

MAIN AND ECONOMIC ACTIVITY OF NON-PROFIT ORGANIZATIONS FROM THE POINT OF INDIVIDUAL LEGAL FORMS

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Abstract

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The article focuses on data, gathered from non-governmental non-profit organizations (NGOs) seated on the territory of the Czech Republic. Data collected from NGOs defined also by their legal form (association, subsidiary association, public benefit corporation, church legal entity) helped to monitor the structure of main and economic activity of organizations. In the article, the mutual differences in the main and economic activity of NGOs are analysed. The link between legal form and selected categories of main activities according to the classification COPNI has been verified by the Fisher's exact test with p-values computed by Monte Carlo simulations using 2,000 replications. Furthermore, this test has been used to prove statistically significant dependency between the individual categories of main and economic activities. On the basis of a conclusive statistical survey at the level 5 %, the dependency between legal form of non-governmental non-profit organization and its main activity has been verified as well as the correlation between main and economic activities of associations.

Keywords: main activity, economic activity, classification COPNI, non-profit organizations, legal form

INTRODUCTION

Non-governmental non-profit organizations (hereinafter referred to as the “NGO”, or “organization”) fall into the category of the non-profit private sector, which is usually referred to – not only in the Czech environment – as the “third sector”. The third sector forms the part of civil society in most advanced societies and it is separated both from state and market (Pestoff, 2009). It consists of a variety of organizations, institutions, and initiatives that fulfil a wide array of functions in the society. Non-profit organizations provide social services, offer legal assistance to disadvantaged groups, raise funds for charitable purposes, but also allow to citizens to pursue their leisure activities or lobby for the improvement of the environment (Freise and Pajas, 2004). As Ecer *et al.* (2017) note, the non-profit sector is divided by strategies and sources of revenue.

The activities that non-governmental non-profit organizations perform lead to fulfil their purpose, which determines the existential meaning of NGOs and their mission (Ronovská *et al.*, 2014). Financing of NGOs therefore greatly depends on their mission statements (Young, 2006; Wilsker and Young, 2010), which reflect actual services provided and direct decision-making process (Koch *et al.*, 2015) and constitutes one of the significant factors of successful operation of such organizations (Jakubcová, 2014). Financing of NGOs differs by the type of work they do (López *et al.*, 2016) and usually relies on mix of revenue streams (Fischer *et al.*, 2011). In case that NGO is not capable to finance all its projects based on its mission from the main activity, there is a possibility to use finance obtained from the economic activity. According to § 5a/1 of the Decree No. 504/2002 Coll., the economic activity (i.e. complementary, secondary business activity) is defined by a specific legislation or deed

of establishment, statute, deed of foundation or the activity registered in the relevant register. The activity, focusing on the accomplishment of NGO's objective, is referred to as the main one; as specified in § 5a/1 of the Decree No. 504/2002 Coll., the main activity is any activity for the pursuit of which a non-governmental non-profit organization has been set up or established by a special legislation, deed of foundation or another document. Activities of NGOs can be classified according to various criteria. In this article sorting activities by purpose was used. This classification is inherently more specific, because it binds to the mission and objectives that the organization wants to achieve (Bachmann, 2013). Due to classification of NGOs activities by purpose, it is possible to obtain important information about current structure of activities of Czech organizations as well as to determine whether and how the economic activity is used by NGOs as an indirect mean to fulfil their purpose. Since there is no similar research that would describe activities of NGOs in the way presented in this article, provided detailed information on economic activity could bring new knowledge to the field of the non-profit sector. From the available sources, for example information on economic activity as a source of additional revenue can be obtained, however it is not possible to gain insight about the specific types of economic activity typical for certain NGOs. Because NGOs are heterogeneous, it can be assumed that different types of economic activity will vary between certain legal forms of NGOs. Likewise, it can be assumed that individual categories of the main activity will vary between the different legal forms. Unlike economic activity, the main activity constitutes a direct means leading to the fulfilment of the purpose of NGO (Ronovská *et al.*, 2014). For this and the above reasons it could be expected that the economic activity depends on the purpose of the NGO and it is "related" to the main activity, although, as Ronovská *et al.* (2014)

state, in its categories the economic activity is not limited by law (with only some exceptions).

In view of the above, the aim of the article is to describe the state and development of the main and economic activities, to map their structure, to identify mutual relations between them and to assess the role of economic activity for NGOs. Therefore, following hypotheses are formulated:

H1: The choice of the legal form stems from the focus of activities, in which the particular NGO will be engaged.

H2: Certain economic activity provided by NGO is derived from the main activity of the NGO.

MATERIALS AND METHODS

The article is based on data acquired by quantitative research for the years 2008 and 2013, data provided by the Registr ekonomických subjektů (RES – Business Register), Český statistický úřad (ČSÚ – Czech Statistical Office), Rada vlády (RV – Government Council) and data published in professional and academic databases.

Statistic method has been employed to process gathered data. Data were compiled from November 2014 until March 2015, distributed only among non-governmental non-profit organizations (NGOs), which were active as of December 31, 2013 and that already existed in the year 2008. There were 105,522 of these units registered in the Czech Republic. Subsequently, the method of quota sampling was chosen, where the selection of NGOs was based on following characteristics: size of organization, age of organization, sphere of activity, legal form, and territorial extent. By this method, the so-called quasi-representative sample of 656 NGOs was obtained. The data were collected through a questionnaire; the response was possible via on-line filling out, printing and delivery of filled-out scanned questionnaire via e-mail with an attachment, or via post. In the second stage of data processing, totally 102 organizations, reporting

I: Categories of main activity by COPNI classification

Categories of main activity	
1.	Housing
2.	Health
3.*	Culture and recreation
4.	Education
5.	Social protection
6.	Religion
7.	Political organizations, trade and professional organizations
8.	Environmental protection
9.**	Services n.e.c.

Source: authors's compilation

* Sub-categories: 3.1 – Sports; 3.2 – Arts and Culture; 3.3 – Recreation and Leisure

** Sub-categories: 9.1 – Regional development, Labour and Qualification; 9.2 – Crisis intervention; 9.3 – Services not elsewhere classified

II: *Categories of economic activity classified by own classification*

Categories of economic activity	
1.	Sales of goods
2.	Sales of products and services*
3.	Rental
4.	Sponsoring and advertising
5.	Accommodation, boarding and cleaning services**
6.	Revenue from assets
7.	Contributions, donations
8.	Recreation and culture***
9.	Education and consultancy
10.	Health and social protection
11.	Incomes not elsewhere classified****

Source: authors's compilation

* Including services not classified in other categories.

** Sub-categories: 5.1 – Accommodation; 5.2 – Meal services; 5.3 – Cleaning services

*** Sub-categories: 8.1 – Cultural, sports and social events; 8.2 – Camps and Recreation

**** Sub-categories: 11.1 – Public contracts; 11.2 – Incomes not specified

incomes also from their economic activity in at least one of the monitored years (2008 and 2013), were selected. The sample of 102 NGOs was further analyzed.

Statistical analysis used data for 2013. For each NGO, predominating main activity and predominating economic activity were selected from all collected data. Hypotheses of independence were tested out in contingency tables, by the Fisher's exact test with p-values computed by Monte Carlo simulations using 2,000 replications. All tests were carried out at the significance level of 5 %. Statistical software R version 3.2.3, R Core Team (2015) was used to process gathered data.

In order to simplify work with tables, numerical coding of main activity (Tab. I) and economic activity (Tab. II) was used. Main activity may be broken down by various classifications. In the article, a classification of the main activity according to COPNI (Classification of the Purposes of Non-Profit Institutions Serving Households) according to the United Nations (2016) has been used. Selected classification is easily transferrable to the classification ICNPO – International Classification of Nonprofit Organizations; therefore, research outcomes, described in this article, are easily internationally comparable.

Individual categories of economic activity were classified according to own classification.

RESULTS

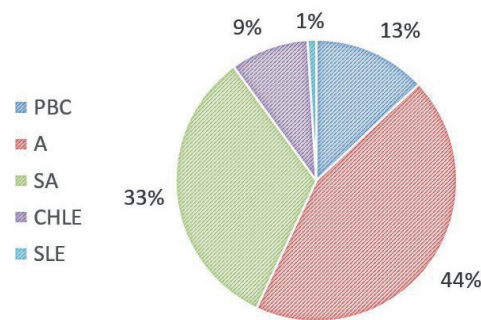
The third sector is an integral part of advanced world economies and it could be described according to various criteria. Derived from the “welfare triangle”, developed by V. A. Pestoff (2009), the third sector can be distinguished by its degree of formalization to formal and informal entities as well as consists of non-profit organizations that acquire private and public attributes of

ownership. Our research has specifically targeted at non-governmental non-profit organizations (NGOs), which are defined in the Czech Republic for instance by the Czech Statistical Office or by the Government Council for Non-Governmental Non-Profit Organizations. Definition of the Government Council narrows the group of internationally recognized legal forms, stemming from the characteristics of non-governmental non-profit organizations defined by L. M. Salamon and H. K. Anheir in 1997 (institutional presence and structure, private, not profit-distributing, self-governing and voluntary).

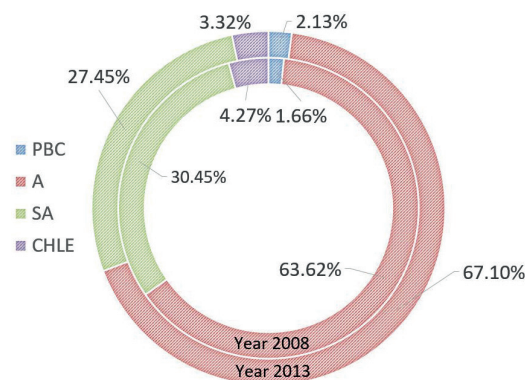
The indicative list contains the following legal forms: foundations, endowment funds, public benefit corporations (established before 1/1/2014, not transformed into institutions), institutions, associations (before 1/1/2014 citizens' associations), subsidiary associations (before 1/1/2014 organizational units of associations), church legal entities, and school legal entities. In the article, the following classification of NGOs has been used taking into account the nature of the analyzed sample: 1. Public benefit corporations (PBC), 2. Associations (A), 3. Subsidiary associations (formerly organizational units of associations) (SA), 4. Church legal entities (CHLE), 5. School legal entities (SLE).

The structure of the statistical sample categorized by legal form is depicted in Fig. 1. Analyzed NGOs are in the article most represented by legal form of association, followed by subsidiary associations, public benefit corporations, church legal entities and finally school legal entities. The arrangement of the sample corresponds to the arrangement of NGOs in the Czech Republic (Fig. 2).

Should we compare the individual representation of legal forms, contained in the studied sample of 102 NGOs, with the total number of the individual legal forms, registered in the Czech Republic, the result



1: Classification of examined NGOs into the categories by legal form
Source: authors's compilation



2: Classification of Czech NGOs into the categories by legal form
Source: authors' compilation according to the Business Register, Czech Statistical Office (2016)

would be that public benefit corporations would represent 0.6 %, associations 0.06 %, subsidiary associations 0.1 % and church legal entities 0.2 % of the total unit. Despite the fact that associations and subsidiary associations (see Fig. 1) have the highest share in the results of this research, public benefit corporations are the largest group represented in this research in the Czech Republic.

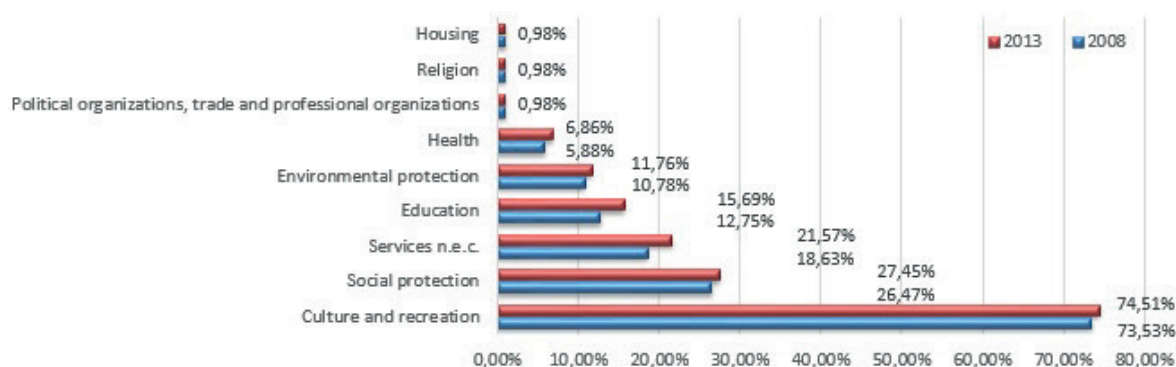
Despite the fact that on the basis of this comparison the representativeness of the sample may seem to be low, the authors believe in well-chosen sampling method. It is considered, that more data would not necessarily enhance quality of the information. The selected sampling method allows to obtain a sufficient degree of certainty about other items in the basic set. Potential findings are supported by evidence, particularly by comparison with results of other scientific resources, where possible. The topic presented in the article, described by selected methods, is still insufficiently investigated in the Czech Republic. For this reason, although the authors conducted comparison with several resources, it was necessary to validate certain findings in another way, e.g. realized tests, eventually by results of detailed analysis. On the basis of information obtained from different processes, satisfactory conclusions, which can be related to the entirety, were drawn in the article.

Categories of main and economic activities and their average number per one organization taking into account NGO legal form

As stated above, the legal form plays an important role in the analysis, particularly when examining the activities and their structure, or while examining the relationship between the legal form and activity of NGO.

Research outcomes (Fig. 3 and Tab. III) have indicated that totally 73.5 % of NGOs oriented their main activity to recreation and culture (2008), compared to 74.5 % in 2013, whereas ca. 40 associations and 32 subsidiary associations represented the largest group of all legal forms. Out of the total number of 102 NGOs, approximately 27.4 % of NGOs promoted social protection in both monitored years – most frequently associations (ca. 12) and church legal entities (9). Services not elsewhere classified (services n.e.c.) reported the next highest representation in both years, approximately 20 %. As the group of services n.e.c. is divided into several subgroups (such as for instance, regional development, labour and qualification, etc.), education can be considered as another, the third largest group of activities, provided mostly by associations and subsidiary associations.

Studying Tab. III from the point of a number of activities, carried out by the relevant legal form, it



3: Share of NGOs with main activity classified into the categories by COPNI classification
Source: authors's compilation

III: Number of activities of main activity classified into the categories per COPNI classification, attributable to the relevant legal form

Category	Activity	2008					2013				
		PBC	A	SA	CHLE	SLE	PBC	A	SA	CHLE	SLE
1.	Housing	0	0	0	1	0	0	0	0	1	0
2.	Health	0	1	2	3	0	0	1	2	4	0
3.	Culture and recreation	3	40	32	0	0	3	41	32	0	0
4.	Education	2	6	4	0	1	2	8	5	0	1
5.	Social protection	5	12	1	9	0	5	13	1	9	0
6.	Religion	0	0	0	1	0	0	0	0	1	0
7.	Political organizations, trade and professional organizations	0	0	1	0	0	0	0	1	0	0
8.	Environmental protection	0	4	7	0	0	0	4	8	0	0
9.	Services n.e.c.	3	6	8	2	0	3	8	9	2	0
Totally		13	69	55	16	1	13	75	58	17	1
		154					164				

Source: authors's compilation

IV: Change in the number of activities of main activity classified into the categories per COPNI, attributable to the relevant legal form

Category	Activity	Change in activity between the years 2013–2008			Changes totally
		A	SA	CHLE	
2.	Health	0	0	+1	1
3.	Culture and recreation	+1	0	0	1
4.	Education	+2	+1	0	3
5.	Social protection	+1	0	0	1
8.	Environmental protection	0	+1	0	1
9.	Services not elsewhere classified	+2	+1	0	3
Changes totally		6	3	1	10

Source: authors's compilation

can be stated that in average one category of main activity falls on the public benefit corporation and one school legal entity in both monitored years; 1 to 2 categories on associations, subsidiary associations, and church legal entities. Tab. IV illustrates changes in the number of activities in monitored years per legal forms.

From 2008 until 2013, totally 6 associations, 3 subsidiary associations and 1 church legal entity changed their main activity. Tab. IV demonstrates that mentioned NGOs have extended their activity, in aggregate by 10 categories of main activity.

In 2008, totally 90 NGOs completed their economic activity in addition to their main activity; in 2013, totally 100 NGOs. Fig. 4 together with Tab. V for the year 2008 demonstrate that out of these 90 NGOs, 42.2 % were involved in rental (mostly subsidiary associations), 37.8 % in sponsoring and advertising (mostly associations), and 18.9 % NGOs generated their income from accommodation, boarding and cleaning services (mostly church legal entities). In 2013, totally 42 % of the organizations (out of 100 NGOs) were involved in rental (mostly subsidiary associations), 37 % of the organizations in sponsoring and advertising (in particular associations) and totally 20 % of NGOs were involved in accommodation, boarding and cleaning services (primarily church legal entities).

When we use data, contained in Tab. V, to find out how many categories of economic activities in average fall on the individual legal forms, we can say that in 2008 school legal entities operated only one economic activity; one or two economic activities, in average, accounted for one public benefit corporation, association and subsidiary association. In average, two or three categories of economic activities accounted for one church legal entity.

Changes in the number of categories of provided economic activities between monitored years per the legal form see in Tab. VI.

Evaluating the number of categories of activities in the economic activity sector, shown in Tab. V after the impact of changes illustrated in Tab. VI, we can come to the conclusion that NGO organizations tend to expand their economic activities with the individual categories of activities. Most frequently with rental, sponsoring, and advertising.

The aforementioned outcomes show that monitored NGO entities tend to acquire their income from a higher number of their activities. NGOs expand their activities not only in the sphere of their main but also economic activity. This fact leads us to the conclusion that NGOs try to diversify their income structure to a larger extent. It is an important aspect, which suggests that NGOs are able to work with multi-income structure, thus strengthening their financial stability.

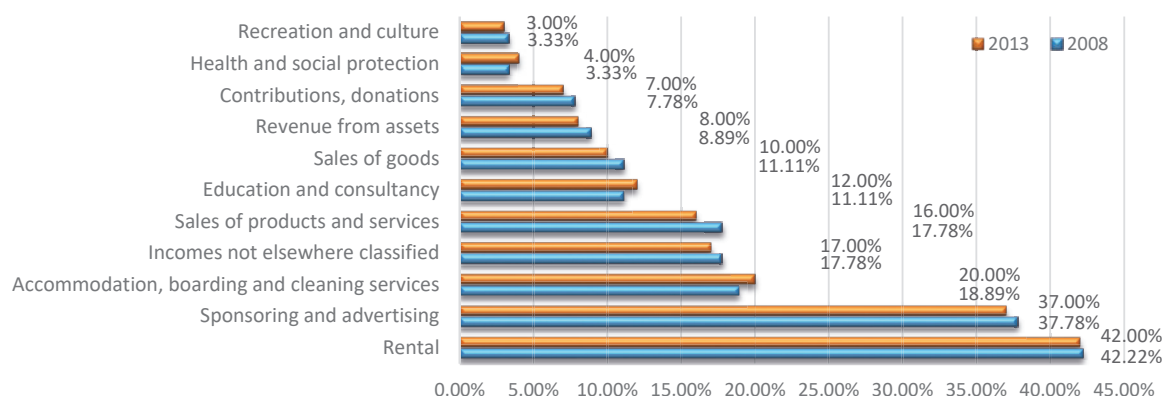
Monitoring of Interrelationships between Main and Economic Activities

As indicated above, the most commonly provided category of main activity included recreation and

culture, and social protection. Totally 94.1 % of subsidiary associations provided recreation and culture in 2008 (identically to 2013); 88.9 % of associations in 2008 and 91.1 % in 2013; 23.1 % of public benefit corporations in both monitored years. Totally 100 % of church legal entities and 38.5 % of public benefit corporations promoted social protection both in 2008 and 2013. In 2008, 26.7 % of associations provided social protection, whereas in 2013 28.9 % of associations were involved in the identical activity. 100 % of school legal entities and 15.4 % of public benefit corporations provided education in both monitored years. Out of all associations, grouped in the research sample, 13.3 % of them were involved in the education in 2008; in 2013, this figure rose to 17.8 %. A slight increase in the educational services was reported on the legal form of subsidiary associations – 11.8 % in 2008 and 14.7 % in 2013. As results from the calculations included in Tab. III, mainly church legal entities provided services in the area of health; totally 33.3 % in the year 2008 and 44.44 % in 2013. Of particular note is the environmental protection, represented in 2008 by 20.6 % and in 2013 by 23.5 % of subsidiary associations.

Focusing on the economic activity, as noted above, more than one-third of NGOs is actively involved in rental, sponsoring and advertising. In 2008, totally 60 % of public benefit corporations, 56.25 % of subsidiary associations, 33.3 % of church legal entities and 28.95 % of associations provided rental. In 2013, totally 100 % of SLE, 55.88 % of SA, 50 % of PBC, 44.44 % of CHLE and 27.27 % of A, included in the research file, were involved in the rental sector. In 2008, totally 52.63 % of associations, 32.25 % of subsidiary associations and 30 % of public benefit corporations pursued sponsoring and advertising. In 2013, totally 50 % of associations, 29.41 % of subsidiary associations and 33.33 % of public benefit corporations. In both monitored years, predominantly church legal entities provided accommodation, boarding and cleaning services, totally 88.89 %, similarly to services in the sector of health and social protection, in 2008 totally 22.22 % and in 2013 totally 33.33 % of CHLE. In 2008, mostly church legal entities reported sales of products and services (55.56 %) and associations (13.16 %). In 2008, totally 40 % of public benefit corporations generated sales of products and services. In 2013, totally 11.36 % of A, 44.44 % of CHLE, 33.33 % of PBC and 100 % of SLE reported sales of products and services.

On the basis of the aforementioned knowledge, it was found that differences in provided activities occur between individual legal forms. While among associations and subsidiary associations culture and recreation (especially sport) prevail, church legal entities as well as public benefit corporations concentrate on social protection. It can be therefore assumed that selection of the legal form stems from the focus of activities, in which the particular non-governmental non-profit organization will be engaged. The Fisher's exact test has been used



4: Share of NNOs operating economic activity classified into the categories per own classification

Source: authors' compilation

V: Number of activities of economic activity classified into the categories per own classification, attributable to the relevant legal form

Category	Activity	2008					2013				
		PBC	A	SA	CHLE	SLE	PBC	A	SA	CHLE	SLE
1.	Sales of goods	1	6	2	1	0	1	6	2	1	0
2.	Sales of products and services	4	5	2	5	0	4	5	2	4	1
3.	Rental	6	11	18	3	0	6	12	19	4	1
4.	Sponsoring and advertising	3	20	10	1	0	4	22	10	1	0
5.	Accommodation, boarding and cleaning services	1	4	4	8	0	2	4	5	8	1
6.	Revenue from assets	1	2	5	0	0	1	3	3	1	0
7.	Contributions and donations	0	2	4	1	0	1	2	4	0	0
8.	Recreation and culture	1	0	2	0	0	1	0	2	0	0
9.	Education and consultancy	1	6	2	0	1	3	7	2	0	0
10.	Health and social protection	0	0	1	2	0	0	0	1	3	0
11.	Incomes not elsewhere identified	2	7	5	2	0	2	7	5	2	1
Totally		20	63	55	23	1	25	68	55	24	4
				162				176			

Source: authors' compilation

VI: Change in the number of activities of economic activity classified into the categories per own classification, attributable to the relevant legal form

Category of activity	Change in activity between 2013 - 2008					Changes totally
	PBC	A	SA	CHLE	SLE	
Sales of goods	0	+1;-1	0	0	0	+1/-1 2
Sales of products and services	+1;-1	0	0	-1	+1	+2/-2 4
Rental	+1;-1	+3;-2	+1	+1	+1	+7/-3 10
Sponsoring and advertising	+1	+4;-2	0	0	0	+5/-2 7
Accommodation, boarding and cleaning services	+1	0	+1	0	+1	+3/--- 3
Revenue from assets	0	+1	+1;-3	+1	0	+3/-3 6
Contributions and donations	+1	0	0	-1	0	+1/-1 2
Education and consultancy	+2	+1	0	0	-1	+3/-1 4
Health and social protection	0	0	0	+1	0	+1/--- 1
Incomes not elsewhere classified	0	+1;-1	0	0	+1	+2/-1 3
Changes totally	+7/-2	+11/-6	+3/-3	+3/-2	+4/-1	+28/-14 xxx
	9	17	6	5	5	xxx 42

Source: authors' compilation

VII: Number of prevailing activities of main activity (2013) classified into the categories per COPNI, attributable to the relevant legal form

		Categories of main activity											
		1	2	3			4	5	7	8	9		
				3.1	3.2	3.3					9.1	9.2	9.3
Legal form	PBC			2	1	2	5			1		2	
	A		1	22	1	3	3	11		2		1	1
	SA		1	14		7		1	1	6			4
	CHLE	1	3					5					

Causation test (Fisher's exact test): $p = 0.0005$

Source: authors's compilation

VIII: Prevailing activities of main and economic activities (2013), attributable to public benefit corporations

Categories		Main activity					
		3		4	5	9	
		3.2	3.3			9.1	9.3
Economic activity	2		1				1
	3		1	1		3	1
	4				2		
	5	5.1			1		
	6			1			
	9						1

Causation test (Fisher's exact test): $p = 0.2343$

Source: authors's compilation

to verify this assumption. The null hypothesis on the correlation between legal form and main activity, pursued by such legal form, has been confirmed from the original data for 2013. In the contingency table (Tab. VII), frequencies per legal forms PBC, A, SA and CHLE, falling on the selected category of activities, were used as variables V , i.e., those prevailing for the individual NGO, representing the second variable H . As the "prevailing activity" was considered the activity with the highest generated income in the monitored period, reported by a non-governmental non-profit organization.

The test has confirmed the validity of alternative hypothesis. On the basis of collected data, this test, made for NOGs, has proved – at the significance level of 5 % – the interrelation between main activity and type of legal form of NGO.

In the subsequent part of research, it was necessary to verify existence of a link, between main and economic activities of NGO. Results of investigation have implied that public benefit corporations, focusing their main activity mainly on social protection, most frequently aim at rental, sponsoring and advertising as the part of their economic activities. The economic activity of associations, targeting their main activity primarily at culture and recreation (specifically, at the sub-category "sport"), most usually involve sponsoring, rental and sales of goods. The economic activities of associations, with their main activity defined by education, mostly involve sponsoring and advertising and, furthermore, educational events and consultancy. Many associations

provide – as the part of their main activities – also social protection services. As their economic activity, these associations have selected mainly sponsoring, advertising and rental. Subsidiary associations hold the similar position as public benefit corporations. Their main activity targets primarily at sport (classified according to COPNI as culture and recreation) and additional activities include rental, followed by sponsoring and advertising. Moreover, SA with their main activities concentrating on culture and recreation more frequently generate revenues from assets within their economic activity. The main activity of church legal entities, as shown by the aforementioned research outcomes, is 100 % of social protection, where – within their additional activity – these organizations generate sales of products and services at the most, followed by accommodation, boarding and cleaning services, social and health care but, with equal importance, they are involved in rental as the part of their economic activities. Based on these key data, a certain relation between main and economic activities can be assumed. The Fisher's exact test has been used to confirm this assumption. Frequencies according to the prevailing main activity have been defined as variables V in the contingency tables VIII to XI; the prevailing economic activities have been added as variables H . The activity, generating the highest income in the monitored period, has been considered as the prevailing activity of NGO.

Acquired data have not confirmed any interrelations between main and economic activities of public benefit corporations (Tab. VIII).

IX: *Prevailing activities of main and economic activities (2013), attributable to associations*

Categories	Main activity								
	2	3			4	5	8	9	
		3.1	3.2	3.3				9.2	9.3
Economic activity	1					1	1		
	2					2			
	3	1	7			1			
	4		10	1		4			1
	5	5.1		2					
	6		2		1				
	7			1					
	9					2	1	1	1
	11	11.2	3			2			

Causation test (Fisher's exact test): $p = 0.0005$

Source: authors' compilation

X: *Prevailing activities of main and economic activities (2013), attributable to subsidiary associations*

Categories	Economic activity													
	1	2	3	4	5			6	7	8	9	11		
					5.1	5.2	5.3			8.2		11.1	11.2	
Main activity	2		1											
	3	3.1		8	2	1			2		1			
		3.3		3	1		1			2				
	5										1			
	7							1						
	8		1	1	1			1		1			1	
	9	9.3	1	2										1

Causation test (Fisher's exact test): $p = 0.1324$

Source: authors' compilation

XI: *Number of prevailing activities of main and economic activities (2013), attributable to church legal entities*

Categories	Economic activity				
	3	4	5		10
			5.1	5.2	
Main activity	1			1	
	2	1		1	1
	5		1	1	2

Causation test (Fisher's exact test): $p = 1$

Source: authors' compilation

With regard to associations, collected data have proved, at the level of 5 %, that main and economic activities are interrelated (Tab. IX).

With regard to subsidiary associations, data from surveyed sample have not suggested any interrelation between main and economic activities (Tab. X).

With regard to church legal entities, collected data have not proved any interrelation between main and economic activities (Tab. XI).

DISCUSSION

Based on the research outcomes it may be said that structure of the Czech non-profit organizations is more or less similar to the situation reported at the start of this millennium. As Frič *et al.* (2004) mentions, the largest share upon the structure of non-profit organizations in the year 2001 held associations. The second highest representation reported subsidiary associations, followed by a lower number of church legal entities. The smallest number was reported for the legal form of public benefit corporations. Status-quo for 2001, with the most common legal form of NGO constituted

by today associations and subsidiary associations, in principle corresponds with the structure of non-profit organization sector in the monitored years 2008 and 2013. It could be argued that this fact improves the representativeness of the sample of 102 NGOs, surveyed in the research.

Some results from the analysis can be compared with findings summarized by Bachmann (2013) and Frič *et al.* (2004). Whereas Frič states that in 1999 21.7 % of non-profit institutions serving households (NPISH), registered in the Trade Register, were involved in culture and recreation, 1.3 % of institutions were active in social protection and 1.1 % in education. Research, headed by P. Bachmann in 2011, studying – among others – distribution of categories of main activities but only for associations (formerly citizens' associations) in the Czech environment, is far more topical. In spite of the fact that Bachmann applies Česká klasifikace neziskových organizací (ČKNO – Czech Classification of Non-Profit Organizations), by conversion into the individual categories of the classification COPNI we can say that in 2011 totally 56.3 % of organizations, grouped in the analyzed sample, were involved in culture and recreation (sport with 34.8 % constituting the largest sample). Social protection was the second most frequently represented activity (18.2 %). 3.4 % of former associations were involved in environment and 3.2 % of organizations aimed at education. Results of the Bachman's research for the first two positions of the most frequently operated activity of associations correspond with the outcomes of our research.

Even though the legislation (Act no. 89/2012 Coll., Act no. 3/2002 Coll., Act no. 248/1995 Coll.), on which basis analysed NGOs were established, use the term “main activity” only in singular, it is conceivable that NGOs provide more activities to fulfil its purpose. This was proved by the results of the analysis, since some NGOs concentrate on more types of their main activity. Thus, we can say that they fulfil more functions in the society. As Freise and Pajas (2004) mention, there is no doubt that non-profit organizations fulfil multiple functions simultaneously, thus answering to a several of demands and needs. Likewise, analysis proved that economic activity is used by organizations extensively as well. This means that economic activity is located in the economic “life” of NGOs and organizations should pay more attention to it for the following reasons. As indicated e.g. In § 17 of Act 248/1995 Coll., economic activity can lead to a more efficient use of resources without compromising the quality, the range and availability of NGOs' services. Organizations can use economic activity particularly where funds from main activities are insufficient to meet their goals (Rektořík *et al.*, 2010). Economic activity can therefore be seen as an additional source of income through which NGOs can obtain greater stability (Carroll and Stater, 2008). It is an important means of diversification. Such

diversification can reduce financial vulnerability of NGOs (Greenlee and Trussel, 2000) as well as risk of their closing (Hager, 2001). Amongst others, the economic activity can be seen as an activity that organizations can use for their presentation. In such case, it could be assumed that the larger organizations are, the higher interest on economic activity they have. To verify this assumption, further research could be conducted.

The authors are aware of certain limiting aspects of the analysis, attributable to the limited availability of data for the Czech non-profit organizations. As non-profit organizations were not obliged to publish their accounting statements in the reported years, the size of surveyed samples depended on the willingness of non-profit organizations to provide their data voluntarily through our questionnaire survey. However, such limitation can be an advantage on the other hand. The public unavailability of such information makes the work unique and beneficial for the academic public, as the paper operates with data not registered in regularly available registers and scientific sources.

The uniqueness of information can be used also for future research, extended by the financial aspects, i.e., incomes of NGOs generated by monitored activities. The structure of activities not by frequencies, but by volume of generated income, can provide a different perspective on the question of classification of organizations. For example, presented research has shown the difference in the structure of church legal entities per number of activities and per prevailing activity. The frequency survey highlights that church legal entities with social protection as their main activity concentrate their economic activities mostly on generation of income from sales of their own products and services and only then on accommodation, boarding and cleaning services; however, when applying the structure of prevailing activity measured by volume of generated incomes, accommodation, boarding and cleaning services occupy the first position in case of church legal entities reporting social protection services as their main activity. Moreover, also the legal form is an important factor of financing process of NGOs because of the specific rules, regulations and requirements corresponding to the individual form of NGO (Pajas and Vilain, 2004). Classification of NGOs by volume of activities, measured by generated incomes depending on legal forms, would therefore certainly introduce many interesting findings, especially taking into account accounting and tax issues.

CONCLUSION

The individual categories of main and economic activities of NGOs have been identified on the basis of carried out research. Not only have been NGOs structured by their activities, but also by their legal form. The highest share of the statistical sample, consisting of 102 NGOs, took NGOs with the legal form of associations. Furthermore, associations predominantly participated in the most frequently provided services in the sector of culture and recreation (mainly sport) as their main activity. In addition to associations, also subsidiary associations were often involved. The activity reported as the second frequent, i.e., social protection, was provided mainly by associations and church legal entities. In addition to main activity, rental was reported as the economic activity most frequently. Subsidiary associations focused on rental primarily; they also reported sponsoring and advertising commonly. However, associations provided sponsoring and advertising more than subsidiary associations. Another part of the research, involved in the average number of activities in respect of one NGO, has revealed that especially associations, subsidiary associations, and church legal entities tend to provide more types of economic activities. Between 2008 and 2013, the increase in certain individual categories of main activities was reported for these legal forms. As to the economic activity, all legal forms (with the exception of school legal entity) experienced more types of activities, again with the trend to increase the number.

Moreover, the research has statistically proved, at the significance level 5 %, the interrelation between legal form of NGO and its main activity. Therefore, it can be assumed that some forms of NGO are more appropriate for the pursuit of specific activity than the others. Research survey has helped to find out that while culture and recreation are connected – in particular – with subsidiary associations and associations, social protection is the main domain of church legal entities and public benefit corporations.

The cross-influence has been verified between main and economic activities. This influence has been proved, at the significance level 5 %, for associations only. The fact could be assumed that the association, running a certain type of its main activity, frequently chooses a specific type of its economic activity. In this specific case the facts, applicable to associations, can not be generalized to other legal forms of NGO.

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