decree. For foundations without legal autonomy, approval must be formally pronounced by the body requested to create them under its aegis.

Furthermore, the presence of State representatives on the board of directors has long been a means of guaranteeing the general interest in the French system. However, corporate foundations in 1990, and public utility foundations in 2003, began to have boards of directors without representatives of public authorities. This step forward clarified the relationship with the State: while respecting the private nature of foundations, it re-established the role of the administrative authority as an external guarantor of the public interest.

### • The principle of sustainability

The principle of sustainability has long been a key element in the definition of French foundations, and particularly of foreign foundations. To adhere to this idea of sustainability, foundations must have sufficient funding to ensure that their revenues are sufficient to finance their annual budget. For decades, public utility foundations were created only on this condition.

**In 1990, the sustainability requirement was first called into question with the creation of the corporate foundation, essentially designed as a limited-term project, financed by financial flows and not by capital income. This was a first step towards the radical modernisation of the system, which was further confirmed in the review of the statuses of public utility foundations in 2003: the model now accepts a**

**variation with expendable capital.** It should be noted that as early as 1969, Fondation de France accepted the creation of individualised limited-term foundations, insofar as this structure is part of an organisation that is itself sustainable. Subsequently, the pure flow model has been developed to cover more than just corporate foundations. It can now be adopted by different types of foundations, including sheltered foundations and endowment funds.

### • Governance

Whereas associations are institutions whose main decisions are made by the general meeting of their members, foundations are governed by restricted boards of directors that are not necessarily representative of all the contributions they receive.

#### Associations and foundations: what are the differences?

	Nature	Purpose	Sustainability	Governance
ASSOCIATION	<i>“Grouping of <b>people</b> around a not-for-profit objective”</i>	Can serve the <b>general interest</b> or defend the interests of a <b>restricted group</b> (family, professional body, school students, etc.)	Cannot survive without members/subscribers	General assembly governed by the <b>democratic principle</b> (one person = one vote)
FOUNDATION	<i>“Irrevocable assignment of <b>property</b> for the realisation of a work of general interest and not for profit”</i>	Must be dedicated to the <b>general interest</b>	Can survive its founder(s) if capital remains	No general assembly, <b>collegial</b> governance (board of directors; specialist expert committees)

#### General interest and public utility: history of two close but distinct concepts

##### • Public utility:

**Reference administrative authority: Ministry of the Interior**

- First occurrence in the Civil Code in 1817
- Orders sanctifying the recognition of public utility (PU) from 1830
- Formalisation of PU in the 1901 law on the association form (Art. 11)
- Law on public utility foundations in 1987

##### • General interest:

**Reference Administrative Authority: Ministry of Finance**

- Pivotal notion of eligibility for philanthropy in tax law, defined in Articles 200 and 885-CV a of the French General Tax Code
- In fiscal texts, the concept is not itself defined, but rather through a list of causes. This is known as the theory of causes.

**Although all foundations necessarily and by definition serve the general interest (which is not the case for associations), they do not all benefit from recognition as a public utility.**

# FOUR GENERAL STATUSES, FOUR SPECIALIST STATUSES

## Public utility foundations

The creation of a public utility foundation requires the authorisation of the State, by decree of the Prime Minister countersigned by the Ministry of the Interior, based on the opinion of the Council of State.

Autonomous, they base their strength and longevity on their wealth. As mentioned above, the income from their endowment must in principle cover their expenses and finance their social missions. In addition, to ensure sustainability, they must protect their assets against monetary erosion. In fact, this configuration required upon creation is often changed later. Either because, from a development perspective, the organisation diversifies its resources. Or because, on the other hand, the ups and downs of economic life require that the foundation scales down its ambitions or uses up its capital. Balance is not easy to maintain and in fact can only be maintained in the long term by very large organisations. It is noted that those that have lasted have generally had a significant real estate asset that has stood the test of time. Although the 1987 law on public utility foundations did not set a minimum initial capital for this status, the jurisprudence of the Council of State established this in 2012 at a minimum of €1.5 million.

It should be noted that the loophole in the concept of sustainability of public utility foundations during the review of the statuses in 2003 was not explored. The new model of an expendable capital foundation, designed to accommodate medium-sized and modest-sized heritage and projects, has in fact been strictly reserved to date by the Council of State for the causes themselves considered limited in time and for research foundations.

Public utility foundations have long been governed by a board of directors featuring more or less equally the founders, representatives of public authorities and individuals co-opted for their skills and expertise in the foundations' fields of activity. Since 2003, it has been possible to opt for two-headed governance (supervisory board and executive board), and to welcome a government commissioner as the sole representative of the State, no longer co-decisionary but as an observer responsible for ensuring compliance with the notion of public utility.

## Corporate foundations

In 1990, based on requests from corporate sector organisations, French law established the corporate foundation. Necessarily long-term, public utility foundations proved too rigid and cumbersome to carry the philanthropy of a profitable company in light of the uncertainties of economic life and commercial strategies. It was therefore appropriate to introduce a more flexible specific interim arrangement.

A limited-term foundation, whose budget is no longer based on capital income but on resources contributed annually by the company, this new legal structure is created by a decree of the prefect of the department associated with the company's head office. The founder must commit themselves for a **renewable five-year period** and a **minimum overall amount of €150,000**.

Two major constraints initially weighed on this new status, which was also revolutionary in terms of the rules that had so far prevailed. In exchange for the fact that a corporate foundation has the right to bear the name of the company that created it, in 1990 the legislator prohibited them from calling upon any external generosity. In addition, the project monitors the endowment, which is key to the operation of public utility foundations. Corporate foundations, in their first incarnation, retained the requirement to hold one fifth of its five-year budget until the end of the period. However, there is no question that this modest sum guaranteed the sustainability of the entity. This obligation was abolished in 2002 when the legislator amended the system in law on French Museums. The law of 1 August 2003 on philanthropy, associations and foundations reviewed the strict ban on using public generosity to allow employees of the company or the tax group to enter into a financial partnership with their corporate foundation.

## Sheltered foundations (or foundations under the aegis)

The 1990 law, which created the corporate foundation, also provides the possibility of creating sheltered foundations, without any autonomous legal entity, which consist of "the irrevocable assignment, for the realisation of a work of general interest and not for profit, of property, rights or resources to a public utility foundation whose articles of association have been approved in this capacity".

Furthermore, in response to a question from the Ministry of the Interior, an opinion of the Council of State, given by the Section de l'Intérieur at its meeting of 25 October 1988, confirmed that liberalities with charges made to the Institut de France could bear the name of foundation.

Lastly, since Law no. 2010-1536 of 13 December 2010, partnership foundations can also shelter funds created under their aegis.

In 2018, there were 80 organisations in France<sup>9</sup> that had the legal capacity to shelter foundations, the five largest of which are Fondation de France, Institut de France, Fondation du Judaïsme Français, la Fondation pour le Protestantisme Français and the Fondation Caritas France. It should be noted that after the two major generalist sheltering organisations (Fondation de France and Institut de France), the three largest sheltering foundations are faith-based foundations. Other players have also invested in this field with the intention of deploying this activity, often based on a specialist theme: the Fondation du Patrimoine, Fondation pour la Recherche médicale, Fondation pour l'École etc.

**The purpose and operation of the foundations they shelter must comply with their articles of association.** Thus, a “parent” foundation dedicated to health cannot accept “daughter” foundations with an interest in culture. Similarly, a grant-making organisation would struggle to accommodate sheltered foundations with an operational project. Fully subject to the parent company in terms of the law and taxes, these foundations benefit from the advantages of public utility recognition, particularly with regard to the deductibility of gifts granted to them. They have more or less significant operational autonomy in terms of financial management, organisation, communication, etc. Prior to the successive arrangements that modernised the foundations regime nearly 20 years ago, the secure umbrella of the sheltering foundation has allowed for the experimentation of various mechanisms and therefore the establishment of many projects prohibited under the strict public utility foundation model. Regardless of the ambition of the projects, this sheltering system remains particularly relevant for founders who seek specialised skills, support with administrative and technical tasks and/or strong long-term support, after their own death and that of their family members.

## The endowment fund

In 2008, a new scheme was created; the endowment fund.

The legal definition of the endowment fund naturally associates it with all French foundations that pre-date it. The Economic Modernisation Act of 4 August 2008 refers to it as “*a non profit-making private legal entity that receives and manages, by capitalising them, property and rights of any nature that are given to it freely and irrevocably and uses the income from capitalisation for the execution of a task or mission of general interest*”.

Initially inspired by Anglo-Saxon endowment funds (a capitalisation fund whose revenues serve a cause of general interest), the endowment fund was designed from a much broader perspective. The strictly capitalistic configuration is still considered, but it is amongst a range of formulas that can be tailored to the intentions of the founders. An endowment fund may also be a non-capital structure that manages resource flows (fundraising, gifts, bequests, possibly for a single appointed organisation), a structure that conducts resource-generating activities, a structure that itself conducts activities of general interest, etc. All forms applied until then by foundations may also come under this new status.

What distinguishes the endowment fund from pre-existing foundations is the more radically liberal vision of the general interest on which it is based and hence the break it represents from a secular French practice of control by the public power.

Accessible to all legal and natural persons and exclusively dedicated to the management of private philanthropy heritage (except in exceptional cases), the endowment fund is free from public control. No type of *a priori* control is required for its creation: like the 1901 Law of Associations, it is created by a declaration accompanied by the filing of its articles of association with the prefecture of its registered office. No State representation is required within its governing bodies.

The endowment fund was initially introduced into the law without an initial capital contribution obligation. In view of the fact that many funds were created empty and unable to mobilise financing, **the law of 31 July 2014 on the social and solidarity economy set a minimum threshold:** decree no. 2015-49 of 22 January 2015 sets this amount at €15,000, contributed in cash to the creation of the fund. However, this threshold is not retroactive, so many empty funds still remain. This new provision demonstrates the willingness of public power to fight against the creation of “empty

9. 65 public utility foundations, 5 scientific cooperation foundations and 10 partnership foundations.

shells”. It has resulted in a slowdown in the creation of endowment funds (there were 295 creations on average per year over the period 2015-2018, compared to 373 over the period 2011-2014).

Endowment funds may not receive public funds, unless approved by the Ministers for Economic Affairs and Budget.

In addition, the recipient organisations of endowment funds must produce a certificate of their status of general interest (simple declaration or ruling from the tax authorities).

With regard to governance, the text requires a board of directors with a minimum of three members and, if the endowment exceeds €1 million, an advisory committee made up of external qualified persons. In addition to €10,000 of annual resources, an endowment fund must appoint a statutory auditor and an alternate auditor.

**The Prefect is the administrative authority for the endowment funds** whose registered offices are located in its prefecture. It ensures the regularity of their operation and may take to court for their dissolution if their mission of general interest is no longer maintained. Nevertheless, in line with the declarative creation method, the prefects do not have the prerogative to close empty or inactive endowment funds.

Considerably reduced compared to other foundations, **the method of control has shifted from an *a priori* control to an *a posteriori* control.**

On the issue of sustainability, the endowment fund endorses the relaxation of the foundations regime: it has full freedom in terms of its longevity. However, when the fund chooses not to be sustainable and spends its capital, it is subject to taxation on income from its wealth.

## The scientific cooperation foundation (SCF)

The State, which in 2003 obtained a historic increase in tax incentives for philanthropy from Parliament, decided **to accelerate the collection of private funds for research and education.** To this end, and even before the creation of endowment funds, it voted on two texts providing for additional special schemes for the foundations dedicated to these purposes.

At the initiative of the Ministry of Research, the scientific cooperation foundation was created by the Law of 18 April 2006 on research. This new status initially aims to ease the management conditions of major research projects without moving too far from the obligations of transparent accounting and the governance of strictly public projects. It is therefore defined as **a supporting structure for scientific excellence projects that combine companies with public or private higher education institutions.** It is dedicated to the establishment and financing of advanced research thematic networks (RTRAs), research and higher education centres (PRESs), and thematic research and care centres (CTRSs). Scientific cooperation foundations are subject to the rules applicable to PUFs and therefore have a sheltering capacity. In December 2010, the framework for scientific cooperation foundations was extended to include the conduct of any “activity falling under the remit of public research or higher education service missions”.

## The partnership foundation

The Law of 1 August 2007 relating to university freedoms and responsibilities, known as the “Pécresse Law”, established the possibility for **public scientific, cultural and professional institutions** to create a not-for-profit legal entity called the partnership foundation.

### Public utility foundations and Scientific cooperation foundations: what are the differences?

Although the SCF status is directly inspired by the PUF, there are some significant differences.

	Creation	Endowment	Governance	Composition of the Board of Directors
PUF	Decree of the Prime Minister, countersigned by the Ministry of the Interior, following an opinion of the Council of State	Contribution from the necessarily minority public power	Board of Directors or Supervisory Board + Executive Board and Government Commissioner	Three colleges (three third parties): founding members; public authorities; qualified experts.
SCF	Simple decree	Majority or full contribution from public persons	Board of Directors + Government Commissioner (Rector of the academy)	Two colleges: founding members (majority); teachers and researchers.

It is a “category” foundation with a specific purpose that relies on the board of education of the academy in which the foundation has chosen to establish its headquarters, and not on the local prefecture.

This status allows for a **diversity of founders: universities and public research centres can partner with companies.**

**The partnership foundation derives from the corporate foundation model**, but the founding public establishments must have a majority on the Board of Directors, and the purpose of the foundation must be consistent with the missions of the founding public establishment. In addition to the resources provided by public institutions, as well as by companies and their employees, **these foundations may receive external contributions** (manual gifts, donations, bequests).

Since a law of 13 December 2010, partnership foundations have the privilege of being able to shelter individualised funds that they may label as “foundations”, while themselves being limited-term flow foundations.

### The university foundation

The Pécresse Law of August 2007 also authorises public scientific, cultural and professional establishments (EPCSCP), universities, to manage in-house foundations without legal personality. **These university foundations are the result of the irrevocable assignment of property, rights or resources by one or more founders to universities** for the realisation of works or activities under their mission. They are individually managed by the “parent company”, **just like sheltered foundations within public utility foundations.**

University foundations are managed by public law but with characteristics partially inspired by private foundations. Their operation is governed by a decree of 7 April 2008. As a result, they have a broad framework, which is not the case for foundations sheltered by public utility foundations.

The articles of association of university foundations are approved by the board of directors of the sheltering institution. Each university foundation is administered by a management board of at least 12 members composed of three colleges: the representatives of the institution, the founders, and people qualified in the field of activity of the foundation. A college of donors may also be formed. The college of founders is limited to a maximum of one third of the seats on the board. The rector of the academy on which the sheltering institution depends acts as government commissioner for the university foundation. He/she participates with an advisory vote in the meetings of the management board.

The board of directors of the institution has the right to object to the deliberations of the management board concerning the acceptance of gifts and bequests with related charges.

At least once a year, the university foundation shall submit to the head of the institution on which it depends, for approval, its budget forecasts and accounts.

### The hospital foundation

Created by Articles 8 and 9 of Law No. 2009-879 of 21 July 2009 on hospital reforms and relating to patients, health and territories, supplemented by Implementing Decree No. 2014-956 of 21 August 2014, **the hospital foundation is a not-for-profit private entity that has operating rules similar to those of public utility foundations. It must finance medical research work.**

A hospital foundation is established at the initiative of one or more public health facilities and, where appropriate, one or more persons under public or private law. Its articles of association are approved by decree, following an opinion from the Director General of the Regional Health Agency, a report by the Minister of Health or, if one of the public health facilities is a university hospital, ministers responsible for health and research.

Hospital foundations are subject to the rules relating to public utility foundations. The hospital foundation is administered by a board of directors (institution directors, chairs of the establishment’s medical committees, etc.), and has a scientific board, composed of medical and scientific experts from outside the foundation.

A hospital foundation may receive gifts, bequests and public grants. It may collect financial income and income from the sale of products or services.

**While a few foundations have been created on this model since they were introduced into the law in 2009, these projects have not lasted, and currently there is only one active hospital foundation.**

# TAXATION OF PHILANTHROPY AND FOUNDATIONS

## Donor taxation

Gifts and bequests granted to endowment funds and foundations by individuals and companies are governed respectively by Articles 200 and 238 a of the French General Tax Code.

The application of the tax regime for giving and philanthropy is conditional on the fact that the fund or foundation itself carries out an activity of general interest, or that it is a not-for-profit body and pays its resources back to the bodies themselves eligible for the philanthropy scheme, capable of issuing a certificate justifying the amount and allocation of the payments received.

### Individuals

Gifts to foundations and endowment funds from individuals are tax deductible up to 66%, up to a maximum of 20% of their taxable income. The rate is increased to 75% when the donation relates to the free provision of care, meals or housing for persons in difficulty.

The Finance Act 2008 also provided for a tax incentive for gifts made on income from savings products, in the case of an automatic payment to the beneficiary body made by the manager of the savings fund. The applicable withholding tax rate is reduced to 5%, which reduces the overall tax rate on this income from 27% to 16%.

In accordance with the provisions of Article 885 G of the French General Tax Code, in the event of the division of ownership between the usufruct of a property and its bare ownership, it is the usufructuary who is liable for the tax on real estate (IFI) on the value of the property. In order to avoid abusive transactions, the tax authorities described in an instruction of 6 November 2003 the conditions under which such donations may be made to a public utility organisation: the donor may deduct from his tax base the value of the property on which he has transferred the usufruct, for the duration of the donation, without this transaction being called into question if the following conditions are met. The donation must:

- Be carried out by notarial deed;

- Be carried out for the benefit of certain organisations (foundations and charitable associations, and since the law of July 2014 on the social and solidarity economy, associations of general interest);
- Be carried out for a period of at least three years;
- Relate to assets contributing to the achievement of the purpose of the beneficiary organisation;
- Preserve the rights of the usufructuary.

This provision only concerns public utility foundations and their sheltered foundations.

Donations and bequests granted to public utility foundations, sheltered foundations and endowment funds are exempt from transfer tax.

In addition, the law on labour, employment and purchasing power (“TEPA Law”), which was adopted by Parliament on 1 August 2007, introduced the possibility of deducting from the amount of the solidarity tax on wealth (ISF) 75% of the sums paid<sup>(10)</sup> to public utility foundations, university foundations or partnership foundations, up to a limit of €50,000.

The transition, on 1 January 2018, from the ISF to IFI, with Article 31 of the Finance Act 2018, resulted in a decrease in the base of this tax, and a 54% decrease in 2018 IFI gifts compared to 2017 ISF gifts.

### Companies

Companies can deduct from their tax 60% of the amount of their donation up to a maximum of 0.5% of their turnover excluding taxes. An alternative ceiling of €10,000 was introduced in the Finance Law 2019, with the aim of encouraging the corporate giving of small businesses, which quickly reached the ceiling of 0.5% of turnover.

## The taxation of foundations

Foundations are generally not subject to VAT or corporation tax for activities directly related to their purpose.

However, corporate foundations pay taxes on income from their investments at rates that are adjusted up or down depending on the asset types.

10. As well as the capital of SMEs, social integration associations or bodies or public research and educational institutions.

With regard to endowment funds, only those whose articles of association do not provide for the consumption of their endowment are exempt from corporation tax on income from their assets. With regard to paid activities (services rendered, sales, etc.) that they could implement, no text yet specifies the criteria that may determine their taxable nature, but in fact the criteria are similar to those used for associations or foundations in order to determine their not-for-profit nature.

Public utility foundations and sheltered foundations are exempt from corporation tax in respect of income from their assets under the Finance Law of 30 December 2004.

Scientific cooperation foundations are exempt from corporation tax on income from the commercialisation of research, and notably for the marketing of their licenses and patents, the publication of their results, as well as the marketing of research-related expertise (consultancy, subcontracting, legal advice, innovation assistance, etc.).

### Taxation and definition of general interest: challenges for philanthropy

General interest bodies that wish to receive gifts or redistribute them are now facing growing difficulties in determining their own eligibility, or that of their beneficiaries, for philanthropy.

Faced with a scarcity of public funds, in order to maintain their activities and sustain the jobs they create, general interest entities are increasingly encouraged to develop an economic activity and price their services. Public authorities themselves are increasingly using public procurement rather than subsidies to obtain funding, both under the pressure of regulations and to guide the actions of the players concerned.

Under current regulations, some organisations that act for the benefit of the public good are excluded from the giving regime, because of the “not-for-profit” rule. The interpretation of “not-for-profit” is increasingly delicate because the line between economic and social activities has become increasingly blurred.

Paradoxically, the scope of activities eligible for giving is restricted, while social reality and public policies advocate for the recognition of the general interest of certain causes. For instance, this is the case for the employment of people in difficulty, a priority for France.

In this context, the “not-for-profit” criterion is therefore no longer sufficient alone to judge the eligibility of a project for philanthropy.

Furthermore, the juxtaposition of several concepts, and the rights attached to them, resulting from the jurisprudence of the Council of State, tax law and organic law is also confusing:

- **The general interest** defined by Article 200 of the French General Tax Code and Article 885-0 V a (TEPA Law) which allows for broader acceptance, including in particular a number of activities concerning inclusion through economic activity or support for the creation of companies.
- **The recognition of public utility** assigned to associations and foundations by decree based on an opinion of the Council of State. It provides tax benefits to donors, but is not deemed as general interest within the meaning of Article 200 of the French General Tax Code. In fact, these organisations grant tax deductions in respect of income tax, even though some of them have activities that do not fall under Article 200. The tax authorities have so far not queried this.
- **The social utility**, defined by Law no. 2014-856 on the social and solidarity economy.

Faced with growing porosity between the economic and social sectors, the obsolescence of the “not-for-profit” criterion and the overlapping of the mechanisms and definitions of the common good call for an in-depth review of the scopes of these concepts and conditions of eligibility for the giving regime.

Beyond the national legal and tax framework, **this issue is taking on an increasingly European dimension**: thus, the French tax authorities often refer, in their interpretation of compliance with the general interest, to the **principle of non-competition**, omnipresent in European law. In addition, **the *de minimis* rule**, which sets a limit on the public financing that companies can receive, frequently intervenes in these interpretations, in a way that is often unfavourable to so-called hybrid players in the social and solidarity economy: the State therefore considers that the philanthropy resource includes a share of public money via the tax deduction that relates to it, which tends to reduce the *de minimis* ceiling.

# THE GOVERNANCE OF FOUNDATIONS

The composition of the governance of foundations and its functioning in the various statuses has undergone significant changes since the birth of the sector. Three main steps deserve to be reported:

- Traditionally, public utility foundations have a board of directors whose composition reserves a place for the founders in a specific college, but they can be outvoted by the other two colleges (public power college, college of qualified experts). This original formula guaranteed the total independence of the purpose of the foundation and its beneficiaries from the founders: the foundation could not under any circumstances serve the individual interests of the founders.
- A significant development has taken place with the possibility for sheltered foundations to have majority founders in their governance, insofar as these foundations remain under the control of their sheltering foundation.
- A major change in the philosophy of the governance of funds and foundations took place in a third step: the university foundations, created in 2007, are sheltered foundations whose beneficiary, the university, may also be the sheltering body.
- The endowment fund enables the structure to be its own beneficiary. This is why many associations choose to create endowment funds.

## Global foundations: Key figures

*The figures presented here come from the Global Philanthropy Report, published in 2018 by the Harvard Kennedy School, which analyses the field of foundations on a global scale. Although the definitions of foundations and the standards for analysing assets and expenditure vary between countries, this report provides strong guidance on the volume and distribution of foundations worldwide.*

- **260,000 foundations worldwide**
- **72% have been created in the last 25 years**
- **60% are located in Europe (35% in North America)**
- **\$1,500 billion in total assets** (approx. €1,330 billion). *France thus accounts for around 2% of foundations' assets worldwide*
- **\$150 billion in expenditure**, an average expenditure-to-asset ratio of 10%. *French foundations account for 7.7% of the overall expenditure of foundations (with an average expenditure-to-asset ratio of 38% and 22% for grant-making foundations)*
- **In Europe, Germany is the country with the highest number of foundations (more than 22,000) and the Netherlands has the most philanthropic assets (more than €100 billion).**





### **About Fondation de France**

Each of us has the power to act for the general interest. This conviction has been the driving force behind Fondation de France for 50 years. Every day, it encourages, supports and transforms our desire to act into useful and effective actions to build a more dignified and fair society.

Fondation de France has developed unique know-how, calling upon the best experts, hundreds of volunteers and thousands of field workers, in all areas of general interest: assistance to vulnerable people, medical research, environment, culture, education etc. It intervenes in two ways: through its own action programmes and by facilitating the work of the 857 foundations it shelters. It supports nearly 10,000 projects each year. Fondation de France is the leading philanthropic network in France, present in all regions. Independent and private, it acts thanks to the generosity of donors and testators.

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