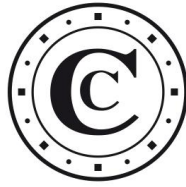


Cour des comptes



THE DE BROU DE LAURIÈRE ENDOWMENT FUND

Financial years 2018 to 2022

Organisation receiving donations

February 2025

Executive Summary

An endowment fund dedicated to medical research and patients, governed by clear rules that can be improved

Keen to dedicate his fortune to philanthropic causes, Mr de Brou de Laurière established an eponymous endowment fund in 2010 — in the absence of a foundation recognised as being of public benefit under the auspices of the Fondation de France — and designated it as his universal legatee. The fund was entrusted with using the income from its non-consumable endowment to support medical research and provide assistance to patients and the elderly.

Since its creation, the endowment fund has benefited from stable governance, which still includes close associates of the founder. It has adopted clear statutory rules, respecting collegial decision-making within the board of directors and ensuring that decisions are informed by consultative bodies made up of experts.

However, the practical implementation of these principles needs to be better ensured on a day-to-day basis. For example, the work of the board of directors' office, a body not provided for in the bylaws, is not subject to any transparent traceability or formal reporting to the board, even though its activities are presented as being supported by the fund's managers.

Similarly, the endowment fund has set up advisory committees, taking care to appoint qualified members with solid professional experience in their respective fields. In practice, however, it does not take sufficient advantage of the technical added value that these advisory bodies can bring.

Finally, the fund has not yet defined a code of ethics or adopted effective mechanisms to prevent conflicts of interest, even though its local roots and essentially regional scope mean that it works from a limited pool of contacts.

Following the audit by the Court of Accounts, the endowment fund undertook to make the necessary improvements in these areas without delay.

A comfortable financial position, reflecting excessive hoarding to the detriment of resources that could be allocated to the fund's charitable mission

The endowment fund received a bequest of property assets formerly owned by the founder, including a listed private mansion that cannot be sold. Its renovation and major maintenance have been costly to date and will continue to represent a significant financial burden in the future. It also received significant financial assets. At the end of 2022, it had a securities portfolio worth over €30 million.

Thanks to its non-recoverable association funds (initial endowment and additional endowments) amounting to €28.2 million — which remained largely stable over the period under review — and the income they have generated since its creation in 2010, the endowment fund is in a comfortable financial position, with net cash of nearly €31 million at the end of 2022. In addition, its reserves for charitable projects increased by nearly 45 % over the period under review, reaching €6.3 million in 2022 (compared to €4.4 million in 2018).

Despite this strong balance sheet and sound financial management, albeit without a professionally established strategy, the annual amount of aid distributed during the period under review fell significantly (-52 %). In addition, the fund's current operating expenses and structural costs related to its real estate assets were significantly higher each year than the

financial aid granted. This situation is in breach of the obligations imposed on endowment funds to actively serve the public interest that justified the significant tax advantage attached to the bequest received from the founder.

This circumstance is largely attributable to the choices made by the founder himself when setting up the fund. The management costs of the fund and its allocated assets, which are of a similar scale to the operational capacity provided by its financial income, raise questions about the relevance of the model chosen to fulfil the founder's philanthropic intentions. The fund should consider how it can serve this cause more effectively. In reality, it is the fund's business model that needs to be rethought in order to best serve the founder's philanthropic intentions, rather than adhering to an original framework that has proven to be unsuitable.

Overall, the endowment fund recorded a cumulative net profit of €2.2 million over the five-year period under review, reflecting an approach that goes beyond the legitimate caution expected of managers of a non-consumable endowment fund. Such a situation is more akin to excessive hoarding, which in practice comes at the expense of the fund's charitable activities.

Charitable activities that need to be expanded and better assessed

Since the endowment fund was set up, the total financial aid paid to medical research and patient support has amounted to €2.2 million. The annual volume of financial aid paid out has thus averaged around €200,000 since 2010, as in the financial years examined.

This situation is the result of a deliberate choice by the governing bodies, which believe that the budget allocated to aid for associations should not exceed €200,000 to €300,000 per year. Such a ceiling may be considered too restrictive in view of the fund's financial capacity and its duty to give priority to the social mission for which it was created. The high level of its reserves, which have grown significantly in recent years, undoubtedly gives it the means to further develop its charitable activities, while maintaining sufficient safety margins to cover the needs of both the fund's day-to-day operations and the maintenance of its real estate assets.

Following the audit by the Court of Accounts, the endowment fund's managers were keen to highlight the efforts made at the end of the period under review to significantly increase the annual budget allocated to aid payments (€280,000 paid in 2023; approximately €400,000 allocated by the board of directors at its June 2024 meeting). It is important that this momentum be maintained in the years to come.

To this end, the fund must strengthen its outreach efforts, which, to date, have been limited to simple calls for applications on its website and to networking opportunities explored by members of its governance bodies. Its development efforts, which must be supported by more active contributions from the advisory committees – primarily the scientific committee – will also help to prevent conflicts of interest by seeking potential beneficiaries beyond the traditional, mainly regional pool explored to date.

Finally, by providing itself with the means to establish a streamlined support system for project leaders — once again drawing on the expertise of the scientific committee — the endowment fund will be able to both improve the quality of applications submitted, foster innovation and further diversify the types of initiatives it supports, and strengthen its capacity for impact measurement and evaluation of the aid it provides.

The necessary procedural and operational improvements (management of conflicts of interest, expansion of outreach, definition of a management strategy, better project monitoring, etc.) are not optional recommendations that the fund can choose to disregard on the grounds of lacking staff or expertise to implement them. They are minimum quality standards for processes, and only their proper application can ensure that the fund operates in the public interest, as required by the tax benefits granted upon its creation.

Opinion of compliance with reservations

Following its audit of the financial years 2018 to 2022, in light of the procedures it has carried out and within the limits of its powers under Article L. 111-10 of the financial courts code, the Court of Accounts finds that the expenditure incurred by the de Brou de Laurière endowment fund during the years under review is consistent with the objectives it pursues in accordance with its bylaws.

However, the Court issues the following reservations:

- the financial aid paid in pursuit of the fund's corporate purpose represented, each year during the period under review, a minority share of operating expenses, with expenditure being mainly devoted to covering current operating expenses and structural costs related to the real estate assets held;
- the reserves for charitable projects, which increased by 45 % over the period under review to reach €6.3 million at the end of the 2022 financial year, reflect excessive hoarding to the detriment of the fund's charitable activities and the public interest purpose that justified the granting of the tax benefit linked to the bequest received upon the fund's creation.

Recommendations

The Court makes the following recommendations:

1. Adopt a code of ethics as soon as possible and put in place mechanisms to prevent conflicts of interest.
2. Define as soon as possible the prerogatives and operating framework of the board of directors.
3. Strengthen the role of advisory bodies and formalise their functioning.
4. Improve the system for monitoring and promoting voluntary contributions in kind.
5. Based on an optimised management strategy, make greater use of the reserves for charitable projects in order to increase the proportion of financial aid distributed; more generally, consider any changes that would allow the founder's intentions to be honoured in a more meaningful way.
6. Expand outreach efforts and improve the support and monitoring of beneficiaries.