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**INFLUENCE OF THE FINANCIAL AND NON-FINANCIAL
INFORMATION ON THE RESULTS
OF THE PUBLIC BENEFIT ORGANIZATIONS**

Abstract. Public benefit organizations pursue non-financial and socially useful objectives that serve the well-being of individuals or wider public. Business corporations address their financial reports to investors who provide them with capital. A public benefit organization does not have any investors and uses grants and donations to attain its objectives without giving any guarantees that it will be successful, but only promising its motivation, efforts, determination and intention to assist the target group of beneficiaries.

The paper aims to assess the importance of the information presented in the public benefit organizations' financial and business reports for their stakeholders, as well as the impact of the organizations' financial results on their capacity for raising funds in the next periods.

Investigating the sample of 84 Polish public benefit organizations the authors intended to find out whether financial information determines the amounts of grants and financial donations the organizations receive. They also attempted to establish which financial factors make donors contribute to the given organization. Another objective of the study was to show whether the Polish donors examine the organizations' financial reports and use information thus obtained to donate.

Keywords: financial statements, public benefit organisations, grants, donations.

1. INTRODUCTION

Public benefit organizations (PBO) pursue mostly non-financial and socially useful objectives that serve the well-being of individuals or society, however some business corporations being for-profit organizations are also involved in philanthropic activities (Posner, Malani, 2007).

The first definition of a public benefit organization was formulated in the English law. The English regulations applying to charitable organizations have been 400 years old now (O'Hagan, 2001). The first English law in this area was the *Charitable Uses Act* of 1601, also referred to as the Statute of Elizabeth.

In Poland, public benefit organizations have to abide by the public benefit activity and volunteer work act (art. 4 item. 1 Dz. U. 03.96.873), according to

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which "Public benefit activity is an activity that is socially useful and is performed by non-governmental organizations in the field of public tasks mentioned in the Law." The act lists as many as 33 objectives benefitting the public that after March 2010 can be pursued by all types of organizations, including the commercial law firms. However, the organizations' activities cannot not be profit-oriented and all their receipts have to be used to fund their statutory activities instead of being distributed among their shareholders and members. As the list of the objectives is exhaustive, only the Council of Ministers' resolution can extend it. Besides assistance for the poor and social groups suffering hardships and environmental protection, activities such as support for entrepreneurship, consolidation of national traditions, technological advancement and work for the European integration are also counted among public tasks that the public benefit organizations can legitimately carry out in Poland. Accordingly, the range of the tasks that the Polish organizations are allowed to undertake is much wider than that available for their European counterparts, which makes comparisons between the Polish and the foreign third sectors much less reliable.

Any organization functioning in the economy has its stakeholders, i.e. people and entities that are interested in the organization's successes, determine its activities and limit or boost its development.

All organizations preparing their financial reports, particularly those obliged by the law to publish them, should make sure that the reports' contents are useful for users wishing to assess the organization's management and financial condition (Baran, 2006). To this end, their reports have to conform with certain quality standards. The standards were formulated in the *Conceptual framework* that the IASC developed and approved in 1989 to reduce variability in the interpretation of the elements of financial reports.

Regardless of the aims an organization pursues, its financial reports should mirror its actual financial standing. The PBOs, particularly the charitable organizations, emerged in times when the goals predominated over the means. Despite the passing of centuries and economic development, the organizations prepare their reports in much the same way they made them in the past. Unlike the business corporations that are aware of their obligation to present their results to the providers of capital (the investors), the public benefit organizations do not have investors and fund their activities from grants and donations. They do not guarantee that some specific results will be achieved, promising instead their determination, efforts and endeavours to be of help to the target group of beneficiaries.

Public benefit organizations frequently spent huge sums of money contributed by individuals or institutional donors on their activities. Only few of the organizations undertake commercial activity or render services partially paid by their users to accumulate resources they need to fund their statutory aims. The most successful among them earn revenues that are comparable with the receipts of large business corporations; for instance, in 2001 and 2006 the United Way of

America had incomes reaching 3.91 billion and 68.12 million US dollars, respectively (Supphellen, Nelson, 2001). The legal requirements that the PBOs' financial reports have to meet country specific. All researchers dealing with the accounting issues (see: Noraini et al., 2009) believe, however, that the organizations' financial reports are necessary not only for the government institutions to be able to monitor and control their activities, but also for making decisions and providing a wider group of stakeholders with appropriate information.

2. THE AIM OF PUBLIC BENEFIT ORGANIZATIONS' FINANCIAL REPORTING

Since mid-1960s business organizations have been investigated in respect of the informational needs of the users of their financial reports with a view to improving the reports' structure and contents (American Accounting Association – AAA, 1966, and Accounting Standards Board – ASB, 1995, 1996, 1999). The findings, although useless for the not-for-profit organizations, provided a basis for discussions on the purposes of the organizations' financial reporting and the applicable qualitative criteria (Hyndman, Conolly, 2000, p. 2). The report on the research conducted in the UK in 1980 (Bird, Morgan-Jones, 1981, p.70) pointed to the low quality of the financial data presented by the British PBOs. The two major drawbacks were described as “diversity” and “lack of consistence” in presenting financial information. These defects rendered comparisons of financial reports submitted by different organizations, as well as analysing and understanding the same organization's data on the different years of its activity, practically impossible. The reports of the Polish PBOs are inconsistent too. In addition to different organizations presenting different ranges of financial information, the structure and the range of information that the organizations present also vary between reports. Other qualitative criteria formulated within the IASC's conceptual framework of 1989 are also unmet, for instance those requiring the financial reports to be clear and useful. Some reports are incomplete and the additional information their authors provide only describes how assets and liabilities were valued, or the financial report only contains a P&L a/c calculated in line with the pattern used by commercial organizations. The amendment of the public benefit activity act of 22 January 2010 penalizes public benefit organizations failing to submit and publish their business and financial reports by the prescribed deadline, but no obligations have been imposed on the organizations to make them comply with the financial reporting quality standards. This leads us to the following question: what is the purpose and who are the users of PBOs' financial reports, when most of their financial and business statements are incomplete and incomprehensible. Is it the non-commercial (not-for-profit) character of the organizations' activities that makes their managers concentrate on the business reports and non-financial data?

Interestingly, after studying 130 respondents the British researchers discovered that the PBOs' stakeholders paid attention to both financial and non-financial data (Hyndman, 1991, p. 295-307). According to other studies carried out by the US scientists (Parsons, Trussel, 2008), donations were related to some financial data and indicators, though. The US Charity Navigator founded in 2001 has been making annual surveys of the financial condition of the US NGOs based on a range of selected financial measures to rank the organizations. The above circumstances encouraged the authors of this article to conduct their own research to find out whether the information presented in the PBOs' financial reports shapes donors' financial decisions in the successive periods. Do a great weight attached to organization's financial results and the fact that some PBOs manipulate their data (Jegers 2010) affect the organizations' financial future? If yes, which balance sheet values or results are likely to produce this effect?

3. PBO'S SOURCES OF INCOME AND EXPENSES

The not-for-profit organizations are only allowed to derive income from services that their users do not pay for. However, to secure sources of steady income and to stabilize and consolidate their financial situation, the organizations frequently decide to charge for their services and sometimes undertake regular business activities. The latter approach requires an organization to register as a business and to spend its receipts on its statutory activities. According to the public benefit activity and volunteerism act, art. 10 item 1, 2003, the public benefit organization conducting business activity has to keep an accounting system where its expenses and revenues coming from different sources are settled separately to enable their identification and individual presentation in a financial report.

PBOs' incomes usually vary and forecasting their future amounts is difficult. A grant or a donation received one year may not be offered a year later, despite the organization's efforts. The EU funding that many of the organizations qualify and apply for are not easy to obtain, because the organizations have few specialists knowing how to write applications or the organizations' plans and the profiles of the EU programmes do not match (OPUS, 2010, p. 2). The 1% of personal tax payments that individuals can allocate to the PBO of their choice has become one of the most important financial objectives pursued by the organizations. However, some organizations have problems with informing a large group of taxpayers about their existence, which significantly limits their opportunities for deriving significant incomes from this source. Comparing the intensity of promotional campaigns that were launched several years ago and today we see that the PBOs are now competing for these incomes. However, organizations that are not credible enough for the banks to get loans to cover the advertising costs or those who cannot count on the media support will not be

successful in this competition. Additionally, the National Federation of Non-Governmental Organizations in Poland suggests that taxpayers tend to perceive the 1% deductions from their income tax payments as donations. This makes them less motivated for making real donations in cash and in kind, as they feel that contributing the 1% to the BPO of their choice they have already fulfilled their charitable duties. Consequently, the volume of PBOs' traditional incomes decreases every year.

The special profile of the organizations' activities causes that substantial spending on their core activity is desirable and proves that the funds were used well. The PBOs fund their statutory activities that they deliver for a payment or free of charge, mainly to fulfil their charitable goals and to carry out tasks solving social problems. In some organizations, the administrative costs related to management, office work and the administrative staff's and board members' salaries represent a large portion of total costs. Many NGOs do not pay their board members for management services, but sometimes employ them to carry out the organization's statutory tasks. As regards accounting, the key problem is that the costs are calculated and cost items assigned to either administrative or statutory activities quite arbitrarily. All depreciation is usually treated as an administrative cost, regardless of the task the given fixed asset was used to fulfil. The consumption of materials and energy is treated likewise. Moreover, different organizations use dissimilar approaches to present their payroll information. Some of them state the number of employees and the salaries paid, dividing them between the administrative and other staff. Others simply indicate the total number of employees and split salaries in the P&L a/c between administrative and statutory areas, without any additional explanations whatsoever. Some other organizations provide nothing but administrative cost totals without breaking them down into particular items.

Although the regulation issued by the Minister of Finance requires the PBOs to present their cost structure by type (*Ministers of Finance regulation, 2001*), this information can be unclear for many people. Therefore, the following question should be asked: is the financial information useful for its potential users and, if yes, to what degree? How can the donors be helped in assessing the NGOs? Can salaries as a proportion of administrative costs be a significant measure?

According to the National Federation of Non-Governmental Organizations in Poland, the Public Benefit Work Council has already deprived several public benefit organizations of this status for their failing to prepare financial statements. Still, clearly defined rules and measures that could be used for assessing public benefit organizations and perhaps depriving them of their status for the non-fulfilment of certain criteria do not exist. Moreover, the PBOs' operational standards are unknown to the donors and the organizations' staff. According to the aphorism coined by the US writer Laurence J. Peter "If you don't know where you are going, you will probably end up somewhere else" every organiza-

tion and individual should know where they are going and how their progress in attaining the intended goals can be measured.

The Polish National Federation of Non-Governmental Organizations plans to enter into collaboration with the Social Development Federation to control PBOs' activities and certify organizations meeting the existing standards, which may help the interested parties to evaluate and choose their NGO.

4. RESEARCH OBJECTIVES

The role that accounting and particularly financial reporting plays in evaluating the performance of an enterprise has been the object of many studies and scientific discussions. It is out of the question that many people, e.g. the investors, the staff, the board, and the lenders, read enterprises' financial reports to get an insight into their dealings.

While the role of financial reporting in the enterprise sector is indisputable, the use of financial information provided by the third sector's organizations for assessing their results is not so obvious. It would be also interesting to know, whether donors use the organizations' financial reports to make donations or support financially some concrete organizations.

The presented study was designed to answer the question whether the information contained in the Polish PBOs' financial reports determines the amounts of grants and financial donations they receive. At the same time, the study provided an occasion for attempting the identification of some financial factors that make donors choose a specific organization. Its other aim was to find out if Polish donors read financial reports and use the information before they donate.

The Polish studies dealing with the financial reports' effects on the amounts donated to the not-for-profit organisations have been limited so far, whereas in the US many researchers have contributed to the literature on the subject. This difference arises from the growing importance of the organizations in the public life in the USA and Western European countries, where societies' wealth encourages both legal and natural persons to support the organizations financially on a regular basis.

5. A REVIEW OF EMPIRICAL STUDIES INTO THE EFFECT OF THE INFORMATION DERIVED FROM NOT-FOR-PROFIT ORGANIZATIONS' FINANCIAL REPORTS ON THE DONATIONS AND GRANTS OFFERED

Khumawala and Gordon (1997) made an experiment in which the students were treated as potential donors ranking the importance of financial reports' data influencing donation decisions.

The experiment Parsons conducted (2007) made her conclude that the donors who have financial information on a public benefit organization are more willing to contribute to it than the others.

Many studies seek to establish relationships between the financial variables derived from financial reports and the donated amounts. Parsons (2003) suggests that the key factors encouraging donors to contribute financially to the not-for-profit organizations are the organizations' efficiency and stability. She defines efficiency as the share of PBO's resources that are used to fulfil its goals. This measure shows the average proportion of the donated amounts going directly to the organization's beneficiaries. Hyndman (1991) and Khumawala, Gordon (1997) confirm that donors are very much interested in knowing the organization's share of funds used to attain its aims in total costs and are more inclined to support organizations where the indicator is the highest. The PBO's effectiveness is usually measured with the three variables:

- PRICE – the amounts that an organization spends on its aims in relation to total costs; this ratio was used in the studies by Posnett and Sandle (1989), Callen (1994), Tinkelman (1998) and others;
- PROG – a measure being the reverse of PRICE, i.e. showing the relation between organization's total costs and the amounts allocated to its projects; see studies by Roberts et al. (2006);
- ADMIN – non-for-profit organization's administrative costs in relation to total costs; this ratio was proposed, amongst others, by Frumkin and Kim (2001).

The Khumawala et al. study (2003) made them conclude that the donors responsible for making financial reports in their organizations (e.g. companies) are more willing (than the other donors) to support financially not-for-profit organizations having a lower ratio between total costs and funds raised.

As defined by Parsons (2003), the stability of a not-for-profit organization is its ability to continue activities even if its resources are shrinking. This feature refers to the concept of going-on concern, which is commonly used by accountants in enterprises and other business organizations. The Trusell and Parsons study (2008) confirms that the feature is related to the donated amounts, because donors are more willing to support financially organizations that are able to carry on even experiencing temporary funding problems (for instance, in periods of economic crisis). The most frequent measures of PBOs' stability the literature offers are the following¹:

- EQUITY – a ratio between organization's net assets and its total revenues; it shows how well the organization is "protected" against falling revenues,

¹ The indicators were presented for the first time in the study by Tuckman and Chang (1991), who pioneered the theory of financial vulnerability of not-for-profit organizations.

because assets can be used to secure a loan or sold to go on, if need arises (Trussel, Greenlee, 2004; Greenlee, Trussel, 2000);

- CONCEN – a revenue concentration indicator given by a ratio between organization's revenues from donations and grants and its total revenues (Trussel, Parsons, 2008);
- MARGIN – this indicator resembles gross margin used by enterprises. Trussel and Parsons (2008) found that the public benefit organizations where gross margins are higher receive larger donations.

Many scientific studies show that donors are more inclined to contribute, if they know the organization and received information about its mission and aims beforehand, as well as major financial data. (Gordon et al., 1999). It is extremely difficult to find in financial reports variables that could be used to measure donors' knowledge. In practice, there is only one variable of this kind in the literature:

- FUND – i.e. the advertising and promotional costs that a PBO incurs to acquire donations and grant (Frumkin, Kim, 2001). Unfortunately, in the case of the not-for-profit organizations this variable poses an significant practical problem. Krishnan et al. (2006) discovered that many PBOs fail to specify in their financial reports the amounts they spend to raise funds, thus distorting their financial data.

Another aspect that is important for the prospective donors pay attention is organization's reputation. Because it is extremely difficult to assess the quality of PBO's "final product," studies assume that quality and good name can be measured with:

- AGE – the number of years an organization has been active; the more popular and more recognizable names of older organizations help them raise more funds (Trussel, Parsons, 2008);
- ASSETS – the value of organization's assets; this measure of the organization's size indicates its capacity for attaining the aims as well as operational versatility (Tinkelman, 1999);
- GRANTS – for many individual donors the amounts of grants a public benefit organization receives is an indication of its trustworthiness arising from the government's financial support (Tinkelman, 1999).

Trussel and Parsons conducted an extremely interesting study (2008), putting together a sample of more than 4,000 public benefit organizations operating in the USA to test all the presented variables for their influence on the volumes of grants the organizations received. The study sums up previous assessments of the financial reports' effects on the donated amounts from four perspectives at the same time, i.e. efficiency, stability, the investigated organizations' reputation and the information they publish.

6. RESULTS OF EMPIRICAL RESEARCH

The study presented in this paper aimed to find out how PBOs' financial data affect Polish donors choosing a public benefit institution to support. The analyses were designed to answer the question, whether the donors use financial reports and analyse them to decide. The statistical data collected allowed investigating other factors influencing donations too. Quite naturally, the factors are represented by variables that were derived from financial reports or by dummy variables, so they do not cover all possible reasons for which grants and donations are made. Since many motivations can be of emotional nature, such as religious beliefs or donor's own life experience, they could not be considered in the study without applying very advanced econometric methods or constructing a pertinent questionnaire. The study spans the years 2006–2008 and concentrates on 84 public benefit organizations in Poland. There are many more of them in the country, but some receive grants and donations of a very small value. In many cases, the PBOs' financial reports were either unavailable or illegible and presented very poor quality. The constructed equations were estimated using the Eviews software package. The hypotheses formulated for the study were intended to help identify factors influencing donors' decisions, with special attention being paid to the effects exerted by the financial information. For each hypothesis independent variables describing a given factor were created. An important element of the regression equation is the regression coefficient showing the amount of change in the dependent variable caused by a change in the pertinent independent variable. The direction of the relationship between the independent and dependent variables indicated by the sign of the pertinent regression coefficient is also significant. The following hypotheses were tested:

Hypothesis 1: *The amount of donations and grants a public benefit organization receives depends on the specific information data presented in its financial report.*

The equations have the following form:

Equation 1: $DAR_DOT_Y = C(1) + C(2)*ASSETS + C(3)*GRANTS + C(4)*MARGIN + C(5)*PRICE + C(6)*FUND + C(7)*ADMIN$, for the year 2008 and

Equation 2: $DAR_DOT_Y = C(1) + C(2)*ASSETS + C(3)*GRANTS + C(4)*ADMIN + C(5)*PROG + C(6)*MARGIN + C(7)*FUND$ for the year 2007, where:

The dependent variable:

DAR_DOT_Y – the amount of donations and grants the public benefit organization received in the year.

The independent variables were selected based on the study by Trussel, Parsons (2008): ADMIN – the not-for-profit organization's administrative costs as a share of its total costs; PROG – the organization's funds spent to attain its statutory aims as a share of its total costs; used alternately with PRICE; PRICE – a ratio between the organization's total costs and the costs of its programmes; used alternately with PROG; MARGIN – gross margin; FUND – advertising and promotional costs incurred by the public benefit organization; GRANTS – the amount of grants the public benefit organization received; ASSETS – assets' value.

Hypothesis 2: The reputation of a public benefit organization is extremely important for donors.

Ancillary hypothesis: the amount of donations and grants the public benefit organizations receive depends on their reputation.

Equation 3 has the form:

$DAR_DOT_Y = C(1) + C(2)*ASSETS + C(3)*GRANTS$, where:

The dependent variable:

DAR_DOT_Y – the amount of donations and grants the public benefit organization received in the year (PLN).

The independent variable: GRANTS – the amount of grants the public benefit organization received (PLN); ASSETS – assets' value (PLN). All independent variables are lagged, because during the year when a donation was made or a grant received only the previous year's financial reports were available.

As regards the first hypothesis, the regression coefficient for the PROG, MARGIN, FUND, GRANTS, and ASSETS variables is expected to have a plus sign and a minus sign for PRICE and ADMIN, because the earlier studies suggest that donors prefer not-for-profit organization whose share of funds allocated to aid programmes in total costs is higher (PROG). The regression coefficient for the PRICE variable, i.e. the reverse of PROG, should have a negative sign. However, the level of financial support is disadvantageously affected by a large share of organization's administrative costs in total costs (ADMIN), as the donors want as much of their money as possible to go to those in need, instead of the money being only used to cover the charitable organization's administrative costs.

High gross margin boosts financial support, because the donors appreciate stable organizations, safeguarded against disturbances generated by temporary crises (variable MARGIN).

According to the earlier studies, larger amounts allocated to advertising and promotion should bring more donations and contributions, because more easily available information and advertising make charitable organizations visible to new donors (FUND).

The variables GRANTS and ASSETS stand for PBO's reputation. Organizations funding their projects from either local or central authorities' grants are recognised as reliable and tested by governmental donors for effectiveness and correctness of operation (GRANTS). The amount of the organization's assets also attracts donors, as they guarantee that it has the necessary resources to work and fulfil its aims (ASSETS).

The estimates of the equations that were used test the first hypothesis are presented in Table 1.

Table 1. The estimates of equations 1 and 2 testing the first hypothesis

Dependent Variable: DAR_DOT_Y				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Year 2007				
C	35605.000	6192160.526	0.006	0.995
ASSETS	0.300	0.122	2.458	0.017
GRANTS	0.507	0.106	4.793	0.000
ADMIN	-782286.855	6694370.889	-0.117	0.907
PROG	1925551.869	6308377.218	0.305	0.761
MARGIN	411590.661	1334040.654	0.309	0.759
FUND	2.649	4.072	0.651	0.518
Dependent Variable: DAR_DOT_Y				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Year 2008				
C	1563583.000	1350632.000	1.158	0.252
ASSETS	0.549	0.104	5.295	0.000
GRANTS	0.602	0.110	5.468	0.000
MARGIN	179432.400	2316281.000	0.077	0.939
PRICE	-66540.620	342596.700	-0.194	0.847
FUND	5.022	6.476	0.775	0.441
ADMIN	-1400163.000	3698141.000	-0.379	0.706

Source: eviews printout.

Although the estimates are technically correct (the estimates of the equations' structural parameters support the assumptions), they are statistically

unsatisfactory, because the t-student statistics (t-Statistic) show that some structural parameters (MARGIN, PRICE, PROG, FUND, ADMIN) have statistically insignificant estimates (see the probability measures presented in column Prob., Table 1).

Although the low significance of the MARGIN, FUND, PRICE, and PROG variables rendered the estimates unsatisfactory, the estimation process highlighted the influence of grants received during the year and of PBO's assets on the amounts of financial donations and grants the organization receives in the next year. This led to the second hypothesis about PBOs' reputation being extremely valued by the donors. The dependent variables GRANTS and ASSETS that were used in the equation testing the second hypothesis are similar to those employed by Tinkelman (1998) and Trussel and Parsons (2008). The estimates of the equation testing the second hypothesis are presented in Table 2.

Table 2. The estimates of equation 3 testing the second hypothesis

Dependent Variable: DAR_DOT_Y				
Sample: 1 64				
Included observations: 64				
Year 2007				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1277321.846	864682.8741	1.47721423	0.144762767
ASSETS	0.354321338	0.103230805	3.43232175	0.001080265
GRANTS	0.488698871	0.099318554	4.9205194	0.00
R-squared	0.608751225			
Adjusted R-squared	0.595923396			
F-statistic	47.45551566			
Prob (F-statistic)	0.00			
Durbin-Watson stat	1.940586458			
Year 2008				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1246360.671	957210.8201	1.30207541	0.197785921
ASSETS	0.569432779	0.098029108	5.80881326	2.44315E-07
GRANTS	0.60090539	0.106841863	5.6242504	0.00
R-squared	0.635815793			
Adjusted R-squared	0.623875327			
F-statistic	53.24882649			
Prob (F-statistic)	0.00			
Durbin-Watson stat	1.834618785			

Source: developed by the authors based on the Eviews printout.

The estimates are technically correct (the estimates of the equations' structural parameters support the assumptions), as well as being statistically satisfactory.

The estimated equations allow concluding that an increasing value of PBO's assets (ASSETS) attracts more donations and grants, as predicted by the second hypothesis. An additional factor that makes a public benefit organization attractive for donors is the amount of grants it received during the previous year (GRANTS).

The statistical results provided by the equations testing the second hypothesis show that the equations represent a relatively high degree of explanation, because the R-squared is 0.61 for 2007 and 0.63 for 2008². The t-student statistics (t-Statistic) show that the estimates of the structural parameters GRANTS and ASSETS are statistically significant (the probability measures presented in column t-Statistic, table 2, lead to the same conclusion). The Fisher-Snedecor statistics (F-statistic = 47.4 in 2007 and 53.2 in 2008) also indicate that at a significance level 0.001 (Prob (F-statistic) = 0.001) the null hypothesis should be rejected in favour of the alternative hypothesis, according to which the combined effect that all independent variables in the presented equations exert on the endogenous variable is statistically significant.

Testing the equations for autocorrelation also yields positive results, as confirmed, for instance, by the Durbin-Watson statistics (Durbin-Watson stat = 1.94 in 2007 and 1.83 in 2008). Comparing these statistics with the tabulated values ($d_l = 1.536$, $d_u = 1.662$), we can definitely conclude that residual autocorrelation does not occur in the equations at $\alpha = 0.05$. Testing the random term for a normal distribution with the Jarque-Bera (J-B) statistic also produced positive results. Altogether, the equations' estimates confirmed that hypothesis 2 is correct.

Besides, the study attempted to find out why donations are made using three dummy variables to investigate the emotional and other factors' impacts on donors' decisions. One dummy variable was used to test, if the amounts of donations and grants that the given PBO receives and its involvement in helping the children were interrelated, following a hypothesis that the donors are more eager to support organizations focused on children than animals or the elderly. Then the relationship between the volume of the acquired donations and grants and the PBO being founded or managed by a public person (an actor, a businessman, etc.) was tested. This dummy variable stems from the hypothesis that donors prefer organizations endorsed by popular and liked public persons. The third dummy variable showed whether the given organization was local or nationwide. It was introduced to find out if the known, nationwide organizations attract larger amounts of funding. The estimates of the equation containing the dummy variables, while being technically correct (the estimates of the equa-

² The adjusted R-squared is also relatively high.

tion's structural parameters support the assumptions), are statistically unsatisfactory, because the t-student statistics point to statistically insignificant estimates of the structural parameters. For this reason, the estimates are not discussed in more detail in this study. The dummy variables will be given more attention in the course of other investigations dealing with the subject.

7. CONCLUSION

The study was designed to assess how data presented in the financial reports of the public benefit organizations affect donors choosing an organization they would like to support financially. Polish donors still consider PBOs' financial reports to a limited extent. They tend to pay more attention to the organizations' assets or the governmental support they receive, e.g. grants, than to their gross margin or the ratio between the administrative costs and the programmes' costs. This means that the factor motivating them to make contributions is PBO's reputation measured with the volume of its assets, etc. Donors support organizations that receive grants from the government, believing that the governmental donors read the organizations' financial reports to determine their standing and assess their credibility and performance better than they could do.

Nevertheless, with the Polish donors' awareness increasing every year, the financial reports of the public benefit organizations are likely to be given more and more attention. In a growing number of cases, the donors will be interested in the effective use of the donated funds, organizational stability and the fulfilment of organization's statutory aims. Because this type of information can be easily found in financial reports, they will become the object of more extensive analyses and comparisons. Still today, the donors are interested in the value of organizations' assets or the donations transferred, but in the future the PBOs will have to publish more advanced financial indicators to prove that they are managed effectively.

The investigation into the importance of financial reports for donors making contributions or grants and exploring why one institution was chosen and not the other will be continued. The research sample will be extended to include the most recent data and new independent variables will be added to the model, e.g. dummy variables.

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