

Arsht Research on Ethics and Community Grant

Does Electronic Disclosure Affect Contributions to Non-Profit Organizations? Practice and Policy Implications

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Abstract

Electronic disclosure is defined as supplemental voluntary disclosure of financial information on an entity's website (Lymer *et al.*, 1999 and Ashbaugh *et al.*, 1999). Our research proposal investigates if the electronic disclosure of financial information affects contributions to nonprofit organizations (NPOs). To conduct this inquiry, we will regress the change in total revenues of the top 100 NPOs on certain aspects of disclosure for the sample period 1998 to 2004.

Preliminary results using 10 of the top 100 NPOs listed by the *NonProfit Times* find that, contrary to expectations, high levels of information asymmetry do not affect donors. Specifically, our results show an increase in revenues for our sample of NPOs to \$49.7 billion in 2004 in spite of the fact that financial reports and Form 990s were neither filed in a timely manner nor posted on electronic websites. This leads us to conclude, preliminary, that contributions to NPOs may be motivated more by the program objectives of the NPO rather than adherence to mandatory or voluntary disclosure requirements. If this is the case, then more information about the value of program objectives in the face of financial outcomes warrants attention.

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