

## **CZECH REPUBLIC**

### **Community foundations**

#### **History**

Serious discussion about the community foundation concept began in the Czech Republic in 1996. Its main promoters were the VIA Foundation (in cooperation with Community Foundation Silicon Valley, California), C.S. Mott Foundation, Open Society Fund Prague (George Soros Foundation), and the Regional Fund Foundation, which in 1997 became the first established community foundation in Ústí nad Labem (later changing its name to Community Foundation of Euroregion Labe).

Between 1998 and 2004 there were two multi-year programs in the Czech Republic focused on developing community-based organizations. Established under the auspices of a variety of international funders, these initiatives were quite successful except in their stated secondary goal of fostering the development of community foundations.

At the end of 2005 a new program was launched to build community foundations in the Czech Republic. This effort was financed by the CEE Trust (Trust for Civil Society in Central and Eastern Europe) and administrated by the VIA Foundation. Four organizations have been participating: the existing community foundation in Ústí nad Labem, two local foundations which are in the process of transforming into community foundations, and one civic association designed to establish a community foundation.

In May 2006 this group created and published a document declaring basic parameters and requirements for a community foundation in the Czech Republic. Later that year, this group established the Czech Association of Community Foundations (AKN), which in October 2006 held its first conference. From this point on AKN began guaranteeing most activities related to the theme of community foundations in the Czech Republic.

In addition, there are about 20 local and regional foundations in the Czech Republic, which are partly familiar with ideas of community foundations. These foundations are mainly focused on any specific field of interest in the region (environment protection, health care, etc.) or operate on the basis of “one donor funding”.

## Current situation: Facts and figures

Number of community foundations <b>formally established in total.</b>	4
Number of community foundations established <b>in 2007.</b>	0
The number of community foundations <b>at early stages of development.</b>	3
<b>Percentage</b> of country's <b>territory</b> covered by community foundations.	12%
<b>Percentage of population</b> that has access to a community foundation.	17%
<b>Total number of people</b> with access to a community foundation.	1.7 million
Is the <b>rate of community foundation formation</b> steady/increasing/decreasing? Explain why in the box below:	steady

No new community foundations have been established in the last two years.

<b>Total sum of grants made</b> by community foundations in 2007	US \$287,188
<b>Total number of grants</b> made in 2007.	166
<b>Total sum of the income/donations</b> in 2007.	US \$451,626
<b>Single largest source of income</b> for community foundations	Donations from businesses
<b>Total sum of endowments</b> at the end of 2007.	US \$4,417,125
<b>Community foundation</b> with the <b>largest endowment</b> at the end of 2007 and <b>size of its endowment.</b>	Community Foundation of Euroregion Labe US \$2,922,000

## Complete list of community foundations

Community Foundation of the Euroregion Labe (Komunitni nadace Euroregionu Labe)  
 Koněvova 1697/18  
 400 01 Ústí nad Labem  
 The Czech Republic  
 tel./fax: +420 47 520 10 23  
 email: [info@komunitninadace.cz](mailto:info@komunitninadace.cz)  
 web: [www.komunitninadace.cz](http://www.komunitninadace.cz)

Formally established in 1993; became a community foundation in 1997

Community Foundation for Blanice and Otava River Areas (Komunitni nadace Blanicko-Otavska)  
 Zamecka 42  
 398 11 Protivin  
 The Czech Republic  
 tel.: +420 382 272 978  
 email: [kancelar@konabo.cz](mailto:kancelar@konabo.cz)  
 web: [www.konabo.cz](http://www.konabo.cz)

Formally established in 1997; became a community foundation in 2006

Via Vitae Foundation (Nadacni fond Via Vitae)

Nadrazni 29

702 00 Ostrava

The Czech Republic

tel.: +420 596 616 399

email: [nfvv@vitaova.cz](mailto:nfvv@vitaova.cz)

web: <http://nfvv.vitaova.cz>

Formally established in 1998; became a community foundation in 2006

Echo Moravia (Initiative for the Establishment of the South Moravian Community Foundation)

Pod Kostelem 972

671 55 Moravská Nová Ves

The Czech Republic

tel.: +420 777 112 437

email: [echomoravia@seznam.cz](mailto:echomoravia@seznam.cz)

web: <http://echomoravia.ecn.cz>

Formally established in 2003; became a community foundation in 2006

### **Community foundation staffing**

Three of the four community foundations have paid staff. It varies from half-time to four full-time staff. First paid staff usually serves as the administrator. The most developed community foundation has the following structure: executive director, donor relations officer, grant officer, assistant/finance.

### **Community foundation income**

#### Income

Corporations (regional/national/international)	43%
International donors (EU Funds, private foundations)	33%
National/regional foundations	16%
Individuals	8%

#### Purposes

Donor advised funds	40%
Unrestricted grants	20%
Specific programs	20%
Operating costs	20%

#### Permanent funds/Sustainability

Usually 10 percent of donations from corporations or individuals is going to the endowment fund. Two of the four community foundations received significant contributions into their endowment from Foundation Investment Fund during the years 2000-2006. The Foundation Investment Fund (FIF) was established by

the law passed by the Czech National Council in 1991, with the aim to support selected foundations in the Czech Republic. The Government earmarked for this fund 1 percent from the sale of shares in the second stage of the coupon privatization (privatization of Czech state property).

## **Environment for philanthropy**

### Local attitudes

Technology-driven change and crisis-driven philanthropy are two visible trends in the country. Three years ago a new giving vehicle was introduced tied to mobile telephone text messaging (SMS). It allows anyone to make a modest donation (roughly US \$1.50) to an eligible charity easily and transparently by sending a simple text message via a mobile phone. All mobile phone operators unified this process and gave up their fees, and the entire system is operated under the auspices of the Czech Donors Forum (Association of Foundations). This system has been used successfully by a wide spectrum of people, most commonly in response to public crises (tsunami, floods, etc.). In just two years the text-message donor platform became the most effective tool of fundraising around disasters and major crises. On the other hand, it usually fails when used at the local level or for raising funds for any purpose that is not extremely easy to explain and be understood by the public.

Corporate social responsibility has emerged as an important idea, which is being adopted not just by multinational corporations, but also by small and medium enterprises operating at local levels. Thanks to this trend community foundations have an opportunity to offer professional services in the field of giving, which is one of the main aspects of the corporate social responsibility concept.

### Legal and tax environment

Regarding the legal and fiscal environment, no special incentives or benefits have been established just for community foundations. However, community foundations get the same benefits as other types of foundations. These mainly are no income tax on endowment investments, no donation tax and a few others. The legislation governing foundations is rather strict in regulating the business activities of foundations, but it serves transparency and accountability by mandating audits, public annual reports etc.

Corporate donors can deduct donations up to 5 percent of their pre-tax annual profits. For individuals the limit is 10 percent. The main obstacles for community charitable giving are:

- limited activities for foundations
- lack of community awareness
- unstrategic corporate giving

### Changing attitudes and the national or local environment

Individual and corporate givers are maturing in their approach to philanthropy. After the fall of communism 18 years ago, charitable giving re-emerged for the first time in decades. During the first decade of this philanthropy renaissance, individual and corporate donors seemed to be driven primarily by emotion, focused on current needs in order to “do good.” Now donors are starting to think more strategically about their giving and increasingly direct their support to projects based on their potential for success and not only on need. Donors have started asking to see the results of their giving and are asking grantees to measure outcomes. This also represents an important opportunity for community foundations to bring value to those donors as models of modern, strategic philanthropy.

### **Community foundation activity and impact**

**Example: Building of semi-permanent funds.** The first community foundation in the Czech Republic was established in 1997 through support of the Mott Foundation. It changed its name in 2004 and is now called Community Foundation of Euroregion Labe.

It started a system of semi-permanent funds in 2003 in order to create better opportunities for corporate and individual donors and to overcome eccentricity and misunderstanding of permanent giving in Czech conditions. The assets in the semi-permanent fund comprise two parts – the temporary one and the permanent one. The temporary part of the assets is formed by a maximum of 90 percent of every donation made to the Fund, and the Foundation shall spend it to make grants to the projects selected upon the grant-making committee’s decision. The permanent part of the assets is formed by at least 10 percent of every donation made to the fund and the Foundation shall be obliged to regularly increase its value until a permanent annual yield is secured. 100 percent of the annual yield from the permanent part of the assets will always be transferred to the temporary part of the assets every year.

During the five years promoting and implementing semi-permanent funds, Community Foundation of Euroregion Labe is currently managing 20 donor advised funds based on semi-permanent basis. This approach became popular not only on local level, but was also adapted and adopted by other community foundation in the Czech Republic, and even in other countries (e.g. Bulgaria).

### **Current challenges and future developments**

#### Major challenges facing community foundations

Czech community foundations are concerned about finding transactional efficiencies, especially because they rely so heavily on support from the business sector. In the business world, of course, there is a great deal of attention paid toward fees (as a percentage of overall charitable giving).

In parallel, the establishment of the Czech Association of Community Foundations is a critical step in the development of philanthropy support infrastructure. A central goal of the association is to expand the geographic coverage of community foundations by identifying groups and those interested in the community foundation concept. Another priority is to build awareness about community foundations among prospective donors and also the general public through published promotional materials and visibility campaigns in national media.

### Areas for future community foundations development

The key issue of the future of both existing and emerging community foundations in the Czech Republic is assuring their long-term sustainability. Entities struggle with insufficient operational funding, some have but marginal endowment. This is why the group of emerging community foundations prioritized the following strategies:

- To strengthen, to diversify and to expand the local donor base;
- To develop donor services – specifically the capacity to manage corporate and individual funds;
- To focus on raising permanent (endowed) gifts;
- To collaborate as a group in approaching national and international corporations; and
- To play an active role in designing and implementing corporate social responsibility activities of current and prospective corporate donors.

### **International links**

The Community Foundation of Euroregion Labe is involved in TCFN, especially in TCFN Peer Exchanges. It is a tremendous opportunity for informal learning, sharing and exchanging experiences and intercultural mutual understanding.

This foundation also participated in Transatlantic Community Foundation Fellowship three times (twice as a host organization). The three-week fellowships were a very intensive way of exploring host foundation activities and mutual learning and transfer of know-how, which usually continued a long time after the end of the fellowship.

A group of Czech community foundations met with Slovak community foundations last summer and that meeting was perceived as the “pre-meeting” establishing a tradition of Annual Meetings between Czech and Slovak community foundations and their support and service organizations.

## **Support Organization: Association of Community Foundations in the Czech Republic**

### **History and purpose**

A.K.N. – občanské sdružení (Association of Community Foundations in the Czech Republic) was established in 2006 as a result of informal cooperation of four community foundations and three community foundation support organizations.

The mission of AKN is to support the development of community foundations and organizations striving to become community foundations, to support their cooperation and communication and to promote and disseminate the model of a community foundation in the Czech Republic.

The long-term goal of the AKN is set at strengthening development of community foundations in Czech Republic.

Current burning priorities of the association include the expansion of geographic coverage of community foundations by identifying groups and/or individuals attracted by the community foundation concept; and building awareness about community foundations among prospective donors, as well as the general public, by publishing promotion materials and by organizing visibility campaigns in national media. The Association strives to coordinate action taken by Czech community foundations and by relevant service organizations with regard to both national and international funding and other partners.

### Other organizations that support and promote the development of community foundations

The Czech Donors Forum (National Association of Foundations) indirectly supports community foundations by striving to promote philanthropic giving in general, and by developing circumstances for giving in all forms.

#### Contact information:

Czech Donors Forum / Fórum Dárců  
Pavlina Kalousova, Director  
Palác Lucerna, 5. patro  
Štěpánská 61  
116 02 Praha 1  
The Czech Republic

### **Structure and organization**

The Association is divided into two parts: the Foundation section comprises foundations and organizations with a community foundation-like approach to their audiences; the Support section comprises active fans and supporters of the community foundation model in the Czech Republic.

The Foundation section currently involves the four following members:

- Community Foundation of the Euroregion Labe (CFEL)
- Community Foundation for Blanice and Otava River Areas (CFBOR)
- Via Vitae Foundation (VVF)
- Echo Moravia (Initiative for the Establishment of the South Moravian Community Foundation)

The Support section currently involves three members:

VIA Foundation

Civic association Podnos – service organization

Civic association NETT – independent think tank

Organizational structure:

The AKN is headed by a general assembly composed of all members of both AKN segments. The general assembly elects the chair and the deputy chair from among its members. The chairman acts and signs on behalf of AKN between general assembly meetings and represents the organization to external parties. The deputy chairman substitutes for the chairman when not present.

Tomas Krejci, executive director of CFEL, was elected the first chairman of the association and Zdenek Jakubka, the chairman of VVF was elected the first deputy chairman.

AKN is a hybrid organization, which on the one hand is an association of community foundations, and on the other acts also as a community foundation support organization. Both organizational units possess different membership rights. The Rules of Operation stipulate the dominance of the Foundation section whose quorum may veto any program objectives, projects or cooperation of AKN and/or it may demand a majority vote of the Foundation section in favor of any vote or election.

### **Recent accomplishments**

In January 2007 a brainstorming of AKN members took place in Prague, generating ideas for a joint project for the WINGS Global Fund for Community Foundations.

As of March 1-2, 2007 a two-day workshop for AKN members took place in Moravska Nova Ves formulating long-term goals and priorities of AKN (contained herein), discussing potential funding sources available to AKN, as a whole as well as to individual member entities, and dealing with capacity building in developing the South Moravian Community Foundation.

Towards the end of June 2007 AKN organized a workshop on community foundations, "Community Foundations – Strategic Philanthropy Tool", led by Peter deCourcy Hero, the former president of the Silicon Valley Community Foundation.

As of August 30-31, 2007, a two-day networking workshop of Czech and Slovak community foundations and community foundation service and support organizations took place, attended by a total of 12 representatives of the Czech and the Slovak community foundation associations.

As of October 9, 2007 AKN organized a workshop on resource development of community foundations with Doris Heiser, Director of Donor Services and Development, Greater Milwaukee Foundation, followed by an informational panel addressing the development of Czech community foundations in the residence of the US Ambassador and under his auspices.

As of November 27, 2007 AKN co-organized the Benefit Auction of Wine to support the emerging community foundation in South Moravia.

As of January 30-31, 2008 a two-day workshop for AKN members took place in Moravska Nova Ves to plan the implementation of the project, "Exploring feasibility of philanthropic bequests in Czech

Republic,” currently funded by the WINGS Global Fund for Community Foundations in the total amount of US \$20,000.

In February 2008 AKN received a two-year general purposes grant from Mott Foundation.

### **Current challenges/future developments**

Priorities of Association of Community Foundations in the Czech Republic for next two years are:

- Developing a platform for meeting among community foundations in order to enable information, experience and know-how sharing with a focus on informal education among community foundations
- Identifying, approaching and assisting active individuals and groups with interest to set up a new community foundation or to transform an existing foundation
- Addressing the potential of bequests as a potential funding source which is typical for community foundations
- Setting up a system of cooperation among community foundations in addressing corporate donors
- Strengthening of the organizational and institutional capacity of the Association

### **Additional resources**

The Association’s website is: [www.akncr.cz](http://www.akncr.cz)

*Correspondent: Tomas Krejci, Executive Chairman, A.K.N. – občanske sdruzeni (Association of Community Foundations in the Czech Republic)*