

Article

Institutional donors' expectation of information from the Non-Profit Organizations (NPOs) reporting: A pilot survey

Saunah Zainon^{1*}, Ruhaya Atan¹, Yap Bee Wah² and Roland Yeow Theng Nam³

¹Accounting Research Institute, Faculty of Accountancy, Universiti Teknologi MARA, 40450, Shah Alam, Selangor, Malaysia.

²Faculty of Computer and Mathematical Science, Universiti Teknologi MARA, 40450, Shah Alam, Selangor, Malaysia.

³Boys' Town Singapore.

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It is commonly believed that donors would donate more to charity if they were assured that the funds will be utilised properly and not wasted. Evidence from previous literature also shows that the donors tend to give more support and contribution to the charity if they were equipped with non-profit organizations (NPOs) information. As far as the NPO is concerned, the core competency of the sector is to build strong relationships with donors. Their ability to build this relationship will contribute to a strong sustainable income for the charity to operate. In Malaysia, there is no avenue for the stakeholders, particularly the institutional donors as the key stakeholders of the NPOs can obtain information on charity especially with regard to the financial information. This study seeks to develop preliminary insights into institutional donors' expectations of information from the NPOs reporting. A pilot survey result of the information expected by the institutional donors, based on self-developed charitable organizations reporting index (ChoRI) was presented in this study. The result shows that the basic background information, financial and future information carries the highest weight. They are regarded as information perceived the most importance by the institutional donors but not regard as the required information to be furnished by the regulatory, the registry of society (ROS). The findings of this study can be used as a basis for future direction of NPOs reporting in Malaysia.

Key word: Information, charity reporting, institutional donors, charitable organizations.

INTRODUCTION

There are thousands of non-profit organisations (NPOs)¹ in many countries. In a developing country such as Malaysia, it is estimated 44,396 registered organisations with the registry of society (ROS) as at March 2009². In the context of Malaysia, these NPOs, including charities,

have no public financial reporting obligations, due to the fact that, Malaysian donors do not know if their altruism investment is wise. They do not have the information to judge whether their donations are utilised for the best use. The scant of data concerning the NPOs governance and funding sources, indeed some of these NPOs remain secretive about their work and it is almost impossible to find out the performance of these organisations and how they work and operate (Sinclair and Hooper, 2009) further exacerbate the situations of information release to their donors. In comparison to the other counterpart, such as the business and governmental organizations, relevant measures of performance are available in both private and public sectors; hence performance measures of NPOs should also be made available to donors who

*Corresponding author. E-mail: saunah5885@yahoo.com. Tel: +60197762627.

¹ The term non-profit organisations (NPOs), non-governmental organisations (NGOs), non-profits, charity, and third sector are used interchangeably in this study.

² <http://www.ros.gov.my>

support the third sector.

Researchers have argued that corporate donations function as social contracts. The social contracts impliedly are the sets of obligations and rights between corporations and society (Donaldson and Werhane, 1983) with social contracts, donations remain as one of the sources for non-profit sustainability and corporate legitimacy. These social contracts form the vehicles by which corporate behaviours conform to social norms (Haley, 1991). Social contract theory is applied in corporate philanthropy and presented as a normative deliberative procedure by which to identify the terms of agreement, that is, from the point of view of the stakeholders. The social contract theory provides the authority to be delegated to the stakeholders in performing governance functions. On this aspect, donations given by any donors can then be considered as entrusted funds to the NPOs in delivery good causes that benefit the society or identified clientele.

In recent years, adhering to corporate social responsibility has been one of the corporate objectives of many organizations, because these corporations have acquired social movements in maintaining legitimacy among the stakeholders such as employees, communities and publics. Corporate donations have become the means for organizations to pursue these objectives (Iwaarden et al., 2009). As a result, charities' managers often face the challenges to mobilize the economic and social controls (Freeman, 1984). In the process, managers have to consider the stakeholders' expectations for them to continue receiving the support from corporate donations. At the same time, the corporations, represents the external stakeholders, also need some information and have their own expectations towards charitable donations. It is important for them that the charities used the donations wisely. From the perspective of corporate partnership and collaboration, building strong and positive relationships between donors and charities are important based on mutual respect and companionship can better meet some of each other's needs and expectations (Gipp et al., 2008).

While charities and NPOs benefit from corporate contributions, donors in turn, would also receive benefits. Specifically, corporations could benefit from the deduction of company's taxes by giving donations to their desired charities of NPOs. This has become a common practice in many countries, including Malaysia. Moreover, a long-term partnership with the NPOs allowed the corporate to fulfil its obligations as an active and responsible social contributor.

Studies on donations as social responsibility efforts have evidenced that donations may also enhance social benefits. It follows that donors need the details or information of the charity by establishing the relationships and such failures by charities to provide the donors' needs may cause the donor to walk away. The best way for to sustain the charity-donor relationships will come

from charities behaving in a way that makes donors want to be in a relationship with them through support of the donors (Nathan and Hallam, 2009). The relationships are mutually relationships meet both the donors' needs and charities' needs. Information sharing and reporting of NPO's performances should then be considered as they are essential to building of a truthful and accountable relationship between donors and the respective NPOs.

While the government has regulated all registered NPOs and charities to submit their annual financial reports to the "relevant body", the information has not been made available to the public as well as to the donors. Since the information is not readily and easily available, an examination of the organisational performance assessment cannot be done and as a result, without the information, the stakeholders may face the problem of information asymmetry (Parsons, 2007). Without the information, there will be a failure to communicate important information to the stakeholders in which the accountability is undermined. Palmer (1995) seen charity accounts as facilitating tools to enhance communication with various stakeholders and improve decision making, however, there are previous studies that showed the charities are not meeting the stakeholders' needs such as donors, and there is a lack of understanding between charities and their donors that cause donor lapsing (Nathan and Hallam, 2009). The charities should therefore learn how they have to react and communicate the information relevant to donors. They should look at what donors need from them in order to sustain or increase the levels of the donors' financial support. This study therefore provides insights evidence from the institutional donors' perspectives on their expectations of information from charitable organizations reporting. It bridges the information gap on the charity reporting, evidenced through the stakeholder approach, represented by the institutional donors, based on Malaysia scenario. The findings of this study could be an input to the efforts of improving the quality of NPOs reporting in Malaysia.

The structure of the paper is as follows. First, the review of literature and theoretical development are discussed followed by the research methodology. Secondly, the findings of the pilot survey follows together with the discussions. Next, the items of information expected by the institutional donors from the charitable organizations reporting are provided based on the level of importance, and finally conclusions drawn.

REVIEW OF LITERATURE

Howson and Barnes (2009) states that, accountability is positioned in two dimensions: accountability to an external stakeholders and secondly, it refers to the method of legally requiring information to be submitted.

Accountability through information reported has been

recognised as one of the important elements for the external stakeholders, particularly, the donors. The information available to donors is among the factors that influence a charitable donation decision making. In addition, the availability of the information can be considered as one of the ways to enhance the confidence of the stakeholders in terms of the activities and the entire organisations as a whole (Lee, 2004). Parsons (2007) asserts that some donors who have previously made some amount of donations used the financial accounting information when making a donation decision. Furthermore, some other information may also impact the donations as highlighted by Trussel and Parsons (2008) as such the information on the efficiency in allocating resources to its programs, the financial stability of the organisation, the information available to donors and the reputation of the organisation. To a certain extent, some donors are more likely to react to a fundraising request particularly during the positive financial accounting information is provided (Howson and Barnes, 2009). Further evidence showed that both financial and non-financial information can directly impact the donors' decision.

The potential donor group such as the institutional donors or an individual personal donor might have an effect on the communication strategy of the information (Eveland and Crutchfield, 2007). Full financial statements may be required or requested by the corporate donors to fulfil their needs (FASB, 1989; Howson and Barnes, 2009). An individual personal donor may not require financial statements, as for them the donations were made for altruism purposes in fulfilling personal obligations. Gordon and Khumawala (1999) advocated several factors that can influence an individual's decision to make charitable contribution. The preference for the cause to which the entity is dedicated, discretionary income, religious affiliation and belief in altruism are factors influencing charitable contributions.

In the decision of giving certain amount to a particular charitable organisation, accounting researchers study how donors use accounting or financial information when making donation decisions. The examination of whether the donors value financial information in donation decision making in early studies by Hyndman's (1990, 1991) survey who found that (a) donors consider financial reports of performance as important in donation decision and (b) donors view financial information as important to make donation decision. Similarly, Khumawala and Gordon (1997) experiment with student as potential donors also rank the financial information, especially the program ratio, as an important element in donation decision process. Fundraising appeal or request are more likely to be responded when the donors receive financial information (Parsons, 2007). Besides the financial factors element, the underlying non-financial factors such as the efficiency of the charity and the nature of activities or work undertaken by charities are

considered useful. Other essential non-financial factor considered useful by donors is the achievement of the charity (Johns, 2004). This indicates donors need sufficient information, including both financial and non-financial information to decide in the charity is to be supported.

Both financial and non-financial information were considered important in Reynold's (1981) survey among three types of resource providers (large corporations, private foundations, and united way executives) and practicing accountants in determining their perceptions of what information is needed, sources of information, and quality of current financial reports. Her findings showed that the perceptions of the three groups were almost the same with a slight difference between the perceptions of the united way group and large corporations. The united way executives rated the information about agency reputation as less important and gave more importance to the audited financial statements as sources of information and considered various financial reports as more important for decisions than the other two groups did. In another survey involving a small sample of corporate donors and grant making trusts (44 responses) on the items in a set of charity accounts, Bird and Morgan-Jones (1981) found that, average administrations costs including fund raising expenses, the result for the year, income and income mix, and asset structure gets the highest attention. Another attempt to understand the extent to which a donor may consider information on performance for a decision to support a charity has been conducted by Charity Commission for England and Wales (2004) using a survey. The results show that:

- The public considers the principles of transparency and accountability to be important;
- Information about the areas of activity on which charities have spent their money was considered the most important;
- 60% of respondents stated that the ability to compare important information between charities would affect their decision to which charity to support.

Similarly, a survey of Canadian Muttart Foundation (2004) has notified that Canadians put a great deal of importance on receiving information about charities and the work (activities) they do, and 'almost all respondents indicate that it was important that charities provided information on how they use donations (performance), fundraising costs and the impact of their work' through financial reports. Similarly, the importance of more specific performance information on the internal efficiency and external effectiveness were found in Iwaarden et al. (2009) internet survey.

Other than the use of charity and other relevant financial reports, Seville (1987) identified a range of information from prior literature and then surveyed a selected group of users including contributors (donors

from united way) as which items of information were important for decisions made for Voluntary Health and Welfare Organisations (VHWO). She found that donors considered the following types of information as important: assets and liabilities, revenue and sources of revenue, expenses by category, the usage of borrowed money was used, that assets are used only for agency purposes, information about how the board allocated revenue received to particular purposes and the usage of that revenue was used, comparisons of actual to budget, projected amounts and sources of revenue and the management explanation. She also found that donors identified the following information to be useful: current and planned programs, inputs, processes and outputs, cost per unit of service, results, program, administration and fundraising cost and information indicating the extent to which the entity had complied with legal requirements.

Through legal requirements, the accountability of charities to donors can be improved and more disclosure of information to public can be achieved. However, the legal standing of the charity sector (such as the tax-exempt status and official registration of the charity sector) is not without the drawbacks. In observe of the United Kingdom charities by Palmer et al. (2001) state that "even auditors who consider that they have charity expertise failed to ensure that charities in the United Kingdom were complying with the appropriate charity reporting requirements." Other empirical research has resolved the need for audit qualification in legislation. In certain circumstances, some legislation and standards of charity sector is regulated in the same manner as private sector (Table 1).

The balance sheets are required by the NFP accounting systems. In UK and USA they use list format while Canada uses the account format. Differences were found between countries in relation to the operating statement rather than in the balance sheet. In UK, a statement of financial activities was made up of income and expenditure by types of funds. In Canada and USA, the items of fundraising, administration and charitable expenditure are distinguished in the non-profits' statement of financial activities. Although different models of operating statements shown by the three developed countries under research, the content of information is similar, because additional information is provided through notes or in other statements that compare study among countries become easier.

Later, the joint project undertaken by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to develop a common conceptual framework that will lead to financial reporting that provides the information needs of the stakeholders. The project commenced in 2005, and adopted by Australia for many years, was then revised on the idea that external financial reports by private NFP entities should be useful for assessing both the accountability and decision making (Hancock et al.,

2010).

All societies in Malaysia that are under NPOs (including charities) are required to register with the ROS. They are subject to the Societies Act 1966 (Act 335) and Regulations. Other non-profit organisations can be registered as a company limited by guarantee under the registrar of companies (ROC). As compared to regulatory requirement in developed countries, there is minimum regulatory requirement established for the NFP organisations in Malaysia. In the absence of standards for Malaysia NFP reporting, the compliance of financial reporting standards (FRS) applicable to the business sector is encouraged. At the same time, the NFP may adopt the ED 52 private entity reporting standards (PERS) in the preparation of their financial statements. Table 2 indicates the regulatory requirement for Malaysia NFP.

The organisations registered under the ROS must submit Form 9 that consists of the statement of receipts and payments of the last financial year, together with a balance sheet showing the financial position closely of the last financial year to the ROS within sixty days after holding its annual general meeting.³ This requirement is in accordance with Section 14(d) of the Societies Act 1966 (Act 335) and Regulations. However, the accounts submitted may not necessarily be audited. The other statements that supplements financial statements such a cash flow statement, statement of changes in general fund and notes, comprising a summary of significant accounting policies and other explanatory notes are not required by the ROS.

The Inland Revenue Department (IRD) of Malaysia is the body responsible to grant the status for tax-exempt purposes. On the other hand, these organisations may serve as a function of charitable organisations that may formally apply for tax exemptions under Section 44(6) of the Income Tax Act 1967 from the IRD. However, the IRD guidelines for application of Section 44(6) approval only requires general requirement of audited financial statements for the immediately preceding two years without the breakdown of the detail components of the financial statements to be submitted. The IRD establish two conditions for these organisations to qualify for tax-exempt status: (1) it must be established in Malaysia for charitable purposes only and (2) the organisation must spend at least 50% (or such percentage as may be determined by the Director General) for its income including donation received in the previous year for the activities which were approved to achieve its objectives for the basis period for a year of assessment [para 3.4 Section 44(6)].

Theoretical development

In charity sector, the relationship between the resource

³ Section 14(1) of the Societies Act 1966 (Act 335) & Regulations.

Table 1. NPOs Standards in other countries.

Country	Regulatory Body	Standards	Financial Statements
UK	UK Government	1993: Charities Act 1995: Charities (Accounts and Reports) Regulations 1997: Charities (Annual Returns) Regulations	Balance sheet, statement of financial activities, cash flow statement, notes to the accounts, consolidated and audit report
	Charity Commissioners	1995: Statement of Recommended Practice (SORP): Accounting by Charities 2000: SORP (2000) 2005: Revised SORP (2005)	
US	AICPA	1972: Hospital Audit Guide 1973: Audits of Colleges and Universities 1973: Audits of Voluntary Health and Welfare Organisations	Balance sheet, statement of activities, statement of cash flow, information about service efforts and notes to the accounts
	FASB	1979: Statement of Position 1979 – 1999: SFAC4 and 6, FASB 32, FASB 93, FASB 116, FASB 117, FASB 124, FASB 136	
	SO	Sarbanes Oxley Act (2002)	
Canada	CICA	1997: CICA Handbook	Balance sheet, operations statement, statement of changes in net assets, statement of cash flow, notes to the accounts
New Zealand	The New Zealand Charities Commission	Charities Act 2005	Statement of financial position, Statement of financial performance

Table 2. Regulatory Requirement for NPOs in Malaysia.

Country	Regulatory Body	Regulatory	Financial Statements
Malaysia	Registry of Society (ROS)	1966: Societies Act (Act 335) and Regulations [Section 14(d)] Form 9	Statement of receipts and payments and the balance sheet
	Inland Revenue Department (IRD) for tax-exempt status	Income Tax Act 1967 [Section 44(6)]	Audited financial statements

providers and charity management is not well-defined. The former, constitutes a variety of sources, such as the governments, membership fees, revenues from fund-raising activities and donations from both individuals and institutional donors. The latter, charity management has the reporting responsibility to their stakeholders, particularly the institutional donors, as the key

stakeholders (Ahmed, 2004; Andres et al., 2006; Tinkelman, 1998; Weisbrod and Dominguez, 1986). Hyndman and McDonnell (2009) regard the institutional donors as the most important stakeholders in charity sector. The institutional donors, on the other hand, play a very crucial role in providing resources to the charity for their day-to-day operations. The role performed by the

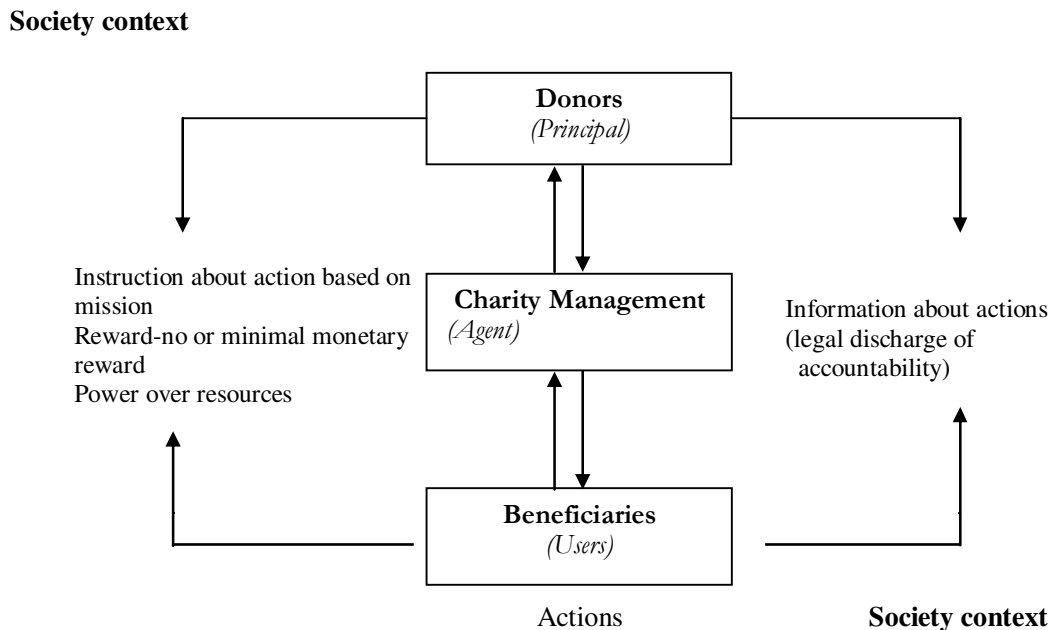


Figure 1. Charity accountability model.

institutional donors is considered as philanthropic responsibility to society through its corporate social responsibility.

The stakeholders of charities need reassurance that the charity organisations are financially efficient in utilising the resources and not wasteful of the resources allocated to them. Therefore, the charity organisations are responsible to manage the resources entrusted to them by means of accountability. Accountability through the disclosure of information assists the donors and resource providers to assess the performance of the charity organisations. The performance assessments can influence the stakeholders' willingness to support the organisation in the future (Keating and Frumkin, 2003). The charity management, therefore, should be able to provide adequate information on request to the stakeholders as a basis for informed decisions.

The relation between the charity management and their stakeholders is one of the several forms of accountability. The varied interests of stakeholders create "multiple accountabilities" rather than a single accountability (Brown et al., 2003) that based upon the principal-agent accountability model. This model of accountability hypothesises is a simple two-way relationship between a principal (the donor who provides resources to charity) and the management of charity (the board of trustees, who manage the charity with mission and objectives). The relationship includes both the legal and moral relationship between donors as the principal and the charity management as the agent. Figure 1 explains the relationships of this accountability model which includes two key groups: the charity management and the donors

as the key stakeholders.

Adapted from a similar model developed for non-profit organisations financial reporting system by Keating and Frumkin (2003), this model also acknowledged the donor as the principal because their contributions and supports sustain the charity's activities. The charities are accountable back to donors for the efficient and effective use of the resources in achieving the organisation's mission. The legal rights and responsibilities of the charities are established by the law to maintain at least the minimum level of legal accountability and the formation and operations. In addition to the law, the regulator or the Inland Revenue Board can perform their functions as oversight bodies, which ensures the charity operations are not harm to the country law and maintain their status as tax-exempted. Therefore, donors and the oversight may always in support of the charities and may withdraw their support if the charities are seen unwilling to be accountable for efficient use of resources.

From the model in Figure 1 above, it can be seen that the charity management (agent) has to perform both legal and moral obligations to carry out their activities in line with the donor's (principal) expectations for the reasons they donated to the charities. The institutional donors are confounded to serve the society by involving themselves in charities' activities by fulfilling their corporate social responsibility. This later will reflect the relationship in broader perspective, by reflecting the social context. The importance of the donors and the society place on the donations and resources provided to the charity indirectly means that the donors and society have the rights to both financial and non-financial information of the charity. This

model works on the ground that the relationship between the two key groups ascribes the responsibility and rights to information, which determines the accountability thereof.

Figure 1 envisages that the charity is at the centre of a nexus between the donors and the beneficiaries (users). The relationship provides key tool for sustainability of the charity to develop lasting relationships with donors, which in turn resulted in a more continuous flow of donor funds. Having noted the charity may need be concerned to maximise the benefits to beneficiaries through the services that they provided. In this case the input and information about actions of the charity may be very important. Both Deegan (1999) and Lewis (1998) support this relationship and suggest that the relationship can be developed through accountability and transparency reporting. When there is poor charity-donors relationship, it could affect the decision of the donors not to give financial support to the charities for the benefits of the beneficiaries.

RESEARCH METHODOLOGY

The main purpose of this study is to determine the donors' expectations and the charity management's offers of information in order to fill the expectation gap between the donors and the charity management for better charity reporting in the future. A pilot survey of 25 institutional donors was conducted between the middle of April to end of May 2011. The main purpose of pilot study is not so much to test the research hypotheses, but test protocols, data collection instrument and to gain approximate information about the sample size for the future larger scale study. On the sample size of the pilot study, some researchers suggested 20 to 30 as an adequate pilot study sample size. As suggested by Ferber and Verdoorn(1962), 12 should be satisfactory. On the other hand, Boyd et al. (1977) recommended 20 while Backstom and Hursch (1963) considered 30 as an adequate pilot sample size. Arain et al. (2010) described a total of 20 as 'pilot' and 34 were described as 'feasibility' study.

As recommended by Dillman (1978) and Oppenheim (1992), the questionnaires have to be composed and tried out, improved and tried out again. Accordingly, following these recommendations, the questionnaire was pre-tested through a pilot survey. The self-developed instrument namely, Charitable Organizations Reporting Index (ChoRI) inclusive of 85 information items was used in this pilot survey. The respondents were instructed to indicate the relative importance of each item of information on a seven-point likert scale. The point values are as follows: 1-not at all important, 2-low importance, 3-slightly important, 4-neutral, 5-moderately important, 6-very important and 7-extremely important. The respondents were first personally contacted through telephone before the surveys were sent to them. The result of the pilot study indicates that the respondents include a significantly larger proportion of male respondents.

RESULTS AND DISCUSSIONS

Based on 85 items of information derived from the review of literature and interviews, the items of information were then structured accordingly into its categories. Coy and

Dixon (2004) found it is useful to structure an index into categories in which the index items are classified. The structured index could move the total item scores of the total index into a total index score by categories. ChoRI is made of 85 items of information and structured into five categories in which index items are classified. The categories are named as basic background information (BBI), financial information (FI), non-financial or performance information (NFI), future information (FTI) and governance information (GI). 13 items were BBI. 27 items fall under the FI, 19 items for NFI, 8 items of FTI and 18 items of GI. These categories are structured accordingly based on theoretical underpinnings. Table 3 presents the results of the importance of ChoRI information items from the institutional donors' perspective.

Table 3 indicate the top eight information items were the BBI which was considered important information by the institutional donors. The median is used as it provides more meaningful measures for ordinal scale of data. The assigned weight of 6 is allocated for the BBI. Basic background information such as the name, nature of the services, registered address and the list of office bearers' name not only compulsory requirement by the Registry of Society Act 1966 (Act 335) and Regulations but served as useful information to stakeholders, such as the institutional donors because it provides a basic context of the organization prior detailed information about the organization. However with BBI, the institutional donors may have the overall picture of the organizations' service operations and status for them to make donation decision making for that organization.

The FI of the statement of receipts and payments, cash flow from operating and investing activities follows after the BBI. Financial information is essential for the stakeholders to know the economic situation of the organizations and they are able to evaluate on the use of funds that controlled and monitored by the board of trustees. The Societies Act 1966 (Act 335) and Regulation only requires the financial information about the organization from the statement of receipts and payments and related items in the balance sheet such as the current assets, non-current assets and related disclosures of accounting policies to provide the stakeholders with important information. Nevertheless, the result indicates the institutional donors require the FI beyond the requirement of the regulation. They need the cash flow information from the charitable organizations.

The FTI on the budget, strategic planning, statement of future activities, vision and mission statement and core values of the organization were all the future category of information which were expected by the institutional donors from the charitable organizations reporting. This is considered the most important information for charity in Hyndman's (1990) study. Finally, the information on the name, address, minutes of annual general meeting (AGM), date of registration, financial support from person

Table 3. Importance of ChoRI items: pilot results based on institutional donors' perspectives.

Rank	Information items	Category	Median	Standard deviation	Minimum	Maximum
Very Important						
1	Name of the organization*	BBI	6.00	1.451	1	7
2	Nature of the organization services*	BBI	6.00	1.319	2	7
3	Registered address of the organization*	BBI	6.00	1.665	1	7
4	List of office bearer's name*	BBI	6.00	1.590	2	7
5	Legal and regulatory formation	BBI	6.00	1.186	3	7
6	Date qualified for tax exempt status	BBI	6.00	1.683	2	7
7	Governing Act	BBI	6.00	1.528	2	7
8	Category of charity	BBI	6.00	1.500	2	7
9	Statement of Receipts and Payments*	FI	6.00	1.358	2	7
10	Cash flow from operating activities	FI	6.00	1.412	2	7
11	Cash flow from investing activities	FI	6.00	1.457	2	7
12	Budget information	FTI	6.00	1.323	3	7
13	Strategic planning	FTI	6.00	1.291	3	7
14	Statement of future activities	FTI	6.00	1.327	3	7
15	Vision statement	FTI	6.00	1.418	3	7
16	Mission statement	FTI	6.00	1.387	3	7
17	Core values of the organization	FTI	6.00	1.327	3	7
18	Statement of principal officers	GI	6.00	1.352	2	7
19	List of name of major donors	GI	6.00	1.581	2	7
20	Government sponsor	FI	6.00	1.535	1	7
21	Calendar of events and activities	GI	6.00	1.323	3	7
22	Community services	GI	6.00	1.190	3	7
23	Internal audit committee	GI	6.00	1.327	2	7
24	Audit certification by independent auditor	GI	6.00	1.447	2	7
25	Corporate partnership involvement	GI	6.00	1.261	3	7
Moderately Important						
26	Registration number	BBI	5.00	1.633	1	7
27	Non-current asset*	FI	5.00	1.121	2	7
28	Current asset*	FI	5.00	1.118	3	7
29	Long-term liabilities*	FI	5.00	1.208	3	7
30	Current liabilities*	FI	5.00	1.215	3	7
31	Charitable funds	FI	5.00	1.000	3	7
32	Statement of changes in charitable funds	FI	5.00	1.222	3	7
33	Surplus or deficit	FI	5.00	1.443	1	7
34	Method of cash flow preparation	FI	5.00	1.388	1	7
35	Financial resources	FI	5.00	1.474	2	7
36	List of expenses	FI	5.00	1.320	3	7
37	Charitable expenses	FI	5.00	1.428	2	7
38	Administration expenses	FI	5.00	1.470	2	7
39	Percentage of charitable expenses	FI	5.00	1.441	2	7
40	Percentage of administration expenses	FI	5.00	1.364	2	7
41	Benefit in kind (monetary terms)	FI	5.00	1.344	3	7
42	Total sources of income	FI	5.00	1.155	3	7
43	Donation income	FI	5.00	1.352	3	7
44	Membership fees	FI	5.00	1.411	2	7
45	Fundraising income	FI	5.00	1.422	2	7

Table 3. Contd.

46	Government grants	FI	5.00	1.384	3	7
47	Other income	FI	5.00	1.414	3	7
48	Clients' satisfaction	NFI	5.00	1.509	2	7
49	Clients' complaints	NFI	5.00	1.552	2	7
50	Investment in technology and computer	NFI	5.00	1.528	2	7
51	New programmes generated for new clients	NFI	5.00	1.655	1	7
52	New programmes and services launch	NFI	5.00	1.492	1	7
53	Increase in clients	NFI	5.00	1.469	1	7
54	Programmes and service quality	NFI	5.00	1.590	2	7
55	Performance criteria	NFI	5.00	1.552	2	7
56	Increase staff in training courses	NFI	5.00	1.400	2	7
57	Skills and performance of staffs	NFI	5.00	1.339	2	7
58	High success rates	NFI	5.00	1.350	2	7
59	Programme and service completion	NFI	5.00	1.275	2	7
60	Staff training	NFI	5.00	1.666	2	7
61	Non-financial resources	NFI	5.00	1.291	2	6
62	Winner or participation in special projects	NFI	5.00	1.358	2	7
63	Participation in regional events	NFI	5.00	1.472	2	7
64	Participation in international events	NFI	5.00	1.388	2	7
65	Statistics of clients	NFI	5.00	1.417	2	7
66	List of activities	NFI	5.00	1.155	2	7
67	Statement of objectives	FTI	5.00	1.535	3	7
68	Target future donations	FTI	5.00	1.384	3	7
69	Patron's message	GI	5.00	1.287	2	7
70	Statement of key committee members	GI	5.00	1.358	2	7
71	Founder of the organization	GI	5.00	1.269	2	7
72	Patron of the organization	GI	5.00	1.215	2	6
73	Committee members background	GI	5.00	1.333	2	7
74	Committee members experience	GI	5.00	1.301	2	7
75	Committee members qualification	GI	5.00	1.187	2	7
76	Committee size	GI	5.00	1.428	1	6
Neutral						
77	Name of affiliated society*	BBi	4.00	1.819	2	7
78	Address of affiliated society*	BBi	4.00	1.536	1	7
79	Minutes of AGM*	BBi	4.00	1.152	2	6
80	Date of registration*	BBi	4.00	1.676	1	7
81	Financial support from person outside Malaysia*	FI	4.00	1.749	1	7
82	Financial support from organization outside Malaysia	FI	4.00	1.671	1	7
83	Disclosure of accounting policies*	FI	4.00	1.508	1	7
84	Race of committee members	GI	4.00	1.514	1	6
85	Gender of committee members	GI	4.00	1.411	1	6

* Information required by the Registry of Society Act 1966 (Act 335) and Regulations.

and organization outside Malaysia were among the least information items considered important by the institutional donors, but the information is compulsory information to be furnish by the charitable organization to the ROS. It should be also pointed out that the race and gender of the committee members were ranked as 84th and 85th by the institutional donors. The remaining items of the

information have the median values between 4.00-5.00 and none of the items of the information were considered important. Because the nature of the study based on a pre-testing of minimum sample of 25 respondents, it is not possible to make generalization about the items of the information needs of all institutional donors. Nor it is appropriate to make absolute claims of weighted

disclosure index by its relative importance to institutional donors. However, the interpretation of the results of the pilot study suggests several feedbacks for the improvement of the larger scale survey. Consequently, the survey questionnaire has been improved taking into consideration the following feedbacks obtained during the pilot study. The feedbacks obtained were:

The sequence of the information items in the BBI was rearranged in a manner that would be easier to comprehend the respondents. For example, immediately after the information item on the name of the organization, the information item of the registered address of the organization should follow and precedes the information of nature of the organization services.

Certain terms were refined to minimize interpretation problems and thus reduce the measurement error because the respondents will be clearer. For example, the amendment of the term 'government sponsor' to 'government grants' and to avoid double questions on the 'calendar of events and activities' to 'calendar of events'. This is also meant to reduce the ambiguity as the term 'list of activities' has been used.

To consider three additional items of information considered important by the respondents during pre-testing such as 'cash flow from financing activities,' 'private grants' and 'financial risk management.' All these additional information was classified as the financial category of information.

The improvement of the questionnaire from a single to dual-language questionnaire. The questionnaire was translated from English to Bahasa Melayu in order to overcome certain words and jargon terms in order to produce valid and reliable questionnaire.

However, because the questionnaire design has impact on response rate and validity of the data (Rea and Parker, 2005), there is a need to revise and improve the questionnaire design. Based on the above feedbacks, the questionnaire was revised and improved accordingly before it was sent for the final survey. As a result, the revised and validated ChoRI consists of 88 items of information with the most of 30 items of information under the FI category and the least of eight items of information in the FTI category.

Conclusion

This study is part of the process of self-developed instrument, known as ChoRI that will be used to measure the extent of charitable organizations reporting. The development and testing of the instrument has provided new insight regarding the institutional donors' expectations of information from the charitable organizations reporting. ChoRI has its unique novelty by incorporating a polychotomous approach of 7-point likert scale to assess items of information, meaning that ChoRI

is considered weighted index that generate ratio scale for the use in parametric statistical analyses. It consists of 85 items based on the pilot survey.

The pilot survey results indicate the institutional donors are more concerned on the basic background information, financial and future information which carry the highest weight. They are regarded as important information by the institutional donors but not the major criterion concerned by the regulatory, the ROS in Malaysia. This study need to be extended by applying ChoRI as an instrument to measure the content of charitable organizations reporting in order to understand the current adequacy of the charitable organizations reporting. This study provides an avenue with acceptable charity disclosure instrument with weight assigned, which can be used by the regulators to assess the adequacy of charity disclosure reporting. It presents the original work of self-developed ChoRI instrument to measure the extent of charity disclosure in which can be used as a basis for future direction of charity reporting in Malaysia. This study however, was exploratory in scope and aimed to develop online survey for larger scope that covers wide institutional donors in the non-profit sector as a whole.

Abbreviations: **NPOs**, Non-profit organizations; **IASB**, International Accounting Standards Board; **FASB**, Financial Accounting Standards Board; **ROS**, Registrar of Society; **FRS**, financial reporting standards; **PERS**, Private Entity Reporting Standards; **IRD**, Inland Revenue Department; **ChoRI**, Charitable Organizations Reporting Index; **BBI**, basic background information; **FI**, financial information; **NFI**, non-financial or performance information; **FTI**, future information; **GI**, governance information; **AGM**, annual general meeting.

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