

# BRIDGES to Sustainability

TRUST FOR CIVIL SOCIETY  
in Central & Eastern Europe



Bulgaria



Czech Republic



Hungary



Poland



Romania



Slovakia



Slovenia

*The Trust for Civil Society in Central and Eastern Europe, established in 2000, supports the development of civil society in Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia. The principle focus of its work is on helping to build a sustainable nonprofit sector. The Trust carries out its program through partner organizations located within each of the seven countries.*

*The Trust represents the shared values of the establishing foundations – Atlantic Philanthropies, German Marshall Fund of the United States, Ford Foundation, Charles Stewart Mott Foundation, Open Society Institute and Rockefeller Brothers Fund. The founders have committed \$60.5 million to the Trust through December 2003.*

## CONTENTS

Message from the Chair	2
Message from the Executive Director	3
Overview	5
History of the Trust	5
Governance and Organization Structure	5
Mission and Objectives	6
Operational Strategy	6
Programs	9
Summary	9
Slovakia	11
Czech Republic	17
Poland	21
Hungary	23
Slovenia	26
Bulgaria	27
Romania	27
Grant Information	29
Trust Grants Listing, 2001-03	29
Partner Organization Grant Activity	31
Audited Financial Statements	37
Partner Organization Information	48
Board and Staff Information	49

# BRIDGES to Sustainability

TRUST FOR CIVIL SOCIETY  
in Central & Eastern Europe



On behalf of the Trustees, I am pleased to introduce the first published report of the Trust for Civil Society in Central and Eastern Europe. This report covers the initial three years of the Trust's operation, from 2001 through 2003.

The six founding donors established the Trust to help ensure a healthy civil society in seven countries of Central and Eastern Europe during and after their transition to an expanded Europe. Most of us have been active in supporting the building of democracy and the nonprofit sector in the region since 1989-90. We have witnessed dramatic growth in civic activity, all types and sizes of non-governmental organizations (NGOs), and charitable foundations.

We have been impressed with the diverse and creative energies inherent in this growth. We are also aware of the importance of western funding during the 1990s – and that such funding has been declining in recent years. In response, we envision the Trust as a bridge for the nonprofit sector to move from reliance on foreign support to increased indigenous and European funding. In this role, we believe the Trust's focus should be on building infrastructure and capacity required by the sector for long-term sustainability. This in itself represents a change for some of us in the donor community accustomed to supporting shorter-term projects.

As you will see from this report, the Trust is making important progress in carrying out its mission. It has also encountered difficulties and delays. Our intent in this report and in all communications, including our Web site, is to share openly the experiences of the Trust.

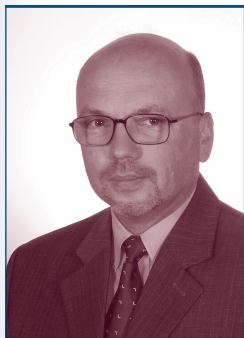
I want to recognize the time, talents, and energies invested by my board colleagues over the past three years. I especially thank Marianne Ginsburg, Irena Grudzinska-Gross, and Deborah Harding, all of whom rotated off the board in 2003. As charter members, they were instrumental in the development of the Trust and provided much-needed energy, passion and hard work. They will be missed.

I also thank our executive director and his outstanding Warsaw-based staff for their diligence and endless hard work to help the Trust succeed. Finally, my appreciation goes to the many persons working for partner organizations and NGOs in the field. These people ultimately have the most influence on the impact of the Trust.

Building and sustaining a healthy democracy and civil society in this region will be a long endeavor. We are privileged to play a supporting role in this process. We thank you for your interest in the Trust, and invite your comments and suggestions. Finally, we encourage European and other donor institutions to consider working with and supporting the Trust. We would be delighted to welcome new partners.

Maureen H. Smyth  
Chair, Board of Trustees

A handwritten signature in blue ink that reads "Maureen H. Smyth". The signature is written in a cursive style.



I am privileged to introduce this report of the Trust for Civil Society in Central and Eastern Europe.

People often ask "What do you mean by civil society?" A broad view is that a civil society is one with a working democracy, respect for rule of law and basic freedoms guaranteed for all. At the Trust, we believe that actions of individuals and groups that make up the nonprofit sector are critical to developing and maintaining civil society. This belief underscores the Trust's focus on building a strong and sustainable nonprofit sector in our seven target countries. Building such a sector requires effective legal and fiscal policies, as well as sustainable supporting institutions, as long-term resources to ensure a rich diversity of NGOs and citizen initiatives.

As this report affirms, in addition to taking the long view, we are committed to respecting and empowering leadership in the field. This leadership is the source of ideas and strategies for carrying out program activity in each of our seven target countries. We look to partner organizations in each country to provide this leadership.

As of December 2003, partner organizations carry out Trust programming in Slovakia, Czech Republic, Poland, and Hungary. We expect to establish a partnership arrangement in Slovenia during 2004. Consultative processes preceding programming are well under way in Bulgaria and soon will be launched in Romania.

Our donors and others are interested in the outcomes of the Trust's work. This report summarizes significant progress and identifies some outcomes. But I must emphasize that, because of the nature of our work, measurement of results is often elusive. As an example, how does one define and put numbers on structural, behavioral, and policy changes?

We know that the Trust has helped to energize cooperation among NGOs, and focus attention on the importance of strategic planning and organizational change – for both large national groups and smaller but vital grassroots groups. It also helped to intensify and frame dialogue and relations with public authorities at all levels. Beyond these broad outcomes, the Trust has fostered initiatives such as the Joint Investment Project in Slovakia to become resources for the sector. Further, the Trust has helped many foundations and other NGOs, big and small, to take specific steps for building their capacity and financial sustainability.

While I am greatly encouraged by the Trust's work during 2001-03, I want to note that that we have experienced some setbacks and difficulties in implementing programs, including delays in launching partnerships. We have learned much in three years.

We do not pursue our mission alone. I acknowledge with appreciation many colleagues who share our vision of a sustainable civil society. I thank all who have made the Trust what it is today – donors, Trustees, staff, partner organizations, and the many working in the region in support of the Trust's mission. As we have found, building an enduring civil society is everyone's responsibility.

Jacek Wojnarowski  
Executive Director



# 2001-2003 REPORT

### HISTORY OF THE TRUST

The concept of the Trust for Civil Society in Central and Eastern Europe dates from 1997, when representatives of private foundations and the United States Agency for International Development met to discuss a possible private-public partnership for investing in civil society in Central and Eastern Europe (CEE). The U.S. government was unable to continue as part of this coalition, but six private donors pursued the concept during 1998-99. By 2000, they had agreed upon an approach for creating and operating the Trust.

The founding donors were Atlantic Philanthropies, Ford Foundation, German Marshall Fund of the United States, Charles Stewart Mott Foundation, Open Society Institute, and Rockefeller Brothers Fund. The donors have committed \$60.5 million toward a total budget of \$75 million for the Trust, to be expended over a 10-year period.

These founding donors brought considerable experience to the Trust. All had had been active in supporting civil society in the region since the beginning of the transformation to democracy in 1989-90. Realizing that the relatively high level of foreign funding for the nonprofit sector during the 1990s would not be sustained, the donors viewed – and continue to view – the Trust as a bridge to increasing levels of indigenous and European support for civil society.

The Trust's geographic focus embraces the four Visegrad countries (Czech Republic, Hungary, Poland, and Slovakia), Bulgaria, Romania and Slovenia – five countries which are 2004 new EU members and two expected to qualify for second-wave European Union (EU) enlargement.

### GOVERNANCE AND ORGANIZATION STRUCTURE

The Trust was established in 2000 as a project of the German Marshall Fund of the United States, pending approval of its exempt status by the U.S. Internal Revenue Service. Upon receipt of that approval, extensive planning, the recruitment of an executive director, the Trust became operational as an independent grantmaking organization in January 2001.

The Trust is governed by a Board of Trustees comprised of one member from each donor contributing at least \$2 million and desiring a seat on the board, and up to two additional persons with expertise in CEE, preferably from the region. Executive director Jacek Wojnarowski and professional staff carry out the operations of the Trust through a representative office in Warsaw, Poland. The Trust relies upon in-country and other consultants as needed for program development and monitoring.

## MISSION AND OBJECTIVES

The mission of the Trust is to support the development and long-term stabilization of civil societies in Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. The Trust pursues this mission through three mutually reinforcing objectives:

- supporting legal, fiscal, and political frameworks needed for healthy civil societies;
- strengthening the nonprofit sectors through institutional capacity building; and
- supporting the long-term financial sustainability of nonprofit organizations.

The Trust realizes that there are different interpretations to the meaning of "civil society". For the Trust's purpose, civil society is that dimension of life defined by citizen-based and organized nonprofit-sector activity. In a civil society, initiatives of citizens and non-government organizations (NGOs) operate as a complementary power to the public (i.e., government) and private (for-profit) sectors. In following this definition, the Trust is focusing on infrastructure for ensuring the health, effectiveness and sustainability of the nonprofit sector – also referred to as the NGO sector or NGO community.

The focus on infrastructure and long-term sustainability does not diminish the importance of vigorous grassroots efforts of NGOs working on issues important to citizens, communities, and broader interests. The Trust believes building a strong enabling environment and sustainable nonprofit institutions is critical for such efforts. Moreover, the Trust expects its program activity to advocate for, and help, such efforts at regional, national, and local levels.

## OPERATIONAL STRATEGY

The Trust's principle strategy is to carry out its mission through long-term relationships with partner organizations in each of the seven countries. Partner organizations are typically foundations with experience in building civil society. They are selected through a competitive process. This approach reflects a commitment to flexibility for adapting to the unique needs of each of the seven countries.

The differences among these countries are shown in the accompanying table. The data note the significant differences in population and economic indicators. They also provide two measures of the differences in the state of development and sustainability of the NGO sectors. Beyond these data, the operating environments and internal structures of the nonprofit sectors differ substantially among the seven countries. As the result of these differences, the Trust must adapt its programming to the unique characteristics of each country.

In addition to flexibility, the Trust is committed to self-determination and empowerment. The Trust follows a consultative process to enable representatives from all parts of the NGO sector, as well as from government and private interests, to participate in planning and related discussions. This process encourages in-country

ownership for Trust programming. If in-country infrastructure is not developed sufficiently, or planning does not lead to consensus on Trust program priorities, the Trust may elect to delay establishing a partnership arrangement and concurrently provide one or more development grants. Such grants focus on immediate priorities for building a stronger civil society in the respective country.

The attention to flexibility and empowerment underscores the need for the Trust to implement its programs with deliberation – taking the time needed to develop and launch effective partnerships through a country-by-country approach.

## COMPARATIVE DATA FOR SEVEN COUNTRIES SERVED BY THE TRUST

Country	Population (millions)	GDP per capita USD PPP (purchasing power parity), 2001*	GDP per capita USD, 2001*	NGO Sustainability Index, 2002**	Civil Society Development Index, 2002***
Bulgaria	7.6	6,890	1,690	3.1	3.25
Czech Republic	10.3	14,720	5,554	2.5	1.50
Hungary	10.1	12,340	5,097	2.6	1.25
Poland	38.6	9,450	4,561	2.2	1.25
Romania	22.3	5,830	1,728	3.7	2.75
Slovakia	5.4	11,960	3,786	2.1	1.50
Slovenia	1.9	17,130	9,443	N.A.	1.50
OECD		23,363	22,149		

N.A. not available.

\* UNDP Human Development Report 2003.

\*\* As determined by the U.S. Agency for International Development from an appraisal of enabling environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image considerations. On a scale of seven to one. The lower the index, the more sustainable the NGO sector.

\*\*\* As determined by contributors to a Freedom House index that reflects the growth of NGOs, their organizational capacity and financial sustainability, and the legal and political environment in which they function; the development of free trade unions; and interest group participation in the policy process. On a scale of seven to one. The lower the index, the more advanced the development.

# 2001-2003 REPORT

### SUMMARY

During 2001-2003, the Trust established partnerships in Slovakia, Czech Republic, Poland and Hungary. Grants for these partnerships are summarized in the "Grants Listing" and the partnership programs discussed in the country sections that follow.

In Slovenia, the Trust made four development grants to address specific needs for strengthening the nonprofit sector, and expects to enter into a partnership agreement by mid-2004. In 2003, the Trust began a consultative process for establishing a program in Bulgaria and expects to award development grants by the end of 2004. In Romania, the Trust completed a survey of the NGO sector in 2003 and expects to initiate a consultative process during 2004.

*In balance, the progress and initial outcomes from Trust-funded activity are gratifying. However, program implementation has been slower than initially anticipated by some.*

*One reason has been the time required to introduce the Trust program in seven countries with different nonprofit sector operating environments, structures and dynamics.*

A second reason relates to the capacity of the nonprofit sector and key NGOs to adapt to the Trust's mission of infrastructure and institution building. Most leading NGOs in the region have limited experience in cooperating on work related to long-term and sectorwide planning. Because of donor expectations and limited resources, many NGOs have well-developed skills in carrying out project activities and surviving month-to-month, but not in planning toward sustainability. Building frameworks for cooperation, including increased dialogue with public authorities, and focusing on institutional capacity are critical to the health of the sector, but are difficult tasks.

Apart from in-country results, several 2001-03 Trust accomplishments impact civil society and the art of philanthropy throughout the region.

First, six donors with multiple funding philosophies have come together and reached agreement. Donor collaborations are not new, but building an alliance focused on regional and national infrastructure, and responsive to field-based leadership, appears to be unique – especially given the differences in grantmaking styles among the six donors.

*Second, the Trust has encouraged increased cooperation within the nonprofit sector, especially at national levels. The incentive for NGO leaders to work together on strategic planning has led to new alliances, with varying degrees of success. In Slovenia, the outcome has been visible and dramatic. For perhaps the first time, NGOs are working in a spirit of cooperation and forging relationships with public and private sectors.*

Third, the Trust has focused attention on institution-building and sustainability for both the sector and individual NGOs. This work is discussed in more detail in the Slovakia section that follows. Many NGOs are adopting new management structures and policies to facilitate strategic planning. This transformation reaches NGOs at all levels, from groups with broad, national mandates to those working on local issues.

Fourth, the Trust has strengthened NGO advocacy both on behalf of the sector and on issues of concern to individual organizations. This attention to advocacy has

broadened from the traditional approach of "impacting a single issue" to an awareness of the nonprofit sector's role in society, its relationship to public and private sectors, and its credibility with citizens and communities.

Fifth, the Trust has become a resource for information-sharing and technical assistance – to support both the work of its partner organizations as well as others interested in building a strong nonprofit sector. Trust activities toward this aim – and some outcomes – include:

- Holding annual cross-border meetings of partners and other key organizations – in Banska Bystrica, Slovakia (July 2002) and Liberec, Czech Republic (May 2003). These meetings included sites visits, discussions on Trust program implementation, in-depth workshops on issues such as sustainability and governance (with the help of outside experts), and considerable networking among participants. The Trust is organizing a third such meeting in Warsaw for June 2004.
- Hosting a four-day study tour in February 2003 to Poland and Slovakia for managers of grantmaking foundations. The tour aimed at improving institution-building in CEE, included visits to NGOs in varying stages of sustainability planning, and fostered a rich exchange of experience and best practices among participating donors. Policy institutions (think tanks) were a focal point of the tour. These groups have become highly dependent upon foreign funding and paid little attention to their own sustainability.
- Working with key NGOs in coordinating seminars and workshops on important issues. An example was a June 2002 seminar for Polish NGOs on managing endowments, convened at the Stefan Batory Foundation.
- Establishing a technical assistance program in late 2003 to help partner organizations strengthen their governance, with specific attention to board development and effectiveness. This program is part of a larger governance initiative hosted by the Trust with funding from the Charles Stewart Mott Foundation. Under this initiative a handbook on governance is being produced for NGOs in the region.
- Linking the experiences of partner organizations and other key NGOs to needs in the region. In one example, during 2003, VIA Foundation (Czech Republic) shared its experiences in developing national Trust programming during the consultation process in Bulgaria.



*Discussion during the 2nd Trust Partners Meeting in Liberec, Czech Republic.*

These regional activities and outcomes reflect the Trust's role as a facilitator. As one outcome, partner organizations throughout CEE now engage in spontaneous information-sharing, study visits, and technical assistance.

In contrast to the above accomplishments, the Trust has also experienced delays and difficulties in implementing programs. The Trust has learned from experience the challenge of including, and listening to, many voices in planning and, concurrently, of ensuring accountability in Trust-funded programming. A second difficulty in some countries is for key NGOs and their leaders to cooperate in developing and proposing effective Trust programming. A third is the need to focus resources on infrastructure, including large institution-building grants, and the tendency of some partner organizations to spread funding in small grants over a number of programs and/or grantees. A fourth, related problem has been the limited capacity of partners and their key NGO grantees to make and manage larger grants.

The following information provides, by country, a snapshot of the Trust's work. In those countries with Trust programming, partner organizations are responsible for carrying out the Trust's mission. For more information, contact the partner organization and/or visit the organization's Web site.

## SLOVAKIA

During the 1990s, the Slovak nonprofit sector, and networking among NGOs, developed more rapidly than in most CEE countries – in part as a response to the perceived threat to the transformation to democracy by the authoritarian Meciar government. NGOs working on national issues became highly dependent upon foreign funding and paid limited attention to strategic planning and sustainability. Although the sector exhibited considerable energy, it operated under a tenuous legal and fiscal enabling environment.



Given the historical momentum and unprecedented NGO mobilization, the Trust selected Slovakia as its first country for program implementation. By early 2001, the Trust was carrying out an extensive consultation process with a number of NGOs and other Slovak interests. The process focused on identifying needs, priorities, and options for Trust participation in strengthening civil society in Slovakia. The process benefited from the considerable talent present in a group of large, experienced NGOs. Several

presented thoughtful and persuasive program proposals to the Trust.

As a result, the Trust re-examined its original plan of one partnership organization per country. Consequently, the Trust decided to establish two partnerships – with Ekopolis Foundation and Open Society Foundation (OSF). Both organizations were respected as leaders in the NGO community and had considerable experience in grantmaking – Ekopolis through its grantmaking and advocacy work when it operated as the Environmental Partnership for Central and Eastern Europe; and OSF, active on many civil society issues since its founding in 1992 and supported principally by philanthropist George Soros.

Each had submitted a proposal as the manager of a consortium: Ekopolis, in alliance with one other organization; OSF, with two. In August 2001, the Trust awarded \$1.9 million for three years to Ekopolis Foundation for program support and \$100,000 for the institutional development of Ekopolis and its consortium colleague – Centre for Philanthropy-ETP (its Trust-related staff and programs were later integrated into Ekopolis, and it is no longer a consortium member). Concurrently, the Trust awarded \$1.9 million to OSF for program support and \$100,000 for the institutional development of OSF and its two consortium colleagues – Children of Slovakia Foundation (CSF) and Jan Hus Educational Foundation (JHEF).

The Ekopolis-managed program supports:

- advocacy for influencing the enabling environment for the nonprofit sector;
- capacity-building of NGOs as advocates, including NGOs addressing women's issues;
- institution-building of key NGOs to foster structural change and plan for sustainability; and
- community philanthropy for cultivating the tradition of philanthropy and sustaining community foundations.

The OSF-managed program, with CSF and JHEF as implementing partners, supports:

- research and publishing on the nonprofit sector;
- capacity building for NGOs in financial management, evaluation, and ethics;
- encouraging cross sector cooperation and partnerships;
- institutional development of NGOs, emphasizing marginalized communities and groups;
- self-financing initiatives as an income strategy for NGOs; and
- approaches for increasing corporate and individual philanthropy.

While not without difficulties, the above Trust program structure has in most ways fostered cooperation among implementing organizations and worked well for the Slovak nonprofit sector. An ongoing challenge has been to focus on building infrastructure and institutional sustainability and limit funding for less strategic aims. Given their experience base, Ekopolis and OSF initially were reluctant to award and monitor large institutional-development grants.



*Philanthropy Development Workshop, Slovakia.*

Results from two and one-half years of Trust programming in Slovakia are encouraging. At least two outcomes benefit the entire nonprofit sector.

First, cooperation among national NGOs has visibly increased. Trust funding has helped establish platforms of NGOs linked by common interests such as human rights and community development. Apart from learning through networking, these platforms have strengthened the nonprofit sector's influence on public policy and credibility with the public. They have encouraged many NGOs to think sectorwide, in addition to focusing on their own mission. In addition to platforms, the Trust has helped encourage NGO cooperation on other issues. One especially important example of such cooperation is the Joint Investment Project (see framed summary), which has been brought to fruition through JHEF under the leadership of OSF with Trust support.



*Public event organized by Mother Centres, Slovakia.*

A second outcome has been a dramatic increase in attention to institution-building among national, regional, and local NGOs.

Institution-building is a priority for the Trust throughout the region, given that strong, sustainable NGOs form the backbone of a healthy civil society. Most past funding provided to NGOs was project-driven. Funding awarded for "general purposes" or "institution-building" normally covered

core expenses. NGOs developed exemplary track records in their fields of expertise, but few had the time, resources, or encouragement needed for strategic organizational development and planning for financial sustainability.

In contrast, the Trust is supporting institution-building as a strategy for mature NGOs to focus on achieving long-term financial sustainability. Grant recipients should be leaders in their field, have strong track records, and provide evidence of a commitment to strategic planning. In Slovakia during 2002-03, partner organizations awarded grants to 37 NGOs for institution-building. Most grants were between \$20,000 and \$80,000. The accompanying framed information profiles three such grant recipients.

Organizational planning and change extends to the partner organizations. For example, Trust funding has led Ekopolis to re-examine its vision and mission, expand its board, complete a transformation from an environmental to a civil society organization, make operational changes (including opening a Bratislava office), and implement communications and fundraising strategies for new public and corporate audiences.

Other notable outcomes from Trust support include:

- contributions to both improving and preventing deterioration in the legal and fiscal framework for the sector;
- growth in community foundations; and

- the increased capacity of many NGOs in financial management, transparency, cross-sector relations, self-financing, and fundraising.

Trust-supported efforts through Ekopolis and OSF to strengthen legal and fiscal frameworks have had mixed results given a difficult political environment and debate among leading NGOs on how to best work in this environment. Three initiatives are noteworthy.

First, a NGO campaign was organized to inform the public about changes in Slovak tax law for 2002, which allows taxpayers to designate 1 percent of their taxes to an approved charity of their choice. Revenue from such tax designations totaled \$2.3 million in 2002 and almost \$2.9 million in 2003. Trust funds supported an analysis of this policy during 2003 to counter two threats to tax reform for benefiting the nonprofit sector: termination of the 1 percent tax designation and elimination of tax incentives for giving. In part as a response to these analyses and related work in mobilizing NGOs, the legislature approved raising the designation to 2 percent and expanding it to corporations. However, this action was offset by the government's decision to eliminate important tax incentives for giving – creating a critical challenge for the sector for 2004. As one NGO leader commented, "Tax designation is good policy only if accompanied by tax incentives for giving."

In a second initiative, OSF and its grantees informed the debate leading to the passage of the Law on Accounting Rules for Nonprofit Organizations in January 2003. The law simplifies accounting requirements for NGOs. Subsequent to its passage, the Trust program supported the design of software and training sessions to help NGOs adapt to the new legislation.

Third, Trust funds helped to organize more than 150 NGOs in a campaign for ensuring direct access to the law-making process, giving NGOs the right to comment during hearings on a bill under consideration by the legislature. A decision on this initiative is expected in 2004.

The rapid growth in Slovak community foundations during the past three years benefited from Trust support – leading to the planting of five new foundations and strengthening the capacity and local support for 10 established foundations. Community foundations served more than 25 percent of Slovakia's population in 2003, an increase from 10 percent in 1998. Data from 10 community foundations indicate that indigenous Slovak support increased from \$118,000 in 2000 to \$264,000 in 2002, with a further increase estimated for 2003. The share of domestic support for grants and operations went from 25 to 50 percent, signaling a successful replacing of foreign with Slovak income.

Trust support through Ekopolis has enabled community foundations to increase their endowments, improve their outreach and programming, and enhance their credibility. (See framed description of the Presov Community Foundation.) Trust funding of \$4,760 also helped establish the Association of Community Foundations as a networking and advocacy resource, an example of infrastructure-building. Affirming the success of this movement, Slovak community foundations are hosting increasing numbers of visitors from other countries.

A final set of Trust outcomes link to capacity-building of NGOs becoming more effective and strategic. Measurement of aggregate results is impossible in light of the large number of NGOs. But indicators and anecdotes are encouraging.

One gauge is the significant increase in the financial skills of many of the more than 130 nonprofit organizations receiving Trust-funded training in accounting, auditing, transparency and other aspects of financial management.

A second indicator is the progress in becoming more sustainable among the 20 NGOs with self-financing activities supported by Trust funds. One example is the Lighthouse organization in Zlate Moravce, which helps prisoners and former prisoners rejoin society. Through grant support of \$15,497, Lighthouse raised other funds to establish a transport-services enterprise to meet community needs, employ former prisoners, and generate revenue for the organization's operations. As a result, public sector agencies are planning to support the project.



*Meeting organized by the Wide Open School Foundation, Slovakia.*

Third, Trust-related support has helped other organizations expand their relationships with other sectors. One such group is the Wide Open School, well known in Slovakia and beyond for its child and family education with the Roma. In addition to help in improving financial management systems, Trust funding helped the school build new relationships with other schools, local and state authorities, NGOs, and churches. The results of this cross-sector work are inspiring, and include setting up 10 family centers for early childhood develop-

ment and arranging for the desegregation of Roma children at the preschool level in one community.

Whereas the results from Slovak programming through 2003 are encouraging, the Trust realizes that much hard work lies ahead. Strategies must be clarified for improving the enabling environment and for reversing recent tax code changes eliminating incentives for charitable contributions. Cooperation among NGO leaders must be ensured. The Trust's role in strengthening Roma NGOs and infrastructure must be examined. During 2004, the first Trust grant cycle with Ekopolis and OSF will come to an end. The Trust will be discussing options for ongoing support in Slovakia both with these partner organizations and other Slovak interests to build upon successful efforts to date.

### JOINT INVESTMENT PROJECT

The Joint Investment Project enables Slovak NGOs to pool their cash assets into a professionally managed investment fund for the purpose of realizing a higher rate of return than is available to individual NGOs. The initiative originated some years ago with the Slovak Donors Forum, and builds upon experiences of NGOs in other countries. Helped with Trust support of \$240,000 and the leadership of OSF, JHEF, and CSF, the project moved from planning to active status in 2002. Following a review of proposals, Tatra Asset Management (affiliated with the Raiffeisen Bank Group) was selected to manage the fund, named Charity Set. In 2004, this fund will become known as Charity Fund.

The surge of interest in the Joint Investment Project during 2002-03 is one of the more important results of the Trust's program in Slovakia. By the end of 2003, more than 40 NGOs had invested \$2.9 million in Charity Set. The ultimate success of this initiative will depend upon returns experienced in future years. However, two outcomes are clear: the proven benefits from cooperation and the relationships developed with financial institutions and others in the private sector.

#### INSTITUTION-BUILDING IN SLOVAKIA – THREE NGO PROFILES

*Fenestra.* Fenestra is a leader in combating violence against women and children – a critical issue in a country in which 350,000 women (approximately 20 percent of their population) are believed to experience domestic violence. Trust funding from Ekopolis of \$69,000 has provided Fenestra, and its allied organization, Pro Familia, with the opportunity to take actions toward becoming more effective, strategic, and ultimately sustainable. In addition to creating a working capital reserve, the grant supports Fenestra's efforts to diversify funding from dependence on non-recurring grants to support from the public sector. As a result, Fenestra reduced its reliance on grants from 90 percent of revenue in 2002 to 63 percent in 2003, concurrently securing what is likely to be recurring funding from fees for services, regional governments, and EU human resource programming.

*Institute for Public Affairs.* The institute is one of the most respected research and policy institutions in Slovakia, with expertise in a number of fields. Achievements include publishing a first-of-its-kind comprehensive report on Roma as well as completing numerous research projects and publications on the private, nonprofit and public sectors. However, despite its excellence in providing planning products for others, the institute has long neglected to focus on its own sustainability, a problem common to policy institutions throughout the region. As a consequence of Trust funding of \$25,600, the organization has established a reserve fund, an institutional development plan, a governance review, a strategic planning function, new media partnerships and a progressive fund-raising plan. As one outcome, the institute recently secured corporate support for one of its major products, the annual "Global Report on Slovakia."

*People Against Racism (PAR).* PAR is a monitoring, advocacy, and training center devoted to combating racism and xenophobia. Although highly respected for its work and successful in securing Western European project support, PAR never registered as a separate legal entity, developed a board or planned strategically. Trust support of \$38,500 helped the organization reorganize as a civic association, secure an effective board of directors, strengthen management, and develop and implement fund-raising plans. PAR has recently become an active member of the European Network on Racism and Xenophobia, expanded into other international work, and hired an attorney to build litigation capacity.

#### PRESOV COMMUNITY FOUNDATION

Presov is a mid-size city of 93,000 in eastern Slovakia. The city has a rich history dating from the late Middle Ages. Renaissance and Baroque architecture grace the picturesque town. Presov is in a rural area, but benefited from gains in manufacturing during the pre-1989 years. Unfortunately, many jobs have now disappeared, and the area's unemployment rate approximates 25 percent.

The Slovakia community foundation movement was seeded in Banska Bystrica during the 1990s, with financial support largely from Western donors. OSF and other key Slovak foundations, supplemented this support with efforts to establish and develop community philanthropy.

By 1997-98, additional funding helped Presov and other Slovak cities establish a second wave of community foundations. However, the first Presov board had little experience with community philanthropy. The foundation did not implement local fundraising, nor develop strategies for communicating with the public, local government officials and the business community.

By 2000, the foundation began strategic planning and launched a local fundraising campaign. Board changes brought longer-term thinking and an understanding of sustainability. Relationships developed with city government and the corporate community. During 2001, the foundation positioned itself for taking steps needed in support of long-term sustainability.

In November 2001, Ekopolis awarded Presov Community Foundation a two-year, \$20,000 grant to help the foundation take such steps. The foundation has started to build an endowment. Close cooperation now exists with the mayor, and the foundation is planning to expand its reach beyond the city and become a regional resource. Individual donations are increasing significantly, and fundraising from the business community is starting to yield results. The Trust-related support has clearly helped the foundation become stronger and more independent.

## CZECH REPUBLIC

Czech Republic became the second country with a Trust program managed through a partnership organization. Although sharing many cultural ties with Slovakia, Czech Republic has a nonprofit sector with different characteristics.

The Czech NGO movement grew steadily during the 1990s, but networking and coordinated activity at the national level developed at a slower rate than in Slovakia. The public sector heavily funded service-provider NGOs, while Western donors supported national efforts to build leadership and infrastructure.

The sector benefited from the government's Endowment Investment Fund, an initiative not found in other Trust target countries. The Fund has distributed a percentage of privatization proceeds to foundations for endowment support. Distributions totaled \$13 million to 38 foundations in 1999 and \$24 million to 64 foundations in 2002 (an additional amount is due these 64 foundations).



These developments have led to mixed results. On the one hand, many strong NGOs have emerged, as well as some effective networks, such as in the environment and volunteerism sub-sectors. The investment fund distributions have helped many foundations establish and/or increase endowments. On the other hand, inspired national leadership of the sector has not been sustained. Many have noted the need for new national advocacy, training and

information-networking capacity. Finally, there has long been a need for clear, effective enabling legislation.

The Trust solicited and discussed program options with Czech nonprofit sector leaders throughout 2001. In April 2002, the Trust awarded a three-year \$3 million grant

to the VIA Foundation for Czech programming and \$75,000 for VIA's institutional development. In November 2003, the Trust provided VIA with an additional \$300,000 grant for programs to offset the decline in the U.S. dollar and an additional \$123,000 for its institutional development.

VIA, established in 1997, is a leading foundation for strengthening a democratic society in the Czech Republic, with experience gained from awarding \$2.5 million in grants through 2002. Assisted by an alliance of several implementing organizations, VIA is carrying out the Trust program in the Czech Republic through:

- improving the Czech enabling environment for the sector by support for legislative and fiscal policy work, and, with Open Society Fund (OSF) Prague, for advocacy activity and policy institutions (think tanks) as a resource to analyze, develop, and monitor public policy;
- building capacity within the nonprofit sector by support for institutional development of key NGOs, and for infrastructure offering information and assistance to NGOs (including a "Consultants Guild" linked with the Internet, assisted by Partners for Democratic Change-Slovakia); and
- advancing financial sustainability by support for: with the Environmental Partnership and Jan Hus Educational foundations and Czech Donors Forum, regional and community foundations; with OSF Prague, partnerships of NGOs and governmental units developing model programs for possible EU funding; with Civil Society Development Foundation, preparing nonprofit organizations for EU accession; and efforts of key NGOs to establish and improve strategic fundraising.

The catastrophic floods of August 2002, and the consequent demands placed upon VIA, led to delays in implementing Trust programming. However, progress and early results from activities launched in late 2002 are heartening. On a national sector level, Czech NGO leaders note that:

- Following years with a lack of continuity in the national infrastructure, the Trust has brought national NGOs together in a spirit of cooperation. New energy is directed toward networking and developing shared missions.
- Trust-supported resources, through institutional development grants and support for a "Knowledge Fund" and "Consultants Guild," are filling gaps by providing information and technical assistance.
- The Trust has "opened up the eyes" of many in the sector both to the decline in foreign funding for the sector and the impact of pending EU accession, and encouraged national NGOs to reflect on the status of and their role in civil society.

Early results indicate that VIA and its implementing partners are also making progress toward more specific aims, including:

1. *Attention to the legal framework for NGOs.* The Trust has become the main source of support for development and oversight of legislation and regulations affecting the sector. The Trust is supporting the work of Czech NGOs to collaborate on drafting chapters of a Civil Code that will provide a new legal framework for all NGOs and for tax and related policies. This joint effort resulted from

a VIA-initiated dialogue between a team of legal and academic experts drafting the legislation and NGO representatives.

In a second effort, through OSF Prague, Trust support is elevating the importance of think tanks as a tool for policy work, one outcome being establishing the Center for Research of Non Profit Sector in cooperation with Masaryk University in Brno.

2. *Building NGO capacity.* During 2003, 20 important NGOs participated in a VIA-facilitated process to undertake strategic planning. From this group, 13 NGOs received grants of \$41,720 to \$51,020 for institutional development. These include a range of organizations, some focused on single issues such as advocacy, volunteerism, and the environment, and all leaders in their respective fields.



Photo from exhibition documenting the farmer Rajter case, Czech Republic.

The experience of one typical grantee, Environmental Law Service (ELS), illustrates the expectations for this program. ELS acquired fame in recent years through its litigation on behalf of the environment and those perceived as victims of corporate and governmental decisions. Its most famous work was the case of farmer Rajter and his family in trying to recover their farm property seized during the communist state in the 1950s because they would not give way to collectivization. When the family tried to

recover the land 40 years later through the legalized restitution process, government ineptitude and industrial development blocked their efforts. Through consequent litigation, led by ELS, the family was able to receive comparable land in place of their treasured homestead, now the site of a large industrial plant. While only partially successful, the litigation became a showcase for the dangers to individual freedom inherent in industrial globalization.

Despite its outstanding reputation, ELS had never developed an internal strategic plan to focus on its governance, management, and sustainability. During 2003, with Trust support, ELS worked on a strategic planning process. Following the successful completion of this process and the submission a proposal, VIA awarded \$50,051 to ELS for institutional development. ELS is now taking steps with its board and management to examine its mission and support base, and set goals, strategies, and actions to ensure sustainability.

3. *Strengthening regional and community foundations.* In early 2003, 12 foundations received strategic planning grants as an initial step toward applying for matching grant support for organizational development and endowment. Subsequently, five foundations received development grants accompanied by challenge grants of about \$26,000 over two years. Early results are encouraging, with \$77,000 of matching funds raised by the five foundations. One grantee, Veronica Foundation, raised more than \$10,000 from individual donors in a campaign to preserve valuable forest land. Jasna Flamikova, the executive director said, "We would never have achieved this without the CEE Trust encouragement and support."

4. *Helping NGOs adapt to EU accession.* The Trust supports two efforts to help NGOs adapt to and take advantage of EU accession occurring during 2004. See the framed summary.
5. *Stimulating individual and corporate fund-raising.* With Trust funding, VIA provides education, assistance, encouragement and modest grant support to national and local NGOs to establish and/or expand fundraising as a counterbalance to the ever-growing dependency of Czech NGOs on government funding. The purpose is to help such groups think strategically and increase their longer-term sustainability. The framed summary of the Bethlehem Center illustrates the value of this program for one local NGO.

#### EUROPEAN UNION ACCESSION

Five of the Trust's target countries join the EU in May 2004. EU accession impacts NGOs in a number of ways. Consequently, the nonprofit sector has had an incentive in recent years to build bridges with EU agencies and representatives. In Poland, for example, prior to the Trust program the nonprofit sector established a Brussels office to represent NGO interests.

With Trust funds, VIA supports two programs to help Czech NGOs learn about and benefit from EU accession. First, through a grant to Civil Society Development Foundation, NGOs receive access to information and assistance on EU funding opportunities. This support includes a Web site and the training of more than 100 consultants to work with local NGOs on EU issues. In addition, in June 2003, 28 NGO representatives traveled to Brussels for a three-day study visit. The group met with all key agencies, and became aware of the European Economic and Social Committee (EESC), which influences EU policy toward the nonprofit sector. Subsequently, NGOs met with the Czech government to ensure representation on the EESC. As an outcome, in early 2004, two NGO representatives from the study tour were nominated among 12 from the nonprofit sector to represent the Czech Republic on the EESC, filling seats that likely would have been held by professional, union, and/or cooperative associations.

The second program, managed by OSF Prague, helps NGOs develop community or regional projects eligible for support from EU structural funds. This effort focuses on human resources, regional development, and revitalization of cultural heritage. During 2003, OSF Prague provided training and technical assistance to 16 NGOs. As a result, four projects have been registered as models for recommended EU funding under the first call for applications in 2004.

#### THE BETHLEHEM CENTER

The Bethlehem Center, a small church-affiliated group, provides shelter and care to physically handicapped adults and mentally-retarded children in two homes in Klobouky, a village near Brno. Typical of many service-providing NGOs, the center became dependent upon state funding and never developed local funding support.

With a \$6,803 grant from VIA as part of the Trust program to encourage philanthropy, the center developed and implemented a plan to secure funding from local individuals and businesses – the first such plan in its 11 years of existence. As a result, the center gained almost 400 new donors and built strong ties with the community. An auction generated more than \$9,000. Individual giving increased in 2003 to 13 percent of total revenues, providing a welcome diversification of funding. Beyond this fundraising success, the cen-



Bethlehem Center.

ter was able to ignite a charitable impulse among many in the community and overturn perceived stigmas about "handicapped" and "retarded" persons, in turn integrating these residents into the mainstream of the community. Perhaps a small result for the Trust, but a giant step for the village of Klobouky, and a great example for others to follow.

## POLAND

The resurgence of civil society in Poland benefited from the Solidarity movement during the 1980s, demonstrating the potential of organizing citizens toward common goals. As a legacy of this movement, following the fall of communism, Poland witnessed the growth of a vibrant NGO sector with a relatively high degree of networking and cooperation. Infrastructure developed faster than in most countries in the region, leading to several networks of support centers for providing information and assistance. Despite this positive development, the sector has suffered from an inadequate legal and fiscal framework and a high degree of dependence on foreign and government funding. The potential for individual and corporate charitable giving has not been realized, in part because of limited tax incentives.



The Trust began the selection process to identify a partner organization in Poland in 2002. Following many consultations and a review of submitted program proposals, the Trust awarded Stefan Batory Foundation a \$5-million grant for four years in December 2002. Stefan Batory matched this grant with \$1 million from

its own resources. In November 2003, the Trust provided the foundation with an additional \$300,000 grant for three years for its own institutional development.

Stefan Batory is a leading Polish private foundation established in 1988 by American philanthropist George Soros. The foundation has been a respected leader in strengthening civil society, promoting civil liberties and the rule of law, and advancing international cooperation. The Trust's institutional support for Stefan Batory will help it strengthen fundraising and improve management and program operations. Its goals for 2010 are to expand its endowment to \$25 million, cover 40 percent of budget from foreign donors, and maintain high quality management and programs.

The foundation is implementing the Trust program in Poland with an alliance of several experienced national NGOs. Mutually-reinforcing program modules are:

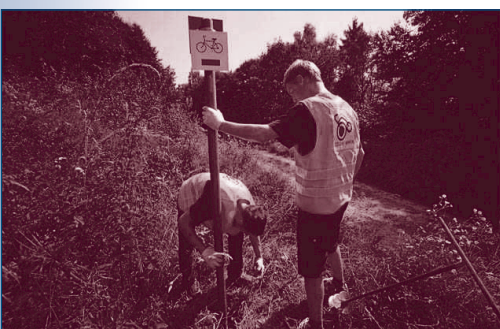
- in alliance with the Institute for Public Affairs and Klon/Jawor Association, improving the policy environment for the nonprofit sector through research, monitoring and influencing legislation and regulations, and educating and mobilizing NGOs on legal and fiscal issues;
- in alliance with the Foundation in Support of Local Democracy and the NGO Support Network SPLOT, building coalitions among NGOs and local governments for implementing the provisions of the Public Benefit and Volunteer Law, developing new initiatives, and pursuing EU structural funding;
- in alliance with the Academy for the Development of Philanthropy and the Polish Environmental Partnership Foundation, supporting community foundations, building community-based partnerships, and promoting individual and corporate philanthropy; and
- building the institutional capacity and sustainability of key NGOs, through grants for strategic planning, organizational development, and building reserve funds and endowments.

Program activities were launched throughout 2003 and into early 2004. Early progress is promising. In the first program module, the Trust has brought to the sector a strategic approach integrating research, policy analysis, monitoring and advocacy. This approach is timely given the need to capitalize on a new Law on Public Benefits and Volunteerism enacted in May 2003. One provision of this law provides citizens with the option of designating 1 percent of their taxes to a qualified public benefit organization. Unfortunately, the successful passage of this legislation was accompanied later in 2003 by an income tax amendment limiting tax deductibility of individual charitable donations to approximately \$100 per year. (Only NGO campaigning prevented the legislature from enacting even more severe constraints.)

In response, Trust-funded work in 2004 will attempt to both build upon success to date and regain lost ground. Through Stefan Batory and its implementing partners, the Trust is supporting both a national campaign and targeted efforts to inform citizens and NGOs about the 1 percent tax-designation benefit, as well as other changes of the May 2003 legislation. On a national level, efforts aim at improving the legal and fiscal framework, including restoring and expanding tax incentives for charitable contributions.

In an encouraging development, the Trust's policy work has attracted the interest of the Polish Ministry of Economy, Labor, and Social Policy, which has a department responsible for working with NGOs. Discussions are being held to discuss ways in which the government can more effectively support NGOs. In addition to addressing the need for reform in current tax policy, these discussions cover new approaches for helping NGOs (e.g., examining the suitability of the National Civil Fund established in Hungary).

Progress in other program modules is also encouraging. One part of the second program module – to empower coalitions of NGOs and local government – was launched with the first of 16 regional conferences to identify "best practices," with 140 participants representing both sectors.



*Building cycling routes. Poland*

In the third program module, in late 2003, grants were awarded to 12 established and nine new community foundations. Six community partnerships also received Trust funds for institutional development. One such partnership is Green Bieszczady, representing 30 interests comprising NGOs, public bodies, and private institutions. Known as Green Bicycle, the group was formed to build a Polish-Slovak-Ukrainian tourism route for bikers. More than 1,000 volunteers have worked on this undertaking. Support approximat-

ing \$300,000 has been raised locally. As a result, Green Bicycle has led to the creation of almost 600 miles of trails, 60 small enterprises, and, indirectly, five local associations and a regional foundation. Although the Trust has not had a role in this project's operational success, Trust support granted through the Environmental Partnership Foundation is now helping Green Bieszczady to take steps to become more sustainable.

The fourth program module is institution-building. After considerable orientation and consultation, Stefan Batory considered proposals submitted in an open competition. In December 2003 Stefan Batory awarded grants from \$52,650 to \$102,650 to 10 NGOs for strategic development – one of the Trust's larger such programs in the region. A second round of grants is planned in early 2004. Some of these awards will aid NGOs in securing EU funding.

Stefan Batory has found the process preparatory to grantmaking to be lengthy and difficult given weaknesses in the initial proposal submissions. This has led to intensive consultation with NGOs. This experience parallels that of other Trust partner organizations in developing and awarding large, institution-building grants.

Whereas the results of these and other Trust endeavors in Poland will be unavailable for some time, several Polish NGO observers give high marks to the Trust's first-year programming. Similar to the experiences of other countries, the Trust's presence has led to a new spirit of cooperation among NGO leaders. Moreover, it is calling attention to the importance of the long view, strategic planning, sustainability, and opportunities and threats from EU accession.

## HUNGARY

The Trust began a consultative process for a Hungarian partnership arrangement in January 2002. The process proved lengthy and difficult, in part because of the nature of the Hungarian nonprofit sector and its operating environment. Although Hungary has a rich diversity of active NGOs, both service providers and issue-oriented groups, the sector has faced two related constraints.

First, while the roots of civil society organizing date to the 1980s, the sector itself has a much shorter history and experience base in coordinated efforts. During recent years, NGOs have generally focused primarily on their own mission and survival – many quite successfully – but given secondary importance to cooperation.

Apart from some sharing of information and training resources, there has been an absence of coordinated communications and strategic planning on a sectoral level. In some sub-sectors such as the environment, NGOs have developed structures for coordinating their work, but only after years of effort.

Second, while many training and development organizations have been active in Hungary, they provided only limited help to NGOs on matters of institutional development. As a result, many of the largest national NGOs did not develop sustainability plans. Moreover, Hungarian donors did not develop strategic plans, in part because



the Hungarian government had not implemented legal or financial frameworks in support of a sustainable independent civil sector. As Nilda Bullain of the European Center for Not-for-Profit Law observed recently in a published article, "There are no endowed grantmaking foundations in Hungary."

Initial planning for Trust programming in Hungary involved eight foundations that established a roundtable in 2001. Known as the Independent Supporters Forum, the group organized a series of regional NGO meetings in early 2002. Based upon the results, they submitted letters of intent to the Trust, which in turn invited proposals from four organizations. Three invitees submitted a joint proposal and the fourth organization submitted individually. The Trust did not approve either of these two submissions. As an alternative, in December 2002, it awarded two development grants. The grants provided funds to mobilize NGOs and develop commentary on pending legislation, as well as time for the grantees to develop and submit revised plans to create a long-term Trust partnership. The development grants were:

- \$11,383 to Civil Society Development Foundation, for work on fostering regional cooperation among NGOs and on analyzing nonprofit sector legislation; and
- \$68,587 to Hungarian Environmental Partnership Foundation (HEPF) in alliance with Autonomia Foundation, Soros Foundation Hungary and NIOK, principally for work linked to an invitation from the government to assist in the drafting of the National Civil Fund Law, a state-funded initiative supporting core costs of NGOs.

Following these grants, three of the above-noted NGOs were invited to submit revised plans for establishing a Trust partnership program. After considerable review, the Trust approved these submissions and authorized three, three-year grants (finalized by fall 2003) for programming and grantee institutional development:

- \$700,000 to Civil Society Development Foundation for strengthening the non-profit sector through institutional capacity-building;

- \$798,000 to HEPF for supporting legal, fiscal, and political environments in which civil societies can flourish; and
- \$2.4 million to Soros Foundation Hungary for supporting the long-term financial sustainability of nonprofit organizations through institutional grants. Soros Foundation Hungary matched this grant with \$800,000 from its own resources.

Although the process of developing and finalizing partnership arrangements has been difficult and time-consuming, results of the Trust's involvement in Hungary are gratifying. The most visible outcome has come from support given for mobilizing NGOs to advocate for, and influence, the provisions of the National Civil Fund, passed by Parliament on June 23, 2003. The fund supports operational costs of nonprofit organizations, with a lesser amount of funding designated for other civil society needs. The fund's revenue derives from a formula linked to the income tax. In 2004, distributions from the fund are projected at \$27 million. This initiative is considered a major success for the nonprofit sector community.

Although the Trust was not alone in supporting work on this legislation, its grant support to HEPF was important in the overall effort. In addition to mobilizing in-country resources, HEPF's work included the engagement of the European Center for Not-for-Profit Law, the Nonprofit Sector Analysis Program and other outside experts. Ongoing Trust support is enabling HEPF and its NGO colleagues to provide oversight on the implementation of the National Civil Fund, through making comments, providing advice and publicizing its provisions for all NGOs. This oversight is critical during 2004 as a recently formed governing council begins to make decisions on resource allocation.

This support for improving legal and fiscal framework is having impact beyond the National Civil Fund, toward a goal of major reform of Hungarian nonprofit sector legislation – eliminating contradictions in the law, closing loopholes, and making the legal framework more "NGO-friendly." For example, during 2004, HEPF is assisting in the preparation of the Hungarian Volunteer Act, which will establish the legal status of volunteers, a concept not covered in present legislation.

The Trust is optimistic about the direction of the program for 2004. The work of HEPF and its colleagues – contributing to the development, implementation, and monitoring of legal and fiscal framework – has been noted. Soros Foundation Hungary awarded the first round of five grants within its institutional grants program – and expects to award a second round of grants by mid-2004. Civil Society Development Foundation held its first 11-day management training program in late 2003 (with 80 participants from diverse backgrounds) and is implementing other training and technical assistance initiatives during 2004.

Hungarian NGO leaders report that, despite rocky beginnings, the Trust has energized a spirit of cooperation within the nonprofit sector. As one model, the three partner organizations are working together in support of mutual goals of strengthening nonprofit sector infrastructure and of adjusting to new opportunities, including preparing for EU accession and the availability of new structural funding. The partners hold joint press conferences and engage in ongoing communications. This mode of cooperation is also being seen in networks created through Trust-funded programs.

## SLOVENIA

Slovenia is the smallest of the countries served by the Trust, both in population and area. The country is also the most affluent, with adjusted per capita gross domestic product almost double the average of the other six Trust countries.

Despite its manageable size and affluence, Slovenia did not develop effective infrastructure for the nonprofit sector during the transition to democracy. The large stream of Western assistance for developing civil society in Russia, the four Visegrad countries, and – to a lesser extent – Bulgaria and Romania during the 1990s largely missed Slovenia. Without such assistance, the nonprofit sector grew sporadically and in a disconnected fashion. There simply was insufficient attention to infrastructure.

As a result, during 2001, the Trust decided to provide Slovenia with several development grants as an alternative to proceeding with a partnership organization. The purpose of these grants was to meet several immediate needs within the Slovene NGO community as well as to encourage the sector to organize itself on a national level.

The Trust awarded such grants to four organizations totaling \$249,000 in 2001-2003. They are noted and described in the Grants Listing section of this report. The grants concluded in mid-2003 with mixed results. One project failed to realize its goal. Others had varying degrees of success. As one Slovene NGO leader recently observed, "These grants had little lasting impact when measured by their separate project objectives. But they were very successful in encouraging and enabling NGOs to begin to work together in a cooperative spirit – and in calling attention to the need for strategic planning and institution-building."

In hindsight, these grants enabled the four organizations to launch a process of preparing a strategic plan for the nonprofit sector. This step was especially timely, given that the government was in the process of drafting its own strategy for the sector, as well as preparing for a dialogue with NGOs.

As part of this strategic planning, the leading NGOs organized a festival in October 2002 that enabled Slovene NGOs to increase their networking alliances, demonstrate their value to the public, and establish new communication channels with others, including the government and the media. Subsequent to this festival and additional 2002-03 planning, a December 2003 conference marked a milestone in building bridges between the nonprofit sector and government interests.

As an outcome of this 2002-03 development activity, leaders from the nonprofit sector community have set 2004 goals of maintaining the momentum for working with the government and of developing increased Slovene funding support for the



sector. Negotiations with the government on public policy frameworks are under way and should pick up momentum prior to the parliamentary elections scheduled for late in 2004.

Whereas this is a gratifying accomplishment, the Trust's work in Slovenia is at an early stage. From the planning process, the Trust has received a comprehensive proposal for partnership funding. As of early 2004, the Trust is negotiating with Umanotera, the Slovene NGO selected as a prospective partner organization from the results of the consultative process. The Trust hopes to complete these negotiations and establish a partnership in Slovenia by mid-2004.

## BULGARIA

The Trust did not establish grant programming in Bulgaria during 2001-03. The Trust began a planning and consultative process during 2003 with the expectation of launching program activity in 2004. Facilitated by an independent Bulgarian non-profit sector consultant, and in cooperation with the Bulgarian Donors Forum, this process included discussions with more than 100 representatives from donors, regranting organizations, grassroots and activist NGOs, policy groups, and the public sector. The VIA Foundation from the Czech Republic shared its experiences as part of this planning. The process affirmed the Trust's commitment to ensuring that in-country interests have a major role in Trust programming, and to supporting cooperation within the sector.



The consultative process raised sustainability as a lead concern of the nonprofit sector, and identified priorities including improving the legal and fiscal environments, strengthening NGO advocacy and participation in public policy, improving sector infrastructure, developing local philanthropy, and expanding income-generation activities for NGOs.

As a result of this process, the Trust is undertaking additional cooperative work with Bulgarian NGOs as a lead-in to development program activity expected to begin in 2004.

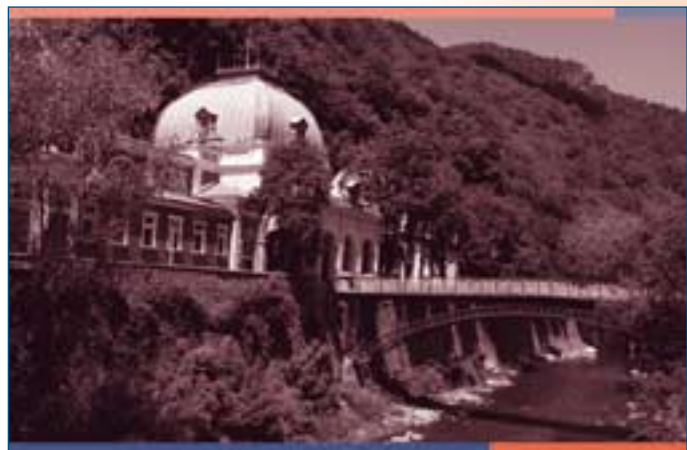
Initial grant activity likely will focus on improving the enabling environment and building the capacity for NGOs to address sustainable organizational development. The Trust expects to follow the development grants with expanded programming with one or more Bulgarian partner organizations by late 2005.

## ROMANIA

The Trust did not establish grant programming in Romania during 2001-03. The Trust has monitored the Romanian nonprofit sector as an ongoing activity, commissioned an overview of the NGO sector by an independent consultant, and helped

Romanian NGOs by providing information and referrals. As part of the latter activity, the Trust provided comparative case histories and contact information in other target countries in support of the work of Romanian NGOs to advocate for the passage of a new 2003 Tax Code. The code was adopted and provides the opportunity for citizens to designate 1 percent of income tax to an eligible NGO of their choice.

The Trust expects to launch a consultative process by mid-2004. Similar to the Trust's work in other countries, the process will aim at empowering the Romanian non-profit sector to be responsible for its own long-term development. Upon completion of this process, the Trust will invite proposals for development-phase programming. Grants for several development initiatives will likely be awarded by late 2004 or early 2005, and full-scale programming to follow in 2006-07 with one or more partner organizations. Conditioned upon the results of the consultative process, the Trust expects development grants to focus on creating an enabling environment for the development of local funding, and increasing NGO capacity for addressing sustainable organizational development.



TRUST GRANTS LISTING, 2001-03

Country	Organization	Project Name	Amount (in USD)	Year
Slovakia	Ekopolis Foundation	"Your land at the doors of integration"	1,900,000	2001
		Institutional development	100,000	2002
	Open Society Foundation	"To get there together – Alliance for Sustainability"	1,900,000	2001
		Institutional development	100,000	2002
Slovenia	Legal Information Center for NGOs – PIC	"Law on non-governmental organizations"	70,000	2001
	Center for Information Service, Cooperation and Development of NGOs – CNVOS	"Capacity building if the NGO Center and the NGO sector, promotion of networking and co-operation, and strengthening the dialogue between the Government and NGO sector in Slovenia"	40,000	2001
		"Strategy for NGO system development in Slovenia"	10,000	2002
		"From the art of focused discussion to the power of effective action"	70,000	2001
	Umanotera – Slovenian Foundation for Sustainable Development	"Initiative for the future of NGOs – Program of Support of the Process Leading up to the National Conference NGOs-Government in Slovenia"	9,000	2003
		Slovenian Association for Mental Health – ŠENT	"Non-profit management"	50,000
	Czech Republic	VIA Foundation	"Creating a favorable legislative, fiscal and philanthropic environment; creating a favorable environment for advocacy and public policy; institutional support for selected strategic NGOs; development of infrastructure for NGO and civic engagement, supporting regions"	3,000,000*
Institutional Development			75,000*	2002
Poland	Stefan Batory Foundation	"Strengthening and institutionalizing non profit sector in Poland"	5,000,000	2002
		Institutional Development	300,000	2003

Country	Organization	Project Name	Amount (in USD)	Year
Hungary	Hungarian Environmental Partnership Foundation	"Advocacy for National Civil Fund in Hungary – a contribution to the sustainability of the third sector"	68,587	2002
	Civil Society Development Foundation Hungary (CSDF)	"Project aimed to facilitate the outreach of the Hungarian sector into other Visegrad countries by translating crucial documents in English and placing them on relevant NGO information websites"	11,383	2002
	Hungarian Environmental Partnership Foundation	"To contribute to a supportive legal, fiscal and political environment in which civil societies can flourish"	734,000	2003
		Institutional Development	64,000	2003
	Civil Society Development Foundation Hungary (CSDF)	"In Support of Independence, Accountability and Participation"	644,000	2003
		Institutional Development	56,000	2003
	Soros Foundation Hungary	"Enhancing the long-term financial sustainability of non-profit organizations in Hungary"	2,242,655	2003
		Institutional Development	157,345	2003

\* In 2003, the Trust approved additional funding for the VIA Foundation in the amount of \$300,000 to cover exchange rate losses and additional institutional development grant of \$123,000. Both additional grants will be released in 2004.

## PARTNER ORGANIZATION GRANT ACTIVITY

Trust partner organizations are fully responsible for implementation of Trust-funded programming and make their decisions independently from the Trust. The following information summarizes grants provided by each of the partner organizations in Slovakia, Czech Republic, Poland, and Hungary through 2003 according to their respective program strategies. The data show grants from Trust funds only, although in many cases these grants were supplemented with funds from other sources. Some partner organizations carry out Trust-funded programs directly, while others work with and through implementing partners. Trust partner organizations use both operational programs and grant-making to achieve their program objectives. For a more complete understanding of activities supported by the Trust, the reader should contact partner organizations or visit their Web sites.

### ■ SLOVAKIA – Ekopolis Foundation

Program Module	Grants	
	2002	2003
Improving Enabling Legislation <i>Support in 2002 for two projects for changing regulations for NGOs active in providing social services and environmental education. In 2003, support for three advocacy projects on behalf of the non-profit sector</i>	\$22,524	\$11,632
Capacity-Building of NGOs as Advocates <i>Support for 25 advocacy initiatives in 2002 and for 30 in 2003 to strengthen their advocacy capability. The program supported NGOs representing the interests of women and children, environmental groups, freedom of information advocates and other initiatives.</i>	\$60,224	\$93,619
Institution-Building of Key NGOs <i>Support for eight grants in 2002 and 10 in 2003 to help 18 NGOs take strategic steps toward becoming more sustainable, plus one \$2,548 grant in 2002 for a special opportunity.</i>	\$473,024	\$408,571
Community Philanthropy <i>Support in 2002 for grants from \$13,750 to \$25,000 to improve the sustainability of eight community foundations. Accompanied by \$241,557 of matching funds. In 2003, support for 13 community philanthropy development initiatives.</i>	\$183,450	\$65,740
<b>TOTAL</b>	<b>\$739,222</b>	<b>\$579,562</b>

■ **SLOVAKIA – Open Society Foundation (OSF)**

(with Children of Slovakia Foundation (CSF) and Jan Hus Educational Foundation (JHEF) as implementing partners)

Program Module	Grants	
	2002	2003
Research, Publishing, and Higher Education (JHEF) <i>Support for studies of the nonprofit sector and philanthropy in Slovakia, and preparation of a bachelor degree program on the "Economy and Management of NGOs."</i>	\$83,740	–
Education/Training in Financial Management, Evaluation, and Ethics (CSF, JHEF, OSF) <i>Support for providing help to six NGOs in evaluation and one in promoting ethics (\$7,584), supplemented in 2002 and 2003 by \$115,043 of stipends and administrative services for providing accounting and auditing training to 137 NGOs.</i>	\$122,627	–
Cross-Sector Cooperation and Partnerships (CSF) <i>Support for a study of cross-sector cooperation in Slovakia, and for helping three key NGOs build partnerships with groups in other sectors.</i>	\$16,561	–
Youth Leadership (CSF) <i>Support for six grants for educating youth in nonprofit sector issues and for related leadership training.</i>	\$20,413	–
Institution-Building (OSF) <i>In 2002, institutional support from \$14,686 to \$63,192 to five key NGOs; in 2003, planning-grant support to 13 NGOs to prepare full long-term sustainability proposals for the second round of institution-building program.</i>	\$151,735	\$8,075
Self-Financing, Other Financial Sustainability Endeavors (OSF) <i>Support to help 20 NGOs develop and strengthen efforts to raise revenue from internally-generated activities; grants range from \$3,976 to \$15,107.</i>	\$84,903	\$117,871
Development of Individual and Corporate Philanthropy (CSF, OSF) <i>Support for 14 grants from \$3,105 to \$10,087 to six community foundations and eight other NGOs with common aims of increasing individual and/or corporate charitable giving.</i>	–	\$91,353
Joint Investment Fund (CSF, JHEF, OSF) <i>Contribution of three founding partners (each \$80,000) for core start-up capital to set up CharitySet, an investment portfolio for NGOs managed by a professional asset management firm.</i>	\$240,000	–
<b>TOTAL</b>	<b>\$719,979</b>	<b>\$217,299</b>

## CZECH REPUBLIC – VIA Foundation

(with Civil Society Development Foundation (CSDF), Czech Donors Forum (CDF), Czech Environmental Partnership Foundation (CEPF), Jan Hus Education Foundation (JHEF), Open Society Fund-Prague (OSF), and Partners for Democratic Change-Slovakia (PDC-S) as implementing partners)

Program Module	Grants	
	2002	2003
Public Policy and Advocacy for a Favorable Enabling Environment (OSF) <i>Support for four grants totaling \$95,238 to strengthen policy institutions (think tanks), and nine grants totaling \$161,041 to help key NGOs build more effective public advocacy capacity.</i>	–	\$256,279
Institution-Building (VIA) <i>Support for 18 planning grants (\$11,862) and 13 institutional grants (\$608,898) from \$41,720 to \$51,020 aimed at helping mature, key NGOs strengthen strategic planning and organizational change necessary for long-term sustainability. VIA also awarded general support grants (totaling \$43,631 in 2002 and 2003) and networking support grants in 2002 (\$11,860) to its four program partners.</i>	\$43,491	\$632,760
Information and Technical Assistance for NGOs (PDC-S, VIA) <i>Support for the development and use of a Consultants Guild (\$24,712) and a Knowledge Fund; 17 NGOs received grants (\$11,217) through the Knowledge Fund in 2003. Also, a grant to develop the Civicus Project (\$20,000) as a “discussion part” of the Knowledge Fund.</i>	\$24,712	\$31,217
Sustainability of Regional and Community Foundations (CEPF, JHEF, VIA) <i>Support for planning grants (\$7,908) to 12 foundations and, from this group, grants totaling \$115,320 to enable five foundations take steps to expand funding and improve their long-term sustainability.</i>	–	\$123,228
European Union Accession (CSDF, OSF) <i>Support for two initiatives: help for developing 16 regional models eligible for EU funding consideration (grants totaling \$226,929); and services to prepare NGOs for EU accession, including a study tour to Brussels for 28 NGO leaders (\$1,478).</i>	–	\$228,407
Increasing Corporate and Individual Philanthropy (VIA) <i>Support for 11 NGOs to establish, expand, or strengthen their efforts to increase revenue from individual giving.</i>	–	\$71,68
<b>TOTAL</b>	<b>\$68,203</b>	<b>\$1,343,579</b>

**Stefan Batory Foundation (SBF)**

*(with Academy for the Development of Philanthropy (ADP), Foundation in Support of Local Democracy (FSLD), Institute for Public Affairs (IPA), Klon/Jawor Association, NGO Support Network SPLOT, and Polish Environmental Partnership Foundation (PEPF) as implementing partners)*

Program Module	Grants 2003*
NGO-Friendly Legal Environment and Policy Development (IPA, Klon/Jawor) <i>\$195,537 to Institute for Public Affairs for analysis and policy development for creating a more favorable legal and fiscal enabling environment; and \$195,537 to Klon/Jawor Association for research on the nonprofit sector.</i>	\$391,074
Partnership and Advocacy (FSLD, SPLOT) <i>\$307,645 to Foundation in Support of Local Democracy, and \$344,145 to NGO Support Network SPLOT, for the implementation of project activities aimed at enforcing provisions of the Public Benefit Law and helping NGOs develop regional plans, programming and monitoring of European Union structural funding.</i>	\$651,790
New Models of Funding Local Initiatives (ADP, PEPF) <i>\$443,216 to Academy for the Development of Philanthropy for a range of initiatives to support community foundations and promote individual and corporate philanthropy; and \$443,216 to the Polish Environment Partnership Foundation for support of 20 community-based partnership groups, aided by a special-grants fund and a network. During 2003, ARF re-granted \$44,000 to support operating and development costs of 12 established and five new community funds and local events promoting philanthropy. PEPF re-granted \$29,500 for institutional development of six community-based partnerships.</i>	\$886,432
Institution-Building (SBF) <i>Support for 10 grants from \$52,650 to \$102,650 to key NGOs for the purpose of organization changes and improvements, strategic planning, establishing reserve funds, and other actions for building institutional capacity and sustainability; 2003 activity also includes small planning grants to seven NGOs (\$3,650).</i>	\$827,400
<b>TOTAL</b>	<b>\$2,756,696</b>

\* Grants shown for the first three program modules were to implementing partners and used both for the implementing partner's work toward the program objective and, alternatively, for re-granting to NGOs as part of a program activity. Grants in the fourth program module were directly from Stefan Batory to participating NGOs.

■ **Soros Foundation Hungary**

Program Module	Grants 2003
Institution-Building <i>Support for grants from \$33,689 to \$74,933 to five key NGOs for steps needed to strengthen the organization and improve its long-term financial sustainability.</i>	\$317,888
<b>TOTAL</b>	<b>\$317,888</b>

# 2001-2003 REPORT

AUDITED FINANCIAL STATEMENTS  
December 31, 2003 and 2002

CONTENTS



Independent Auditor's Report	38
Financial Statements	39
Statements of Financial Position	39
Statements of Activities	40
Statements of Cash Flows	41
Notes to Financial Statements	42
Additional Information	46
Independent Auditor's Report on Additional Information	46
Schedule of Functional Expenses	47

# TRUST FOR CIVIL SOCIETY IN CENTRAL & EASTERN EUROPE



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Trust for Civil Society in Central and Eastern Europe

We have audited the accompanying statements of financial position of Trust for Civil Society in Central and Eastern Europe (a not-for-profit corporation) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trust for Civil Society in Central and Eastern Europe as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in blue ink that reads 'Lutz + Carr, LLP'.

New York, New York  
March 12, 2004

■ DECEMBER 31, 2003 AND 2002

	2003	2002
<b>Assets</b>		
<i>Cash (Note 2)</i>	\$ 448,904	\$ 2,158,535
<i>Investments, at fair value (Notes 1b and 3)</i>	27,896,111	19,818,100
<i>Unconditional promises to give (Notes 1c and 4)</i>	12,533,468	16,555,684
<i>Miscellaneous receivables and other assets</i>	3,528	3,406
<i>Property and equipment, net of accumulated depreciation (Notes 1d and 5)</i>	18,463	26,714
<i>Security deposit</i>	5,046	7,533
<b>Total Assets</b>	<b>\$40,905,520</b>	<b>\$38,569,972</b>
<b>Liabilities and Net Assets</b>		
<i>Liabilities</i>		
<i>Accounts payable and accrued expenses</i>	\$ 45,954	\$ 16,568
<i>Grants payable (Notes 1e and 6)</i>	7,203,796	8,396,814
<i>Total Liabilities</i>	7,249,750	8,413,382
<i>Commitment (Note 7)</i>		
<i>Net Assets</i>		
<i>Temporarily restricted (Note 8)</i>	33,655,770	30,156,590
<b>Total Liabilities and Net Assets</b>	<b>\$40,905,520</b>	<b>\$38,569,972</b>

■ YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
<b>Changes in Unrestricted Net Assets</b>		
<i>Revenues and Support</i>		
<i>Grants and contributions</i>	\$ –	\$ 1,013,989
<i>Investment income</i>	586,320	1,007,341
<i>Realized gain (loss) on sale of investments</i>	(279,071)	33,198
<i>Unrealized appreciation (depreciation) in market value of investments</i>	1,917,524	(1,040,409)
<i>Net assets released from restriction</i>	2,278,604	7,248,315
<i>Total Unrestricted Revenue and Support</i>	4,503,377	8,262,434
<i>Expenses</i>		
<i>Program expenses</i>	4,333,514	8,138,516
<i>Management and general</i>	169,863	123,918
<i>Total Expenses</i>	4,503,377	8,262,434
<i>Decrease in Unrestricted Net Assets</i>	–	–
<b>Changes in Temporarily Restricted Net Assets</b>		
<i>Contributions</i>	5,777,784	–
<i>Net assets released from restriction</i>	(2,278,604)	(7,248,315)
<i>Increase (Decrease) in Temporarily Restricted Net Assets</i>	3,499,180	(7,248,315)
<i>Increase (decrease) in net assets</i>	3,499,180	(7,248,315)
<i>Net assets, beginning of year</i>	30,156,590	37,404,905
<b>Net Assets, End of Year</b>	<b>\$33,655,770</b>	<b>\$30,156,590</b>

■ YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
<b>Cash Flows From Operating Activities</b>		
<i>Increase (decrease) in net assets</i>	\$ 3,499,180	\$ (7,248,315)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
<i>Depreciation</i>	8,251	8,251
<i>Realized (gain) loss on sale of investments</i>	279,071	(33,198)
<i>Unrealized (appreciation) depreciation in market value of investments</i>	(1,917,524)	1,040,409
<i>(Increase) decrease in:</i>		
<i>Unconditional promises to give</i>	4,022,216	4,336,011
<i>Miscellaneous receivables and other assets</i>	(122)	278,961
<i>Security deposit</i>	2,487	–
<i>Increase (decrease) in:</i>		
<i>Accounts payable and accrued expenses</i>	29,386	478
<i>Grants payable</i>	(1,193,018)	4,534,161
<i>Net Cash Provided By Operating Activities</i>	4,729,927	2,916,758
<b>Cash Flows From Investing Activities</b>		
<i>Net purchases of investments</i>	(6,439,558)	(1,296,796)
<i>Net increase (decrease) in cash</i>	(1,709,631)	1,619,962
<i>Cash, beginning of year</i>	2,158,535	538,573
<b>Cash, End of Year</b>	<b>\$ 448,904</b>	<b>\$ 2,158,535</b>

---

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a - Organization**

The Trust for Civil Society in Central and Eastern Europe (the “Trust”) is operated exclusively for charitable and educational purposes by supporting activities for the benefit of, to perform the functions of, and to carry out the purposes of The German Marshall Fund of the United States. It helps Americans and Europeans learn from each other, and from other industrial societies how best to serve their economic, social, cultural, and political development. It operates a grant making program in Central and Eastern Europe in the areas of economic development, fostering democracy, the environment, immigration and integration.

The Trust is involved in a major initiative to create sustainability for civil society and nongovernmental organizations in Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. The Trust provides a coordinated structure through which philanthropic institutions and individuals may combine their resources and efforts to provide an effective and efficient response to support the long-term sustainable development of civil society and nongovernmental organizations in Central and Eastern Europe.

The Trust assists local people and institutions in individual countries to take strategic steps with long-term benefits toward three primary objectives: (1) creating a supportive environment for Civil Society which includes the legal, fiscal, and political environments that nurture the development of strong civic life; (2) strengthening the nonprofit sector which includes capacity building especially intra sector and cross sectoral cooperation and partnership; and (3) enhancing the financial sustainability of nonprofit organizations which consists of encouraging indigenous philanthropy as well as public and other sources of support for nonprofits, operational and strategic development support for nonprofit organizations, and contributions to the endowment of proven “mature” nonprofit organizations.

**b - Investments**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Trust reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**c - Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Trust that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Trust uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### d - Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the related asset.

#### e - Grants Payable

Grants payable are accrued at the time authorized. Grants payable later than one year from the end of a fiscal year are discounted to present value using a rate of 5%.

#### f - Financial Statement Presentation

The Trust presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Trust reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### g - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### h - Tax Status

The Trust is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and it has been designated as an organization that is not a private foundation.

### NOTE 2 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and certain investments in several financial institutions in the United States and Europe. The cash balances at the United States institution is insured by the Federal Deposit Insurance Corporation up to \$100,000.

NOTE 3 – INVESTMENTS

Investments consist of:

	2003		2002	
	Cost	Fair Value	Cost	Fair Value
<i>Equity mutual funds</i>	\$ 6,622,785	\$ 7,122,233	\$ 6,926,846	\$ 5,431,849
<i>Fixed income mutual funds</i>	19,132,096	19,306,102	13,581,048	13,831,977
<i>Cash</i>	1,467,776	1,467,776	–	–
<i>Certificates of deposit</i>	–	–	554,274	554,274
	<b>\$27,222,657</b>	<b>\$27,896,111</b>	<b>\$21,062,168</b>	<b>\$19,818,100</b>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

These amounts are restricted for future periods and programs and are due as follows:

	2003	2002
<i>One year</i>	\$ 5,450,000	\$ 6,000,000
<i>Two to five years</i>	8,000,000	12,200,000
	13,450,000	18,200,000
<i>Less: Discount to present value</i>	916,532	1,644,316
	<b>\$12,533,468</b>	<b>\$16,555,684</b>

Uncollectible promises are expected to be insignificant. Amounts to be received after one year are discounted to present value using a discount rate of 5%.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Life	2003	2002
<i>Auto</i>	5 years	\$ 22,525	\$ 22,525
<i>Office equipment</i>	3-7 years	18,209	18,209
		40,734	40,734
<i>Less: Accumulated depreciation</i>		22,271	14,020
		<b>\$18,463</b>	<b>\$26,714</b>

Depreciation expense for the years ended December 31, 2003 and 2002 was \$8,251 in each year.

NOTE 6 – GRANTS PAYABLE

Grants as of December 31 are payable as follows:

	2003	2002
<i>Within one year</i>	\$ 4,714,000	\$ 4,379,970
<i>One to five years</i>	2,745,000	4,500,000
	7,459,000	8,879,970
<i>Less: Discount to present value</i>	255,204	483,156
	\$7,203,796	\$8,396,814

NOTE 7 – LEASE COMMITMENT

The Trust occupies office space under an agreement providing for monthly costs of \$1,626 through 2006.

Rental costs in 2003 and 2002 were \$29,416 and \$29,681, respectively.

NOTE 8 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted for future periods and programs.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the program and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and the supporting services benefited.



INDEPENDENT AUDITOR'S REPORT ON  
ADDITIONAL INFORMATION

To the Board of Trustees of  
Trust for Civil Society in Central and Eastern Europe

Our report on our audits of the basic financial statements of Trust for Civil Society in Central and Eastern Europe for 2003 and 2002 appears on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the years ended December 31, 2003 and 2002 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
March 12, 2004

ADDITIONAL  
INFORMATION

YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003			2002		
	Program Expenses	Management and General	Total	Program Expenses	Management and General	Total
Grants paid	\$ 4,070,952	\$ -	\$ 4,070,952	\$ 7,949,161	\$ -	\$ 7,949,161
Program implementation	46,786	-	46,786	12,117	-	12,117
Payroll, fees and related costs	114,563	56,928	171,491	94,589	53,240	147,829
Occupancy costs	16,431	16,431	32,862	16,197	16,197	32,394
Professional fees	-	56,839	56,839	-	30,586	30,586
Travel	57,486	-	57,486	36,671	-	36,671
Office expenses	4,377	4,377	8,754	4,529	4,528	9,057
Telephone	6,622	3,311	9,933	6,496	3,248	9,744
Insurance	-	7,707	7,707	-	6,840	6,840
Repairs and maintenance	-	20,433	20,433	-	5,802	5,802
Depreciation	8,251	-	8,251	8,251	-	8,251
Bank charges	-	2,964	2,964	-	2,486	2,486
Meetings and conference	2,503	-	2,503	5,224	-	5,224
Postage	1,747	873	2,620	1,981	991	2,972
Dues and subscriptions	3,796	-	3,796	3,300	-	3,300
<b>Total Expenses</b>	<b>\$4,333,514</b>	<b>\$169,863</b>	<b>\$4,503,377</b>	<b>\$8,138,516</b>	<b>\$123,918</b>	<b>\$8,262,434</b>

## CZECH REPUBLIC

### VIA FOUNDATION

Partner Organization (2002-2005)  
Jeleni 200/3  
118 00 Prague 1  
Tel. (+420 2) 3311 3370  
E-mail: [via@nadacevia.cz](mailto:via@nadacevia.cz)  
[www.nadacevia.cz](http://www.nadacevia.cz)

## HUNGARY

### CIVIL SOCIETY DEVELOPMENT FOUNDATION (CSDF)

Partner Organization (2003-2006)  
Assistance Grant (2002)  
Meszoly u. 4. III/3  
H-1117 Budapest  
Tel. (+36 1) 385 3938  
E-mail: [ctf@ctf.hu](mailto:ctf@ctf.hu)  
[www.ctf.hu](http://www.ctf.hu)

### HUNGARIAN ENVIRONMENTAL PARTNERSHIP FOUNDATION

Partner Organization (2003-2006)  
Assistance Grant (2002)  
Szerb u. 17-19  
H-1059 Budapest  
Tel. (+36 1) 411 3500  
E-mail: [info@okotars.hu](mailto:info@okotars.hu)  
[www.okotars.hu](http://www.okotars.hu)

### SOROS FOUNDATION HUNGARY

Partner Organization (2003-2006)  
Bolyai utca 14  
H-1023 Budapest  
Tel. (+36 1) 315 0303  
E-mail: [info@soros.hu](mailto:info@soros.hu)  
[www.soros.hu](http://www.soros.hu)

## POLAND

### STEFAN BATORY FOUNDATION

Partner Organization (2002-2006)  
Sapiezynska 10a  
00-215 Warsaw  
Tel. (+48 22) 536 0200  
E-mail: [batory@batory.org.pl](mailto:batory@batory.org.pl)  
[www.batory.org.pl](http://www.batory.org.pl)

## SLOVAKIA

### EKOPOLIS FOUNDATION

Partner Organization (2001-2004)  
Komenskeho 21  
974 01 Banska Bystrica  
Tel. (+421 48) 414 5259  
E-mail: [epce@changenet.sk](mailto:epce@changenet.sk)  
[www.ekopolis.sk](http://www.ekopolis.sk)

### OPEN SOCIETY FOUNDATION (OSF)

Partner Organization (2001-2004)  
Bastova 5  
811 03 Bratislava  
Tel. (+421 2) 5441 4730  
E-mail: [osf@osf.sk](mailto:osf@osf.sk)  
[www.osf.sk](http://www.osf.sk)

## SLOVENIA

### LEGAL INFORMATION CENTRE FOR NGOS (PIC)

Assistance Grant (2001)  
Povsetova 37  
1000 Ljubljana  
Tel. (+386 1) 540 1914  
E-mail: [pic@pic.si](mailto:pic@pic.si)  
[www.pic.si](http://www.pic.si)

### CENTRE FOR INFORMATION SERVICE, COOPERATION AND DEVELOPMENT OF NGOS (CNVOS)

Assistance Grant (2001)  
Povsetova 37  
1000 Ljubljana  
Tel. (+386 1) 542 1422  
E-mail: [cnvos@mail.ljudmila.org](mailto:cnvos@mail.ljudmila.org)  
[www.cnvos.si](http://www.cnvos.si)

### SLOVENIAN ASSOCIATION FOR MENTAL HEALTH (SENT)

Assistance Grant (2001)  
Vilharjeva cesta 22  
1000 Ljubljana  
Tel. (+386 1) 431 9408  
E-mail: [info@sent-si.org](mailto:info@sent-si.org)  
[www.sent-si.org](http://www.sent-si.org)

### UMANOTERA – SLOVENIAN FOUNDATION FOR SUSTAINABLE DEVELOPMENT

Assistance Grant (2001)  
Metelkova 6  
1000 Ljubljana  
Tel. (+386 1) 439 7100  
E-mail: [info@umanotera.org](mailto:info@umanotera.org)  
[www.umanotera.org](http://www.umanotera.org)

## BOARD OF TRUSTEES:

### Chair:

Maureen Smyth (Co-Chair of the Board until November 2003)

*Vice-President for Programs, Charles Stewart Mott Foundation*

### Vice-Chair:

Mabel Wisse Smit (from November 2003)

*EU Affairs Director, Open Society Institute*

### Secretary/Treasurer:

Phillip Henderson (from November 2003)

*Director of Programs, German Marshall Fund of the United States*

Martin Butora (on leave of absence from November 2003 due to participation in Slovak presidential elections)

*Slovak Ambassador to the United States (until May 2003)*

Barry Gaberman (from November 2003)

*Senior Vice-President, Ford Foundation*

Marianne Ginsburg (Secretary/Treasurer until November 2003)

*Director, Environmental and Special Programs, German Marshall Fund of the United States*

Irena Grudzinska-Gross (Co-Chair of the Board until November 2003)

*Program Officer, Ford Foundation*

Deborah Harding (until November 2003)

*Vice-President, Open Society Institute*

William Moody

*Program Officer, Rockefeller Brothers Fund*

Jacek Wojnarowski

*Executive Director, Trust for Civil Society in Central & Eastern Europe*

## STAFF:

Jacek Wojnarowski

*Executive Director*

Anna Jakubik (on leave of absence from November 2003)

*Head of Representative Office in Warsaw*

Lidia Kolucka-Zuk (from October 2003)

*Program Associate*

Matus Minarik (from June 2002)

*Program Associate*



Trust for Civil Society in Central & Eastern Europe  
Washington D.C., USA

Representative Office  
Solariego 1, 02-070 Warsaw, Poland  
Tel.: (+48 22) 576 8090, fax: (+48 22) 576 8099  
E-mail: [ceetrust@ceetrust.org](mailto:ceetrust@ceetrust.org)  
[www.ceetrust.org](http://www.ceetrust.org)