



# RAISING PUBLIC DONATIONS RELATED TO THE HEALTH CRISIS

Fiscal years 2020 to 2021

Audit of organisations funded by public charity

November 2022

# Executive summary

## **An audit by the Court of Accounts of five philanthropic organisations at the heart of the health crisis**

The health crisis mobilised many stakeholders to combat the economic, social and health consequences of the pandemic. Since 2021, the Court of Accounts has published work on the public authorities' response to various aspects of the crisis. While the public resources deployed to deal with the Covid 19 pandemic were particularly significant, there were also many private initiatives. With the authority to audit the use of resources by organisations appealing for public donations, the Court of Accounts decided to conduct a cross-sectoral audit to verify the proper use of donations and legacies received to combat the effects of the pandemic<sup>1</sup>.

Five philanthropic organisations, whose missions are directly linked to health and social needs, and which alone raised more than €200 million in donations, legacies and sponsorship during the health crisis, were thus audited by the Court of Accounts: the French Red Cross, the Fondation de l'AP-HP<sup>2</sup>, the Fondation de France, the Fondation des Hôpitaux and the Pasteur Institute. In the research sector, the Pasteur Institute carries out research activities, and the Fondation de l'AP-HP is also involved and finances them. The Fondation de l'AP-HP (since the Law of 23 March 2020 on the emergency response to the Covid 19 epidemic) and the Fondation des Hôpitaux finance initiatives to support caregivers<sup>3</sup> and patients. The French Red Cross has reinforced its emergency activities in respect of vulnerable people and has supported caregivers and patients in the social, healthcare and welfare establishments that it manages. As for the Fondation de France, a foundation that financially supports a large number of causes, it appealed for donations specifically for the health crisis in order to support projects in three areas: research, support for caregivers and support for vulnerable people.

## **More than €200 million raised and quickly spent by the five organisations to respond to the scale and urgency of the crisis**

When the health crisis broke out, the five organisations audited quickly organised themselves to raise specific donations, targeted at combatting the effects of the pandemic<sup>4</sup>. Appeals for donations met with a huge outpouring of public generosity for the hospital sector, medical research and help for vulnerable people. In addition to financial donations, the organisations also received significant voluntary contributions in kind, mainly in the form of food donations, equipment, advertising space and sponsorship of skills. There was a high influx of donations, but mainly concentrated over a short period, the spring of 2020. The Fondation des Hôpitaux and the Fondation de l'AP-HP, in particular, had to deal with an unprecedented

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<sup>1</sup> Commonly referred to by stakeholders and in the rest of the report as "*Covid fundraising*" or "*Covid 19 fundraising*".

<sup>2</sup> Fondation de l'Assistance publique-Hôpitaux de Paris.

<sup>3</sup> The patients and caregivers supported by the Fondation de l'AP-HP are those within the scope of the AP-HP. For the record, the Assistance publique-Hôpitaux de Paris (AP-HP), the largest employer in the Île-de-France region, is a public health institution that acts as a university hospital for Paris and the Île-de-France region. It consists of 39 hospitals. For its part, the scope of the Fondation des Hôpitaux includes all French public hospitals as well as private not-for-profit establishments involved in the public hospital service, and residential homes for dependent elderly people (Ehpad).

<sup>4</sup> €200 million in pandemic-related donations were raised by these five organisations, but they only represent part of the philanthropic sector in France; after the 2005 Asian tsunami, one-off donations received by 32 organisations amounted to €371 million, according to reports published by the Court of Accounts; the public's generosity during the 2010 earthquake in Haiti was estimated at €245 million, for seven organisations in France.

volume of donations, respectively nine and eleven<sup>5</sup> times higher than in 2019. Although linked to exceptional circumstances, this increase in proceeds from public donations confirms the general trend of expanding philanthropy, and in particular of corporate sponsorship, which has been emerging in France in recent years.

In order to deal with this influx of donations and respond quickly to the urgent needs brought about by the crisis, the organisations audited had to adapt their operating and intervention methods. Forced to abandon their traditional fundraising methods, they also demonstrated a capacity for innovation by taking advantage of all digital channels to broadcast their appeals for donations (SMS campaigns, television broadcasts, e-mails, online kitty campaigns, gaming, etc.) and inform donors of their actions. Although this acceleration in the digitalisation of fundraising and reporting methods is once again part of a long-term trend, it must be put into perspective by the return to the usual procedures at the end of the acute phase of the crisis. Finally, the redistributing foundations have had to change their project selection and financing methods in order to reconcile the quality and reliability of operations with the need for responsiveness.

Due to the streamlined disbursement procedures, the funds could be deployed quickly and by the end of 2021, more than 70% of the funds allocated to Covid 19 had been spent. These funds have been used to undertake actions in a variety of areas and at different rates: more than half of the expenditure has been on actions to support patients and caregivers, and 22% of expenditure has been on medical research and 21% on support for vulnerable people. While most of the donations financed actions to combat the immediate effects of the crisis, some were allocated to medium or long-term actions requiring multiyear financing, such as promoting more staff to become nurses or installing relaxation areas for caregivers.

Although it was a reaction to an exceptional situation, the Covid 19 fundraising campaign was the vehicle for structural changes in the philanthropic sector, leading to the emergence of needs and modes of action that seem likely to continue. While the changes have been the most noticeable in the two foundations working for hospital-related causes, which have been forced to adapt their strategy to cope with the change in scale of their intervention, the French Red Cross and the Fondation de France have also redefined their methods of intervention with beneficiaries. The five organisations also face the challenge of retaining donors from the health crisis beyond their 2020 wave of generosity.

### Donor information needs to be improved

Although the organisations audited demonstrated responsiveness and a capacity to adapt to the health crisis, the information provided to donors should be improved, both upstream, in appeals for donations, and downstream, in reporting on the actions carried out thanks to their donations.

Appeals for donations to combat the effects of Covid 19 were not specifically declared to the prefecture, given the urgency. The numerous donation appeals may also have affected their clarity for donors. The similar names and closely related missions of the philanthropic organisations, like those of the Fondation de l'AP-HP and Fondation des Hôpitaux, before a new name was registered, or the overlapping of the donation appeal "*Tous unis contre le virus*" with the specific donation appeals of Fondation de l'AP-HP and the Pasteur Institute, could have caused confusion. Similarly, the imprecise messaging in the donation appeals, which did not systematically include all the causes targeted by the fundraising, may have impaired the donors' understanding of how their donations would be used.

As regards the analytical monitoring of the Covid 19 fundraising, the application of the new accounting regulations, adopted in 2018 and effective from 1 January 2020, has led to

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<sup>5</sup> The accounting year of the Fondation de l'AP-HP in 2020 covers the period from 1 January 2020 to 30 September 2021.

some misinterpretations. Clarifications should enable the entire charity sector to adopt the spirit of this accounting reform in order to inform donors. Firstly, certain voluntary contributions, which are essential to understanding the entity's activities and which could be identified and valued, were not recorded as they should have been. Secondly, the French Red Cross had classified corporate donations under the heading "income from third-party funders"; this was not in line with the accounting regulations, which stipulate that donations made without any commercial consideration come under sponsorship and must be entered under "resources from public donations". Finally, the surplus of the 2020 Covid 19 fundraising had been classified as "reserves" by the Fondation des Hôpitaux, which contravened the objective of monitoring the use of the allocated resources promoted by the new regulations. The surplus of the earmarked funds should therefore have been recorded as "dedicated funds" on the liabilities side of the balance sheet in 2020 and on the assets side in the following year, regardless of the existence of a precisely defined project. The French Red Cross and the Fondation des Hôpitaux have rectified both these incorrect accounting charges for the 2021 financial year. As for the inclusion of reserved funds from other not-for-profit organisations, as set out in the new accounting regulations, this is not understood in the same way by the five organisations and needs to be clarified.

Although the audited organisations made extensive use of digital media to inform donors of the actions implemented throughout the health crisis, the reporting on actions was not systematically accompanied by financial data, which is necessary to keep donors well informed.

## Recommendations

1. Value voluntary contributions in kind in accordance with the new accounting regulations in force (*French Red Cross, Fondation de l'AP-HP, Fondation des Hôpitaux, Pasteur Institute*).
2. Before the end of the first half of 2023, establish a comprehensive and overall assessment, by major type of action, of the use of the funds raised within the framework of the health crisis (*French Red Cross, Fondation de l'AP-HP, Fondation de France, Fondation des Hôpitaux, Pasteur Institute*).