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## Article

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# Financial Sustainability Criteria and their testing in the conditions of the Slovak Non-Profit Sector

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## ABSTRACT

Socio-economic and political changes after November 1989 have strongly influenced Slovak society, with impacts being observed on almost all areas of economic, political, social and public life. Highly intensive development of the so-called “third sector” has been among these factors. A new legislation framework has been created. Non-profit organizations have become the state’s partners in the area of providing social services not secured by the state, and these organizations have strong economic and social power, influencing the development of the whole society. Today, financial sustainability is one of the fundamental problems in the non-profit sector. This problem has become more important due to foreign capital withdrawal by donors to non-profit organizations, primarily during the 1990s. National support from public sources is limited and is not sufficient for the functioning of non-profit organizations. In non-profit organizations, we emphasize the necessity of the diversity of financial resource structures, ensuring their independence, financial stability and sustainability from both short-term and long-term perspectives. The aim of this article is to establish key criteria for non-profit organizations’ financial sustainability, subsequently investigating these criteria’s dependence and the level of financial source acquisition in a selected sample of Slovak non-profit organizations. We assume that owing to these criteria, non-profit organisations (NPOs) could better formulate their financial strategies, diversify and stabilize their financial sources and transform this strategy into a long-term strategic plan to maintain and develop their entrepreneurial missions.

## KEY WORDS:

non-profit organization, financial sustainability, criteria of financial sustainability, stability

**JEL Classification:** L30, L31

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## Introduction

Non-profit organizations play a relevant role in society by attempting to satisfy human needs in different ways or as a complement to lucrative firms and government-

tal activity (Soriano & Galindo, 2010; Svidroňová Vaceková, & Valentinov, 2016). The non-profit sector in Slovakia, as in other countries, has been the subject of important modifications since 1989 in the area of legislative organization, as well as in the fields of personal, material and financial resource achievement. One difficult problem that is common to non-profit organizations in all post-communist countries is their need for financing. This problem has been mentioned in the

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works of many authors. The crisis has increased the interest in 'ethics' in the business world, at least in certain of its circles. Dembinski (2011) emphasized that the 'profit motive' is an incomplete and even dangerously reductive description of the true purpose of business.

In recent years, one of the more frequently mentioned topics concerning the non-profit sector has been the effort to achieve financial stability and the sustainability of organizations. To be able to achieve its determined aims and to fulfill the requests of receivers of its services has been discussed in the works of various authors (Bienzle et al., 2007; Bryson, Crosby & Stone, 2006; Davis & Etchart, 1999; Kotler & Lee, 2005; Kuvíková, 2009; Reider, 2001; Selsky & Parker, 2005; Svidroňová & Vaceková 2012; Valentinov, 2012; Valentinov, Hielscher & Pies, 2015). This topic is also associated with so-called donor fatigue (the authors understand this concept to be sequential restriction or cutting off of donations or benefits from donors to non-governmental organizations), which emerges in highly developed states. The literature has more frequently mentioned that non-governmental organizations (NGOs) could take more control over their finances and be financially sustainable. In reality, we can find this concept discussed regarding various types of organizations, e.g., NGOs, non-profit organizations (NPOs), and voluntary organizations (VO). These concepts could be considered synonyms because there is only one specific aspect emphasized, e.g., independence from government (non-governmental), establishment without a profit motive (non-profit), and a high percentage of voluntary work (voluntary).

The term *financial sustainability of non-profit organizations* has become a common phrase in the non-profit sector in recent years. Various authors have focused on this topic (Atkinson, 2003; Boukal & Vávrová, 2007; Boris & Steuerle, 2006; Weerawardena, McDonald & Mort 2010; Valentinov & Vaceková, 2015). In this case, foreign resources use the term financial sustainability, which has occurred more frequently, although we can also observe the idea of financial stability mentioned there. Organizations are financially stable if the core of their activity does not decrease when external donor resources decrease (The Management Accounting for Non-Governmental Organisations [Mango], 2013a).

Financial stability is, according to us, the position in which non-profit organizations ensure stable finan-

cial resources well and continuously pursue their own functions, and financial stability is sufficiently resistant to unfavorable financial conditions. Maintaining stability does not indicate rigidity or efforts not to change anything; in contrast, it supposes flexibility and the ability of NGOs to react flexibly to economic changes surrounding NPOs and themselves. The framework for flexible decision-making is broader if the NPO has some financial resources. Financial stability is the one of basic conditions of the total sustainability of NGOs. According to Canarella, Nouray, and Sullivan (2014), together with these points, it is very important to maintain an optimal capital structure.

*The financial sustainability of non-governmental organization* is the situation in which the organization has reasonable expectations about its cost coverage in the foreseeable future through financing from donors. If the number of donors decreases, organizations can work on returning to financial sustainability with the help of cost decreases and income generation (according to the United States Agency for International Development [USAID], 2008). Another definition says that financial sustainability is considered the long-term financial security of an organization, based on strong relations with a number of participants, various resources, incomes, specifically unlimited resources and general reserves (Mango, 2013b). The key to financial sustainability is varying compositions of resources of difference types, at least some of which are guaranteed over the long term (Etchart, Davis, Messing, & Guštafik, 2003). It is necessary to measure the profitability of achieved results, which could cause difficulties in the conditions of non-profit organizations. (Majdúchová, 2012).

According to us, a financially sustainable organization has more than sufficient financing. It should be able to ensure long-term and various income with the aim of provide activity according to its mission, being transparent and trustworthy and fulfilling criteria established for the achievement of the financial sustainability of NPOs. In this context, we examined the index of non-profit organization sustainability.

The index of non-profit organization sustainability (INPOS) is the key analytic tool that measures the development of NGOs in the regions of Central and Eastern Europe and Eurasia. Over fifteen years, the index has shown the development of NGOs in 29 countries.

The index examines the total favorable environment influencing the NGO, and it focuses on the legal environment, organizational capacity, financial vitality, defense of interests, provision of services, infrastructure and the perception of NPOs by the public. Every area is evaluated using a seven point scale, in which 1 indicates a very advanced level and 7 indicates a low level of development. The index was created by the United States Agency for International Development (USAID) with the cooperation of local organizations from all countries. According to information from USAID (2013), the index found 8 characteristics and 4 indicators marked by decreasing tendencies (see Table 1 in the Appendix).

The next figure (see Figure 1 in the Appendix) compares the index of sustainability from the subsequent three years in these countries.

Development of the sustainability index did not show a positive tendency in the V4 countries during 2013-2015, except for Poland. The results for Slovakia were extremely negative, showing decreased development and concerns about financial sustainability, as well. In addition, these indicators demonstrated the increased importance of this topic for non-profit organizations.

### Financing of non-profit organizations in Slovakia

The financial situation of the non-profit sector in Slovakia has been influenced by enormous foreign support since 1989. Later, a reduction in the foreign public resources connected to integration into the EU and NATO occurred, including the achievement of a specific level of NGO maturity in Slovakia. Finally, development is characterized by a higher level of dependency on new methods of financing and national resource involvement.

Requirements of high professionalism also increase with the quality demanded of offered services, and non-profit organizations use criteria that are more serious. These criteria for completion are based on the financial and social performance of the organization and its ability to satisfy the needs of donors. This movement requires the following.

- An essential change in the attitude of non-profit organizations toward accepting financial resources and ongoing transfer in seeking new sponsors and

donors through the creation of relationships with a stable donor base

- The stimulation of organizations themselves to create financial resources
- A permanent increase in the effectiveness of used resources (Majdúchová, 2009)

Now, we can identify the following structure of financial resources in non-profit organizations in Slovakia (see Table 2 in the Appendix).

Non-profit organizations in Slovakia receive support from individual budget chapters of individual ministries of the Slovak government. The level of these resources is not possible to set accurately. One of the important public resources consists of assignments of 2 % from the income tax levied on natural and legal entities. The total amount was 52 million euros. These sources were applied to more than 11,800 organizations in 2015. There exists a disproportion of success among individual organizations (Boehnke, Rippl & Fuss, 2015; Hagedorn, 2014).

Only foundations established as highly profitable enterprises with the possibility of sending them two percent have long-term profits from this assignment. Enterprises have sent on average to the third sector €4 200, while the remainder have sent only €443.

Charitable activity covered by paid taxes could be used for the promotion of one's own enterprise.

The percentage mechanism is the one important tool of indirect public support of non-governmental organizations, and it is also very popular for receiving organizations and legal entities.

Financing of non-profit organizations in Slovakia from national private resources could be divided into resources from the entrepreneurial sector and resources from individual donors. In this regard, it is necessary to mention that there are no official statistics at this time that can provide information about the level of provided resources from the entrepreneurial sector or from individual donors.

Support from the entrepreneurial sector very often has the following form.

*Enterprise donorship* (corporate philanthropy) – indicating the willingness of the enterprise to offer a degree of value for beneficial public purposes without a request for counter-value. Now, there are no legal tools that motivate entrepreneurs and enterprises to financially support the activities of the non-profit

sector (in the past, there was the possibility of depreciating the value of gifts from the tax base). Voluntary contributions of NPs (natural persons) and LPs (legal persons) as sources of income for NPOs do not have long-term histories. Therefore, this resource is often unexpected and uncertain for the future. Enterprises usually create foundation funds, to which entrepreneurial subjects give their own resources or sends 2 % from taxes. The scale of the most important enterprise contributors every year creates forums of donors (so-called Top Enterprise Philanthropy), a unique index in the Slovak Republic, which since 2005 provides information about enterprise donorship. Additionally, it is very important that NGOs do not ask only for financial support because, for local entrepreneurs or enterprises, it is often more acceptable to provide one's own services free, for example, copying of documents, cheaper rentals, or one's own products, such as computing technology or furniture. Important company donors often enter into long-term cooperation with selected NPOs, with programs or activities supported for various years. Thus, Dubcová (2014) found that a large task is the strengthening of socially responsible behavior, mainly "the existence of relevance of the functional strategy for corporate responsibility" (p. 69). We can speak about the following types of activities.

- *Sponsorship*
- *Campaign leadership*
- *Philanthropic marketing* (cause related)
- *Strategic partnerships with the community*

Individual resources for financing are the smallest part of NPO financing, but in no case are these resources less important. They are created by the resources of individuals, and we can say that the methods of achievement of such resources are among the most stable and difficult. It is important to have many small donors, which is very difficult; in contrast, the loss of donors does not influence the stability of organization. According to Rugman and Verbeke (2004), we live in a world of semi-globalization. However, in Slovakia, individual donors (taxpayers, families who freely decide to support NGOs according to their work results) focused on relatively few NPOs because they expect much personnel, material, time and financial capacity. In such cases, the organization is able to achieve the confidence of a great number of individuals, and such

resources could be very important and sustainable for the future (Brozmanová et al., 2009).

In 2011, the Coalition for Support of Individual Donorship was created, which signed a document between members' non-governmental organizations. The reason for its creation was the acute need for the improvement of the donor environment in Slovakia.

Now, non-profit organizations in Slovakia use some basic forms of individual donor address, such as wage deductions, public philanthropy activities, direct contact, member contributions, and donor SMS and permanent charge orders. An important source of NPO financing is self-financing, which is the acquisition of financial sources by one's own activities, e.g., sale of products, provision of services, use of tangible and intangible assets, and investment in securities (Vaceková & Svidroňová, 2014).

### **Financial sustainability of non-profit organizations**

Non-profit organizations face an increasing expectation to be more business-like (Sanders & McClellan, 2012). Business is very often associated with financial sustainability. Determination of the idea of financial sustainability is slightly connected with the identification of key criteria, which are significant for its achievement. We obtained their determination from information published in the USA (the Nature Conservancy Organization) and the UK (Mango, 2013a). The concept of sustainability is often unclear and confusing. It has many definitions and forms: environmental, economic, social and political (Svidroňová, 2013). The sustainability of NPOs remains importance in today's quickly changing business environment of multidisciplinary studies. This is the outcome of NPO activity in a complex environment that has many contradictory effects; e.g., the commercialization of NPO activities increases together with requests to cooperate with public institutions and other NPOs. We are speaking about analyzing methods created in the UK and the USA. Statements of criteria, which are suitable for financial sustainability, are the work of the Mango non-profit organization registered in the UK. Its aim was to strengthen the financial management and financial responsibility of non-profit organizations and their partners. In 2010, this non-profit organization created a methodology

that address the financial management of non-profit organizations and that could help NPOs to use their own resources effectively.

American skills were taken from the Nature Conservancy Organization, which cooperates with various non-profit organizations worldwide and which decided to share its experiences obtained in previous years. It prepared a document that could help to non-profit organizations solve daily issues. One part of the document in the cycle "Resources for Success" is a manual about the financial sustainability of non-profit organizations, entitled "Four pillars of financial sustainability" by Patricia León. It is a unique source that summarizes information about financial sustainability very comprehensively.

The analysis and subsequent synthesis created a list of the most important things that non-profit organizations can do for the maintenance of financial sustainability in practice. The criteria mentioned are not obligatory for every NPO because each of them differs and solves individual problems. It is suitable to consider this methodology a guideline and to adapt it to one's own organization. Some criteria could be modified or eliminated, and new ones could be added.

## Objectives and Methods

The objective of this article is to provide more information about the financial sustainability of non-profit organizations in Slovakia through the examination of the dependency of the financial sustainability criteria of NPOs and the extent of financial resource achievement in NPOs. According to the data from USAID, this decreased in the long term, and if they achieved an index of financial vitality of 3.0 in 1997, in 2013, it was only 3.6. We evaluate the fulfillment of such objectives through research questions based on mathematic-statistical methods. The research questions were closely related to the criteria for financial sustainability, which we synthesize using the aforementioned methods.

The number of research questions is in slight interaction with the criteria for financial sustainability evaluation according to the methodology of the Nature Conservancy and Mango organization. Their testing in the area of non-profit organizations in Slovakia focused on the determination of criteria with decisive impacts on financial sustainability.

*Research question 1:* Are there any dependencies between private financial resources achievement and the NPO's subject of activity?

*Research question 2:* Are there any dependencies between the achievement of private financial resources and the character of the cooperation of the NPO with the entrepreneurial sector?

*Research question 3:* Are there any dependencies between the achievement of private financial resources and the number of donors to the NPO?

*Research question 4:* Are there any dependencies between the achievement of private financial resources and the use of fundraising by the NPO?

*Research question 5:* Are there any dependencies between the achievement of private financial resources and the relationship between the NPO and donors?

*Research question 6:* Are there any dependencies between the achievement of private financial resources and the activity of the management of an NPO itself?

*Research question 7:* Are there any dependencies between the achievement of private financial resources and the strategic planning of an NPO?

*Research question 8:* Are there any dependencies between the achievement of private financial resources and the financial planning of an NPO?

*Research question 9:* Are there any dependencies between the achievement of private financial resources and the existence of financial information and the records of an NPO?

The need to evaluate the existence of dependency between the level of achievement of private financial resources and the criteria for financial sustainability have required using knowledge from the area of econometrics. Data were analyzed statistically using the selected statistical software program SPSS (Statistical Package for the Social Sciences, IBM 2009, NY, US), and we examined the data for common characteristics and links. This analysis was performed through two size induction statistics, which have been applied using the Kruskal-Wallis H test and analysis of variance (ANOVA).

**The Kruskal-Wallis H test** is an extended Mann-Whitney test with three or more samples (in case of two samples, they are equivalent), and it represents a non-parametric alternative to one factor analysis of variance. The aim of the test is to determine whether, in the sample of determined differences of individual

groups, meridians (according to the factor level) are statistically significant (between those examined with any relationship) or whether it is only coincidence (there is no relationship between them). The zero statistics hypothesis was tested regarding the equality of all meridians (Rimarčík, 2007). During testing, the rule that at least one of the examined pairs is ordinary was met. We established the order of solutions from the best to the worst with the evaluation of individual questions, and we established a point range from 5 (max) to 1 point (min). Because the examined variables are not cardinal variables in ordinary division, **we believe that application of the Kruskal-Wallis test (also after consultation with professionals in statistics) is appropriate.**

For the evaluation of research questions, we also used **one factor analysis of dispersion**, which is a form of ANOVA. One factor (simple) ANOVA examines the relationship between the dependent variable and the nominal variable (factor). The aim of analysis of dispersion is to examine whether, in the observed sample, differences in the averages of individual groups (according to the factor level) are statistically significant (between variables is the relation) or it is only coincidence (there is no relationship between them). In the process of testing, the total variability (sum of square dispersion of the variable value from its average) is divided into intragroup (coincidence fail) and intergroup (set by the difference of groups average). The F-statistics denote the relationship of intragroup and intergroup variability, and it is used for the zero statistics hypothesis test regarding the equality of averages.

We also verified the results of testing with **multifactorial analysis of dispersion (multifactor ANOVA)**, which divides selected files in two groups according to the individual modifications of factors and tests whether there could be discovered differences among the averages of the groups as a mere coincidence or whether they are statistically significant. If the averages of these groups differ significantly, this factor is statistically important, indicating that there is a relationship between the dependent variance and the factor. An advantage of multifactorial analysis of dispersion compared with one factor is the higher power (there is need of fewer observations for capture of an important effect).

As a research tool, we used a questionnaire in which we asked 1015 non-profit organizations about the existence of dependences between the level (extent) of obtained private financial resources and each of the following:

- Subject of activity of non-profit organizations;
- Character of the common cooperation of NPOs with the entrepreneurial sector;
- Diversification (number) of donors of non-profit organizations;
- Use of fundraising in NPOs;
- Relations of NPOs with donors;
- Activity of the management of NPOs themselves;
- Strategic planning of NPOs;
- Financial planning of NPOs; and
- Existence of financial reports and statements of NPOs.

Of 1015 contacted organizations, 105 organizations participated in the research. Their structures reflect the statistical example according to the following criteria: legal format; number of employees; area of activity; age; and regional structure.

We verified the normal division using the Shapiro-Wilk W test, which has in most cases the highest power of all normality tests. Considering calculations and statistics, we can say that in the case of a variable – level of private financial resource achievement -- we refute the null hypothesis about the normality of the distribution. **The normality test results show that, in the case of hypothesis testing about the dependency of the level of achievement of private financial resources, some criteria are suitable for the use of nonparametric tests (see Table 3 in the Appendix).**

A nonparametric alternative to one factor analysis of dispersion is the Kruskal-Wallis H test, which we use for verification of the dependency.

The aim of the test is to determine whether differences in the meridians of individual groups (according to the factor level), which are shown in the observed sample, are statistically significant (there are relations among variables) or whether they are coincidences (among variables there is no relationship). The null statistic hypotheses about the equality of all medians are tested.

If the p-value is less than the chosen level of significance (traditionally 5 % = 0.05), the null hypothesis is refuted, indicating that the difference is too greater.

This difference is among one of the medians counted from the sample. It could be the outcome of the statistically significant chance selection. There is a relationship among the variables.

If the p-value equals or exceeds the selected value of importance, the null hypothesis cannot be refuted, indicating that the differences between every pair of medians from the sample are the only outcomes of the incident selection, which means that it is not statistically significant, i.e., there is no relationship between variables.

## Research Outcomes

In this part of our article, we focus on the evaluation of financial sustainability criteria in non-profit organizations according to methodology created by the Nature Conservancy (USA) and Mango (UK) organizations. We evaluate the dependency of selected criteria on the achievement of private financial resources by non-profit organizations. During testing, the respondents did not answer some questions; **therefore, the number of responses can differ.**

### 1. *Dependency between private financial resource achievement and the NPO's subject of activity?*

As we have already mentioned, the majority of examined NGOs are active in the area of education (18 %), culture (18 %), social services (18 %) and sports (12 %). Seven percent of NGOs have the subject of activity another mentioned possibility, such as social and legislative protection, development and humanitarian help, problems of Roma, defense of citizens' rights and interest activities, spiritual development, work with youths, or environmentalism, or the NGOs are cultural activities organization involved in philanthropy and free time organizing. We checked the dependency between the subject of activity and the existence of private financial resources by the Kruskal-Wallis test (see Table 4 in the Appendix).

The outcome indicates that there are differences between the achievement of private financial resources **under the conditions of the area of activity**, which means that the area of NGO activity is very important if it asks for the entrepreneurial subjects' support and wishes to increase the number of private financial resources **among total incomes**. The entrepreneurial subject financially sup-

ports organizations acting in the social services in particular, affirming the research question.

### 2. *Dependency between the achievement of private financial resources and the character of cooperation of NPOs with the entrepreneurial sector*

Research outcomes confirm that 66 % cooperate with some entrepreneurial subjects. We asked respondents about the character of this cooperation: whether it is regular (47 %), occasional (38 %) or ad hoc cooperation (15 %). The research confirmed a low percentage of individual incomes, compared with regular or occasional incomes. The verification of the characteristics of cooperation influences the level of gained financial resources from private/individual resources. We used the Kruskal-Wallis test again (see Table 5 in the Appendix). In cases of private financial resource achievement, regard the dependency and character of cooperation, statistical dependency was not confirmed.

### 3. *Dependency between the achievement of private financial resources and numbers of donors of NPOs*

Burger (2015) observed that foreign donors increasingly transfer aid resources directly to NGOs and not to governments. According to León (2001), a minimum of 60 % of the total budget of an organization can come from five difference sources. This condition, according to the research, is the case in 42 % of organizations. One source of financing (donors) represents more than 80 % of organization incomes according to 13 % of respondents, and 18 % of respondents represent more than one source for 60 % of organization incomes. Any other modification in decisions of these donors can lead to a crisis or instability in an organization (see Table 6 in the Appendix).

### 4. *Dependency between the achievement of private financial resources and usage of fundraising in NPOs*

Answers to this question confirmed the dependency between the number of donors and the level of private financial resource achievement.

The Kruskal-Wallis test at the level of significance of 0.05 showed (see Table 7 in the Appendix) that forms and methods of fundraising influence the level and extent of private financial resource



achievement. Organizations that systematize activities of source generation and that contact donors (71 %) achieve private financial resources from various areas at higher levels. In contrast, in organizations where there are no systematic activities leading to source generation, the volume of private financial resource achievement is very low (29 %).

**5. *Dependency between the achievement of private financial resources and relations between NPOs and donors***

This research question addresses the preconditions for whether non-profit organizations build their images and publicity or, stated in other words, whether credibility and transparency in the form of annual reports impact private financial resource achievement (see Table 8 in the Appendix).

In the case of dependency of the quality of relations and the level of private financial resource achievement, there is strong statistical dependency. An organization that attempts to maintain mutually beneficial and better than standard relations is more successful in achieving private financial sources. In contrast, an organization that does not have good long-term relations is usually not very successful in private financial resource achievement. The results of the research confirm that 76 % of non-governmental organizations have long and better than standard relations with their donors. If an NGO attracts a donor, communicates effectively, provides information about the obtained results regularly and shows transparency in handling financial resources, it achieves the most stable source of support (Plenipotentiary of the SR Government for the Development of NGO [RNNNO], 2014).

**6. *Dependency between the achievement of private financial resources and activity of the management of the NPO itself***

Fifty-two percent of non-governmental organizations mentioned an active member of the board who manages the organization effectively and ensures its long-term institutional and financial stability. There committees were established with the task of solving specific problems, such as investment financial stability/sustainability and fundraising. Inactive members of the board were men-

tioned by 5 % of organizations, and the remaining 44 % mentioned only partial support from the management (see Table 9 in the Appendix).

In case of testing dependency, the activity of management and the level of private financial resources there acknowledged no dependency.

**7. *Dependency between the achievement of private financial resources and strategic planning of the NPO***

It follows from the results (see Table 10 in the Appendix) that approximately 65 % of respondents had a long-term plan (organization strategy) that they update regularly and use in the decision-making processes of the organization. In contrast, there was a large number of organizations that did not consider a long-term plan as inevitable (32 %). The plan prepared by 13 % of respondents and by many non-profit organizations was considered out of date.

No dependency was acknowledged between the form and level of utilization of the strategic plan of an enterprise and the volume of private financial resource achievement.

**8. *Dependency between the achievement of private financial resources and financial planning of the NPO***

The Kruskal-Wallis test confirmed strong statistical importance in cases of financial planning dependency along with the identification of the financial needs and objectives of NGO and the level of private financial resources achievement (see Table 11 in the Appendix). Approximately 40 % of respondents are not interested in financial planning and do not identify minimum financial needs inevitable to the administrative or program objectives for the next 3-5 years. This group was created by approximately 90 % of NGOs associated with 0-5 employees.

**9. *Dependency between the achievement of private financial resources and the existence of financial information and the records of the NPO***

According to Ellis (2014), "Typically, most companies only publish full financial accounts once a year, although interim updates on sales and profitability are common. To undertake a detailed assessment of the strength of an individual debtor's

balance sheet, it is therefore necessary to wait for these accounts published, often with a significant lag to the reporting period. Break-even maturity as a guide to financial distress” (p. 389).

For NGOs, it is very important to be, in the area of economics, transparent for the long term, mainly in cooperation with entrepreneurial subjects and for the confidence of members, the public or clients, without which no organization can survive (see Table 12 in the Appendix).

The results of the research confirm that 71 % of respondents regularly inform receivers and donors through financial reports about the economics of the NGO. Twenty-nine percent prepare financial reports and statements that cannot be created due to the unwillingness of NGOs to publicize how the organization is managed or send annual reports, and in this way, they show the legitimacy of requested subsidies. The research shows that 62 % of requested NGOs and other legal forms of respondents show effectiveness in financial management (financial reports for external users), indicating that we consider publishing this information to be the most important, together with statements and supplements and comments from the organization's management. Only complex statements suitably explained and amended by comments from the organization's management can provide to users a clear picture of the organization's situation. It is useful to mention the comparison of reality and planning, as well as future expectations.

The strong statistic importance has been acknowledged between the form of financial statement preparation and the extent of private financial resource achievement.

In this chapter, we analyze whether the selected criteria have any impact on the extent of private financial resource achievement in non-governmental organizations. We present the summary of the analysis (see Table 13 in the Appendix).

Confirming the majority of research questions (Řezáková, 2007), we consider the objective confirmed in case of 6 attested research questions out of 9. We can say that there are criteria that influence the volume of private sources of financing in NGO achievement. The research results show strong statisti-

cal dependency, as confirmed in the criteria sustaining mutually useful relations with donors, financial planning and the existence and transparency of financial statements of NGO to donors (with bold letters). Additionally, in the last year, the economic forum in Davos, a barometer of confidence, showed expressly that non-governmental organizations have higher confidence than the governments of individual countries or financial institutions, which are responsible for the global crisis. Calls for non-governmental organizations could sustain this confidence and develop it in the current period of economic instability. For NGOs, it is very important to have a sense of long-term transparency in the economy, mainly in cooperation with entrepreneurial subjects and the confidence of members, the public or clients, without which no organization can survive for long.

Plenty of internal and external factors influence the long-term sustainability of non-profit organizations. The most important criterion for the existence of a non-profit organization is to provide financial resources optimally.

Prerequisites that are inevitable for the sustainability of NPOs are the following.

- Diversification of financial resources -- which means decreasing the dependency of one source of financing
- Generation of purposeless financial sources -- which means freedom in financial resource utilization in accordance with the missions of non-profit organizations and purposes, which are important from the point of view of strategy development

The highest level of independency comes from self-financing as the internal resource of financing and financing from 2 % income tax. Organizations could use these obtained resources in accordance with the requests of donors. We can observe that higher levels of such financial resource achievement not only provide advanced financial sustainability but also increase the independence of organizations. We can see also synergy in the long-term sustainability.

Strategic management application is another precondition of NGO financial sustainability. Strategic management, according to (Hanzelková, Keřkovský, Odehnalová, & Vykypěl, 2009), can possibly be divided into functional strategies following individual functions. Financial or personal marketing is ranked

among functional strategies. Well-known authors (Sakál & Podsklán 2004) have mentioned other functional strategies applied mainly in the non-profit sector, such as products (production) and environmental, innovative, political-legal, and information. NPOs increasingly use the practices of the entrepreneurial sector. According to our research, NPOs reached a total financial sustainability level of 55 % in Slovakia. Following from the results of research conducted by the Delft method, we chose the following functional strategies important for the long-term sustainability of NGOs (see Table 14 in the Appendix).

The most important criterion in reaching financial sustainability for NGOs is considered *strategic and financial planning and the effectiveness of the organization*, specifically active management of organizations. NPOs coincide with the financial planning of NPOs being very low.

According to research audits and accounting, Slovak NGOs are NPOs of the highest level from all criteria.

### **Proposals for increasing private financial resources as financial sustainability criteria**

Private financial sources (incomes from enterprises/individuals, grants and 2 % from income tax) represent 61 % of all sources and constitute the major part of NPO incomes. The cooperation of enterprises with NPOs is very important in the financing of their activity. Based on this research, we identified criteria that influence private sources of NGO financing achievement. Strong statistical dependency confirms criteria for financial planning, the existence of financial statements and the maintaining of mutually beneficial relations with donors. With research question 1, we analyzed the impact of activity on private financial source achievement, and the analysis confirmed dependency. In NGO examination, we can observe mutual differences mainly in the subject of the activity of the organization. According to the analysis, enterprises support NGOs acting in social services. We were not able to verify this statement. According to the outcomes of research in companies, mainly activities for children and youths are supported. Low participation of enterprises in research does not enable us to comment on the obtained data for all entrepreneurial groups. If NGOs are transparent, reliable, and active in attract-

ing enterprises, and they are able to meet criteria for financial sustainability, they will be successful in the creation of cooperation and the benefits derived from it. We recommend realizing surveys on the current situation in NGOs and speaking mainly to enterprises (and concentrating mainly on enterprises) disclosing their interest in cooperation with NGOs to the public. An important precondition from the financial sustainability point of view has been important, slight interaction and a coincidence between the strategy and objectives of an entrepreneurial subject as a donor and the NPO as a beneficiary of financial sources in the concrete area of its interest. Therefore, we recommend that organizations be more active in achieving financial resources by searching for partners with philanthropy incentives included directly in their entrepreneurial strategies.

Statistical dependency was not confirmed in research question 2 from the characteristic of cooperation. NGOs had to evaluate individually the form of cooperation: regular, occasional or ad hoc. We recommend to young NPOs or organizations with individual incomes from enterprises to address more experienced organizations through networking. Forming networks with these organizations can lead to benefits on both sides: the starting NGO can attain new, innovative ideas, and the NGO already acting in the market for longer can provide professional advice and consultation, including new ideas and know-how acquired from entrepreneurial subjects.

*Research question 3* confirmed dependency among the number of donors and the level of private financial resource achievement. NPOs have established a wide range of financial sources. In one third of organizations, one source of financing represents more than 60 % of organization income. It should be useful to such an extent that no one resource participates in more than 25 % of NPO total incomes. *Research question 4* was confirmed, and fundraising influences the level of private financial resource achievement. Fundraising itself is active in NGOs (71 % of respondents contact donors), and maintaining stable relations with donors was evaluated very positively. We recommend that NPOs take the position of a fundraiser that can, apart from searching for new external sources, look for new opportunities on the market where non-governmental organizations with self-financing activities could enter.

The results from the non-profit sector showed that  $\frac{3}{4}$  of examined NPOs sustaining longer and more standard relations with donors. *Research question 5* confirmed the strong statistical dependency of this criterion in the achievement of resources from enterprises. We recommend maintaining the level of activities that we mention at the end of this subchapter and continuously attempting to improve it.

NPOs could be professional not only from the development and education of employees' points of view but also from independence, eventually with the individuality of the management point of view. We examined this criterion in *research question 6*, for which analysis did not confirm dependency in resource achievement from enterprises. Management of organizations connects NPOs with their surroundings, and their task is to ensure appropriate support of organizations and to ensure the effective and responsible utilization of obtained resources. Members of boards who are not active were mentioned by only 5 % of organizations, and 44 % respondents support NPOs only partially. According to experts, active management is just one of the most important criteria for the financial sustainability of organizations. The importance of NPO administration and the role of administrative bodies as guarantors of transparency and responsibility in NPOs should be closely evaluated, and the idea of fair, transparent and socially responsible behavior of organizations could be supported.

Despite the instant benefits of strategic planning, a disadvantage lies in it being very demanding concerning time, finances and people. *Research question 7* did not confirm the statistical dependency of private financial resource achievement on strategic planning. According to experts, e.g., Burger, Dasgupta, and Owens (2015), strategic planning is one of the important criteria of NPOs attaining financial sustainability. Approximately 65 % of NPOs have prepared strategies of organization, and we propose continuing with its regular updating and using strategic plans in the decision-making processes of organizations. The activation, realization and maintenance of strategic planning are costly and require some level of risk from the viewpoint of the management of organizations; therefore, management of all of the functions of strategic planning in some non-governmental organizations can require years, which is why some NGOs can propose

a simplified strategy (donor strategy or financial, marketing, personal strategy) and not the whole plan.

Through analysis, a precondition was confirmed of *research question 8* regarding the dependency of private financial resource acquisition on the financial planning of NPOs. Alarming is the determination that 40 % of respondents do not perform financial planning and do not identify financial objectives for the next 3-5 years. Financial planning was mentioned as one of the three most important criteria in the Delft method (together with strategic planning and active management of organizations) of NGO financial sustainability achievement. The present situation of third sector organizations is not ideal; there is an enormous space for improvement. NPOs can first count the financial needs of projects or the organization itself or plan a budget and fundraising for the achievement of financial resources needed for the plan of activity realization. Cooperation with the entrepreneurial sector creates not only financial sufficiency but also the possibility for the experience of exchange and achievement of information and knowledge in financial planning.

In case of financial reports, the existence of dependency in NPOs is acknowledged in *research question 9*. Administration is closely related to transparency, responsibility and credibility. Confidence relationships are inevitable, mainly for donors and sponsors who provide organizations with financial resources. Forming partnerships, as well as resource acquisition from internal and external sources, is important for NGOs with the aim of creating an image of a trustful and transparent organization with great impact on the support of non-governmental organizations from the public. Several times in the past, speculative incentives were detected for the establishment of NGOs that abused acquired financial resources, which is why NPOs have a mainly negative image to the public (Austin, 2000; Bútora, Mesežnikov, & Kollár, 2011; Sičáková-Beblavá & Baťová, 2009).

Annual reports should include financial parts, which should be comprehensible mainly to those with economic-financial relations with NPOs. With transparency, the public (donors) could have the possibility of seeing how it is manipulated financially and whether an organization uses its resources for the purpose for which it was established. Transparency could be mainly in the annual report presentation, which

should be automatic. We recommend to NPOs to continue strengthening the credibility and good reputations of organization through the following activities:

- Communication with important partners and local community – involvement of public with the activities of NPOs in the form of volunteering or financial support. To promote actively the activities of NPOs that creates the preconditions for long-term cooperation, we recommend organizing, apart from leaflet distribution or sending newsletters, the following activities:
  - Open door days; and
  - Activities for partners who support NPOs.
- Creation of communication culture – application of ethical codes, which support the credibility of NPOs, presentation of NPOs' visions and missions, creation of logos, establishment of internal relations and communication standards.
- Creating, updating and maintaining Web pages – publication of one's own donors.
- Relationship with the media – establishing partnership with publishing houses and magazines, with the of focusing on NPOs and publishing constant press releases about ongoing events.
- To establish a self-regulation mechanism in which an NGO determines its own standards of good practice and transparency, for example, in the area of public information about the financial activities of NGOs. To create schemas for accounting statements comprehensible to the public, this mechanism should engage every organization and member of the public in its annual report. The status of public utility, which should set basic standards for NGO transparency, is connected to taxes or other financial advantages.
- Using transparency and good reputations in resource acquisition from enterprises/individuals and being charged with acquired financial resources.
- Training of employees in the area of management (managerial practice for non-profit sector) and fundraising in the area of personal strategy.
- To run performance audits, so-called value audits for obtaining invested resources (value-for-money audits), in which the money audited is expressed in value creation activities. It is suitable tool for the control of economics, effective and efficient financial resource disposal and economic transparency.

As the research results show, we have provided criteria for financial sustainability (see Table 15 in the Appendix), with strong statistical dependency granting the achievement of private financial sources (enterprises/individuals, grants, 2 % from income tax).

The results (from the table) show that NPOs should pay more attention to financial planning, which is, according to Delft method experts, one of the most important criteria for then achievement of financial sustainability of NPOs, but its level is very low in NPOs. Of all of the previously proposed forms of mutual partnership of NPOs with enterprises, the creation of long-term cooperation is demanding of the abilities of organizations, which should be able to react to market needs with managerial practices and plans and with the aforementioned functional strategies. Hence (Shenkar, 2001). Control (and, in extension, entry mode) is not the only product of cultural “distance”; it is also a potential trigger of cultural friction. The most important aim is to attract long-term donors and not only one-time support. This reality asks for the permanent confidence of such organizations and instructive forms of supporter attraction.

## Discussion

As indicated by our research and the analyzed scientific articles and research of many authors, the financial sustainability of NPOs in Slovakia is becoming worse systematically. This situation is influenced by many factors. Organizations realize many projects and activities to show their vitality. In contrast, it requires the capacity for the diversification of their financial sources. The situation of organizations that depend on 2 % assignation of taxes because the conditions for legal persons in providing this support has begun to worsen. In Slovakia, there is no legislation concerning donor support as a tax advantage. The severity of the administration has increased the management of NPOs. The number of grants from public sources is decreasing, which could have impacts mainly on organizations focusing on culture and human rights. Concerning European Union sources, the majority of organizations have no impact on this support because of bureaucracy and the extremely high demand for co-financing.

Our research has provided us with information that serves as criteria for financial sustainability (which we

have proposed) and confirms strong statistical dependency on private financial sources (enterprise/individuals, grants, 2 % from income tax). The criteria are the following:

- Precise financial planning
- Creation of long-term relations with donors
- Transparent financial statements and audits

The outcomes of our research concerning NPOs showed the need for attention to be paid to financial planning as the one of most important criteria for the financial sustainability of NPOs, which is in these organizations very low. (Browman, 2011; Vaceková & Svidroňová, 2014). This result is the outcome that the majority of organizations operate with very low budgets; their incomes are irregular, influenced by a number of factors, such as modifications by legislation, consideration of donors and their economic situations, policy, etc. What must be evident in every organization is the total budget, which consists of costs and budget sources. The cost budget include all items that an organization plans to use during the year, including wages, operation costs, insurance, and the cost of new project achievement. Cost budgets must be added to source budgets, in which sources and items covering costs are included. The total financial plan must reflect the strategic plans of organizations. In this context, the question of an organization's financial sources is highlighted. The useful combination of financial sources, e.g., resources created by one's own activities, grants, and donations, can possibly ensure solid financial planning and long-term financial sustainability, as well.

As the outcome of another part of our research, the creation of long-term partnerships of NPO with enterprises is another precondition of long-term financial sustainability. (Kuvíková, Vaceková 2009, Maier & Meyer, 2014). The creation of long-term cooperation emphasizes an organization's own abilities, which must be able to react to market needs, use managerial practices and plan the aforementioned functional strategies. The most important thing is to attract long-term donors, not only individual (ad hoc) supporters. This long-term cooperation expects the long-term confidence of an organization and creative forms of donor attraction. We recommend that organizations establish their own self-regulation mechanisms, in which organizations define their own standards as good experi-

ences from practice and transparency, e.g., in the area of information for the public about financial operations and statements, develop relations with the mass media, and create their own codes of ethics. Powerful tools are also performance audits and audits of value for spending resources, which are audits with money expressed as value created activities. These are suitable tools for economic, effective and useful control of financial source usage and transparent economics.

The aforementioned precondition of financial sustainability is closely connected to the last criterion of financial sustainability emphasized in our research, which is the importance of transparent and publicly understandable financial statements. This criterion also enables organizations to establish and measure their performance. Productivity is the basic test of every institution. Pressure on non-profit organizations as providers of frequently used or mutually used services to measure their productivity or performance in general comes from various interested sides: founders, donors, volunteers, employees, and clients and mainly from public authorities that provide sources for their activities. Requests of non-profit organizations to be commercial providers of services expects from them complex measurement of productivity.

The dynamism of present economic development has forced NPOs to integrate into their strategies the preconditions and outcomes of entrepreneurial strategies focused on long-term sustainability (Vaceková & Svidroňová 2014; Renz, 2016).

It is important to note that the indicators of financial sustainability mentioned in the literature, such as cooperation with the community and a good name for organizations, have not been confirmed in Slovakia (Bray 2013; Renz 2016). Reasons for this lack of confirmation could be found in the less developed non-profit sector in Slovakia.

Financial sustainability continues in the interest of NPOs that face numerous problems in their creation. Our article showed many challenges and recommendations for NPOs to create and maintain long-term financial sustainability. This concept must also be understood as a long-term, dynamic and continuing process. Creation of clear strategic plans, which define the society's mission and integrates the impact of interest groups with the missions of organizations, could overcome long- and short-term problems of financial sus-

tainability. This article could help NPOs with their definitions of key indicator of their financial sustainability.

## Conclusions

Non-profit organizations realize that their long-term financial stability and sustainability are the elementary preconditions for their existence and their ability to fulfill their missions. The basic problem is the recognition and establishment of the key criteria that influence the ability of an organization to ensure sufficient financial resources for its activity. NPOs operate according to a specific paradox – compared with the profit sector, their financial management is much more complicated because the benefits of non-profit products are divided between two groups: the real recipient (beneficent); and the payer (donor). Satisfaction of both groups' interests obliges NPOs to seek ways to increase their effectiveness and performance. The outcomes of our research bring new challenges to the area of the non-profit Sector, mainly due to the proposals of new concrete recommendations for the achievement of increased levels of private financial resources. Their application can contribute to the increase in NPOs' quality of work, as well as to the increased possibility of fulfilling their missions, not only in the Slovak entrepreneurial area but also in the remaining transition economies.

Non-profit organizations are in the market environment, and they require material, human and financial sources for their activities. The question of their long-term financial sustainability is increasingly important today. It combines with the exhaustion or loss of present, mainly foreign financial sources. Organizations are forced to search for ways and forms of long-term and stable incomes to be able to realize their missions. Our investigation showed that the most important criteria for non-profit organization sustainability are solid financial planning, the maintaining of long-term and stable relations with donors and joint diversification of sources and financial transparency oriented toward the establishment and measurement of performance and capacity.

In our research, we noted the most important criterion for financial sustainability shown by non-profit organizations in our research, and we provided possible recommendations, the realization of which could lead to increased independency of organizations and their financial stability and long-term subsistence security.

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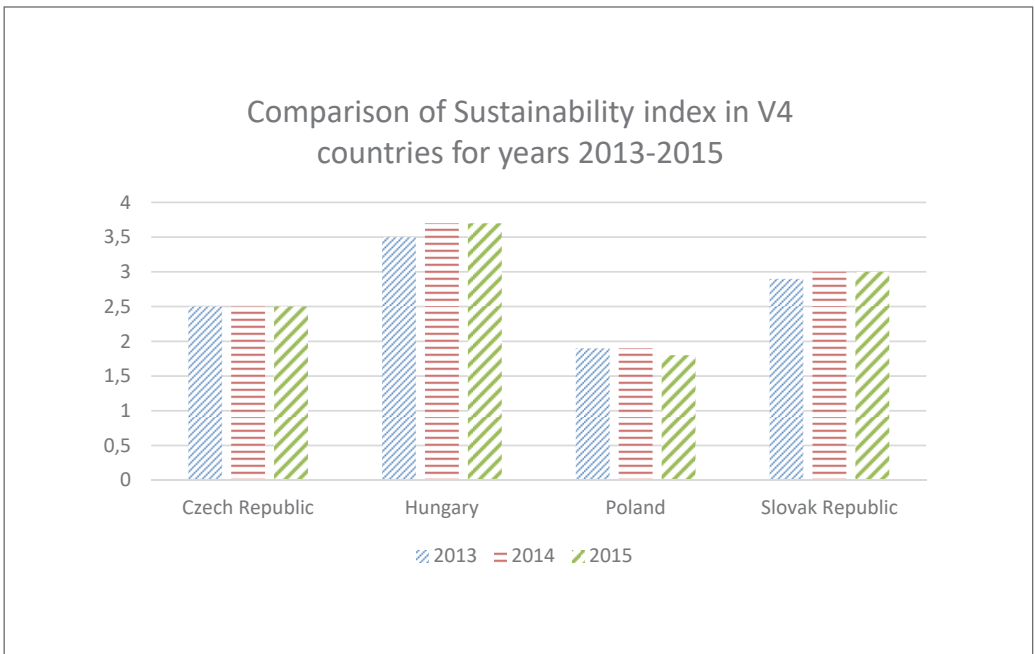
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## Appendix



**Figure 1.** Comparison of sustainability indices in V4 countries for 2013-2015

Source: Adapted from "Financial Capacity Building for NGO Sustainability" by USAID (2008, August). Retrieved from [http://pdf.usaid.gov/pdf\\_docs/Pnadh555.pdf](http://pdf.usaid.gov/pdf_docs/Pnadh555.pdf)

**Table 1.** Index of Non-profit Organizations' sustainability in Slovakia (2015)

Change	CSO Sustainability	2,9	↓
Change	Public Image	2,5	=
Change	Infrastructure	2,9	↓
Change	Service Provision	2,6	=
Change	Advocacy	2,6	=
Change	Financial Viability	3,7	↓
Change	Organizational capacity	3,1	↓
Change	Legal Environment	3,0	=

Source: Adapted from "The 2012 CSO Sustainability Index for Central and Eastern Europe and Eurasia (16<sup>th</sup> ed.)." by USAID (2013, June). Retrieved from [https://www.usaid.gov/sites/default/files/documents/1863/2012CSOSI\\_0.pdf](https://www.usaid.gov/sites/default/files/documents/1863/2012CSOSI_0.pdf)

**Table 2.** Forms of non-profit organizations' financing in conditions of SR

External resources -- fundraising	Public resources (governmental and local administration)	<p><b>Direct support</b></p> <ul style="list-style-type: none"> <li>• subsidies (contribution, grants) from state budget</li> <li>• subsidies (contribution, grants) from municipality budgets, cities (further mentioned as district units (DUs))</li> <li>• payments and contributions for services based on contracts and agreements</li> <li>• public orders</li> </ul> <p><b>Indirect support</b></p> <ul style="list-style-type: none"> <li>• assignation of the percentage share of tax from the income of private entities and income taxes of legal entities</li> <li>• customs and tax exemptions</li> </ul>
	National private resources	<ul style="list-style-type: none"> <li>• sponsorships</li> <li>• grants from foundations</li> <li>• gifts from natural and legal entities</li> <li>• financing from individual resources</li> </ul>
	Foreign resources	<p><b>Public</b></p> <ul style="list-style-type: none"> <li>• funding and programs of the European Union,</li> <li>• other international grant programs of foreign public institutions</li> </ul> <p><b>Private</b></p> <ul style="list-style-type: none"> <li>• private foreign foundations</li> <li>• company donors</li> <li>• individual donors</li> </ul>
Internal resources -- self-financing	Resources created by own activity	<ul style="list-style-type: none"> <li>• memberships and other charges</li> <li>• sale of products or services</li> <li>• sales or rentals of tangible or intangible property</li> <li>• advertising activity</li> </ul>

**Table 3.** Normality test

Variable	Normality tests					
	N	max D	K-S p	Lilliefors p	W	p
Obtained private finance	104	0.192659	<b>p&lt;.01</b>	<b>p&lt;.01</b>	<b>0.898454</b>	<b>0.000</b>

**Table 4.** Test of dependency achievement of private financial resources from the area of activity of NPO

Dependent: Private finance achievement	Kruskal-Wallis ANOVA; private finance achievement Independent (grouping) variable: area of activity Kruskal-Wallis test: $H(5, N=104) = 14.19714$ <b><math>p=0.0275</math></b>		Confirmation of examined question
	Number of effective	Sum of orders	
Other	26	1565.000	✓
Culture	20	888.000	
Education, Training	20	1064.000	
Social services	19	1214.500	
Sport	12	352.000	
Healthcare services	7	376.500	

**Table 5.** Test of dependency achievement from character of cooperation of NPO with enterprise

Dependent: Private finance achievement	Kruskal-Wallis ANOVA; private financial profit Independent (grouping) variable: character of cooperation Kruskal-Wallis test: $H(2, N=90) = 1.363174$ <b><math>p=0.5058</math></b>		Confirmation of examined question
	Number of valid responses	Total orders	
Ad hoc	14	588.500	X
Occasional	34	1456.500	
Regular	42	2050.000	

**Table 6.** Test of dependency achievement of private financial resources from number of donors of NPO

Dependent: Private finance achievement.	Kruskal-Wallis ANOVA: private financial profit Independent (grouping) variable: diversification of sources Kruskal-Wallis test: $H(4, N= 102) = 12.63848$ , <b><math>p=0.0132</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – organization has broad base of donors of at least 8 different sources; no source contributes more than 25 % on total annual costs	26	1362.500	
4 – at least 5 financial sources represent 60 % of total budget	17	906.500	
3 – one source of financing represents more than 40 % of incomes, and at least 4 other sources create the remaining 40 %	28	1757.500	✓
2 – one source represents more than 60 % of organization incomes	18	843.500	
1 – one source represents more than 80 % of organization incomes	13	383.000	

**Table 7.** Test of dependency achievement of private financial resources from fundraising achievement in NPO

Dependent: Private finance achievement	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: fundraising Kruskal-Wallis test: $H(4, N= 104) = 10.29287$ <b><math>p=0.0358</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – fundraising is integrated into administration and financial system	7	444.500	
4 – fundraising objectives are clearly defined, and financial plan is created	14	945.000	
3 – organization began to systematize activities that generate sources and starts applying fundraising	26	1531.000	✓
2 – one person is responsible for source generation	27	1236.500	
1 – no systematic activities are applied for source generation	30	1303.000	

**Table 8.** Test of dependency achievement of private financial resources from sustaining mutually beneficial relations of NPO with donors

Dependent: Private finance achievement	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: quality of relations Kruskal-Wallis test: $H(4, N=104) = 18.52651$ <b><math>p=0.0010</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – organization has created donorship strategy, with donors maintained relations above standard, and they are part of annual report	32	2011.000	✓
4 – organization informs donors about its activities in annual reports without personal contact	37	1819.500	
3 – communication with donors is only occasional and ad hoc	10	670.000	
2 – organization only learns communication with donors, and their portfolios are created	15	745.500	
1 – organization does not maintain any relations with donors	10	214.000	

**Table 9.** Test of dependency achievement of private financial resources from activity of management

Dependent: Private finance achievement	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: activity of management Kruskal-Wallis test: $H(4, N=104) = 7.642676$ <b><math>p=0.1056</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – members of management actively and effectively manage organization and ensure its long-term financial stability; there are specific committees for investment, and financial sustainability established	11	632.000	X
4 – majority of management members participate in regular meetings, helping in source achievement	43	2579.000	
3 – some members of management are active, and they help, but other members are passive	5	281.000	
2 – only a few members of management contribute their time, effort and money	41	1821.000	
1 – members of management are inactive and formal	4	145000	

**Table 10.** Test of dependency achievement of private financial resources from use of the strategic plan

Dependent: Private finance achievement	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: strategic plan Kruskal-Wallis test: $H(4, N= 102) = 5.754475$ <b><math>p=0.2183</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – strategic plan is regularly updated, it contains long-term financial planning, and it is created as a result of employee participation, leadership and external consulting	13	799.500	
4 – employees use present strategic plan, which includes financial plan	16	950.500	X
3 – strategic plan exists, and employees are informed about it	27	1388.500	
2 – strategic plan is old and is not revised	13	694.000	
1 – strategic plan does not exist	33	142.500	

**Table 11.** Test of dependency achievement of private financial resources from use of financial plan

Dependent: Private finance achievement	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: financial plan Kruskal-Wallis test: $H(4, N= 104) = 17.85883$ <b><math>p=0.0013</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – plan of financial sustainability was implemented and is monitored, and objectives are updated	14	776.000	
4 – organization has been tested and analyzed for various incomes and has integrated such strategies that achieve sets of financial objectives	11	904.500	
3 – organization has begun to develop fundraising and works with short financial plans	13	618.500	✓
2 – organization knows and quantifies financial needs and creates program development	24	1384.000	
1 – organization does not identify financial needs minimum	42	1777.000	

**Table 12.** Test of dependency achievement of private financial sources from existence of financial statements of non-governmental organization

Dependent: Private finance achievement.	Kruskal-Wallis ANOVA: private financial profit. Independent (grouping) variable: financial reports Kruskal-Wallis test: $H(4, N=104) = 14.10833$ <b><math>p=0.0070</math></b>		Confirmation of examined question
	Number of valid responses	Total order	
5 – financial reports for external evaluation are used for decision process, are part of the annual report and are published	29	1949.500	
4 – financial reports are used only sometimes for decision making and are published	23	1228.500	✓
3 – financial reports are created	22	1026.000	
2 – financial reports are very short and incomplete and are published with delay	2	137.000	
1 – financial reports are available only for internal purposes	28	1119.000	

**Table 13.** Examination of the dependency between private financial resources achievement and selected factors

Determinant	Dependency	Confirmation of examined question	P
Object of activity	dependent	✓	0.0275
Character of cooperation	independent	x	0.5058
Number of donors	dependent	✓	0.0132
Fundraising utilization	dependent	✓	0.0358
<b>Keeping mutually useful relations with donors</b>	dependent	✓	0.0010
Active management of organization	independent	x	0.1056
Strategic planning	independent	x	0.2183
<b>Financial planning</b>	dependent	✓	0.0013
<b>Existence of financial statements</b>	dependent	✓	0.0070



**Table 14.** Preconditions of the long-term sustainability of non-profit organizations

<b>Financial strategy</b>	<b>Marketing strategy</b>	<b>Personal strategy</b>
Diversification of financial sources	PR, image and publicity	Activation of organization management
Fundraising	Good relations with donors and maintenance	Education and training
Generation of purposeless financial sources	Transparency and credibility	
Financial plan		

**Table 15.** Criteria influencing acquisition of private financial sources

Criteria influencing acquisition of private financial sources	NPO 2014 Situation in Slovakia	Delft method 2014 Situation in Slovakia	Importance of NPO financial sustainability criteria according to experts
<b>1. Relations of NPO with donors</b>	60 %	40 %	70 %
<b>2. Financial planning</b>	20 %	40 %	80 %
<b>3. Existence of financial statements</b>	60 %	40 %	60 %