ACCOUNTABILITY AND GOVERNANCE REPORTING BY NON-PROFIT ORGANIZATIONS

Nurfarahin Roslan*, Roshayani Arshad**, Nur Farahah Mohd Pauzi***

*Faculty of Accountancy, Universiti Teknologi MARA, Puncak Alam Selangor, Malaysia, **
*Accounting Research Institute, Universiti Teknologi MARA, Malaysia, ***
*Faculty of Accountancy, Universiti Teknologi MARA, Melaka, Malaysia. ****

ABSTRACT

Many non-profit organizations (NPOs) are facing funding cuts and reduction in voluntary donations during the current economic environment. In ensuring the sustainability of these organizations, the Malaysian government is currently promoting collaborative efforts between the government, social organisations and the private sector in providing social services. The potential advantages of such collaborations include, the risks of providing social services are shared between the government, social organizations and the private sector, build positive perceptions of government as enabler for social organizations, capitalise on social organizations' collective skills, enthusiasm and innovation in providing social services. However, the current reporting requirement for NPOs in Malaysia may give rise to information asymmetry that can hinder such efforts. Hence, this study aims to examine the current reporting practices of NPOs in Malaysia. Based on content analysis of annual reports of 205 NPOs registered with Registry of Societies for the financial year 2011, this study finds that the overall information reported by the NPOs is relatively weak. NPOs also disclosed relatively high non-financial information as compared to the financial information. Hence, there is a need for more comprehensive reporting guidelines for the NPOs that can facilitate the decision-making needs of the relevant stakeholders.

Keywords: Non-Profit Organizations, Accountability, Governance, Reporting

INTRODUCTION

Non-profit organizations (NPOs) fall under the third sector which is also known as charitable sector, voluntary sector or social sector that is comes after the public and private sector. There are 12 categories of NPOs in the system, namely, culture and recreation; education and research; health; social services; environment; development and housing; law advocacy and politics; philanthropic intermediaries and volunteerism promotion; international activities; religion; business; professional associations and unions; and lastly those that are not elsewhere classified (Salamon & Anheier, 1996). Sustainability of NPOs is a paramount issue in Malaysia and issues on transparency and accountability of NPOs have continuously been emphasized as the key requirement for good governance (Burger & Owens, 2010). Therefore, the annual report could be

*Corresponding author's email: nurfarahin1310@gmail.com

the best approach to demonstrate the extent of transparency and accountability through the information disclosed to the stakeholder as a whole (Flack & Ryan, 2002). As for Malaysia, there is no specific accounting standards dedicated mainly for NPOs, thus, Malaysian NPOs are subjected to a less stringent reporting requirements due to minimum regulatory requirement (Arshad, Abu Bakar, Sakri & Omar, 2012; Mohd Nasir, Othman, Said & Ghani, 2009 and Zainon, Hashim, Yahaya & Atan, 2013). On the other hand, the accounting bodies in the developed countries such as United Kingdom, United States, New Zealand, Australia and Canada have started to provide dedicated details guidelines in relation to reporting framework of non-profit organizations due to its remarkable growth. Currently, the Charity Commission in the UK and Republic of Ireland have come out with the Statement of Recommended Practices (SORP, 2013) to facilitate NPOs in preparing financial statements in accordance with the Financial Reporting Standard (FRS) whereas Canada released CICA Handbook and Financial Information Kit in 2010 to support the financial reporting of charities. Besides, Institute of Chartered Accountants in Australia has issued guidelines in producing financial reports to enhance NPOs annual reporting.

Traditionally, the main financial supports of NPOs have been derived through government funding and voluntary donations. According to Trussel & Parsons (2008), provision of financial support from the donors and grantors could be highly depending on the information disclosed by NPOs. There is no exception for NPOs in Malaysia having reduction in the traditional sources of funding which lead to increasing competition among NPOs for these limited resources during the current economic environment. Various initiatives have been taken by government agencies to ensure NPOs could obtain sufficient funding in order to deliver social services. To date, a Social Public-Private Partnership (SPPP) was introduced under the National Blue Ocean Strategy (NBOS) to address social disparities through delivering high value impact at low cost by aligning the government and the private sector resources in terms of funds and other in-kind contributions.

The loopholes in Malaysian reporting requirement have triggered problems such as low compliance level and inconsistency in preparing the financial statement of NPOs that can finally could be linked to the increment in the number of corporate scandals, mismanagement of fund and fraudulent activities involving NPOs (FATF, 2013 and Gordon, Khumawala, Kraut & Neely, 2010). Consequently, the information disclosed in the annual reports could subject to the discretion of the individual NPOs. Concerns over perceived lack of transparency and accountability in non-profit sector have triggered calls for the development of an accounting standards or recommended practices dedicated to the third sector which covers financial and non-financial disclosures in order to assist NPOs in producing comprehensive financial reports as a mechanism to discharge accountability and manage information asymmetry.

*Corresponding author's email: nurfarahin1310@gmail.com

OVERVIEW OF REPORTING REQUIREMENTS OF NON-PROFIT ORGANIZATIONS

Reporting requirements for non-profit organizations in Singapore

In Singapore, non-profit entity can be registered either as public company limited by guarantee, society or charitable trust. Public companies limited by guarantee are registered with Accounting and Corporate Regulatory Authority (ACRA) and are governed by the Singapore Companies Act 1967. For societies, they are required to be registered with the Registrar of Societies (ROS) and are governed under Singapore Societies Act 1966. Charitable Trusts are licensed by the Monetary Authority of Singapore (MAS) and are governed by the Singapore Trust Companies Act 2005. After the non-profit entity has obtained a legal status, they are allowed to apply for charity status from Commissioner of Charities and are governed under Singapore Charities Act 1994.

For disclosure and reporting requirements, non-profit entity with a charity status are required to submit annual reports (including audited statement of accounts) and governance evaluation checklist (compliance with the Code of Governance for Charities 2011) within six months from the end of the financial year to the Commissioner of Charities or Sector Administrators. The annual report should be prepared in accordance with the requirement set out in the Charities (Accounts and Annual Report) Regulations 2011 (http://statutes.agc.gov.sg).

Under the Charities Regulations 2011, the preparation of statement of accounts should comply with either Charities Accounting Standards (CAS) or Financial Reporting Standards (FRS). Statement of accounts should contain an income and expenditure account together with a balance sheet showing the financial position of the last financial year. Other statements such as notes explanation of the accounting policies, the details of transactions relating to charity various funds, notes on fund utilization, analyses of the information contained in the income and expenditure account and balance sheet are also required. However, for charity with gross income in any financial year does not exceed $50,000, the entity may elect to prepare a receipts and payments account and a statement of assets and liabilities, for that particular year. Besides submitting annual report to the Commissioner of Charities, non-profit entity registered either with ROS or ACRA are also required to submit annual return to whom the entity are registered.

Reporting requirements for non-profit organizations in Canada

In Canada, NPOs can be registered either as companies or societies with the Corporate Registry. For non-profit companies, they are governed under the Companies Act 1970, while societies are governed under Society Act 2000. In order for the entities to become registered charities, an application must be made to and approved by Canada Revenue Agency (CRA). Registered charities are required to comply with Income Tax Act and Provincial Legislation. For disclosure and reporting requirements, entities have reporting obligation under the Canada Not-for-Profit Corporation Act 2009 to submit an annual return within the 60 days following the financial year end together with financial statements and public accountants report not less than 21 days before

*Corresponding author's email: nurfarahin1310@gmail.com

each annual general meeting (https://www.ic.gc.ca). The financial statements must be prepared in accordance to the Canadian Generally Accepted Accounting Principles (GAAP) as set out in the Canadian Institute of Chartered Accountants (CICA) Handbook.

Reporting requirements for non-profit organizations in New Zealand

Charities in New Zealand need to be registered with the Charities Services which governed under the Charities Act 2005. Charities Services' roles include registering and monitoring charities as well as processing Annual Return (a yearly report which details the income, expenditure and activities). The charities register will list down all the registered charities in New Zealand which summarized charity's purposes, activities, sector and Annual Return that to be filed within six months after the financial year end date (www.charities.govt.nz/charities-in-new-zealand/the-charities-register). The registration and deregistration of charities are done by the independent three-person board in the Charities Registration Board (www.charities.govt.nz/about-charities-services).

Not-for-profit entities and registered charities will have significant changes in the financial reporting landscape with the first time of financial reporting obligations starting from 1 April 2015 (www.charities.govt.nz/new-reporting-standards/). In conjunction with that, PBE Standards for public entities (including both public sector entities and not-for-profit entities) based on the International Public-Sector Accounting Standards (IPSAS) issued by the International Public-Sector Accounting Standards Board (IPSASB) are as follows:

	Not-for-profit: Criteria of Tiers	Accounting Standard	Key Dates
TIER 1	• Publicly accountable • Large (i.e. annual expenses > $30 million)	PBE Standards (with NFP enhancements)	**Effective date:** Periods beginning on or after 1 April 2015
TIER 2	• No public accountability • Expenses over $2 million up to $30 million	PBE Standards (RDR) (with NFP enhancements)	**Early adoption:** Permitted, however until NFP versions are issued, must use the public-sector version of the PBE Standards (i.e. without NFP enhancements)
TIER 3	• No public accountability • Expenses ≤ $2 million	PBE Simple Format (Accrual) (Not-for-profit)	
TIER 4	• No public accountability, and permitted by an Act (of Parliament) to report on cash basis • Operating payments < $125,000	PBE Simple Format (Cash) (Not-for-profit)	

Source: KPMG (2014)

All of the transactions, balances and activities should be included in the financial statements of reporting entities which comprise of: (1) all transactions and activities undertaken using the reporting entity's identity, (2) transactions undertaken and balances held in the name of the reporting entity, (3) funds and associated transactions solicited in the name of and with the approval of the reporting entity by a third party fundraiser acting as an agent of the reporting entity and (4) account for the relationship under 'control', 'joint control', 'significant influence' or 'other relationship' with other entities. The financial reporting requirements should be included with the annual return within six months of the financial year end date (Deloitte, 2015).

*Corresponding author's email: nurfarahin1310@gmail.com

Reporting requirements for non-profit organizations in United States

Nonprofit organizations in US are regulated by local, state and federal laws (www.hg.org/nonprofit-organizations.html). The incorporation of nonprofit in US would be different accordingly from state to state in terms of law and regulation. However, a general overview for all the states would require, (1) filing of Articles of Incorporation (supplemental information such as Certificate of Disclosure, proof of corporate name and filing fees might be needed), (2) publishing the Articles of Incorporation a certain number of times in a local newspaper and the proof of publication might need to be filed with a state agency, and lastly, (3) filing for Federal Tax-Exempt Status (www.councilofnonprofits.org/tools-resources/how-start-nonprofit). There are all together 29 types of nonprofits which are tax exempt under Internal Revenue Code Section 501 (c) (www.charitynavigator.org).

For the federal filings, tax-exempt nonprofits are required to file an annual report Form 990 with the Internal Revenue Service (IRS) on the 15th day of the 5th month after the close of the nonprofit's fiscal year. Form 990 is opened to public inspection and most of the nonprofits will post the documents from a link on their website in order to demonstrate a commitment to transparency and make it easier for those seeking financial information to view the documents. Whereas, for the state filings, most states require nonprofit organizations to file one or more reports every year. In general, there are four types of filing requirements, (1) corporate filings, (2) financial reports, (3) fundraising registrations and (4) state tax-exemption filings (www.councilofnonprofits.org/tools-resources/public-disclosure-requirements-nonprofits).

Comparison with Reporting Requirements of Non-Profit Organizations in Malaysia

Non-profit organizations in Malaysia can be registered with two main regulatory bodies, namely Companies Commission of Malaysia (CCM) and Registry of Societies (ROS). Non-profit organizations that are registered under the CCM are incorporated under the Companies Act 1965, whereas, Societies Act 1966 regulates non-profit organizations registered under ROS. The financial statement of the non-profit organizations registered under CCM are required to comply with the Malaysian Financial Reporting Standards (MFRS) issued by Malaysian Accounting Standard Board (MASB) and must be audited which is equivalent with the rest of other private entities in Malaysia. However, those that registered under ROS are only encouraged to comply with the MFRS and their financial statements are not compulsory to be audited but encouraged to get the financial statements audited on voluntary basis. Additionally, according to Section 14(d) of the Societies Act 1966 (Act 335) and Regulations Act 1984, the organizations need to submit the annual return (Form 9) together with the Statement of Receipt and Payments and Balance Sheet of the last financial year within sixty days after the annual general meeting. However, cash flow statement, statement of changes in general fund, notes on significant accounting policies and other supplementary statements are not required to be submitted.

*Corresponding author's email: nurfarahin1310@gmail.com

METHODOLOGY

Sample and Data Collection

The sample for this study consists of 205 registered NPOs with ROS from various background including religious, welfare, social and recreation, women, culture, mutual benefit societies, trade associations, youth, disable, education, political, employment associations, general and others. The research approach involves the content analysis of annual reports which consist of 1 year data under review collected from year 2011 and also Form 9 provided by the ROS. For the purpose of measuring voluntary and mandatory disclosures in annual report, content analysis has been widely used in prior studies (O'Donovan, 2002; Clemens & Douglas, 2006). This study emphasis on the data disclosed in relation to financial and non-financial information in order to examine the reporting practices by NPOs in Malaysia.

Development of Total Disclosure Index

Total disclosure index (TDI) was developed for this study in order to measure the level of financial and non-financial information disclosed in the annual reports. The identification of items to be included in the index was based on the Society Act 1966 reporting requirement, recommended practices in United Kingdom, Canada and Australia, and some prior studies that relate to NPOs (Arshad et al., 2012, Froelich, 1999, Irvine & Ryan, 2013 and Zainon, Atan & Wah, 2014). The Society Act 1966 provides brief guidelines on the mandatory requirement for NPOs in Malaysia on the need to prepare and submit annual return which comprises of details of Balance Sheet (BS) and Statement of Income and Expenditure (IS) which resulted in inconsistency in the preparation and presentation of information disclosed.

This study has further referred to the Statement of Recommended Practices (SORP) in accordance to Financial Reporting Standards (FRS) published by the UK Charity Commission. SORP was adopted as it provides up-to-date information relates to charities annual report preparation and presentation. Furthermore, SORP report emphasis on both financial and non-financial information such as objectives and activities, achievements and performance, financial review, structure, governance and management, reference and administrative details in order to come out with comprehensive disclosure in annual reports. Besides, the identification of index was also guided by a review of the best practices in "Combating the Abuse of NPOs" issued by the Financial Action Task Force, June 2013. This report emphasized on financial transparency especially on the disclosures of fund bank account, program budget details including the identity of donors and recipients in relation to the anti-money laundering and terrorism financing.

Finally, TDI items are grouped into the following categories, (1) Balance Sheet (13 items), (2) Statement of Financial Activities (15 items) and (3) Non-financial Reporting (11 items) as summarizes in Table 1 below.

*Corresponding author's email: nurfarahin1310@gmail.com

Table 1: Main Categories of Data Disclosure

Category 1	**Disclosure Items (Balance Sheet)**
Information on Financial Reporting	Non-Current Assets (2 items)
	Current Assets (3 items)
	Non-Current Liabilities (2 items)
	Current Liabilities (2 items)
	Equity Funds (4 items)
	Disclosure Items (Statement of Financial Activities)
	Income generated from Operation (3 items)
	Income from Fundraising Activities (1 items)
	Income from Grants (3 items)
	Income from Investment Activities (3 items)
	Other Income (1 items)
	Cost of Operation (1 items)
	Cost of Fundraising Activities (1 items)
	Administrative Expenses (1 items)
	Other expenses (1 items)
Category 2	**Disclosure Items**
Information on Non-Financial Reporting	Organization activities (1 items)
	Programme Accomplishment (3 items)
	Financial Review (1 items)
	Corporate Info, Structure and Governance (4 items)
	Contribution (2 items)
Total number of items	**39 items**

Table 2: Summary of Item Disclosures under Category 2

1	**Objectives**
Program Accomplishment	
2	Achievement
3	Performance
4	Future plan
5	**Financial Review**
Corporate Information, structure and governance	
6	Corporate Information
7	Corporate Profile
8	Financial Expertise
9	Auditor
Contribution	
10	Volunteer Disclosures
11	Contribution to/from other countries

*Corresponding author's email: nurfarahin1310@gmail.com

Table 3: Summary of Item Disclosures under Category 1

(A) Disclosure Items under Balance Sheet	
Non-current Assets	
1	Property, Plant and Equipment
2	Long-Term Investment
Current Assets	
3	Trade and Other Receivables
4	Short-Term Investment
5	Cash and Bank Balances
Current Liabilities	
6	Trade and Other Payables
7	Short-Term Loan and Borrowings
Non-current Liabilities	
8	Taxation
9	Long-Term Loan and Borrowings
Equity	
10	Restricted Funds
11	Unrestricted Funds
12	Accumulated Reserves
13	Total Accumulated Funds
(B) Disclosure Item under Statement of Financial Activities (SOFA)	
Income from operation	
1	Donation and contribution
2	Fees
3	Commercial Activities
Income from Fundraising Activities	
4	Fundraising
Income from Grants	
5	Government
6	Private
7	Others
Income from Investment Activities	
8	Dividend
9	Interest
10	Rental
11	**Other Income**
12	**Cost of Operation**
13	**Cost of Fundraising Activities**
14	**Administrative Expenses**
15	**Other Expenses**

Table 4: Disclosure Score

Score	Indicators
0	No disclosure
1	Disclosed

*Corresponding author's email: nurfarahin1310@gmail.com

RESULTS AND FINDINGS

NPOs Reporting and its accountability

Reporting of comprehensive information is crucial for NPOs since they are accountable towards a large number of stakeholders including the public and resource providers. In order for NPOs to sustain and successfully deliver their social mission, they are highly dependent on the contribution from external parties. These parties require NPOs to be more reliable and transparent in reporting to help encounter their concern on the effectiveness and efficiency of the funds management. Trussel & Parson (2008) and Zainon et al (2014) have agreed that by disclosing details of their financial standing and social performance, NPOs can enhance their credibility, build community trust and demonstrate their responsiveness towards stakeholders. Failure to communicate sufficient information can lead to negative perceptions regarding the organization's effectiveness leading to withdrawals of support by the donors and other stakeholders. Besides, the reluctant behavior to disclose full organization information could also trigger the emergence of corporate scandals, misappropriation of fund and fraudulent activities (Gordon et al, 2010). Thus, the proposal of increasing the reporting requirement for Malaysian NPOs is important to improve the credibility and sustainability of NPOs in the long run.

Table 5: Descriptive Statistics for Level of Reporting Practices

	No of sample	Minimum	Maximum	Mean
Financial Reporting - Balance Sheets	205	.08	.85	.3698
Financial Reporting - SOFA	205	.13	.73	.3652
Non-Financial Reporting	205	.18	1.00	.4449
Total Disclosures	205	.13	.69	.3901

Total disclosures tested in this study consist of two major components including **Financial Reporting**; Balance Sheet (BS) and Statement of Financial Activities (SOFA), and **Non-Financial Reporting**. Through the review of 205 NPOs annual reports, it reveals that NPOs in Malaysia disclosed at least 8% of Balance Sheet items, 13% of SOFA items and 18% of non-financial items. The maximum scores indicate that NPOs might disclose up to 100% of the non-financial information, 85% of the balance sheet information and 73% of statement of financial activities information. From this analysis, it shows that NPOs in Malaysia is better in terms of disclosing the non-financial information as compared to financial information. NPOs are motivated to provide details disclosure of non-financial information due to its mission that are more related to community and social services.

However, the overall disclosure was found to be weak for all the components since the mean values were below 50%. On average, Malaysian NPOs only disclosed 37% of Balance Sheet and SOFA items, and 44% of Non-financial items. The result is already expected since NPOs are only subjected to a minimum reporting requirement under the Malaysian environment.

*Corresponding author's email: nurfarahin1310@gmail.com

Moreover, NPOs in Malaysia are still reluctant to disclose information especially on the financial aspects as compared to non-financial aspects which could reflect that NPOs are still not taking full advantage of the comprehensive reporting as a communication device to gain donors and public trust based on five best practices, namely, completeness, accessibility, transparency, full disclosure and relevance (Gordon et al, 2010). As a consequence, limited disclosure by the NPOs due to the incomplete of record keeping, limited financial monitoring and unstructured volunteer management would hinder NPOs growth, sustainability and effectiveness (Minzner, Klerman, Markovitz and Fink, 2014).

Financial Reporting

Disclosures of Balance Sheet Items

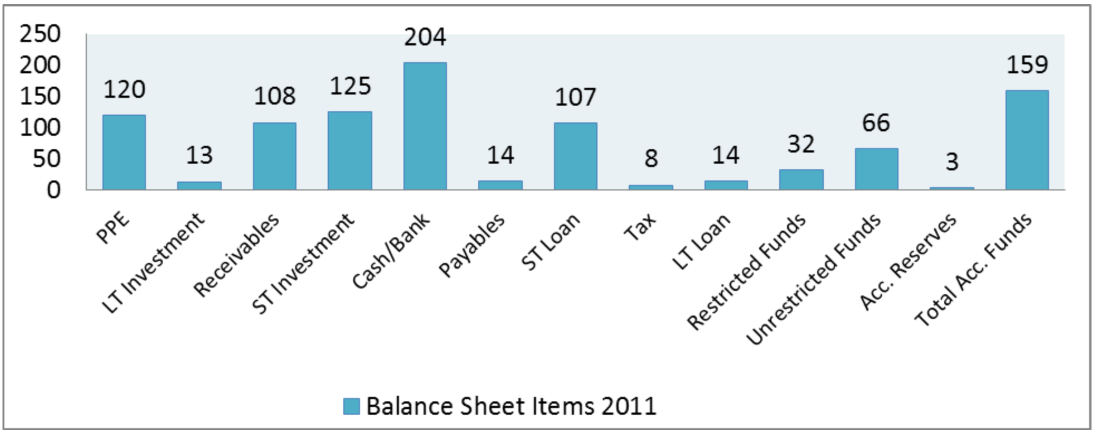

Figure 1: Disclosures of Balance Sheet Items

A detailed analysis was conducted on the disclosures of balance sheet items. Figure 1 shows the assets and liabilities disclosed by NPOs for the year 2011. Among the Balance Sheet items that are mostly disclosed are property, plant and equipment, current assets, short term loan and accumulated fund. Meanwhile, disclosures on long term investment, payables, taxation and equity funds is relatively low. In addition, results have showed less than half of Malaysian NPOs disclosed about their equity fund. This might provide perceptions either NPOs in Malaysia have a very limited fund since they are smaller in size as compared to other sectors or NPOs are reluctant to disclose information on the funds obtained. Disclosures on the equity fund are highly demanded since the stakeholders are the main contributor of NPOs income. According to Taniguchi and Marshall (2014), the inflow and outflow of funds need to be properly disclosed as individuals believe that their contribution will be put to good use based on their trust. Thus, providing useful and relevant information regarding NPOs financial position to the current and

*Corresponding author's email: nurfarahin1310@gmail.com

future resource providers is an important strategy to ensure sustainability of NPOs in the long run.

Disclosures of Statement of Financial Activities (SOFA) Items

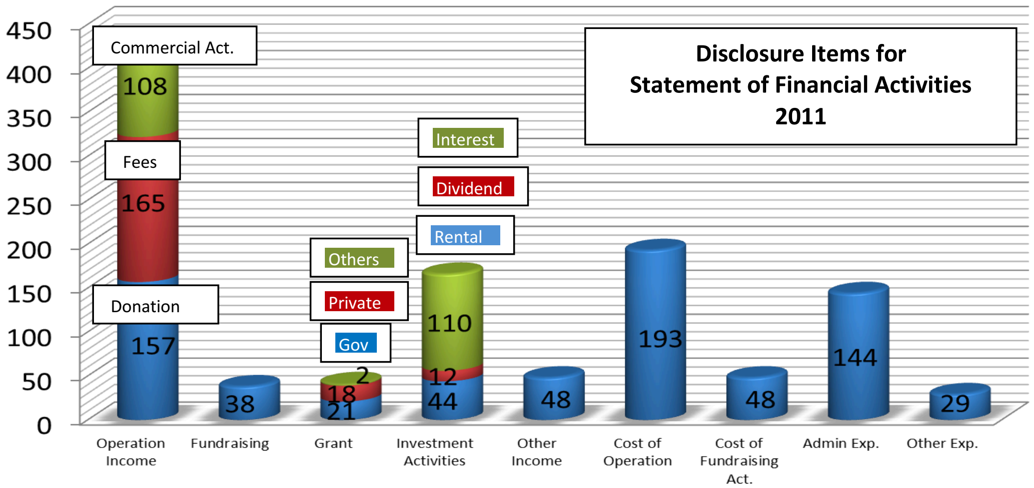

Figure 2: Disclosures of SOFA items

Figure 2 shows a detailed analysis on disclosures of Statement of Financial Activities by items. The results shows that, among the items that are highly disclosed in SOFA include the income from operation and investment activities, cost of operation and admin expenses. Besides, more than 50% of Malaysian NPOs disclosed their sources of income come from donation, membership fees and trading activities. This result provides a good signal that NPOs are trying to be transparent by disclosing the information related to the sources of income and expenditure. However, only a quarter of NPOs disclose about the cost of fundraising and the remaining disclosures are only limited to cost of operation and administrative. It is paramount for the NPOs to record and provide details information on the sources of revenue received such as donations, government grants, trading income and investment income which ultimately would be scrutinized by the public at large. Since membership fees is one of NPOs major income sources, therefore, NPOs are accountable towards the members, to disclose information on the management of the money, namely in terms of the details spending. Besides that, NPOs that involved in trading activities are expected to have proper and comprehensive reporting of their activities as they are accountable towards a larger crowd of stakeholders including the customers and suppliers as their additional resource provider.

There are still a lot of rooms for improvement need to be taken into consideration by NPOs to be more accountable in reporting of their activities since they are being pressured from the external resource providers to present the evidence on how the resources are spent and achievement acquired although they can voluntarily decide to measure on the social impact for their own purpose (Arvidson and Lyon, 2014). According to McGann and Johnstone (2006), transparency

*Corresponding author's email: nurfarahin1310@gmail.com

should emphasize on the three areas which include, transparency on how funds are spent, transparency in the method of intervention and to conduct regular monitoring and evaluation involving the stakeholders or making the outcomes of these known to the stakeholders. In addition, NPOs should aware that the extent of reporting made particularly on the spending of public fund would have a significant effect on donations (Marudas, 2004). Pfeffer and Salancik, (1978) have highlighted that NPOs would survive substantially from public funds if they can manage the flow of resources and reduces the uncertainty in their environment.

Non-Financial Reporting

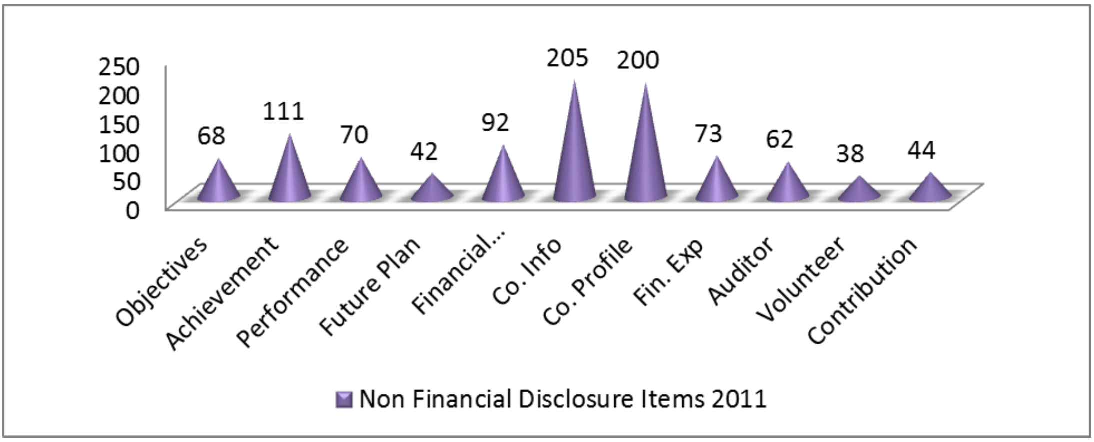

Figure 3: Disclosures of Non-financial items

In terms of non-financial reporting, results from Figure 3 indicate that among the most items disclosed by NPOs are corporate information and profile. However, more than half of the Malaysian NPOs did not disclosed information about their objectives, program achievement, performance, financial review, financial expertise and auditor. In addition, NPOs seems to neglect the information on the volunteers that gives significant contribution to the charities and disclosures of contribution received/paid from/to countries other than Malaysia.

Statement of Recommended Practices (SORP, 2013) highlighted that good reporting is when the charities provides a coherent explanation of the charity's objective, policies and strategies, also explaining the activities undertaken throughout the year. NPOs should disclose the non-financial information especially their objectives, policies and strategies in detailed sentences including how often it is being reviewed. Disclosures regarding the programs and activities conducted, the people involved and the achievements are important because it helps the resource provider or public to monitor the management of the fund given and the effectiveness of the programs conducted and beneficial bring to the society. Besides, any opinion on the improvement of the performance of NPOs is essential to be disclosed to the stakeholders in order to prove the ability of NPOs in providing social services in order to remain sustainable and to show their mission are not driven by the profit motive.

*Corresponding author's email: nurfarahin1310@gmail.com

CONCLUSION

This paper provides a descriptive analysis on the level of information disclosed in the annual reports of Malaysian NPOs, focusing on the financial and non-financial information. The quality of information disclosed in annual reports could enhance NPOs accountability towards multiple stakeholders. This is indeed an essential part to maintain NPOs credibility in their long run and to create the awareness of the importance of third sector to the community at large. This study found that the levels of financial and non-financial information disclosed among Malaysia NPOs registered with ROS are relatively weak. However, NPOs disclosed relatively high non-financial information as compared to the financial information.

These indicate several important insights relating to the non-profit sector. Firstly, since there is no proper mechanism introduced to fill in the reporting gap for NPOs in Malaysia, it has resulted to NPOs' reluctant behavior to disclose detailed information regarding their activities. In addition, as stated by the regulatory authority, NPOs are only subjected to voluntary compliance. Secondly, comprehensive disclosures integrating financial and non-financial information can potentially help to improve NPOs' sustainability through the showcase of accountability and the impact that NPOs can provide to the public as a whole. In other words, comprehensive disclosures may act as a tool for NPOs to communicate their activities, achievement and future plans which in turn allows NPOs to build community trust and demonstrate the responsiveness towards the resource providers. Lastly, the introduction of a comprehensive reporting guideline can be use by the Registry of Society as a monitoring device towards the organizations within the third sector.

Taking into accounts of the characteristics of NPOs in Malaysia, they still need some guidance with regards to the preparation and presentation of their annual reports. Reporting guidance or best practices promoted by regulatory authorities are expected to enhance the accountability of NPOs. Therefore, the development of comprehensive framework is needed to facilitate the NPOs in preparing and presenting their annual reports.

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*Corresponding author's email: nurfarahin1310@gmail.com