

STABILITY OF THE SPORTS NGOS IN THE CZECH REPUBLIC WITH A VIEW TO THEIR FINANCIAL RESOURCES STRUCTURE¹

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Abstract

Non-governmental non-profit organizations (NGOs) in the Czech Republic are currently still developing. Some of them are mostly depended on state or public financial support. The paper deals with one of the type of NGOs, physical education and sport organisations which are formed as civic associations. Financial analysis was performed on sample of 119 these organisations. The financial dates from years 2005 to 2008 were processed. Conclusion demonstrates degree of financial stability according rate of different financial resources structure. Physical education and sport organisations are financed from 60 % from their own financial resources, which are mainly generated from their economic activities and this fact can be the main cause of their financial stability in case of unfavourable conditions. Public and state financial resources support present approximately 30 % of all financial resources, which is still important amount for their survival and in case of lack or cut down this resource, it will be necessary to find out some new financial possibility. When we look on income structure by the organisation size the differentiation is particularly obvious in the mid-sized organisation, where a more balanced, multiple-resource financial portfolio can be observed in 85 % are covered by other than state or public resources, which only make up for about 15 %.

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Introduction

Sports non-governmental organisations (NGOs) operating in the Czech Republic (CR) in the form of civic associations are established pursuant to Act No. 83/1990 Sb. On the Association of Citizens, as amended. In June 2009, civic associations made for more than 90 % of all NGOs in the Czech Republic. The goal of this paper is to perform a financial analysis of sports NGOs and assess the structure of their financial resources as an indicator of organisations' financial stability in case a financial resource should be limited or lost completely. The research was conducted with the example of a regional association of the Czech Sport Association (Český svaz tělesné výchovy, ČSTV). Sports organisations are mostly financed from their own resources, thanks to their extensive member base and the ownership of sporting facilities. It can be assumed that this share might be a stabilising element for these NGOs. On the other hand, they are also largely supported from public resources, based on Act No. 115/2001 Sb. On Sports' Support. At present, NGOs tend to focus on a larger scale of financial resources. Is this also an option for sports NGOs?

1. Sports non-governmental organisations

Sports and physical education organisations are currently established in the Czech Republic as civic associations, non-governmental, non-profit organisations pursuant to Act No. 83/1990 Sb. On the Association of Citizens, as amended.

All-sports Collegium of the CR (Všesportovní kolegium ČR) is a voluntary coalition of eleven largest roof sports associations and clubs. It does not have legal identity and associates the Association of Sports Education Unions and Sports Clubs of the CR (ATJŠK), Association of School Sports Clubs (AŠSK ČR), Auto Club of the CR (AČR), the Czech Association Sports for All (ČASPV), Czech Sokol Community (Sokol), Czech Olympic Committee (ČOV), Czech Shooting Federation (ČSS), Czech Sport Association (ČSTV), Czech Tourist Club (KČT), Orel, Association of Sports Federations of the Czech Republic. [1]

These parent organisations cover the activity of smaller organisations, unions and clubs. **Czech Sport Association** (ČSTV) currently associates 1,533,279 athletes in 9,222 sport unions and clubs. It currently has 76 district associations. [2]

In terms of its member base, ČSTV is the largest sports association in the CR. Other associations and clubs have less than 300 members. [3]

1.1 Historical development of sport organisations

History of sports organisations in the CR is connected with the late 19th century. In the years 1860 – 61, after Bach's absolutism had fallen, club activities were revived [4, p. 14]

At this time, the first Czech sport organisation, Sokol, was established. The Prague Gymnastic Union (later Prague's Sokol) was founded with the participation of prominent Czech patriots in 1862. Sokol was established in Austria-Hungary in the period of political liberalisation of the 1860's upon the initiative of Dr. Miroslav Tyrš and Jindřich Fügner. [5]

At that time, most clubs focused primarily on educational, decorating and charitable activities. Only after 1967, when a very liberal Association Act was issued, significant development began. In 1888, the Czech Tourist Club was founded. [4, p. 14]

Further space for free activities of various private voluntary organisations opened after 1918. Organisations were richly structured and included networks of small organisations and branches (Sokol, Orel, Skaut). This development was forcibly interrupted in 1939. A similar situation was in the 1945-48 period. [4, p. 15]

The tradition of club activities and non-profit organisations was severed at the time of totalitarian regimes – the Fascist and the communist, when free citizen initiatives were undesirable. The year 1989 brought a fundamental change in this respect. Thousands of non-governmental organisations began to arise, and the entire sector has experienced a number of changes since then... [6]

Act No. 173/1990 Sb., On the Federal Assembly, became an important milestone after the fall of the totalitarian regime in 1989, stipulating the cancellation of an act on a unified sport organisation – the Czechoslovak Physical Education Association and Association for the Cooperation with the Army (Svazarm). This terminated a legal situation when physical education and sports competences were only entrusted to two monopolistic social organisations. Pursuant to Act No. 83/1990 Sb., On the Association of Citizens, restored and newly established physical education unions, sports clubs and associations became the succession organisations. Sports and physical education organisations, as non-profit organisations, were thus divested of all tax and other exemptions and were governed by generally binding laws and regulations. Until 2001, their historical publicly beneficial work was omitted. This position of sport and physical education in the society was declared by the new Act No. 115/2001 Sb., On Support to Sports, the absence of which was acutely experienced in the sphere of sports and physical education for decades. [7, p. 32]

1.2 Legislation concerning civic associations and sports NGOs

The activity of sports and physical education NGOs in the Czech Republic is stipulated by the following laws, which govern the registration process, organisational structure, financial management, organisation management and dissolution: Act 83/1990 Sb. [8], On the Association of Citizens, as amended, Act No. 115/2001 Sb. [9], On Support to Sports, Act No. 586/1992 Sb. [10], On Income Taxes, as amended, Act No. 563/1991 Sb. [11], On Accounting, as amended, and a related Decree No. 504/2002 Sb. [12].

2. Material and methodology

With respect to the large number of sports NGOs in the Czech Republic, a district association of the Czech Sport Association (ČSTV) was selected for the research. It is the ČSTV district association in Nový Jičín, joining 119 physical education unions, clubs and other sports organisations. This district association was a representative for the CR in this research, and results were generalised for the entire CR. It can be assumed that the financial structure of other sports NGOs within ČSTV will be similar. Because of the sensitiveness of economic and financial data only provided for the purpose of this research, it is not specified which particular clubs or divisions the data concern.

2.1 Financial analysis of the income structure in 2005 - 2008

The financial analysis was conducted with respect to the income development and structure in the years 2005 to 2008. The basic category monitored was all unions and clubs. The financial analysis of organisations' income structure is demonstrated based on eight monitored income sources of all 119 unions and clubs described below.

- **State contributions are allocated to ČSTV** upon the decision of the Ministry of Education, Youth and Sports (hereinafter MŠMT) according to defined keys to roof sports organisations, including also ČSTV. It means that ČSTV is responsible for the administrative agenda and accounting of yearly subsidies it obtains, like other roof organisations (e.g. the Czech Sokol Community, Orel, Auto Club of the Czech Republic, etc.) from the MŠMT.
- **Contributions from ČSTV's own resources** are contributions that the Association manages every year. District associations allocate them to individual unions and clubs, based on clues which have the same structure as those for allocating state funds to ČSTV. These resources can be summarised into five income items. These are a) earnings of

Sazka a.s., in which ČSTV is a shareholder, b) dividends from joint stock companies running ski resorts in the Krkonoše Mountains and the Olympia Publishing House, in which ČSTV is also a shareholder, c) interest from the ČSTV's reserve fund, d) income from savings in the ČSTV budget, and e) state subsidies for the development of physical education and sports from the Ministry of Finance (effective from 2008).

- **Operational subsidies from municipalities and regions** are in the competence of municipal and regional councils or boards. The subsidy recipient is required to make a financial settlement with the provider.
- **State operational subsidy** is either a subsidy or a contribution. Subsidies are intended for the maintenance and operation of sporting facilities, in compliance with the programme VIII declared by the MŠMT.
- **Donation** is a free acquisition of assets of monetary, as well as non-monetary nature. The donor does not expect any consideration for his donation, and the recipient does not provide any.
- **Membership fees** are a sign of belonging and membership in the association. Their amount and method of collection are defined in the articles of association.
- **Sponsorship** can be seen as an ancillary economic activity of the association, because it is based on the reciprocal service principle. The sponsor provides a financial amount or material items for which he purchases a service, such as advertising, which helps him achieve his marketing goals.
- **Revenues from the sale of assets, products, goods and services** are another possible economic activity of the association. These might be, for example, revenues from the sale or leasing of assets, revenues from the operation of sports facilities or from various sporting events organised by the club.

2.2 Analysis of income structure by the organisation size in terms of its membership

A classification has been made based on the membership of 119 associations. The member base was divided into three groups, a small one up to 150 members, a mid-sized up to 500 members and a large one over 500 members, in order to capture any differences in the financial structure depending on the member base size. This survey was only conducted for 2008, based on average amounts of their income within each group.

2.3 Analysis in terms of own and outside sources of income

Non-profit organisations divested of all tax and other relieves after 1989 have been governed by generally binding laws and regulations since then. A need arose to gain financial resources for their publicly beneficial activities. For this purpose, financial resources can be divided into own and outside resources.

Own financial resources

Own financial resources can be accumulated by the organisation from its activities. First of all, these are membership fees and resources acquired within the main activity if it is stated in the charter or constitution of the organisation. Furthermore, they include finances obtained from economic activities. Economic (ancillary, supplementary) activity may include a wide range of activities, such as investing, property leasing, as well as a business activity based on a trade licence. It also includes sponsorship, which are resources acquired by the organisation usually in exchange for advertising.

Outside financial resources

Outside financial resources include resources coming from the outside, for which the providing entity does not obtain any consideration. These may include private resources, such as donations from individuals and legal entities, or contributions from foundations, endowment funds and similar organisations. Another group are public and state resources or “European” resources from the EU Structural Funds or other funds.

3. Structure of financing of sports NGOs

The ČSTV district association in Nový Jičín only takes advantage of a limited number of financial resources, which remained almost unchanged over the last four years. It uses state contributions, municipal and regional subsidies, sponsorship, revenues from economic activity, donations and membership fees. The association does not use any contributions from foundations, endowment funds and similar organisations. It also does not use any money from the EU structural funds.

3.1 Financial income structure and development in 2005 – 2008

The structure of financial income from 2005 to 2008 is more or less constant, it did not change significantly (table 1). The total amount of income shows a rising tendency that, however, considerably decreased in 2008. This is particularly obvious in the drop of public

resources, whether they are state resources (from 5.413 million CZK to 0.496 thousand CZK) or resources from public budgets of municipalities and regions (from 37.746 million CZK to 32.571 million CZK), which were forced to limit their subsidies and budget compared to previous years due to worse economic results in 2007. Sponsorship has a rather downward trend in the long term.

Table 1 Income structure in 2005 – 2008

Kind of income	Income (in mil.CZK)			
	2005	2006	2007	2008
State contributions are allocated to ČSTV	4.156	3.266	7.459	5.953
Contributions from ČSTV's own resources	7.539	7.204	5.737	7.658
Operational subsidies from municipalities and regions	35.339	34.398	37.746	32.571
State operational subsidy	0.756	2.589	5.413	0.496
Donations	9.511	7.051	7.293	6.832
Membership fees	5.761	5.991	7.667	6.328
Sponsorship	7.913	7.768	5.852	5.896
Revenues from the economic activity	52.348	56.801	48.921	49.512
Total	123.323	125.068	126.088	115.246

Figures 1 – 4 show the proportion of different sources of income over the last four years. The organisations use the same financial resources in the same proportion every year. Municipal and regional subsidies have the largest share every year, which together with state contributions make up for approximately 40 % of the total income. Revenues from economic activities represent from 39 % to 45 % of financial resources in the considered period. State subsidies became a problematic source of income, having decreased in 2008 and not expected to rise in the upcoming years.

Figure 1 The proportion of different sources of income in 2005

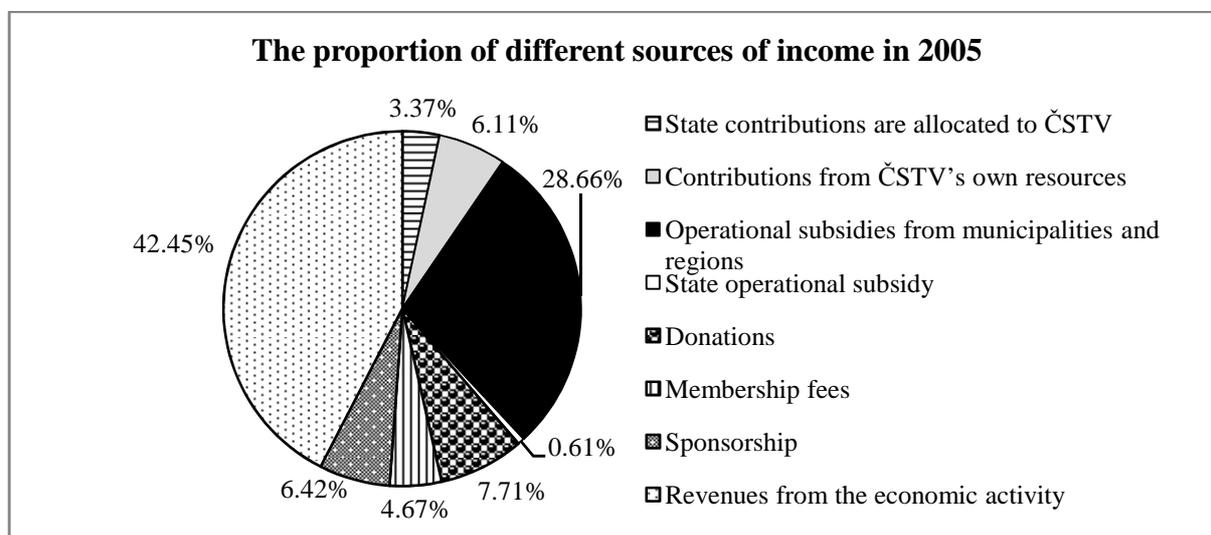


Figure 2 The proportion of different sources of income in 2006

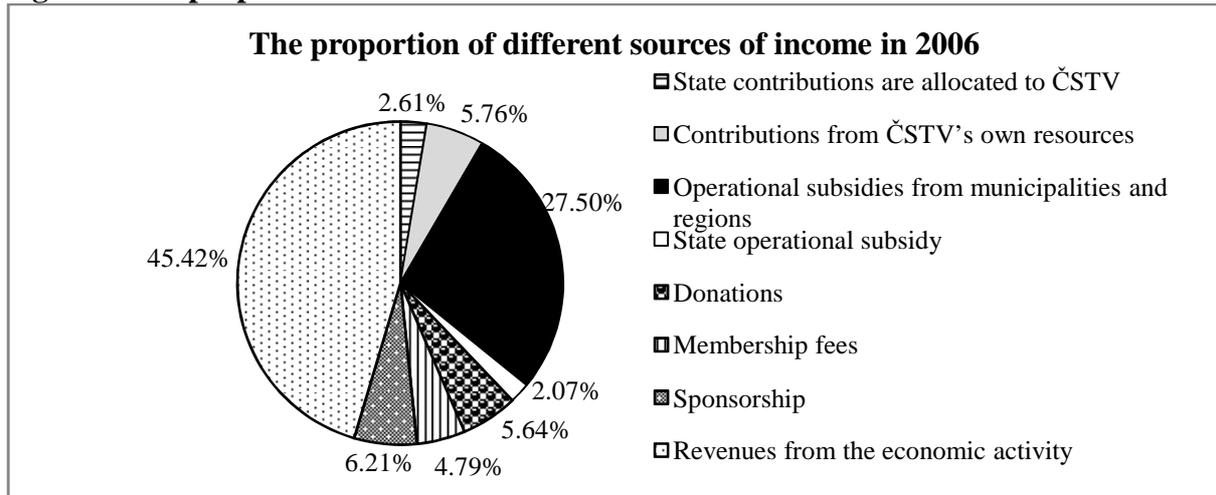


Figure 3 The proportion of different sources of income in 2007

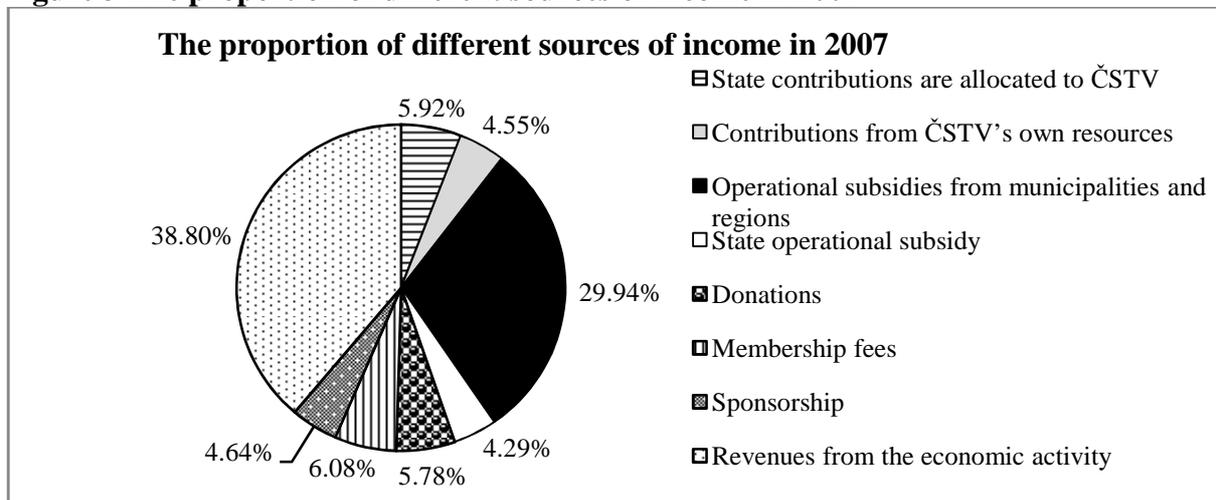
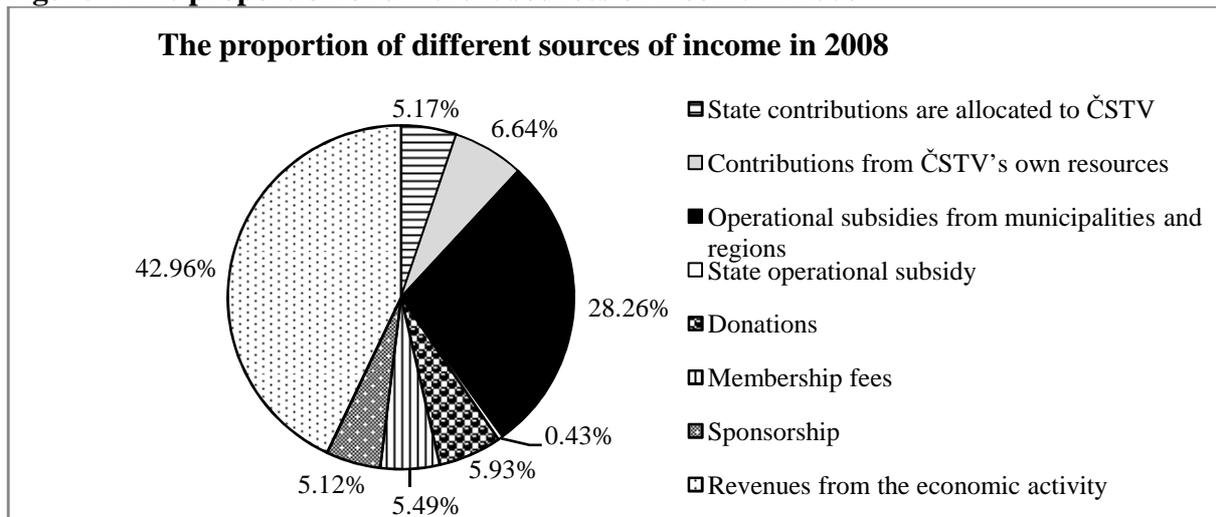


Figure 4 The proportion of different sources of income in 2008



3.2 Income structure by the organisation size in terms of its membership

Organisations were divided by the size of their membership: up to 150 members – a small organisation, 150 – 500 members – a mid-sized organisation, and more than 500 members – a large organisation. Analysis of the income structure in 2008 (figure 5 – 7) shows that shares of the different sources of income are not as homogenous as might appear based on the previous analysis, which clearly pointed to double-track financing oriented mostly at public and state financial resources and resources from own economic activity. The differentiation is particularly obvious in the mid-sized organisation (figure 6), where a more balanced, multiple-resource financial portfolio can be observed. A crucial proportion of financial income important for the organisation's stability is in 85 % covered by other than state or public resources, which only make up for about 15 %. This smaller proportion of subsidies may be caused by a strong competition, which may have a positive impact on the organisation's orientation toward finding other sources of income. The mid-sized organisation has a 15% proportion of financial resources provided in the form of donations. This phenomenon is also obvious in the small organisation, in which this proportion is 7 %. We can say that small and mid-sized organisations are more successful at working with individual donors, because the proportion of donations is significant.

Figure 5 The proportion of different sources of income in small organisation in 2008

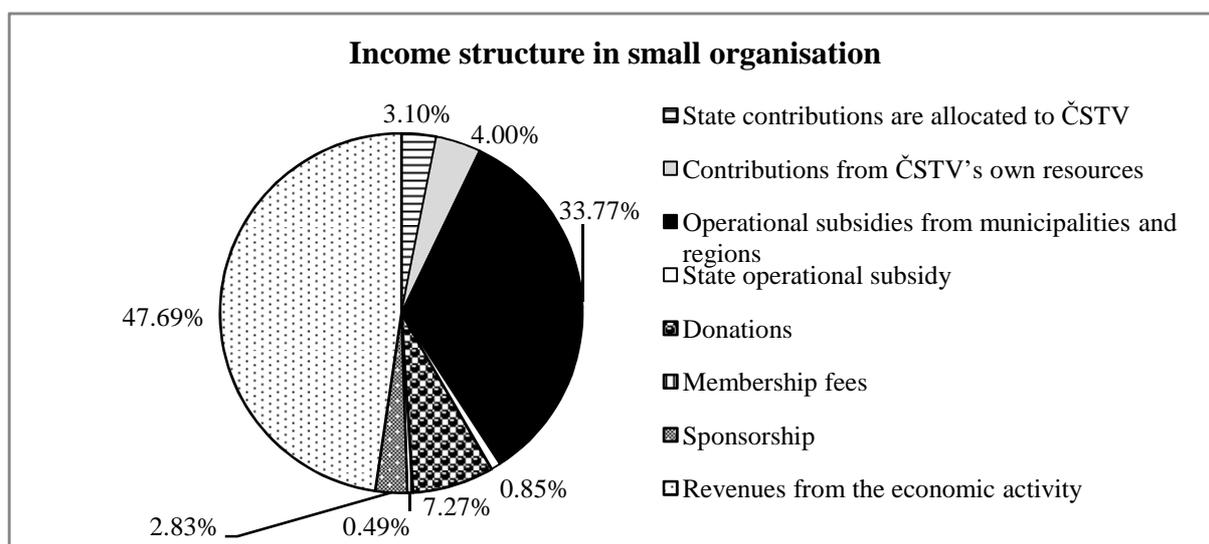


Figure 6 The proportion of different sources of income in mid-sized organisation in 2008

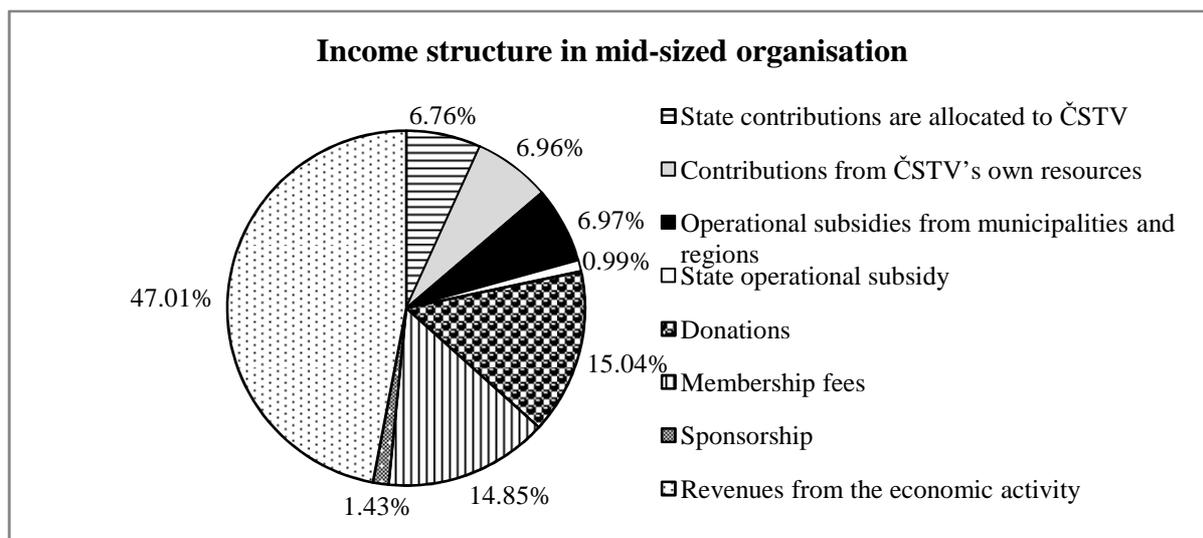
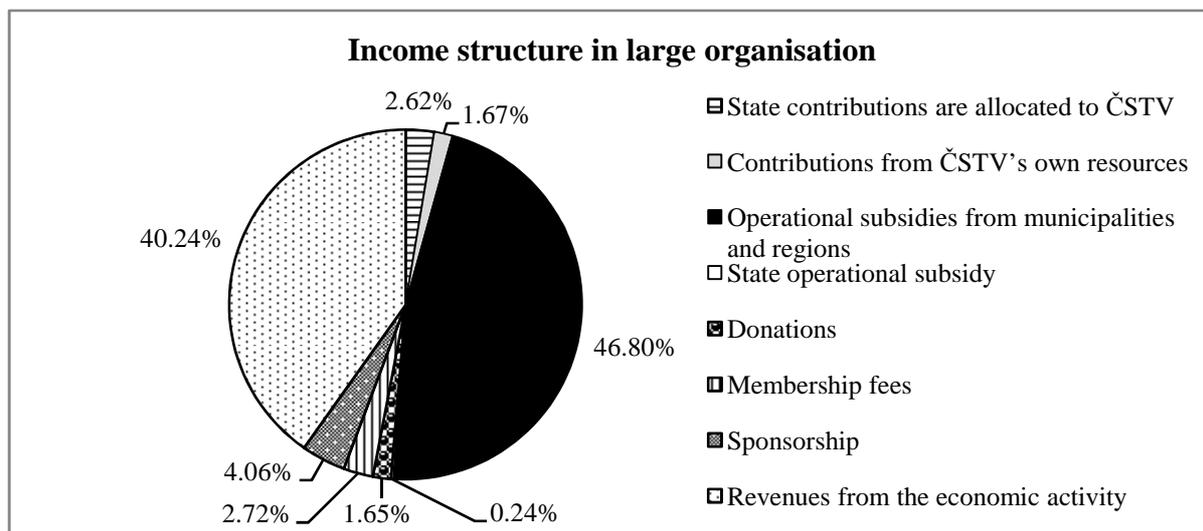


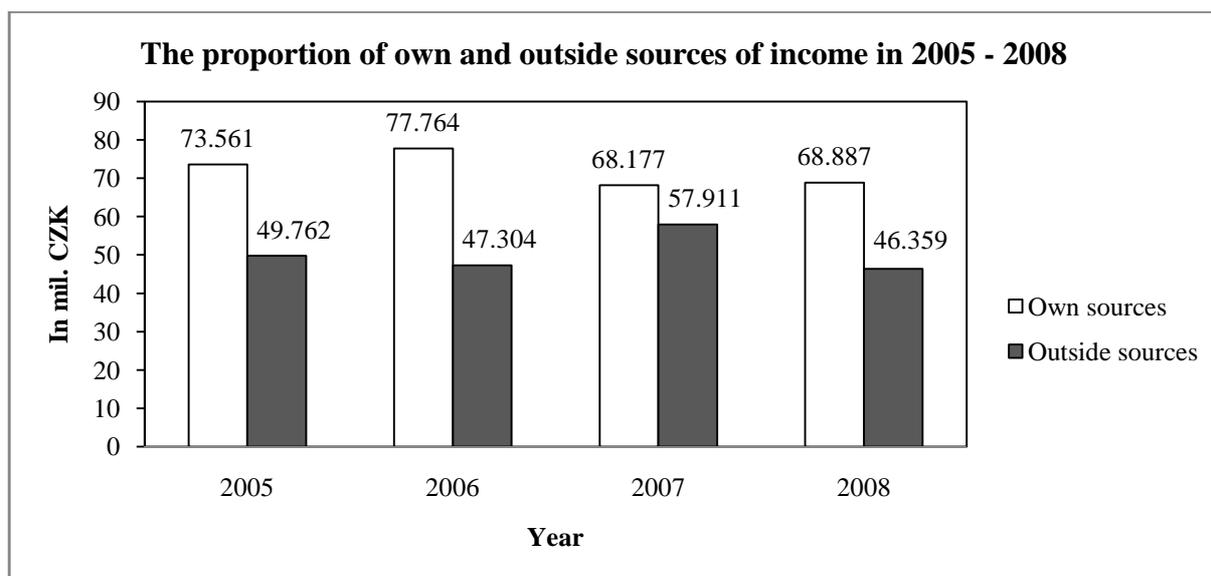
Figure 7 The proportion of different sources of income in large organisation in 2008



3.3 The proportion of own and outside sources of income

In the entire monitored period, own sources of income clearly prevail over outside sources (figure 8), which is important for the organisation's stability. It shows that the organisations' activity is partially secured from its own resources. They are able to cover most financial needs through their economic activity, and it can be assumed that even without outside resources, they can function with some limitations and completely replace these resources over time, either from outside resources that they have not used so far, such as foundations' contributions, or from their own economic activity.

Figure 8 The proportion of own and outside sources of income in 2005 - 2008



4. Conclusion

The financial analysis of sports and physical education organisations was conducted on the example of the ČSTV District Association in Nový Jičín. The development of financial income structure did not change significantly between 2005 and 2008. Proportions of different sources of income were, with slight variations, at similar levels. The most important sources of financing include revenues from economic activities and operational subsidies from municipalities and regions. Other incomes are considerably lower. State subsidies have become a problematic source of income, having decreased in 2008 and not expected to rise in the upcoming years.

The structure of financing by membership offers an interesting finding that mid-sized sports organisations have a lower share of income from the communal sphere, while the proportion of donations is significant, making up for 15.04 %, which might indicate better communication with individual donors and make them more stable.

The analysis of the development of own and outside sources of income shows that sports and physical education organisations are able to cover most financial needs through their economic activity and that they can function with some limitations even without outside resources. Own sources of income therefore have the main share in financing. This fact might support the claim that sports organisations are, from a certain perspective, financially secured and stable and in case of absence of some public or state financial resources, they would be able to replace this resource.

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