

CENTRE FOR NONPROFIT SECTOR RESEARCH

**FOUNDATION-LIKE ORGANISATIONS:
FACTS AND FIGURES 2002**


CENTRUM PRO VÝZKUM
NEZISKOVÉHO SEKTORU

FOUNDATION-LIKE ORGANISATIONS: FACTS AND FIGURES 2002

This is an English summary of a full report published in the Czech language. The summary was written within the framework of Project No. 402/09/0941 „Revision of nonprofit sector theories as a source of public policy towards the nonprofit sector“ supported by the Czech Science Foundation.

1 INTRODUCTION

The “project to map the nonprofit sector in the Czech Republic” is the long-term goal of the Centre for Nonprofit Sector Research (in Czech, “Centrum pro výzkum neziskového sektoru” or CVNS). The CVNS’ objective for the period 2003 – 2006 is to map the most important subsectors of the nonprofit sector in the Czech Republic, and, by putting these ‘local maps’ together, to build up a “big picture”, and, in co-operation with the Czech Statistical Office and members of the nonprofit and public sectors, to create a system whereby the continued monitoring of the development of the nonprofit sector may be facilitated.

The first subsector upon which we focused our attention was “Foundations and Funds”. The project entitled “the economics of foundation-like organisations in the Czech Republic” was a collaborative effort, on which the CVNS worked with the Czech Donors Forum (in Czech, Fórum dárců), in planning the approach, preparing the appropriate techniques and in processing the output. The core data and findings which emerged from the project are presented here. “The economic results of foundation-like organisations in the Czech Republic in 2002” is a “descriptive” report, designed to give the data in a clear, comprehensible form, but not to provide in-depth analysis or interpretation, both of which will follow in a later publication.

2 DEFINING CHARACTERISTICS IN LEGAL TERMS

Act No. 227/1997 on Foundations and Funds defines both foundations and funds as grant-making non-membership organizations, established to administer and develop assets and/or property provided by their founders at the time of establishment, as well as donated or endowed by other benefactors and sponsors during their existence with the aim to be used exclusively for a public benefit purpose. The Law on Foundations and Funds imposes an affirmative requirement on the purpose of a foundation or fund. They must: "...serve public benefit purposes, namely those of the development of intellectual values, the protection of human rights and other humanitarian goals, the protection and development of the natural environment, cultural monuments and national heritage, as well as the promotion of science, education and sports."

A *foundation* is distinguished from a *fund* by the fact that a *foundation* must have an endowment whose value may not become less than CZK 500,000 (approximately USD 16,600 in 2002). A *fund* is not required to possess any endowment and may use all of its property for the purpose for which it has been established. There were 346 *foundations* and 879 *funds* registered at the end of 2002.

3 CONTRIBUTION BY THE STATE TO CZECH FOUNDATIONS’ ENDOWMENTS

After the democratic revolution of 1989, as an act of historical justice, the Czechoslovak state decided to make restitution of as much property as possible to the owners to whom it had belonged before the communist takeover in February 1948. This large scale restitution did not, however, include charitable and voluntary organisations which were eliminated after 1948. Instead of restitution, the Czech Government decided to help the newly emerging nonprofit sector financially by setting aside 1 per cent of stocks from the second round of privatisation of state property. These stocks were subsequently sold and the proceeds were donated to the endowments of selected Czech foundations with a view to helping them establish an independent source of funding in the nonprofit sector. The so-called Foundation Investment Fund (*Nadační investiční fond* or *NIF*) was established to administer the process. The first round of distribution took place in 1999 when the first 38 foundations were selected through a public tender to receive a total of CZK 484 million (US\$ 13.5 million at that time) into their endowments. The second round was distributed at the end of 2001 (the money was paid out at the beginning of 2002), when a total

of 64 foundations received CZK 849.3 million (US\$ 23.6 million at that time) plus a promised share of the future proceeds from the sale of the remaining stocks in NIF. This will be transferred to the 64 foundations after the sale and should amount to approximately another CZK 800 million. The distribution was still in progress in 2002. This unique transfer of money from the state into the endowments of Czech foundations represents by far the largest single source contribution to the assets owned by Czech foundations.

4 METHODOLOGY

4.1 Research Goals

- a) To provide fundamental, empirical economic research into “Foundations and Funds” in this country.
- b) To publish the results and conclusions of said research.
- c) To set up an ongoing system for the collection and analysis of data with regard to “F & F”, and with the scope to refine and enhance the techniques and tools employed.

4.2 Data Sources

4.2.1 Questionnaire-based analysis

The questionnaire NS-02 was designed with two variant forms, one each specific to foundations and funds. Each variant was 8 (eight) A4 pages, comprising 21 (twenty-one) detailed questions, covering working environment, property, income and expenditure among other things.

The questionnaire-based analysis was sent to 1225 registered subjects (346 foundations and 879 funds). The overall response was 9.88 % as of Jan. 31st 2004, 55 completed forms having been received from foundations (15.90%) and 66 from funds (7.51%), for a total of 121 responses.

4.2.2 Register of foundations

The register of foundations can be found at the JUSTICE (Ministry of Justice) website (www.justice.cz). From the relevant sections of the register, we acquired the requisite data concerning the setting up and structure of the organisations under study, as well as their registered endowments.

4.2.3 Annual reports

Annual reports were obtained in four ways:

- The most fertile source was the aforementioned register of foundations and its collection of documentation. In accordance with § 26 Act no. 227/1997, concerning foundations and funds, and Act no. 513/1991 of the Commercial Code (§ 27 to 33), each foundation-like organisation is legally obliged to submit a copy of their annual report each year for inclusion in the register’s collection of documentation, which collection is available to the public. Less than one third of foundation-like organisations have fully complied with this requirement.
- The Czech Donors Forum provided a similar source, where we were permitted access to some members’ annual reports, along with those of certain non-members.
- Some respondents included either a printed or electronic version of their annual report with their reply to the survey above mentioned.
- Last, and not least, was the option of an Internet search.

The economic data was collated from these annual reports and transcribed into a standard form, designed to extract the basic data required, and compared with the questionnaire responses.

4.2.4 Other sources of data

As a further source of data, and primarily to correctly categorise the foundation-like organisations we intended to study, we made use of the Czech Donors Forum’s Directory of Foundations (published in 2001) and Directory of Funds (2004).

Data on foundations and funds were also available from a variety of databases (e.g. the budgetary information at cedr.mfcr.cz/cedr3_internet/home.asp on the Net) and statistical bodies (e.g. Cultural Statistics (Cz. Statistika kultury) 2002).

Table 1 Overview of data sources

	<i>Data source</i>	<i>Number</i>	<i>Variables</i>
N1	Survey: Questionnaire NS-02 for foundations Questionnaire NS-02 for funds	121	Human resources (including FTE employees and executive board) Assets as of the date of registration, 01/01/02 and 31/12/02 Income in 2002 Expenditure in 2002 Grants paid (grantees and industry) in 2002 Typology (field of activity and geographical distribution)
N2	Annual reports	387	Human resources Assets as of 31/12/02 Income in 2002 Expenditure in 2002 Typology (field of activity)
N3	Foundation register – all foundations	346	Endowment as of 31/12/02
N4	Foundation register – all foundation-like organisations	1223	Founders Seat

4.3 Data Processing

4.3.1 Data Adjustment

Two specific funds were excluded from the data garnered, as their exceptional size would have unbalanced the results derived (income, expenditure and above all property) and precluded the drawing of substantially viable conclusions. These two do not appear in our charts. To provide a complete picture, however, the basic economic data about them must be mentioned at least here. They are as follows (in CZK thousand):

<i>Income</i>	<i>Value of grants given</i>	<i>Property</i>
296 441	269 101	2 900 574

4.3.2 Variables

The financial data on the subjects (property, income, expenditure) are in thousands of Czech crowns. The other data are, generally, purely numerical.

The tables below present data under specified headings. The TOTAL is followed by a breakdown showing Number of respondents and the Official total for all such institutions. Average and Maximum refer to respondents only. The Tables show Multi-criteria typology, Headquarters and Size (property, income, expenditure) although our current English version will look in detail only at the first of these.

4.3.3 Multi-Criteria Typology

In the context of the data acquired, we created multi-criteria typology, based on the following:

- Each foundation-like organisation must be assigned to only one category.
- Said assignment was a process in several phases. All foundation-like organisations were first assessed according to the first criterion, and then, sequentially, the other two. Once the criterion was fulfilled, the organisation was no longer under assessment. At the end of the process, we were left with a group of organisations for which inadequate data was available for appropriate categorisation, which was thus categorised as „Other“.

These were the sequential criteria of the multi-criteria typology:

1. The criterion of institution (*institutional foundation-like organisations*) defines those foundation-like organisations which were set up by, or to support, institutions. It deals with those organisations whose primary function is to serve “their” institution, financially and developmentally, and therefore does not include grant-making bodies.

2. The criterion of founder (*statutory bodies*) includes those foundation-like organisations which were created by private corporations or government agencies. If such parties co-operated with other founders in the setting up of a given foundation-like organisation, it was necessary to know more details (activities, personnel employed etc.) in order to ascertain where such an organisation belonged on our charts.

3. The criterion of distribution of financial resources (*independents*) categorises, on the basis of expenditure, those foundation-like organisations which, essentially (>50%), achieved their stated aims, either through making grants to third parties (grant-making), or through the implementation of programmes/projects of their own (operating).

Table 2 Foundations and Funds by Type

Criterion	Type of FLO	Foundations		Funds	
		Number	%	Number	%
Institution	School	30	8,67	332	37,86
	Social-health	23	6,65	134	15,28
	Cultural	21	6,07	47	5,36
	Church	7	2,02	30	3,42
Founder	Corporate	39	11,27	49	5,59
	Government	25	7,23	35	3,99
Distribution of financial resources	Grant-making	93	26,88	40	4,56
	Operating	40	11,56	29	3,31
	Other	68	19,65	181	20,64
TOTAL		346	100,00	879	100,00

- **School** foundation-like organisations are adjuncts to every level of state and private schooling, up to university, in the country. There are four main thrusts to their work: (1) investment in school facilities, (2) development of teaching, (3) support of pupils and students, including, but not limited to, organising competitions and provision of bursaries and scholarships as appropriate and (4) arranging such social activities as the graduation ball, trips and school outings, and holiday intensive study programs. School foundation-like organisations are either established by their “parent” institutions themselves or by their relevant personnel, e.g. head teacher, teacher’s representatives, former students, and parents.
- **Social-health** foundation-like organisations are affiliated with hospitals, individual departments thereof, as well as rehabilitation and health centres. Their brief falls into four main areas: (1) investment in health services, (2) improvement of care provided to patients and clients of said services, (3) support research into the efficacy and (4) the ongoing education of the employees of the said institutions.
- **Cultural** foundation-like organisations are primarily concerned with: (1) the care and maintenance of some specific cultural location or monument, (2) creating and operating cultural institutions (museums, galleries, etc.) and (3) the organisation and administration of festivals and similar.
- **Church** foundation-like organisations were established either: (1) to maintain church property or (2) to spread the church’s creed.
- **Corporate** foundation-like organisations are set up by private companies and are in some manner “umbilically linked” to the parent corporation. Most of their income derives from the parent or other affiliated firms.
- **Government** foundation-like organisations were created by, at least partially, public institutions. Their purpose is: (1) to disburse the funds of certain departments in a given region, (2) to oversee the growth of an area or region, (3) to provide support for the socially disadvantaged citizens of the area

and (4) to maintain cultural monuments in the area. (NB. This category includes cultural funds which became foundations in accordance with Act 318/1993.)

- **Grant-making** foundation-like organisations are non-dependent, fulfilling their mission primarily by making grants to third parties.
- **Operating** foundation-like organisations are non-dependent, their mission achieved through their own projects, without the need for a third party.
- **Other** are foundation-like organisations for which inadequate data was available, or the data was compromised, or that had been in existence for too short a period, as of the evaluation in 2002, to make a reasonable assessment possible.

5 ASSETS OF FOUNDATION-LIKE ORGANISATIONS AS OF DECEMBER 31ST, 2002

- ✓ The size of registered endowments of respondent foundations on Dec. 31st, 2002 was 3.387 billion CZK. With all other assets and property included, respondent foundations managed almost 4.5 billion CZK in assets. Respondent funds' assets, on the other hand, totalled less than 200 million CZK.
- ✓ Over a third of foundations are "bare minimum" endowment holders, i.e. 500 000 CZK, with two thirds less than 2 000 000 CZK.
- ✓ The twelve largest foundations between them own over half the total assets of all foundations.
- ✓ Foundations tend to divide their assets, roughly evenly, between cash, securities and real estate, while funds are primarily cash based.
- ✓ Almost three-fifths of the total assets of all foundations belong to those which are based in Prague.

- ✓ Almost three-fifths of the total assets of all foundations belong to those which received an NIF contribution.

Figure 1 Structure of foundations' endowments by size (CZK thousand)

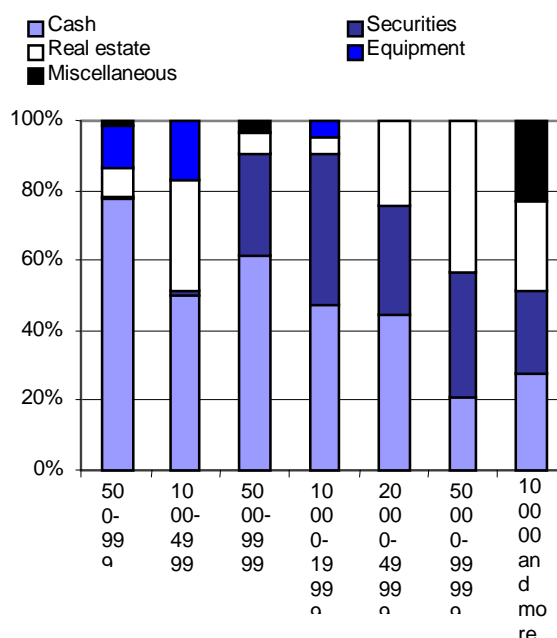


Table 3 Endowment of foundations by type (CZK thousand)

Type	Cash	Securities	Real estate	Equipment and furnishings	Misc.	TOTAL	Number of respondents	Average	Maximum
School	41 442	9 086	1 350	1 975		53 853	30	1 795	14 397
Social-health	31 294	33 854	5 445	2 626		73 219	23	3 183	23 000
Cultural	7 678	19 934	1 800	17 576		46 988	21	2 238	18 391
Church	4 408		127 949			132 357	7	18 908	87 216
Corporate	54 600	331 936	1 928	5 372		393 836	39	10 098	250 500
Government	314 088	109 918	152 825	1 784	147 793	726 408	25	29 056	292 793
Grant-making	534 818	426 002	443 308	10 834	132 926	1 547 888	93	16 644	255 613
Operating	124 333	33 795	87 339	6 931		252 398	40	6 310	55 206
Other	97 169	8 727	32 630	8 321	5 000	151 847	68	2 233	37 942
TOTAL	1 209 830	973 252	854 574	55 419	285 719	3 378 794	346	9 765	292 793

Table 4 Other assets of foundations by type (CZK thousand)

Type	Cash	Securities	Real estate	Equipment and furnishings	Misc.	TOTAL	Number of respondents	Average	Maximum	Cash
School	8 940		46	2 132		11 118	10	30	1 112	2 299
Social-health	47 660		80 979	2 652		131 291	11	23	11 936	64 615
Cultural	6 793	1 800	7 322	7 196	25	23 136	12	21	1 928	10 090
Church	4 093			1 566		5 659	4	7	1 415	4 659
Corporate	74 022	42 325		13 273		129 620	23	39	5 636	46 189
Government	125 941	5 872	23 870	11 816		167 499	17	25	9 853	99 272
Grant-making	218 610	26 676	76 364	39 877	352	361 879	60	93	6 031	46 793
Operating	157 010	12 828	56 706	10 709	1 262	238 515	20	40	11 926	95 115
Other	19 238		371	45		19 654	10	68	1 965	16 001
TOTAL	662 307	89 501	245 658	89 266	1 639	1 088 371	167	346	6 517	99 272

Table 5 Assets of funds by type (CZK thousand)

Type	Cash	Securities	Real estate	Equipment and furnishings	Misc.	TOTAL	Number of respondents	Total number	Average	Maximum
School	24 803	575	1 686	5 092		32 156	108	332	298	2 469
Social-health	36 374	1 382	5 068	6 134		48 958	41	134	1 194	11 572
Cultural	2 699			121		2 820	14	47	201	812
Church	3 727		1 523	712		5 962	10	30	596	2 029
Corporate	38 809	16 488		1 632		56 929	17	49	3 349	21 138
Government	1 418		857	1 181		3 456	8	35	432	1 397
Grant-making	27 730	3 720	263	4 392		36 105	37	40	976	6 161
Operating	4 913			1 230		6 143	14	29	439	2 402
Other	1 976		1 563	91		3 630	9	181	403	1 619
TOTAL	142 449	22 165	10 960	20 585	0	196 159	258	877	760	21 138

6 INCOME OF FOUNDATION-LIKE ORGANISATIONS IN 2002

- ✓ Foundations in 2002 received over 1 100 million CZK in income, with funds receiving some 250 million CZK.
- ✓ Over half of foundations and four-fifths of funds had a gross income of less than 1 000 000 CZK.
- ✓ Foundations which received a contribution from the NIF, between them administered 70% of the income of all foundations here.
- ✓ Foundation-like organisations depend primarily on donations; only grant-making foundations and government funds get most of their income from grants and subsidies.
- ✓ Foundations based in Prague obtained more than 72% of the total income of all foundations.

Figure 2 Number of foundations and funds by income (thousand CZK)

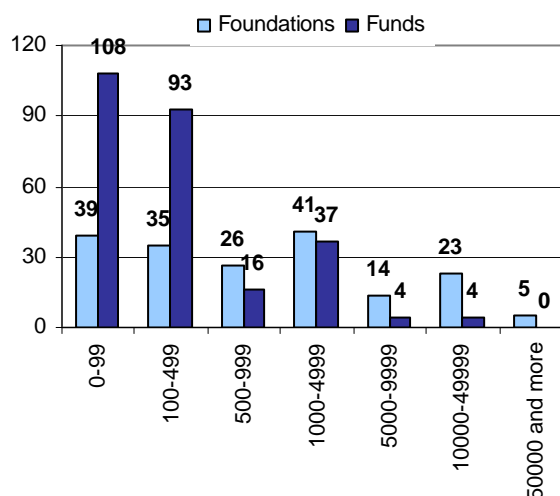


Table 6 Income of foundations by type (CZK thousand)

Type	Gifts	Subsidies and grants	Other income	TOTAL	Number of respondents	Total number	Average	Maximum
School	1 972	0	2 677	4 649	12	30	387	1 011
Social-health	20 231	475	5 864	26 570	12	23	2 214	14 513
Cultural	6 308	4 304	4 256	14 868	12	21	1 239	4 929
Church	12 572	299	4 545	17 416	4	7	4 354	9 428
Corporate	99 655	467	16 130	116 252	25	39	4 650	23 928
Government	9 705	14 353	39 245	63 303	19	25	3 332	15 725
Grant-making	277 387	335 640	114 408	727 435	73	93	9 965	130 602
Operating	99 169	3 890	26 690	129 749	20	40	6 487	77 531
Other	18 395	0	827	19 222	10	68	1 922	16 001
TOTAL	545 394	359 428	214 642	1 119 464	187	346	5 986	130 602

Table 7 Income of funds by type (CZK thousand)

Type	Gifts	Subsidies and grants received	Other income	TOTAL	Number of respondents	Total number	Average	Maximum
School	14 363	523	7 140	22 026	109	332	202	17 507
Social-health	30 255	550	2 179	32 984	43	134	767	2 187
Cultural	5 237	1 433	1 290	7 960	14	47	569	1 868
Church	2 593	70	368	3 031	10	30	303	9 759
Corporate	53 163	270	1 455	54 888	17	49	3 229	42 574
Government	367	3 948	2 316	6 631	12	35	553	3 102
Grant-making	53 142	43 413	10 705	107 260	37	40	2 899	5 142
Operating	11 866	5 462	2 117	19 445	16	29	1 215	1 444
Other	108	0	414	522	9	181	58	232
TOTAL	171 094	55 669	27 984	254 747	262	877	954	42 574

7 EXPENDITURE OF FOUNDATION-LIKE ORGANISATIONS IN 2002

- ✓ The institutions which responded in 2002 gave out grants in the amount of some 880 million CZK, 80% of which came from foundations.

- ✓ A third of the foundations and more than half the funds had total expenditure of less than 200 000 CZK, with nearly half the foundations and three-quarters of the funds under 500 000 CZK.
- ✓ 14% of total expenditure for foundation-like organisations went on overheads.
- ✓ More than two thirds of the grants given out by foundations came from those which had themselves received a contribution from the NIF.
- ✓ Two thirds of the grants given came from foundation-like organisations based in Prague.
- ✓ Besides operating foundation-like organisations, it was also the cultural foundation-like organisations that had the major expenditure upon “in-house” projects.

Figure 3 Structure of foundation expenditure by type

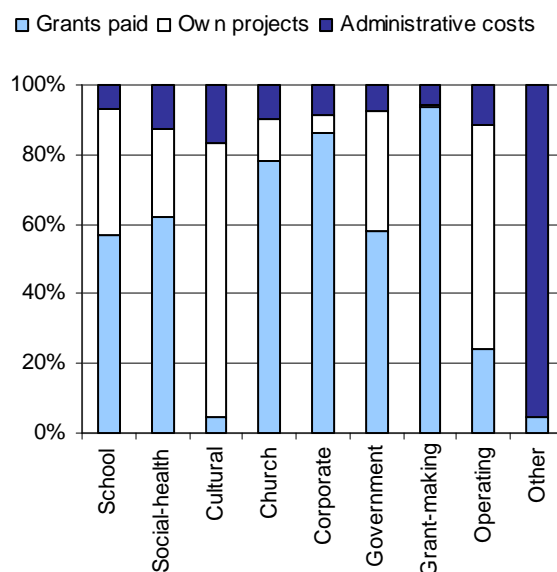


Table 8 Expenditure of foundations by type (CZK thousand)

Type	Grants paid	Own projects	Administrative costs	TOTAL	Number of respondents	Total number	Average	Maximum
School	2 152	1 324	1 146	4 622	12	30	385	1 016
Social-health	26 688	1 122	2 741	30 551	12	23	2 546	15 393
Cultural	4 162	8 303	1 873	14 338	12	21	1 195	5 492
Church	10 591	4 435	401	15 427	4	7	3 857	9 114
Corporate	74 971	953	7 427	83 351	25	39	3 334	16 671
Government	30 822	17 934	14 723	63 479	19	25	3 341	20 255
Grant-making	542 034	35 938	93 828	671 800	73	93	9 203	216 144
Operating	13 711	47 809	15 121	76 641	20	40	3 832	25 286
Other	359	73	118	550	10	68	55	441
TOTAL	705 490	117 891	137 378	960 759	187	346	5 138	216 144

Table 9 Expenditure of funds by type (CZK thousand)

Typology	Grants paid	Own projects	Administrative costs	TOTAL	Number of respondents	Total number	Average	Maximum
School	11 423	7 132	1 429	19 984	109	332	183	2 011
Social-health	18 191	7 484	3 731	29 406	43	134	684	5 805
Cultural	322	5 632	1 198	7 152	14	47	511	3 376
Church	2 184	325	279	2 788	10	30	279	1 489
Corporate	44 717	2 732	4 349	51 798	17	49	3 047	20 040
Government	4 023	2 355	528	6 906	12	35	576	1 887
Grant-making	88 785	309	5 416	94 510	37	40	2 554	39 508
Operating	4 862	12 886	2 316	20 064	16	29	1 254	5 141
Other	13		279	292	9	181	32	234
TOTAL	174 520	38 855	19 525	232 900	267	877	872	39 508

8 CONCLUSION

8.1 Data Sources

- ✓ Foundation-like organisations are often unwilling to release data, or to participate in surveys and other forms of research.
- ✓ The vast majority of foundation-like organisations fail to fulfil their legal obligation to file an annual report with the authorities. This makes it more complex, both for research and public information purposes, to use said annual reports.
- ✓ Information garnered from annual reports is of limited use. At present, such cannot be considered a reliable source of accurate data.

8.2 Main Findings

- ✓ Czech foundations and funds employ a total of over 400 people.
- ✓ A quarter of foundations and two-thirds of funds were set up to support a specific institution, working in the fields of education, health, social services, culture or religion.
- ✓ The law in this country defines foundations and funds as agglomerations of assets. The resources of the majority of foundation-like organisations, however, are insufficient to cover both their proposed projects and internal expenses (e.g. management and administration costs). The largest part of their income these institutions therefore obtain from subsidies, donations and grants.
- ✓ The majority of foundations and funds are extremely small, which is to say that their income is very limited, and are therefore unable to fulfil the role of grant maker on a wider scale. They were set up to service a particular institution, in most cases the one for which they were created. The donor role is thus played above all by the grant-making foundations that have received a contribution from the NIF and by corporate foundations.