

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Economic evaluation of selected non-profit entity**

**Eliška Černá**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Eliška Černá

Economics and Management

Thesis title

**Economic evaluation of selected non-profit entity**

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### **Objectives of thesis**

To evaluate the financial operation of the non-profit entity.

To determine sources of funding – subsidies.

To propose improvements – recommendation, improvements in operation and finance of selected entity.

### **Methodology**

Theory: Study of literature and resources using appropriate methods such as induction, deduction, abstraction, syntaxion.

Practical part: methods of financial analysis, selected methods for production analysis, methods for cost optimization (minimization).

**The proposed extent of the thesis**

35+

**Keywords**

Non profit, Organization, Pionyr z.s., Volunteer, Costs, Subsidy, Financial analysis, financial statements

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**Recommended information sources**

Hyánek, V. Economy of non-profit organization 1. pub. Brno: Masarykova univerzita, 2004. 114 s. ISBN 80-210-3501-3.

Novotný, J. a kol. Economy and management of non-profit organization. Prague: Oeconomica, 2006. 156 s. ISBN 80-245-0792-7

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Salamon, L. M., Anheier, H. K. Defining the non-profit sector: A cross-national analysis. 1.vyd. Manchester: University press, ISBN 0-7190-4902-4.

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## Declaration

I declare that I have worked on my bachelor thesis titled " Economic evaluation of selected non-profit entity" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14<sup>th</sup> of March

## Aknowledgement

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# Ekonomické zhodnocení vybraného neziskového subjektu

## Souhrn

Práce je zaměřena na nestátní neziskové organizace. Hlavním cílem je charakterizovat finanční chod základní jednotky zapsaného spolku Pionýr z.s. Práce je rozdělena na teoretickou a praktickou část. První z nich – teoretická – je zaměřena na definice neziskové organizace, zasazení neziskového sektoru o české legislativy a vymezení neziskových organizací v rámci Evropské Unie. Dále jsou zde uvedeny informace o rekonstrukci občanského zákona. V této části jsou také stručně popsány daně a účetnictví, které jsou spjaty se zapsanými spolky. Poslední část teoretické části je věnována financování neziskového sektoru.

V druhé – praktické části je charakterizována jedna z organizačních jednotek – Pionýrská skupina Veteráni Kladno. V této části jsou analyzovány roční příjmy a výdaje skupiny. V druhé části praktické části je ukázána finanční stránka vícedenní akce. Především jak vypadá ekonomický proces akce a získávání dotace.

V celé práci se nacházejí informace o různých typech dotací, grantů a fondů. V závěru je zde uveden můj názor na dotační systém v České republice. V poslední části je uvedeno doporučení pro alternativní získávání finančních prostředků.

## Klíčová slova:

- Nezisková organizace
- Rekonstrukce
- Ministerstvo školství, mládeže a tělovýchovy
- Finanční analýza
- Finanční vyúčtování
- Dotace
- Fond
- Pionýr z.s.
- Zapsaný spolek
- Daň z příjmu
- Dobrovolník
- Náklady

# Economic evaluation of selected non-profit entity

## Abstract

The thesis is focused on economy of non-governmental nonprofit organization. The main goal is to characterize the financial operations of the base unit of the registered association Pionýr z.s. The work is divided into theoretical and practical part. First of them – theoretical one – is dedicated to definitions and characterization of nonprofit organization, implementation of nonprofit sector into czech legislative and connection to European Union. Than there are information about recodification of civic law. In this part I also briefly describe accounting and taxes, which are connected to registered associations. The last part of the theoretical section is dedicated to show, how nonprofit sector is financed.

In the second part – the practical one – there is characterized organizational subunit – Pionýrská skupina Veteráni Kladno. In this part there are analyzed incomes and expenses of the group through one year. In the second section of practical part, there is shown financial part of multiple-day event and primarily how the procedure of counting and getting subsidy looks like.

In whole thesis are information about different types of subsidies, grants and funds. In my conclusion are my opinions about the systém of subsidies in the Czech Republic. In last part there is a recommendation, which are the alternative ways of getting money.

Key words:

- Nonprofit organisation
- Recodification
- Ministry of education, youth and sports
- Financial analysis
- Financial statement
- Subsidy
- Funds
- Pionýr z.s.
- Registered association
- Income taxes
- Volunteer
- Costs

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# 1. Introduction

Nonprofit organizations are an integral part of any democratic state. It gives people the opportunity to associate freely in the community and thus indirectly contribute to the state power. Due to nonprofit organizations people can freely choose, how they want to live and how they want to behave and stay in society, described Stejskal in Chosen problems of nonprofit organization.

NOs help state to drive community service in culture and social area. It helps state to realize community activities earlier (and often more effectively) than, if it will be only in hand of the government.

In comparism to Cental and Eastern Europe, Czech (due to international researches) stays on the first places in a quality of NO. On the other hand, the Czech Republic can not match the Western Europe states, because of financing of NO. In the Czech Republic is kind of static and unmodern way of financing.

In Czech Republic NO are divided into two primar group. In the first one there are organizations established by government. They usually care about public administration (we can include there state organizational units and contributory organizations). The second group are non-governmental organizations. Main difference between them is that NGO are private and has no direct connection to the government of the state. There are mainly represented foundation and registered association.

In case of my bachelor thesis I will be focused on NGO in Czech Republic. First of all I will describe generally NGO and than I will be describe Civic Association-Registered Association in more details. In one chapter I would like to describe recodification of private law in the Czech Republic.

In practical part of my bachelor thesis I will focused on financial analysis of one concrete NGO - children organization Pionýr z.s, specifically financing of one year of activities of Pionýrská skupina Veteráni Kladno and analysis of the multiple-day event.

## 2. Objectives and methodology

### 2.1. Objectives

The objectives of this thesis could be divided into two main goals. The first of them is (in theoretical part) to characterize nonprofit sector in the Czech republic and different areas and goals of its working. The next goal is to identify nonprofit organization in connections to our law, taxes and government.

The objective of the second (practical) part is to show analyze financing of registered association Pionýr z.s., exactly of subunit – Pionýrská skupina Veteráni Kladno.

The last and I think the most important goal of this thesis is to make a conclusion about financing of nonprofit sector and recommend some ways of better financing of activities to reach a main goals of the association.

### 2.2. Methodology

In my thesis there are used many different methods of getting information.. In the first part especially induction deduction of information from chosen sources. In this part quite helpful for me are my own experiences and education, which I have from my registered association. Of course there are used some quotation from different authors and laws.

In the second part, there is used financial analysis of statements of the registered association. There is analysis of incomes, expense and taxes of an association in one year. Further, there is analyzed on multi-day event. Similarly as in a theoretical part, I have my own statement from practice, because I had a best opportunity to plan, organize and account an event.

### 3. Literature review

#### 3.1. Characteristics of nonprofit sector

Nonprofit organization is usually formed for different purpose than for personal profit. Non profitability is understood in that way, that prospective profit is given back to the activities of organization, not for personal profit of members of organization.

Non profitabel sector is an integral part of whole society. Main meaning of it is basically satisfaction of social needs.

Non profitable organizations are founded for charitable activities, which purpose is not strictly defined. It hides quite a big range of activities (sport, culture, education, social and health care, youth development, ecology etc.)

In the Czech Republic we divide nonprofit organizations into two basic groups. In the first one there are organizations established by government and the second group are non-governmental organizations. Typical example of NGO in the Czech Republic are Registered Associations.

NGOs provide people services which state can not give them, or can not give them in such a quality or quantity. It gives people opportunity to do their hobbies, control public events and so on.

NGO can be better defined in five complex featuers (international classification – Salamon, Anheier)

*1. Organized, i.e., institutionalized to some extent. What is important is that the organization have some institutional reality and internal organizational structure to it. This is typically signified by a legal charter of incorporation, but it can also be demonstrated in other ways in countries where legal incorporation is neither common nor readily available.*

*2. Private, i.e., institutionally separate from government. Nonprofit organizations are nongovernmental in the sense of being structurally separate from the instrumentalities of government. This does not mean that they may not receive significant government support or even that government officials cannot sit on their boards.*

*3. Non-profit-distributing, i.e., not returning profits generated to their owners or directors. Nonprofit organizations may accumulate profits in a given year, but the profits must be plowed back into the basic mission of the agency, not distributed to the organizations' owners, members, founders or governing board. Nonprofit organizations are private organizations that do not exist primarily to generate profits, either directly or indirectly, and that are not primarily guided by commercial goals and considerations.*

*4. Self-governing, i.e., equipped to control their own activities. Nonprofit organizations must be self-governing and in a position to control their own*

*activities through internal governance procedures, and enjoy a meaningful degree of autonomy.*

*5. Voluntary, i.e., involving some meaningful degree of voluntary participation. To be included in the nonprofit sector, organizations must embody the concept of voluntarism to a meaningful extent.*

*To keep the project manageable, we decided to exclude two types of nonprofit organizations that are properly part of the nonprofit sector: religious/sacramental organizations and political parties. Accordingly, we added two additional criteria:*

*6. Nonreligious, i.e., not primarily involved in the promotion of religious worship or religious education. This criterion excludes congregations, synagogues, mosques and churches, but leaves church-related and religiously affiliated organizations within the nonprofit sector.*

*7. Nonpolitical, i.e., not primarily involved in promoting candidates for elected office. While this criterion excludes political parties, it preserves advocacy and civil rights and similar organizations as part of the nonprofit sector.*

## 3.2. NGOs in legislation

### 3.2.1. NGOs in context of Czech Legislation

In the Czech Republic, the liability for the issues of coordination, advising and funding of NGO has Government Council for NGO. It is, in some way, connecting body between government and NGOs. Government Council gives government materials regarding NGO and conditions for their working in the Czech Republic.

The definition of NGOs due to Government Council shows attitude of society to nonprofit sector. It is part of methodology for financial analysis for annual budget from government.

NGO Government Council ranks in NGOs these subjects:

- Civic associations and their suborganizations
- Charities
- Ecclesiastical juridical persons
- Beneficent companies

In a broader context defines NGOs Law of Income tax n. 586/1992 sb, § 18, section 8. This act describes NGOs as legal entities, which do not exist because of self profit. This law deal especially with:

- a) *Legal entity,*
- b) *Organizational unit of the state*
- c) *Unit trust (due to the law, which adjusts investment companies and investment funds)*

- d) *Subfunds of joint-stock company with variable basic capital (due to the law, which adjusts investment companies and investment funds)*
- e) *Pension company fund, which is for purposes of this law understood as fund, which is operated by pension company due to law, which adjusts additional pension insurance*
- f) *Trust fund due to NCL*
- g) *Unit, which is due, to legal regulation of the state, due to which was established or founded taxpayer*
- h) *Fund in management of Guarantee financial market due to law adjusting healing processes and solvings of crises on financial market*

Because of huge recodification of private law, which is valid from 01.01.2014, there is a new term „public benefit taxpayers“. It is based on definition of public good edited in new civic law. Public benefit taxpayer is legal entity whose goal is to contribute to general welfare. As public benefit taxpayer can be labeled legal entity, if and only if, irreproachable individuals are involved in decision-making, if this NGO acquired its property from legal sources and if it uses its property to fulfill its activities.

For better view § 17a – taxes from income (in new version from 01.01.2014) divides NGO to two groups. First one – public good taxpayers and the second one which are not labeled as public good taxpayers in purpose of tax from income. Public good taxpayers are not:

- *Business corporation*
- *Czech television*
- *Czech radio*
- *Insurance company*
- *Charities, which goal is related to someone who is in some relationship to founder of charity*

To meet legal conditions to get tax discounts, NGOs has to reach these demands:

- *must be registered in the public register kept by the competent court*
- *must exert public good activity – according to civil act*
- *must be transparent and public controled*
- *members of association can not divide the profit*
  - *profit has to be used back for ativities of association*

### 3.2.2. Czech nonprofit organization in relation to European Union

Even if the European Union tries to join legislation in business, international, security, juridical sector, nonprofit sector is area in which it is not possible. It is given by basic people's rights, culture, freedom of opinions, religion. Due to these differences nonprofit sector stays still in full competence of th state.

*Similarly as absence of united legal arrangement, even terminology is not for all states of the EU the same. This problem is in different understanding of nonprofit sector in individual states. In the Czech Republic, status of non-profitability is given by legal type of organization. (Olřdich Āepelka, 2003)*

Differences are, obviously, in financing of nonprofit sector and cooperation with government. In states of continental Europe (Germany, France) usually the government contributes in progress and financing of NGOs. On the other side, for example in Great Britain, private businesses are involved in financing of NGOs. It works on partnership between NGOs and companies.

Thanks to entering the Czech Republic into European union, NGOs have new way or opportunity of financing their activities. Due to structural funds of European Union NGOs can ask for grants and financial help. The amount of these given money growth every year.

NGOs can ask for money in different types of activities from different areas. For example social activities, education, new educational programs, human resources development, free time activities, sustainable business and many others.

Now, NGOs can submit applications for getting grants from European structural funds under the program period 2014-2020. NGOs, that choose to make such an application, must be prepared for a quite complex process of preparing an application with an uncertain outcome, because in these days many of NGOs tries to get one from these funds. Another obstacle is, that requirements and conditions for getting money are quite strict in way of formal and content site. Great emphasis is placed on transparency and integrity of chosen nonprofit organization. Administration of these projects is really consuming. Control system requires regular reporting of project through monitoring reports, controls and audits.

Next profit of membership of the Czech Republic in European Union in case of NGOs is that thanks to international activities and better awareness about voluntarism and NGO's activities rise the number of volunteers each year. This can be attributed to the projects throughout the European Platform – for example European year of volunteering 2011.

### 3.3. Civic association – registered association

#### 3.3.1. Civic association in general

In legal form, civic association represent association of physic or legal persons. Civic association is in legal way a separate legal entity with its own legal personality. Civic association are established to reach some previously defined goal related to public good. Civic associations are nonpolitical and nonreligious and can't deny personality of its members in any (political, social, racial, nationl and other). Civic association is not established for personal profit.

For establishing civic association is necessary to register it at Ministry of Interior and Czech Statistic office. The basic document for establishing civic association is a charter. More information about another necessities in process of establishing Civic association are in chapter about Registered associations.

#### 3.3.2. Recodification of private law in the Czech Republic

Nowadays, the term Civic association is not used anymore, because of recodification of civil law. Due to this extensive recodification, which is valid from 01.01.2014, civil law do not speak about civic association, but it establishes new term – registered association. In fact, it is especially about changes in terminology. Main reason of this recoification was to join all private-legal relationships into one document. New Civil Law contents many laws, which were published separately, which were canceled, when NCL came in force. This act canceled even Law for associatin of citizens n.83/1990. Original law loses its validity and is replaced by NCL, which was accepted 22.03.2012 and is valid from 01.01.2014.

As is overwritten previously, main changes were done in terminology. The most of rules, which adjusted associating of citizens were preserved. Associations are still established for holding public good, have their own legal entity, which characteristic element is common or public interest. The same is still the rule of nonprofitability – in term of nonprofitability of individual members of association. All profit is given back to the association to perform activities and reach goals of association. It means, in fact, that associations are still authorized to provide social and public services

What concerns other procedural changes, there is necessary to mention the fact, that associations should newly subject to deeper control and regulation of the state.

Another term which is used in connection with association is so called secondary economic activity. Its purpose consists of supporting the main activities of the association or of proper economical activities of association.

Civic associations, which were established before the New Civil Law was valid and are still active are due to § 3045 sec.1 of NCL automatically transformed to registered association.



*Civic associations due to Law n. 83/1990. About associating of citizens, amended, are considered as registered association due to this law. Association has right to change its legal form into institute or social cooperative due to different law.*

Another change is in a way of registration of association. Previously, proposer has to give propose to Ministry of Interior. Nowadays administration of proposes goes on on registraton court. Due to new law n. 304/2013 Sb. – public register of legal and physic entities. Register Court means the locally competent regional court. The date of establishing new association is a date when registration court enrol association to the public register. If there is no reaction in deadline of thirty days from submission of purpose, the association is automatically enrolled.

NCL requires that association indicate legal form in name of association. For example Civic association Pionýr had to change the name to Pionýr, registered association (in czech zapsaný spolek). So new name is Pionýr z.s.). This has to be done in two year deadline, since the NCL is valid. These changes has to be implemented into all intern documents and statues of association. Due to regulation § 3041 of NCL intern documents has to be in compliance with NCL. Associations are obliged to change their documents in three year deadline, since the NCL is valid. There I would like to mention some of changes which are associaions obligated to do in their documents. In statues has to be written statutory auhority, rights and duties of members. Authorities of association are statutory authorities, supreme authority and sometimes control system. Supreme authority is membership meeting (if the association determines otherwise in the statues).

### 3.3.3. Registered association

Due to Law recodification, NCL does not describe Civic Association any more but speak about Registered Association. Establishing and existence of registered association adjusts law n. 89/2012. Registered associations are established for achieving a common purpose or public interest. For establishing new registered association is necessary to have at least three people with common interest. At least one of them has to be 18 years old or elder. The NCL speaks about autonomous and voluntary association. It means, in practise, that all members are in association by their own choice and can leave, if they want. Autonomy is based on independent (or partly independent) decision-making of association. Kind of peculiarity is that members of association are not liable for the debts of the association. As is written previously, profit of association can not be used for personal profit of members, but has to be used for another activities of association including the management of the association.

*New civic law says that founders establish association if they agree on the content of the statutes; Statutes contain at least:*

- a) Name and registered office of association*
- b) Purpose of the association*

- c) *rights and obligations of members of association, or the way how these rights and obligations will rise*
- d) *Determining of statutory body*

The statutes may provide different types of membership and different rights and obligations for these memberships. They can also set up the so-called branch associations. Statutes can be established as organizational unit of association or can determine the way how can be branch association established. These statutes has to be stored at the registered office of the association.

### 3.4. Accounting and taxes of registered association

In this part of work I will explain basic terms from accounting law and tax law, because it is an integral parts of financing of regitred association. First of all I will desribe some basic terms from accounting and explain in which way the association bookkeep. In the second part I will speak about income taxes which the association is under.

#### 3.4.1. Accounting

Due to accounting law, accounting unit which keep the definiotn of nonprofit entity (the purpose of activities is not to make a profit) has an obligation to keep an accountancy. There are to options in which it could be done

- Simplified range
- Ful range

Accountancy of nonprofit sector is adjusted by many laws, guidelines and regulation. The most important of them is accounting law n. 563/1991 – amended. Another regulations which has to be followed are:

- Czech accounting standarts for accounting units, whose main subject is not to make a business – standarts n. 401-414.
- Announcement n.504/2002 – implementing announcement for parts of law n. 563/1991 for accounting units, whose main subject is not to make a business

##### 3.4.1.1. Accounting law n. 563/1991 – amended

As is written previously, this law is the basic document for accounting of registered association. Registered associations are due to this law simultaneously legal entity and accounting units.

This law together with law of European union range and a way of booking. Accounting unit has to book about situation and movements of property, liabilities, receivables. Further there

is an obligation to information about expenses and profits and, of course about financial result.

Accounting law adjusts some basic terminology. The most important from them is Accounting period. We call accounting period if there are twelve following months. Usually it is similar to calendar year, but for institutes is easier to account in different terms (for example schools – for schools is easier to account due to academic year). The only condition is that accounting period has to start at the first day of the month and has to end at the last day of the twelfth month.

Accounting law further adjusts some problematic areas of accounting of registered association:

- *Range and a way of putting the statement together*
- *Ordering, labeling and demarcation of content of issues of property and other assets, liabilities in the statement*
- *Ordering, labeling and demarcation of content of expenses and profit and result of financing in the statement*
- *Ordering and demarcation of content of explaining and completing information in appendix of the statement*
- *Target accounting outline*
- *Accounting methods*
- *Method of transition from simple accounting to accounting in full or simplified range.*

#### 3.4.1.2. Bookkeeping

Due to announcement n.504/2002, amended, there are two types of accounting. Accounting in full range and accounting in simplified range. *Some of accounting units has permission to bookkeep in simplified range (due to § 9 par. 3 and 4).*

To book in simplified range, if further is not said in another way, can accounting unit if:

- a) *In case of state-funded organization decide its establisher*
- b) *Is small or micro accounting unit and does not have a duty to have accounting statement certified by auditor*

From accounting unit due to par. 3 letter b) which are accounting units due to § 1 par. 2 can use simplified bookkeeping accounting unit which is

- a) *Association, branch association*
- b) *Trade union, branch trade union, international trade union and international branch trade union*
- c) *Organization of employers, branch organizations of employers, international organization of employers and international branch organizations of employers*

- d) *Church and religion society, church institutions, which is legal entity registered due to law which adjusts position of church and religion society*
- e) *Hunting society*
- f) *Generally beneficial association*
- g) *Endowment fund*
- h) *Institute*
- i) *Association of owners of units*
- j) *Housing and social cooperation*

The announcement n.504/2002, amended, says that accounting units, which book in simplified range and are marked as micro accounting unit, make adjustments and reserves only due to particular legal regulations, do not appreciate property and liabilities by the real value due to § 27 of accounting law 563/1991, amended.

### 3.4.2. Taxes

Registered association are in the Czech Republic under the taxes. However the range of taxation is smaller than in a case of business, which are established primarily for making profit. There are some concessions and sales. The tax law does not operate with term nonprofit organization. Through that this term is commonly used.

These nonprofit organization are deeply described in Law of income taxes, as is stated previously. The reason for more free taxes politics for nonprofit sector is to support establishing, progress and running of registered association. *There are three institutes, through which state involves financing of nonprofit sector. These institutes are:*

- *Taking out specific payments from the subject of payment*
- *Exemption of specific payments from tax duty*
- *Another partial favored tax regimes for nonprofit entity*

The first institute, taking out specific payments from the subject of payment, excludes chosen activity from subject of tax. In practise it does mean that some incomes can not be included in the basement for counting the base of tax of income of legal entity.

The second institute, exemption of specific payments from tax duty means, that specific incomes are counted in the base of tax of income, but there is no duty to pay the tax from them. This institute is most enlarged. These exemptions have many conditions and usually are time limited, but on the other hand its utilization is compulsory.

The last institute, another partial favored tax regimes for nonprofit entity, entitle organizations to decrease counted base of tax due to some procentual part (law of income taxes).

#### 3.4.2.1. Income taxes

The most important taxes for activities of registered associatons are incomes taxes. The law n. 586/1992, amended, adjusts these income taxes. The § 17 from this law, which deals with income taxes of legal entity, says, who has to pay income taxes (who is taxpayer).

These taxpayers are:

- i) Legal entity,*
- j) Organizational unit of the state*
- k) Unit trust (due to the law which adjusts investment companies and investment fund)*
- l) Subfund of joint-stock company with variable basic capital (due to the law which adjusts investment companies and investment fund)*
- m) Pension company fund, which is for purposes of this law understood as fund, which is operated by pension company due to law, which adjusts additional pension insurance*
- n) Trust fund due to NCL*
- o) Unit, which is due, to legal regulation of the state, due to which was established or founded taxpayer*
- p) Fund in management of Guarantee financial market due to law adjusting healing processes and solvings of crises on financial market*

Due to § 17 and definition of registered associations are these associations ranked among taxpayers.

Due to § 18, subjects of tax are incomes from all activities and from disposing with all property, if there is not provided differently. This is a bit general and because of it is deeply adjusted in other paragraphs.

Due to § 18, subject of income of nonprofit sector (public good taxpayer) is not:

- a) incomes from non-business activity, if the costs expended due to this law in connection with unning this activity are igher than income*
- b) subsidy, contribution, support or another similar financial performance from public sources*
- c) support from Wine fund*
  - Income from tax, fee, or another imilar financial performance, which flow to town or region*
  - Fee, which is income for tate budget from*
  - Ownership transfer or usin of state property among the state organizational units and state organizations*
  - Sale or rent of the state property*

On the other side, § 18 adjusts issues which are always a subject of income tax

*These issues are:*

- a) Advertising*
- b) Member contributions*
- c) In case of interest*
- d) From rent (except the rent of state property)*

In this paragraph are further adjusted conditions for considering of fulfillment of conditions. Compliance with these conditions are considered for the whole tax period due to different type of activity. Tax period is usually calendar year. Similarly as financial period can be adjusted tax period. In practice it means that period has to start at the first day of the month and has to end at the last day of the twelfth month. If there are (in the same type of activity) on the one side activities, which incomes are higher than expenses, but on the other hand there are activities which expenses are lower than incomes, the only activities, which income is higher than expenses are included in the subject of tax, which implies that taxpayers are obliged to bookkeep in the way, where is visible which incomes are subject of taxes, which are not or which are freed from tax paying.

## 3.5. Financing of Pionýr z.s.

In this chapter I would like to characterize registered association Pionýr z.s. First I would like to show organizational structure, authorities and ways of financing. Thanks to my long-standing membership in registered association Pionýr z.s. I have chosen it for my practical part of the thesis. First of all I will characterize association and then I will show economic flow of one subunit of association – Pionýrská skupina Veteráni Kladno. The last part of the thesis will show deeply financing of event of this association.

### 3.5.1. Characteristics of Pionýr z.s.

#### 3.5.1.1. Basic information and characteristic

The association is NGO, which is yearly accepted by Ministry of education, youth and sports. The association works at each of 14 regions of the Czech Republic in many different areas of activities. *The statute of association says that Pionýr z.s. is democratic, voluntary, independent association of children, youths and adults.* The purpose of association is to fulfill public good activities. These activities consists of cultural, educational and charitable activities, which fill free time not only for children and youth. In general, the purpose of association is to help children, youth and adults to spend their free time actively. It contributes to prevention of criminality and socially pathological phenomena.

The huge part of activities of association are freely accessible for non-registered people too. During the year, children can visit many different troops and clubs with different hobbies and interests. There are general, touristic, art, computer, sport, geocaching, canoeing and many other activities. The association working with other associations and charities. In conjunction with them, Pionýr z.s. stages many events and whole-republic activities. For example we can name events as Ledová Praha), beneficial concert Děti dětem or Sedmikvítek. In case of charity, Pionýr z.s. working with organization Liga proti rakovině - so called Kytíčkový den – selling of small flowers to help research of cancer. The second charitable activity is Zdravá pionýrská krev, during which can volunteers give a blood.

The culmination of year-round activities are summer camps. In last few years many subunits stage winter camp too. Summer camps are roofed by project Opravdu dobrý tábor. This project should help parents to choose the best camp for their children, give some advices, and help detect untrusted organizer.

In 2014, subunits of association organized 387 summer camps with 16 100 children. In case of winter camp it was 44 camps with 1 124 children.

At the end of year 2014, Pionýr z.s. had around 13 600 members which are registered in 265 subgroups. Than association has 109 opened clubs. Thanks to these numbers, Pionýr z.s. is ranked to the most important association in the Czech Republic and thanks to effort of

hundreds of volunteers this number still rise. Nowadays, Pionýr z.s. has 13 688 members, which works in all 14 regions (but in only 13 organizational units, because Zlin and Olomouc region were merged into one), 260 pioneer groups, 525 troops and 123 cubs. In further graphs, there are shown actual data about state of members, groups, clubs and clubs in each region.

Figure 1 – Graph – numbers of members in each region

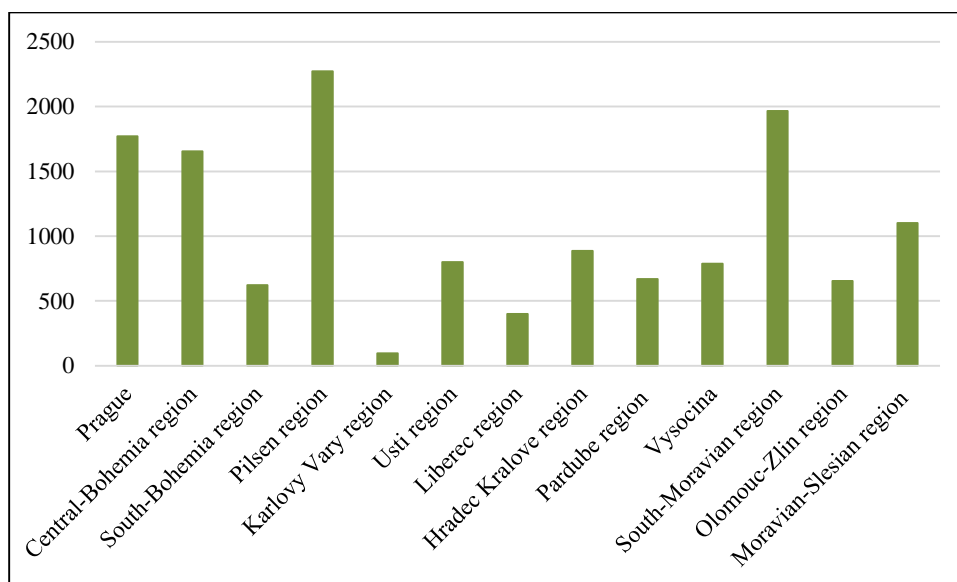


Figure 2 – Graph – Numbers of groups in each region

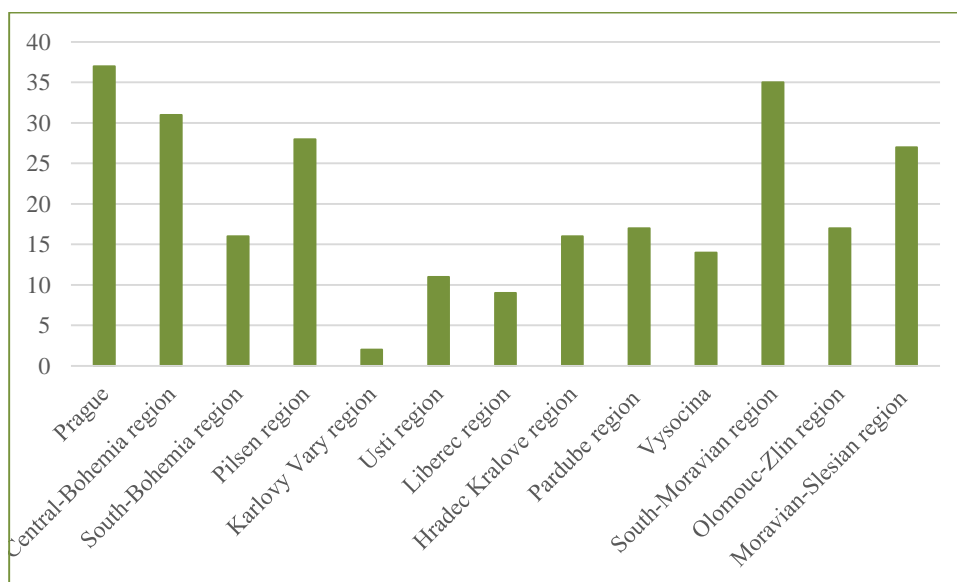




Figure 3 – Graph – Numbers of troops in each region

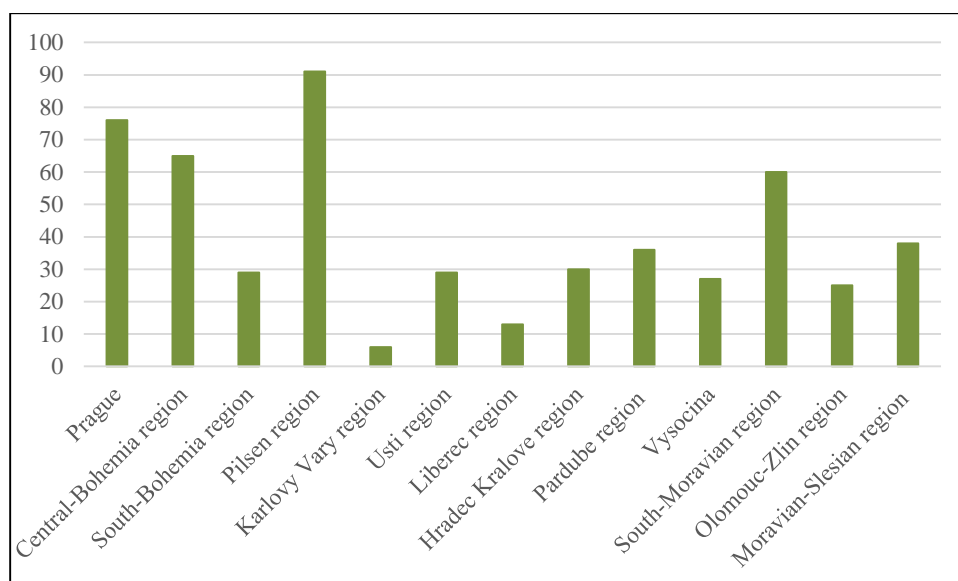
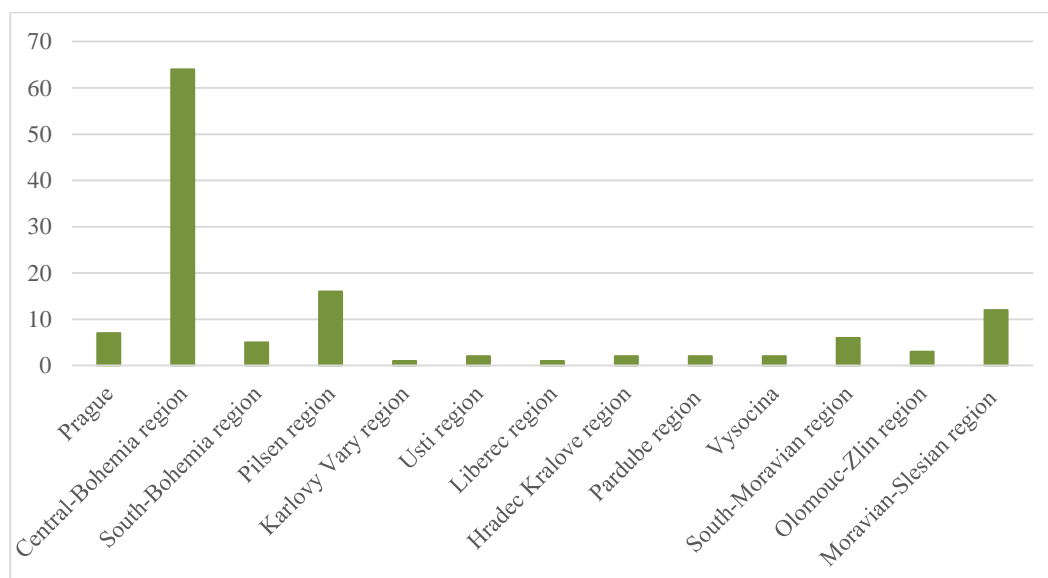


Figure 4 – Numbers of clubs in each region



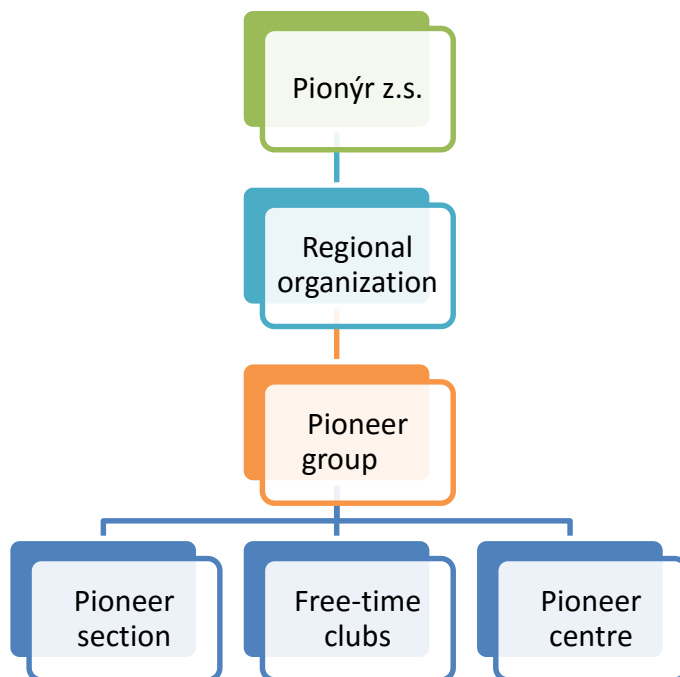
These graphs show us, how members of Pionýr z.s. are divided. It also give us a proportional division. Of course, this division is involved by the size of the region.

### 3.5.1.2. Organization units of Pionýr z.s.

To ensure the full functioning of the association, there has to be some organizational structure. Pionýr z.s. has three-stage structure. In this case we use term branch association. The main registered association has many branch association (due to § 219 NCL) – regional organizations (31.12.2014 – 13 regional organizations) and pioneer groups (31.12.2014 – 265

pioneer groups). To show better the organizational structure of association there is a scheme below:

Figure 5 – Scheme of organizational structure of Pionýr z.s.



Pionýr is association which works as separated legal entity. Branch association, which has their own legal subjectivity (which are, in case of Pionýr, regional organizations, but Pionýr groups too - these entities are legally and the same level of branch association, but statues adjusts these levels as different because of better organization of activity) dispose with their property which they had when the association was established, or which they get during their activities. All these subjects have to hand over financial statement (double-entry bookkeeping) or statement of assets, liabilities, income and expenditure (simple bookkeeping) - primarily due to review, preparation of statements and annual reports. As is said previously, Pionýr z.s. can hold economic activities only as minor activit for ensuring main activities.

Every association has to have some central authority. This central authority of Piony z.s. resides in Prague. Nowadays the chairman is Mgr. Martin Bělohlávek. This eadquarters in itself concentrate the most important authorities of association: Annual meeting of Pionýr, Czech Pionýr Council, Executive and control committees.

Annual meeting of Pionýr is the highet authority. It is convened every five years by the chairman. There are attended representatives of all Pionýrs groupfrom Czech Republic. The main purpose is to make changes in statue, plan the program, show financing and so on.

Czech Pionýr Council is made by voted delegates and meets at least once a year. But it can be more as it is needed (In year 2014 was just one – divided into two meetings). It drives the association between annual meetings. Czech Pionýr Council makes decision about guidelines, statues, rulesof procedures for authorities at the nationa level.

Executive comitee is executive authority. It authorizes events – in program and organizational way, establishes branch associations – decides about budgets and properties. This comitee drives the activities of association between meetings of Czech Pionýr Council. It has to have at least 7 members

- Chairman of Pionýr
- Economist
- Vice-chairman
- Other members

The headquarters drives Regional organizations. Nowadays there are thirteen regional organizations. It is due to the merger of two regional organizations (Zlin and Olomouc). These branch associations have their own legal entity and drives the activities in relevant region. Under these regional oganizations are Pionýr group. These group are the basic organizational units of Pionýr. Regional organizations ensure complete services for groups. Another purpose of regional organizations is to ensure education of members of association.

The smallest units of Pionýr z.s. are troops. They fullfill the essence of Pionýr z.s. and ensure the basic activities. Troops prepare regular educational activities during whole year. It is usually in form of meetings once a week, weekend events, long-term activities. It depends on

member of each troop, which activity is interesting for them and which activities they want to pursue.

### 3.5.2. Sources of financing of Pionýr z.s.

In this chapter I will speak about sources of money, which Pionýr z.s. uses for its activities. Firstly I will speak about financing in general and then I will describe different sources of money – primarily membership contributions, grants, subsidies, minor economical activities. Than I will move to dividing the money to subunits – branch associations.

#### 3.5.2.1. Financing of Pionýr – CR

To ensure all activities which Pionýr z.s. offers is necessary to use all possible sources of money, which are available. Despite the fact that Pionýr z.s has many sources of financing I think there are still sources, which are not used in that extent as could (see chapter Recommendation). In spite this fact Pionýr z.s. has turnover about 30 million crowns and it ranks it to the most important organizations in the field of informal education for children.

As was mentioned previously there are many sources of financing. This type of financing is known as multi-sourcing financing. About ways of financing Pionýr z.s. financial part of statue of Pionýr z.s. In general i tis described by Boukal in a publication Nestátní neziskové organizace (teorie a praxe). Of these sources the most important to be mentioned are:

- Membership contribution
- Gifts and legacies
- Subsidies and grat funds
- Revenues from services (participants taxes from events)
- Revenues from minor economical activities

The biggest amount of money fows form the state budget (indicatively about 85%). In year 2014 it was 25 500 000 crowns. It can thus say that the running of Pionýr z.s. is completely dependent on a state support of grant funds. Primarily are used sources from Ministry of education, youth and children. Another Ministry which help Pionýr z.s. is Ministry of Defense, because they are supporting many of shooting clubs (paintball, airsoft).

There are many regional sources of many, from which can branch associations draw. It depends on headqarter of these branch associations, if they want to help with financing and are able to submit a project application. Central Bohemian Governor fund should be named in this case as example of regional support. In the case of „town support“ it is possible to mention Fund of mayor of Kladno or Fund of Cultural Comission. My own experience is that, if there is an idea and people want to do something, these funds can help them.

### 3.5.2.2. Subsidies, grants, funds

As is said previously, the main source of financial properties are grants and funds from state budget - selected chapters relating to non-profit sectors. Subsidies are provided throughout pecuniary. There is no way how to get material donation. Providing of subsidy follows law n. 218/2000, which speak about budget rules.

*Thanks to character of activities most of financial properties come from budget of Ministry of education, youth and sports. In last year, as is written previously, the small part of finances come from Ministry of Defence (it is about 100 000 crown per year). In last year there were so called long-term programs. Nowadays MEYS started to work in different – one-year program system. The program is called Programs of state support for work with children and youth for year 2016 (msmt.cz). The long-term (five years) system was better for Pionýr z.s. because of planning. Authorities could somehow rely on this program and budget in planning of activities, primarily long-term activities (repairing of buildings, long-term activities for children).*

In these programs can (and does) Pionýr z.s. submit a project application for each next year. It is done by electronic application – IS Mladez. To comply with the project application applicants has to meet conditions, which can change each year and of course meet the deadline. For this project can be provided 70% of all outlays. Each project has to have own specification. There has to be the main goal, people, who will realize a project, place, where it will be realized (in case of whole republic project asi is in 2016 Dobrodruzstvi 2016, there it can be more general, because usually it is project which consists of from many and many activities which are realized by thousands of people) and many other information.

On the other hand there are areas, for which the properties can not be provided. By this is meant refreshment, gifts, awards, assets, payments to individuals and legal entities, which work is not connected with realization of project, or payments for people from association, which are not involved in the project implementation. The next thing is that in budget of project has to be just necessary expenses of the project – so it means that there can not be accounted earnings.

As is written previously, these projects are one year long. In this term has to be realized and invoiced. If there are some money, which were not used, it has to be given back to the state. This invoicing, together with closing report and evaluation of the project has to be done till 31<sup>st</sup> of January of the next year. Pionýr z.s. draws primary grants from the czech state budget. I think that it is a pity, because nowadays there is a huge amount of money in European Structural Funds. Pionýr z.s. has drawn finances from ESF just once. It was in operational program Education for Competitiveness in years 2010-2013. In this project Pionýr z.s. made four educational programs which are divided due to ages. Nowadays Pionýr z.s. is waiting for decision in operational program Employment, in which was written project which should support suburban summer camps in years 2016 and 2017.

### 3.5.2.3. Membership contribution

The main finance sources included, apart from grants and participant fees, are membership contribution. In comparison with other sources, membership contributions are the second most important source of finance. Its advantage is in regularity of income. Thanks to electronic register of members, authorities can relatively accurately determine how many members there will be in next year and how many contributions will be collected. Membership contributions are sure income of association. Together with results from project it can be good indicator for budget for next year.

About the price of membership fees decides the relevant regional organization. Regional organizations establish the price of the contribution, which is given to budget of Pionýr z.s. This fee is the same for all members of all branch associations. The price of this fee can be different due to various exceptional situations (financial or social situation). Nowadays each branch association has to give 100 CZK per member to main association budget. In practice, it does not mean that members pay just 100 CZK. They pay more, because some money stays in a budget of regional organization and some money stay in budget of group. For example, nowadays, membership contribution in Pionýrská skupina Veteráni Kladno is 500 CZK, because we have no subsidy for payment of lease of our club, so our group council decided to increase membership contribution. Statutes says, that *honorary members are exempt from these contributions*. Under the tax law are membership contributions exempt from paying of income tax.

The main disadvantage of membership contribution is that not only people (children), who visit troops and clubs have to pay them. Although people who are preparing these activities, spend with this preparation a lot of time (and sometimes have to take a vacations – for example, when they realize summer camp) and has from this no financial profit, have to pay contributions too. Branch association can give these people, who are registered and in that moment pay membership contribution, some benefits. In our group it consists in lower price of participation fees in case of some weekend events or camps and so on. In case of leaders it is customary to do not pay some of participants fees.

### 3.5.2.4. Incomes from selling goods and services

Incomes from activities at central level does about 1,2 million CZK. These incomes consist of participant fees from registered members of Pionýr z.s. from whole-republic events realized by Pionýr z.s. (Ledová Praha, Bambiriáda, whole-republic meeting). As I said previously these incomes can be used only for further activities of association. These incomes are similar as membership contributions exempt from paying of income tax.

### 3.5.2.5. Gifts and another incomes

This is the smallest issue of budget of Pionýr z.s. As we said, in the Czech Republic is not common supporting of NGOs from private companies. Especially in area of education and free time of youth and children. The main reason is probably, that there is no motivation for

this people. If there are some sponsors, usually it is company, which employees or owners has children, who attend some of this NGOs.

Because all financial properties are invested to main activities, there are no money to spent on fundraiser who could help with acquisition of financial properties. Nowadays it is provided by people from management of association, but these people have a lot of their work, so they can not pay a lot of attention to fundraising. Another thing is that these people are not experts in fundraising, so their work is not so effective (Statues and program of Pionýr z.s. – part about fundraising)

### 3.5.3. Dividing of finances to subunits

In each annual report, there is a financial statement for main association. However there are not included data, which are connected with activities of branch associations. In practise it does mean that there are not shown data from regional organizations and separated groups. So in accounting of headquarters are not projected expenses of thousands troops and club meetings, camps, multiple-day meetings and of course regional supports, support from sponsors and other partners.

To ensure effective running of activities in the whole Czech Republic is necessary to fairly divide obtained financial properties to all subunits. In this dividing we are talking primarily about financial properties which were obtained from programs for work with children and youths from MEYS.

For getting money from this budget is necessary to submit an application, which is submitted individually by each branch association (regional organizations, pioneer group). These applications has to fulfill all requirements, which are given by an internal guideline in predetermined deadline. Together with this application, the subunit has to hand in complete financial documents (register of members, statement). All accounting documents, for which we draw a state fund has to be marked with term: PAID FROM MEYS FUNDS.

After submitting an application, there is time for dividing of subsidy. It has several stages, which are described in Statues and program of Pionýr z.s. in a part about fundraising:

- 1st round – global subsidies (for all groups and regional organizations)
- 2nd round – individual regional organization
- 3rd round – material-technical ensuring (MTE)

First round – global subsidies - is going on at the end of February of the relevant year. This round is determined to pioneer groups (interest event., equipment of clubs) and to regional organizations (running costs, labour costs for the 1<sup>st</sup> half of year, funds for education).

These financial properties are divided due to size of the membership base of each unit. To ensure that bigger regional organizations will be advantaged, there is a fixed base of foundation 10 thousand CZK for each organizational unit.

In the second round, this claim for individual regional organization from the first round will be expanded. It is again on the base of the number of members. In this case there are counted data from 31<sup>st</sup> of August. There is a possibility of cumulation of claims from the first round and the second round. These financial properties which were not expended will be further redistributed to organizational units, or will be move into other subsidy chapters.

The third round is completely depended on summer activities (here we speak stricly about summer camps). The part of realized camps is a part of application form. On the basement of documents for summer activities (list of name of participants, number of man-day (number of days multiplied by number of participants), total costs of the camp) there arises a claim for third round of subsidy. It is called MTE (Material-technical ensuring). Based on man-days in camps will be asigned subsidy for acqusition of MTE for each regional organization.

Division of subsidies for service of clubs of individual subunits is quite difficult. Individual groups gain another financial properties from different sources (regional funds, city funds). However, money from civil service usually come with big delay, so it means in practise that there is a need of partial financing of activities of subunits from headquarters. So that means that is almost impossible to determine good working system for dividing of money because of different sizes of rogions, cities and villages in which relevant regional organization works.



## 4. Practical part

In this chapter I will show financial flow in Pionýrská skupina Veteráni Kladno. First of all I will speak about activities of our branch association and will briefly characterize it. Then I will show financial flow in Pionýrská skupina Veteráni Kladno. It is a statement of operations, which has already been mentioned earlier.

### 4.1. Basic information about group

Our group is nowadays settled by three troops (Mimoni, Šmoulata, Klub deskových her). Two of them are general clubs for children from first level of primary school. Klub deskových her is focused on playing of desk games. From next school year we are preparing two new clubs, from which the one will be focused in creative way and the second one will be focused on airsoft.

The number of members of our group still rise. Just for example in year 2014 we staged summer camp for 18 children. In year 2015 it was 45 children and it looks, that we will fulfill capacity of the camp this year really quickly.

Our group is active not only on group level, but we cooperate with regional organization too – for example we are preparing education for new leaders and help with repairings and maintenance of regional camp place. Our group realize not only regular meetings in club, but we prepare many weekend activities and trips. For my bachelor thesis I have chosen one of them – autumn holidays in Liberec, about which I will speak more later.

### 4.2. One year analysis

In this part I would like to show financial flow of Pionýrská skupina Veteráni Kladno. There are different types of incomes and expenses.

The most of terms which are mentioned in tables were explained previously. In the first table there are shown Incomes without impact on income taxes and freed out of income taxes.

*Table 1 – Incomes of group without impact on taxes*

Membership contribution	17 500,00 CZK
Gifts	40 000,00 CZK
Interests from usual bank account	2,54 CZK
Other	20 011,22 CZK
Income subsidy (investing)	0,00 CZK
Income subsidy from MEYCH	53 321,00 CZK
Income subsidy (other)	30 000,00 CZK
<b>Incomes without impact - total</b>	<b>160 834,76 CZK</b>

Expect these incomes, there are another incomes which are directly connected to activities of association, which are freed from taxes. Here we are talking about incomes, which are called Incomes from activities consequents from purpose of group. These incomes are distinct from the table below.

Table 2 – Incomes from activities consequents from purpose of group

Participant fees	399 550,00 CZK
Contributions for activity	0,00 CZK
Other	0,00 CZK
<b>Incomes from activities consequents from purpose of group</b>	<b>399 550,00 CZK</b>

There are counted fees from camps and events in issue participant fees. This fees are paid fitfully, when there is some event organized. There could be another incomes, which could be the subject of taxes. In our case these issues has the zero value. Just for imagination , usually it is advertising, rent, or some other income.

In the next part, I will move to expenses. Similarly as there are incomes without and with impact on taxes, there are expenses without or with this impact. In the first table there are epxenses without impact on taxes, which are, similarly in the case of incomes, freed from taxes.

Table 3 – Expenses without impact on taxes

Refreshment	0,00 CZK
Gifts	0,00 CZK
Purchase of land	0,00 CZK
Purchase of investitions	0,00 CZK
Other investments	0,00 CZK
Expenses of another noninvesting subsidy properties from MEYCH	63 321,00 CZK
Expenses of another noninvesting subsidy properties (another subsidie	30 000,00 CZK
Expenses of another investing subsidy properties	0,00 CZK
Expenses of properties which were gained as gifts	39 458,00 CZK
Dissipation of members contibutions	11 000,00 CZK
Taxes	0,00 CZK
Other investments	0,00 CZK
<b>Expenses without impact on taxes</b>	<b>143 779,00 CZK</b>

Another expenses are from organizing events and activities, which are directly connected to the purpose of the group. These expenses are shown in the following table.

*Table 4 – Expenses connected to the purpose of group*

Events and camps	377 472,00 CZK
Purchase and maintenance of material	275,00 CZK
Rents of rooms	21,00 CZK
Education	0,00 CZK
Administrative and operating costs	3 838,00 CZK
Other	3 829,00 CZK
Payments	0,00 CZK
Taxes	0,00 CZK
<b>Expenses for activities consequents from purpose of group</b>	<b>385 435,00 CZK</b>

From these tables we can see economical flow in year 2014. As is evident from previous tables, incomes and expenses are divided into two groups. Incomes and expenses, which are not in direct connection with activities of group and that which are in this connection.

Also final economical indicators are divided due to this categories. Exactly there is a statement of events and then, that it is included in a whole statement.

*Table 5 – Statement of events incomes and expenses*

Incomes	399 550,00 CZK
Expenses	385 435,00 CZK
Depreciation of inventory which is used for activities	0,00 CZK
<b>Result</b>	<b>14 115,00 CZK</b>

There we can see that there was a profit from financial properties, which were used data events. These profit can be used for another activities of the group.

In table below there is complex statement of financial properties which were received and released in a whole year. It is called financial result of financing of year 2014.

Table 6 – Financial result of financing of year 2014

Total incomes of group	560 384,76 CZK
Total expenses of group	529 214,00 CZK
<b>Total financial result of group</b>	<b>31 170,76 CZK</b>

On these tables we can see that our group has some profit from whole year activities. This profit can be used for other activities, but can not be used for personal profit for people from association (as is said previously).

Another part of this statement is a state of property. It includes financial properties, tangible and intangible properties or liabilities. These properties at the end of the year 2014 are listed in the table below:

Table 7 – State of property

Cash of group	34,00 CZK
Bank accounts of group	69 010,33 CZK
Another financial properties (valuables, shares)	0,00 CZK
Liabilities of group	0,00 CZK
Receivables of group	10 000,00 CZK
Lands	0,00 CZK
Intangible property	0,00 CZK
Investing tangible property	0,00 CZK
Value of small tangible property	61 645,00 CZK
<b>State of property of group</b>	<b>140 689,33 CZK</b>

### 4.3. Analysis of event

In this chapter I would like to show process of financing weekend (or longer) event. I have chosen one of the last events – autumn holiday in Liberec, because I was personally present here and I had the best opportunity to experience it personally. Because our economist is my good friend and participate on each event, I had the best opportunity to try whole process of economical view of the event.. First of all is necessary to make some budget plan, then realize the event and finally bill the event. In our case it is more complicate thanks to subsidies, which we can draw – as is shown later.

#### 4.3.1. Budget plan

As is written previously the most important thing is to have some budget plan. The main reason for it is, that we have to know, how much money we have to collect from participants. Because

there is a big possibility of getting subsidy, our group prefinance part of multiple-day event. Usually it is about 35% -40% of expenses.

When a budget plan is compiling, there has to be some plan of the event. For the good budget plan is necessary to know, which place participant will visit, which activities they will do – briefly there is a need of a program plan and baring in mind supplies (usually the group have some supplies from previous events (milk, floue, canned food)). The program plan is usually compiled together with budget plan (financial affordability of participants has to be ensured) In the budget plan, there are some issues which price is predetermined (rent), but on the other hand there are issues, which we can just estimate (food). All issues, which will be bought, are shown in the table below (usually we use the same issues as are in a statement – for easier orientation).

Table 8 – Budget plan

Rent	4 750,00 CZK
Food	4 500,00 CZK
Transportation of Participants	7 500,00 CZK
Entries	12 000,00 CZK
Reserve	1 000,00 CZK
Car	3 000,00 CZK
Total budget plan	32 750,00 CZK

In this case everything was counted with respect to the previous years. There was counted with 28 participants (but 24 participants, which pay a fee - it is customary to do not pay a fee as a leader) participants and actual prices of services in October 2015, when the budget plan was compiled.

After there is some total budget plan, the price for each participant has to be counted. Here is used backward process (the total price divided by the estimate number of participants, who will pay – 24 in our case). First of all we have to count the price, which will be paid by participants (65%).

In this case it is counted as:  $32\,750\text{CZK} \cdot 0,65 = 21\,300\text{CZK}$ .

From this calculation, we will get a part of expenses, which will be paid from participants contribution. From this there is calculated price of event for one participant.

Calculation of price is further:  $21\,300\text{ CZK} / 24 = 887,5\text{ CZK}$

So it means, that price for one participant is 887,5 CZK. For better counting the price was rounded to 890 CZK . But as is written previously, there is a rule of membership contributions. Due to this rule the price is adjusted for members and for people, who do not pay a contribution. So it is counted in the easiest way. Beacues usually is counted that half of participants are registered and half of them are not on average, for people, who are registered

is price decreased ( - 50 CZK) and for people, who are not registered is price increased (+ 50 CZK).

So in practice it means:

- Registered:  $12 \cdot 840 = 10\,080$  CZK
- Non-registered:  $12 \cdot 940 = 11\,280$  CZK
- TOTAL: 21 360 CZK

From this calculation is visible that the economist has to count with the option that 11 390 CZK (what is about 35% of expenses) might be financed from the properties of the group.

These were steps, which have to be done before the event. From an economical point of view there is nothing interesting during the event. Only one information could be mentioned here and that is that the man who ensures the economical part of the event has to collect documents from each payment, which was done.

The next economical steps are done until after the event. These steps are described in the next part of the thesis.

#### 4.3.2. Statement of the event

After the end of the event and paying of all of receivables, there is time for statement of the event. This statement is important because of two things. First of them is, that the council of the group can see if the event had some profit (which usually does not), or if some part of receivables had to be paid from the budget of the group, and if there will be some requirement on subsidy. If there is a requirement for subsidy, the next important thing is statement for subsidy.

First of all there has to be some summary of the event. This information has to be also in the document for subsidy. The table below shows us basic information about the event (number of participants, number of days and so on). In the table below there are some information, which are not so important to have to be in the thesis (number of region, place of event, term), but for a better view about necessities for subsidies I have left them here. For an illustration there is a form for statement for subsidy for multiple-day event in the appendixes.

Table 9 – Important data for subsidies

<b>Basic information about event</b>	
Implementer	Pionýr, z.s. - Pionýrská skupina Veteráni Kladno
Place	Liberec
Number of region	2
Term	27.10.- 1.11.2015
Participants 6-26 year old	23
Number of days	6
Total number of participants	27
Man-days **	161

\*\* The number of man-days is counted from the actual number of participants, which is multiplied by number of days of event. From these data is evident that one participant had to leave earlier because of working dutie.

From the table we can see, that there were five leaders (one of them me – is not elder that 26). So it means that there were only 22 participants, which have paied a fee. However from that table is not evident how many children were registrated, and how many were not. In case of this event the proportion of R:NR was 12:10. It means in practise, that income from participant fees is lower, than it was estimated (the number of paying participant was lower about 2 people, but there was also one nonpaying participant). The calculation of incomes is therefore:

Table 10 – Counting of incomes

	Number of participants	Price	Income
Registered	12	840,00 CZK	10 080,00 CZK
Non-registered	10	940,00 CZK	9 400,00 CZK
<b>Total</b>	<b>20</b>	-----	<b>19 480,00 CZK</b>

The next step is the summary of expenses:

Table 11 – Total costs of event

Total costs of event	29 975,00 CZK
Costs of rent **	4 750,00 CZK
Costs of transport **	6 612,00 CZK
Food **	3 647,00 CZK
Another services (including entries)	- CZK
MTE of event **	357,00 CZK
Entries and participant fees on events	10 882,00 CZK
Refreshment	- CZK
Operation of the motor vehicle	3 727,00 CZK
Gifts and awards	- CZK
Labor costs	- CZK
<b>Total costs of event</b>	<b>29 975,00 CZK</b>

As we can see in the table above, costs of events were lower than was expected – the budget was slightly overestimated. In the table below, there is a comparison of incomes and expenses. From that table we can see that the sum, which had to be paid from the group budget, is 10 495 CZK. Thanks to the fact that there is no profit, we can apply for subsidy.

Table 12 – Total result

Total incomes	19 480,00 CZK
Total expenses	29 975,00 CZK
<b>Total result</b>	<b>-10 495,00 CZK</b>

Now I will move exactly to the subsidy, which can be drawn for this type of events. Thanks to these subsidies can be the price for children lower than is actual price of the event.

#### 4.3.3. Statement of the event. – subsidy

As is said previously, there are some events, for which can be drawn subsidy. There are many rules which adjusts, in which cases the subsidy could be drawn.. Our event satisfied all of this conditions, so I can show there a mechanism for counting, how much money we can get in subsidy. For different types of event, there are slight differences in conditions.



The main document which adjusts conditions for drawing subsidies from MEYS is Instruction for grants from the MEYS. There are some general rules. More information about this we can find in an internal guideline of Pionýr z.s. which is aimed specially on subsidies from MEYS.

From that guideline I have chosen these rules which are directly connected with our event.

*For the statement is necessary to submit:*

- *The form Statement of multiple day event.*
- *The form An overview of the reimbursement payments*
- *Photocopies of primary and secondary accounting documents to demonstrate reported expenses*
- *List of names of participants*

*The amount of the subsidy provided – maximum level*

- *To 70 % of event. Expenses*
- *To 50 CZK per participant per day*

About general information, what can and can not be part of claimed expenses I was talking in part about subsidies.

Now I will move back to our case of event and I will show, how the amount of subsidy, which can be claimed, is calculated. I will start from the condition which gives us the biggest amount of money and will continue with others.

This first condition says that from all event expenses we can claim only 70%.

*Table 13 – 70% of expenses*

Total expenses	29 975,00 CZK
<b>70% of total expenses</b>	<b>20 982,50 CZK</b>

Results from this condition says that we could claim 20 982,5 CZK.

In the table 13 there are issues which are marked with \*\*. These issues can be claimed from subsidy. For better orientation there is a table below, in which we can see just issues which we can use for subsidy.

Table 14 – Expenses for subsidy

Costs of rent	4 750,00 CZK
Costs of transport	6 612,00 CZK
Food	3 647,00 CZK
MTE of event	357,00 CZK
<b>Total</b>	<b>15 366,00 Kč</b>

From this table, in which are shown expenses which can be claimed for subsidy, we can see that we could claim only 15 366 CZK, not 20 982,5 CZK.

Of course we have to bear in mind all conditions for drawing a subsidy. In the last table there is shown the rule about 50 CZK per participant.

Table 15 – Condition for subsidy of 50 CZK per person

Total man-day	161
Maximal amount of subsidy per man per day	50,00 CZK
<b>Maximal total subsidy</b>	<b>8 050,00 CZK</b>

So if we get all conditions together, we get result, that we can claim just 8 050 CZK from the subsidy. However the process and terms for these subsidies are quite long. The term of submitting of accounting statements for year 2015 is till 31<sup>st</sup> of March, so nowadays we have no information if we will get the subsidy or not.

## 5. Results and discussion

Due to my analysis of whole year financing and analysis of the event., I have founded that there are less money than there should be, because there were no repairings, additinal purchuases and expenses. Another thing is, that free time and public good activities should be achievable for everyone. Of course the price of membership contributions for one year activity is not so high, but if child want to visit some multiple day event, camp or some another activity, it can happen that due to social situation of child (children), there would be no possibility to go to the event. In my oppinion, if there will be more money and more way of financing of nonprofit sector, these activities could be achievable for more children. And thanks to this money, registered association could be achievable for bigger area of children. I think that, if we want to prevent crime, socio-patological effects and another inaspicious impacts of environment, we should invest more money to that. Thanks to more subsidies, registered association could offer bigger range of activities and could address bigger spectra of youths and children.

From my analysis of the multiple day event. I have realized that people, who get the budget plan together has to orientate in economics situation more deeply. It is good to know, if there is a possibilty of getting subsidy for the event, and in which way is possible to decrease a price for children (sales on price of entries, cheap accomodation). From practise, it is known, that the lower price would be, the higher attendance of the event would be. And it does not help us only to prevent children from crime and other bad effects, but primarily it helps them to meet new friends, to make new experiences, visit new places and in global uprate their lifes.

## 6. Conclusion

### 6.1. Conclusion

In my bachelor thesis, the main goal was to show the economical aspects of nonprofit sector. In the first part I was describing character, function, purpose and goals of nonprofit sector. I have described nonprofit sector in czech legislation and in connection to European Union. Because my thesis was focused on registered association, I was devoting of to characterizing of these registered associations more deeply. Because of quite big recodification of civil law I have devoted of one chapter to this recodification.

Integral parts of financing of regitred association are accountings and taxes. Ine th third chapter I was describing the accounting law and announcements which are valid and important for bookkeeping of registered association. I have talked about simplified and full range of bookkeping. Further I was talking about taxes, which are directly connected to activities of registered associations. I hve mentioned here especially income taxes.

In the next part I have moved to more concrete situation. I have described functioning of concrete registered association – Pionýr z.s. I have described character and goals of this association. I have contextualized this subunit into whole organizational system of registered association Pionýr z.s. and I have shown orgnizational structure of it.

In the next section I was talking about financing of registered association. Firstly I have talked about it in global – what kind of sources we have, and I have described these sources. I have also analyzed the way, in which are these sources dividing to individual subunits.

In practical part of my thesis I was describing financial situation of concrete subunit – Pionýrská skupina Veteráni Kladno. First of all I have described our group and gave basic information about it. In the second step I have analyzed one year financing of our group. I have shown here, which incomes and expenses our group have and how the financial result looks like.

In the last part of thesis I have analyzed one multiple-day event. To show, which operation has to be done, if there is some multiple-day event, and which steps has to be done to draw a subsidy, I have chosen one multiple-day event and analyze it. For better idea about planning, financing and statement I have shown budget plan, statement and counting for application for subsidy.

From these analysis, my conclusion is, that functioning of our association is fully dependent on subsidies from MEYS. Because of this fact I think that the associaton should look for some other sources of financial properties. One of the way for getting more financial properties is shown in my recommendation. Another good way could be to try to get some finances from ESF. However nowadays there are no suitable operational program and especially proclamations. But in case there would be some good proclamations I think it could bet he right way for ssociations as is Pionýr z.s.

## 6.2. Recommendation

In the part of recommendation I would like to talk about recommendation for drawing more money from different sources. For example telephone operators give the opportunities to realize projects for young people. As an example I have chosen O2. Telefónica O2 has their own foundation. The first of the programs was called O2 Think big, the next one (the active one) is called O2 Smart up.

The goal of O2 is to help young people with realizing of their own ideas which can help people in given region. The fundtin's definition of this project is following:

*Young people are full of ideas and energy and come with many supriding solvings. However they need to get opportunity support and confidence to realize their ideas. And for this, there is SmartUp. Program helps to realize all itereting projects from people in years 15 -26, who want to make something new or change something in their region and help in this way the societ which they live in. Program provides to this youths support, financial properties, team mentor, education which is needed to realize their projects and telecommunication equipment.*

In my recommendation, I will try to show briefly how such a project could look like and in which way it could be helpful for our group.

Our group has a club, which need some reparations for which the group does not have enough own financial properties. The project could be focused on this reparations, because our activities help children to have place for efective spending of free time. However the room, in which our club is placed is not suitable in some ways. The main reason is, that our club is placed in a basement of tower house, there is not as much light as we need, there are some utilities and we have old equipment here. And we would like to make here a beautiiful place without unnecessary dangerous. If we could make this place more comfortable, we will have more members and children, who would like their free time here and our volunteering will be more effective.

So in our project could be issues as are new sanitary facilities, some covers of utilities, new paintings, new furniture and some small construction changes.

The conditions for submitting are that ralizators of project have to be young people and has no own financial profit from that. In our group there are many youths, which could realize this type of project, so I think it could be a good and easy way how to get financial properties from another sources to do something else for our group and primarily for children in our city.

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### Intrnal documents of Pionýr z.s.

- Statues and program of Pionýr z.s.

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## 8. Appendixes

Appendix 1 – Form of a statement of multiple day event

### Statement of multiple-day event

valid form for year 2015

1. Basic information about event					
Organizator of the event	Pionýr, z.s. - Pionýrská skupina Veteráni Kladno		Numer of region	2	
Place of the event	Liberec				
Term of the vent	27.10.-1.11.2015	Number of day of the event	6	Number of all participants	27
Number of participants 6-26	23	<i>proportion - OK</i>		Man-day for subsidy	161

\* number of participants 6-26 years old has to be at least 70% of all participants

\*\*the number of man-day is stated by real number of participant multiplied by number of days

2. Costs data				
Tota costs of event	CZK	29 975,00	Entries and participants fees	10 822,00 CZK
Costst of rent**	CZK	4 750,00	Refresement costs	- CZK
Costst of transport**	CZK	6 612,00	Operation of the motor vehicle	3 727,00 CZK
Costs of food**	CZK	3 647,00	Gifts and awards	- CZK
Anoter services	CZK	-	Labour costs	- CZK
MTE of the event	CZK	357,00	Required subsidy	8 050,00 CZK

\*Subsidy can be required to 70% of total costs of event, for costs stated in Subsidy regulations of MEYS for yedr 2015 and max. 50 CZK per person per day

\*\* Costs, which can be included in the subsidy requirement



<b>3.Subsidy data</b>				
Total cost, which can be included in the subsidy	70% of total costs of the event	Max.subsidy for 50 CZK per person per day	Maximal financial claim of subsidy	Assigned subsidy
15 366,00 CZK	20 982,50 CZK	8 050,00 CZK	20 982,50 CZK	

Accounting subject confirmed, that person, who is responsible for statement of subsidies , was acquainted with Program of state support of work with children and youths for non-governemntal nonprofit organization for year 2011-2015 and Principles of government for supplying subsidies from the state budget of the Czech Republic for nonprofit organizaton by the central isntitute of the state administration - ruling from 19<sup>th</sup> of June in 2013 and that this statement is in full accordance with listed documents. Simultaneously confirm, that consumption material mentioned in individual statements corresponds with roperty of organizational unit.

Executed            Ing.            Josef  
                              Chládek

Date                 22.10.2015

\_\_\_\_\_  
stamp and signature

*Obligatory appendixes: List of remittances of payments, copies of accounting document - primary and secondary, which show costs of event, list of name of participant with data of born,*

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## List of abbreviations

- NO – Nonprofit organization
- NGO – Nongovernmental nonprofit organization
- NCL – New Civil Law
- MEYS – Ministry of education, youth and sports
- MTE – Material-technical ensurign
- R - Registered
- NR - Nnregistered