

# Which factors influence to the financial resources of NGOs in the Czech Republic in last years?

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## Abstract

*Non-governmental non-profit organizations (NGOs) in the Czech Republic are still developing currently and from the point of view of their financial stability, it is demanded a differential financial portfolio of sources. Gifts of individual donators could be a long-term stabilisation of a part of financing. The paper is focused on the influence of financial recession to this source. The financial dates from the annual or other reports from years 2001 – 2011 of big NGOs which regularly organise charity collections were processed. The graphs demonstrate some influence of the researched financial source and its development within last years. Earnings were not affected in years after 2008 by the black Monday in absolute values of earnings. We could observe some decrease of relative changes. People having not enough money possibly donated their time by voluntary work.*

*Keywords: non-profit non-governmental organization, charity collection, individual donators, donations*

*JEL codes: D19, G01, L31*

## 1 Introduction

Non-governmental non-profit organizations (NGOs<sup>1</sup>) in the Czech Republic are still developing currently. Some of them are mostly depended on a state or public financial support.

There are NGOs which also finance their activities from some different financial sources. From the point of view of their stability, it is better when they use any finance from various sources, which means their financial sources portfolio is differential to the minimalization of risk for a lack of money. Each of these sources is related to some rate of risk. We can differ several groups of financial resources divided according to their various characteristics. These may be private resources such as some donations from individuals and legal entities, or contributions from foundations, endowment funds and similar organizations. Another group is public and state resources or “European” resources from the EU Structural Funds or other funds. NGOs can accumulate finance of their own business activities.

If the NGOs generate a profit from a business activity, this financial resource is related to a market risk and we could expect the high influence of economic recession within last years as well as it influences to corporations. The corporations are also affected by the financial crisis and it has some influence on their gifts or sponsorships to NGOs. The paper does not deal with these kinds of financial resources where the influence has already proofed. The public resources are also limited by law, politic situation and economic situation of the whole country.

The aim of the study is to evaluate some influence of the world financial recession on NGOs and find out other factors which could influence to increasing or decreasing of donations of individuals.

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<sup>1</sup> NGOs may be classified according to various criteria. For the purpose of this work their classification under the act pursuant to which they have been established, has been used. These are civic association, generally beneficial company, foundations and endowment funds, churches and religion societies.

## 2 Current situation in the Czech Republic

The research among several charity organizations in the Czech Republic has confirmed the influence of financial crisis to the individual donations. According to the answers of NGOs' representatives, the financial crisis does not have so much negative influence to them. The influence is not to the total amount of money but to the number of donators who sometimes leave the organization, but they support it soon again, or they start to support some new ones. So these are only short-time changes. [7]

70 % of people in the Czech Republic support charity [3].

According to publicly collected dates, the financial support of individuals is decreasing in years 2008 and 2009, so the influence of the world financial recession is obvious (Tab. 1). These donations do not include all of the given money, because according to the Act no. 586/1992 Coll. [10], the donator can discount his tax base by donations if their value is from 2 to 10 % of its tax base but at least 1,000 CZK. Smaller sums are not included.

Table 1: Donations known from income tax return

| Year | Corporation donators |                      |                        | Individual donators |                      |                        |
|------|----------------------|----------------------|------------------------|---------------------|----------------------|------------------------|
|      | No.                  | Donations (mil. CZK) | Average donation (CZK) | No.                 | Donations (mil. CZK) | Average donation (CZK) |
| 2004 | 13,947               | 2.068                | 148,276                | 92,885              | 0.982                | 10,572                 |
| 2005 | 15,997               | 2.159                | 134,963                | 121,479             | 1.192                | 9,812                  |
| 2006 | 16,814               | 2.508                | 149,161                | 132,472             | 1.341                | 10,123                 |
| 2007 | 18,845               | 2.509                | 133,139                | 141,093             | 1.469                | 10,412                 |
| 2008 | 19,251               | 2.415                | 125,448                | 110,057             | 1.415                | 12,857                 |
| 2009 | 16,732               | 2.334                | 139,493                | 113,368             | 1.410                | 12,349                 |

Source: Translated from Ministry of finance ex Akrman L. at all. [1]

## 3 Methodology and material

NGOs have several kinds of financial sources having different factors which affected them. For this study there was chosen only one of them. A development of an amount of financial sources is analyzed in case of individual donators' gifts or donations. The gifts have several forms. The work is mainly focused on the financial gifts and voluntary. The financial gifts could be registered ones, which are used to decrease their tax base by the individuals and ones, which are "so small" that individuals can not use them for any income tax discount and these are mainly donations to charity collections and they are not separately registered in the Czech Republic at all. The research focuses on these "small" donations and occasional donators who do not support regularly NGO. These small donations are given to charity collections by the people.

Three charity collections known by individuals all over the Czech Republic were chosen according to the research of Agency STEM [6]. There are within the top 10 most known in the CR in last years. Generally in the Czech Republic, it is very complicated to get complete NGOs' financial dates. Some of them do not have any obligation for annual reports or the annual reports do not include useable dates to be analyzed.

For the research there have been chosen these collections: Flower day held by The League Against Cancer Prague [4], Caritas CR Three Kings collection [7, 8], Civil Society Development Foundation in coproduction with Czech Television and their project Help the Children [5].

First two of them are the whole republic collections which are only organized a few days during the year and include mostly "small" gifts of individuals. The third collection is also the whole republic one, but it is running for the whole year as well and we suspect that it also includes mostly "small" donations. The availability of suitable dates included especially year 2008 has been the reason for the choice as well, because the word financial recession gave to know about itself by "Black Monday", 15<sup>th</sup> of September 2008. The dates are reported in annual reports or other reports of NGOs. In case of sum of all won money, it is difficult to express the intensity or extend of activities of put forth. If there is a possibility to get information about a number of voluntaries or participated towns of

collection the rate indicator has been used and has researched the development within last years to describe the development effectively. In case of decreasing or increasing we were looking for other factors which could influent to the donations by searching news and the Internet.

To we can compare earnings' development of these three collections together we have use the percentage change of earnings to the previous year.

#### 4 Charity collections and their development within last years

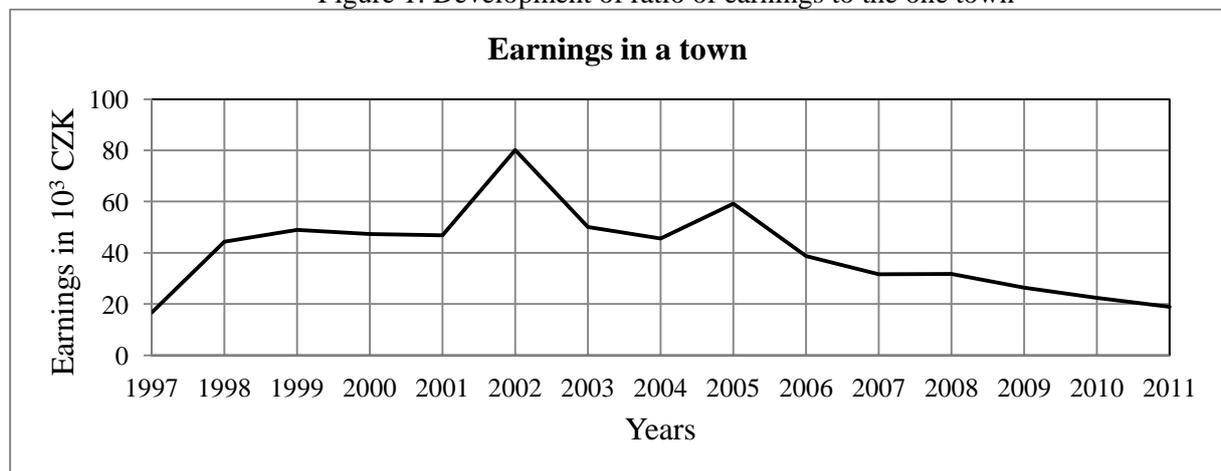
The charity collection is one of the many other ways how the NGOs can get a financial support of the people. The organization and operation are defined by the law Act No. 117/2001 Coll., about public collections [2]. Many NGOs use it especially to collect finance for helping to the people involved with high floods, earthquakes or other natural disasters, but also for supporting social or health care in the Czech Republic.

##### 4.1 Flower day

Flower day is a collection which is organized every year during May. Voluntaries offer and sell yellow flowers to people. Getting money is a gift for The League Against Cancer Prague. The collection is supported by promotions with shows or entertainment to pull people out of their houses to the streets to collect more money. Flower day has been organized since 1997 and a number of towns where the flowers are sold, is generally rising up except years 2002 and 2005 but with almost the same number of offered flowers compared to the year ago. In absolute value of earnings, in last decent the year 2002 was the most successful, then it decreased up till 2006, where the minimum was and then it slowly has grown up till nowadays.

Even the number of voluntaries has been rising up since the year 2005 and the number of towns as well. Regarding to the amount of income of towns earnings in a town has decreased since 2002 with exception in 2005 (Fig. 1). We can observe the opposite situation, less money of individual donators, but more towns, so probably more volunteers who sell flowers. Black Monday had obvious some negative influence, which is already obvious in amount of money in next year 2009. In 2008 it did not have any influence because of an earlier collection date in May.

Figure 1: Development of ratio of earnings to the one town



Source: Calculated ratio of earnings and No. of towns calculated from the dates from Annual reports and other reports The League Against Cancer Prague.

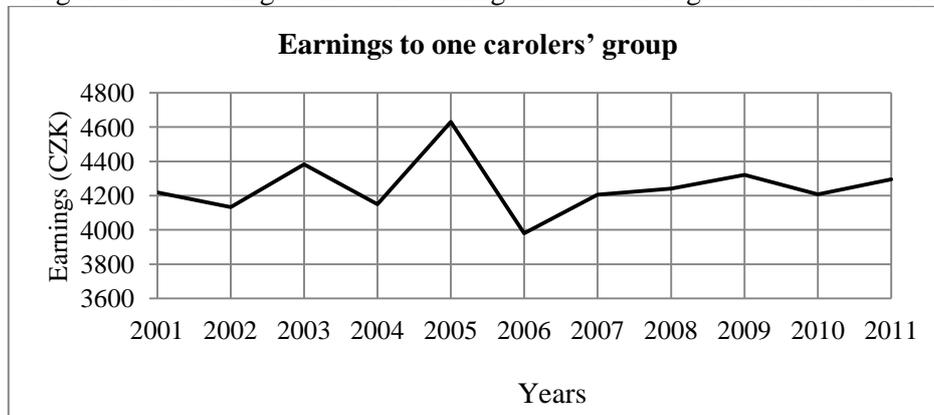
##### 4.2 Three Kings collection

Three Kings collection is organized every year during January all over the Czech Republic. It is based on a tradition of Three Kings who walk around a town and sing and write symbols for blessing and collect gifts for Caritas CR. There is a similar design as the previous collection. The

collection has been supported by a concert since 2008 which is broadcast by the Czech Television in prime time with the aim to inform people about the collection and their possibility to donate by bank transfer and in last years by sending DMS as well.

Since the beginning of this collection in year 2001 the absolute amount of collected money has grown every year till 2011. The amount of carolers' groups has grown as well. Every year this collection is more successful in the Moravian part and the east part of Bohemia.

Figure 2: Three kings collection earnings in different regions of the Czech Republic



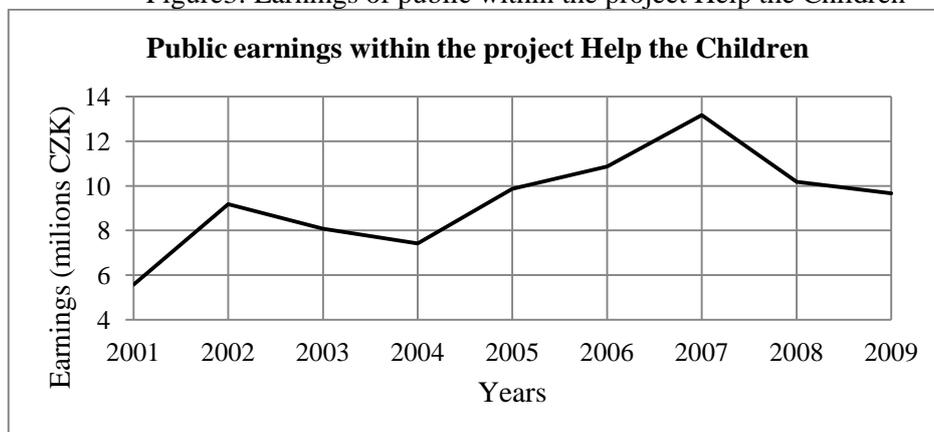
Source: Calculated ratio of earnings and No. of carolers' groups from the dates from Three King collection reports of Caritas CR

We can observe growing of the total sum of earnings together with growing of carolers' groups, volunteers from 2007 to 2009. So the financial recession had no immediate impact. A lack of donations was in 2006 and then a little bit in 2010.

### 4.3 Project Help the Children

This collection is carried for the whole year and includes a lot of various forms of getting money. A big yellow chicken is a mascot of the Project Help the Children. Public collection is organized by volunteers in the streets, money boxes are a part of them as well. They are placed in supermarkets or other crowded places. DMS – donation messages sent from cell phones are the next possibility how people can help. Earnings include gifts of companies as well. The graph below has been only constructed with earnings of public donors within the collection, money boxes or DMS. This part takes 55 – 80 % from all earnings of the project. In 2010 there was only a total number of donations which included companies' donations, and for this reason it has not been used in the graph. We can observe two peaks in years 2002 and 2007. But the earnings were generally growing up till 2007. In 2008 and 2009 the earnings decreased. A reason could be the influence of the world financial recession.

Figure3: Earnings of public within the project Help the Children

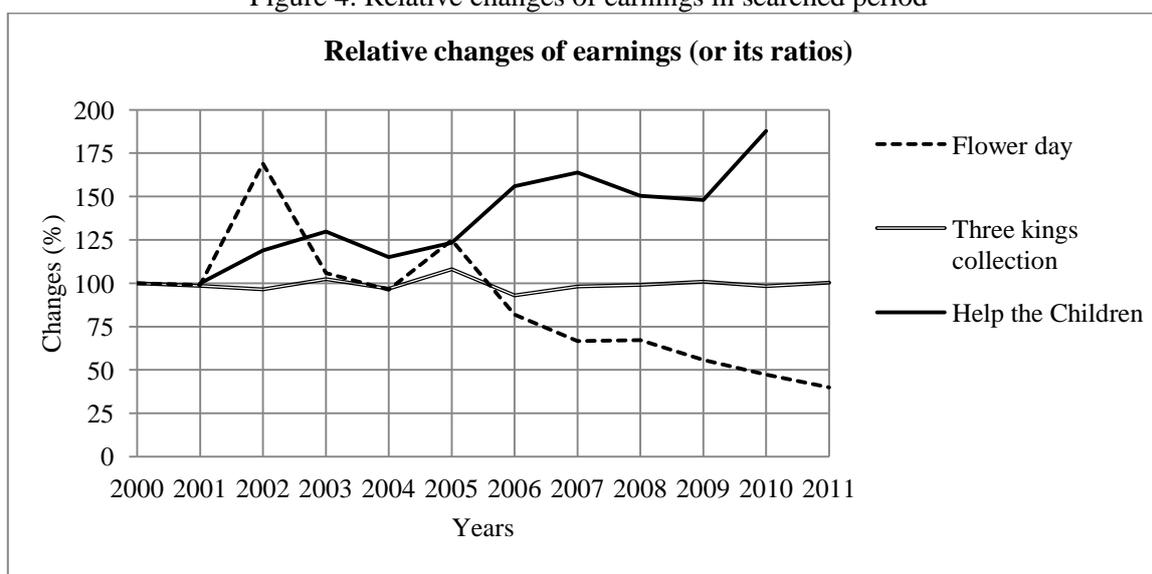


Source: Made according to dates from annual reports [4].

## 5 Factors causing increasing or decreasing of financial resources

We could find some similarities in all three cases (Fig. 4). We have mind that Project Help of children is expressed by relative changes of total earnings and it is not possible to compare with the other two which already present ratios – earnings in a town, or earning to the carolers' group. Nevertheless we can see decreasing in 2004 in all three collection and increasing in 2005 as well. Three kings collection seems to be a quite long-term stabile financial income while Flower day has a downtrend.

Figure 4: Relative changes of earnings in searched period



Source: Appendix 1

What could influence to the decreasing or increasing of earnings?

- Increasing of voluntaries result in higher earnings.
- People having not enough money possibly donated to the NGOs their time by voluntary work.
- Black Monday 2008 had not any influence in the absolute amount of earnings, but in the ratios of earning in one town in case of Flower day collection.
- In last decade total earnings from these three public collections were growing (instead of 2011 in case of Flower day collection). The reason of this fact could be in professionalization of management of NGO enabled, among others that financial resources got from European Union funds targeted to the support sustainable growth of NGOs sector. Our NGOs are still learning how to treat their donators well.
- People get used to the fact that the state will not support NGOs forever how they have known it since the socialistic period and that in capitalistic states, the people are partly responsible and they support NGOs more and more and understand that they have their important position in the national economy.

## 6 Conclusion

Individual donators can help or support NGOs in various ways. If a man donates a gift more expensive than 1,000 CZK and uses it to discount its tax base, this fact is registered and it is possible to evaluate the amount of such given money. The other donations, "smaller" gifts or voluntary work are quite difficult measured. For this research, some of all republic collections have been chosen to search their development in last years (2001 – 2011). Financial donations in chosen charity collections have been increasing in last years. The situation is similar in others NGOs as well in condition that these NGOs actively work with their donators and extend their activities. These activities are too difficult measured without a direct communication channel with NGO in condition that this NGO record a number of volunteers, a number of activities, etc. The number of volunteers

helping with the collections is growing followed maybe with decreasing of a number of “smaller” donations with a financial donation lower than 1,000 CZK. Black Monday 2008 had not any influence in the absolute amount of earnings, which were growing or stood in the same level.

People having not enough money during the difficult financial situation possibly donate in place of their money their time as a voluntary work for NGOs. This fact is obvious in increasing of number of the carolers’ groups and towns having been involved to the collections.

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Appendix 1: Earnings and its ratios from collection in years 2000 - 2011

| Years | Flower day                 |                                 | Three kings collection           |                                | Help the Children    |                                 |
|-------|----------------------------|---------------------------------|----------------------------------|--------------------------------|----------------------|---------------------------------|
|       | Earnings in one town (CZK) | Relative change of earnings (%) | Earnings in one carolers' groups | Relative change of earning (%) | Total earnings (CZK) | Relative change of earnings (%) |
| 2000  | 47,365.40                  | 100.00                          | 4,282.78                         | 100.00                         |                      | -                               |
| 2001  | 46,890.66                  | 99.00                           | 4,218.08                         | 98.49                          | 10,142,234.74        | 100.00                          |
| 2002  | 80,071.28                  | 169.05                          | 4,132.12                         | 96.48                          | 12,060,948.12        | 118.92                          |
| 2003  | 50,138.92                  | 105.86                          | 4,382.70                         | 102.33                         | 13,158,456.64        | 129.74                          |
| 2004  | 45,579.89                  | 96.23                           | 4,148.88                         | 96.87                          | 11,663,804.00        | 115.00                          |
| 2005  | 59,129.62                  | 124.84                          | 4,630.64                         | 108.12                         | 12,509,987.00        | 123.35                          |
| 2006  | 38,783.55                  | 81.88                           | 3,979.35                         | 92.92                          | 15,814,742.00        | 155.93                          |
| 2007  | 31,578.94                  | 66.67                           | 4,205.86                         | 98.20                          | 16,608,966.00        | 163.76                          |
| 2008  | 31,803.50                  | 67.15                           | 4,241.30                         | 99.03                          | 15,246,369.00        | 150.33                          |
| 2009  | 26,410.57                  | 55.76                           | 4,320.85                         | 100.89                         | 15,008,781.00        | 147.98                          |
| 2010  | 22,398.46                  | 47.29                           | 4,207.58                         | 98.24                          | 19,040,481.00        | 187.73                          |
| 2011  | 18,941.33                  | 39.99                           | 4,295.33                         | 100.29                         | -                    | -                               |

Source: Calculated from the dates from annual reports and other reports; [www.trikralovasbirka.cz](http://www.trikralovasbirka.cz), [www.nros.cz](http://www.nros.cz), [www.pomoztedetem.cz](http://www.pomoztedetem.cz) [4, 5, 8, 9]