

Reflections from the CF Study Trip to Slovakia

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This September, I participated in the fifth five-day study visit to community foundations in the CEE region. Supported by the C.S.Mott Foundation, a group of almost 40 community foundations and local philanthropy experts and practitioners, observers and support staff headed to Slovakia, following the visit to Bulgaria four years ago, the visit to the Czech Republic three years ago, the visit to Poland and the trip to Romania last year. The group was divided into three smaller teams, each visiting different community foundations (CFs). I was a member of the team which met with two community foundations in Slovakia - Liptov Community Foundation and Healthy City Community Foundation Banska Bystrica. Most findings, thoughts and comments stated in this reflection paper are based on interviews, presentations, observations and interactions with representatives of the these CFs and their stakeholders, complemented with ideas and insights from other members of our group. All findings were partially amended and fine-tuned following the confrontation with members of the other teams during the debriefing sessions in Bratislava.

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In course of this year's study visit, I repeatedly realized that I am trying to compare what I see in Slovakia with what I have seen in Romania last year. I believe that this was not only due to the fact that the Romanian study visit was most recent and fresh in my memory, but primarily because – on one hand – there about as many community foundations in Slovakia as there are in Romania, including the relevant infrastructure and – on the other – this comparison involves the oldest CF movement with the youngest in the relevant context.

And it was the time aspect that kept coming up in my mind over and over when I tried to figure out which of what I see is related to the development over time and which stems out of a different mindset fundamentals of Slovak and Romanian community foundations.

When I was thinking in the Summer what to focus on in this reflection paper, it came to me that given the fact that the Slovak CF movement is the oldest in Europe, I could pay close attention to how it faces threats ensuing from “age” of an organization and even more importantly of its leaders – i.e. the risks of burn-out, loss of enthusiasm, lack of innovation, resistance to change etc.

I came to Bratislava with this presumption in mind, went to visit Liptov CF and Banska Bystrica CF and returned to Bratislava to discuss the observations and findings with other study visit participants who visited other local foundations. Without understanding the

situation in more depth, it would have been rather easy to come to a simplified judgment that:

Most community foundations in Slovakia have operated for more than 10 years and they are often led by the same leaders who have founded them. As a result, their momentum is unconvincing, there has been no significant progress in the key figures (endowment, number of gifts received and grants made) in recent years. People in CFs feel tired, sometimes frustrated or upset with the people around and openly speak about it.

Let us recall the smiling young faces in Romanian CFs last year, radiating with enthusiasm over their achievements and looking forward to facing new challenges, proudly displaying their colorful presentation materials and visuals, often emphasizing the importance of their cooperation within the CF association.

Nonetheless, such picture would truly be misleading. Dramatic progress in key figures – often accompanied, even led by external funding incentives – which we see in the case of the starting CF movement is simply not a continuous state of affairs. Examples from the CF cradle – the US – show that even our 20 years of development is not necessarily all that much and that having one regular paid staff is not a matter of course that could be taken for granted. The fact that the initial enthusiasm of leader is not going to last forever is also natural and it is simply important whether it is transformed into mature capacity to move the foundation forward. In both visited CF, I encountered several interesting examples that demonstrate maturity of both the CFs and their leaders, their being deeply rooted in their communities, the built trustworthiness and the capacity to actively impact the public space.

Visiting Liptov

Our pleasant half a day with the Liptov community foundation opened with a discussion with foundation representatives and donors, we visited supported NGOs in a museum yard and finished with a charitable concert “From Heart to Heart” in the local church.

This foundation was created ten years ago, it operates primarily in rural areas, covering 3 cities and more than 70 villages.

Working with Local Governments

Working with local governments may be regarded as one of the key issues in this foundation. In fact, this CF could be called the “connectivity tool”, convening the 3 towns in the region in which it operates. Historically, there has been a rival relationship between them ensuing from changes in the administrative design of the region. Local governments of those towns have played an important role in setting the foundation up, as mayors of all three towns were appointed to the board of trustees. Nonetheless, this is not a formal obligation. There were cases when a mayor remained active as a trustee even after having served his term in the mayor’s office. Foundation representatives make sure that the board of trustees involves

active people in the first place. At the same time, they reflect the fact that a newly elected major does not always and automatically becomes a member of the CF's board. I was not the only one who asked what the impact of majors on the board could be in terms of the mission of the CF. Liptov is a rural region with small communities. People know each other here, they know who they vote for in local elections, they do not make their decisions on basis of party election programs and politics can be viewed – perhaps more so than in cities – as a public service rather than an elevator to power. In such an environment, it is quite natural that that entities who define their mission as “improving quality of life of the local people” work closely together. Even though, as we were told, the symbiosis has not always been idyllic. The CF repeatedly found itself in a situation where people (existing politicians or individuals with political ambitions – to be precise) used the foundation to promote themselves, terminating their cooperation soon after becoming recognized. This complaint, however, at the same time attests to the self-esteem and good reputation of the foundation in the region. As far as financial cooperation with local governments goes, municipalities for the most part support specific foundation projects. At the start, they have also contributed to operational expenses of this CF.

Values

My experience from the Czech Republic is that when I ask an organization about its values there is much difficulty in answering, in fact people usually start thinking about them only when asked. The response in this CF was prompt and natural:

They believe that transparency is fundamental issues for a foundation and one of the principle motives that attracts people to support and to give. They make efforts to build self-confidence and pride of young people in their region and they work with senior residents to work through the generational discrepancies, so that family and the community worked in alignment. Last but not least, there is creativity, for creative people can bring new things.

Kids and Philanthropy

In Liptov, I encountered a phenomenon which I have ran across several times lately: how to develop and support children's understanding of volunteering and philanthropy.

A nine-year old daughter of a local donor who has set up a corporate fund with the foundation, decided to organize an auction with her classmates selling handmade goods (key chains, Christmas tree decorations etc.) Having collected the funds, she came to her dad asking for advice how to donate it to UNICEF. Her father – being a local patriot with an experience of setting up a corporate fund – came up with the idea to establish a Children to Children Fund to support local disadvantaged kids. The daughter and her friends have again organized a charitable auction in the local hotel, trying to explain to the adults how they plan to spend their donations. Similar even was later repeated during a local market where EUR 500 was collected in support of the girls' school. Other public events and charitable concerts in support of local young artists followed.

It seems that in cases when parents speak about their own philanthropy with their family, children adopt them, similarly to when they emulate their parents' jobs. Perhaps this suggests ways of how a CF can offer a "family philanthropic opportunity". For me personally, a question of what learning children can draw for their mature adult life from such philanthropic games.

No Operational Expenses

We are told that operational expenses of the foundation amount to zero. All is done voluntarily: seven people on the board, CEO on a maternity leave. They realize that this is not sustainable long-term and explain that this was not always the case. Five years ago, the CF ran into problems of how to cover operational costs. And so they decided that should they move forward they can use the given situation as a test to see whether people truly care for the foundation and whether they enjoy doing what they do for the foundation, whether they are willing to continue doing it just for the sake of enjoying it and they moved into an entirely voluntary mode of operation.

I was intrigued by this story. Even though we did not have enough time to analyze how exactly it came about in this case, it shows that the issues of sustaining operational expenses may arise practically at any time and at any stage of development in the life of a foundation – and also – how it can be "easily" resolved. For five years, something was working – which is, by the way, longer than most Romanian CFs have existed – and then a problem came. The Liptov Foundation solved this problem in a resolute manner: it switched to a voluntary mode. In the US, many community foundations operated in a voluntary mode for decades before hiring first staff. In the CEE region, CFs have been usually established as a response to an external call, whether directly from a foreign donor or from a national support organization promoting this philanthropic model. In the attempt to build the foundation fast so that it can fulfill its fundamental functions such as grant-making, providing donor services, need analysis, potentially endowment building, promoting community philanthropy etc., it is necessary to deploy enormous human and financial capacity from the very start, usually involving paid staff and experts. This emphasis on speed in developing CFs in our region and on achieving qualitative impact in communities is – understandably – supported by "external investors" whose resources and time to support CF development in the given region are also not unlimited – they too want to outcomes of their actions. If a CF fails to built a sustainable business model which enables it to function professionally even after the reduction or withdrawal of external resources within this period of time, it will find itself in the same spot as the Liptov Foundation. And it is the case of Liptov Foundation that demonstrates that if people actually believe in the CF idea, if it truly makes sense to them, if it brings joy to their lives and – at the same time – the basic CF tools and mechanisms have been developed, including the donor base and credibility in the community – the worst that can happen is that the foundation switches to a voluntary mode of operations and the fundamental

activities of the CF can be sustained for several years regardless of a certain level of discomfort.

Visiting Banska Bystrica

We spent a full day in Banska Bystrica. We had a morning discussion with staff, lunched with board members and donors, participated in an afternoon public discussion forum focused on „The Otherness – Inclusive Community?“ and visited an evening dramatic performance of a community based theater working with people with mental disability.

Community Foundation Healthy City Banska Bystrica is the oldest Slovak and thus the oldest European community foundation.

I have personally visited this foundation several times, only this time I realized how very different it is in comparison to other community foundations I know.

From what I heard and saw, I concluded that this CF stands outside the regular mainstream in the community, providing an alternative for those who cannot find it elsewhere, offering inspiration, innovation, fresh ideas, refusing to accept the usual stereotypes connected to charity.

What I mean by saying that? I will answer with questions:

What foundation has procured a deserted cement production plant on the edge of town into its endowment?

What foundation has resisted the temptation to maximize the 2 % tax assignment opportunity, even though it is aware that it is not a tool that truly supports local philanthropy?

What foundation has chosen a chocolate party to be their public event so that their donors can taste how sweet giving can be?

What foundation – realizing that they have received significant international support from those with more money and experience in their early development stages – has decided to return support received by identifying a partner foundation in Tanzania and by providing both mentoring and direct financial assistance of its projects?

What foundation has actively engaged – not only through grant-making, but also by providing leadership – in implementing project involving marginalized groups such as the Roma, people with mental disability, etc.?

Banska Bystrica CF has truly been through much over the past twenty years and I understand that the sampling they prepared for us in the course of this one day cannot give us the full picture, but simply to underline some key aspects of their activities.

In light of just having visited Liptov, I personally wondered how is the oldest European community foundation holding up in terms of its financial sustainability...

Endowment building

Strategic planning that used to be done at the very origin of this CF included the topic of endowment building. The defined quantitative goal was not achieved within the two-year deadline as originally planned, but the target was met in five years' time (*I personally recall this time and I find it truly courageous to speak, to write and even to bring to life the idea endowment building in the early 90s*). The CF has actively worked with endowment investments from the start and it is to be said that opportunities to benefit from proceeds of financial instruments were much greater in the 90s than they are today, for savings account interest reached as much as 18 % and exchange rates (crown to dollar) could change by as much as 50 % in a month. Thanks to the fact that the CF has had a person familiar with finances from the beginning, it succeeded in building the endowment through effective investment at that time. A challenge grant from the C.S.Mott Foundation played an important role as well. This matching gift of 1 million crowns (USD 30,000) into the endowment was conditioned by having raised the same amount from local sources (also into the endowment). Another milestone in the endowment building came in 2002, when the CF bought the house where its seat is situated, while the rest is rented out, which represents significant operational savings. The value of the endowment reached its peak in 2008 amounting to nearly EUR 700,000. There after – thanks to the financial crises – its value dropped to the current EUR 550,000. About 30 % is invested in gold and silver and its value has dropped dramatically over the recent years. Approximately 25 % is invested in two buildings (the CF's seat and another building mentioned below), 35 % is in bank accounts and mutual funds and about 10 % in USD in a Silicon Valey Community Foundation fund. These 10 % are not on books of the CF. Fund was set up in a period when it was difficult to build endowment in Slovakia under the political leadership of Prime Minister Vladimír Mečiar. At that time, a deal was made with a foreign donor – the Rockefeller Brothers Fund – that their planned support of the CF will be carried out by setting up a fund in the name of the Banska Bystrica CF with the Silicon Valey CF.

The second building in the endowment of the CF is an industrial building which used to form part of a cement producing plant in the city. This production plant was entirely shut down after having been purchases by a Swiss corporation. This Swiss corporation use to be a donor of the CF and thus it decided to sell the building to the CF for a symbolic price of SKK 2 million (EUR 70,000). This piece of real estate also includes a large plot of land. The original plan to transform the building into a Center for Community Arts turn out to be too expensive, for the reconstruction estimate amounted around EUR 10 million – and so the only option seemed to be in involving EU funding. However, the application has not been successful and so the board of trustees recently decided to sell this piece of real estate. The building itself is not of much value, but the adjacent land are estimated to be worth double

the purchase price, so the CF should not lose on the transaction. Currently, the building is rented out as an “advertisement space” for an insignificant rent which barely covers the necessary expenses – depreciation, administrative charges and taxes.

I believe that this is a very interesting example of what can happen in twenty years for those who have not paid much attention to endowment building yet. It speaks of opportunities and period of extreme endowment appreciation as well as times of significant depreciation of its value that last longer than 5 years. It opens the issue of investing into low liquidity assets and of covering endowment management costs.

Financial Sustainability

The importance of the endowment, or better yet of endowment proceedings lies primarily in funding the budget allocations which donors – even after twenty years of CF development – do not like or do not respond to. While raising funds to make grants is no longer a problem, donors are used to them and they understand the added value that the foundation brings to the table, there are also operational expenses and expenses to some sensitive and unpopular topics (such as support to minorities) which donors refuse to support. Endowment building is one of the few ways to address this gap. Another lies in own entrepreneurial activities of the foundation – the CF has set up an NGO which, in contrast with foundations, can carry out income generating activities in accordance with the law. Right now, the CF has been searching for attractive opportunities that could generate income to subsidize operational expenses of the foundation. The CF charges a fee to major – mostly corporate – donors for gift administration between 2 – 3 %. Small donors are not charged. The CF pays little attention to raising funds through the 2 % tax mechanism, even though they naturally see its income potential, this income representing unrestricted funds in addition. However, this mechanism cannot be in principle regarded as philanthropy which is fundamental to the CF.

Regardless of the listed ideas of how to move ahead in terms of financial sustainability, the CF management is aware that their next step involves developing a well designed business plan of the CF’s operations. I absolutely agree and I wish them good luck in doing so.

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To conclude, I would like to thank everybody who made this study visit – which I have personally found very inspiring – possible, who organized it, who accompanied and hosted us as well as to all my fellow visitors.

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