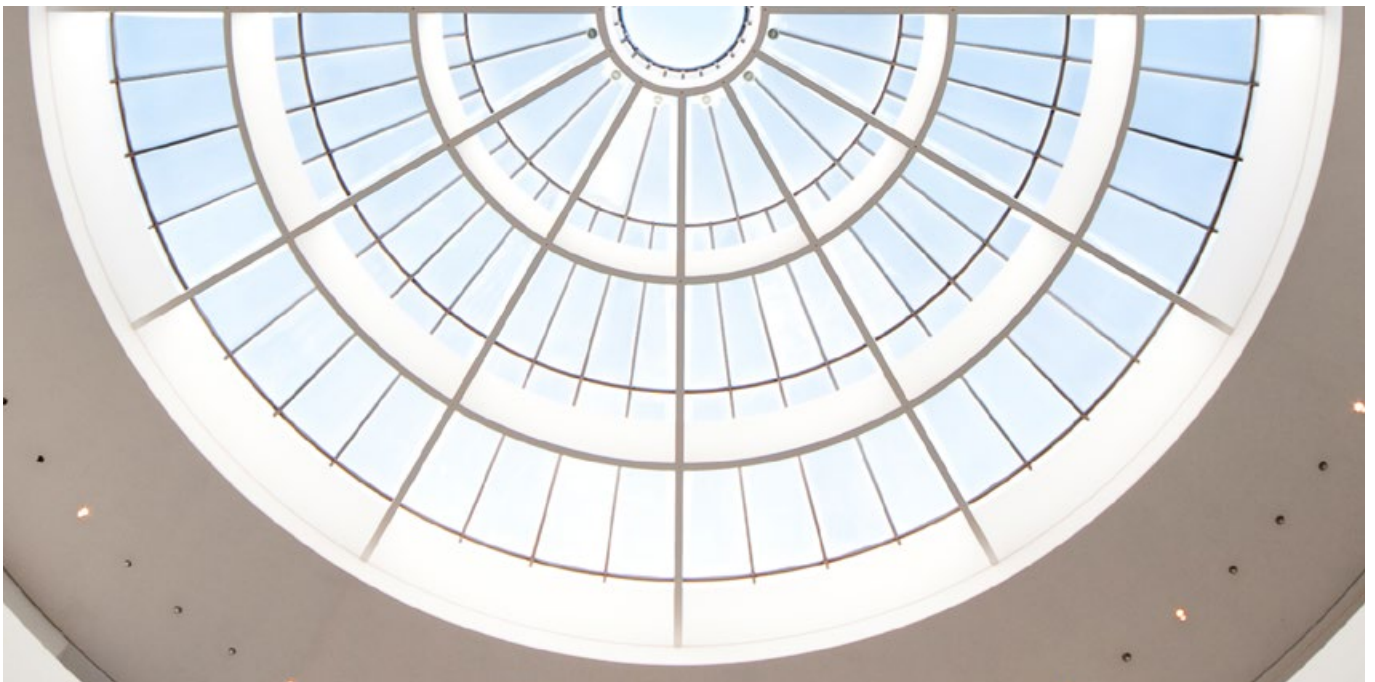
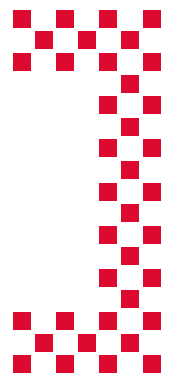


EVOLUTION OF THE « FOUNDATION » MODEL IN FRANCE 2009 - 2018

French endowment funds in the spotlight



« CHARITIES & PHILANTHROPY » SECTOR

Fidal's "Charities & Philanthropy" team advises corporations, entrepreneurs and owners of large fortunes on their strategic philanthropy and on setting up charities or other Not-for-profit organisations (NPOs).

A French **foundation** is characterised by a legal contribution **for public purpose** on a not-for-profit basis by way of a gift or a donation. It may be created by a single founder and its governance is based around a board of directors or equivalent body.

The main areas of public purpose (general interest):

ART HERITAGE
ENVIRONMENT **CULTURE**
SOLIDARITY SPORT
EDUCATION **RESEARCH**

In France there are **eight** legal **forms** of foundation that we traditionally classify in two categories (see table):

- So-called “**generalist**” foundations which may, depending on their form and origin of their founder, intervene in one or more areas of general interest;
- So-called “**specialised**” foundations which may be created only by certain public institutions to support Research and Higher Education.

THE OUTLOOK FOR FRANCE’S FOUNDATIONS

« GENERALIST » FOUNDATIONS

(Environment, social, research, culture, etc.)

- Endowment fund (“Fonds de dotation”)
- Acknowledged public utility foundation (“Fondation reconnue d’utilité publique”)
- Sheltered foundation (“Fondation sous égide”)
- Company foundation (“Fondation d’entreprise”)

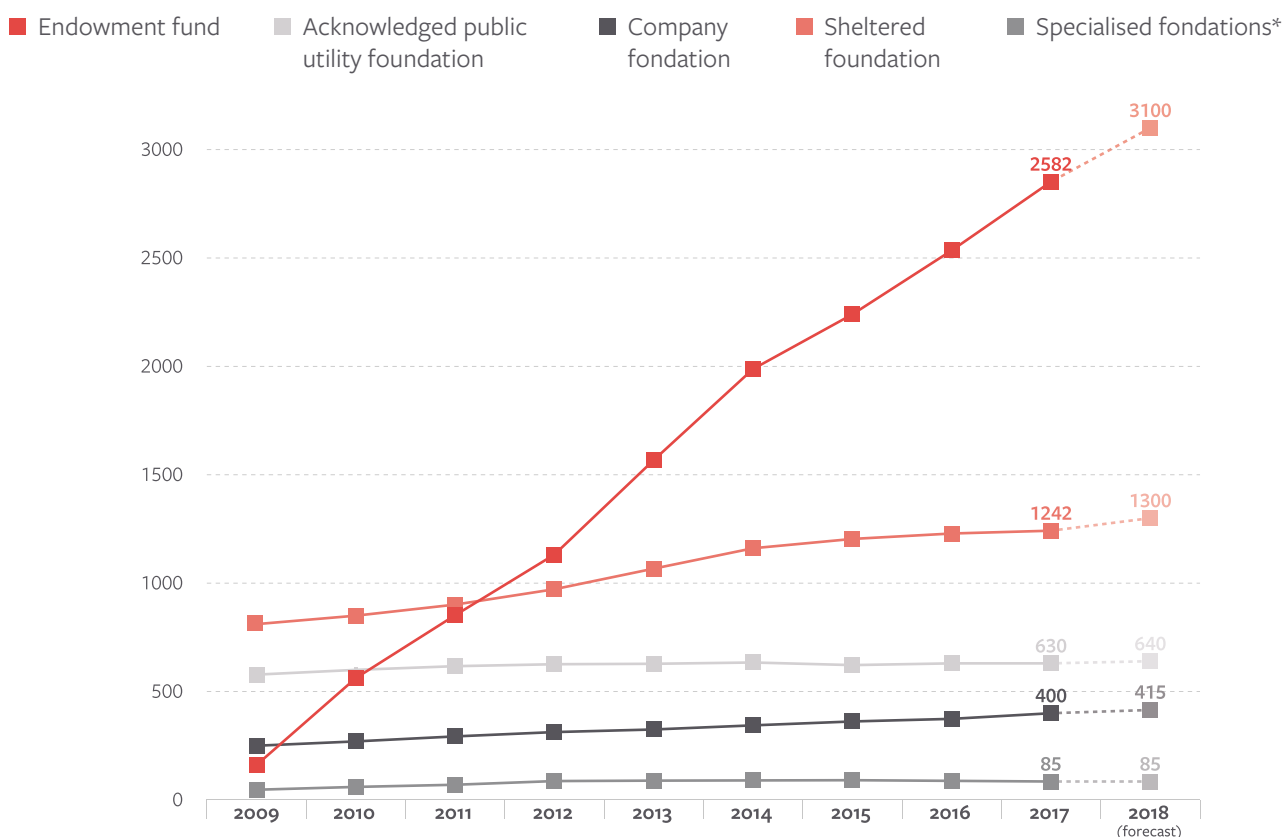
« SPECIALISED » FOUNDATIONS

(Higher education and research)

- Scientific cooperation foundation (“Fondation de coopération scientifique”)
- University foundation (“Fondation universitaire”)
- Partnership foundation (“Fondation partenariale”)
- Hospital foundation (“Fondation hospitalière”)

These documents aim to give the most faithful image of the outlook for foundations in France and, more particularly, of the endowment funds. We regret, however, that we do not have precise concordant and official data (French Ministry of the Interior or French Ministry of the Economy) such as the amount of the gift, the annual budget or the nature of the founder. In this context we have chosen to base ourselves on various studies containing figures to outline as closely as possible the reality of this trend. In this regard, it is interesting to follow the results of the parliamentary mission entrusted by the Cour des comptes (Audit Commission) to the deputy Gilles Carrez dealing with the tax expenditure of companies related to patronage. The honourable parliamentarian has already raised awareness by the Cour des comptes of the need “to obtain greater transparency” on this point (Report dated 13/06/2018, Appendix 12 Culture: Heritage)

GRAPHIC OF THE EVOLUTION OF FOUNDATIONS IN FRANCE 2009-2018



* Includes scientific cooperation, partnership, university and hospital foundations.

DETAILS OF THE FOUNDATIONS IN FRANCE 2009-2018

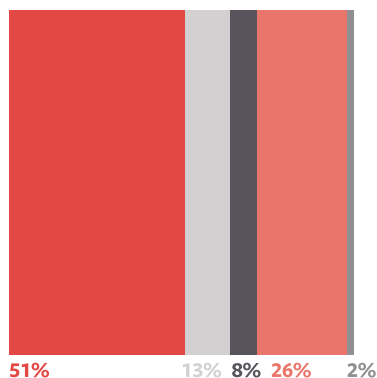
	(1) Endowment fund	(2) Sheltered fund	(3) Acknowledged public utility foundation	(4) Company foundation	TOTAL Generalist foundations (1+2+3+4)	(5) Scientific cooperation foundation	(6) Partnership foundation	(7) University foundation	(8) Hospital foundation	TOTAL Specialised foundations (5+6+7+8)	TOTAL Foundations
2009	161	811	578	250	1800	25	7	15	0	47	1847
2010	562	850	600	270	2282	ND*	ND*	ND*	0	60	2342
2011	852	901	617	293	2663	31	12	27	0	70	2733
2012	1132	972	626	313	3043	37	23	27	0	87	3130
2013	1568	1067	628	325	3588	40	20	29	0	89	3677
2014	1988	1161	634	344	4127	41	20	29	0	90	4217
2015	2240	1204	622	362	4428	41	20	29	1	91	4519
2016	2535	1229	630	374	4768	38	20	29	1	88	4856
2017	2852	1242	630	400	5124	36	20	28	1	85	5209
2018 (projection)	3100	1300	640	415	5455	36	20	28	1	85	5541

* Not detailed.

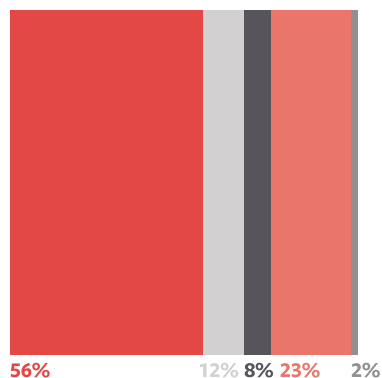
In this diversified context, the French endowment fund clearly stands out. The latter has undergone great success since its creation in 2009: it is the only form of foundation to have progressed significantly, such that today more than one in every two foundations is an endowment fund! This proportion will tend to grow in the coming years according to our forecasts (see diagrams below). If this progression is pursued and if the laws on foundations remain unchanged, French endowment funds will represent $\frac{3}{4}$ of foundations in five years' time.

PROPORTION OF FOUNDATIONS IN FRANCE

In 2017



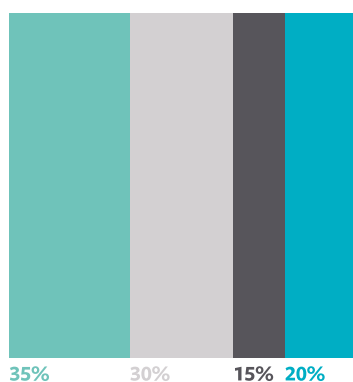
Forecast 2018



- Endowment fund
- Acknowledged public utility foundation
- Company foundation
- Sheltered foundation
- Specialised foundations*

* Includes scientific cooperation, partnership, university and hospital foundations.

ESTMATE* OF THE PERCENTAGE OF ENDOWMENT FUNDS BY CATEGORY OF FOUNDERS IN 2017



- NPOs
- Public and local authorities
- Individuals
- Companies

* Established on the basis of the sole practices observed by the Fidal's "Charities & Philanthropy" team.

HOW TO EXPLAIN FRENCH ENDOWMENT FUNDS'S SUCCESS?

The endowment fund is a real flexible organization, as legislators wanted. Any individual or legal entity can rapidly create this tool and custom model it (adaptation of the governance, nature of the gifts granted, terms for using the endowment, type of private resources). And although an initial endowment of €15,000 has been mandatory since December 2015, the endowment fund can be created by any category of founder:

- **Companies** much prefer this form of foundation over the company foundation strictly speaking thanks to its flexibility in term of organization and financing.
- **Families** which are often great donors are increasingly using this legal vehicle to commit to a federating philanthropic project and/or to ensure the long-term health of family wealth (possessions or property).
- **Shareholder foundation**: business leaders opt to transfer shares to an endowment fund to ensure the long-term health of their company (holding foundation as an inheritance planning solution) and/or to conjugate business and general interest activities.
- **NPOs and public institutions**, confronted with financing problems, set up an endowment fund to organise fund-raising strategy or, for certain NPOs to protect their assets.

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Sources :

French endowment funds (2017 = Deloitte + Official Journal / 2012-2016 = Deloitte / 2009-2011 = S. Couchoux + Aklea)

Other foundations ("Observatoire de la philanthropie"/"Fondation de France")

Thanks to Mills & Reeve LLP for its contribution to this English version of the study. © Fidal 2018