

**Estimating the Financial Balance Sheet of Charities in the Netherlands:
Method Review and Analysis**

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Abstract

This thesis develops and evaluates a method, by means of multiple imputation, to estimate the financial balance sheet of charity organisations in the Netherlands using an external database. The goal is to increase the accuracy and reliability of these estimates in the context of national accounts and provide the means to replicate this exercise in the future. The results show an intuitively distributed financial balance sheet for the subgroup of charity organisations. The implemented approach is analysed for robustness and replicability, both of which can be considered to be optimal given the available resources. Although increasingly accurate approaches are available as an alternative to the method described in this research, it is able to provide reliable estimations for future years since neither alternative is currently feasible in the Netherlands.

Introduction

The following thesis presents a study into one of the most intriguing sectors of the economy: the non-profit sector. Independent of the way into which an economy is organized, its institutions can traditionally be divided into two sectors: market (private) and state (public). However, a so-called ‘third sector’, which includes institutions that do not belong to either the market or the state, appears to be a major part of the economy and has for a long time received only minor attention. Academic interest in this sector originated in the 1990’s and has culminated into a global discussion focussing on the role, size, content, impact and importance of this ‘new’ sector. Charity organisations are part of this discussion, as they belong to possibly the very first form of institutionalized non-profit entities, often connected to religious congregations. As of today, philanthropic entities fulfil an important function within the social space outside the market and the state.

This fact is evident especially in the Netherlands, where the government continues to retract and leave numerous tasks to social responsibility. The resulting ‘welfare partnership’ between non-profits and the state is a fairly recent development. Despite the important position in fundamental areas of the economy like healthcare, education and culture, the amount of current information regarding this sector is limited, a poignant detail related to the minor attention that has been granted to this sector in the past, especially when compared to efforts in other European countries. Additionally, lacking information regarding non-profit institutions is potentially limiting the accuracy of the national accounts.

The purpose of this thesis is to construct an estimation method which can reliably deal with the discussion point regarding the economic size of charity organisations in the

Netherlands and thus alleviate part of the data scarcity. Previous research indicates that charity organisations account for up to 30% of the non-profit institutions (serving households). The main goal of this research is to evaluate this figure and estimate the specific composition of the balance sheet of charity organisations in 2012 by developing an improved method. This research is conducted in the context of *National Accounts*, which are constructed by the eponymous division of Statistics Netherlands (CBS). The results will be used to improve the accuracy of future publications and evaluate the charity organisations within the non-profit sector of the Netherlands.

Background

The method and the resulting estimations featured in this research are set within the framework of national accounts. The System of National Accounts 2008¹ defines the regulatory guidelines for national accounting and serves as handbook for ‘measuring the economy’. The overarching purpose of this framework, which originated in 1954 and has been updated and revised 5 times, is to harmonize publications of key variables in an international context (United Nations Statistics Division, 2015).

Eurostat publishes a framework known as the European System of Accounts (European Commission, 2010), which is in its essence an extension of the SNA framework for specific use within the EU. Comparability between member states is emphasized as the main purpose, given that EU policy depends to a great extent on these figures (Vanoli, 2005, pt. 5). Recent examples include the controversial settlement of the EU budget in

¹ (European Commission, International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations and World Bank, 2009). In the remainder of this thesis, any notion of the 2008 SNA will exclude this lengthy reference but can safely be assumed to be based on the same material.

2014², as well as additional payments in 2015³, which are levied on Gross National Income and form the largest source of income for the EU (European Commission, 2013a).

The ESA framework is implemented by the *National Accounts* division within Statistics Netherlands, which has been tasked to “construct the annual report of Netherlands Inc.”⁴ (Eding & de Haan, 2015). The framework was formally approved by the European Commission (2013b) in regulation 549/2013, enforcing the amendments in the latest ESA revision, one of which involves the sectoring of the national accounts that previously divided the economy into 5 sectors⁵:

- I. Non-financial corporations (S.11);
- II. Financial corporations (S.12);
- III. Government (S.13);
- IV. Households including Non-Profit Institutions Serving Households (S.1A); and
- V. Foreign (S.2).

The amendments require national accounts to strictly distinguish between two independent sectors, namely S.14 (Households) and S.15 (Non-Profit Institutions Serving Households, NPISH). The sector formerly known as S.1A is as a result split into two novel accounts, starting from 2012 onwards.

Prior research conducted by Ramaker (2014) comprised of the first, broad attempt at estimating S.15, which includes charity organisations. The results, which are partly based

² (BBC News, 2014; Broekhuizen, 2014).

³ (Cats, 2015).

⁴ This quote is translated from Dutch and originally reads: “De Nationale Rekeningen kun je zien als een soort jaarverslag van de BV Nederland.” (Eding & de Haan, 2015).

⁵ See the CBS Statline database to find the sector division in its current implementation:
<http://statline.cbs.nl/Statweb/selection/?DM=SLNL&PA=82594NED&VW=T>.

on a limited analysis of financial reports, indicate that this group of institutions is among the largest in terms of total assets (estimated at € 4.185m).

The Research

This thesis focusses primarily on developing a method for estimating the financial balance sheet for the subgroup of charity organisations within S.15 and can be viewed as an in-depth follow up of the research quoted above. The main goal is to improve the results by incorporating not only an extensive analysis of financial reports, but also an external database maintained by the Central Office for Fundraising Organisations (CBF) and input from a number of (inter)national interest groups⁶. This combination of factors yields a unique research into a sector of the Dutch economy that has not been explored extensively before in this context. The current academic focus on the non-profit sector emphasizes the relevance of this study.

The following research question summarizes the above section and serves as the backbone of this thesis:

To what extent can additional data sources improve the method of estimating the financial balance sheet for the subgroup of charity organisations within the sector Non-Profit Institutions Serving Households of the National Accounts in the Netherlands?

The approach to answer this question consists of (1) a study into the position of charity organisations within national accounts, (2) an investigation into the composition of the

⁶ Such as the trade association for charities (VFI), the Center for Philanthropic Studies of the Vrije Universiteit in Amsterdam and the Third Sector Impact Project, an EU initiative which focuses on measuring and assessing the impact of the non-profit sector.

balance sheet of charity organisations and (3) an evaluation of the benefits of improving future estimations using new data sources and adjusted methods.

The process is split in two phases. The first phase involves defining charity organisations and evaluating their position within the framework of national accounts, both of which are covered in the first chapter. The results are applied in the second chapter to evaluate the situation in the Netherlands.

The second phase comprises of the development of a methodology for gathering data on charity organisations, which is based on the results of chapter two, and will be discussed in the third chapter. Finally, the fourth chapter covers the evaluation of (1) the estimation results and (2) the employed methodology, which forms the basis for the final conclusion at the end of this thesis.

Chapter 1 – Charity Organisations and the System of National Accounts

“Definitions and classifications are hardly the stuff of high drama. Yet they are crucial to clear thinking and careful analysis.” (Salamon & Anheier, 1997, p. 6).

The central problem statement of this thesis is concerned with a particular set of institutions that is generally referred to as *charity organisations*, or simply *charities*⁷. Analysing these institutions as part of the national economy requires a workable definition in order to demarcate the population, which has proven to be notoriously difficult (Salamon & Anheier, 1997, pp. 273–274).

A second issue is raised when attempting to identify the group of charities within the broader set of Non-Profit Institutions (NPIs), a subsection of the economy that is only recently being investigated more thoroughly (Newberry, 1993; Salamon et al., 1999; Salamon & Sokolowski, 2014; United Nations, 2003, p. 3). Examples of institutions that complicate this particular field of study are philanthropic trusts and state-sanctioned non-profits, which perform a number of similar activities but are not necessarily charity organisations *pur sang* (Salamon & Flaherty, 1996, p. 6).

This chapter addresses the combination of inconsistency and lack of information that revolves around defining charity organisations (*section 1.1*) and aims to demarcate this group of institutions within the framework of national accounts (*section 1.2*). The final two sections summarize the results and conclude on a workable definition.

⁷ This translates in Dutch to: ‘liefdadigheidsinstellingen’, ‘goededoelenorganisaties’ or ‘goed doel’.

1.1 – Defining Charity Organisations

A definition of ‘charity organisations’ necessitates definitions for *charity* and *charitable purposes* first, the latter of which has “never been defined by the law” until 2006 (Malik, 2008, p. 48). UK case law however provides a collection of definitions in historical perspective, which serve as the basis for the current definition⁸. This approach is employed by Malik (2008) and Salamon & Flaherty (1996), as well as the Organisation for Economic Cooperation and Development (2003), which determines *charity* to originate from the English Charitable Uses Act of 1601. This definition was used in the UK for over 200 years and was eventually complemented by a system of classification, which originates from a court case in 1805 (Malik, 2008, p. 38). Salamon & Flaherty (1996, p. 8) extend the same line of reasoning and cite a “famous court decision in 1891”, which involved “the most influential classification of charitable purposes” (Malik, 2008, p. 38)⁹. This court decision allocates charitable activities into four groups: (1) relief of poverty, (2) advancement of education, (3) advancement of religion and (4) other purposes beneficial to the community.

This general classification lasted for more than a century and was expended by the *Charities Act 2006* (pt. 1.1 & 1.2), which further specified the wide range of activities included in the fourth group and for the first time defined *charitable purposes* formally by law. In total, 13 distinct purposes are identified ranging from poverty relief to advancement of arts and from community development to advancement of animal welfare

⁸ The UK example is used for this section because it is the oldest and most-cited discussion regarding the definition of charity and charitable purposes. Tax exemption is the foremost incentive which led to the court cases cited further on.

⁹ Both are based on *Pemsel’s Case* (1891), also referred to as *Commissioners for the Special Purposes of the Income Tax v. Pemsel*, (1891) A.C. 531 (H.L.).

(*Charities Act 2006*, 2006, pt. 1.2; Malik, 2008, p. 49). Any institution that abides by this law can be considered a charity organisation¹⁰.

Even though the *Charities Act* is a significant improvement regarding the definition and classification of charities, it is unable to resolve the fact that the phrase *charity organisations* is intrinsically a flexible concept (Reiling, 1958). This is exemplified by subsection (4) in the *Act* (pt. 1.2), which indicates that “any purposes that may reasonably be regarded as analogous to, or within the spirit of, any purposes falling within any of those paragraphs or paragraph (a) above” can be regarded a charitable purpose. This ambiguity is likely to persist, as the subgroup of charity organisations is constantly adapting to evolving demands (Salamon & Anheier, 1997, pp. 273–274).

1.2 – Charity Organisations as Part of the Complex Non-Profit Sector in the System of National Accounts

The SNA 2008 identifies organisations created for charitable purposes to be part of the group of non-profit institutions¹¹ (para. 4.84). Non-profit institutions are defined as follows: “NPIs are legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them.” (para. 4.8). Surpluses generated by these institutions cannot be distributed to any cause other than the specifically stated purpose of the entity, an important characteristic which must be specified in the articles of association.

¹⁰ For a discussion regarding the Dutch equivalent of this law, see *chapter 2*.

¹¹ The SNA definitions are used in this section because the ESA framework does not include an extended treatment of non-profits, a fact that has likely resulted in the limited data that is currently available regarding this sector (Salamon, 2015).

The non-profit sector consists of all non-profit institutions in an economy and can also be referred to as the civil society sector, voluntary sector, charitable sector, third sector or social economy¹² (Salamon & Sokolowski, 2014). The many labels that have been devoted to this set of institutions are evidence of the complexity of this sector, which Salamon & Sokolowski (2014, p. 5) describe as “probably one of the most perplexing concepts in modern political and social discourse”. This is exemplified by *Table 1.1*, which illustrates the scattered characteristics of the non-profit sector.

Table 1.1. Illustration of the non-profit sector in the SNA sector accounts.

Type of institutional unit	Sectors of the SNA					Non-profit sector
	Non-financial corporations sector (S.11)	Financial corporations sector (S.12)	General government sector (S.13)	Households sector (S.14)	NPISH sector (S.15)	
Corporations	C ₁	C ₂				
Government units			G			
Households				H		
Non-profit institutions	N ₁	N ₂	N ₃	N ₄	N ₅	N = $\sum N_i$

Source: (United Nations, 2003, fig. F2.2)

Independent of the ongoing debate regarding the specific composition of the non-profit sector, a number of analysts and institutions like the UN and OECD have indicated the importance of constructing an insightful overview of this sector (OECD, 2003; Salamon et al., 1999; Salamon & Anheier, 1997; United Nations, 2003). In order to remedy both the complexity of the non-profit sector and its lack of statistics, numerous initiatives attempt to identify the concept of this sector and classify the included institutions (United Nations, 2003, Chapters 2 & 3). The framework constructed by Salamon & Anheier

¹² For the remainder of this thesis, the phrase *non-profit sector* will be used to indicate this particular group of institutions. This term has rightly been labelled as a misnomer (Newberry, 1993, p. 3; Salamon & Anheier, 1992, p. 129), because organisations in this sector *do* in fact make profits (surpluses), but this is not expected to be their main goal (nor can they distribute any). *Not-for-profit* would suit the characteristics of this sector better, however the prior term is more widely used and will therefore also feature in this thesis.

(1992), which is considered to be the best-performing framework, classifies any institution in specific ICNPO¹³ groups if it complies with the following requirements:

- I. Institutionalized to some extent as an (in)formal organisation;
- II. Private, as in, institutionally separated from government (in terms of control, not necessarily in terms of financing);
- III. Non-profit-distributing to any stakeholder, owner, director or board member;
- IV. Self-governing, able to manage independent projects and activities;
- V. Voluntary, non-compulsory and involving some degree of voluntary participation.

An advantage is that this framework follows the concept defined in the SNA “fairly closely” (United Nations, 2003, para. 2.11) and therefore suits the purpose in this context optimally. The fact that the *Third Sector Impact Project*, an international comparative study into the non-profit sector initiated by the European Union¹⁴, employs this definition in today’s research illustrates the versatility and practical usefulness of this framework (Salamon & Sokolowski, 2014, p. 8).

1.3 – A Definition of Charity Organisations

The definition that will be applied in the remainder of this thesis is necessarily a compromise given the complicated nature of the non-profit sector and the lack of explicit definitions provided by official sources. A suitable approach however requires complete compliance with the (narrow) relevant regulation and would ideally match the current academic proceedings and national laws for the sake of consistency.

The starting point is the 2008 SNA and the extension provided by the UN Handbook on Non-Profit Institutions (2003), which narrows down the loose definition for non-profits

¹³ ‘International Classification of Non-Profit Organizations’.

¹⁴ See <http://thirdsectorimpact.eu/the-project/> for more information.

provided by the SNA and includes significant progress in conjunction with the academic community, primarily Salamon & Anheier (1997). The remaining institutions are then selected based on their philanthropic nature as specified by the definition of *charitable purposes*, and an additional subdivision to exclude organisations that (1) manage capital with a philanthropic purpose (known as philanthropic trusts or asset/capital funds), (2) are affiliated to a for-profit or government institution and (3) are not founded for a single, finite purpose but serve an interest that is indefinite in nature.

The definition is summarised by the following four conditions:

- I. Non-profit, as defined by the SNA 2008 and the UN Handbook on Non-Profit Institutions (2003), and included in sector S.15 (NPISH);
- II. Philanthropic in nature, as indicated by the definition of *charitable purposes*;
- III. Managing activities other than exclusively granting subsidies from revenue of assets and capital;
- IV. Invested into a purpose that is indefinite in nature and is not affiliated to the government or subsidiary to a (for-profit) institution.

1.4 – Conclusion

As is clear from the above discussion, a definition that is equally applicable to every country and in any situation is not easily constructed, perhaps even impossible. A number of efforts have however narrowed down the complexity of the non-profit sector and provide a convenient set of usable theories. This chapter pursued to elaborate on this complexity and provided an approach to demarcate charity organisations by constructing a definition, which will be implemented in the next chapter.

Chapter 2 – Defining and Demarcating Charity Organisations in the Netherlands

The prominence of the non-profit sector in the Netherlands, which is the largest per-capita sector of any nation, has been demonstrated by multiple researchers, most notably Burger, Dekker, van der Ploeg, & van Veen (1997) and Salamon et al. (1999, fig. 1.5). The “welfare partnership” between the state and non-profit institutions applies particularly well to the case of the Netherlands because non-profits embody crucial functions in the economy and benefit from the government in terms of financing and regulation (Salamon, 2015, sec. 1).

Charity organisations and philanthropy are no exception to the characteristics described above (van Leeuwen, 2012; Veldheer & Burger, 1999). This chapter analyses the philanthropic sector of the Netherlands. The current composition of this subsector is complex, with borderline cases and an interwoven structure of subsidiaries, collaborations and financial guarantees. The general purpose is to demarcate the population of charity institutions in the Netherlands by applying the definition developed in the first chapter.

2.1 – Public Benefit Organisations as Defined by the Dutch Law

The UK *Charities Act 2006* discussed in the first chapter provides a list of charitable purposes and as a result demarcates organisations based on the benefit of their activities towards the general public. A similar structuring of activities exists in the Netherlands as part of the national tax law (*Algemene Wet inzake Rijksbelastingen*, 2012, pt. 5b), which

defines an institution serving the public benefit (ANBI, “Algemeen Nut Beogende Instelling”) as one that almost exclusively¹⁵ aims at one of the following purposes¹⁶:

- a. Welfare;
- b. Culture;
- c. Education, science and research;
- d. Protection of nature and environment, including the promotion of sustainability;
- e. Health care;
- f. Youth and elderly care;
- g. Development aid;
- h. Animal welfare;
- i. Religion, philosophy of life, and spirituality;
- j. Promotion of the democratic legal system;
- k. Social housing;
- l. Any combination of the above mentioned purposes, as well as
- m. Support, either financial or otherwise, of a public benefit institution.

This provides a convenient starting point for this analysis, as the result of this regulation demarcates a set of institutions that serve the public benefit. Additionally, the Dutch Tax Administration provides two important factors that are beneficial to this analysis – namely (1) database availability and (2) disclosure regulations.

¹⁵ ‘Almost exclusively’ is a rather vague approximation compared to UK law, which states that these institutions have to be “established for charitable purposes *only*” (*Charities Act 2006*, 2006, pt. 1; emphasis mine). In effect, institutions have to contribute at least 90% to the benefit of the public in order to be regarded as an ANBI, the so-called ‘90%-rule’ (*Memorie van Toelichting Geefwet*, 2011, p. 6).

¹⁶ This section relates to the ANBI status in the *Algemene Wet inzake Rijksbelastingen* (2012, pt. 5b). It is translated from Dutch and originally reads: “*a. welzijn; b. cultuur; c. onderwijs, wetenschap en onderzoek; d. bescherming van natuur en milieu, daaronder begrepen bevordering van duurzaamheid; e. gezondheidszorg; f. jeugd- en ouderenzorg; g. ontwikkelingssamenwerking; h. dierenwelzijn; i. religie, levensbeschouwing en spiritualiteit; j. de bevordering van de democratische rechtsorde; k. volkshuisvesting; l. een combinatie van de bovengenoemde doelen, alsmede m. het financieel of op andere wijze ondersteunen van een algemeen nut beogende instelling.*”

These advantages however come at certain costs. First of all, applying for ‘ANBI-status’ is voluntary and the database is consequently not exhaustive, as it does not cover the entire population of organisations that serve the public benefit. Additional impediments involving the extensive range of qualifying organisations and absence of any financial data significantly diminish the value of this resource towards the analysis of charity organisations in the Netherlands. Examples include philanthropic trusts, municipal government branches and quasi non-governmental institutions, which are all registered ANBIs but are excluded by the definition provided in *chapter 1*.

2.2 – The Central Bureau for Fundraising Organisations

The Central Bureau for Fundraising Organisations, an independent entity that registers and audits fundraising institutions, developed along with the professionalising charity organisations in the 1990’s (Rivera-Keijzer, 2009; Schuyt, Gouwenberg, & Bekkers, 2015) and is currently the main source of information regarding this sector. Besides maintaining an openly accessible registry on the website of the organisation¹⁷, it also publishes financial assessments¹⁸ and a comparison tool¹⁹ for (prospective) donors. As a result, the underlying database contains significantly useful information compared to the ANBI-register²⁰ (Centraal Bureau Fondsenwerving, 2015).

The value of this resource is established in the fact that the CBF audits the financial accounts of all affiliated organisations and imposes disclosure regulations comparable to the regulations of the Dutch Tax Administration (see *section 2.1*). In addition, the CBF

¹⁷ The following page presents a search tool which allows users to find any affiliated organisation: <http://www.cbf.nl/register-goede-doelen/>.

¹⁸ See, for instance, the subpage on the charity organisation ‘Doctors Without Borders’, which states that 87% of revenue was allocated to the purpose of this charity in 2013: <http://www.cbf.nl/Instelling-financien/4007/Artsen-zonder-Grenzen-Ver>.

¹⁹ See the following page: <http://www.cbf.nl/content/register-goede-doelen-zoeken.php>.

²⁰ As a matter of fact, this database is deployed to estimate supply and use tables and current accounts within Statistics Netherlands. The information from this resource is used in publications of the CBF, which presents an insight into the contents of the database (Centraal Bureau Fondsenwerving, 2013).

issues the ‘CBF-hallmark’, which is in its essence a considerable extension of the ANBI regulation and includes a thorough assessment of internal practices and financial reporting²¹. This resource is however not exhaustive because registration is voluntary and obtaining the hallmark is tied to costs. Besides, the database includes fundraising organisations that are not necessarily charities. Nevertheless, because the lack of sufficient in-house data, this source is determined to be the best alternative.

2.3 – The Population of Charity Organisations in the Netherlands: Descriptive Statistics

An export of the CBF database obtained by Statistics Netherlands on the 7th of May 2015 is treated to exclude any overlapping, borderline or non-charity organisations, resulting in a total of 1.013 organisations in 2012 (Centraal Bureau Fondsenwerving, 2015, see *Appendix A*). This is not an exhaustive population, however since this research is mainly concerned with the cumulative total of assets in this sector, the critical information concerns the largest organisations, which are accounted for²².

The population of charity organisations in the Netherlands can be described by allocating the included institutions into four groups and identifying these groups in terms of total assets and revenue in 2012, as is illustrated in *Table 2.1*. The allocations are consistent with the classifications implemented by the CBF and include institutions (partially) covering 13 subgroups in the ICNPO framework, as depicted in *Table 2.2*. As is clear from these tables, charity organisations involved in healthcare and nature & environment are part of the smallest groups in this set, whereas the international aid organisations are

²¹ See the following page for more information regarding the ‘CBF-Hallmark’: <http://www.cbf.nl/over-het-cbf/doelstelling/>.

²² This is best illustrated using an example: if this research covers only half of the actual population of charity organisations, its results might not be valuable in terms of absolute number of included institutions. However, if these institutions cover over 95% of the total assets in the sector, the results are significantly important towards the construction of national accounts.

the largest in terms of revenue. The highest amount of assets however is found in the group of welfare organisations, which consists of a diverse set of charities focussing on social purposes, culture & arts, human rights, sports & recreation, education & research and religious entities. Total assets of charities within S.15 are worth € 5.141m at the end of 2012, which completely covers subgroup 8 200, although with numerous overlaps to other subgroups in the ICNPO framework. All other subgroups are covered partially due to the fact that charities pursue more than one goal besides functioning as philanthropic intermediary.

Table 2.1. Descriptive statistics of charity organisations in the Netherlands (in € m).

<u>Group</u>	<u>#</u>	<u>Revenue</u>	<u>%</u>	<u>Assets</u>	<u>%</u>
International Aid	444	1.514	41	1.322	26
Healthcare	166	521	14	1.051	20
Nature & Environment	108	553	15	852	17
Welfare	295	1.110	30	1.916	37
Totals	1.013	3.698		5.141	

Note. Revenue over 2012, assets at end-of-year value.

Source: (Centraal Bureau Fondsenwerving, 2015)

Table 2.2. Coverage of the population of charity organisations in the ICNPO framework.

<u>Groups</u>		<u>Subgroups</u>	<u>Covered by database</u>
1. Culture and recreation	1 100	Culture and arts	x
	1 200	Sports	
	1 300	Other recreation and social clubs	
2. Education and research	2 100	Primary and secondary education	
	2 200	Higher education	
	2 300	Other education	
	2 400	Research	x
3. Health	3 100	Hospitals and rehabilitation	
	3 200	Nursing homes	
	3 300	Mental health and crisis intervention	
	3 400	Other health services	x
4. Social Services	4 100	Social services	x
	4 200	Emergency and relief	x
	4 300	Income support and maintenance	x
5. Environment	5 100	Environment	x
	5 200	Animal protection	x
6. Development and housing	6 100	Economic, social and community development	x
	6 200	Housing	
	6 300	Employment and training	
7. Law, advocacy and politics	7 100	Civic and advocacy organisations	
	7 200	Law and legal services	
	7 300	Political organisations	
8. Philanthropic intermediaries and voluntarism promotion	8 100	Grant-making foundations	x
	8 200	Other philanthropic intermediaries and voluntarism promotion	100%
9. International	9 100	International activities	x
10. Religion	10 100	Religious congregations and associations	x
11. Business and professional associations, unions	11 100	Business associations	
	11 200	Professional associations	
	11 300	Labour unions	
12. Not elsewhere classified	12 100	Not elsewhere classified	

Sources: (Salamon & Anheier, 1996, p. 7; United Nations, 2003, para. 3.16)

The subgroup of charity organisations is dominated by a small collection of institutions that account for most of the assets in this sector, which can be concluded based on *Figure 2.1*. The largest 100 organisations (less than 10% of the population) account for 86,2% of total assets (€ 4.432m). The smallest 533 organisations (more than half of the population) each manage less than € 200.000 in assets and together only comprise € 32m, which is 0,6% of the total. This disparity can be explained by the development of charities into professional organisations which is accompanied by mergers and centralisation, as indicated by van Leeuwen (2012) and Schuyt et al. (2015). The larger organisations generally focus on a single comprehensive cause, like the prevention of AIDS or the support of the poor, whereas a myriad of small institutions is usually linked to a certain geography, like the Second Chance Foundation²³, which focusses on animal rights and awareness in Spain.

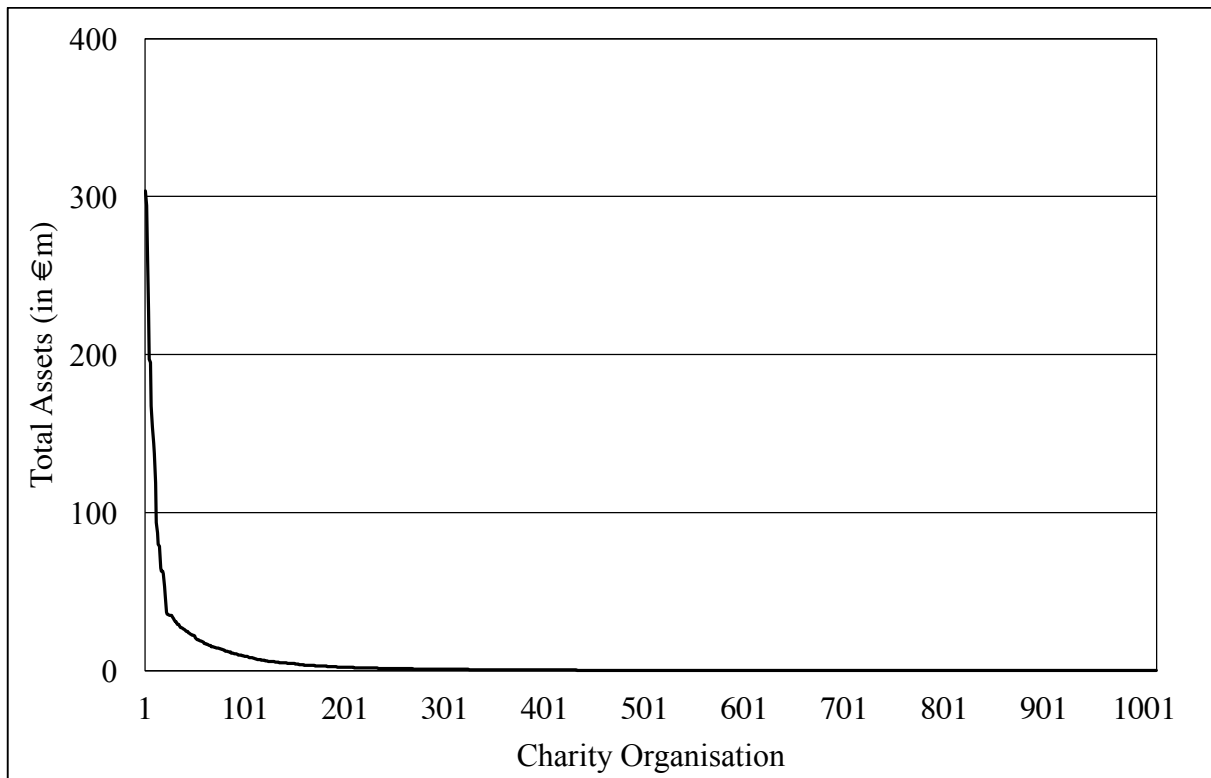
The sharp skewness in asset distribution is an advantage in the context of this research because (1) the amount of organisations that is not covered by this database might be considerable in terms of absolute numbers, however the amount of assets that is omitted only covers a small part of the aggregate²⁴, and (2) the number of charities that needs to be researched in order to, for instance, cover 50% of the total, is relatively low²⁵ (16).

²³ See the following page for more information: <http://www.animalinneed.com/wie-zijn-we/de-stichting/second-chance-foundation>.

²⁴ Even when assuming that a large institution might be omitted (which is highly unlikely), the statistical chance of this institution significantly influencing the end result is small because 879 out of the 1013 included in the database influence the asset total for less than 0,1%, with many even lower (see *graph 2.1*).

²⁵ This will turn out to be a crucial argument for the estimation of the composition of the balance sheet. See *chapter 3*.

Figure 2.1. Total assets of charities in the Netherlands in 2012, ranked (in € m).



Note. End-of-year value of assets, largest to smallest.

Source: (Centraal Bureau Fondsenwerving, 2015)

2.4 – Conclusion

As is evident from the above discussion, there exists a significant challenge in demarcating the population of charity organisations in the Netherlands. The definition developed in the first chapter proved to be functional in this context, however no exhaustive list of charity organisations exists either within Statistics Netherlands or as an external resource. The database provided by the Central Office of Fundraising Organisations is determined to approximate the population in the most reliable way, after correcting for government sector overlap, non-ANBI organisations and borderline cases. The result is a highly skewed population which is similar to the demarcation employed in the biennial report published by the Vrije Universiteit Amsterdam titled ‘Geven in Nederland’ (Schuyt et al., 2015). The included organisations cover a wide selection of groups in the ICNPO framework and are a major part of both the non-profit sector and

sector S.15 (NPISH; Ramaker, 2014). The key figures and population statistics included in the CBF database can be employed to construct an estimate of the balance sheet composition of charity organisations, which is the subject of the following chapter.

Chapter 3 – Estimation Methodology and Approach

The prior two chapters covered the conceptualisation and demarcation of charity organisations in the Netherlands and paved the road to the eventual ambition of this thesis, which is to construct a method for estimating the financial balance sheet of these organisations in the context of national accounts. This second phase will develop a method that has to meet certain requirements, which include (1) to construct a reliable assessment of the composition of the balance sheets of charity organisations, and (2) to be replicable with relative ease in future years.

3.1 – Methods and Approaches for Estimating the Balance Sheet of Charity

Organisations

Probably one of the most convenient practices is employed by Statistics Canada, which estimates the NPISH sector (S.15) using taxation data (Statistics Canada, 2014, para. 5–6). This is however not a viable option for the Netherlands because non-profits are not required to submit tax return forms. A second approach is suggested in the UN NPI Handbook (United Nations, 2003), which calls for the construction of a satellite account for the non-profit sector. The associated resources invested into constructing a satellite account are however a considerable downside. For this reason, this approach is dismissed for this research, however future initiatives could be modelled along, for instance, the Belgian arrangement, which involves a number of cooperating institutions that have an interest in the non-profit sector and contribute resources to the construction of statistics²⁶ (Third Sector Impact Project, 2015a).

²⁶ Another example includes the situation in Serbia, where the Chamber of Commerce maintains a “massive database” regarding these organisations and constructs *de facto* satellite accounts (Third Sector Impact Project, 2015b).

The best alternative given the Dutch situation involves a follow-up research on the previous estimations compiled by Ramaker (2014), which are based on a sample analysis of balance sheet data of S.15 in 2009. This research can be extended and improved by increasing the sample size for the estimation and incorporating the CBF database as resource to construct a representative estimate for the aggregate of all charity organisations (Centraal Bureau Fondsenwerving, 2015). This method is both feasible in the given time window and will improve the results considerably, given that prior research was based on the estimations from publications of the CBF (Centraal Bureau Fondsenwerving, 2009), which are not corrected for the limitations described in *Appendix A*. Additionally, research focussed on the CBF database rather than the publications allows for robustness checks and requires minimal effort in replication for future estimations (see *section 3.3*).

3.2 – Sample Analysis of Financial Balance Sheet Data

Due to the disclosure regulations set by both the Dutch Tax Administration and the CBF (see *section 2.1 & 2.2*), most financial information of charity organisations is readily available online. This provides an opportunity to aggregate this information and construct an estimate of the composition of the financial balance sheet for this sector. The required level of detail to consolidate this subgroup of S.15 with the national accounts includes 26 individual asset components and 16 liability components (see *Appendix B*). This level of detail can be approximated by analysing financial reports and defining each entry within the balance sheet framework.

The sample consists of 53 charity organisations which are selected based on their contribution to the aggregate of assets in this sector and the availability of detailed annual accounts. In total, these organisations control € 3.335m in assets, which is 64,9% of the

total. This approach is preferred over simple random sample analysis because the vast majority of the population consists of organisations with low asset totals, while this study is mainly concerned with the aggregate of the population. By selecting a non-random sample, the analysis covers the majority of assets, which is considered to be more valuable than investing resources in randomly investigating near-insignificant balance sheets compared to the ‘big picture’.

Financial reports over 2012 are collected for each organisation and analysed for relevant details, which are derived from the consolidated balance sheet and the accompanying explanatory notes on the 1st of January and 31st of December 2012. The available information provides a satisfactory level of detail, with 58,3% of the total of 1711 observations registering at the highest possible level of detail. A total of 66 financial reports were consulted for this analysis (see *Appendix C*), which form the source material for this estimation. Both the total assets and liabilities are individually derived from the reports, after which a matching procedure assesses the information²⁷.

The observations that do not provide the optimal level of detail are still useful towards this analysis, as this information can be used to estimate the aggregates on the balance sheet. Each observation is allocated into the framework in *Appendix B* according to the specific commentary in the financial accounts and is then distributed over the underlying balance sheet components using the results from the complete sample (a process that is called *multiple imputation* in statistics). This method ensures that (1) the composition of the consolidated balance sheet of the entire sample does not change due to unspecific

²⁷ This matching procedure is embedded in Excel and compares the result of the specification of balance sheet components to the actual balance sheet totals. A margin of error set at 0,01% is applied for the reason that this level admits the occasional rounding in financial reports, however strictly identifies any incorrectly reported figures in the accounts or the dataset. All values in the dataset are rounded to thousands.

figures in the source material and (2) the end result can be aggregated into a consolidated balance sheet without conflicting summations²⁸.

The consolidated balance sheet of the entire sample provides a baseline composition measurement for the subgroup of charity organisations. This assessment is used as proxy for the entire population of charity organisations, which is estimated using the CBF database. The resulting balance sheet is extrapolated from the sample by means of multiple imputation and provides the necessary statistics that are integrated into the national accounts framework. The results are compared to previous estimations by Ramaker (2014) and are integrated into the production of the national accounts by applying the baseline measurement to the CBF database (imputing the observed composition in 2012 onto the yearly refreshed data from CBF).

3.3 – Robustness and Reliability of the Estimation Approach

A number of implicit expectations that could potentially deter the validity of the results are assumed by implementing the estimation strategy described above. The most significant assumption lies in the fact that the information derived from the financial accounts of the sampled charity organisations is uniform. For this to hold, the reporting standards, accounting principles and level of detail of each report have to be homogeneous. The first two of these conditions are met by national reporting standards which apply to fundraising organisations (Raad voor de Jaarverslaggeving, 2011), and additional rules imposed by the Association for Fundraising Organisations which specify reporting standards for reserves, funds and securities (Vereniging Fondsenwervende

²⁸ The matching procedure described in *footnote 27* is applied to the consolidated balance sheet as well. In order to completely integrate the result into the production of the National Accounts, two additional transaction accounts have to be drafted – namely the Financial Account and Other Changes in Assets and Liabilities Account. Both of these can be approximated using the differences in the estimated balance sheets for 2012 (see European Commission, 2010, pp. 159 & 191).

Instellingen, 2013). These directives provide clear templates for reporting and are enforced by the CBF. Nevertheless, ambiguity exists in the financial reports, as is exemplified by the conceptualisation of assets such as term deposits, investment accounts and securities, which are allocated under multiple headers and are sometimes managed by external firms rather than the charity itself. Liabilities such as project commitments and provisions are irregularly allocated as well, with some charities defining these components as outstanding debt, while others treat them as accrued liabilities. These components are allocated to specifically agreed-upon categories in the dataset (see *Appendix B*), although they might be included under multiple headers of the balance sheets in the sample. Whenever possible, the information from the explanatory notes is used to disentangle the components of the balance sheet and provide optimal uniformity across the dataset. The items for which no additional information is available such that the item in question cannot be specified are allocated according to the composition that is found from the remaining observations in the dataset. This method deals effectively with the third condition concerning the missing levels of details without influencing the resulting composition beyond what is actually observed.

A secondary assumption relates to the fact that 64,9% of the assets in the population are covered by the analysis (in-sample), which is then used as a proxy for the remaining assets in the population (out-of-sample). This method implicitly assumes that the composition derived from the analysis equals the composition of the entire population. The CBF database provides adequate information to check whether this assumption holds because it includes data on several financial aggregates. The estimated composition from the balance sheet analysis and the in-sample, out-of-sample and population balance sheet compositions from the CBF database are reported in *Table 3.1*. The estimated composition relates closely to the population and the in-sample composition, which is

intuitive since these organisations are the largest in the dataset. Certain deviations exist however, most notably between the cash and cash equivalents and the securities of the estimated and in-sample groups, which can be explained by the treatment of term deposits in the financial accounts. As the population composition is by definition the weighted average of both subgroups in this dataset, the proportions lie somewhere between those of the in- and out-of-sample subgroups.

Table 3.1. Comparison of balance sheet composition (as % of total assets).

	<u>n</u>	<u>Cash and cash equivalents</u>	<u>Securities</u>	<u>Accruals</u>	<u>Reserves</u>
Estimated	53	36,7	38,7	19,9	41,5
In-sample	53	29,8	41,8	17,2	42,1
Out-of-sample	960	40,0	30,9	13,9	56,9
Population	1013	33,3	38,1	16,1	47,1

Source: (Centraal Bureau Fondsenwerving, 2015; Balance sheet analysis, see *Appendix B*)

The out-of-sample proportions show however little similarity to the other groups, especially when compared to the estimated composition. The smaller 960 charities hold relatively little securities and instead manage proportionally more liquid assets. The same relationship occurs for accruals and reserves. Approximating the remaining 35,1% of the asset total by extrapolating the estimated compositions will therefore *not* result in a reliable estimation for the entire population. The estimated deviations can be as large as € 257m, or 14,8% of the out-of-sample assets, which considerably impairs the reliability of the end result.

3.4 – Treatment of Limitations

Despite this limitation, the estimated balance sheet composition remains a useful tool since it derives a composition for both the aggregates shown in *Table 3.1* and the underlying balance sheet components. To correct for the deviating components, the out-

of-sample estimation is based on the CBF database for the aggregates, while the underlying components will be estimated using the sample²⁹. This approach prevents any considerable deviations from the CBF database, and nonetheless provides additional insights into the underlying compositions.

An inspection of the availability of specific data in the analysed balance sheets reveals that three particular components of the dataset are observed in limited quantities. These components are (1) AF.22B Deposits in foreign currency, (2) AF.31-2 Long and short-term bonds and (3) AF.521-2 Participations in investment institutions and money market funds. As explained above, inconsistency regarding the allocation of these balance sheet components results in deviations in the estimated composition. Items 1 and 3 could be solved by increasing the sample size to validate the estimated composition, although the ambiguity in reporting securities is likely to persist³⁰. Item 2 was observed but only as an aggregate because 49 of the 53 charity organisations did not specify which type of bonds were included in these figures. It is challenging to prove whether an extension of the sample is likely to resolve any of these issues. Comparison with previous research by Ramaker (2014) does not provide enough evidence to suggest that the sample in this study is too small to estimate these figures accurately.

3.5 – Conclusion

The estimation of the financial balance sheet of charity organisations in the Netherlands is a challenge for two reasons – namely, (1) the absence of specific data through for instance the Dutch Tax Administration and (2) the extensive number of registered

²⁹ For instance, the aggregate of liquid assets contains a number of elements such as bank deposits and cash at hand, which are not specified by the CBF database. The estimation does however provide a measurement for these proportions.

³⁰ Charities report owning certain securities in many cases, however no specification is provided to identify whether these securities are directly held by the organisations itself or through an investment fund.

charities. The CBF database however provides a rough set of key financial statistics which can be extended using sample analysis. By analysing the financial balance sheet of 53 charities, which cover nearly 65% of the asset total in this sector, an estimate can be constructed for the specific balance sheet components that are not reported in the CBF database. The results are integrated using the CBF database as leading source because the in-sample estimate deviates substantially from the information regarding the out-of-sample charities in the database. This method provides the highest possible reliability on this level of detail given the available resources.

Chapter 4 – Results and Method Evaluation

This chapter treats the end result of the estimation in the first section, and an evaluation of the implemented method in the second. The main purpose is to assess the quality of the estimation and the aspects of the implemented method to judge whether this approach should be considered for future estimations. The conclusion discusses the final verdict and the associated limitations.

4.1 – Estimation Results

The final product of the estimation is summarised in *Table 4.1*. In total, charity organisations controlled € 4.916m in assets at the start of 2012, and € 5.073m at the end. This is slightly less than is derived from the CBF database, which is the result of a deviation in total assets reported in the analysed balance sheets. The non-financial assets, which include real estate and inventories, comprise only a small share of the balance sheet, whereas the financial assets are clearly dominant. The following facts can be derived from these results:

- I. Most assets are held in the form of liquidities, which is intuitive given that this sector operates as intermediary by raising funds in the form of currency, which are stored as reserve for future project expenditures. The liquidities are represented in the form of savings deposits at banks (~21% of total assets) and current accounts (~14%).
- II. The second biggest asset component are bonds, which can be specified as short term bonds (2%) and long-term bonds (20%). Given that most organisations only invest in relatively safe bonds (minimal AA rating), these assets are relatively secure and provide a way of ‘stockpiling’ funds.

- III. Accrued assets account for roughly 16% of the balance sheet, totalling more than € 800m in 2012. These are considerable amounts given the modest size of charity organisations, however most of these accruals consist of receivable subsidies, donations, legacies and lottery contributions (~12%). Operation-related accruals account for only 4%.
- IV. Part of the activities of charity organisations includes asset fund management, which is represented by the holdings of bonds under II and the amount of equities on the balance sheet (~9,5%). Charity organisations own up to half a billion euros in equities, using the proceeds for project funding. On the whole, the sector displays a very defensive investment profile, represented by the fact that about 52% of the available funds is held in cash (mostly savings accounts), 34% in bonds (mostly secure long-term) and 14% in equities. This is intuitive given that these organisations mainly aim to preserve the real value of their holdings with respect to future project commitments.
- V. The largest component regarding the liabilities of charity organisations are the reserves (46,8%), which is an inherent characteristic of this sector. All reserves are earmarked for projects, and result in future commitments. A total amount of € 2,3b is saved up by charity organisations in 2012.
- VI. Project commitments represent about a quarter of the liabilities, which is explained by the numerous (international) projects that are supported by cash flows from charities in the Netherlands. These commitments are budgeted depending on the reserves of the organisations and are spent on projects that comply with each charity's stated purpose.

Overall, the results show great consistency, with no year-on-year deviations greater than 2% of the asset total and an even allocation among the aggregate components. The

balance sheet composition changed marginally over 2012, which is primarily due to operational effects rather than sector-wide outliers or significant economic shocks. The total assets of € 5.073m are considerably higher (~20%) compared to the estimation from Ramaker (2014), even when taking a regular growth rate into account for the 2009 total (€ 4.185m). This fact illustrates the differences in the approach for the balance sheet analysis and the added value of the CBF database, which provides a way of benchmarking the estimation³¹.

Table 4.1. Consolidated balance sheet of charity organisations in the Netherlands (in €m).

	<u>1-1-2012</u>	<u>%</u>	<u>31-12-2012</u>	<u>%</u>
Asset total	4.916		5.073	
Non-financial assets	623	12,7	640	12,6
Financial assets	4.293	87,3	4.433	87,4
Liquidities	1.722	35,0	1.783	35,1
Bonds	1.102	22,4	1.121	22,1
Loans	192	3,9	201	4,0
Equities	444	9,0	500	9,9
Creditors	25	0,5	25	0,5
Accruals	807	16,4	803	15,8
Financial liabilities	1.779	36,2	1.829	36,0
Loans	131	2,7	130	2,6
Derivatives	2	–	1	–
Debtors	80	1,6	86	1,7
Project liabilities	1.247	25,4	1.192	23,5
Accruals	318	6,5	419	8,3
Other liabilities	3.137	63,8	3.244	63,9
Reserves	2.303	46,8	2.372	46,8
Funds	739	15,0	773	15,2
Provisions	95	1,9	100	2,0

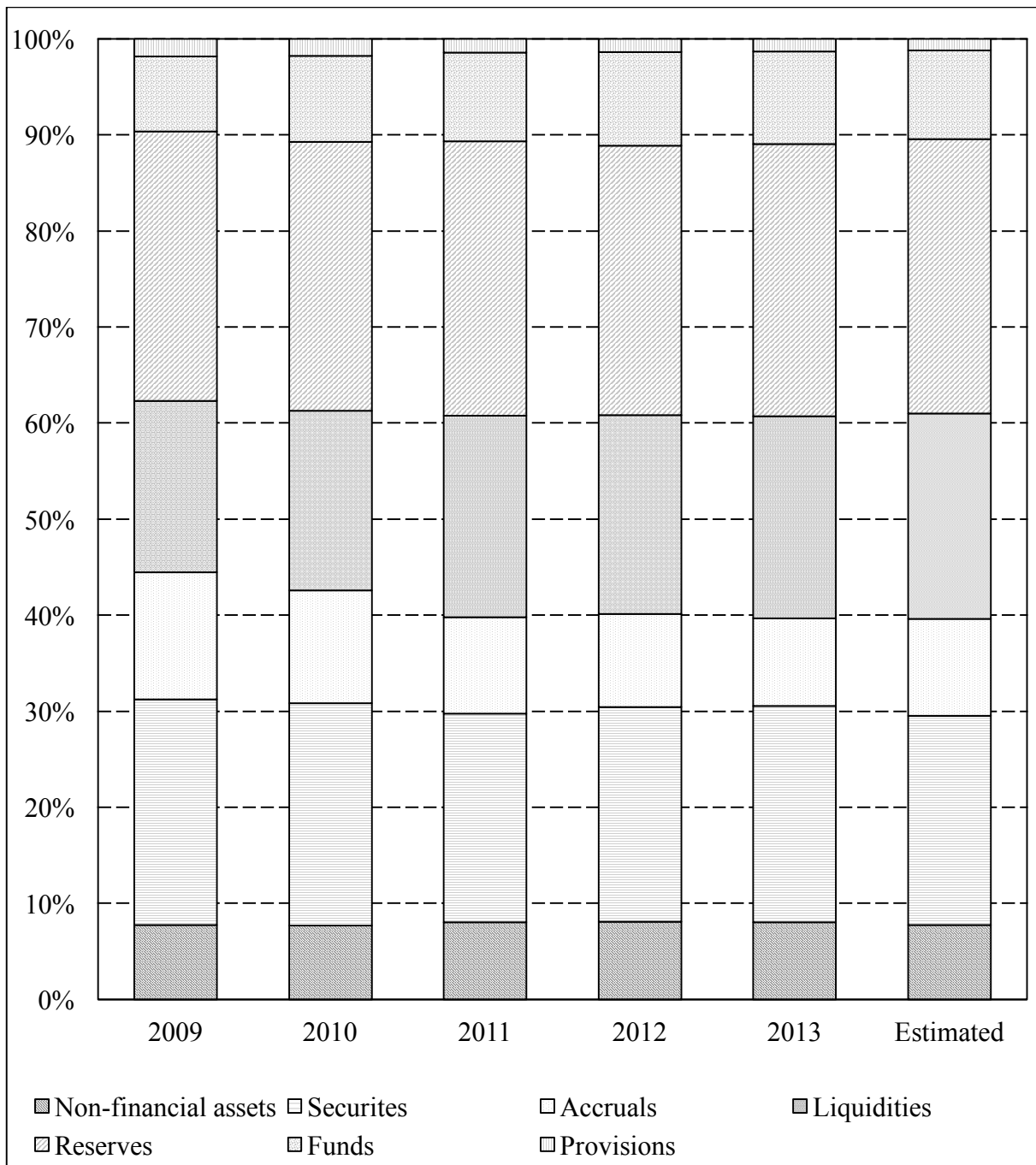
Source: (Centraal Bureau Fondsenwerving, 2015; Balance sheet analysis, see *Appendix B*)

³¹ Estimating the 2009 totals with this benchmark results in +/- € 400m deviations from previous research.

4.2 – Method Evaluation

In order to validate the outcome and provide evidence to support the claim that this method can be used for future estimations, the CBF database is again employed to produce a comparison. Because this resource includes data over the years of 2009 until 2013, the estimated composition in *section 4.1* can be compared to the trend in this database on an aggregate level. *Figure 4.1* reports the contribution to the total of each of the underlying aggregate components for the years 2009-2013 and the estimated consolidated balance sheet. As is clear from this graph, the estimated balance sheet provides a solid approximation of the composition reported by the CBF. If for instance an estimation for 2013 were to be based on the estimated distribution, the deviations would be minimal. Looking further back however we see that the compositions gradually change over time. This implies that the estimated distribution will have to be re-evaluated at certain intervals (5 years maximum) because it is not indefinitely sustainable.

Figure 4.1. Comparison of balance sheet components and estimation between 2009 and 2013.



Source: (Centraal Bureau Fondsenwerving, 2015; Balance sheet analysis, see *Appendix B*)

One important consideration involves the fact that the argument presented in *Figure 4.1* only applies to the aggregate of the sector, without providing details on the specific underlying components. Whether these are correctly estimated is however more challenging to prove because no comparable data is available, as is explained below. We

can however assume that, given the correctly estimated aggregates, the underlying components are at least to a certain extent accurate.

The results can be compared to previous research by Ramaker (2014), which is reported in *Table 4.2*. Even though this prior research is based on the dated ESA 1995 framework, the aggregates on the financial balance sheets are similar because most of the underlying components have not changed excessively over the course of the latest revision. The most striking contrast between these two results concerns the liabilities. Whereas Ramaker reports financial liabilities in the form of loans to be about two-thirds of the total, this research finds a significantly lower proportion of 7%. This is explained by the fact that the project commitments, which are by far the largest component of the liabilities (see *Table 4.1*), are usually reported as outstanding debt by charity organisations. Most commitments are not necessarily loans, as the bulk is simply a contractual pledge for future subsidies, and thus qualifies as accrual rather than a loan. Similarly, overdraft accounts are inconsistently reported as either liquidities or receivable accruals by Ramaker, whereas the approach implemented in this research lists all these accounts as liquidities. This explains the difference in AF.2 (Currency and deposits) and AF.8 (Accounts receivable). Other deviations include a missing specification of long and short-term bonds, inappropriately allocated term deposits and a probable overestimation of the amount of funds invested in investment institutions, although this might be caused by incomplete information in the financial reports of charity organisations. For these reasons, comparison to this Ramaker's research does not yield any substantial conclusion.

Table 4.2. Comparison of charity organisations' balance sheets with prior research (in €m).

<u>Assets</u>	<u>Ramaker (2009)</u>	<u>%</u>	<u>2012</u>	<u>%</u>
AF.2 Currency and Deposits	1.428	34,2	1.752	40,2
AF.3 Debt Securities	950	22,7	1.112	25,5
AF.4 Loans	200	4,8	197	4,5
AF.5 Shares and other Equities	573	13,7	472	10,8
AF.8 Accounts Receivable	1.028	24,6	830	19,0
Total	4.179		4.363	
<u>Liabilities</u>				
AF.4 Loans	1.251	65,5	131	7,3
AF.8 Accounts Payable	660	34,5	1.802	92,7
Total	1.911		1.802	

Note. Inconsequential aggregates omitted.

Source: (Ramaker, 2014; Balance sheet analysis, see *Appendix B*)

4.3 – Conclusion

The estimation results provide an insight into the group of charity organisations within sector S.15 (Non-Profit Institutions Serving Households). The level of detail is sufficient and the resulting consolidated balance sheet presents an intuitive impression of this sector. The applied method and the resulting proportions compare well to the trend in the CBF database, which supports the argument in favour of the accuracy of this approach. There are however numerous disparities when compared to research conducted by Ramaker (2014) because of inconsistencies in the approach, which implies that there is no credible way to validate the underlying components. Overall, the applied method delivers adequate results, which can be extended into future estimations easily by applying the estimated proportions to updated exports from the CBF database.

Research Summary and Conclusions

This thesis aimed at constructing a reliable method for estimating the financial balance sheet of charity organisations using sample analysis and external data sources. This problem was approached by developing a definition for charity organisations, applying this definition to a collection of organisations in the Netherlands, constructing an estimation of the financial balance sheet of the resulting population, and evaluating the end result and the applied method.

The definition and the associated demarcation problem were addressed by constructing a concept of charity organisations in line with recent developments in the non-profit sector and applying the result to the register of fundraising organisations (CBF), which optimally fits the definition. After correcting for minor issues concerning missing data, sector overlap and borderline cases, a total of 1.013 organisations is found as the population for this research.

Financial report analysis provided an insight into the balance sheet composition of 65% of the population (in terms of total assets), however the results are not directly applicable to entire population because of significant proportional deviations between the in-sample and out-of-sample groups. Integrating the estimation and the CBF database however provided a workaround while ensuring optimal reliability.

The results show an intuitive composition of the balance sheet of charity organisations and compare reasonably well to previous research, although differences in approach clearly result in deviating outcomes. Compared to the general trend derived from the CBF database, the estimation results from this research show significant resemblance, which supports the claim that the results are valuable towards future estimation. However, the

underlying balance sheet components are not easily validated, which is the main weakness of this method.

In conclusion, the applied method is considered to be the best alternative given the circumstances in the Netherlands, since the availability of data is scarce, even more when the level of detail is increased beyond balance sheet aggregates. Future estimations will therefore be constructed based on this method, which is considered a ‘baseline’-measurement and is supplemented and validated by the CBF database. This database is available in the future, which allows this approach to be implemented. It is advised to base any future estimations on the average composition derived from the results in this research and not to extend this approach any further than 5 years, because the evidence shows that the aggregate proportions can change substantially. Re-evaluation of the results in 3 years is desirable to validate the estimated proportions and correct for any possible outliers that may be present in the current data but are not observed.

Discussion

The absence of any dependable information regarding multiple aspects of this research have culminated into an improvised approach, which, given the limited time window, has resulted into an estimation that can be improved in numerous ways. However, since the subject matter and the corresponding background material had to be comprehended before a reasonably reliable method could be developed, the end-result is considered to be the best-achievable given the circumstances.

In the future, significant improvements regarding the estimation for the charity organisations and the non-profit sector as a whole can be achieved by for instance implementing a satellite account for this sector, as is advised by the UN and the Third Sector Impact Project (Salamon, 2015; United Nations, 2003). The reliability of these accounts can be further improved by implementing a construction similar to the situation in Canada, where highly reliable taxation data is used to construct accounts for the entire non-profit sector on short notice (Statistics Canada, 2014). Given the already-existent infrastructure between Statistics Netherlands and the Dutch Tax Administration, this approach is likely to result in optimal construction of the measurements for charities, S.15 as a whole, and the complete non-profit sector. Until such times however, the results from this research provide an adequate approach to be implemented for future use.

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Appendix A – Refining the CBF Database to Fit the Definition of Charity Organisations

As described in *chapter 2*, the CBF database is the best alternative given the scarcity of information. It is however not perfect because it includes: (1) a number of institutions that do not report balance sheet data, (2) overlap with the government sector and (3) borderline cases which need to be treated individually. In total, the database includes 1.381 organisations in 2012.

Based on the availability of balance sheet information in the database, 358 institutions are excluded from this research considering that neither of these institutions reported any balance sheet information to the CBF. This could be due to the fact that these institutions have yet to report any data to the CBF, or existed in prior years and have been liquidated before 2012. Some institutions did report a profit and loss statement without reporting a balance sheet (49 cases). In terms of revenues over 2012, the 358 institutions comprised € 10,6m, which is 0,28% of the database. Because it is uncertain whether these institutions failed to report their balance sheets or ceased to exist in 2012, all are excluded given that the maximum resulting deviation is only 0,28%, leaving 1.023 entries for 2012.

A further nine institutions are excluded for the reason that these organisations are included in the government sector statistics. These institutions are part of the CBF database because of their fundraising activities and are therefore eligible to receive the CBF Hallmark, which is the case for *Veilig Verkeer Nederland*. These organisations are however considered to be so-called quasi non-profit organisations, which formally belong to the government sector. A list of government non-profits is used to filter any overlap, resulting in 1.014 remaining institutions. The following institutions are excluded:

1. Mauritshuis, St. Koninklijk Kabinet van Schilderijen
2. Openluchtmuseum, St. het Nederlands
3. Veilig Verkeer Nederland, Ver.
4. Exodus Nederland, Ver. Samenwerkingsverband
5. Netherlands Institute for Multiparty Democracy, St.
6. Ontmoeting, St.
7. Regenboog Groep, St. De
8. Lezen en Schrijven, St.
9. Prins Claus Fonds, St.

A number of borderline cases are included in the database as well, which comprise a substantial part of the total assets. *Table A.1* below describes each case and offers an explanation on the decision for inclusion or exclusion.

As a result 1 more institution is excluded, resulting in a final charity-only population of 1.013 organisations. This group of institutions is treated as the complete population of charity organisations, even though a number of charities might be omitted. These organisations however do not impact the end result of this estimation significantly because the major and largest charities are included (see *section 2.3*).

Table A.1. Borderline cases in the population of charity organisations in the Netherlands.

<u>Organisation(s)</u>	<u>Inclusion</u>	<u>Comment</u>
Oranje Fonds, Prins Bernhard Cultuur Fonds, vFonds, Skanfonds	Yes	These organisations operate mainly as philanthropic trusts, which would exclude them from this population. However, all of these are actively engaged in fundraising, awareness and projects as well.
STOP AIDS NOW	Yes	This cooperation involves 5 large charity organisations, however no overlap exists regarding financial data. This organisation is therefore included.
Stichting Doen	Yes	This organisation does not raise funds on its own, instead it receives all its income from national lotteries. The purpose and stated objectives however qualify this organisations as a charity, even though its characteristics regarding fund raising are different from ‘regular’ charities.
NOC*NSF	No	This organisation is an outlier compared to other institutions as it is the umbrella organisation for sport federations in the Netherlands. It raises funds to support participation in sports. This goal is nonetheless overshadowed by its main purpose to serve as interest group and facilitator for professional sports, like the Olympic Games.

Sources: (Centraal Bureau Fondsenwerving, 2015; Centraal Bureau voor de Statistiek, 2015)

The cases described above provide an insight into the complexity of the subgroup of charity organisations, which shows strong interconnectedness with other sectors (Schuyt et al., 2015, p. 12). Most of the donations to this subgroup originate from households, however a significant part (up to 50% in 2011) is collected from philanthropic trusts, corporations and lotteries. Especially the interplay between philanthropic trusts and charity organisations leads to an interconnected playing field, which includes numerous financial guarantees, commitments and bilateral collaborations (Centraal Bureau Fondsenwerving, 2015; see *section 4.1*). The population described in this appendix fits the definition of charity organisations optimally.

Appendix B – Overview of National Accounts Balance Sheet Composition

The sample estimation presented in *section 3.2* pursues the highest possible level of detail, which is defined by the “Specification of Balance Sheet Entries” of the national accounts framework (European Commission, 2010, p. 544). This framework lists 7 aggregate asset components and 3 liability components, which each include numerous subsections. The highest possible level of detail would consist of information on the most explicitly formulated balance sheet components. For instance, information concerning the amount of deposits in foreign currency (AF.22B) is preferred over an aggregate like currency and deposits (AF.2).

The estimation focusses on specifying the explicit components rather than the aggregates, which are specified in *Table B.1* and *B.2*. These components are supplemented by 6 positions that are not included in the framework but are important to this research because these embody essential elements for charity organisations, which are:

- Receivable funds (assets, AF.89).
- Long and short-term project commitments (liabilities, AF.89).
- Reserves; not part of the financial balance sheet.
- Funds; not part of the financial balance sheet.
- Provisions; not part of the financial balance sheet.

In total, 25 asset components and 16 liability components are defined at the highest possible level of detail (excluding aggregates, including the additional components listed above).

Table B.1. Components of assets in the national accounts framework.

AF.2	Currency and deposits
AF.21	Currency
AF.21A	Cash
AF.22	Transferable deposits
AF.22A	Transferable deposits in euros
AF.22B	Transferable deposits in other currency
AF.29	Savings and other deposits
AF.29A	Savings deposits
AF.29AA	Savings deposits in euros
AF.29AB	Savings deposits in other currency
AF.29B	Other deposits
AF.29BA	Other deposits in euros
AF.3	Bonds
AF.31	Short-term bonds
AF.32	Long-term bonds
AF.4	Loans
AF.41	Short-term loans
AF.41C	Other short-term loans
AF.42	Long-term loans
AF.42B	Mortgage loans
AF.42D	Other long-term loans
AF.5	Shares and other equities
AF.51	Shares and other equities (excluding investment funds)
AF.511	Quoted shares
AF.512	Non-listed shares
AF.519	Other participations and equity
AF.52	Shares/equity in investment funds
AF.521	Shares/equity in money market funds
AF.522	Shares/equity in investment funds
AF.6	Insurance, pension and standardised guarantee schemes
AF.61	Non-life insurance technical reserves
AF.62	Life insurance and annuity entitlements
AF.63	Pension entitlements
AF.66	Claims of pension funds and pension managers
AF.7	Financial derivatives and employee stock options
AF.71	Financial derivatives
AF.711	Options
AF.712	Forwards
AF.72	Employee stock options
AF.8	Other accounts receivable/payable
AF.81	Trade credits and advances
AF.89	Transitory items
	Receivable funds (from inheritance, lotteries, collections, memberships or subsidies)*

* These are non-SNA items. Included for additional specification.

Source: (European Commission, 2010)

Table B.2. Components of liabilities in the national accounts framework.

AF.4	Loans
AF.41	Short-term loans
AF.41B	Short-term consumer credit
AF.41C	Other short-term loans
AF.42	Long-term loans
AF.42B	Mortgage loans
AF.42BA	Residential mortgages
AF.42C	Long-term consumer credit
AF.42D	Other long-term loans
AF.7	Financial derivatives and employee stock options
AF.71	Financial derivatives
AF.711	Options
AF.712	Forwards
AF.8	Other accounts receivable/payable
AF.81	Trade credits and advances
AF.89	Transitory items
	Long-term project commitments*
	Short-term project commitments*
	Reserves*
	Funds*
	Provision*

* These are non-SNA items. Included as balancing items/specification. Source: (European Commission, 2010)

Appendix C – Overview of Source Material

The estimation conducted in *chapter 3* is based on a sample of 66 financial reports, which are listed in *Table C.1* and are available on the websites of these organisations and through the CBF website³². In total, 53 organisations are analysed for information on the balance sheet components listed in *Table B.1* and *B.2*. In some cases, reports from prior years are included in this analysis because the level of detail in the 2012 report was not satisfactory (13 instances). Four organisations are reporting along a split fiscal year, for which the 2011-2012 reports were assessed.

Table C.1. Classification of source material per reporting period.

<u>Organisation</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
AAP, St. Opvang voor uitheemse dieren	x		
Aids Fonds, St.	x		
Amnesty International, Afdeling Nederland	x		
ARK, St.	x		
Artsen zonder Grenzen, Ver.	x		
Bartiméus Sonneheerdt, Ver.	x		
Brandwonden Stichting, Nederlandse	x		
CARE Nederland, St.			x
Cordaid, St.	x	x	
Diabetes Fonds, St.	x		
Dierenbescherming	x		
Femi, St.	x		
Greenpeace Nederland, St.	x		
Hartstichting, Nederlandse	x		
Hivos, St.	x	x	
Humanitas, Ver.	x	x	
ICCO, St.	x		
Johanna KinderFonds, St.	x		

³² The following link provides an example of documents collected online by the CBF. Each listed organisations' year report and financial account is made available here: <http://www.cbf.nl/Instelling-documenten/3859/Rode-Kruis-Ver-Het-Nederlandse>.

Kerk in Actie	x		
KiKa (Kinderen Kankervrij), St.	x	x	
Kinderpostzegels Nederland, St.			x
KNCV Tuberculosefonds, Ver.	x		
KNGF Geleidehonden, St.	x	x	
KWF Kankerbestrijding, St.	x	x	
Leger des Heils Fondsenwerving, St.	x	x	
Leprastichting	x	x	
Liliane Fonds, St.	x		
Longfonds Stichting	x		
MS Research, St.	x		
Natuurmonumenten in Nederland	x	x	
Nierstichting Nederland	x	x	
NSGK	x		
Oranje Fonds, St.	x		
Oxfam Novib, St.	x	x	
Phelps Stichting voor Spastici	x		
Plan Nederland, St.			x
Prins Bernhard Cultuurfonds, St.	x		
Prinses Beatrix Spierfonds, St.	x		
Reumafonds	x		
Rode Kruis, Ver. Het Nederlandse	x		
Ronald McDonald Kinderfonds, St.	x		
Save the Children Nederland, St.	x		
SOS Kinderdorpen	x		
STOP AIDS NOW	x		
Terre des Hommes Nederland, St.	x		
UNICEF, St. Nederlands Comité	x		
vfonds	x		
VluchtelingenWerk Nederland, Ver.	x		
Vogelbescherming	x		
Wereld Natuur Fonds-Nederland, St. Het		x	x
Wilde Ganzen/IKON, St.	x		
ZOA, St.	x		
Zonnebloem, Nationale Ver. de	x	x	
