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# **REPORT ON THE STATE OF SLOVAK FOUNDATIONS**

## **2006 Data Analysis**

Slovak Donors' Forum, November 2007

**Slovak Donor's Forum draws up the Report on the state of Slovak foundations on annual basis with the aim to provide objective, transparent and relevant data on the state and composition of the Slovak foundation sector. The Report also offers the overview of year-on-year changes and trends in the development of Slovak foundations.**

### **Report on the state of Slovak foundations**

Report on the state of Slovak foundation, 2006 data analysis (hereinafter referred to as the "Report") provides data on foundation sector for 2006, notably on foundations' activities; areas of their support; foundations' assets, incomes and expenses. It also provides the comparisons with the years 2005 and 2004.

### **Subject matter of the analysis**

The analysis focuses on foundations and their activities in the framework of non-governmental, not-for-profit sector. The legal status of foundations is defined by the Law No. 34/2002 on foundations and the change of Civil Code as amended (hereinafter referred to as the "Law on Foundations") that came into force on 1<sup>st</sup> March 2002.

The foundation is established on the day of its registration in the Register of Foundations administered by the Slovak Ministry of Interior (hereinafter referred to as "SMI"). The Register of Foundations is a public list that contains all statutory information concerning foundations.

Pursuant to the Law on Foundations, the foundations are obligated to publish an annual report within the period set by the Board of Directors or the foundation deed, however, not later than by 15<sup>th</sup> May of the following calendar year.

### **Methodology**

The 2006 Report was carried out according to data recorded in **the Register of Foundations** administered by SMI (it is available at [www.civil.gov.sk](http://www.civil.gov.sk)) as well as according to data stated in foundations' **2006 annual reports** delivered to SMI in statutory period.

As of 31<sup>st</sup> December 2006, there were 338 foundations registered in the Register of Foundations that were obliged to submit their annual reports to the SMI. Out of that, 303 foundations met this obligation, i.e. 89,6 % of foundations delivered their annual reports to the SMI.

All data used in the analysis were drawn from these sources.

### **Areas under the focus**

The Report evaluates the following 2006 data on Slovak foundation sector:

- I. Specific Data on Foundations
  - I. 1. Categorisation
  - I. 2. Incomes
  - I. 3. Expenses
- II. Registered Foundations' Endowment
- III. Foundations' Assets
- IV. Data on Grants Awarded
- V. Areas of Support and Interest

In order to examine the areas under the focus in more detail, the analysed data were divided and subsequently analysed according to the following criteria:

#### **A. Type of a foundation**

#### **B. Fulfilment of foundations' mission (in 2006)**

##### **A. Type of a foundation**

1. Corporate foundations
2. Community foundations
3. Other foundations

The category "Other foundations" includes foundations not established by a legal entity established for a business purpose (**corporate foundations**) and foundations without particularities of **community foundations** (for more details see <http://akn.ddt.sk/charakteristika>).

Thematically, this category can be further divided into:

- 3.1. School foundations – foundations established by schools or school facilities
- 3.2. Medical foundations – foundations associated to hospitals, their particular departments, various social facilities, rehabilitation centres and sanatoriums
- 3.3. Religious foundations – foundations established for the purpose of renovation of religious monuments and propagation of religious belief
- 3.4. Governmental foundations – foundations established by public administration bodies
- 3.5. Independent foundations – foundations working individually and independently of other institutions
- 3.6. Other foundations

However, given the incompleteness of published data, the categorisation of individual foundations into defined sub-categories is very difficult and inaccurate, and therefore we have decided not to specify this category in the analysis of areas under the focus.

##### **B. Fulfilment of foundations' mission (in 2006)**

1. Grant-making foundations
2. Operating foundations
3. Passive foundations

The foundation can fulfil its public benefit mission either by the implementation of programmes and projects of its own (**operating foundations**) or by the allocation of funds to the third parties (**grant-making foundations**). The foundation that implemented its own programmes and at the same time awarded grants in 2006 is included in the group of **grant-making foundations**.

In the event that the foundation did not carry out any activity in 2006, it is included in the group of **passive foundations**. This group also includes foundations registered as foundations in liquidation in the Register of foundations.

## **BRIEF SUMMARY OF CONCLUSIONS**

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- In 2006, 303 foundations met the statutory obligation to deliver an annual report to the SMI.
- Slovak foundation sector comprised the operating, grant-making and passive foundations.
- As of 31<sup>st</sup> December 2006, the Register of Foundations included 338 foundations, namely 22 % corporate foundations, 3 % community foundations and 75% other foundations.
- As of 31<sup>st</sup> December 2006, the total volume of registered endowment amounted to SKK 323,933,614.
- As of 31<sup>st</sup> December 2006, an average amount of registered endowment presented SKK 958,383.
- As of 31<sup>st</sup> December 2006, the total volume of Slovak foundations` assets amounted to SKK 2,312,008,126.
- Incomes of Slovak foundations amounted to SKK 1,229,020,243.
- Expenses of Slovak foundations presented SKK 1,435,273,614.
- Grant-making foundations awarded grants in a total amount of SKK 883,752,695.
- The total amount of grants awarded by the TOP 10 of Slovak foundations presented 74.87 % of the total amount of grants awarded in 2006.
- The most supported area in 2006 was education.

## **YEAR-ON-YEAR COMPARISONS: CHANGES AND TRENDS**

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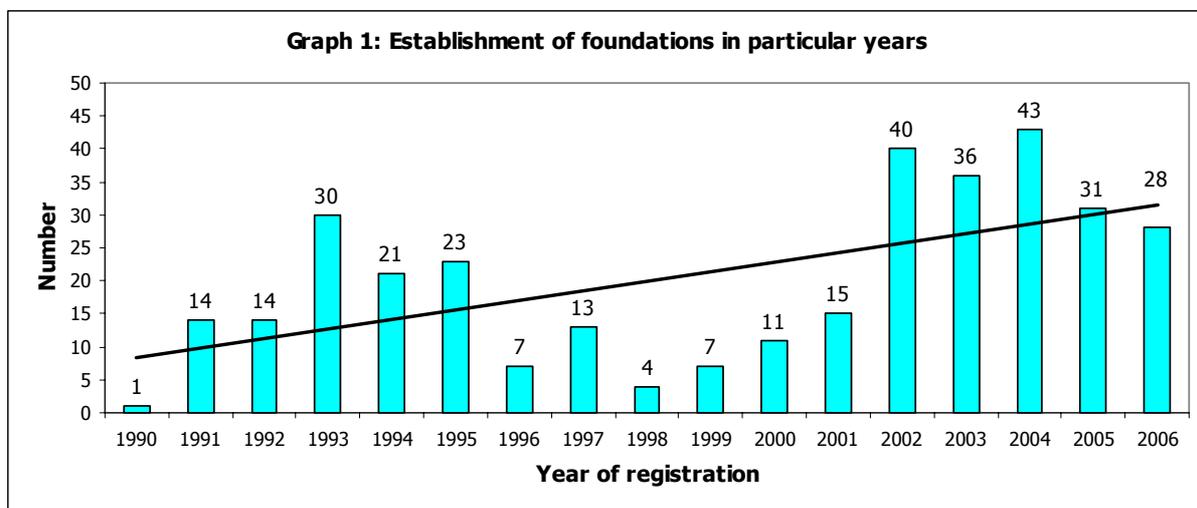
- In 2006, 28 foundations were registered.
- The number of grant-making foundations increased from 188 to 205.
- The number of passive foundations decreased from 69 to 52.
- The number of operating foundations increased 68 to 81.
- The number of corporate foundations increased from 68 to 76, and the number of other foundations increased from 244 to 251. The number of community foundations has not changed.
- Compared to 2005, the foundations` incomes increased by SKK 91,040,100.
- Compared to 2005, the foundations` expenses increased by SKK 307,672,485.
- As of 31<sup>st</sup> December 2006, the total amount of registered foundation`s endowment increased by SKK 9,114,965.
- An average registered foundation`s endowment decreased by SKK 10,290.
- Compared to 2005, the total volume of grants awarded increased by SKK 180,481,479.

## I. SPECIFIC DATA ON FOUNDATIONS

- I. 1. CATEGORISATION
- I. 2. INCOMES
- I. 3. EXPENSES

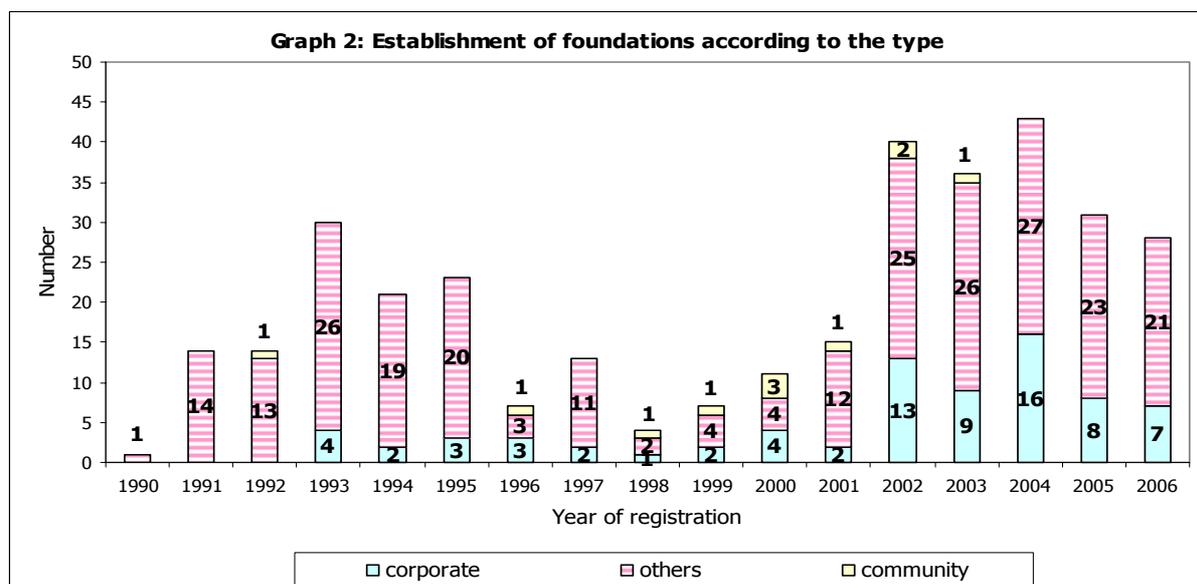
Strong and sustainable foundation sector is the basic pillar of the development of civil society, and plays an important role in the sustainability of the non-governmental sector. The factors, such as suitable legal environment, availability of funds, good conditions for building up the cross-sector partnerships, or the availability of international initiatives, influence foundations' activities and their effective operation, and at the same time they play a key role in decision-making on the selection of an appropriate legal form for the implementation of public benefit projects.

In 2002, 2003 and 2004, an above-average increase in the number of newly registered foundations can be seen (graph 1). The 2002 data are partially affected by legislative changes. The Law on Foundations, which came into force on 1<sup>st</sup> March 2002, imposed an obligation of pre-registration.



Source: Register of Foundations and annual reports, N = 338

Graph 2 summarises data according to the type of a foundation.



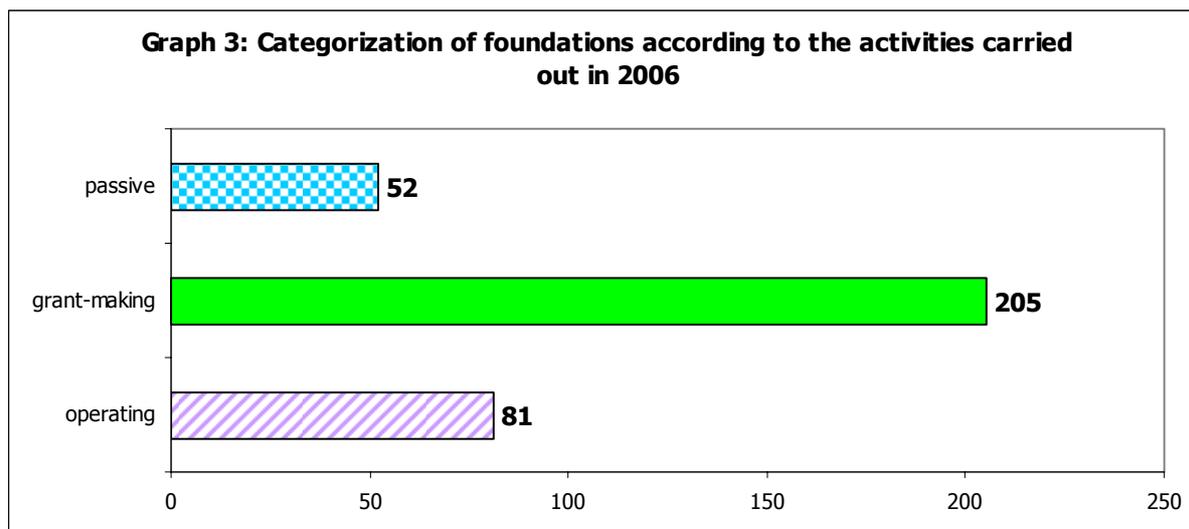
Source: Register of Foundations and annual reports, N = 338

## I. 1. CATEGORISATION

### Categorisation of foundations according to the way in which they fulfil their mission

The way in which the foundations fulfil their mission, i.e. whether they carry out grant-making activities, implement own programmes, or are passive, depends on the volume of funds raised from both internal and external resources. Foundations' incomes present an inconstant quantity that is influenced by different factors, such as the legislation, tax system, level of corporate philanthropy, social awareness of citizens, etc.

According to data available for 2006, the foundations can be divided according to the way in which they fulfil their mission as follows:



Source: Register of Foundations and annual reports, N = 338

#### Comparison with the year 2005

Compared to 2005, a *positive trend* in the number of grant-making foundations is visible. The number of grant-making foundations increased 188 to 205. At the same, the number of passive foundations decreased from 69 to 52 and the number of operating foundations increased from 68 to 81 foundations.

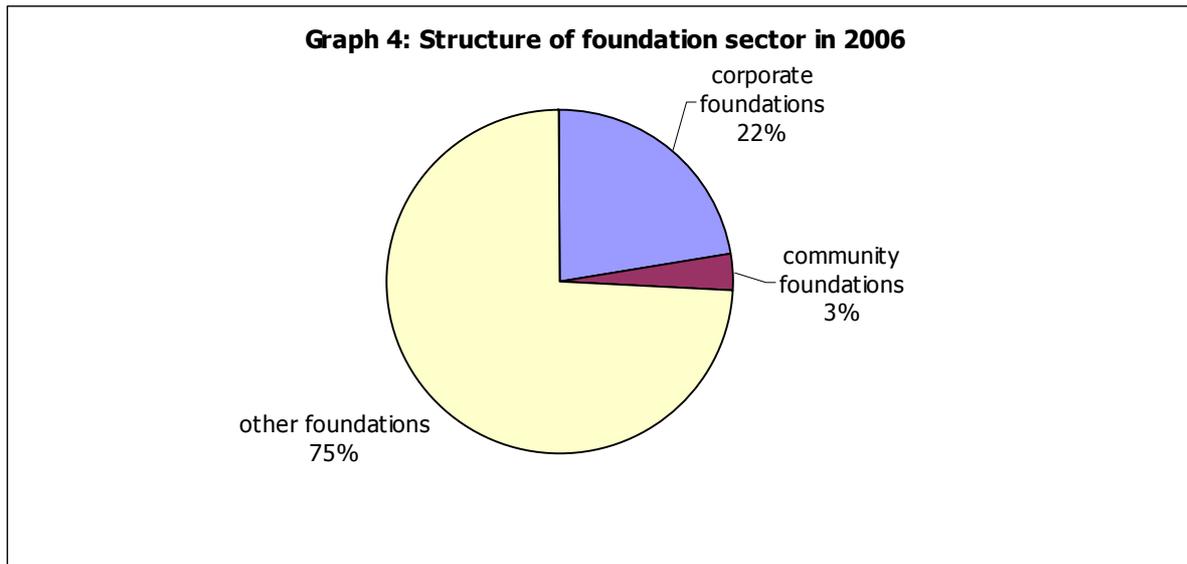
Increase in the number of grant-making foundations has positive effect on the whole not-for-profit sector for which foundations represent one of the resources.

### Categorisation according to the type of a foundation

As of 31<sup>st</sup> December 2006, the Register of Foundations included 76 corporate foundations, 11 community foundations, and 251 other foundations. Graph 4 transparently illustrates the share of each type on the total foundation sector.

#### Comparison with the year 2005

Compared to 2005, the number of corporate foundations increased from 68 to 76, and the number of other foundations increased from 244 to 251.



Source: Register of Foundations and annual reports, N = 338

## **I. 2. INCOMES**

- **Incomes of Slovak foundations in 2006 amounted to SKK 1,229,020,243.**
- **Compared to 2005, incomes of Slovak foundations increased by SKK 91,040,100.**

Foundations implement their public benefit mission with the help of donations from natural and legal persons<sup>1</sup> and the share of the incomes from these entities climbed up to 51,7 % of all foundations income in 2006.

With respect to the amount of foundations' incomes in 2006 we can state that the existence of a mechanism of 2% tax assignation of both natural and legal persons plays an important role in foundations' operation. In 2006, the incomes of foundations from the assignation mechanism presented 28,7 % of the total incomes.

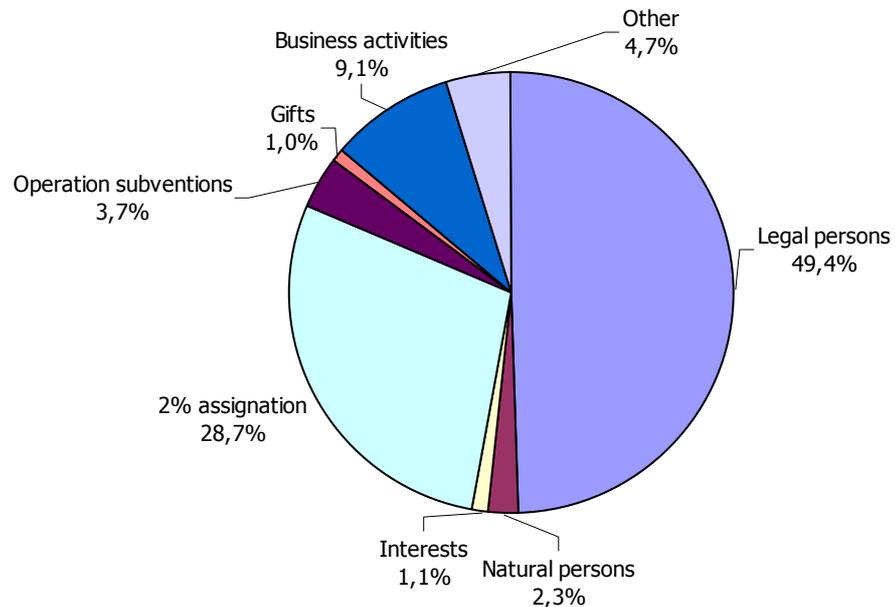
According to the Law on foundations, foundation cannot engage in the business activities, except for leasing an estate, organizing the cultural, educational, social or sport events, provided this activity capitalises its assets more effectively and complies with public benefit purpose of the foundation (§ 29 of the Law on Foundations). Incomes from these activities represented 9,14 % of all incomes in 2006.

Foundations can invest their resources and thus appreciate the value of their assets which can be than used for fulfilling the foundations mission. With regards to the Slovak legislation and insufficient amount of Slovak assets, the income from interests amounted only 1,15 % of all 2006 income.

Graph 5 demonstrates incomes of Slovak foundation sector in 2006, the following graphs provide than more detailed information on the incomes of corporate foundations (see Graph 6), community foundations (see Graph 7), and other foundations (see Graph 8).

<sup>1</sup> Donations from natural and legal persons include private and public resources. These incomes exclude tax assignation which is reported separately.

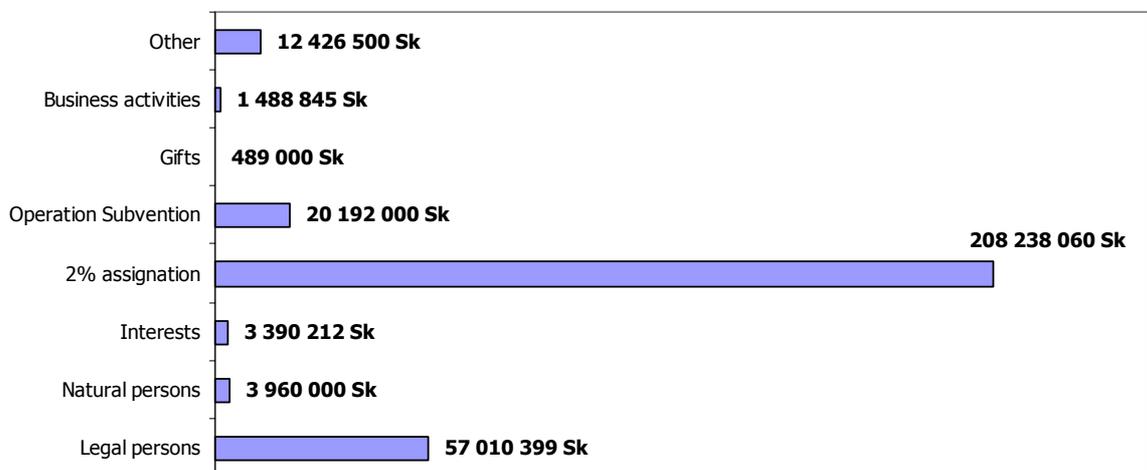
**Graph 5: Incomes of foundations in 2006**



Source: Annual reports, N = 303

In 2006 incomes of corporate foundations were SKK 307,195,016 which means they increased by more than 80 % comparing to 2005.

**Graph 6: Incomes of corporate foundations in 2006 (in SKK)**



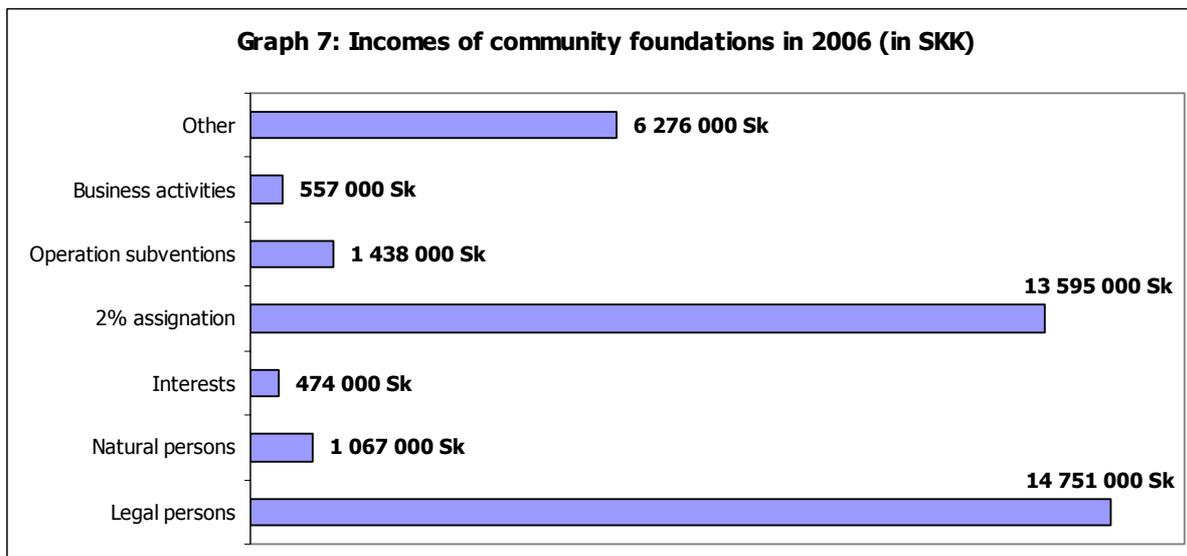
Source: Annual reports, N = 76

Comparison with the year 2005

- ☞ **increased:** incomes from legal persons, incomes from natural persons, interests, 2% tax assignment, operation subventions
- ☞ **decreased:** gifts, incomes from business activity<sup>2</sup>

<sup>2</sup> According to the Law on foundations, foundation cannot conduct business, except for leasing an estate, organizing the cultural, educational, social or sport events, provided this activity capitalises its assets more effectively and complies with public benefit purpose of the foundation (§ 29 of the Law on Foundations).

In 2006 incomes of community foundations were SKK 38,158,000 which means they increased by more than 4,5 % comparing to 2005.

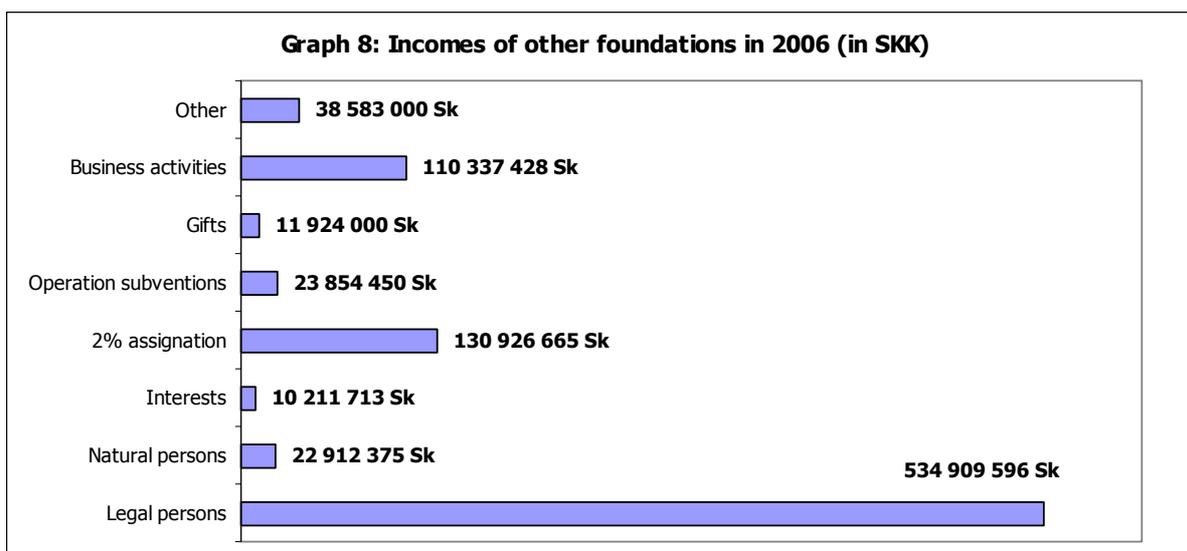


Source: annual reports, N = 11

Comparison with the year 2005

- ☞ **increased:** incomes from legal persons; incomes from 2% tax assignation; interests
- ☞ **decreased:** incomes from natural persons; incomes from business activity

In 2006 incomes of other foundations were SKK 883,659,227 which means they decreased by 5 % comparing to 2005.



Source: annual reports, N = 251

Comparison to the year 2005

- ☞ **increased:** interests; incomes from 2 %; incomes from business activity
- ☞ **decreased:** incomes from legal and natural persons

### I. 3. EXPENSES

- **In 2006, the expenses of Slovak foundations amounted to SKK 1,435,273,614.**
- **Compared to 2005, the expenses of Slovak foundations increased by SKK 307,672,485.**

In general, foundations' expenses can be divided into the following categories:

- ☞ **own activities** that do not include expenses for ensuring the economic activities and expenses for administration of the foundation;
- ☞ **grant - making activities** – allocations of funds to the third parties.

Share of these activities on foundations' expenses in 2006 was as follows:

Table 1

	<b>Own activities</b>	<b>Grant-making activity</b>
Corporate foundations	3%	85%
Community foundations	15%	54%
Other foundations	10%	57%

Source: Register of Foundations and annual reports, N = 338

Comparison with the year 2005

Compared to 2005, grant-making activities of community foundations increased by 17 % and also corporate foundations increased support of their own operational activities.

### II. REGISTERED ENDOWMENT

Endowment means foundation's nominal capital registered in the Register of Foundations. The value of a basic endowment must present at least SKK 200,000, and may only be represented by contributions in cash and estates. Provided the value of endowment exceeds SKK 200,000, it can also include tangible property, commercial documents as well as other property rights and values evaluated by money. The value of endowment cannot be reduced below the above-mentioned statutory limit.

- **As of 31<sup>st</sup> December 2006, registered endowment of foundations amounted to SKK 323,933,614; which is by SKK 9,114,965 more than in 2005.**
- **An average amount of the endowment presents SKK 958,383; which is by SKK 10,290 less than in 2005.**
- **Slovenska sporitelna Foundation has the largest amount of registered endowment.**

Distribution of registered endowment according to the type of a foundation:

Table 2

Registered endowment in total	SKK 323,933,614	100%
Corporate foundations	SKK 218,196,543	67%
Community foundations	SKK 10,190,865	3%
Other foundations	SKK 95,546,206	30%

Source: Register of foundations, N = 338

Distribution of registered endowment according to the way in which the foundations fulfil their mission:

Table 3

Registered endowment in total	SKK 323,933,614	100%
Grant-making foundations	SKK 277,064,722	85,5%
Operating foundations	SKK 15,956,892	5%
Passive foundations	SKK 30,912,000	9,5%

Source: Register of foundations and annual reports, N = 338

### III. ASSETS

Foundation's assets include foundation's endowment, foundation's fund and other assets of a foundation. Other assets, which are not included in the endowment or fund, include the financial means, tangible property, commercial documents as well as other property rights and values evaluated by money (§ 3, letter (4) of the Law of Foundations).

The foundation can create the foundation fund for the public benefit purpose based on the decision taken by the Board of Directors, or on a written contract with the natural or legal persons. The foundation fund has no legal subjectivity and can only include financial means that are not included in foundation's endowment or other assets. According to 2005 annual reports, 16 foundations administer such funds.

- **As of 31<sup>st</sup> December 2006, Slovak foundations' assets amounted to SKK 2,312,008,126.**
- **Intenda Foundation has the largest amount of asset.**

### IV. DATA ON GRANTS AWARDED

- **In 2006, grant-making foundations awarded the third parties the grants in a total amount of SKK 883,752,695.**
- **In 2006, TOP 10 foundations awarded grants in a total amount of SKK 661,695,677 which presents almost 75% of the total volume of grants awarded.**

The following table presents TOP 10 of the largest Slovak foundations in 2006 according to the volume of grants awarded. The list is supplemented with data on the volume of funds put in own programmes.<sup>3</sup>

Table 4

	<b>Name of the foundation</b>	<b>Town</b>	<b>Amount of grants awarded (in SKK)</b>	<b>Share on a total amount of grants awarded</b>
1.	Civil Society Development Foundation	Bratislava	167 581 000	18,96%
2.	Foundation Pazmany Peter Alapítvány	Galanta	164 113 000	18,57%
3.	Foundation SPP	Bratislava	130 156 000	14,73%
4.	Jan Selye University Foundation	Komarno	66 075 000	7,48%
5.	Central European Foundation	Bratislava	39 365 000	4,45%
6.	SOCIA Foundation	Bratislava	29 451 000	3,33%
7.	Open Society Foundation Bratislava	Bratislava	21 171 000	2,40%
8.	Children of Slovakia Foundation	Bratislava	16 806 000	1,90%
9.	Ekopolis Foundation	Banska Bystrica	15 009 677	1,70%
10.	Pontis Foundation	Bratislava	11 968 000	1,35%
	<b>SPOLU</b>		<b>661 695 677</b>	<b>74,87%</b>

Source: Annual reports, N = 303

#### Comparison with the year 2005

- Compared to 2005, the total amount of grants awarded by grant-making foundations increased by SKK 180,481,479.
- In 2006, the total amount of grants awarded by TOP 10 of the largest grant-making foundations increased by SKK 135,459,677 compared to 2005.
- Eight out of ten foundations from the TOP 10 list of the largest foundations in 2006 figured in the TOP 10 list in 2005 as well. Six out of TOP 10 largest foundations are members of the Slovak Donors' Forum.

## V. AREAS OF SUPPORT AND INTEREST

- **In 2006, like in the previous years, the largest support was channelled to the area of education.**
- **The smallest support was channelled to international activities.**

The task to make a transparent list of areas supported by Slovak foundations has been complicated by the fact that individual foundations use different categorisation of supported areas. Therefore we have decided, like in the previous year, to use a common International classification of NGOs (ICNPO) created by the Centre for Civil Society Studies at John Hopkins' University.

<sup>3</sup> TOP 10 list of the largest grant-making foundations does not include foundations that failed to deliver complete financial reports and audit for 2005 to the Slovak Ministry of Interior in statutory period.

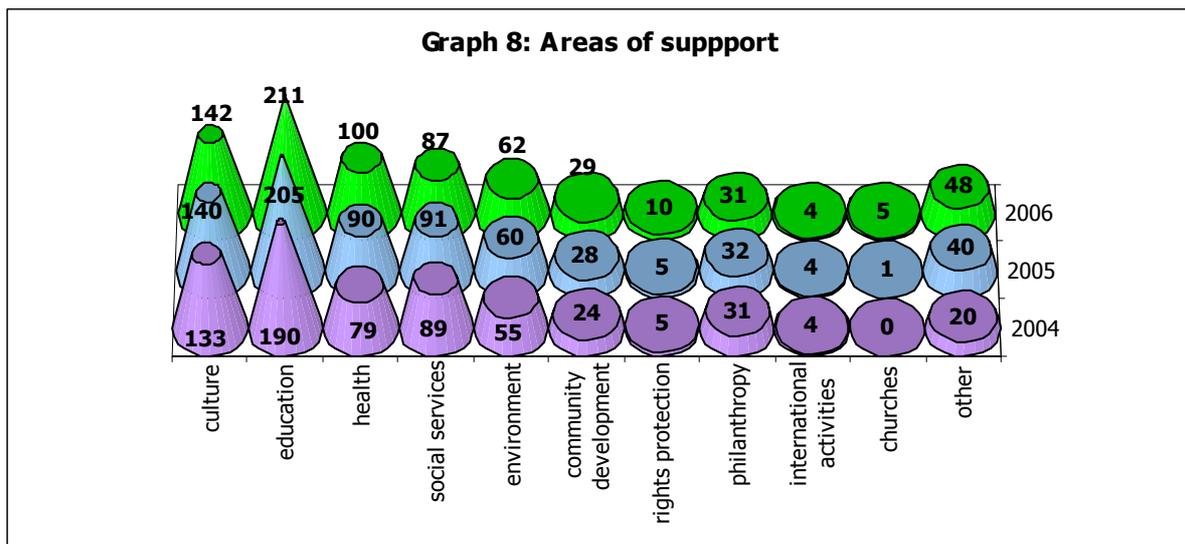
ICNPO classification is intended for NGOs and includes 12 main categories:

1. Culture, sport and leisure time
2. Education and research
3. Health
4. Social services
5. Environment
6. Community development and housing
7. Rights protection and advocacy, politics
8. Philanthropy and volunteerism
9. International activities
10. Religions and churches
11. Economic and profession associations, unions
12. Activities not included in the previous 11 categories

Data published in annual reports were classified in accordance with the above-mentioned classification, while the category No. 12 includes activities, such as establishment of specific foundation funds, organization of conferences and seminars, support of business freedom and liberal principles in economy, development of small business, support of after-privatisation revitalization of Slovak companies, historical vehicles, or enhancement of judges' professional level.

The foundations stated many areas of their interest and support.

The following graph illustrates division of Slovak foundation sector interests in 2006, as well as the comparisons with 2005 and 2004:



Source: Register of Foundations and annual reports , N = 338

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**Slovak Donors' Forum**

Slovak Donors' Forum is the association of the donor leaders in Slovakia; its members respect the Ethical Principles that enshrines fundamental ethical principles and values and thereby contribute to the enhancement of culture of giving. SDF was officially registered as the Interest Association of Legal Entities in 2000.

In 2006 the Club of Corporate Donors was formed as an association of companies that do business in the Slovak Republic and corporate philanthropy is integral part of their entrepreneurship. All members of the Club are experienced in transparent and strategic giving.

**Slovak Donors' Forum**

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