

Disclosure Practices and Policies of UK Charities



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ACKNOWLEDGEMENTS

We would like to thank ACCA for providing financial support on this project on charity reporting practices and policies. Additional financial and research support by the Department of Accounting and Finance, University of Glasgow is also gratefully acknowledged. We would like to convey our appreciation to Mrs Yvonne Laing for her help in researching material for the study and transcribing the interview tapes.

We would also like to thank the directors of the charities sampled for their support in facilitating this project and for agreeing to participate in the interview stage of this study – in particular, we are grateful for their invaluable insights on charity reporting. We are also indebted to our colleagues and conference reviewers (in particular, Dr Alpa Dhanani) for providing useful feedback during the various stages of this project. The thoughtful comments of two anonymous reviewers are gratefully acknowledged.

ISBN: 978-1-85908-451-9

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Executive summary

BACKGROUND

It is well established that the general purpose of financial reporting is to provide information that is useful to a variety of users who have an interest in assessing the performance of an enterprise and its management, and making financial decisions. Accountability is subsumed within this general decision-making purpose (ASB 1995). In the case of charities, contributors represent a key stakeholder group whose primary source of information is the published financial statements; unlike a variety of other information sources for users of corporate reports, the information accessible to charity contributors is generally limited to publicly available annual reports and annual reviews.

Recent regulatory and academic interest in charity annual reports (eg Beattie and Jones 1994; Christensen and Mohr 2003; Connolly and Hyndman 2003; Connolly and Dhanani 2004; Charity Commission 2004a; Morris 2005; Cordery and Baskerville 2007; Dilnot 2007; Hooper et al. 2008) appears to parallel the growing significance of the UK charity sector within the economy. It is estimated that, in 2008, registered charities in England and Wales had a total annual income exceeding £45 billion, with the largest 706 charities attracting almost 50% of the figure (Charity Commission 2008). Together with this growth, come pressures for higher levels of charity governance, especially in an environment where public trust and confidence is volatile¹ and regulators are continuously introducing proposals to improve transparency and accountability (Morris 2005; Cordery and Baskerville 2007; Dilnot 2007). In addition, the increased public scrutiny of how the organisation discharges its responsibilities is reflected by the emphasis placed on accounting and disclosure requirements by the Charity Commission, via the development of the 2000 Statement of Recommended Practice (SORP) – *Accounting and Reporting by Charities* (Charity Commission 2000).² The Charity Commission published a revised SORP, which became effective from 1 April 2005, with a recommended early adoption option for all charities (Charity Commission 2005a).

According to SORP 2000 and its subsequent 2005 revision, a charity's annual report and financial statements are produced to discharge the trustees' duty of public accountability and stewardship, and depict the charity's structure, activities and achievements. Despite a move towards formal reporting standards, recent literature relating to charity reporting seems to suggest that external reporting by charities is characterised by diverse accounting practices and a lack of standardisation,

resulting in difficulties for users in understanding financial statements (Connolly and Hyndman 2003). To date, the limited amount of research undertaken on the not-for-profit sector has focused on the financial statements rather than the other (often narrative) sections of the annual report (notable exceptions are Connolly and Hyndman 2003, 2004; and Connolly and Dhanani 2004). By contrast, the literature on reporting practices within the for-profit sector is extensive, although the focus there has also been on the financial statements. Consequently, our study begins to address this void by presenting an investigation of the disclosure practices and policies, in the annual report and accounts and annual reviews, of a small sample of large fund-raising and grant-making charities within the UK.

AIMS AND OBJECTIVES

The main aims of this study are to examine the disclosure practices of charitable organisations and link this to their respective disclosure policies.³ First, the practices of ten large UK charities are documented through an in-depth analysis of the nature and content of the narrative element of their reporting documents. Second, the study explores the motivations, drivers and constraints relating to public charity disclosure by interviewing the preparers of these documents. Specifically, the interview-based findings shed light on why interviewees generally choose to disclose specific items and the constraints that prevent certain non-disclosures. In addition, the interview analysis provides insights into the specific disclosure practices documented in the first stage of the work. In particular:

- we investigate charity disclosure practices identified through a multidimensional analysis of the narrative information disclosed within both the annual report and accounts and the annual reviews, and
- we use the information gathered about disclosure practices as contextual background in our investigation of the respective charities' disclosure policies (either formal or informal) by interviewing the preparers of these reporting packages. In other words, our study explores, through the use of interviews, the general and specific motivations for the disclosure practices which have been identified from the analysis of the form and content of charity annual reports and annual reviews.

1. A Charity Commission survey, published in May 2008, suggests that public trust and confidence in charities increased slightly between 2005 and 2008, and this increase is significant when compared with other key professions and institutions (IPSOS Mori 2008).

2. This document superseded the first SORP produced by the Charity Commission, *Accounting by Charities: Statement of Recommended Practice*, October 1995 (Charity Commission 1995).

3. The term 'policies' is used here to refer to both formal and informal policies, where the former describes an explicit pre-determined course of action which sets out disclosure practice, and the latter relates to a persistent, subconscious set of reasons for observed practice (eg historical experiences or norms, traditions and rituals as explanations for disclosure choices).

The objectives of this study are:

- to improve our knowledge of what is currently disclosed by charities and, more importantly, to offer an understanding of why they have chosen such disclosure (and non-disclosure) policies (whether formally or informally)
- to contribute significantly to the identification of the constraints on improved reporting by charities in the UK, and
- to provide insights into the reforms geared towards charity reporting; for example, the shift in focus from financial to non-financial disclosure for assessing charity performance.

RESEARCH APPROACH

In order to document **what** is reported (the practices) and understand **why** it is reported (the policies),⁴ our study adopted a matched two-stage approach. Stage one involved a content analysis, while stage two consisted of a series of interviews. These investigations were conducted on a small sample of UK charities, derived from the top charitable organisations by fund income, as detailed in the *RCM Top 3000 Charities in the UK 2004/2005* (Caritas 2004). At the outset, invitations to participate were mailed in batches of five, beginning with the largest charities. The final sample comprised the first five fund-raisers and five grant makers that indicated their willingness to take part in this study. It was important that participants were willing to be interviewed in order to facilitate the second stage of the study, where interviews were conducted to understand the disclosure practices we had identified from the reports and reviews. In addition, the small sample reflects the in-depth analysis applied to these organisations.

In stage one, the multidimensional analysis framework developed by Beattie et al. (2002, 2004a, 2004b) for use in the for-profit sector was adapted for use in the not-for-profit sector and applied to the content of the unaudited sections of the annual reports and annual reviews. Following coding, the data was analysed and presented using descriptive statistics which reveal 'the intensity of concern with each category' (Weber 1985: 39). In addition, the statistics were compared across various code dimensions. Comparisons were made between code categories within individual charities, across aggregated charity groups (fund-raisers versus grant makers); and for the charity group as a whole against findings for the for-profit sectors, as reported by Beattie et al. (2002, 2004a). Connolly and Hyndman (2004: 149) explicitly identify this specific form of micro-analysis as a 'challenging and fruitful' way forward in charity narrative research.

In stage two, using the contextual background derived from the content analysis in stage one, a series of interviews were conducted to examine the reasons for the respective disclosure policies implemented by these charities. In particular, the interviewees were asked to comment on their motivations to disclose and the practices observed from the content analysis. Post-interview, the tapes were transcribed and analysed according to the disclosure issues under investigation, specifically, the relationships between disclosure and its drivers.

KEY FINDINGS

Findings from stage one are based on the analysis of over 11,000 individual units of text. It is found that, although there are variations in the disclosure practices of the individual sampled charities, the variations appear to be organisation-specific, with common patterns observed when the charities are grouped into their primary organisation type (ie fund-raisers versus grant makers). An analysis of these patterns, in light of insights gained from the interview material, reveals a number of additional significant findings.

1. The information contained within the charities' annual report and annual reviews is mainly historical (approximately 70%) owing to the nature of these documents – they are generally perceived as documents that detail information about past performances or activities of the past year. There are also different emphases attached to each document type – the annual report and accounts is more historically based while the annual review is seen as a relatively more forward-looking document.
2. The relative dearth of forward-looking information within these documents (8–9%) is explained in terms of: the uncertainties attached to such information (especially in a dynamic environment where charities have to be reactive to changes); the fear of creating a precedent by revealing future plans; and the possibilities that forward-looking information will be misunderstood by readers, which may lead to a misperception of the organisation's credibility in terms of fulfilling these plans.
3. The level of non-financial and non-quantitative information is high (approximately 73% and 81%, respectively). According to this study, there are difficulties in measuring impact and, therefore, preparers will often rely on the narratives and analysis of 'what' and 'why' to convey their messages. In addition, non-financial and non-quantitative data will help explain information, given the interviewees' perception that financial and quantitative data are not well received and well understood by readers.

4. Other issues include why charities choose to report certain items and why they do not report others, the latter possibly being the more enlightening aspect of the study.

4. The sampled charities disclose greater levels of information regarding performance and achievements than background data about the organisation. Specifically, management's analysis of performance, operating performance and background information accounted for approximately 22%, 19% and 18% of all disclosures, respectively.
5. Fund-raisers utilise commentaries by third parties within their reports to a greater extent than do grant makers (13% and 11% respectively). The preparers of the reports of fund-raising organisations suggest that this information helps convey messages to their stakeholders better than other types of information, eg these data are useful in illustrating the work of the charity.
6. The findings show that preparers view their defining class of users as mainly funders and financial supporters. This demonstrates agreement with the ASB's *Statement of Principles for Financial Reporting Interpretation for Public Benefit Entities*, which sets out the defining class of users as 'present and potential funders and financial supporters of the entity' (ASB, 2007b: para. 1.13).
7. The results suggest that preparers prefer to use unregulated forms of communications that reach a wide audience, for fund-raising and marketing purposes. They appear to put more effort into the production of these unregulated documents than their regulated counterparts, owing to the accessibility and readability of the former to a wide audience, mainly the unsophisticated stakeholders whom preparers view as the main readers of their reports. In unregulated documents, preparers have the option of suppressing 'bad' news, thereby maximising fund-raising potential.
8. There is an expectation gap between the role of general financial reporting envisaged by the regulators (and the ASB) and the willingness of charities to use these reports for that purpose. For instance, the regulatory focus appears to be on the importance of the annual report and accounts, whereas preparers prefer the annual review as their main source of communication.
9. Although there is an awareness of the benefits of increasing transparency via greater disclosure and reporting comparative information, the costs appear to weigh heavily in the preparers' decisions on disclosure. For example, the risks of setting precedents for activities, misinterpretation and false comparisons of performance-related and forward-looking data between diverse organisations, and the costs of disclosing information of a proprietary nature.
10. There is a call for more feedback from users of charity reports, in particular from individual stakeholders, which is currently lacking. When faced with this problem, preparers refer to external sources such as Internet usage information and third-party assessors, eg Intelligent Giving and the receipt of reporting awards, for feedback on their reports.
11. This study presents a framework which is intended to be a contribution towards a model of charity reporting. It is based on the perspectives of preparers, on the role of disclosure and the motivations and drivers of charity reporting. The framework suggests that charities' views on disclosing information are closely aligned with those of corporate preparers. Many of the conceptual issues identified from the interview analysis show that the motivations for disclosure by charity reporters are similar to those of corporate reporters. Examples of disclosure drivers are: reduction of information asymmetry; reduction of litigation costs; discharge of accountability obligations; legitimisation of charity activities and decisions; influencing readers; credibility enhancement; and promotion of trust and confidence in stakeholders. Based on preparers' views, the model identifies stakeholders and ranks them by saliency, and identifies the different uses of charity reporting documents. Further, the analysis shows that the medium of communication used can affect the targeting of stakeholders. Constraints and barriers are also identified that may affect how charities disclose information.

CONCLUSIONS

The analysis of the results from this study has revealed a number of significant conclusions and implications for the improvement of the accountability and transparency of charity reporting. First, the study shows that there are still variations in the reporting practices of charities, which supports the findings of previous literature, such as Hyndman (1990, 1991), Connolly and Hyndman (2003) and Connolly and Dhanani (2004). This finding can be explained by the diverse nature of the sector and its stakeholders.

Second, despite the varying patterns, charities are beginning to produce a substantial amount of useful information, such as non-financial, non-quantitative and narrative information. Several studies recommend the inclusion of such data in order to improve the quality of information available to stakeholders (Hyndman 1990, 1991; Williams and Palmer 1998; Beattie et al. 2002, 2004a, 2004b; and Connolly and Dhanani 2004). The present study further shows that charities' reports still lack forward-looking information, which may affect the information content of the documents produced by these organisations, especially given current reforms to increase forward-looking data within reporting.

Third, in contrast to Connolly and Hyndman (2003) and Connolly and Dhanani (2004), these findings suggest that charities are disclosing more performance-related information than background data, the latter of which is seen as dependent on stakeholders' level of familiarity with the organisation, and how established the charity is within the sector. This is in line with the introduction of performance reporting in the 2005 SORP, which was

absent from SORP 2000⁵ (Charity Commission 2005b), and thus demonstrates how the latest SORP has shaped reporting by charities. Preparers find providing performance information difficult in terms of measuring and quantifying the impact of their work, however, so this information is often presented in a narrative form.

Fourth, the results reveal that charities report more extensively on management's analysis of performance relative to descriptive, performance-related information, where the latter was observed as the prominent type of information reported by Connolly and Dhanani (2004).

Fifth, this study presents a framework towards understanding the drivers and motivations for charity disclosure (as called for by Bird and Morgan-Jones (1981) and Hyndman (1990, 1991)) given the dearth of literature regarding the purpose and premise of disclosure by charities. It would appear that there are various motivations for disclosure other than the accountability and user-needs arguments put forward by other recent studies on charities; for example, motivations relating to stakeholder influence (or 'saliency'), and socio-political drivers, such as a need to create a sense of empathy for the organisation. Hence, our study suggests that some of the purposes of charity disclosure resemble those observed in the corporate literature, thus widening the applicability of theories about the for-profit sector within the not-for-profit literature.

Sixth, the findings presented in this study reveal a number of implications for the move towards improving accountability and transparency in reporting. For example, although preparers find rules and regulations useful in providing important information, they see the emphasis on the use of the annual report and accounts as a means to achieve this aim as a possible barrier to enhancing the quality of reporting. They find rules and regulations and current reforms onerous, despite their well-meant intentions, for instance in the provision of forward-looking information. In addition, preparers viewed the mandated inclusion of information that is not considered useful to stakeholders as a burden. They also saw the annual report and accounts as an exclusive document that is not well received by their stakeholders, who are often perceived as unsophisticated. As a result, they believe that the emphasis on providing useful information should be shifted to the voluntary annual review. This is out of line with the Charity Commission's interpretation of transparent information which is 'capable of being understood by users with a reasonable knowledge of business, economic activities and accounting, and a willingness to study the information with reasonable diligence' (Charity Commission 2004a: 50). Taken together, the preparers' views imply the existence of an expectation gap between what regulators and preparers each perceive as useful and transparent information. It

also suggests that the preparers' negative perceptions of the annual report and the regulations pertaining to it may themselves be a barrier to high-quality reporting through the annual report.

Finally, the research demonstrates a number of policy-relevant points. It shows an agreement about the defining class of users for general purpose financial statements, namely donors and other financial supporters. This helps vindicate the SORP Committee's research programme in their search towards a possible ranking of classes of stakeholders. This study also shows that the main hindrance to improved annual reports and accounts is not only the lack of agreement about their content but also the extent of the enthusiasm and engagement of preparers. The findings further suggest that the Charity Commission's drive, via SORP 2005, towards increasing transparency through the use of performance and forward-looking information is moving in the right direction. In addition, regulatory efforts appear to be well directed towards maximum reporting impact. Regulators should consider extending their remit to the annual review, the document favoured by preparers and (allegedly) users. Any regulation of the annual review would, however, have to be 'light-touch', otherwise there is a risk that the annual review would become a clone of the annual report and, as a consequence, wither away. This would result in the loss of the desirable 'value-added' attributes of the annual review.

CONTRIBUTIONS OF THIS STUDY

This study builds on previous research relating to external charity reporting by using different approaches. Specifically, it presents two major contributions to the literature. First, it is the first in-depth study of the form and content of the narrative element of charities' reporting documents (as called for by Connolly and Hyndman 2004). We know of no study that has attempted a detailed, multidimensional and systematic analysis of charity reports; recent content analytic studies in charity narrative reporting are partial in their approach, that is, they examine particular issues (such as performance reporting) or pre-selected index items. The application to charity reports of a methodology for documenting the attributes of narrative disclosures contained in corporate annual reports, as developed by Beattie et al. (2002, 2004a, 2004b), is a first within the not-for-profit literature. Second, it offers insights into **why** charities choose to disclose (or not disclose) in their public reporting documents, by conducting interviews with those responsible for preparing the reporting package. In particular, the interviews provide insights into the perceived role of charity disclosure and the decisions made by charities in determining their disclosure policies. This allows us to understand the barriers to improving the transparency and accountability of charity reporting, thus supporting evidence-based policy making (Buijink 2006).

5. A new section on achievements and performance was included in paragraph 53 of the SORP 2005, to provide greater clarity about the disclosures on achievements and performance, such as the inclusion of a summary of measures and indicators used for assessing achievements (Charity Commission 2005b).

1. Introduction

BACKGROUND TO THE STUDY

It is well established that the general purpose of financial reporting is to provide information that is useful to a variety of users, who have an interest in assessing the performance of an enterprise and its management, and making financial decisions. Accountability is subsumed within this general decision-making purpose (ASB 1995). In the case of charities, contributors represent a key stakeholder group⁶ whose primary source of information is the published financial statements. Unlike a variety of other information sources for users of corporate reports, information accessible to charity contributors is generally limited to publicly available annual reports and annual reviews.

Recent regulatory and academic interest in charity annual reports (eg Beattie and Jones 1994; Connolly and Hyndman 2003; Connolly and Dhanani 2004; Charity Commission 2004a; Morris 2005; Dilnot 2007; Hooper et al. 2008) appears to parallel the growing significance of the UK charity sector within the economy. This growth in emphasis has led to greater regulatory pressures on, and scrutiny of, these charities. This is, in large part, due to the declining level of public trust and confidence in all types of organisations caused by recent financial scandals such as Enron and the breast cancer fund-raising scandals in Scotland and England (Morris 2005; Cordery and Baskerville 2007; Dilnot 2007; McInnes et al. 2007).

As a result of these concerns, there has been a demand for greater accountability and transparency in both corporate and charity reporting (ICAEW 2003; Charity Commission 2004a). Consequently, there has been a wave of reporting reforms, which propose, among other things, that the annual report should be restructured to better serve a wider range of stakeholders. Examples include ASB (1993); AICPA (1994); ICAEW (2003); Charity Commission (2004a, 2004b, 2005); ASB (2007a). (For the corporate sector, see DiPiazza and Eccles (2002); for the charity sector, see Morris (2005); Cordery and Baskerville (2007); and Dilnot (2007)). It is generally recognised that the annual report is just one of several main sources of information used by corporate stakeholders. Reform proposals, however, appear to 'assume that the annual report is the only source of information available to each group' (McInnes et al. 2007: 1). In the case of charities, voluntary annual reviews provide further information for stakeholders. In light of the proliferation of rules and guidelines to improve accountability through disclosure, it is important to understand that charities are diverse in size and aims. Although regulatory compliance and the

6. Although contributors are seen as a major user group, other stakeholders are widely acknowledged as being significant. For instance, the Charity Commission (2007) listed potential users as internal and external groups, ie finance staff and trustees, and funders, donors, beneficiaries and the wider public respectively, with funders and financial supporters being the primary class of users. A survey conducted by Guidestar UK (2007) identified potential beneficiaries (ie those looking for grants), prospective donors and academic researchers as stakeholders who potentially use charity information.

discharge of accountability can be seen as two of the main drivers for information disclosure, there are many other possible motivations for charity reporting. Moreover, there is a limited body of research regarding the disclosure practices and most importantly, the motivations for and drivers of disclosure for charities. Consequently, consideration needs to be given to the general applicability of these reforms; for example, what are the constraints on enhancing accountability and transparency in charities?

AIMS AND OBJECTIVES

The main aims of this study are to examine the disclosure practices of charitable organisations and link this to their respective disclosure policies.⁷ First, the practices of ten large UK charities are documented through an in-depth analysis of the nature and content of the narrative element of their reporting documents. Second, the study explores the motivations, drivers and constraints relating to public charity disclosure by interviewing the preparers of these documents. Specifically, the interview-based findings can be expected to shed light on why interviewees generally choose to disclose specific items and the constraints that prevent certain non-disclosures. In addition, the interview analysis provides insights into the specific disclosure practices observed from the first stage of the work. In particular:

- we investigate charity disclosure practices identified through a multidimensional analysis of the narrative information disclosed within both the annual report and accounts and the annual reviews, and
- we use the information gathered about disclosure practices as contextual background in our investigation of the respective charities' disclosure policies (either formal or informal) by interviewing the preparers of these reporting packages. In other words, our study intends to explore, through the use of interviews, the general and specific motivations for the disclosure practices identified by the content analysis of the form and content of charity annual reports and annual reviews.

The objectives of this study are:

- to improve our knowledge of what is currently disclosed by charities and, more importantly, to offer an understanding of why they have chosen such disclosure (non-disclosure) policies (whether formally or informally)
- to make a major contribution to identifying the constraints to enhancing reporting by charities in the UK, and

7. The term 'policies' is used here to refer to both formal and informal policies, where the former describes an explicit pre-determined course of action which sets out disclosure practice, and the latter relates to a persistent, subconscious set of reasons for observed practice (eg historical experience or norms, traditions and rituals as explanations for disclosure choices).

- to provide insights into the reforms geared towards charity reporting; for example, in the shift of focus from financial to non-financial disclosure for assessing charity performance.

RESEARCH APPROACH

First, the study examined the nature and content of the information disclosed via a multidimensional framework, based on a framework developed by Beattie et al. (2002, 2004a, 2004b), which has been adapted for use in the charity sector. Specifically, this study applied a micro-level content analysis of the topic and type attributes of the narratives contained within a small sample of UK charities' annual reports and annual reviews. Descriptive, classificatory research of this type provides an essential first step in the investigation of a phenomenon (Kaplan 1986).

Second, using these results as contextual background information, the study then explored the motivations, drivers and constraints relating to charity disclosure through interviews with the preparers of a matched sample of organisations. In addition, the interviewees were asked to comment on our content analysis of their disclosure practices. The interview-based material was analysed by identifying a vocabulary of disclosure issues and relationships between the two components under investigation – ie disclosure and its drivers – thus supporting the recommendations for providing evidence-based suggestions in policy-making studies (Buijink 2006).

STRUCTURE OF REPORT

The report contains six chapters. The relevant literature is reviewed in Chapter 2. The data and research approach are described in Chapter 3. Chapter 4 analyses the results of the disclosure content analysis while Chapter 5 interprets the interviews conducted. Finally, Chapter 6 provides a summary of the findings, offers conclusions and makes recommendations for future research.

2. Literature review

INTRODUCTION

As outlined in Chapter 1, this study examined the disclosure practices and policies of a small sample of UK charities. In particular, this report documents the topic and type attributes of information reported within the annual report and annual reviews of these charities. This, in turn, leads to an investigation of the drivers of the observed disclosure by these organisations. Thus, this project is concerned with the role of disclosure and communication of information through an organisation's publicly available reports. Consequently, there are four strands to this literature review. First, it describes the move towards greater accountability and transparency. Second, it presents the key theories underpinning the corporate disclosure literature and discusses their implications for the not-for-profit sector. Third, empirical studies of disclosure practices and policies in the for-profit sector are outlined. Finally, this section reviews empirical studies within the not-for-profit sector.

THE MOVE TOWARDS HIGH-QUALITY REPORTING AND ITS IMPLICATIONS FOR CHARITY REPORTING

The first Statement of Recommended Practice (SORP) concerning accounting by charities was published in 1995 (Charity Commission 1995). According to the subsequent SORP 2000 and its 2005 revision, a charity's annual report and financial statements aim to discharge the trustees' duty of public accountability and stewardship, and depict the charity's structure, activities and achievements. Despite a move towards formal reporting standards, recent literature relating to charity reporting seems to suggest that external reporting by charities is characterised by diverse accounting practices and a lack of standardisation, resulting in difficulties in user understanding of financial statements (Connolly and Hyndman 2003). In addition, the diverse nature of the sector and its stakeholders creates issues in identifying the purpose of disclosure by these organisations (Bird and Morgan-Jones 1981; Hyndman 1990, 1991; Hines and Jones 1992; Williams and Palmer 1998; Connolly and Hyndman 2003; Connolly and Dhanani 2004). These issues are made significant owing to the increased level of scrutiny on charities following recent financial scandals, such as the breast cancer fund-raising scandals in Scotland and England. This has led to an emphasis on better charity governance and demands for greater openness and accountability by charities (Charity Commission 2004a; Morris 2005; Cordery and Baskerville 2007; Dilnot 2007).

A report published by the Charity Commission (2004a) on the extent of disclosures within charity reports argued that the level of transparency and accountability was not satisfactory and that most charities did not meet the basic requirements of best practice. This subsequently led to the Charity Commission's publication of the principles of an effective charity in 2004, which demonstrated a change in direction towards a prescription of better governance by large charities (Charity Commission 2004b). In addition, extensive recommendations have been incorporated in the

2005 Statement of Recommended Practice (SORP) to improve the quality of information for the public. This requirement is seen as a step towards increasing the information available to stakeholders and helping charities demonstrate accountability and show transparency (Charity Commission 2004a). Further, SORP 2005 addresses Morris' concern (2005: 780) that there is a 'perception that the incentives to improve efficiency, effectiveness and accountability within the sector are not strong enough' and thus highlights the need for strengthening governance.

The Charity Commission interprets transparency and accountability as 'providing relevant and reliable information to stakeholders in a timely manner that is free from bias, comparable, understandable and focused on stakeholders' legitimate needs' (Charity Commission 2004a: 1). It requires that 'the information provided is capable of being understood by users with a reasonable knowledge of business, economic activities and accounting, and a willingness to study the information with reasonable diligence' (Charity Commission 2004a: 50).

The demand for greater accountability and transparency appears to parallel a similar gradual, yet definite, change in direction for financial reporting both in the US and in the UK, as is evident from various investigations on business reporting models. These models focus on the drive towards high-quality reporting and the use of narratives. A seminal contribution is the 'Jenkins Report' (AICPA 1994) in the US. The report proposes a 'comprehensive model of business reporting' which is based on meeting the needs of investors and creditors, as well as directing attention to a wider, integrated range of information useful for decision making. The report promotes the provision of more forward-looking information relating to management's plans, opportunities, risks and measurement uncertainties. In addition, the Jenkins model focuses on the inclusion of non-financial measures of performances within business reports. Consequently, five main elements of business reporting are set out as user-relevant: financial and non-financial data; management's analysis of financial and non-financial data; forward-looking information; information about management and shareholders; and background information about the company.

At the same time, change in financial reporting within the UK was moving forwards through the promulgation of a series of new financial reporting standards throughout the 1990s and the introduction of the Operating and Financial Review Statement⁸ (ASB 1993). The former was an attempt by the Accounting Standards Board (ASB) to improve the relevance of financial statements, whereas the latter was intended to improve disclosure by complementing financial statements with non-financial and forward-

8. The US equivalent of this report is the Management Discussion and Analysis (MD&A) report mandated by the Securities and Exchange Commission (SEC) in 1980, with an update being published in 2003. The Canadian equivalent of this report is the MD&A report mandated by the Ontario Securities Commission in 1989, with an update being published in 2002 (Beattie et al. 2004a).

looking information. Even though various other models of business reporting have been proposed, they seem to have a common point of view; the need for more non-financial measures of performance and forward-looking information within reporting packages (Beattie 1999). Most of this information would lie outside the traditional financial statements and be in narrative form.

This movement continues with the Institute of Chartered Accountants of England and Wales (ICAEW)'s *Information for Better Markets* initiative (ICAEW 2003). The initiative highlights issues relating to the recent reforms proposed to improve the existing business reporting model. Such issues include: the limitations of traditional financial reporting; the need to provide information across a broad range of users' needs; provision of greater forward-looking and non-financial indicators of future financial success, as supplements to the existing financial information; suggestions for reducing the prominence of financial statements and summary earnings numbers, and increasing the extent of narratives; and the emphasis on closing the gap between managers' information about the business (and therefore their opinions on its financial value and prospects) and the information available to investors and other stakeholders (and therefore their assessment of the business).

The most recent review of corporate narrative reporting practices in the UK was conducted by the ASB in 2007, and analysed disclosure by 23 UK listed companies (ASB 2007a). The report finds various areas of good reporting by these companies; for instance, the companies provide a good level of information regarding the business and markets, with a focus on their strategies and objectives. Companies are also disclosing a greater amount of information relating to environmental matters, employees and social issues; although this often lacks detail in terms of the relationships and contractual obligations. The document suggests improvements such as: the provision of higher levels of forward-looking information; the inclusion of information regarding intangible items such as brands, corporate reputation and natural resources, which are often not included in the balance sheet; greater emphasis on the description of the principal risks and uncertainties and the company's approach to managing and mitigating those risks; and improving the disclosure and identification of financial and non-financial key performance indicators within reports.

This rise in the importance of narratives in regulatory pronouncements appears to have filtered into the not-for-profit sector through the recent publication of a revised charity SORP (Charity Commission 2005a), which promotes the importance of narratives within the trustees' annual report. In contrast to SORP 2000, where 'the detailed requirements for narrative information...have been reduced in order to encourage charities to expand on their activities and the achievement of their objectives' (Charity Commission 2000: 3), revisions to the SORP focus on the importance of narratives in order to 'enable charities to explain what they aim to do, how they go about it and what they achieve. It does so in a way that pulls

together narrative and financial reporting into a coherent package focused on activities undertaken' (Charity Commission 2005a: i). The revised SORP emphasises that 'such accompanying information is of high importance for users of charity accounts in understanding the activities and achievements of a charity as a whole' (Charity Commission 2005a: 1, para. 9).⁹ It continues:

The SORP...places significant weight on the Trustees' Annual Report to provide a necessary link between objectives, strategies, activities and the achievements that flow from them. Without this information, the value of the accounts to the reader may be significantly diminished (Charity Commission 2005a: 2, para. 14).

In addition, SORP 2005 recommends the inclusion of performance-related and greater forward-looking information within the trustees' annual report, the former of which was absent from SORP 2000 (Charity Commission 2005b). For example, according to paragraph 53 of SORP 2005, the provision of performance-related information enables readers to:

understand and assess the achievements of the charity... [by providing] ...a review of its performance against objectives that have been set... [through] ...both qualitative and quantitative information that helps explain achievement and performance (Charity Commission 2005b: 9, para. 53).

Although SORP 2000 suggested that plans for the future be disclosed, paragraph 57 of SORP 2005 puts further emphasis on the need for a charity to provide forward-looking information by explaining 'the aims and objectives it has set for future periods together with details of any activities planned to achieve them' (Charity Commission 2005b: 10, para. 57).

These changes in emphasis have been incorporated in response to the publication of a landmark government report titled *Private Action, Public Benefit* (Cabinet Office 2002), which asserts that there is a need to strengthen public trust by stressing the importance of providing high-quality information to the public. This document led to the introduction of the Summary Information Return (SIR) and the establishment of the GuideStar UK database. The SIR is a document that large charities have to provide to the Charity Commission, together with their audited accounts. The document contains details of a range of qualitative and quantitative information about the charity, with a focus on the charity's impact, how it measures its performance in terms of meeting its aims and how it intends to improve. Framjee (2004) reports that there may

9. Unlike SORP 2000, SORP 2005 sets out detailed narrative elements to be included within the trustees' annual report. These are: reference and administrative details of the charity, its trustees and advisers; structure, governance and management; objectives and activities; achievements and performance; financial review; plans for future periods; and funds held as custodian trustee on behalf of others.

be difficulties in providing such high-quality information as successes and operational performance because many charities can be difficult to monitor and evaluate as their success is not measured by the bottom line surplus or deficit – resulting in a lack of quality disclosure on what has been achieved. GuideStar UK provides an online database of information about every charity and voluntary organisation in England and Wales. Apart from providing an online presence for charities that do not currently have a website, it promotes greater public understanding of the activities and management of charities, and is an invaluable source for statistical and financial information for grant makers, researchers and public policy makers. Although the Charity Commission will provide most of the information about charities in their annual returns, charities are encouraged to provide additional narrative information about their respective missions, programmes, objectives and accomplishments for the database.

THEORIES OF DISCLOSURE IN THE FOR-PROFIT SECTOR

There are various motivations for disclosing information. The main argument for (greater) disclosure centres on reducing information asymmetry, ie the fact that inside managers have more information about the organisation than outside stakeholders. There are, however, many strands to that argument. For instance, there are trade-offs between the provision of information and proprietary costs (Verrecchia 1983; Dye 1985, 1986), litigation costs (Skinner 1994; Richardson 2001) and the cost of capital (Elliot and Jacobson 1994). Verrecchia (1983) finds that when the cost of disclosure is fixed then the threshold level of disclosure is positively related to that cost. For example, according to Verrecchia (1983), since this fixed cost is proprietary¹⁰ in nature, disclosing more information can lead to a loss of competitive advantage since you are effectively letting your competitors know about your business. This perceived relationship between information and proprietary costs is further supported by Dye (1985, 1986). He shows that managers withhold or partially disclose information to maintain competitive advantage, minimise costs of disclosure and maximise the value of the firm. He also suggests that the suppression of information may exacerbate the principal-agent problems between shareholders and managers, often caused by information asymmetry which already exists between these two groups.

Richardson (2001) explains that there are many dimensions to the cost of disclosure aside from proprietary costs; one such dimension relates to litigation costs. Skinner (1994) finds that the incentive for disclosing information, especially ‘bad-news’ information, is the fear of possible allegations and litigious claims relating to withholding such information. Richardson (2001) further suggests that litigation costs may also arise from the

disclosure of imprecise information. Therefore, these issues may affect the disclosure policies or choices made by management.

Elliot and Jacobson (1994) expand the debate about disclosure of information by suggesting that disclosing information reduces risks relating to cost of capital, litigation and data processing, and also improves competition. For example, they argue that increased levels of disclosure help to reduce the cost of capital borne by the company since more information leads to a better assessment of risk by investors. On the other hand, they also explain that misleading or frivolous information leads to higher premiums relating to cost of capital. In addition, they argue (in line with Richardson (2001)) for a negative relationship between incidences of litigation and the extent of disclosure, brought on by allegations of insufficient or misleading disclosure. Elliot and Jacobson (1994) comment that information provision, especially segmental information, is also seen as competitively disadvantageous for the discloser, because it signals to competitors about possible niches within the market.

Further explanations of the incentives to disclose and not disclose can be found in the literatures on specific disclosure topics. Discussing voluntary social and environmental disclosure, Gray et al. (1995) classify three groups of theoretical motivations for providing such information; those based on (1) decision-usefulness; (2) economic theory; and (3) socio-political theories. Brammer and Pavelin (2004) summarise these theoretical motivations as follows: first, based on decision-usefulness, disclosures help remove informational asymmetries between the firm and its stakeholders; second, based on economic theory, disclosures act as pre-emptive steps to mitigate adverse regulatory or legislative pressures in the future; and third, based on socio-political arguments, disclosures are tools to influence the perceptions and actions of social and political stakeholders. They further suggest that, in essence, ‘social disclosures are a significant strategic tool in the management of relationships between the company and stakeholder groups’ (Brammer and Pavelin 2004: 86).¹¹

Considerable research within the area of voluntary disclosure or social responsibility reporting suggests that the theoretical underpinnings for such disclosure are derived from the socio-political theories of stakeholder theory and legitimacy theory, both of which focus on the identification and characterisation of an entity’s relevant stakeholders. According to Mitchell et al. (1997) stakeholder theory hypothesises that management’s disclosure decisions are directed towards influential (ie salient) stakeholders. Stakeholder saliency depends

10. Korn and Schiller (2003) define proprietary information as being information that results in an interaction between the firm, the capital market and any third party. According to Dye (1985), proprietary information is information that is strategically valuable where its subsequent disclosure could generate regulatory action, create potential legal liabilities or affect the present values of cashflows.

11. They find that social disclosure policies are influenced by factors such as the nature of the firm’s activities, firm size, media visibility and social performance. For instance, larger firms tend to be greater disclosers of social information; there is a positive relationship between size and media visibility, where highly visible firms are more likely to disclose social information as a way to manage external stakeholder perceptions.

upon the stakeholder's power as well as the legitimacy and urgency of their claims.

Abeysekera (2008) further supports the findings of Brammer and Pavelin (2004) in his study of human capital disclosure (a major category of intellectual capital disclosure) by Sri Lankan companies – by applying a political economy of accounting perspective. He finds that firms use disclosure to reduce tension between firms and their stakeholders – mainly employees and the trade unions. For example, disclosure aims to motivate employees, placate the trade unions, divert public attention from the social costs of termination and cultivate social awareness of the organisation to the public.

Additional findings on the drivers of intellectual capital disclosure are found in Marr et al. (2003) who summarises five main theoretical reasons for such disclosure: to help the organisation with strategy formulation; to assess strategy execution; to assist in strategic development decisions; as a basis for employee compensation; and to communicate with external stakeholders.

Graham et al. (2005) is one of the few studies to employ direct methods to examine the drivers of corporate financial reporting. Based on questionnaire responses, they find that the reasons for disclosing information were: to reduce information asymmetry; to boost stock prices; to facilitate clarity and understanding on the part of the reader; to manage perception; and to enhance credibility in order to avoid potential lawsuits. Non-disclosure of information was motivated by the entity's reluctance to set precedents and disclose competitively sensitive information.

Using interview material from 16 finance directors from the top 300 UK firms, Armitage and Marston (2007) find that communication acts as a means to promote confidence and openness among investors. They suggest that disclosure fulfils expectations from the market and aligns practice with that of other firms. Reporting is also seen as a method to increase (decrease) the availability (cost) of financing, especially when communicated directly to financial institutions. Interestingly, a majority of the interviewees did not see a clear link between the cost of capital and disclosure. Although some believed that disclosure does reduce the cost of capital, others believed that this reduction could be attained as long as a minimum level of disclosure had been reached. Two-fifths suggested that reporting did not result in a reduction because their firms already provided the level of disclosure necessary to minimise the cost of capital.

As evident above, there are many established theories to explain disclosure by companies, but the applicability of these theories within the not-for-profit sector must be addressed. As Elliot and Jacobson (1994: 80) suggest, 'entirely different issues arise when disclosure must be related to the goals and effective functioning of...charitable undertakings'. Therefore, we present the following framework for evaluating the motivations for disclosure by charitable organisations.

So far, most studies which have examined charity disclosure have applied a number of established theories developed for the for-profit sector to explain the observed practice. For instance, Hyndman (1990, 1991) and Connolly and Hyndman (2003, 2004) adopt a user needs model to explain the type of disclosures provided by charities to their contributors, while Connolly and Dhanani (2004) use the accountability argument to underpin their investigation of the disclosure patterns of accounting narratives within annual reports of UK fund-raisers. We believe that there may be other motivations affecting disclosure decisions and, therefore, we hope to identify the possible drivers of these decisions through a combination of investigations on the disclosure practices (the multidimensional content analysis) and disclosure policies (through interview-based evidence) of charities.

EMPIRICAL STUDIES OF DISCLOSURE IN THE FOR-PROFIT SECTOR

The disclosure index approach

The literature on corporate public disclosure, both voluntary and mandatory, is extensive (Marston and Shrivs 1991). There are various ways to describe it. For instance, Wiedman (2000) identifies three components of this literature: the disclosure environment; the disclosure attributes; and the disclosure impact, where relationships are sought between these components. The first component refers to the environment in which the disclosure decisions are made; the second relates to the nature and type of the disclosures made; and the third represents the consequences of the disclosures. A review of these components by Wiedman (2000) shows that typical research studies on disclosure often involve an investigation of the links between two of these three components; the relationship between disclosure environment and the disclosure attributes (for example, Gibbins et al. 1990; Raffournier 1995; Holland 1998; Haniffa and Cooke 2002; Beattie et al. 2002, 2004a; Brammer and Pavelin 2004), or the disclosure attributes and their related impact (a comprehensive review of these studies is presented in Healy and Palepu 2001, and the discussion thereof by Core 2001).

Raffournier (1995) examines the possible determinants of disclosure in the annual reports of 161 Swiss listed companies. According to Raffournier (1995), the explanatory variables (measures of company size, leverage, profitability, ownership structure, internationality, auditor's size, percentage of fixed assets and industry type) measure the magnitude of agency and political costs. Agency costs arise from the existence of information asymmetry and the fear of stakeholders that 'inside' managers (the agents) will take decisions that transfer wealth away from them. Political costs also relate to the transfer of wealth away from the organisation. Theory suggests that disclosure can reduce the level of both types of cost; the higher these costs, the greater the disclosure incentive. Using a list comprising items such as description of valuation and depreciation methods and breakdown of sales by activity and geographical area, a disclosure index was derived and regressed against the independent

variables. Raffournier (1995) finds that size and internationality play a major role in explaining the extent of disclosure within Swiss companies; where large and internationally diversified firms tend to disclose more information than smaller and largely domestic firms.

Similarly, Haniffa and Cooke (2002) adopt a disclosure index approach in their study of the influences of environmental factors on disclosure practices in 167 Malaysian listed companies. Their list of potential determinants of disclosure consists of both firm-specific factors and environmental characteristics, where the former represents the non-human aspects of disclosure practice while the latter relates to the human and individual aspects. The environmental factors being investigated are corporate governance and cultural factors. The independent variables are then regressed against a disclosure index derived from a list of 65 disclosure items such as general corporate information, information about directors and corporate strategy. They find that some corporate governance and cultural variables appear to explain the level of disclosure by the sampled firms.

The holistic content analysis approach

Using a multidimensional framework for analysing the entire narrative content of 27 UK companies' annual reports, Beattie et al. (2002, 2004a) find a positive relationship between size and a firm's multiple listing status, and the amount of narrative disclosure. The researchers suggest that smaller firms may be reluctant to produce greater levels of narrative disclosure owing to economies of scale and higher costs of collating and producing such information borne by these firms. In addition, they find that the disclosure attributes of the narratives appear to be largely historical; this type accounted for almost 70% of the aggregate narratives disclosed while forward-looking information makes up about 14% of narratives observed in the sampled firms.

The grounded theory approach

Gibbins et al. (1990) adopt a grounded theory approach to explain the incentives or drivers of corporate disclosure. Twenty interviews were conducted with both internal and external informants (11 and 9 respectively). Using evidence from these interviews, they investigate the link between the processes by which disclosure is determined and an inventory of available financial disclosures made by the informants' firms. They find that disclosure 'position' determines or drives the types of information disclosed by the sampled firms. Disclosure position refers to the preferences organisations have for the way disclosure is managed, ie its being ritualistic, opportunistic, historical, strategic, political or regulatory. They also show that the readiness to disclose is a function of disclosure position, the existence of internal or external structures for handling disclosure (eg organisational policies or procedures and third-party interests respectively) and the presence of auditors, consultants or other external mediators. In other words, disclosure position, mediators and structure may influence the identification of issues and the perception of associated disclosure norms and opportunities if management perceives those issues as having disclosure implications.

Holland (1998, 2005a, 2005b) develops a grounded theory of disclosure behaviour based on extensive field research with 25 large listed UK companies. He examines the drivers of both public and private corporate voluntary disclosure to institutional shareholders. Findings indicate that key drivers are corporate financing and corporate control decisions, the desire to create favourable institutional and market states, and the external benchmarks and pressures for high-quality communications. This finding is supported by the disclosure indices and event studies literatures. In addition, Holland finds further complex and dynamic drivers of private voluntary information; those based on complex private agendas, the boundaries on disclosure, the cost-benefit analysis, the preferences for private over public disclosure, and the private-public disclosure interactions. Consequently, Holland suggests that these complex and dynamic components of disclosure activity could not have been captured by conventional finance theory and research methods such as disclosure indices and event studies.

EMPIRICAL STUDIES OF CHARITY DISCLOSURE

The direction of charity reporting in the UK appears to parallel the changes observed in the for-profit sector. The movement began with a call for better reporting within the charity sector by Bird and Morgan-Jones in 1981. Their study reports the diversity in financial accounting practices of charities which, in turn, affect the use and understandability of these disclosures by stakeholders. Their research resulted in the introduction of the 1988 Statement of Recommended Practice (SORP) by the Accounting Standards Committee (ASC 1988), which was subsequently revised in 1995 (Charity Accounting Review Committee 1995), in 2000 (Charity Commission 2000) and in 2005 (Charity Commission 2005a).

Hyndman (1990, 1991) extends the research towards better reporting by examining the information provided by charity reports and its usefulness in meeting users' needs. He concludes that charity reports are dominated by financial information, which users perceive as relatively less important than non-financial information, the latter not being substantially provided. His studies propose a model of reporting for contributors based on the information types suggested and needed by users. In addition, Hyndman highlights the need to shift the focus from financial to non-financial disclosure if reports are to be valuable.

Subsequent studies conducted by Hines and Jones (1992) and Williams and Palmer (1998) seem to suggest that varying practices between UK charities persist. Hines and Jones (1992) find that the original SORP (1988) had done little to reduce the variations in practices, which further strengthens their proposal for mandatory standards in the sector. Williams and Palmer (1998) support the earlier findings by Hines and Jones (1992) relating to the diversity in reporting practices, and extend their conclusions by suggesting a change in direction towards improving the quality of reporting by means of the user needs model.

Recent research on charity reporting appears to follow the user needs suggestion by investigating the narrative disclosure practices of charities. Studies by Connolly and Hyndman (2003, 2004), Christensen and Mohr (2003), Connolly and Dhanani (2004) and the Charity Commission (2004a) have specifically examined the extent of narrative disclosure presented in charities' annual reports. For instance, Connolly and Hyndman (2003, 2004) investigated the level of disclosures, in particular, information about background and performance indicators within the narrative sections of annual reports. They find that, while charities are reporting background information, there seems to be a lack in disclosure of performance, eg information about efficiency and effectiveness. They conclude that, although providers of charity information are aware of the needs of users, no provisions are made to meet those needs in terms of disclosure in the financial statements.

A US study of not-for-profit museums by Christensen and Mohr (2003) shows that, owing to the considerable differences in size, age, type and other characteristics of large museums, the annual report contents of these charities are highly variable. Their study identifies a range in overall content from short descriptions of a museum's aims and activities to a comprehensive overview of the charity's mission, objectives and accomplishments. Disclosure of financial data differs in extent from no information to a complete set of audited financial statements. They further find that the amount of financial data in museum annual reports is positively related to size, number of pages of donor disclosures and museum type, while ownership structure and entity age are not related to such data.

Connolly and Dhanani (2004) undertook a content analytic study to assess the disclosure patterns of accounting narratives within the annual reports of 71 UK fund-raising charities. Using a checklist of disclosure items covering information regarding the organisation, its policies, financial and operational activities and performance, they find that: practices vary considerably; the level and extent of disclosure differs between organisations; disclosure patterns are diverse depending on the type of information disclosed; and charities report fairly descriptive information which does not compare activities and operations over time and does not provide explanations for significant changes reported.

A report published by the Charity Commission (2004a) looks into the extent of disclosures within charity reports. It analyses annual reports and annual reviews of 200 of the largest charities in the UK by adopting a descriptive content analysis technique to investigate the level of transparency and accountability demonstrated by charities. These patterns are based on several criteria such as: compliance with SORP requirements and regulations; provision of additional information about structure, activities, achievements and outcomes; the extent, clarity and timeliness of disclosure on their website; and the availability of information for meaningful comparisons with other similar charities, eg the purpose and activities of the

charities. The results argue that the level of transparency and accountability is not satisfactory and that most charities do not meet the basic requirements of best practice.

As is evident from the literature review on charity disclosure, there appears to be an embryonic literature that addresses the narrative disclosures made by charities. Nonetheless, the studies within this area, although large-scale, are partial in nature. In other words, they assess the number of predetermined disclosure items reported in charity reports using large samples of organisations. By contrast, our proposed study is an in-depth study which focuses on the entire narrative content of the reporting documents of a small sample of charities (both fund-raisers and grant makers). It also examines the substance and motivation for the disclosures within charity reports; specifically, it hopes to explain **what** is reported and **why** it is reported.

RELEVANCE TO THE NOT-FOR-PROFIT SECTOR

Previous literature in the for-profit and not-for-profit sectors provides a starting point for identifying the possible motivations behind the disclosure practices observed in charitable organisations. Since the studies reviewed in this section relate to corporate disclosure, these findings will not necessarily transfer to the charity sector. For instance, the variables examined by Raffournier (1995), such as profitability, ownership structure and percentage of fixed assets, and multiple listings suggested by Beattie et al. (2002, 2004a) are not applicable within the not-for-profit sector. Nonetheless, many of the variables suggested by the studies reviewed above are potentially applicable to the charity sector (eg size, media visibility, funding needs, stakeholder accountability, organisational legitimacy and costs of producing reporting material).

The applicability of the theories of disclosure within the corporate literature as presented in this chapter presents a good basis for understanding the purpose and premise of charity disclosure (as called for by Bird and Morgan-Jones (1981) and Hyndman (1990, 1991)). As suggested earlier, however, some of these theories may not necessarily be applicable within the charity sector, such as those relating to stock prices and cost of capital. We are of the opinion that, despite the use of accountability and user needs arguments as the drivers of charity disclosure by recent studies on charity reporting, there may be other theories that explain the reasons for disclosure by charitable organisations, as suggested by Elliot and Jacobson (1994).

3. Research method

INTRODUCTION

The study employs a two-stage approach. The first stage involves a content analysis while the second stage consists of a series of interviews. The content analysis explores the reporting documents prepared by charitable organisations, specifically, the *topic* and *type* attributes of each distinct text unit (piece of information) included in their annual reports and annual reviews. Information ‘topic’ relates to the subject matter of the disclosure, which is divided into a number of categories such as background and resources. Information ‘types’ relates to three general information characteristics: time orientation (historical, forward-looking and non-time-specific); whether the information is financial or non-financial; and whether the information is quantitative or non-quantitative. Interviews are then arranged with those responsible for the form and content of these reporting documents to elicit insights into the observed disclosure practices of charities and their perception of the role of disclosure. The description of the content analysis method used is rather technical in places and some readers may prefer to skip to the next chapter.

SAMPLE SELECTION AND DATA

To identify the sample of charities to investigate, invitations to participate in this research were mailed to the top charitable organisations by fund income as detailed in the *RCM Top 3000 Charities in the UK 2004/2005* (Caritas 2004). Mailings were sent out in batches of five, beginning with the largest charities, with the final sample comprising the first five fund-raisers and five grant makers to indicate their willingness to take part in this study. It was important that participants were willing to be interviewed to facilitate the second stage of the study. A series of semi-structured face-to-face and telephone interviews (each lasting approximately an hour and a half) were arranged with those responsible for the form and content of the reporting package (mainly finance directors). The small sample reflects the in-depth analysis employed. The final sample consists of ten of the top 75 charities in the UK (five fund-raisers and five grant makers). The first stage of the project reports on these ten organisations, while the second interview stage involves eight out of the ten charities sampled (four fund-raisers and four grant makers), as two charities dropped out. Details of these organisations are provided in Table 3.1.

Table 3.1: Details of charities in sample

Code	FR/GM*	Classification ^a	Income (£m)	Position of interviewee	Documents analysed (I or S) ^b	Document year-end
F1	FR	Health & medical	129	N/A	ARP & ARV (S)	05/06
F2	FR	Health & medical	104	Finance director	ARP & ARV (S)	05/06
F3	FR	Health & medical	58	Director of communication	ARP & ARV (S)	05/06
F4	FR	Health & medical	93	Finance director	ARP & ARV (I)	05/06
F5	FR	Conservation & protection	88	Finance director	ARP & ARV (S)	05/06
G1	GM	Health & medical	423	N/A	ARP & ARV (S)	05/06
G2	GM	Health & medical	98	Finance director	ARP & ARV (S)	05/06
G3	GM	International activities	310	Finance director	ARP & ARV (S)	05/06
G4	GM	Religion	137	Finance director	ARP	04/05
G5	GM	Sports & recreation	72	Finance director	ARP & ARV (S)	03/04

Notes:

* refers to the types of organisation, ie FR/GM refers to fund-raiser/grant maker.

^a denotes classification as determined by *RCM Top 3000 Charities 2007/2008* (Caritas 2007) and based on the organisation’s expenditure classification.

^b refers to whether the documents are presented as an integrated (I) or separate (S) documents.

N/A means that we were not able to conduct an interview with the organisation.

ARP means annual report and accounts.

ARV means annual review.

According to Table 3.1, the sample is made up mainly of organisations whose main expenditure type is health and medical related. It also shows that the charities sampled are large in size, with income ranging from £58 million to £423 million, with half the sample having income in excess of £100 million. With the exception of one charity, interviews were conducted with the finance director of the organisation.

With the exception of G4, which publishes a single annual report and accounts for the year, all charities in the sample chose to produce a voluntary annual review in addition to the mandatory report and accounts. These voluntary reviews are separate documents for all except charity F4, which has chosen to integrate its two publications. Most of the documents analysed had a 2006 financial year-end, except for those of G4 and G5, which could only produce earlier documents at the time of the analysis.

HOLISTIC CONTENT ANALYSIS

Content analysis is a well-established research method used throughout the social sciences which utilises a systematic procedure to make inferences and identify characteristics within text (Holsti 1969; Weber 1985; Boyatzis 1998; Ahuvia 2001; Beattie et al. 2002, 2004a, 2004b; Krippendorff 2004; White and Marsh 2006). It involves classifying text units into categories.

Developing the coding scheme

According to Weber (1985: 21–25), the process of creating and testing a coding scheme includes the following stages.

1. Define the categories (involves several key choices, such as whether the categories are mutually exclusive; whether they will be hierarchical; and how narrow they will be).
2. Define the recording unit (for example, word, sentence, theme).
3. Test codes on a sample of text (using abbreviated tags to represent categories).
4. Assess reliability of codes.
5. Revise the coding rules.
6. Repeat steps 3 to 5 until reliability is satisfactory.
7. Code all text.
8. Assess achieved reliability.

Defining the categories

In order to initiate the content analysis, a review of the various pronouncements and standards relating to charity reporting was conducted to define the topic categories. This review also included an examination of the previous charity literature on user information needs and reporting attributes. Together, these analyses are used to generate a comprehensive list of disclosure topics for use in the content analysis. The final coding scheme comprised nine main topics and 61 sub-topics – see Appendix 1 for a complete listing. The overall architecture of the coding scheme employed parallels the one used by Beattie et al. (2002, 2004a, 2004b), where the framework comprises four independent dimensions: topic category; time orientation; financial/non-financial; quantitative/non-quantitative. Although the framework was developed for the for-profit sector, we have adapted it for the not-for-profit sector; for instance, the topic category dimension has been redefined to relate specifically to the charity sector. This architecture is illustrated in Appendix 2 (see page 56).

A formal coding scheme operationalises the concepts under scrutiny by establishing the categories that are relevant and valid. It should also have clear definitions, easy to read instructions and unambiguous examples (White and Marsh 2006). These features should promote reliability of the coding by increasing intercoder agreement in the coding process – where the text is analysed by multiple coders independently, and their analyses are subsequently compared to form an intercoder reliability rate. Nonetheless, according to Ahuvia (2001), although formal coding rules can successfully increase intercoder agreement, these rules are not able to deal well with contextually driven text, especially when context plays a large part in the interpretation of the content. In the case of the multidimensional framework applied, it is important that the text is coded contextually since we are coding the text across various categories. This form of interpretative content analysis requires a high level of familiarity with the material to be analysed. It should be done collaboratively instead of independently as the former ‘is likely to be of higher quality, but in principle a single coder is sufficient. Where multiple coders are used, they work cooperatively rather than independently’ (Ahuvia 2001: 145).

The content analysis conducted here was executed by a single coder using the formal coding scheme, in order to develop familiarity with the material investigated. The fellow researcher collaborated in the initial development and testing of the coding scheme and by coding randomly selected material.¹² Following discussion, minor changes were made to the coding scheme and the codes revised accordingly.

12. The average level of agreement was about 60% on text splits; about 100%, 96% and 100% on the time, F/NF and Q/NQ dimensions, respectively; and about 64% (50%) on the main topic (sub-topic) categories.

The recording unit

The recording unit is represented by single units of information derived by splitting sentences into multiple units of text, as required. Thus, every text unit will have four codes (as depicted in Appendix 2 on page 56). Appendix 3 (see page 57) presents an illustrative example of this process.

Narrative material analysed

The narratives analysed were contained in the unaudited sections of the annual report and annual reviews. The only material excluded was the audited financial statements and notes, statement of financial activities, auditor's report, tables of contents, board of trustees information and lists of offices. The remaining material included the following generic sections: trustees' annual report, highlights, trustees/director-general/chairman's statement and captions from pictorial material.

Preparing the text for coding

The text to be included was either scanned from the hard copy annual reports and annual reviews or selected from their respective pdf files and saved as a text file. These text files are then input to QSR NUD*IST. This commercially available computer software package is designed to assist in the analysis of non-numerical and unstructured data, by supporting the processes of coding data, searching text and searching patterns of coding (QSR 2004).

Analysis and interpretation of data

Following coding, the data were analysed to produce descriptive statistics, thereby revealing 'the intensity of concern with each category' (Weber 1985: 39). In addition, disclosure profiles were extracted from the analysis. This allows an investigation of relationships across various combinations of code dimensions,¹³ either for individual organisations or for a group of organisations (eg fund-raisers vs. grant makers).

SEMI-STRUCTURED INTERVIEWS

Once the preliminary results of the content analysis were available, interviews were arranged with those responsible for the form and content of the reporting documents. Semi-structured interviews (seven face-to-face and one by phone, each lasting approximately an hour and a half) were conducted, tape-recorded and transcribed.

Issues to be investigated

Specifically, the interview questions were designed to investigate the following issues, among other things.

- The role of disclosure, eg why do charities publish information?
- The (targeted) recipients of information, eg who do you cater for and is there a specific group of stakeholders that you wish to cater for?
- The perceived importance of different documents and channels of communication.
- The influences on disclosure, ie the way in which the charity determines what information to disclose. How do you make choices about what information to disclose or not disclose? What are the constraints and barriers to reporting? What are the problems faced in choosing the disclosed information and in disclosing information generally?
- The disclosure patterns observed from the first stage of the project.

The interview-based material was analysed by identifying a vocabulary of disclosure issues and relationships between the two components under investigation, ie disclosure and its drivers. This analysis helped in determining the disclosure issues and their drivers, structuring the analysis of interview material, and connecting these drivers to the disclosure practices observed within the first stage of the study.

13. We apply the six main forms of analysis suggested by Beattie et al. (2002, 2004a, 2004b): (1) one-way main topic analysis, based on level 1 categories; (2) nine-separate one-way sub-topic analyses, based on level 2 categories; (3) one-way analysis of each of the three type dimensions (ie, TIME; FINANCIAL; QUANTITATIVE), including level 2 categories for the QUANTITATIVE dimensions; (4) two-way cross-type analysis, based on level 1 categories (ie, TIME × FINANCIAL; FINANCIAL × QUANTITATIVE; TIME × QUANTITATIVE); (5) three-way cross-type analysis, based on level 1 categories (ie, TIME × FINANCIAL × QUANTITATIVE); and (6) full four-way analysis.

4. Disclosure practices

INTRODUCTION

This chapter presents the results of the holistic micro-level content analysis conducted on the narrative material within the sampled charities' annual reports and annual reviews. The analyses are provided in the forms of descriptive statistics across various combinations of code dimensions as shown in Appendix 2 (see page 56). In order to facilitate a comparison between the two types of charitable organisations sampled, ie fund-raisers and grant makers, the results are extracted according to individual profiles and sub-group profiles – ie fund-raisers versus grant makers. An analysis of the different documents is not provided, since charities choose whether to publish their annual reports and annual reviews either as an integrated document or as separate documents. It is necessary, therefore, for the results to be aggregated across the two documents (if separated) to allow meaningful comparisons to be made across the sample. The assurance of confidentiality was given to interviewees so, for the purposes of this report, the organisations are identified as follows: fund-raisers are denoted by F1, F2, etc, while grant makers are coded as G1, G2, etc – details about these charities are provided in Table 3.1 (see page 17).

AMOUNT OF DISCLOSURE

The absolute number of text units for each charity and the number relative to charity size is shown in Table 4.1. Although the sample was derived from the top 75 charities in the UK, we can see widely varying quantities of information disclosed by each organisation, ranging from 600 (534) to 1671 (2315) text units across fund-raisers (grant makers). The size of the organisation does not appear to correspond closely with the amount of information reported, especially for fund-raisers. Within a given size range, fund-raisers disclose more, on average, than grant makers – the ratio of text units to income (£m) is 11.0 for fund-raisers and only 5.6 for grant makers.

ANALYSIS OF MAIN TOPIC CATEGORIES

As part of the charity multidimensional framework, the content is analysed according to individual topic categories (as shown in Appendix 1 on page 54). Narrative disclosures are coded to one of nine main categories:

1. background to the organisation (BD)
2. information about related parties (PA)
3. information about resources (RES)
4. forward-looking information (FL)
5. operating data (OP)
6. financial and non-financial information (FIN)
7. management's analysis of financial and non-financial data (MA)
8. contributors' commentary (CO)
9. items not derived from the charity literature (NOT).

Appendix 4 (page 58) shows a number of typical examples of these codes.

Figure 4.1 displays the results by ranking the topic categories according to the proportion of text units assigned to the content – the figure also includes a ranking of topic categories for the for-profit sector. The figure reveals that the top three topic categories disclosed within charities' narratives, in descending order, were management's analysis (MA), operating data (OP), and background (BD). The leading topic category, management's analysis (MA), accounted for about 23% of narratives for fund-raisers and 22% for grant makers.

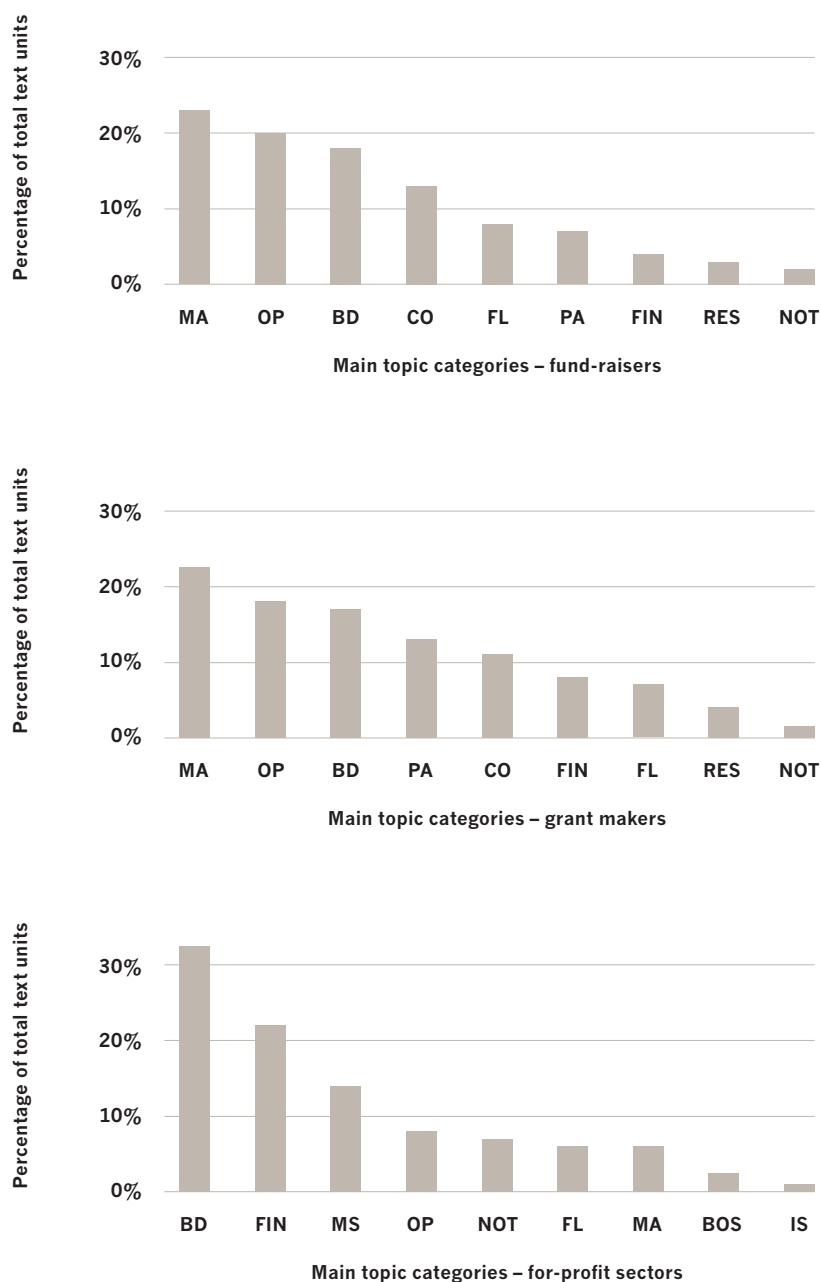
Table 4.1: Distribution of text units across sample of charitable organisations

Fund-raisers	F1	F2	F3	F4	F5	Total fund-raisers
Text units	600	1671	964	759	1191	5185
% of total F	0.12	0.32	0.19	0.15	0.23	
Income (£m)	129	104	58	93	88	472
Grant makers	G1	G2	G3	G4	G5	Total grant makers
Text units	1447	875	2315	692	534	5863
% of total G	0.25	0.15	0.39	0.12	0.09	
Income (£m)	423	98	310	137	72	1040

Notes:

% shows the percentage of the total text unit coded for each organisation type. Fund-raisers are denoted by F1, F2, etc, while grant makers are coded as G1, G2, etc. Information regarding income is taken from Table 3.1.

Figure 4.1: Distribution of main topic categories across not-for-profit and for-profit organisations



Notes:

A description of each of the main topics and the 61 sub-topics is provided in Appendix 1 (see page 54). For-profit sectors present results as reported by Beattie et al. (2004a); the sectors are made up of Food, Textiles and Water, which comprised 27 companies. Figures are derived from Appendix 5 (page 59). Fund-raisers are denoted by F1, F2, etc, while grant makers are G1, G2, etc. BD is background description; PA means related parties; RES is resources of the organisation; FL is forward-looking; OP is operating data; FIN is financial data; MA is management's analysis of data; CO is contributors' commentary; NOT means categories that are not in the current framework.

Interestingly, both types of charity utilised a substantial proportion of contributors' comments (CO) within their reports (ranked fourth and fifth for fund-raisers and grant makers, respectively). This category made up about 13% (11%) of total text units reported by fund-raisers (grant makers). The following pattern is observed for the two types of charity.

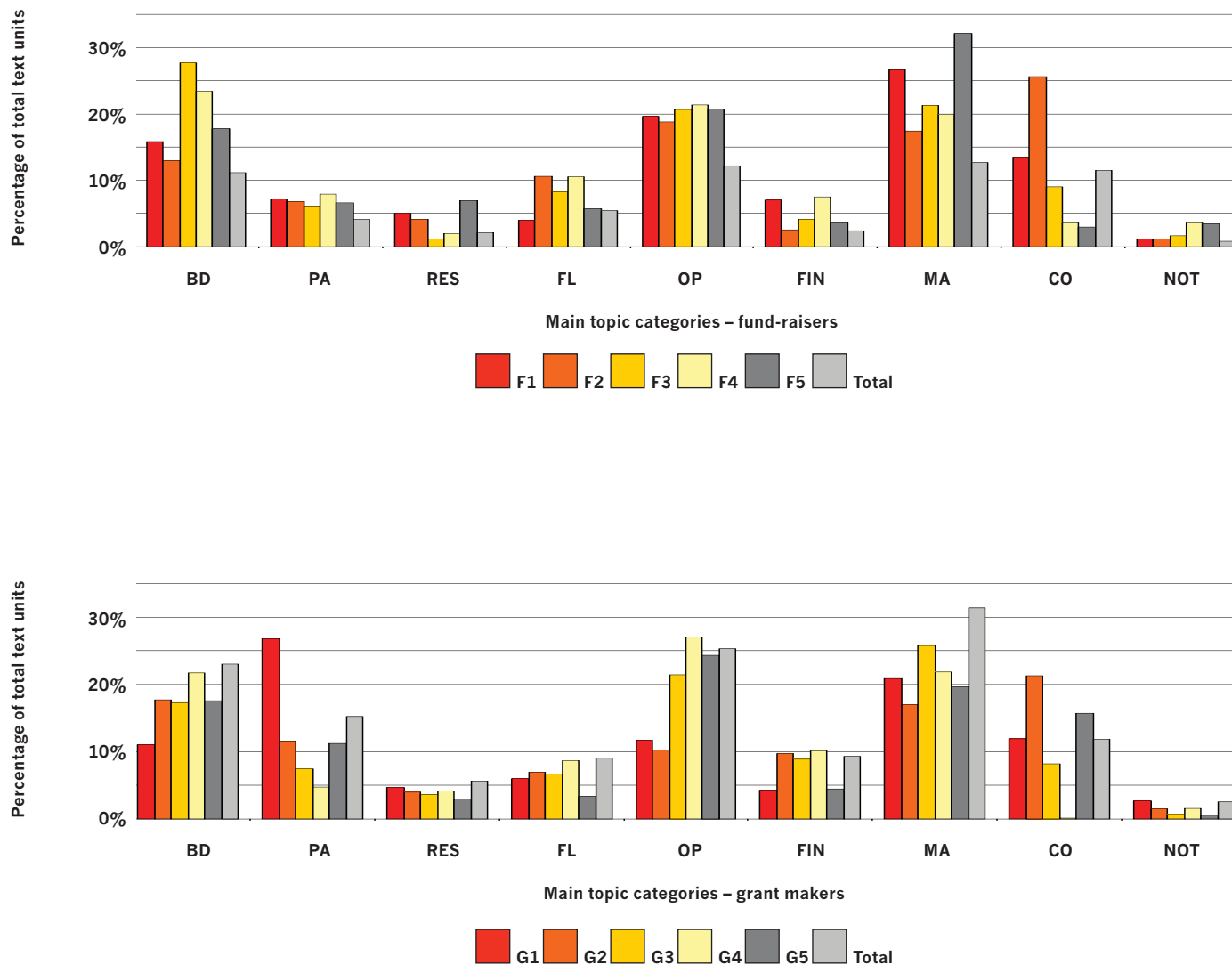
- **Fund-raisers:** the pattern for disclosing management's analysis (MA), operating data (OP) and background data (BD) resembled their grant-making counterparts; fund-raisers disclosed relatively more contributors' commentary (CO) and forward-looking information (FL) than grant makers in their reporting documents, with a relatively lower emphasis on related parties (PA) and financial data (FIN).
- **Grant makers:** apart from disclosing management's analysis (MA), operating data (OP) and background data (BD), they mostly disclosed information regarding the third parties involved with the organisation (PA), contributors' commentary (CO) and financial data (FD) about the charity; there was less emphasis on forward-looking information relative to fund-raisers' reports.

A comparison of the pattern of main topic categories disclosed by the sampled charities and for-profit companies, as depicted in Figure 4.1, reveals clear differences. Corporate narratives were dominated by information relating to a description of the business (BD), the financial aspects of the firm (FIN) and data regarding management and shareholders (MS) – with background data (BD) accounting for over 30% of all disclosures.

The patterns reported by individual charities, shown in Figure 4.2, display a number of interesting points.

- Individual charities appeared to use different categories of information to varying degrees within their reports.
- Fund-raisers displayed a number of distinctive differences from the sub-group norm; for instance, F3 used the highest proportion of background information (BD) within its report relative to others, F5 used the highest proportion of data on resources (RES), F2 and F4 disclosed the highest levels of forward-looking data (FL), F1 and F4 had the greatest amount of financial data (FIN), F1 and F5 reported the highest level of management analysis of data (MA), and F2 used the highest proportion of contributors' commentary (CO).
- Like fund-raisers, grant makers showed varied patterns of disclosure practice. G1 used the lowest proportion of background data (BD) and the highest proportion of related-parties information (PA), G5 used the lowest proportion of forward-looking data (FL), G1 and G2 used the lowest level of operating data (OP), G4 used the lowest proportion of contributors' commentary (CO).

Figure 4.2: Distribution of main topic categories across not-for-profit organisations
(Figures derived from Appendix 6)



Notes:

BD Background description
PA Related parties
RES Resources of the organisation
FL Forward-looking
OP Operating data
FIN Financial data
MA Management's analysis of data
CO Contributors' commentary
NOT Categories that are not in the current framework.

Table 4.2: Ranking of top 20 sub-topics

Total fund-raisers n = 5185				Total grant makers n = 5863				For-profit sectors n = 12293		
Sub-topic	Text units	%	Cum %	Sub-topic	Text units	%	Cum %	Sub-topic ^a	%	Cum %
OP-ACH	692	13	13.3	OP-ACH	609	10	10.4	MS-MGT	14	14.4
CO-OWN	422	8	21.5	PA-MGT	375	6	16.8	BD-BUS	9	23.7
MA-PERF	318	6	27.6	MA-PERF	318	5	22.2	FIN-PROF	7	30.8
FL-PLAN	295	6	33.3	CO-OWN	316	5	27.6	BD-PROD	6	36.6
MA-FIN	258	5	38.3	FL-PLAN	275	5	32.3	FIN-SAL	4	40.6
BD-AIM	246	5	43.0	MA-OBJ	268	5	36.9	BD-IND	4	44.2
CO-PERF	219	4	47.3	MA-FIN	266	5	41.4	FL-PLAN	4	47.7
BD-SVC	195	4	51.0	CO-PERF	220	4	45.1	BD-PRO	3	50.9
MA-OBJ	192	4	54.7	BD-ACT	185	3	48.3	BD-MKT	3	53.9
OP-VOL	186	4	58.3	MA-ENV	183	3	51.4	FIN-OTH	3	56.7
MA-ENV	166	3	61.5	RES-COMM	167	3	54.3	OP-REV	3	59.2
BD-ACT	151	3	64.4	BD-GOV	162	3	57.0	MA-PROF	2	61.6
RES-COMM	136	3	67.0	FIN-EXP	154	3	59.7	OP-COST	2	63.6
BD-GOV	130	3	69.5	FIN-INC	148	3	62.2	FIN-DEBT	2	65.6
MA-OTH	114	2	71.7	BD-AIM	144	2	64.6	BD-PROPS	2	67.4
PA-CONT	106	2	73.8	BD-SVC	138	2	67.0	MA-MKT	2	69.2
MA-CTRL	101	2	75.7	MA-CTRL	118	2	69.0	BOS-STRAT	2	70.9
PA-RELA	98	2	77.6	OP-VOL	114	2	71.0	NOT-COM	2	72.6
BD-STRCT	97	2	79.5	PA-RELA	97	2	72.6	NOT-ENV	2	74.3
NOT-TH	86	2	81.2	OP-GRN	96	2	74.2	FIN-DIV	2	76.0

Notes:

% shows the percentage proportion out of the total text unit coded, n.

Cum % denotes the cumulative percentages across the ranking.

A description of each of the charity sub-topics is provided in Appendix 1 (see page 54).

For-profit sectors column presents results as reported by Beattie et al. (2004a); the sectors are made up of Food, Textiles and Water, which comprised 27 companies.

^a denotes codes as used by Beattie et al. (2002, 2004a); the abbreviated description of these codes is provided in Appendix 7 (see page 61).

SUB-TOPIC ANALYSIS

Table 4.2 provides the distribution and ranking of the top 20 sub-topic categories disclosed in the narratives of the sampled charities. This table reveals a number of interesting patterns in the top 20 and top five sub-topic categories of data reported by each group of organisations. Appendix 7 (see page 61) gives some examples of information in the high-ranking performance and achievement categories.

The table shows that the top 20 sub-topics accounted for almost 81% (74%) of total narratives disclosed by fund-raisers (grant makers). This parallels the pattern observed by Beattie et al. (2004a) in their three for-profit sectors, although the grant makers category closely matches these firms. Thus, the levels of sub-topic concentration are very similar (although the sub-topic content is very different).

Inspection of the top five sub-topics for fund-raisers shows that information regarding fund-raisers' operating achievements (OP-ACH) dominated their narratives (13%). This is followed by contributors' comments (CO-OWN), management's analysis of performance (MA-PERF), forward-looking plans (FL-PLAN) and management's analysis of the financial aspects of the charity (MA-FIN); 8%, 6% and 5% respectively. Similarly, grant makers' narratives are headed by information pertaining to operating achievements (10%); data regarding the organisations' management profile (PA-MGT) accounts for 6% of disclosure, management's analysis of performance 5% and contributors' comments 5%. The grant makers' focus on management profile is very different from that of fund-raisers, where this sub-topic did not feature in the top 20. A similar pattern is observed with regard to financial data, ie expenses (FIN-EXP) and income (FIN-INC), where grant makers used this type of financial data whereas fund-raisers did not. Contrastingly, fund-raisers reported information about their contributors, donors and supporters' profile (PA-CONT), while this sub-topic was not a top 20 type of information within grant makers' reporting documents.

Although Connolly and Hyndman (2003) argue that charity reports are largely dominated by background information while lacking in performance information, our findings suggest that charities provide information regarding the performance, achievements and objectives of the organisation. Background information in charities is spread across the spectrum of top 20 sub-topics, in contrast to the for-profit sector where background sub-topics are clustered at the top end of the range. In addition, performance-related information features greatly in charity reports, as observed by data on operating achievements (OP-ACH) and management's analysis of performance (MA-PERF) data reported by the sampled charities.

Interestingly, fund-raisers are seen as better users of statements of thanks and appreciation (NOT-TH) relative to their grant-making and corporate counterparts. The category is within the top 20 sub-topics shown in Table 4.2 although it only accounts for 2% of total disclosure by this sub-group.

ANALYSIS OF TYPE ATTRIBUTES

The main type attributes are defined as (1) time dimension, ie historical, forward-looking and non-time-specific; (2) financial versus non-financial dimension; and (3) quantitative versus non-quantitative dimension (see Appendix 2 on page 56).

Table 4.3 and Figure 4.3 present the distribution of these type attributes across the three different organisational types – specifically, fund-raisers, grant makers and the for-profit sectors (the latter refers to results reported in Beattie et al. (2004a)). Interestingly, Table 4.3 reveals that the ten charities sampled together reported about as much information as the 27 companies examined by Beattie et al. (2004a, 2004b).

Figure 4.3 shows clearly that all organisational types have a high propensity to reveal historical information (about 70%), with the least amount of information being of forward-looking orientation. The for-profit sector appears

to disclose a greater amount of forward-looking information than charities (9% for fund-raisers and 8% for grant makers, compared with 14% for the for-profit sector). This result shows that there is still some scope for charities to increase the level of forward-looking information within their reports if they are to fall in line with the suggestions for greater forward-looking information by the various reporting models.

The level of financial versus non-financial information shown in Table 4.3 and Figure 4.3 reveals that fund-raisers reported a larger proportion of non-financial information than their grant-making counterparts (77% compared with 70%). This finding is to be expected. Compared with the for-profit sector, charities generally disclose a higher proportion of non-financial information. This appears consistent with Hyndman's (1990, 1991) recommendation for greater disclosure of non-financial and non-quantitative information in order to improve the quality of charity reports.

Table 4.3: Distribution of disclosure type attributes across not-for-profit and for-profit organisations

Type	Total fund-raisers n = 5185		Total grant makers n = 5863		For-profit sectors n = 12293	
	Text units	%	Text units	%	Text units	%
Time dimension						
Historical	3357	65	4110	70	8605	70
Forward-looking	492	9	497	8	1721	14
Non-time-specific	1336	26	1256	21	1967	16
Financial/non-financial						
Financial	1198	23	1758	30	4548	37
Non-financial	3987	77	4105	70	7745	63
Quantitative/non-quantitative						
Quantitative	948	18	1159	20	2704	22
Non-quantitative	4237	82	4704	80	9589	78

Notes:

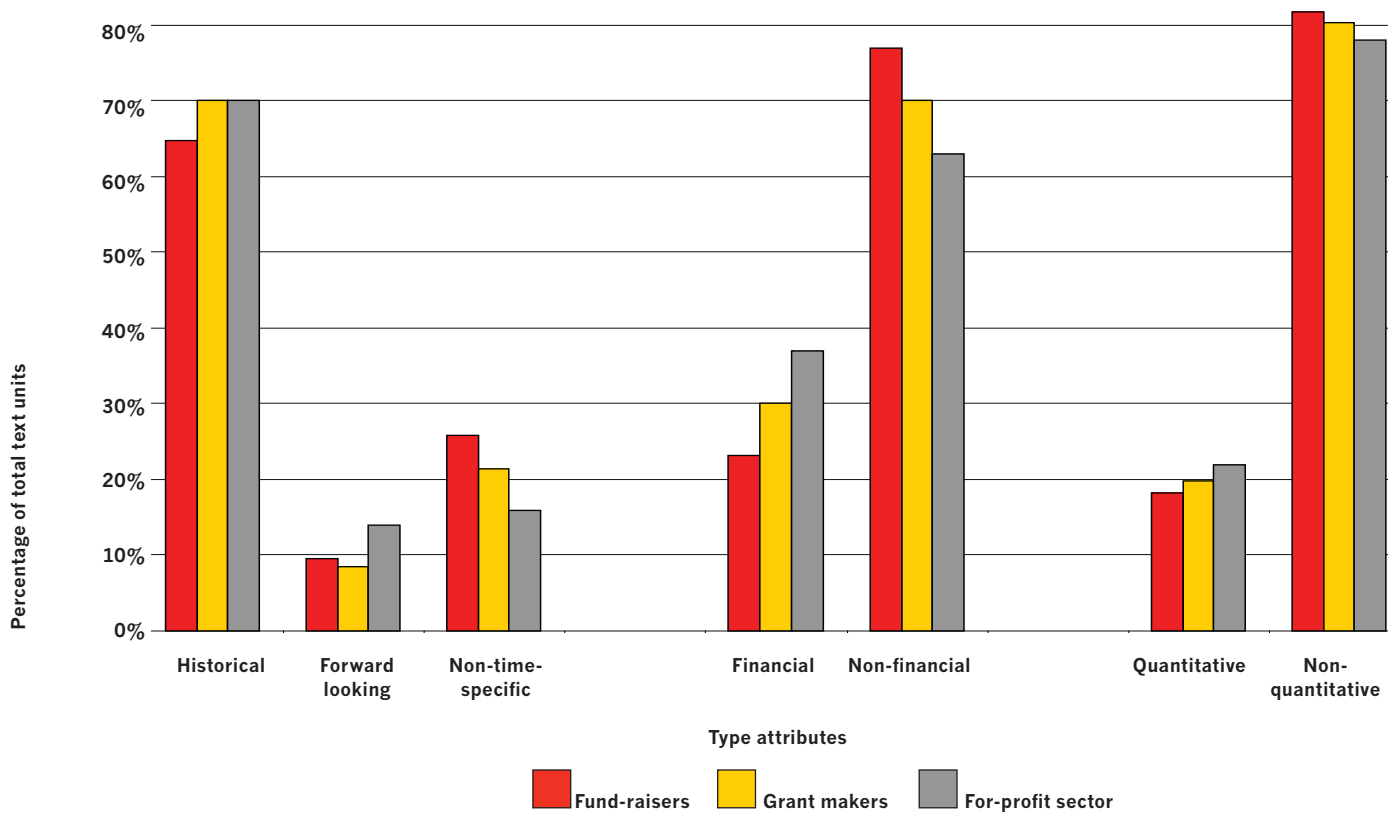
n represents the total text unit coded within charities' annual reports and annual reviews.

The sample of charities is made up of five fund-raisers and five grant makers.

% shows the percentage proportion out of the total text unit coded, n.

For-profit sectors column presents results as reported by Beattie et al. (2004a); the sectors are made up of Food, Textiles and Water, which comprised 27 companies.

Figure 4.3: Distribution of type attributes across not-for-profit and for-profit organisations

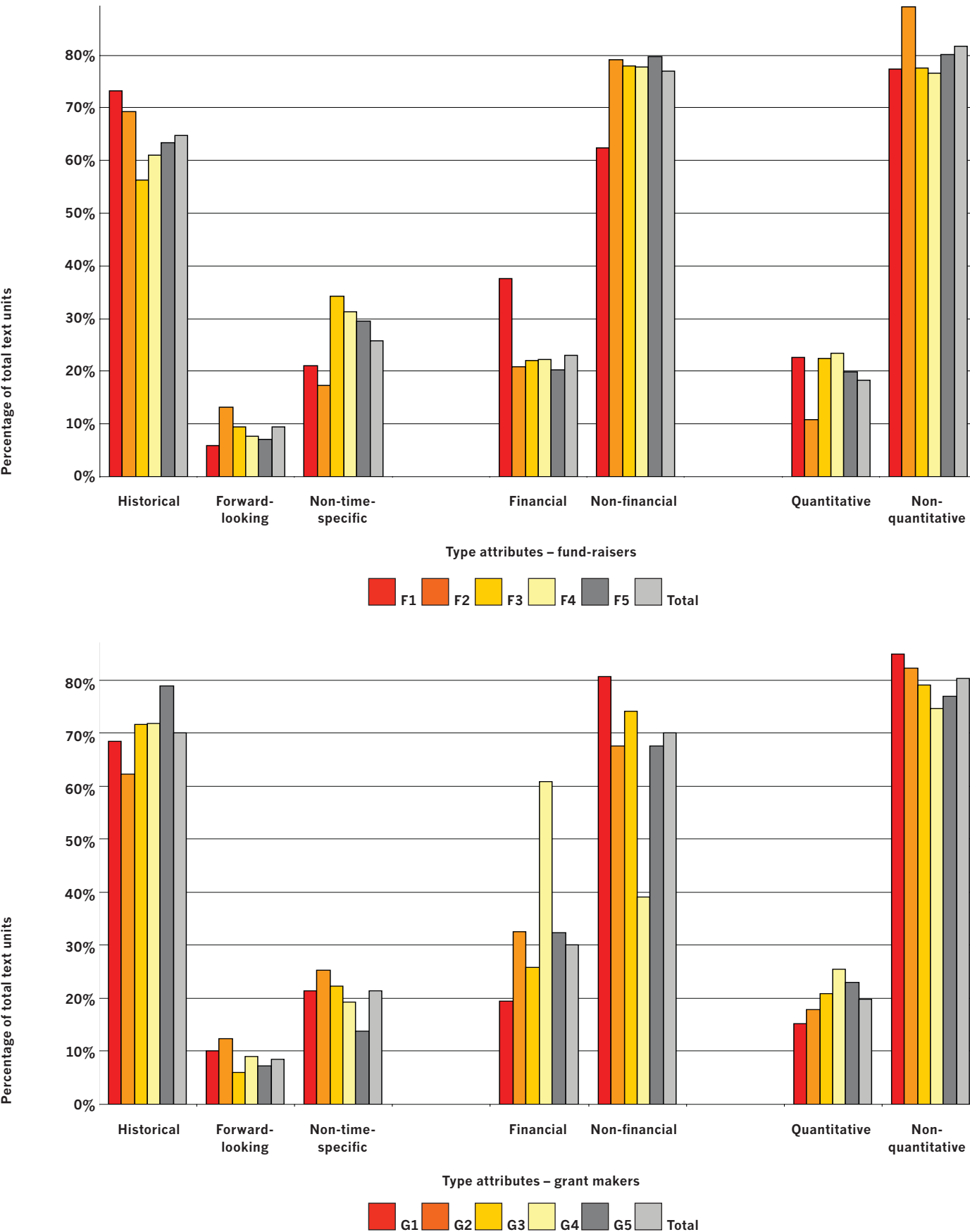


Finally, Figure 4.3 displays a consistent reporting pattern of quantitative versus non-quantitative information across different organisational types, ie charities and companies report a much larger proportion of non-quantitative information than quantitative data (approximately 80%:20%).

A varied pattern appears when the distribution of type attributes across individual charities is examined. Figure 4.4 reveals the following.

- F3 used a smaller percentage of historical disclosures than other fund-raisers, while G5 used a higher percentage of historical disclosures than other grant makers.
- F1 used a higher percentage of financial data than other fund-raisers, with G4 displaying a similar trend.
- F2 used a smaller percentage of quantitative disclosures than other fund-raisers.

Figure 4.4: Distribution of type attributes across not-for-profit organisations
 (Figures derived from Appendix 11)



MULTI-WAY TYPE ANALYSIS

This section analyses the statistics relating to different combinations of type attributes. Table 4.4 reports the results for each of the two-way (panel A) and three-way (panel B) type combinations across the three type dimensions of the charity multidimensional framework.

Inspection of the two-way and three-way type combinations (Table 4.4, panels A and B) reveals the following.

- In terms of the time × financial/non-financial combination, charities report the highest levels of non-financial, historical information within their reports (almost 50%), while the second most highly ranked combination differ between fund-raisers and grant makers. Specifically, the former appear to use non-time-specific, non-financial information (about 21%), whereas historical, financial information accounts for about 23% of disclosure for the latter.
- Focusing on forward-looking information, such disclosure is often of a non-financial nature as opposed to a financial one, and mainly non-quantified.
- In terms of the time × quantitative/non-quantitative combination, non-quantified, historical data accounts for approximately 50% of information reported by these charities. Although the charities disclose a substantial level of quantified, historical information, they are also found to report substantial levels of non-quantified, non-time-specific information.
- In terms of the financial/non-financial × quantitative/non-quantitative combination, altogether, the analysed reports contain large amounts of non-quantified, non-financial disclosure (approximately two-thirds). The second most highly ranked combination is non-quantified, financial information (approximately 16%).
- With regard to the three-way analysis (Table 4.4, panel B), historical, non-financial and non-quantified information dominates the narratives (41%). The second most highly ranked combination is non-time-specific, non-financial and non-quantitative information.
- Forward-looking information disclosed is mainly of a non-financial and non-quantified nature.

A breakdown of the two-way and three-way analysis by individual charity is provided in Appendices 5 and 6 (see pages 59 and 60) respectively. This segregation is necessary to determine whether individual patterns exist within the sample. Scrutiny of these appendices reveals a number of key points. According to a two-way analysis of the statistics, individual charities, in general, appear to show varied usage patterns across the different types of data. Most of the charities (both fund-raisers and grant makers) seemed to utilise non-financial and non-quantitative information frequently. The three-way analysis reveals that fund-raisers are more diverse in their use of historical and non-time-specific data, while grant makers vary considerably in their disclosure of historical, non-financial and non-quantitative information.

Further analysis is conducted on the statistics to produce a four-way analysis of the content reported by the sampled charities – this is shown in Figure 4.5. The graphs are displayed in panels, each based on a different main topic category employed within the charity framework. This approach helps to identify the distinctive type attributes of main topics. The two subsets of the sample (ie fund-raisers versus grant makers) are shown separately. (A breakdown of these statistics across individual charities is provided in Appendices 12 and 13 (see pages 67 and 68), but will not be discussed here.)

Table 4.4: Frequency of type attributes – two-way and three-way analyses

	Total fund-raisers (n=5185)	Total grant makers (n=5863)
Panel A: Two-way analysis	%	%
Time × financial / non-financial		
Historical / financial	15.60	22.60
Historical / non-financial	49.14	47.50
Forward-looking / financial	1.87	2.40
Forward-looking / non-financial	7.62	6.07
Non-time-specific / financial	5.30	4.98
Non-time-specific / non-financial	20.46	16.44
Time × quantitative / non-quantitative		
Historical / quantitative	15.43	17.43
Historical / non-quantitative	49.32	52.67
Forward-looking / quantitative	1.27	1.13
Forward-looking / non-quantitative	8.22	7.35
Non-time-specific / quantitative	1.58	1.21
Non-time-specific / non-quantitative	24.19	20.21
Financial / non-financial × quantitative / non-quantitative		
Financial / quantitative	8.10	12.04
Financial / non-quantitative	15.00	17.94
Non-financial / quantitative	10.18	7.73
Non-financial / non-quantitative	66.71	62.24
Panel B: Three-way analysis	%	%
Historical / financial / quantified	7.17	11.24
Historical / financial / non-quantified	8.74	11.36
Historical / non-financial / quantified	8.25	6.19
Historical / non-financial / non-quantified	40.58	41.31
Forward-looking / financial / quantified	0.46	0.51
Forward-looking / financial / non-quantified	1.41	1.89
Forward-looking / non-financial / quantified	0.81	0.61
Forward-looking / non-financial / non-quantified	6.81	5.46
Non-time-specific / financial / quantified	0.46	0.29
Non-time-specific / financial / non-quantified	4.84	4.69
Non-time-specific / non-financial / non-quantified	1.12	0.92
Non-time-specific / non-financial / non-quantified	19.34	15.52

Notes:

% shows the percentage proportion out of the total text unit coded, n.

Examination of Figure 4.5 reveals the following.

Background information (BD) (panel A)

Typically, background information is non-financial and non-quantified in nature. It is predominantly non-time-specific – this information accounts for almost 50% of the total background (BD) narratives. Grant-making charities disclosed relatively high levels of financial background information about themselves, which is not surprising considering the grant-making aspects of their activities. Interestingly, fund-raisers reported more forward-looking type of information about themselves than grant makers (6% compared with 1%).

Personnel and Third Party relationships (PA) (panel B)

this topic category is mainly historical, non-financial and non-quantified in nature – with grant makers using this type combination to a markedly higher degree than fund-raisers (81% compared with 66%).

Resources (RES) (panel C)

Information regarding resources of the organisation appear to be heavily dominated by historical data, which are spread across the financial/non-financial and quantified/non-quantified attributes.

Forward-looking (FL) (panel D)

As expected, the time attribute of such information is of a forward-looking orientation, but most of the disclosure is non-financial and non-quantified. In addition, fund-raisers report greater levels of future-oriented information than grant makers (52% compared with 39%).

Operating data (OP) (panel E)

Like data on resources (RES) above, information regarding operating data appears to be heavily dominated by historical data, which are spread across the financial/non-financial and quantified/non-quantified attributes. This is to be expected as such data generally relate to the performance for the year.

Financial and non-financial (FIN) (panel F)

The panel shows that financial and non-financial data reported by the sampled charities are mainly quantified, financial and historical in nature (accounting for almost 95% of total operating (OP) data), although there is some non-quantified financial historical information reported by both types of organisations.

Management's analysis (MA) (panel G)

A wide range of type combinations is apparent for this main topic. The majority are historical, non-financial and non-quantitative, but there is a significant proportion of forward-looking analysis by management (about 10% for both types of organisations).

Contributors' analysis (CO) (panel H)

Disclosure within this main topic is mainly historical, non-financial and non-quantified, which is to be expected since such information concerns commentaries of the impact experienced by people outside the organisation. Fund-raisers appear to use this type combination within their reports to a greater extent than grant makers (80% compared with 60%).

Not in framework (NOT) (panel I)

This category comprises mainly text relating to an appreciation of the support received by the organisation. Disclosures are mainly historical, non-financial and non-quantified in nature (almost 50% of total not-in-framework (NOT) data), with some being of a non-time-specific nature (about 27% for both charity types). There are instances when such text includes financial information; this occurs when such appreciation includes details of the financial support received.

Figure 4.5: Distribution of type attributes – four-way analysis
(Figures derived from Appendices 12 and 13)

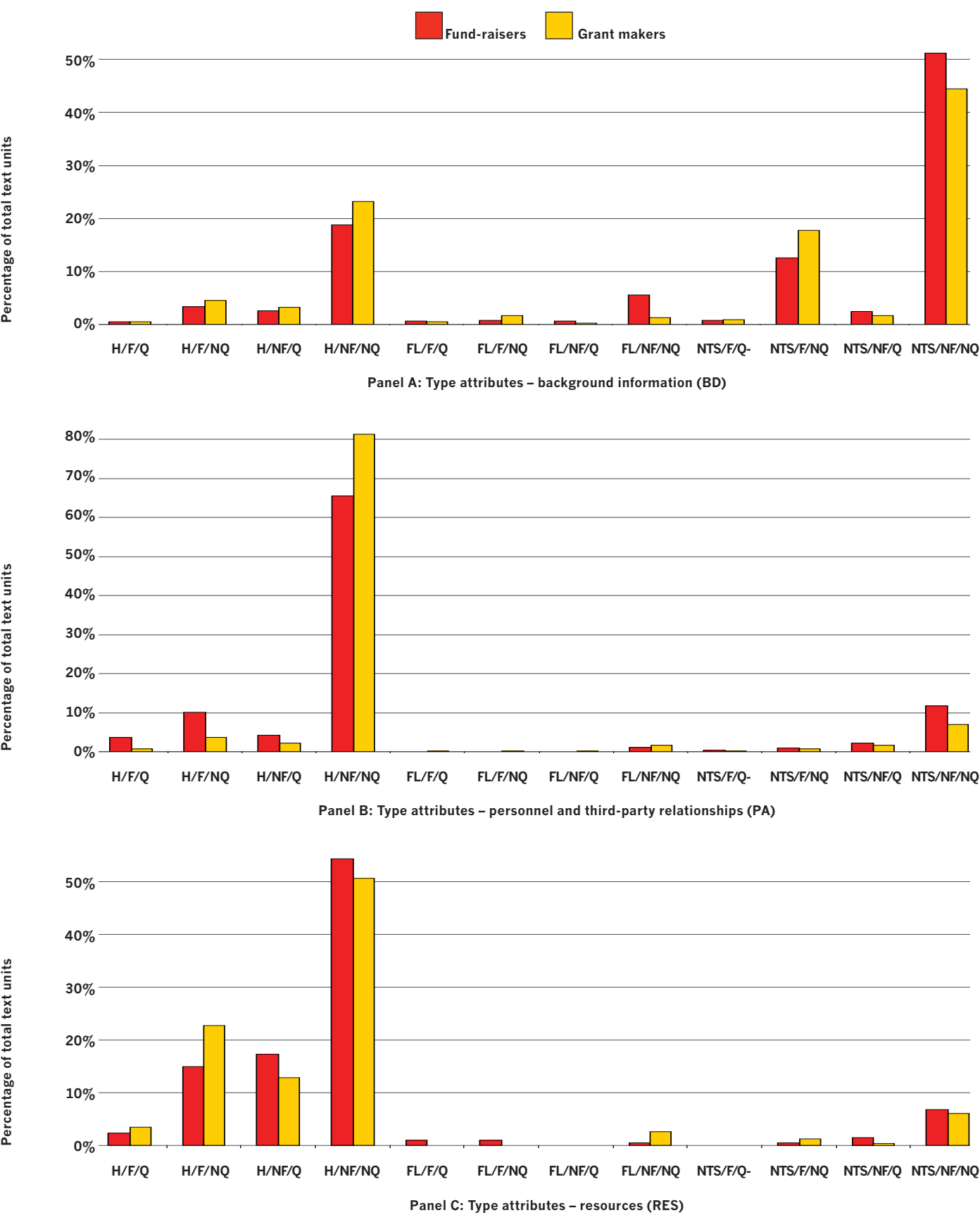


Figure 4.5: Distribution of type attributes – four-way analysis (continued)

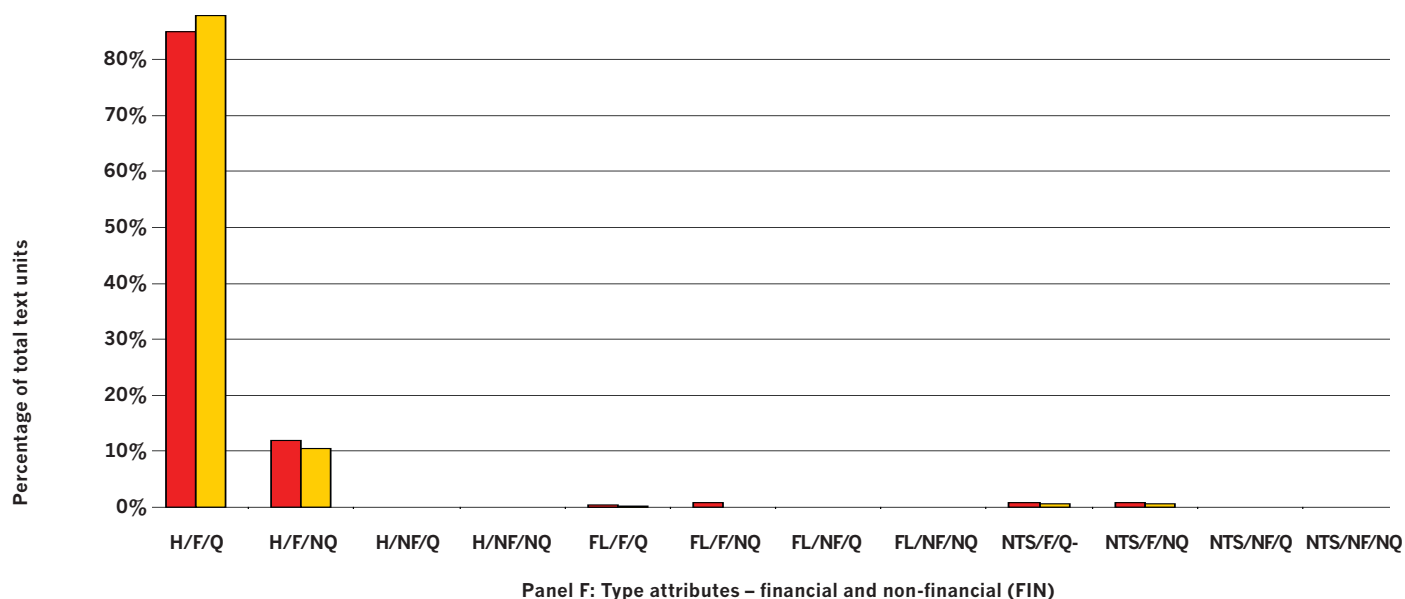
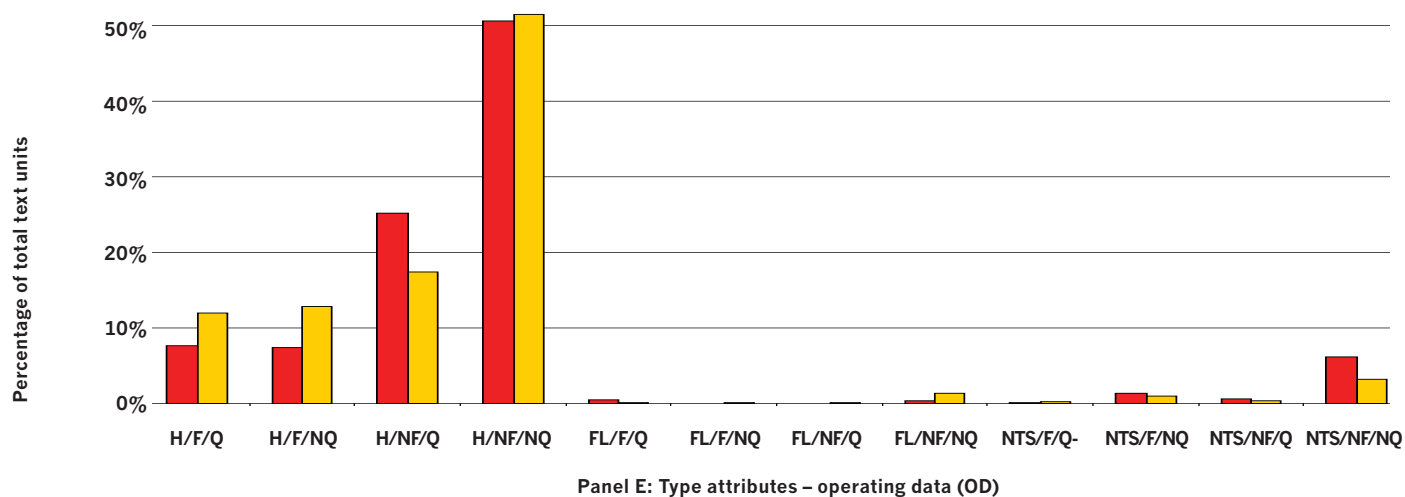
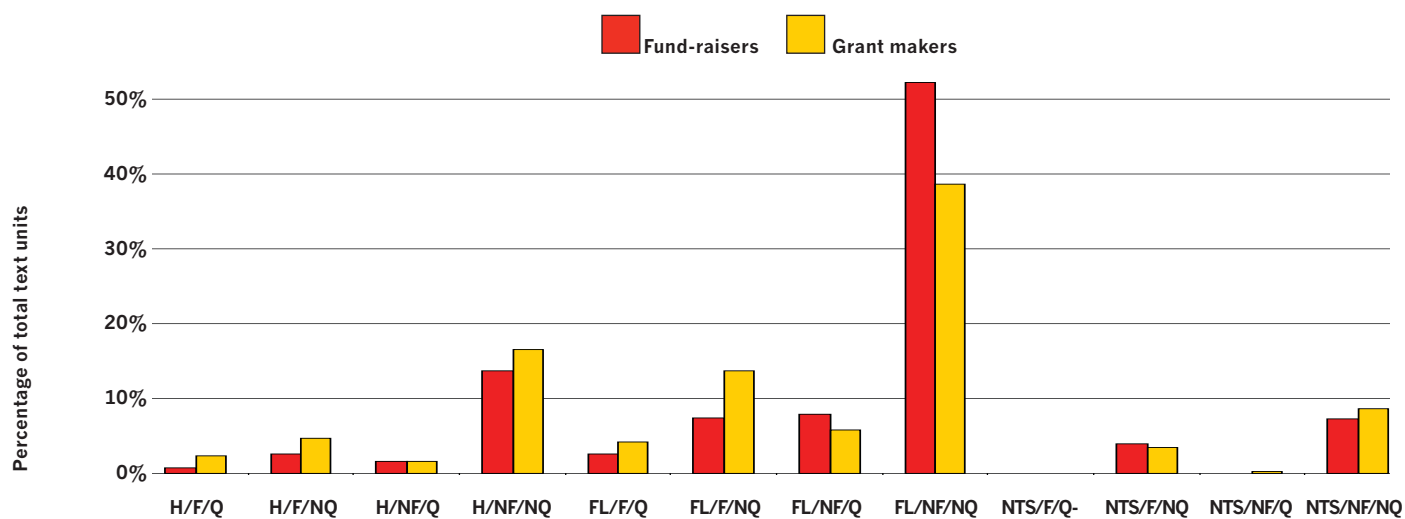
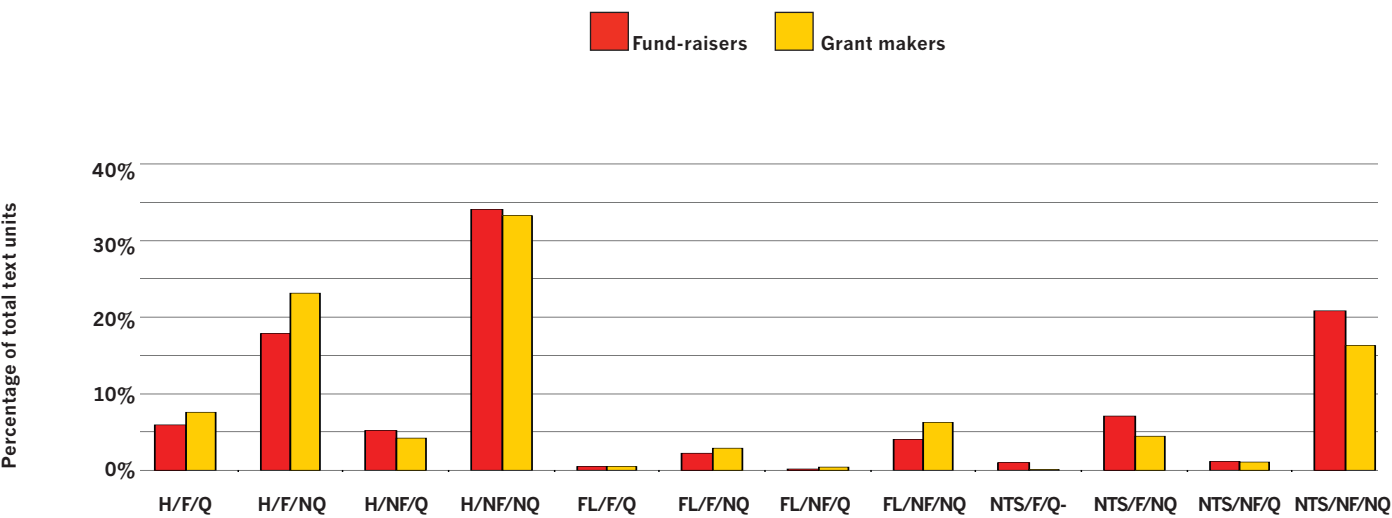
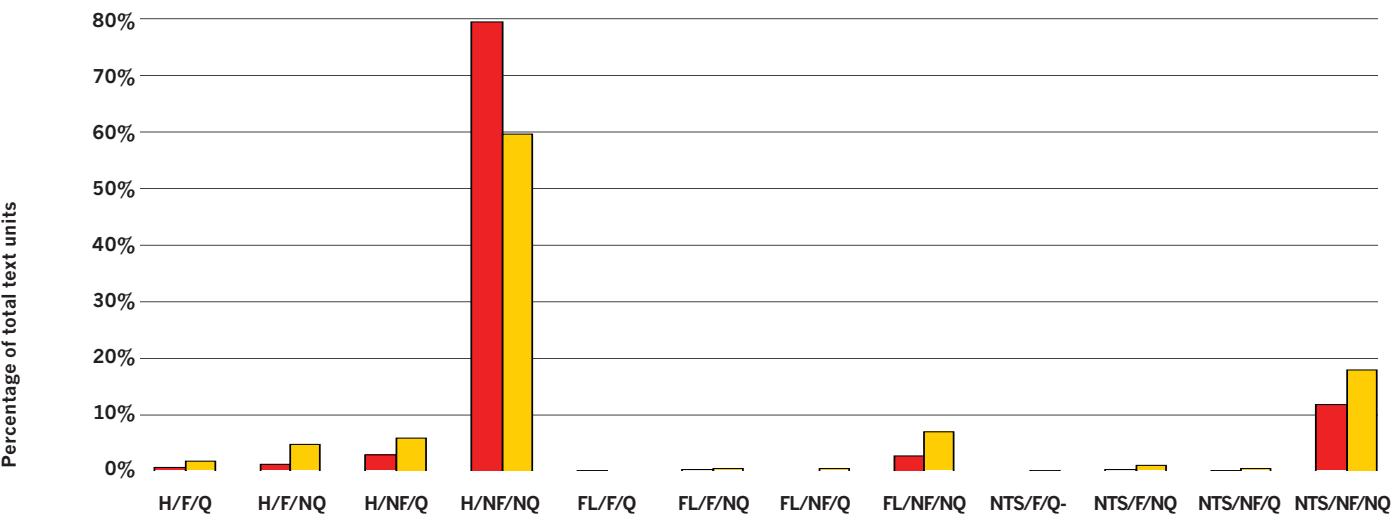


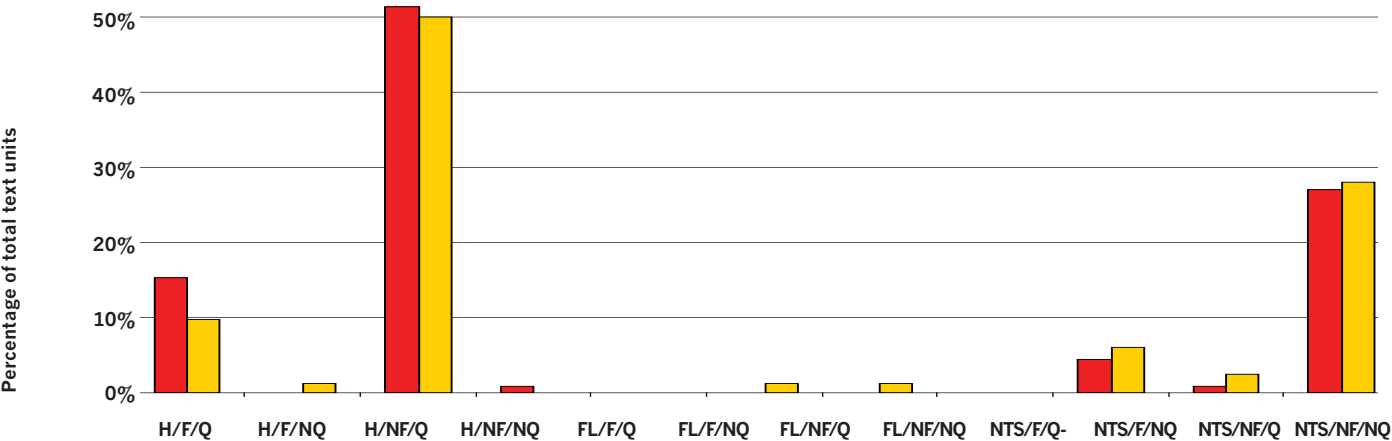
Figure 4.5: Distribution of type attributes – four-way analysis (continued)



Panel G: Type attributes – management’s analysis (MA)



Panel H: Type attributes – contributors’ analysis (CO)



Panel I: Type attributes – not in framework (NOT)

SUMMARY AND CONCLUSIONS

This chapter has presented a multidimensional analysis of the topic and type attributes of the narratives within charities annual reports and annual reviews. The evidence suggests the following.

Like Beattie et al.'s study (2004a) on the narratives of for-profit firms, the nature of information disclosed within the charity narratives was largely historical, with forward-looking information forming a small proportion of that data.

Charities reported significant proportions of non-financial and non-quantitative information within these narratives, as proposed by Hyndman (1990, 1991).

The findings indicate that charities were presenting higher levels of information regarding performance and achievements than background information about the organisation, where the former (latter) accounted for approximately 42% (18%) of narratives. This is at odds with Connolly and Hyndman's (2003) reported lack of disclosure of performance within charity reports. This is, however, in line with the introduction of performance reporting in the 2005 SORP, which was absent from SORP 2000 (Charity Commission 2005b), and thus demonstrates how the latest SORP has shaped reporting by charities.

Fund-raisers and grant makers appear to disclose similar types of information within their narratives, in particular, management's analysis of activities, operating data and background information form the largest proportions of disclosure (approximately 22%, 19%, 18% respectively). In addition, charities appear to use contributors' or third parties' assessments of the organisation within their reports.

A comparison between the narratives of the sampled charities and for-profit sectors shows a different emphasis on the type of information reported. For instance, charities' reports are dominated by analyses of performance, operating achievements and background information, while the for-profit sectors put greater emphasis on the description of the business, financial data and information about their management and shareholders.

Although charities appear to provide information about the aims and objectives of the organisation, and data about the charities' activities (in particular, achievements as recommended by the 2005 Charity SORP) the findings show that the topic disclosure patterns do differ across individual charities. This is in line with previous literature, which observes varying patterns of reporting owing to the diverse nature of the charity sector.

The results show that the topic disclosures of charities can be distinctively characterised in terms of several type attributes. Further analysis and linkages to the disclosure policies of the charities sampled is provided in Chapter 5.

5. Disclosure policies

INTRODUCTION

This chapter presents an analysis of the interviews with key personnel from the sampled charities. These interviews, which investigate the drivers of disclosure, build upon the multidimensional content analysis of the topic and type attributes of the narratives contained within the annual reports and annual reviews produced by these charities. Specifically, the interviews address the role of disclosure from the perspective of the preparers of these charitable organisations. The results of this exploration will help us understand, among other things, the motivations for and constraints upon disclosure by charities. In addition, the analysis will provide insights into the results of the first stage of this study on disclosure practices. Table 3.1 (see page 17) details the organisations and personnel interviewed in this section. The sample consists of eight out of the ten charities initially used in the earlier stage of the project, and the interviewees were finance directors, apart from one who was the director of communication. Appendix 16 provides a summary of the typical questions used in each semi-structured interview. This chapter is structured by the themes derived from the analysis of the interview material.

ROLE OF DISCLOSURE

In order to determine the drivers of disclosure, each interviewee was asked to explain their reasons for disclosing information. There was a unanimous view that disclosure was prompted by a legal requirement that each organisation present a report on their activities and financial performance which would meet the true and fair view test. G3 best summed this view by stating that: 'obviously the legal compliance sits there...it doesn't matter whether it is a motivator or not, it is something you have to do'. Some of the interviewees suggested that this true and fair view reporting was to be expected since many of their peers would be engaged in the same practice and, hence, reporting promoted comparability between organisations. For instance, F2 stated that 'it is...normal expectation, so our peers do it in a similar sort of way...it would be strange if we did not' while G2 suggested that:

we have to be accountable, ...transparent and people have got to make some attempt to be able to compare us with other organisations...we are really conscious of trying to be transparent, eg in telling people about what we do.

This view is supported by G5.

It is a legal requirement, so you do not have a choice, but that does not mean that you should just get on with the bare minimum, you should be open...as a charity, it is important that you appear, [and] everything you do is completely transparent, so that applies to all the stakeholders,...who give us money and people who take money from us.

In addition, G4 also stated that 'there is a very general feeling that we should be seen to be responsible and professional'.

Beyond this mandatory requirement, interviewees saw disclosure as the provision of information to stakeholders, both internally and externally. In terms of providing information internally, G2 believed that the trustees' report is not appropriate for such information:

We provide the information in a lot of different ways and that is not our only channel of communication...I do not think that it [internal information] is relevant for such a document.

According to G4, however, communication should also be open and honest, and based on tradition or precedence. The interviewees believed that there was a need to ensure that their readers (especially recipients and contributors) understood the nature of the organisation, its aims and objectives, and most importantly the services that the organisations provided. F3 stated that 'key facts about our organisation often need an explanation for people to understand'. F2 suggested that such disclosure provided 'a good story to tell in terms of what we actually do', and F4 believed that:

on top of that [regulation] it is a very good way of actually demonstrating how you have used the funds for donors and funders...it gives people a good idea...accounting for what you have done and showing how you have been accountable...but it is also a bit of advertisement of what can be in the future.

There was a consensus, therefore, that disclosure could help raise the charity's profile, which was seen as an important outcome from the production of the annual report and annual reviews. According to F3:

there is a minimum level of information that we need to provide.... But we want to go beyond that because our public image is very important, it affects whether people use our services, whether they buy services from us and whether they give the organisation money.

We need to let everyone know who we are, but we need to also explain how good we are at what we do.... (G5)

It is important to maintain your profile, to keep reminding people of who you are.... (G5)

This view was supported by other interviewees, who further suggested that disclosure could be seen as a marketing/publicity tool in terms of promoting the organisations' fund-raising aims as it could raise empathy with potential donors. F5 suggested that reporting is 'building general awareness of the organisation and empathy with the organisation's objectives' and that 'we [are] definitely looking to create a good impression of the organisation, and the key thing is that we do want people to fund the organisation'. F2 suggested that 'sometimes you can make a virtue out of what has gone wrong, to

some extent, really. You get some sympathy or support as a result’.

The interviewees saw disclosure as a way in which they could be accountable to their stakeholders, in particular, their supporters. Stewardship was also cited as being one of the motivations for reporting – they saw the documents (ie annual report and annual review) as providing an opportunity to relay information about how (well) the organisation had managed their donations/funds. F5 believed that there was ‘an expectation to disclose as much as possible for them [users] to understand that their money has been put to good use’. It also gave charities an outlet through which to explain their actions or decisions. For instance, F5 stated that charities:

are here to deliver [our] charitable objectives...and will do things which we believe passionately are the right thing to do for us to achieve these objectives, which will not necessarily achieve populist support. So what that drives us to do is to build a confidence in people [about] what we do.

Consequently, disclosure could be used to influence stakeholders and manage perceptions about the organisation. Further, charities could maintain and build relationships with their current and potential supporters by providing assurance that their monies have been appropriately discharged. For example, when discussing building trust and confidence in what the organisation does and between participants in a work partnership – G5 suggested that these partnerships ‘need to be confident in us, [and] we need to be confident in them’.

The preparers commented that the act of reporting could promote confidence and trust about the organisation, especially in a climate where public confidence is low (Morris 2005). For instance, F5 suggested that:

we need to build confidence in people, ...we need to maintain a dialogue, we need to explain to people about what we do, so that so when we do something that they think is not really necessary, or a bit odd or they are not comfortable with, most of the people, but certainly not all, will trust us enough to say, ‘OK, I understand what the charity is doing, I understand where they are coming from, it might not be what I would have done in their shoes but I trust them and I want to continue to be a member’. So I think building that trust is more important for a charity than it is for, I would say, a commercial organisation.

When asked if that would mean losing supporters, F5 continued:

I think a charity does have to stand by its principles. We have to set out our objectives, what we are trying to deliver and, if some of those tactics displease groups of people, I think you have to within limits, within reasons, press on and do what you think is right, not do necessarily what the customer wants you to do.

Further support for this stand was provided by F3, who suggested that disclosure provided some form of legitimacy for a charity’s actions:

for example, we can be forthright about the cost of our services...but we tend to be wary because we worry that people won’t understand. Take fund-raising for instance; when we put money into a new area of fund-raising, it can take some time before it starts to be successful, and it might not be successful, so it would be good if there was more understanding...of the process involved, and that that was seen as being legitimate.

F4 commented that the narratives provided ‘an assurance, as people look for assurance in the figures that you have produced’.

In addition to accountability and legitimacy, the interviewees pointed out that reporting allowed them to provide information about their future plans, the challenges ahead and how they are going to face these risks – this could be useful in terms of attracting potential supporters. G5 believed that disclosure gave them an opportunity to say “‘Look, we are not satisfied with what we are doing; we are doing a good job but we want to do this [other projects]”, so I think this [is] your opportunity to get your story across’. F5 supported this statement by suggesting that:

if someone is going to give money to a charity they want to understand what the problem is, and they need to be convinced that the problem is solvable, and they [also] need to be convinced that you as an organisation are capable of solving it.

INFLUENCES ON DISCLOSURE (NON-DISCLOSURE) POLICIES

The interviewees were asked questions designed to reveal the influences on disclosure and, specifically, on how to identify the types of information to report. The first question involved determining whether there was an explicit intention on their part to provide success stories. The reaction to this question was rather mixed. A number of preparers saw the role/purpose of reporting as being to promote transparency and, although there was some implicit intention on their part to include success stories, they tried to be as balanced as they could in providing information, ie to provide both sides of the story. F2 stated:

What is highlighted in the Chairman’s report...will always emphasise something that has gone positively. ...so the Impact Report covers everything, bad things as well, and is pretty honest from that point of view’.

According to F3, the changing view on charities has resulted in ‘people want[ing] charities to be more transparent, to produce more information, to not be secretive’. Although there was no explicit intention to include success stories, F5 explained that it would be normal for the charity to begin its report with the good, or successful, stories. It was also observed that such an

intention was natural, given professional pride that 'no one wants to publicise failures' (G5) and that 'it is human nature' (F5). In addition, G5 further stated that to prevent reporting bad news, an organisation should try to disclose information when there was a high probability of its success. The same interviewee further remarked that in order not to be put in such a position, there was a need for a monitoring system to manage the performances of the organisation, thereby ensuring greater reported successes. Others denied any explicit intention to include success stories but rather a management of such information. For instance, G4 stated 'the idea of this report is it really should not contain any surprises, good or bad, if it startles anyone it means we have mishandled communications during the year'. This view was supported by G5 who suggested:

We do not let it [bad news] happen any more because we have got monitoring in place [so] we can see early on if there is anything going on and stop it. But we do not have competitors, so we do not have to cover anything up because we are worried anyone else is going to benefit from it, because we do not need to.

G3 stated:

We try to present a balanced view. Particularly having stated what our objectives were the previous year then we feel it is appropriate to be honest about where we have got to with [the] delivery of those [objectives].

Nonetheless, G2 believed that although there was no explicit intention to include success stories, there are suggested situations when such a decision would be possible. For instance, 'if things have not gone as well as you had hoped, you would choose to highlight the success stories rather than the things that have not gone fantastically well...So I guess we just have to manage that message'.

F5 provided the following to support G2's view:

We would like [donors] to fund [the organisation] and you can only do that if you are telling people about the things that are going wrong, so it is not all about good news stories; but clearly, when we want people's support we need to be able to convince them that, one, there is a problem and two, that [the organisation] is the right organisation and is competent to do something about it so, yes, [the organisation] is going to be majoring on the successes from that point of view.

To add to the debate, G2 claimed that there were charities that were very good at reporting unfavourable performances, and that G2's organisation should try to follow by example. G2 was also forthcoming in saying 'that is one of our weaknesses in that we are not good at communicating where we have not done as well as we hoped'. Nevertheless, G2 stated that in reality:

We are aware that we should be providing a balanced report but then in all honesty what happens is the trustees see that and they do not want to report bad news. So we do not, and it gets watered down, and what you see is not actually necessarily what's actually happened, in some cases.

Rules and regulations

Many of the interviewees argued that the current rules and regulation are tight and prescriptive in what an organisation has to produce. These rules also provide typical examples of structure and formatting which a charity can follow, and promote comparability of performances and practices. For example:

SORP gives you a recommended list of what we should be doing and we also look at other organisations, similar charities, to see what other stuff they do, and we have used. (F4)

It [SORP] gives good guidance. (G2)

The regulations have helped put some structure to it [reporting packages] and nudged us to disclosing things we have not previously disclosed. I think one of the problems is that if it becomes too prescriptive it is in danger of becoming a box-filling exercise as opposed to having the freedom [to say what we want].... It all becomes a bit tedious to read, and it ends up [as] just a box-filling exercise. (F5)

F4 stated that the current rules are exhaustive and provide prescriptions in classifying disclosure items, while F5 claimed that these rules instil confidence in the sector by bringing every charity up to standard. G3 believed that the SORP provides rules that meet the minimum for accountability. According to F4:

The SORP is pulling you in the direction of disclosing a lot more strategic-related information, so it is pulling you in the direction of actually starting to align [reporting] to what you are spending, to what you say you are going to do, so in that respect it is becoming clearer.

Nonetheless, a number of interviewees stated that these rules were secondary to the promotion of stewardship within the organisations. They also cited possible difficulties in following these rules and regulations, such as issues with consolidation. F5 commented that consolidation created difficulties in determining individual segments and separating the performances of these segments. The interviewee argued that separating the segments would provide a simpler, more understandable document set which could enable comparability of information, and promote openness and clarity in each segment. This could help potential donors choose which segment to support.

The interviewees were also asked to provide some indication as to what they would do if there were no rules and regulations to determine their reporting policies. Many believed that they would still produce annual reports and

annual reviews, as they felt that these documents would be able to provide a general view of the performance of the organisation. Nonetheless, the emphasis would be primarily on the annual review as the main source of information, with a reduction in the content of the annual report and accounts.

G5 best summed up their perceptions.

Because you are responsible to your stakeholders, both donors and recipients, you have to produce something... just to show that you are doing what you are supposed to be doing, everything is transparent, everything is above board. If I was perfectly honest I would not produce as much as the annual report and accounts does at the moment. There are obviously good reasons [for producing the annual report] and accounting rules and regulations...but I am sure an awful lot of it is never ever read by anybody. I mean, sometimes we seem to be producing notes and stats and figures to go in the report just for the sake of it, as far as I can see.

F2 explained that:

If there was no regulation about this [reporting]...we would still do the [annual review], we would still do the general case studies and...summary bits at the front of the annual review, and we would have some financial information on it; but it probably would be simpler, and we would probably work out ourselves what we thought the donors really needed, but not all those notes on the financial side.

This user-need focus was also suggested by G2:

We [would] still have to produce some things but whether we produced it in the same way we probably would not. This [annual report and annual review] is so labour-intensive that we probably would not do it in this way; maybe we would in a different way, or I guess it would force us to think, 'well who actually wants this information', rather than 'this is the way we have to do it so let's just get on with it'.

Regardless of rules, G2 further commented that, 'we have to be accountable, we have got to be transparent and people have got to make some attempt to be able to compare us with other organisations'.

Types of information to disclose

Interviewees were asked to provide their views on how they would determine the types of information to disclose. A few of them suggested a number of possible criteria for choice, such as information that could be based on:

- the aims and objectives of the charity
- a charity's scale and nature of activity(ies)
- competitors' disclosure practices, eg which facilitate comparability

- the level of awareness or influence that the charity would like to convey to its readers, eg through non-financial, non-quantitative data, illustrations and narratives
- communication strategy, eg promotion of services
- performance and future plans
- level of spending or source of funding
- level of impact
- legal requirement.

Despite these criteria, all the interviewees stated that, foremost, information should not bore readers. For example:

It [type of information] probably has the most focus on it, due to the scale of it. (F2)

There was a...communications strategy. I do not know whether I would call it a ranking, but there was definitely a strategy about what services we were going to promote and where. (G2)

Obviously we are significantly guided by the SORP in terms of the content that's expected to be included in charities' report and accounts. And we try to follow the format of reporting against the objectives that we have set out in the previous year, and will have an overview from the chair of trustees, and then the director's report is the main body of it, in terms of the content of reporting against these objectives. And because we organise our work and our planning around these five programme aims, and set objectives in relation to what we're trying to achieve under each of those aims, then that becomes the key format for reporting our programme delivery work. (G3)

G2 presented an example of how targeting of information was achieved.

I think if you have got a more sophisticated donor...like a trust, or a high-level donor, they are going to look at the actual figures. They do not really care about the...fluffy stuff. Someone who thinks, 'no, I want to give some money to charity, and I want to check this charity is going to spend my money wisely' – maybe they would look at key things, like what is our fund-raising ratio, or how much is going to be spent on actually helping people rather than on our administration, and I guess it is...those kind of things that perhaps we should be highlighting.

It was, therefore, important for organisations to understand their readers. For example F5 highlighted the benefits of getting to know one's target audiences, 'I think that [knowing your audience] puts us in a strong position for designing materials, finding the routes and the media that will get to them'.

Criteria for non-disclosure

The next interview question related to possible criteria for not disclosing information as we believed that exploring this issue would be enlightening for the research. The criteria suggested include confidentiality (eg legal and contractual); information that could result in possible backlash or have an impact on the security and privacy of related parties; copyright issues; vexatious requests and competitively sensitive information. For instance:

from a fund-raising perspective, ...there is competition, there is commercial confidentiality; we are forever trying to develop new fund-raising products and ways of communication that will be successful in terms of fund-raising, and in terms of the communication that goes out. [So] yes, our communication team is forever looking at what other charities are doing, and no doubt they are looking at what we are doing. (G3)

Interviewees cited costs as being a factor, especially if the disclosure of information could result in the organisation incurring costs or opportunity costs relating to significant resources that could otherwise be spent elsewhere. They further proposed the non-inclusion of performance indicators that would not be easily understood by readers, or that were a concern to the charity. F3 stated that they did not 'select [to disclose] indicators that are a concern to us' and that:

...there are...performance indicators [such as statistics on complaints] that we do not include...because we do not think there is a public understanding of what those are, and information we provide might be seen in a negative light. Whereas for some particular audiences, that information would be understood and would be useful.

Interviewees also cited the provision of benchmarks or performance indicators as a barrier to reporting, in particular when the inclusion of such information could be misconstrued by readers, given the difficulty in identifying comparable benchmarks. Interviewee F4 commented that 'it is a bit of a double-edged sword...it could give a good or bad impression, very easily'. In addition, one preparer (G3) found it difficult to measure (quantitative) impact, hence the need to fall back on narratives and analysis of the situation.

Interviewees were also encouraged to discuss some of the constraints they faced in preparing their reporting documents. Costs, time and onerous rules were the main barriers to additional voluntary disclosure, especially given comments that the annual report and accounts were unfavourably received by stakeholders. One interviewee cited audit fees as being one of those costs, as the report and accounts were subject to these fees, hence the greater reliance on the unaudited annual review to provide information to stakeholders. Several interviewees were also constrained by the need to find a balance between quantity and quality of information to include in their documents. For example:

...[we] are overwhelmed by things that we want to communicate...[therefore] we are governed by what are the priority items that we want to communicate, and what ...we think is going to be of interest to people. (F5)

Others argued that competition could affect reporting in different ways. It could either result in the non-disclosure of information owing to commercial confidentiality, especially from a fund-raising perspective, or improve the way in which organisations disclose information (i) through:

- collaborations between charities
- creating competitive advantage
- enhancing comparability between organisations.

Some examples of these suggestions include the following.

We have deliberately positioned ourselves in a different section of the market, and that is how we differentiate ourselves from our competitors. Not by saying that we raise more than them; we spend less money on fund-raising than them. We do not do it that way. (G2)

Clearly in terms of fund-raising, there is competitiveness. And I think that is a key communication issue, in terms of how do you get your message across in a way that convinces people that what you are doing is worthwhile, and that it is therefore appropriate for them to give you some of their money. In terms of the wider reporting, I do not think there is huge competitiveness and I think charities work together quite extensively through the different networks that they go onto. (G3)

We do collaborate very closely together...at an organisational level, but particularly on the ground, so there is not the same sense of competition [in reporting] as there might be in the private sector. (G3)

Forward-looking information

One of the major changes incorporated in the 2005 Charity Commission SORP related to the inclusion of greater levels of forward-looking data within charity reports. The interviewees were asked to comment on the usefulness and the effects of the recommendations on providing such information. There was a consensus that forward-looking data are useful and that there is a demand for them. According to F4, there is a need for forward-looking information because 'potential donors are looking at what you want to do in the future, rather than what you may have been doing in the past'. F3 stated that 'it [forward-looking information] could be an advantage, if you have things that you are seeking funding for specifically included in the report, in terms of attracting funds'. The interviewee was of the opinion that forward-looking information could attract funders for new future projects and, therefore, organisations should be encouraged to include those plans.

There are, however, constraints faced by charities in providing forward-looking information within their reports. First, the historical nature of reporting documents dictates the content of these reports – in fact there is an expectation that they will include such data.

This [annual report and annual review] is predominantly telling people what we have achieved...it is interesting to know what organisations want to achieve but it is a lot more interesting to read what they have actually done. (F5)

In addition, G5 stated:

The review is more historical, it is definitely more backward-looking rather than [forward-looking], it is a record of how great we are rather than where we are going. There might be the odd mention of future plans.

Support was found from F2, who commented that ‘it is still mainly about stewardship over the last year’. According to G2:

People really see their accounts as a historical document [reporting] what has happened, [and] haven’t we done well in the year...they do not perceive it as a forward-looking document, and I guess that will have to change....

Second, the interviewees highlighted difficulties in providing forward-looking information. F3 provided a good commentary on these difficulties (eg the creation of precedence, and incurring competitive disadvantage).

I think there are problems over providing more forward-looking information; one being that some of the forward-looking stuff [relates to] one-year strategic plans, [it should be] be longer than that.... Another is that for a fund-raising organisation it can be difficult to speak with conviction about what it is you are going to do in the next few periods of time, because that might depend on getting a particular grant. So the extent to which you include things that you do not yet have the money for is a question. If you include things where you are planning to make bids and you do not get them, it looks as if you’ve failed. So I suspect there may be a tendency to only include...forward plans...that you feel pretty confident about being able to fund. (F3)

This might lead to a potential reduction in published information, because ‘if you include information that is pretty definite, you may not include some of the more inspirational stuff that you’ve got the money for’ (F3).

G2 suggested that one of the issues preventing an organisation from providing forward-looking information is that ‘they do not really know what is going to happen in a few years’ time’ owing to the dynamic environment and the reactive nature of their activity. G5 stated that ‘it is very, very difficult to get very detailed about where you are going’. In addition, there was a reluctance to provide future plans because ‘it can almost look like you do not know what you are doing’ (F4), and F2 explained that forward-looking information could create a precedent which ‘you cannot fix...’. G5 further elaborated that ‘The future is

always the most difficult bit to write because it is not factual, but it is probably the most useful’.

Possible constraints and barriers to reporting

In addition to the constraints on the provision of forward-looking information, the interviewees also expressed their views regarding other possible barriers that could affect their intention to disclose. Cost and time expended on producing their reporting packages were cited as possible hindrances to reporting. The interviewees believed that there was a need to manage these costs as ‘cost is obviously important, because we are a charity [and] we cannot be seen to be throwing money away’ (G5). Opportunity costs were also seen as important, given the preparers’ perception of the (non) reception of their reporting packages. ‘Like most charities, we have too much work and not enough time to do it, and at the time you are sitting there preparing this report – that people will not read anyway – you could be doing other things’ (G5). It was therefore essential that there was a balance between disclosure and resources expended on such practices, especially given the ever-increasing length of these documents, owing to the recommendations and rules that govern charitable organisations. The preparers found these rules and regulations too onerous and prescriptive, especially when ‘we do not really think anybody reads [the reports] and they do not...’ (G2).

One of the main constraints affecting reporting appeared to be the difficulties in understanding the information disclosed. The interviewees argued that reporting, in particular figures, could be a double-edged sword for them in that ‘it could give a good or bad impression, very easily’ (F4). G2 summed up this view as follows: ‘I am an accountant so I always see...a lot of truth in the numbers that you produce, and...they often do tell the story of what is happening in reality, but...we have to be careful’ as these figures could be misunderstood by readers. In addition, F4 provided an example of possible misunderstanding of information.

From the perspective of a potential donor...I think a lot of people would maybe form judgements...whether we needed money – certainly funders. If we go to a grant-funding organisation and we have presented accounts which actually said, ‘look, we are busy making profits before we have even had any money off...’ then I think they would be saying, ‘well actually you do not need this money’ or ‘why do you need this money?’ (F4)

The charities interviewed also commented on the difficulties in reporting to the public the impact of their work. Many suggested that measuring impact was difficult for them, compared with providing costs and figures within their report, since:

for us that [measuring impact] is more challenging, so you then tend to fall back upon the narrative description and the analysis of what and why. I guess if we had some ready way of describing what an impact has been in a statistical way [then] we might use fewer words and more charts. (G3)

Thus, the interviewees saw benchmarking as an important potential source of information for measuring impact through reporting. There were caveats to consider, however, when including such data. For instance, there was a need for a 'common system for doing that [providing segmental data] to avoid people presenting figures that are better just because of choices they have made about how they show it' (F3).

One of the main barriers to reporting appear to be the consequences of providing information, especially forward-looking information. Examples of possible consequences included unplanned deficits, low funds, difficulties in finding possible funders, and the potential impact on the organisation's reputation. The interviewees saw these possible consequences of disclosure as more long-term effects: 'I think there must be some long-term consequences if you are not delivering results on public targets' (F5).

STAKEHOLDERS AND MEDIA OF COMMUNICATION

One of the issues that has caused considerable debate over the years involves the identity of the charity stakeholders and their various relationships with the organisation (Hyndman 1990, 1991; Connolly and Hyndman 2003). Therefore, interviewees were asked to identify the stakeholders that they wished to target with their reporting package. They were asked specifically to provide a ranking of these users. Most interviewees were not able to provide a definitive list, as they saw themselves as catering to all stakeholders. For example:

I do not think we have ranked stakeholders in a formal way. I think we have increasingly recognised a number of different stakeholder groups, and that communication needs to be targeted...but it is more of a recognition rather than ranking...recognition that there are these different audiences.... (F3)

it [reporting] is probably for all, but if I was going to rank them [stakeholders], it has to be primarily the regulatory authorities, which are the main [reason] why [this report] has to be produced, then beyond that...members, then going down the scale, the potential donors...general public.... (F4)

F4 further suggested that if the organisation is a membership charity, ranking of stakeholders could be based on the level of engagement and how close the user is to the organisation. For instance, are they involved in the governance of the charity? According to F4, 'it is not just about [level of engagement], they [stakeholders] are also part of the governance of the charity'.

Some interviewees did try to provide a priority list; for instance, potential funders, people who have a long-term relationship with the charity, such as regulators, members, local authorities, analysts, major funders, trusts and beneficiaries. They suggested possible criteria for ranking these stakeholders in line with the theoretical concept of stakeholder influence (saliency). For example:

If a charity has a huge endowment, and does not need to put any effort into fund-raising, then that is a complete group of stakeholders that are [not nearly] as important as they would be for a charity like us, where we are looking to raise funds from the public. (G3)

The theory of stakeholder saliency suggests that reporting is related to the ability of the stakeholder to affect and be affected by the organisation's objectives. These abilities include: the stakeholders' power to influence; the legitimacy of the relationship between the user and the organisation; and the urgency of the stakeholders' claims on the organisation (Mitchell et al. 1997). The general view was reflected by F4, who commented: '...the key users, it is hard to say...there is a little bit of an unknown as to who is actually using your figures'.

Although the interviewees found it difficult to rank their stakeholders, they were able to note the different emphases assigned to their two main documents, ie the annual report and accounts, and the annual review. They viewed the annual review as being more important than its financial counterpart, especially as a fund-raising document, and different audiences were identified for the separate documents. It was suggested that the annual review was targeted at the unsophisticated stakeholders, and, therefore, the document was more accessible, useful, readable, fun, colourful, clearly presented, dynamic and could be used to illustrate and relay the charity's messages better than the annual report. For instance, G4 stated the following with regard to their annual review.

I am involved in a large fund-raising charity, so the quality of your own report is important to people who read these things, and if we go to big donors we want to have a presentable document that makes a very good case.

On the other hand, the annual report and accounts was seen as highly exclusive in terms of its target audience and not read by many, as the following comments suggest.

We don't really think anybody reads them, and they don't (G2)

I think the only people who look at them are sophisticated funding bodies...so there are not many people looking at that (F2)

I am sure a lot of it is never ever read by anybody...just for the sake of it, as far as I can see (G5)

The report and accounts is a bit difficult for some readers, [it's] information that not everybody would want (F3)

They don't really want to see the full...blurb that goes at the front of the annual report, and certainly not the financial statements, so we think the impact report is a more useful, fun document. (F2)

This perception is worrying, given the focus on improving transparency and accountability. According to the Charity Commission, transparency is achieved when a particular

piece of information 'is capable of being understood by users with a reasonable knowledge of business, economic activities and accounting, and a willingness to study the information with reasonable diligence' (Charity Commission 2004a: 50). It seems to suggest that the preparers and regulators have different views of who the target audience of these documents should be; this implies a possible expectation gap between them. One interviewee summed up the reception of the annual report and accounts as follows.

I doubt whether many people read the report and accounts from cover to cover; there are some....Someone made the depressing statement that probably more people read the report and accounts in the preparation of it and proofreading than once it is formally published, which is a depressing thought considering the huge amount of effort [that] goes into producing it. (G3)

It was, therefore, necessary for preparers to be selective in terms both of the documents to use to target audiences, and the appropriateness of the types of information that were included in these documents. For example, most of the interviewees believed that the annual review helps build reputation and conveys their organisations' messages to the masses, especially from a fund-raising point of view. According to F4, 'it [the annual review] puts stuff in context', while G3 stated that the annual review 'helps bring the concept more alive...with illustrations to paint the broader picture'. In terms of the benefits of the annual review, F5 suggested that:

When people do write in and say 'we are interested in your work, tell me a little bit about it', you need something that is quite accessible and is telling [something] reasonably straightforward, easily understood [something that gives] some idea of the scale of the organisation and what we are spending, so you need something like it [the annual review]...therefore it is [targeted at a] range of different audiences, ...I think it is mainly a document that is on demand, [eg] if people want to know something about the organisation...we send it to them.

F3 observed an increasing level of importance and general awareness attached to the reporting documents. For instance, 'people want charities to be more transparent, to produce more information, to not be secretive...and there is a desire that people have to be able to make comparisons between organisations'. The interviewee further suggested that many 'would find probably the annual report and accounts a bit heavy going, and who might also find some of the content in a way biased towards people who might fund the organisation'. However, others saw the annual report and annual review as being one of an array of media of communication for their organisation.

This is a relatively small part of the communication package that is [charity name withheld]. It is a general purpose [document]. (F5)

[They] are quite a minor part of getting that profile and getting people to know what we do, because I think that was part of our problem, ...they [stakeholders] do not know what else we do, so they can not access the services that we have got, so we did spend a lot of money this year on [a] big TV advertising campaign and a radio campaign, billboards...so I guess all those...media outlets are crucial. (G2)

G5 felt that although the annual review was seen as more expensive and assigned a larger budget, the charity saw this document as being effective in conveying its messages to its stakeholders. This view was supported by others, among them F2, who said that '[the annual review] is looked at by people who might give us money', while G2 suggested that:

they [stakeholders] might read the annual review which is a much thinner and easier to read document. People do not understand accounts; the average person in the street is not interested in this document [annual report]. So we report because we have to, and because some of our stakeholders will want to read this [annual review].

a lot more people would read the annual review because it is...a very readable document. It's colourful, it's clearly presented, it's dynamic, it's getting across key messages and illustrating the organisation (G3)

In addition, some felt that the annual review was very important given the lack of rules on its production, as they were 'free from the SORP requirement' (G3) and not subject to auditors' fees and scrutiny, since 'financial information is more highly regulated' (F3). According to G3:

There are other issues around that [increasing the amount of information in the trustees' report when it is integrated with the annual review] because obviously any statement that goes into the report and account has to be subject to audit, so we want to make sure that our auditors aren't going to charge us an arm and leg simply to audit the information that it refers to.

Further, the interviewees believed that many people were not interested in the accounts, and that stakeholders preferred a readable and balanced document that would give a reasonable view of the organisation. They added that people were interested in pictures and the narratives, in particular on case studies. Although the interviewees recognised the importance of the annual review (and in parts, the annual report and accounts), they believed that these documents were not read by anyone, as seen above. This is, however, a perception on the part of the preparers. All the interviewees welcomed feedback, but many cited the lack of feedback from their readers. When asked if they had implemented a feedback system to determine the reception of these documents, according to them there was still a lack of feedback even when a system, albeit an informal one, was in place to collect such information (there is no formal system in place to capture such comments). One of the interviewees (F2) believed that:

if we are getting £5 million pounds or something like that [from supporters]...it [the report] cannot be badly received...We certainly have not had any particular instances of negative feedback on it, so we do not do those post-review evaluations, questionnaires, focus groups.

Posed with the same question, F3 stated that surveys were conducted on staff and members every couple of years to elicit opinions of the content used to communicate with stakeholders, while F5 was forthcoming about their lack of a formal feedback check but stated that reports were collected on the number of downloads/access of their documents from their website as a form of feedback process. The interviewee added that comments on the usefulness of accounts were reviewed during their AGMs, and discussions were conducted with focus groups on how the organisation and its publications were perceived. G3 explained that although there was a lack of feedback, there was an indication that the public was reading their documents, based on the amount of queries received from the public. G5 based the reception of their reporting packages on word of mouth.

We obviously get word of mouth that people read it...that the annual accounts does not get read by anyone... [whereas] the review serves a purpose, it acts as a published document...tells everyone what we are doing but it also fulfils the contractual obligation effectively.

G5 further added that:

that is the problem,...we do not monitor. It is probably a perception on our part ...we get lots of people who will write to us and say we think it is very impressive but... others might think it is rubbish, I do not know. But the people who do tend to write to us think it is good. The people who do not, who knows?

On the other hand, F4 suggested that feedback could be based on the level of awards achieved, or the reporting competitions that organisation were involved in. For instance:

We have had very good feedback about them [reporting documents], there are awards that are [given] for content and layout, for instance, and we have had very, very good feedback; we have come back with awards for what we have [produced].

In addition, G2 and G3 suggested that external organisations, such as Intelligent Giving,¹⁴ could help in rating the level of reporting produced by charities, which would provide some objectivity about a charity's level of transparency for potential donors.

[Intelligent Giving] will give you an independent assessment of that charity. It rates you, basically; it rates

your standard of reporting. Now I guess there is some bias in there, but we are always looking to up our rating on [the website], and we look at other charities that have got a much higher rating than us and try and understand why Intelligent Giving thinks [that] they have got better reporting than we have. (G2)

REFLECTIONS ON DISCLOSURE PRACTICES OBSERVED

One of the interview objectives was to provide insights into the results of the content analysis stage of this study. The preparers were asked to reflect on the patterns observed, in particular, on the inclusion of forward-looking information in their reporting documents. It was observed in stage one of the study that forward-looking data were poorly provided in the current reports published by the sampled charities. This perception was supported by two of the interviewees, who commented that the nature of the reporting documents was predominantly historical and, therefore, there was an expectation of disclosure relating to achievements of the previous year: '...it is mainly about the stewardship over the last year...' (F2).

One interviewee noted that there was a need to improve the provision of forward-looking information, and to extend the range of such data from a one-year perspective to a timeframe of between two and five years. This interviewee felt that such information was very useful and advantageous to readers, especially in a situation where potential donors were deciding whether to contribute to an organisation. In this situation, potential contributors would like to determine 'what you want to do in the future' (F4), but many saw barriers to providing such information. For instance, according to F3, organisations would 'find it difficult to speak with conviction' about their future plans, especially if the time horizon was rather far forward. Owing to the dynamic nature of the environment, preparers were only willing to publish future information in which they were confident, such as information with a high probability of success. There were also internal difficulties in obtaining detailed data on future plans, hence the reluctance to provide information about future projects as it could 'look like you do not know what you are doing' (F4). The interviewees cited the creation of a precedent by providing forward-looking information: 'you cannot fix it can you!' (F2). This explained the need to be forthcoming about the current, rather than possible future state of the organisation.

The interviewees were asked to comment on the level of financial versus non-financial data observed for the sample. G2 explained that financial and non-financial information 'are both equally important'. The interviewee suggested, however, that non-financial data could be easily produced for fund-raising purposes, while a grant maker, would provide non-financial data to back up the financial information they disclosed. G5 commented that the greater use of non-financial data was as expected, as readers were often turned off by financial information, and preferred case studies and non-financial data as 'it [non-financial information]...liven[s] up something that could be quite boring and make[s] it more interesting' (G2). Similar views

14. Intelligent Giving is an independent charity-advisory website, whose mission is to help potential donors give happily and with confidence – and to improve how charities operate by making them more transparent and accountable.

were obtained with regard to the higher usage of non-quantitative information.

The topic categories pattern was also scrutinised by the interviewees. They found the study, and in turn the patterns, rather interesting, given that there had never been a conscious attempt on their part to investigate the type of information they produced. They were more concerned with the messages that they would like to get across to the readers/stakeholders. With regard to Background information (BD), the preparers felt that such information was useful in conveying aspects of the organisation to their readers. There should be a balance in the provision of background information, however, since 'you cannot assume that the readers of your accounts know what you do, and that is a mistake that we have made in the past – that we just assume[d] that everybody knows – they don't' (G2). According to G5, this information is dependent on the state of the organisation, ie established versus new organisation. Further, the level of BD information provided could be due to the nature of the activity engaged in by the charity. For example, the amount of information would be based on whether readers were aware of the specific circumstances of the charity. In addition, BD data could also be used to attract funders or investors to the charity.

The content analysis conducted on the annual report and annual review of the sample showed that these organisations provided high levels of management's analysis (MA) and operating information (OP) within their reports. According to the preparers, they saw MA information as providing useful insights on the charity's performance as well as providing reassurance that the donations made by the reader had made a difference to the organisation (G3). Interviewee F2 stated that MA and OP information were expected to be included in the reports. In addition, MA and OP data would help a charity 'paint a picture of what [it has] achieved' (G3). In practice, many of the interviewees saw MA and OP information as interchangeable. One of the interviewees suggested that the patterns observed could be explained by the writing style of the person or team involved in producing the reporting packages.

The interviewees were also asked to comment on the level of commentary information (CO) disclosed within their reports. A number of preparers commented that such data would be dependent both on the activities the organisation was involved in and the style of communication adopted by the charity, for example:

It is a way to just illustrate what we are doing, because... our style of communication is to...find some really good case study of someone who has accessed our service.... that is just our style of communication. (G2)

In contrast, G5 believed that 'it would be lovely to have personal testimonies [but] that is just not the way we operate [and] there is just [a lack of] relationship with beneficiaries [to facilitate including CO data within their reports and reviews]'. Even so, interviewee G5 felt that CO

information instilled confidence and trust in the charitable organisation, as it provided 'a sort of independence...it gives another quality to the product [reporting package]'. Interviewee F4 suggested that the CO information could help arouse interest in the work of the organisation through the use of live examples. There were, however, difficulties in providing this information as:

it takes time to get those stories together...I know there were a couple more stories that were supposed to be going in here [the annual review] but I think they just ran out of time, in terms of getting that information together.... (F4)

TOWARDS A MODEL OF CHARITY REPORTING

One of the main purposes of this study is to provide useful insights into the decision-making processes undertaken by preparers when disclosing information within their annual reports and annual reviews. This chapter has revealed the perspectives of the preparers on the concept of disclosure, from their views on: the reasons for disclosing information; the criteria for selecting the types of information to report or not report; the constraints and barriers to reporting information – in particular, forward-looking information – to their main stakeholders, ie their target audiences; and their perceptions of their annual reports and annual reviews. We feel that there is a need to understand these issues, specifically the motivations for charity reporting because, as Elliot and Jacobson (1994: 80) suggest, 'entirely different issues arise when disclosure must be related to the goals and effective functioning of...charitable undertakings'. To our knowledge, no previous study of charity reporting has addressed the 'why' question using the direct survey method.

From the results presented earlier, it appears that the charities sampled viewed the role of disclosure as a method by which they discharge their legal and contractual obligations to their stakeholders. Regardless of these legal requirements, they believed that disclosing information provided an avenue by which they could inform and communicate, be accountable for their actions, legitimise their decisions, influence readers, enhance their organisation's credibility, and promote trust and confidence in their stakeholders. The interviewees also felt that their reports could allow their stakeholders, specifically potential stakeholders, to compare them with other organisations, thereby giving the likely supporters a choice as to whom to support. They also sensed that reporting could help promote competition and collaboration between charities. For example, the information provided could motivate competitors to follow common practices by their peers and investigate steps by which they could improve their policies and practices in reporting.

These drivers appear to tie in with those presented by the corporate sector as its motivations for disclosure; for instance, the concept of reducing information asymmetry and risks borne by the organisation, ie litigation costs. The motivations are also in line with the theories of decision

usefulness, economic theory and socio-political arguments, in that disclosure helps to:

- provide information which will be useful for the decision-making purposes of potential and existing stakeholders
- mitigate adverse regulatory pressures in the future by complying with current reporting recommendations, and
- influence perceptions and relationships between the organisation and stakeholder groups.

Disclosing information also facilitates understanding and clarity about the charity's aims and objectives and its activities, in particular issues which could be easily misunderstood by readers. The preparers felt that the practice of disclosing information has given them a perspective on their strategies, and on the significance of formulating strategies for reporting and communication, and helped them to reflect on current and future practices.

The interviews suggest that preparers have an implicit awareness of the stakeholders targeted by their reports. Although the main objective of reporting is to cater to all stakeholders, a possible 'ranking' of groups of users can be identified by:

- the importance assigned to them, eg the scale of reliance upon their support, and
- recognition of the level of engagement, eg level of funding/donation/influence (ie governance) attached to the group.

The analysis shows that the type of medium of communication can also affect this targeting of stakeholders; for instance, there is greater emphasis on the annual review than on the annual report. There is recognition that the former is demanded by stakeholders owing to its simplicity and focus, while the latter is seen as an exclusive document, understandable by those who are capable and knowledgeable about the content. This is in contrast to the prescription set forth by SORP 2005, which defined that 'the (transparent) information provided is capable of being understood by users with a reasonable knowledge of business, economic activities and accounting, and a willingness to study the information with reasonable diligence' (Charity Commission 2004a: 50). It is evident from the interview analysis that the main users of charity reports are perceived by the preparers as not sophisticated enough to be able to understand the content of the reports, in particular, the annual report and accounts and the financial information contained within them.

Analysis of the interview material further reveals that disclosure helps to discharge the charity's accountability to its stakeholders and legitimises its actions by explaining decisions and providing proof, in the form of the reported figures, of the consequences of those decisions. Interestingly, although many corporate theories of disclosure appear to suggest that disclosure can create a loss of competitive advantage for the discloser, charities see disclosure of information as having a dual purpose that promotes friendly competition and facilitates collaboration among competitors. Nonetheless, charity reporting can still create competitive disadvantage for the reporter when organisations are competing for funds. Therefore, in order to create competitive advantage in fund-raising, charities will:

- try to find ways to work together with their competitors through partnerships and forums
- identify boundaries that will not overstep their competitors', and
- determine niches that complement their counterparts.

For example, according to G2:

We try to position ourselves. When we re-branded that was part of being a key player in this market and very definitely positioned ourselves in a sector of the market so [that] we do not directly compete [with] our other key charities.

We have deliberately positioned ourselves in a different section of the market and that is how we differentiate ourselves from our competitors. Not by saying that we raise more than them or we spend less money on fund-raising than them. We do not do it that way.

Disclosure is seen as a way to maintain the charity's profile and presence within the sector – by highlighting the services available, promoting their work and demonstrating contribution to the public good. This creates confidence and trust in the organisations, especially in terms of the role and aims of these charitable organisations. It also influences stakeholders and manages perceptions about the organisation, which helps in maintaining and building relationships with existing and potential stakeholders. The results also reveal the natural and implicit intention of these charities to provide success stories as a way to influence stakeholders' perceptions and promote the organisations. Despite this intention, the interviews show that there is still a need to balance successful and unsuccessful stories, in order to improve the level of transparency within their reports.

Further analysis of the interview material shows that charities try to be as forthcoming as they can in their approach to reporting information, which helps in improving transparency of their reports. Nonetheless, these charities reveal that there are instances when they are inclined to not disclose information. The criteria for non-disclosure include:

- confidentiality (eg legal and contractual)
- information that could result in possible backlash or have an impact on the security and privacy of related parties
- copyright issues
- vexatious requests, and
- competitively sensitive information.

The interviewees suggest that forward-looking information is in demand and useful to their stakeholders, especially in fund-raising situations when likely donors are assessing the future potential of the charity's use of their donations. The analysis shows, however, that there are constraints to providing such information and, in turn, to disclosure in general. With regard to forward-looking information, the constraints appear to be related to the uncertainty attached to such data, and the possibility of misunderstanding and misperception of the organisation's credibility, which could arise from disclosing the information. Therefore, the disclosure of forward-looking data is normally possible only if the likelihood of those future plans is almost a certainty; this can lead to a reduction in the level of forward-looking information, which may be a problem given the dynamic environment of today, when the movement towards high-quality reporting recommends greater use of such information within reports.

Further constraints to disclosure revealed by the interviewees, include:

- the costs and effort expended in producing documents that are perceived as not useful for stakeholders, ie the annual report and accounts
- onerous rules and regulations that can lead to the provision of unnecessary information within an ever-lengthening reporting package
- the prescriptive nature of some of these regulations, which often does apply to individual charities, and can result in reporting as a box-ticking exercise
- possible misunderstanding of the information contained within reports, especially benchmarking information
- the difficulties in measuring the impact of the charity's activities.

SUMMARY AND CONCLUSIONS

This chapter has presented the results from a series of interviews conducted with the preparers of a sample of charities. The analysis reveals a number of issues regarding the role of charity reporting and the motivations of charitable organisations.

First, the motivations and drivers of disclosure appear to be generally consistent with the theories of disclosure observed within the for-profit sector.

Second, the interviews show that there are some specific differences between corporate disclosure theories and charity disclosure. For example, unlike the immediate market-related share price consequences observed with corporate disclosure, the consequences of charity disclosure appear to be more subtle and long term.

Third, the investigation of drivers of disclosure reveals possible determinants of stakeholder saliency within the charity sector. For example, charities appeared to rank stakeholders on the basis of their level of engagement with them and the degree to which their activities were reliant upon them.

Fourth, preparers place different emphases on the types of medium they use to communicate information to their stakeholders. They regard the annual review as a more important document with a wider audience than the annual report and accounts.

Lastly, many constraints and barriers to the provision of information are presented here, which shed light on the problems faced by charitable organisations in meeting their legal and contractual and accountability obligations, thereby affecting the movement towards greater transparency and accountability.

6. Conclusions

INTRODUCTION

The study has revealed the disclosure practices and disclosure policies of a sample of large UK charities through a matched, two-stage method of investigation. It involved a multidimensional holistic content analysis of the annual reports and annual reviews of the sampled charities, and a series of interviews with the preparers of these documents.

The main objectives of this study were to understand **what** charities disclose and **why** they disclose information. In this final chapter, we draw out the implications and recommendations of these results, and present the contributions of this study, its limitations, and directions for future research.

SUMMARY OF FINDINGS

According to the Charity Statement of Recommended Practices (SORP) 2000 and its subsequent 2005 revision, a charity's annual report and financial statements aim to discharge the trustees' duty of public accountability and stewardship, and depict the charity's structure, activities and achievements. Despite a move towards formal reporting standards, recent literature relating to charity reporting seems to suggest that external reporting by charities is characterised by diverse accounting practices and a lack of standardisation, resulting in difficulties in user understanding of financial statements (Connolly and Hyndman 2003). A report published by the Charity Commission (2004a) reveals that the level of transparency and accountability was not satisfactory in 2004 and that most charities did not meet the basic requirements of best practice. Following recent financial scandals, such as the breast cancer fund-raising scandals in Scotland and England, there has been a movement for better charity governance and demands for greater openness and accountability by charities (Charity Commission 2004a; Morris 2005; Cordery and Baskerville 2007; Dilnot 2007). In order for charities to fall in line with this movement, it is necessary to understand the current disclosure practices and policies of charitable organisations that will help in determining if this movement is possible in the long term.

The findings of the present study show that although there still are variations in the disclosure practices of the individual sampled charities, these variations appear to be unique in each case. Some common patterns are observed when the charities are grouped into their organisation type, ie fund-raisers versus grant makers. An analysis of these patterns with the interview material reveals a number of significant findings.

First, the information contained within the charities' report and reviews is mainly historical owing to the nature of these documents. They are perceived as documents that detail information about past performances or activities of the last year. This finding is supported by the interviewees, who suggest that there are different emphases attached to the annual reports and annual reviews – the former being

more historically based while the latter is seen as a forward-looking document.

Second, although the annual review is perceived as a forward-looking document, there is a dearth of such information within these documents, as shown in the first stage of this study, even though it is considered useful and in demand. The interview stage revealed various issues in providing this information, as evident from interviews with the preparers. These issues include: the uncertainties attached to such information, especially in a dynamic environment where charities have to be reactive to changes; the fear of creating a precedent by revealing future plans; and the possibilities that such information will be misunderstood by readers, which can lead to a misperception of the credibility of the organisation, especially in meeting these plans.

Third, analysis of the level of non-financial and non-quantitative information shows that charities are starting to provide such data. This ties in with the views of the preparers when they suggest that, owing to the difficulties of measuring impact, they will often rely on the narratives and analysis of what and why to convey their messages. In addition, non-financial and non-quantitative data will help explain information, given the interviewees' perception that financial and quantitative data are not well received or well understood by readers. According to the preparers, readers are more interested in narratives and case studies, and non-financial information is useful for fund-raising purposes. On the other hand, the movement towards greater non-financial and non-quantitative data may lead to a lengthening of the already wordy reports and reviews.

Fourth, the findings argue that charities are presenting greater levels of information about performance and achievements than about the organisation, in particular, about operating performance (OP) and management's analysis of performance (MA). The interviews show that MA information helps provide insights into a charity's performance, thereby reassuring readers as to what has happened to the organisation and to their donations and support throughout the year. This is in line with a consensus that there is a need to inform stakeholders better about performance, especially when there is pressure to provide this information to a large donor or supporter of the organisation.

Fifth, the interview material presents preparers' views on the use of commentaries (CO) within their reports. According to our observations of CO data, fund-raisers appear to utilise such data much more often within their reports than do grant makers. The preparers of fund-raising organisations suggest that CO information helps in conveying messages to their stakeholders – they believe that it provides a sense of connection between the readers and the beneficiaries of the charity. CO information also gives independent qualification to the work of the organisation, which helps in fund-raising. Although such data are useful in illustrating the work of the charity, they are difficult to collect and present, given the strategic objective and goals of the publication.

Lastly, the study identifies elements of a model of charity reporting based on the perspectives of preparers on the role of disclosure and on the motivations and drivers of such reporting. One element suggests that charities' views on disclosing information are aligned with those of corporate reporting. Many of the conceptual issues raised by the interview analysis show that the motivations for disclosure are similar to those shared by corporate reporters, such as reducing information asymmetry and litigation costs, accountability, legitimising decisions, influencing readers, enhancing credibility, and promoting the trust and confidence of their stakeholders.

The framework also presents a possible ranking and identification of salient stakeholders by preparers, their perceptions of the different uses of their reporting documents, and the constraints faced by charitable organisations in disclosing information. For instance, groups of salient stakeholders can be identified by:

- the importance assigned to them, eg the scale of reliance, and
- recognition of the level of engagement, eg level of funding/donation/influence (ie governance) attached to the group.

The groups of important stakeholders include regulatory authorities, members, existing supporters and donors, beneficiaries, potential supporters, analysts and the general public.

Further, the analysis shows that the type of medium of communication can also affect the targeting of stakeholders. For instance, there is greater emphasis on the annual review than on the annual report, and the former is well received by the general public while the latter is seen as an exclusive document which targets sophisticated users.

Constraints and barriers are identified which may affect how charities disclose information, namely:

- costs and time spent on producing these documents
- rules and regulations, especially those which recommend further provision of unnecessary information
- possible misunderstanding of information published
- measuring impact of activities
- the use of benchmarking systems that supposedly help compare performances, and
- the likely consequences of disclosing information (eg that stakeholders may misconstrue the purpose of charitable organisations).

CONCLUSIONS AND IMPLICATIONS

The analysis of the results from this study has revealed a number of significant conclusions and implications for improving the accountability and transparency of charity reporting. First, our study shows that there are still variations in the reporting practices of charities, which supports previous literature such as Hyndman (1990, 1991), Connolly and Hyndman (2003) and Connolly and Dhanani (2004). This can be explained by the diverse nature of the sector and its stakeholders.

Second, despite the varying patterns, charities are beginning to produce a substantial amount of useful non-financial, non-quantitative and narrative information, such as that proposed by Hyndman (1990, 1991), Williams and Palmer (1998), Beattie et al. (2002, 2004a, 2004b), and Connolly and Dhanani (2004). These studies recommend that such data are important in improving the quality of information available to stakeholders.

Third, in contrast to Connolly and Hyndman (2003) and Connolly and Dhanani (2004), our findings suggest that charities are disclosing more performance-related information than background data, the latter of which are seen as dependent on stakeholders' level of familiarity with the organisation and how established the charity is within the sector. This is in line with the introduction of performance reporting in the 2005 SORP, which was absent from SORP 2000 (Charity Commission 2005b), and thus demonstrates how the latest SORP has shaped reporting by charities. In practice, preparers found providing performance information difficult in terms of measuring and quantifying the impact of their work, thus this information is often presented in a narrative form.

Fourth, our results reveal that charities present a greater quantity of management's analysis of performance than descriptive performance-related information, where the latter was observed as the prominent type of information reported by Connolly and Dhanani (2004). According to the preparers interviewed, management's analysis of performance provides context to the descriptive nature of such data.

Fifth, this study presents a framework towards understanding the drivers and motivations for charity disclosure (as called for by Bird and Morgan-Jones (1981) and Hyndman (1990, 1991)) given the dearth of literature regarding the purpose and premise of disclosure by charities. We find that there are various motivations for disclosure other than the accountability and user needs arguments used by recent studies on charities; for example those relating to stakeholder saliency, and socio-political drivers such as a need to create a sense of empathy for the organisation. Hence, our study suggests that some of the purposes of charity disclosure resemble those observed in the corporate literature, thus widening the applicability of these for-profit theories within the not-for-profit literature.

Sixth, the findings presented in this study reveal a number of implications for the move towards improving accountability and transparency in reporting. For example, although preparers found rules and regulations useful in providing important information, they saw the emphasis on the use of the annual report and accounts as a means to achieve this aim as a possible barrier to enhancing the quality of reporting. They found rules and regulations and current reforms to be onerous, despite their well-meaning intentions, for instance in the provision of forward-looking information. In addition, preparers viewed the mandated inclusion of information that is not considered useful to stakeholders as a burden. The preparers also saw the annual report and accounts as an exclusive document that is not well received by their stakeholders, who are often perceived as unsophisticated, and thus the emphasis on providing useful information should be shifted to the voluntary annual review. This is out of line with the Charity Commission's interpretation of transparent information which is 'capable of being understood by users with a reasonable knowledge of business, economic activities and accounting, and a willingness to study the information with reasonable diligence' (Charity Commission 2004a: 50).

Taken together, the preparers' views imply the existence of an expectation gap between what regulators and preparers perceive as useful and transparent information. The evidence also suggests that the preparers' negative perceptions of the annual report and the regulations pertaining to it may be a barrier to high-quality reporting through the annual report. Further, although there is an awareness of the benefits to increasing transparency (by greater disclosure and reporting comparative information), the costs of providing this information appear to weigh heavily in the preparers' decisions on disclosure. The main costs are associated with the risks of setting a precedent that constrains future activities, misinterpretation and false comparisons of performance-related and forward-looking data between diverse organisations, and the disclosure of information of a proprietary nature.

Finally, our findings appear to raise questions about the justification for greater mandated demands for financial and non-financial reporting by charities. Specifically, does additional regulation reduce infidelities by charities and/or increase external stakeholders' confidence in the charity?

A number of policy-relevant points flow from this research. First, it shows an agreement about the defining class of users for general purpose financial statements, namely donors and financial supporters. This helps vindicate the SORP Committee's research programme to determine a possible ranking of classes of stakeholders. Second, it shows that the main hindrances to the quality of annual reports and accounts are agreement about content and the extent of enthusiasm and engagement by preparers. Third, the findings suggest that the Charity Commission's drive, via SORP 2005, towards increasing transparency through the use of performance and forward-looking information is moving in the right direction. In addition, the regulatory efforts appear to be well directed towards maximum reporting impact. Regulators should consider

extending their remit to the annual review, the document favoured by preparers and (allegedly) users. Any regulation of the annual review would, however, have to be light-touch, otherwise there is a risk that the annual review becomes a clone of the annual report and, as a consequence, withers away. This would result in the loss of the desirable 'value-added' attributes of the annual review.

CONTRIBUTIONS OF THIS STUDY

This study presents a number of contributions to the literature and our knowledge of the practices and motivations of charity reporting. It builds on previous research relating to external charity reporting by using different evidence-based approaches. Specifically, it presents two major contributions to the literature. First, it is the first in-depth study of the form and content of charities' reporting packages. We know of no study that has attempted a detailed, multidimensional and systematic analysis of charity reports. Recent content-analysis studies in charity reporting are partial in their approach, ie they examine only particular issues or pre-selected index items. The application of a methodology for documenting the attributes of narrative disclosures contained in corporate annual reports, as developed by Beattie et al. (2002, 2004a, 2004b), to charity reports is a first within the not-for-profit literature. Second, it offers insights into why charities choose to disclose (not disclose) what they currently publish, by conducting interviews with those responsible for preparing the reporting package. In particular, the interviews provide insights into our knowledge of the role of charity disclosure and the decisions made by charities in determining their disclosure policies. This allows us to understand the barriers to improving the transparency and accountability of charity reporting, thus supporting evidence-based policy-making research (Buijink 2006).

LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH

The study has a number of limitations. The first relates to the inherent limitations attached to the content analysis framework applied here. In order to provide a meaningful investigation of charity reporting, every effort was made to ensure that the charity coding scheme developed was robust and best described the topic categories assigned to charitable organisations. The choice of categories, however, is inevitably subjective and coding reliability is less than 100%. Second, only ten charities are investigated in the first stage of the project and this may call into question the generalisability of the study. Third, interviews were conducted with eight of the ten charities sampled, which means that the interview analysis may not reflect the full sample of organisations so that the findings cannot be generalised to either the full sample or the sector. Further research with a larger sample could provide some form of generalisation of findings. Finally, further research could usefully extend the charity disclosure framework developed here by considering the views of users of the reports.

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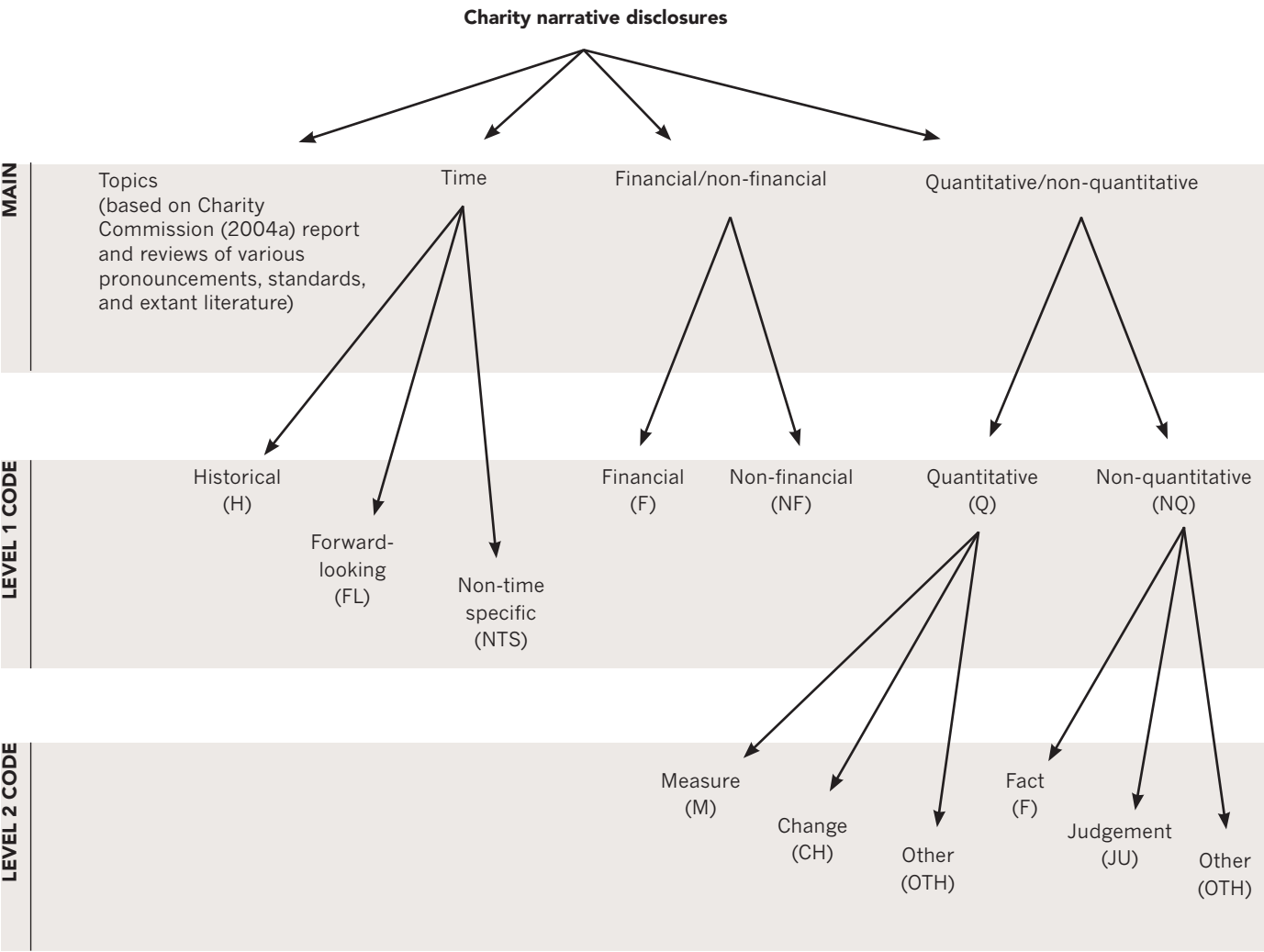
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Appendix 1: Topics used within charity coding scheme

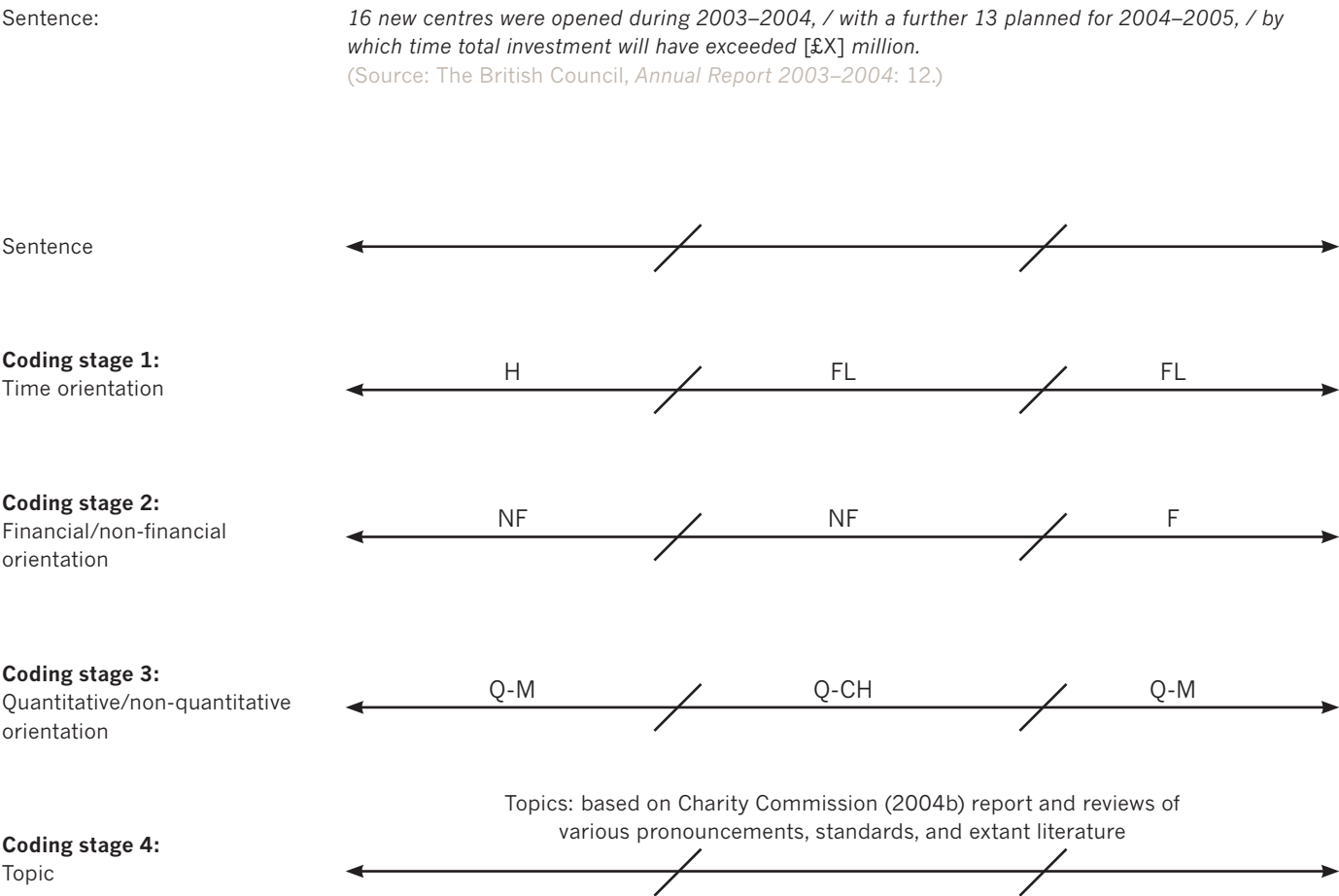
Main topics	Sub-topics	Code
Background to the organisation (broad objectives/ strategy/scope and description)	Statement of statutory objects/aims/mission	BD-AIM
	Description of main activity/charity type	BD-ACT
	Description of organisational structure/location	BD-STRCT
	Services provided	BD-SVC
	Information on reserves	BD-RES
	Information on investments	BD-INV
	Information on grant-making activities	BD-GRN
	Information on fund-raising activities	BD-FND
	Restrictions imposed by governing documentation on operations (regulations plus laws that could affect organisation)	BD-REG
	Information about other aspects of organisation (eg pension schemes, remuneration)	BD-OTH
	Description of duties/governance	BD-GOV
Information about related parties (relationship/engagement between management, trustees, advisers, donors, beneficiaries and other related parties)	Identity and background management	PA-MGT
	Identity and background trustees	PA-TRT
	Identity and background of advisers/auditors/etc.	PA-ADV
	Information about contributors/donors/supporters	PA-CONT
	Information about grant recipients/beneficiaries	PA-RECP
	Appointment procedure of management/trustees/advisers/etc	PA-APPT
	Transactions and relationships among related parties	PA-RELA
Information about resources (Staff, volunteers, properties owned, media)	Information on staff/volunteers/staffing levels	RES-VOL
	Information on property/assets/gift aids/legacies	RES-PROP
	Information on charity's IT systems/online resources/sources of communication media (links to another part of reporting document, sign-posting)	RES-COMM
Forward-looking information (Opportunities/risks/management's plans/risk management)	Nature and cause of each opportunity	FL-OPP
	Nature and cause of each risk	FL-RISK
	Effects on performance	FL-PERF
	Future activities and plans to meet broad objectives and strategy	FL-PLAN
	Management's plans on controlling/monitoring risks/opportunities	FL-CTRL
	Identity of major differences and reasons for these, covering opportunities and risks, and management's plans (actual business and previously disclosed)	FL-DIFF
	Other (non-specific evaluation of future outcomes/performance)	FL-OTH

Main topics	Sub-topics	Code
Operating data (Performance/review of charity's/its subsidiaries' activities)	General achievements for the year/policies/goals/review of activity	OP-ACH
	Specific information about achievements:	
	• fund-raising	OP-FND
	• training/research	OP-TRN
	• marketing/publicity	OP-PUB
	• grant making	OP-GRN
	• investments	OP-INV
	Contribution of volunteers/donors/supporters	OP-VOL
	Subsidiaries' achievements	OP-SUBS
	Explanation of benefits to stakeholders/wider society (impact/effectiveness of charitable activities on business/local community)	OP-IMP
	Statistics/measures related to employee involvement and fulfillment, eg level and changes in employee satisfaction	OP-EMP
Financial and non-financial information (Financial statements and related disclosures)	Information on income/fund-raising income	FIN-INC
	Information on expenditure/grants/provision of services	FIN-EXP
	Information on investments	FIN-INV
	Management/administration/staffing/fund-raising staff costs	FIN-MGT
	Information on accounting policies/changes	FIN-ACCT
	Information on performance ratios	FIN-RATIO
	Other (where exact financial measure unclear)	FIN-OTH
	Information on intangible income (for which charities do not pay/pay at discounted rate)	FIN-INT
Management's analysis of financial and non-financial data (Explanation of outcome, reasons for changes in financial, operating and performance-related data identity and past effect of key trends)	Evaluation of/reasons for changes:	
	• financial position/funding/spending	MA-FIN
	• support of objectives/objectives	MA-OBJ
	• future plans	MA-PLAN
	• innovation	MA-INV
	• environment	MA-ENV
	• risks/opportunities control plans	MA-CTRL
	• performance/achievements	MA-PERF
	• other	MA-OTH
Contributors'/third parties' analysis (Services, trends, experiences, organisation's performance, thanks to)	Evaluation/explanation of:	
	• financial help provided/contributed by third party	CO-FIN
	• services provided	CO-SVC
	• own experiences/trends/thanks to	CO-OWN
	• evaluation of organisation's performance	CO-PERF
Items not derived from the charity literature	Environmental issues	NOT-ENV
	Give thanks to/recognise support of/express appreciation of stakeholder groups; directors	NOT-TH
	General facts not originating from organisation, eg scientific information	NOT-GENFACT

Appendix 2: Architecture of coding scheme for charity narrative disclosures



Appendix 3: Illustration of sentence splits to create text units

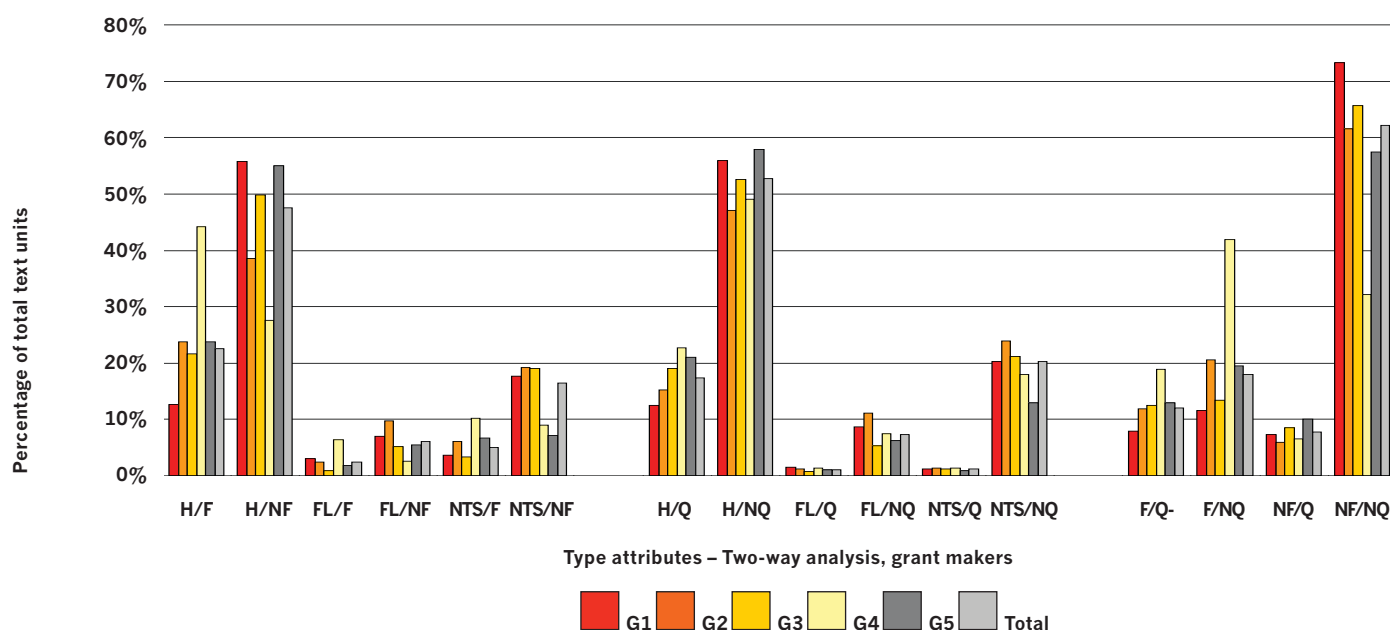
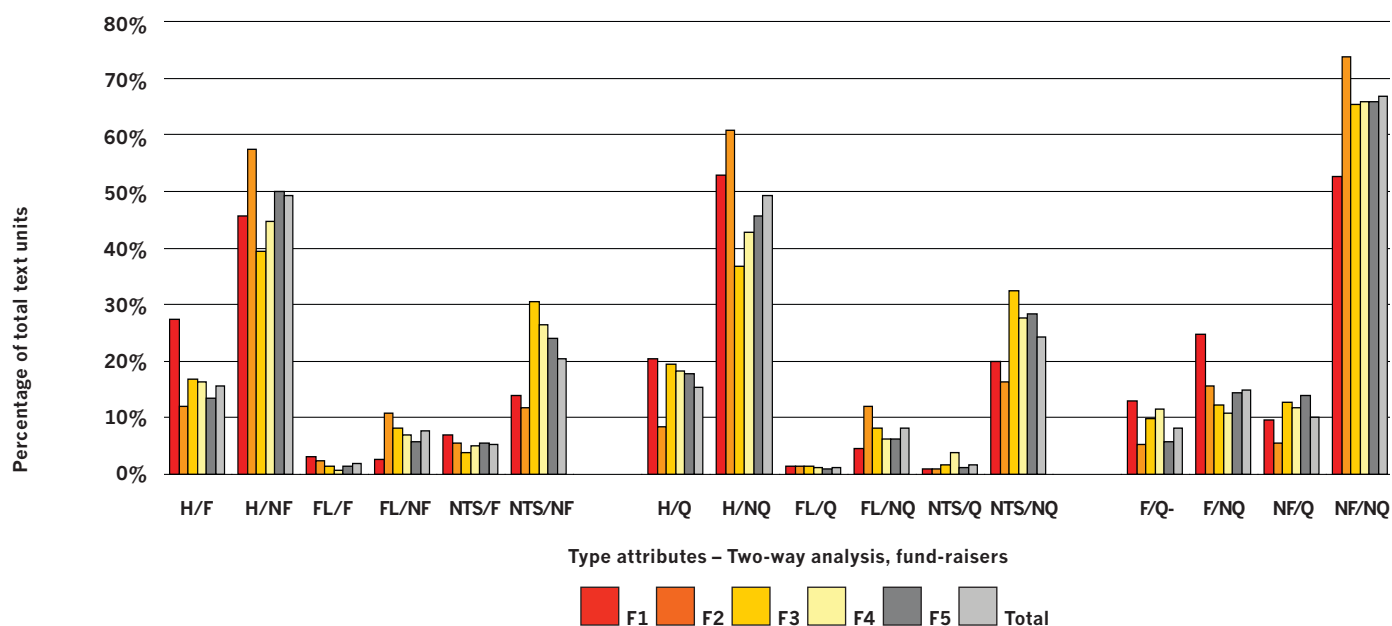


- Key:**
- H = historical
 - FL = forward-looking
 - F = financial
 - NF = non-financial
 - Q-M = quantitative-measure
 - Q-CH = quantitative-change

Appendix 4: Typical examples of main topic disclosures

<p>BD <i>Our vision is to conquer cancer through world-class research,...</i></p> <p><i>The Board has delegated authority for certain matters to the Chief Executive and authorized subdelegation by the Chief Executive to Executive Directors and other officers.</i></p> <p><i>2004 was the first year in which we were able to offer grants of between £500 and £3,000 to help set up and run support groups around the country.</i></p>	<p>FIN <i>Last year our supporters' generosity amounted to a record breaking £88 million, 91% of our total income of £96 million.</i></p> <p><i>Costs of generating funds increased by £21 million (20%) to £126 million...</i></p> <p><i>Investment gains totalled £22million.</i></p>
<p>PA <i>Two of our directors are blind or partially sighted.</i></p> <p><i>Members of Council are appointed by the Board for a three-year term and must be Members of the Charity.</i></p> <p><i>We did just that in April, when [xxxx] hosted Vision 2005, ...together with our co-hosts [xxx] and [xxxx] Association.</i></p>	<p>MA <i>We invest both the cash we hold to meet unpaid grant commitments and the long-term reserves held to protect us in times of income volatility to produce valuable income.</i></p> <p><i>We are campaigning to try and ensure that people affected by cancer continue to receive the specialist care and support they need.</i></p> <p><i>2008 will see the first analogue TV services switched off.</i></p>
<p>RES <i>Nurses represent the highest number of [xxxx] professionals, at just over 2900.</i></p> <p><i>Our web site at www.[xxxx].org was refreshed in line with the revised [xxxx] web site and contains a wide range of information and resources.</i></p> <p><i>Details of the Strategic Management Team can be found in the section 'Who's who in [xxx]'.</i></p>	<p>CO <i>If you're helping [xxxx] to fund these services, your money is really well used!</i></p> <p><i>I've worked on [xxxx]'s Carmarthenshire Committee for nearly 40 years now and I've seen so many wonderful changes to cancer care.</i></p> <p><i>When my daughter Paula was three years old, she developed a Wilms tumour in one of her kidneys.</i></p>
<p>FL <i>This income stream is not easily forecast, and it would be unwise for us to assume this higher level of income will automatically continue in 2006.</i></p> <p><i>There was also considerable work during the year to build future income potential.</i></p> <p><i>We are also identifying major projects that could be funded out of money we plan to release from our reserves in the coming year, as our 'safety net' has grown sufficiently in 2003.</i></p>	<p>NOT <i>In this endeavour the [xxxx] owe an immense debt of thanks to their staff.</i></p> <p><i>Those thanks extend of course to all who help in our retail activities, the members of fund-raising committees, to all those who participated in a myriad of sporting events, and those who remember and support the work of [xxxx] in their wills.</i></p> <p><i>Different cancers affect people at different ages, but the risk of developing cancer rises significantly as we get older.</i></p>
<p>OP <i>We completed major refurbishments and improvements to the Waterloo estate in the first half of the year, and refurbishment of the Vauxhall estate continued.</i></p> <p><i>Nationally, the Christmas appeal raised more than £1.7m from public donations for crew kit and equipment.</i></p> <p><i>...79050 competence-based training assessments were completed for 6154 crew members.</i></p>	

Appendix 5: Distribution of type attributes – two-way analysis

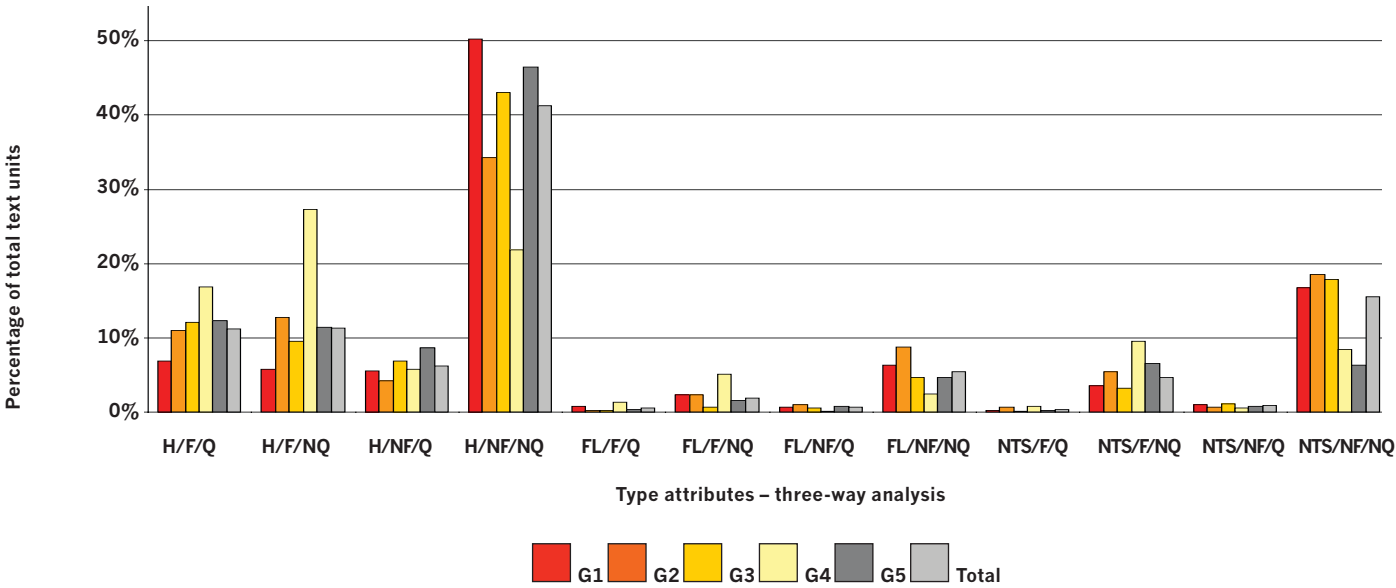
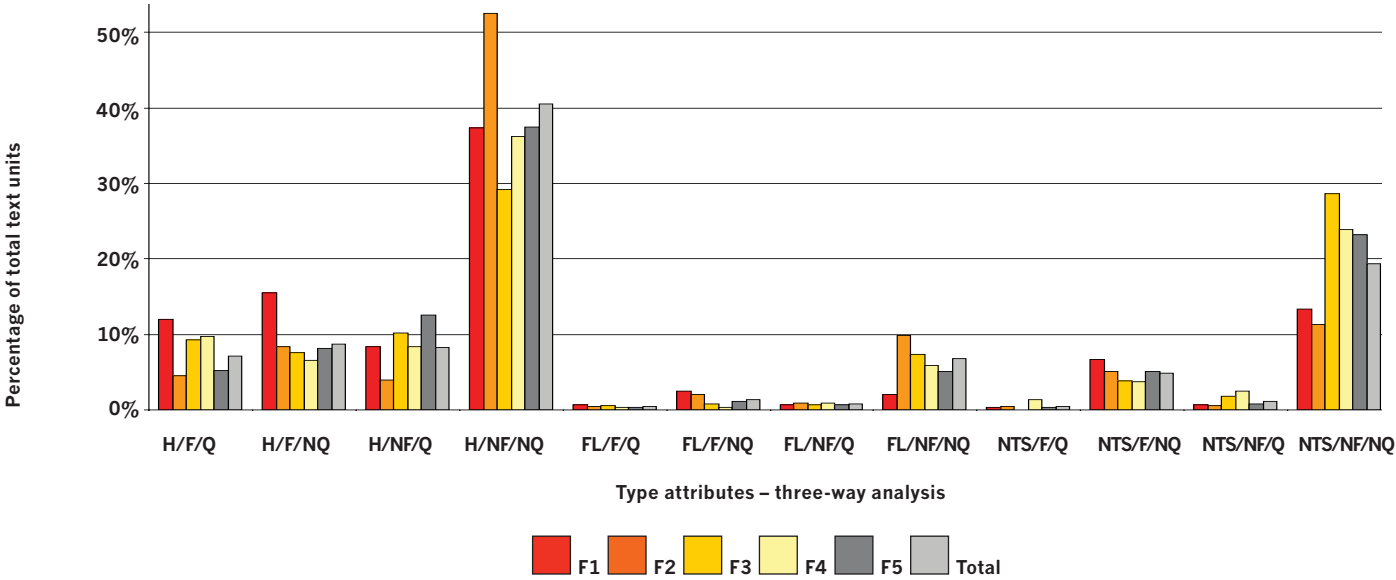


Notes:

Figures derived from Appendix 12.

Appendix 5 provides a breakdown of a two-way analysis of attributes by individual charities. First, F2 appears to show patterns that were markedly out of line with the rest of the fund-raisers, using a larger proportion of non-financial (NF) and non-quantitative (NQ) than others. Second, F1 disclosed greater levels of financial information within its reports – historical financial (H/F) and non-quantified financial (F/NQ) data. Third, grant makers generally showed a varied usage pattern of historical non-financial data (H/NF). G1, G3 and G5 preferred to disclose this information whereas their two counterpart did not. Fourth, G4 seemed to display a unique pattern – this charity disclosed relatively large amounts of historical financial (H/F), financial quantified (F/Q) and financial non-quantified (F/NQ) while reporting less non-financial non-quantified information – this may be because of the nature of the organisation, ie religion-based, investment organisation.

Appendix 6: Distribution of type attributes – three-way analysis



Notes:
Figures derived from Appendix 13.

Appendix 6 displays the three-way statistics for individual charities. The figure shows that F1, F2 and F3 used different levels of selected type combinations within their report from their counterparts. Specifically, F1 disclosed a greater amount of historical non-quantitative financial (H/F/NQ) data than other fund-raisers, F2 emphasised historical non-quantitative non-financial (H/NF/NQ) information, and F3 reported a high level of non-time-specific, non-quantitative, non-financial (NTS/NF/NQ)-type information. Inspection of the grant makers' patterns suggests that grant-making charities vary considerably in their use of historical non-quantitative, non-financial data (H/NF/NQ). In addition, G4 is the only charity to prefer the use of financial-type information within its reports. It used higher levels of historical financial quantitative (H/F/Q) and historical financial non-quantitative (H/F/NQ) information than any other grant maker.

Appendix 7: Distribution of top-ranking main topic categories across not-for-profit and for-profit organisations

Total fund-raisers (n = 5185)			Total grant makers (n = 5863)			For-profit sectors (n = 12293)		
Topic	Text units	%	Topic	Text units	%	Topic ^a	Text units	%
MA	1189	23	MA	1303	22	BD***	3965	32.3
OP	1040	20	OP	1072	18	FIN	2674	21.8
BD	968	19	BD	959	16	MS*	1800	14.6
CO**	659	13	PA**	755	13	OP	1004	8.2
FL	429	8	CO**	633	11	NOT	869	7.1
PA**	355	7	FIN	446	8	FL	813	6.6
FIN	226	4	FL	380	6	MA	778	6.3
RES**	208	4	RES**	233	4	BOS***	293	2.4
NOT	111	2	NOT	82	1	IS*	97	0.8

Notes:

n represents the total number of text units coded.

% shows the percentage of the total text units coded, n.

A description of each of the main topics is provided in Appendix 1. The for-profit sectors column presents results as reported by Beattie et al. (2004a); the sectors are Food, Textiles and Water, which comprised 27 companies.

MS = management and shareholder Information.

IS = industry structure.

BOS = broad objectives and strategy.

^a Denotes codes as used by Beattie et al. (2004a); five of these codes are adapted for the charity coding scheme.

* Represents codes which have not been adapted for charities.

** Denotes codes created specifically for charities.

*** Shows for-profit codes which were compiled into BD code within the charity coding scheme.

Appendix 8: Distribution of main topic categories for sampled charities – fund-raisers and grant makers

	F1 (n=600)			F2 (n=1671)			F3 (n=964)			F4 (n=759)			F5 (n=1191)			Total fund-raisers (n=5185)		
Type	Text units	%	Rank	Text units	%	Rank	Text units	%	Rank	Text units	%	Rank	Text units	%	Rank	Text units	%	Rank
BD	95	16	3	216	13	4	267	28	1	178	23	1	212	18	3	578	11	4
PA	43	7	5	114	7	6	59	6	6	60	8	5	79	7	5	216	4	6
RES	30	5	7	69	4	7	11	1	9	15	2	9	83	7	4	110	2	8
FL	24	4	8	177	11	5	80	8	5	80	11	4	68	6	6	281	5	5
OP	118	20	2	314	19	2	199	21	3	162	21	2	247	21	2	631	12	2
FIN	42	7	6	43	3	8	40	4	7	57	8	6	44	4	7	125	2	7
MA	160	27	1	291	17	3	205	21	2	151	20	3	382	32	1	656	13	1
CO	81	14	4	428	26	1	87	9	4	28	4	7	35	3	9	596	11	3
NOT	7	1	9	19	1	9	16	2	8	28	4	7	41	3	8	42	1	9
			G2 (n=875)			G3 (n=2315)			G4 (n=692)			G5 (n=534)			Total grant makers (n=5863)			
BD	160	11	5	155	18	2	400	17	3	150	22	3	94	18	3	1349	23	3
PA	388	27	1	101	12	4	173	7	6	33	5	6	60	11	5	894	15	4
RES	68	5	7	35	4	8	85	4	8	29	4	7	16	3	8	331	6	8
FL	87	6	6	61	7	7	154	7	7	60	9	5	18	3	7	528	9	7
OP	169	12	4	90	10	5	496	21	2	187	27	1	130	24	1	1481	25	2
FIN	62	4	8	85	10	6	205	9	4	70	10	4	24	4	6	547	9	6
MA	302	21	2	149	17	3	596	26	1	151	22	2	105	20	2	1836	31	1
CO	172	12	3	186	21	1	190	8	5	1	0	9	84	16	4	696	12	5
NOT	39	3	9	13	1	9	16	1	9	11	2	8	3	1	9	151	3	9

Notes: n represents the total text unit coded within the charity’s annual report and annual review. % shows the percentage proportion out of the total text unit coded, n. A description of each of the main topics is provided in Appendix 1. Fund-raisers are denoted by F1, F2, etc. while grant makers are coded as G1, G2, etc. BD is Background Description; PA means Related Parties; RES is Resources of the organisation; FL is Forward-looking; OP is Operating Data; FIN is Financial data; MA is Management’s Analysis of Data; CO is Contributors’ Commentary, while NOT means categories that are not in the current framework.

Appendix 9: Typical examples of performance and achievement disclosures

MA-PERF

- *One of the achievements of which we are most proud is our role in the successful campaign for comprehensive smokefree legislation across the UK.*
- *We believe this is the most important advance in UK public health in the last fifty years.*
- *As you will see, [xxxx]'s discoveries are helping more and more people to beat cancer.*
- *This victory really was about partnership.*
- *Our world-class research into the biology of cancer laid the groundwork for developing new diagnostic tests and better treatments.*
- *Progress on remaining areas is hindered by circumstances outside our control, such as spring flooding in the Ouse Washes, Cambridgeshire.*
- *On our reserves, birds such as the lapwing did well despite declines elsewhere.*
- *This made up for fewer land acquisition opportunities in recent years.*
- *This year has been certainly the most memorable in the short history of the [xxxx].*
- *...while cementing our position as the biggest sports charity in the country.*

OP-ACH

- *Outcome: seven new nature reserves were acquired and some existing sites were extended to improve their effectiveness, after fewer opportunities in recent years.*
- *We influenced the new English Environmental Stewardship Scheme, and helped increase the uptake of agri-environment schemes across the UK.*
- *We acquired 380 hectares of farmland between two stands of woodland, one on and one off the reserve,...*
- *After a long-term, massive decline, in 2005 more than 1,100 corncrakes called in Scotland, compared with 470 in 1993.*
- *The red kite reintroduction project has been spectacularly successful.*
- *Over 600 community projects are up and running.*
- *We have funded almost 100 artificial pitch projects and over 170 clubs and organisations have new pavilions and changing facilities, catering for the growth in participation in the game in all sectors, notably women, girls and those with disabilities.*
- *...providing over 100 schools and colleges with outstanding new facilities...*

Appendix 10: Abbreviated description of codes used by Beattie et al. (2002, 2004a)

MS-MGT	Identity and background of directors' management
BD-BUS	General description of business
FIN-PROF	Profit and profitability measures
BD-PROD	Principal products and services
FIN-SAL	Sales
BD-IND	Description of industry
FL-PLAN	Activities and plans to meet broad objectives and strategies
BD-PRO	Business processes
BD-MKT	Principal markets and market segments
FIN-OTH	Financial information not detailed elsewhere
OP-REV	Revenues
MA-PROF	Reasons for change in profitability
OP-COST	Operating costs
FIN-DEBT	Debt
BD-PROPS	Location, nature, capacity and utilisation of physical properties
MA-MKT	Reasons for change in market acceptance
BOS-STRAT	Principal strategies to achieve broad objectives
NOT-COM	Business and local community
NOT-ENV	Environment
FIN-DIV	Dividends

Appendix 11: Distribution of disclosure type attributes – fund-raisers and grant makers

	F1 n=600		F2 n=1671		F3 n=964		F4 n=759		F5 n=1191		Total fund- raisers n =5185	
Type	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%
Time dimension												
Historical	439	73	1158	69	542	56	463	61	755	63	3357	65
Forward-looking	35	6	222	13	92	10	58	8	85	7	492	9
Non-time-specific	126	21	291	17	330	34	238	31	351	29	1336	26
Financial / Non-financial												
Financial	226	38	349	21	213	22	169	22	241	20	1198	23
Non-financial	374	62	1322	79	751	78	590	78	950	80	3987	77
Quantitative / Non-quantitative												
Quantitative	136	23	181	11	217	23	178	23	236	20	948	18
Non-quantitative	464	77	1490	89	747	77	581	77	955	80	4237	82
Quantitative												
Q-Measure	89	15	114	7	156	16	134	18	116	10	609	12
Q-Change	47	8	58	3	35	4	25	3	91	8	256	5
Q-Other	0	0	9	1	26	3	19	3	29	2	83	2
Non-quantitative												
NQ-Fact	257	43	760	45	405	42	328	43	454	38	2204	43
NQ-Judgement	168	28	643	38	310	32	227	30	401	34	1749	34
NQ-Other	39	7	87	5	32	3	26	3	100	8	284	5

Notes:

n represents the total text unit coded within the charity's annual report and annual review. The sample of charities is made up of five fund-raisers and five grant makers.

% shows the percentage proportion out of the total text unit coded, n.

Fund-raisers are denoted by F1, F2, etc, while grant makers are coded as G1, G2, etc.

Appendix 11: continued

	G1 n=1447		G2 n=875		G3 n=2315		G4 n=692		G5 n=534		Total grant makers n =5863	
Type	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%
Time dimension												
Historical	990	68	545	62	1657	72	497	72	421	79	4110	70
Forward-looking	147	10	108	12	141	6	62	9	39	7	497	8
Non-time-specific	310	21	222	25	517	22	133	19	74	14	1256	21
Financial / Non-financial												
Financial	281	19	284	32	599	26	421	61	173	32	1758	30
Non-financial	1166	81	591	68	1716	74	271	39	361	68	4105	70
Quantitative / Non-quantitative												
Quantitative	219	15	156	18	485	21	176	25	123	23	1159	20
Non-quantitative	1228	85	719	82	1830	79	516	75	411	77	4704	80
Quantitative												
Q-Measure	121	8	123	14	313	14	125	18	106	20	788	13
Q-Change	79	5	22	3	138	6	42	6	17	3	298	5
Q-Other	19	1	11	1	34	1	9	1	0	0	73	1
Non-quantitative												
NQ-Fact	776	54	413	47	1098	47	304	44	207	39	2798	48
NQ-Judgement	374	26	272	31	639	28	184	27	175	33	1644	28
NQ-Other	78	5	34	4	93	4	28	4	29	5	262	4

Notes:

n represents the total text unit coded within the charity's annual report and annual review. The sample of charities is made up of 5 fund-raisers and 5 grant makers.

% shows the percentage proportion out of the total text unit coded, n.

Fund-raisers are denoted by F1, F2, etc, while grant makers are coded as G1, G2, etc.

Appendix 12: Distribution of type attributes – two-way analysis – fund-raisers and grant makers

Type	F1 n=600		F2 n=1671		F3 n=964		F4 n=759		F5 n=1191		Total fund-raisers n =5185	
	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%
H/F	165	27.50	199	11.91	162	16.80	124	16.34	159	13.35	809	15.60
H/NF	274	45.67	959	57.39	380	39.42	339	44.66	596	50.04	2548	49.14
FL/F	19	3.17	41	2.45	14	1.45	6	0.79	17	1.43	97	1.87
FL/NF	16	2.67	181	10.83	78	8.09	52	6.85	68	5.71	395	7.62
NTS/F	42	7.00	93	5.57	37	3.84	38	5.01	65	5.46	275	5.30
NTS/NF	84	14.00	198	11.85	293	30.39	200	26.35	286	24.01	1061	20.46
H/Q	122	20.33	141	8.44	187	19.40	138	18.18	212	17.80	800	15.43
H/NQ	317	52.83	1017	60.86	355	36.83	325	42.82	543	45.59	2557	49.32
FL/Q	8	1.33	23	1.38	13	1.35	10	1.32	12	1.01	66	1.27
FL/NQ	27	4.50	199	11.91	79	8.20	48	6.32	73	6.13	426	8.22
NTS/Q	6	1.00	17	1.02	17	1.76	29	3.82	13	1.09	82	1.58
NTS/NQ	120	20.00	274	16.40	313	32.47	209	27.54	338	28.38	1254	24.19
F/Q	78	13.00	90	5.39	95	9.85	87	11.46	70	5.88	420	8.10
F/NQ	148	24.67	259	15.50	118	12.24	82	10.80	171	14.36	778	15.00
NF/Q	58	9.67	91	5.45	122	12.66	90	11.86	167	14.02	528	10.18
NF/NQ	316	52.67	1231	73.67	629	65.25	500	65.88	783	65.74	3459	66.71

Type	G1 n=1447		G2 n=875		G3 n=2315		G4 n=692		G5 n=534		Total grant makers n =5863	
	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%
H/F	182	12.58	208	23.77	502	21.68	306	44.22	127	23.78	1325	22.60
H/NF	808	55.84	337	38.51	1155	49.89	191	27.60	294	55.06	2785	47.50
FL/F	45	3.11	22	2.51	20	0.86	44	6.36	10	1.87	141	2.40
FL/NF	102	7.05	86	9.83	121	5.23	18	2.60	29	5.43	356	6.07
NTS/F	54	3.73	54	6.17	77	3.33	71	10.26	36	6.74	292	4.98
NTS/NF	256	17.69	168	19.20	440	19.01	62	8.96	38	7.12	964	16.44
H/Q	180	12.44	133	15.20	440	19.01	157	22.69	112	20.97	1022	17.43
H/NQ	810	55.98	412	47.09	1217	52.57	340	49.13	309	57.87	3088	52.67
FL/Q	22	1.52	11	1.26	17	0.73	10	1.45	6	1.12	66	1.13
FL/NQ	125	8.64	97	11.09	124	5.36	52	7.51	33	6.18	431	7.35
NTS/Q	17	1.17	12	1.37	28	1.21	9	1.30	5	0.94	71	1.21
NTS/NQ	293	20.25	210	24.00	489	21.12	124	17.92	69	12.92	1185	20.21
F/Q	114	7.88	104	11.89	288	12.44	131	18.93	69	12.92	706	12.04
F/NQ	167	11.54	180	20.57	311	13.43	290	41.91	104	19.48	1052	17.94
NF/Q	105	7.26	52	5.94	197	8.51	45	6.50	54	10.11	453	7.73
NF/NQ	1061	73.32	539	61.60	1519	65.62	223	32.23	307	57.49	3649	62.24

Appendix 13: Distribution of type attributes – three-way analysis – fund-raisers and grant makers

	F1 n=600		F2 n=1671		F3 n=964		F4 n=759		F5 n=1191		Total fund-raisers n =5185	
Type	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%	Text units	%
H/F/Q	72	12.00	75	4.49	89	9.23	74	9.75	62	5.21	372	7.17
H/F/NQ	93	15.50	140	8.38	73	7.57	50	6.59	97	8.14	453	8.74
H/NF/Q	50	8.33	66	3.95	98	10.17	64	8.43	150	12.59	428	8.25
H/NF/NQ	224	37.33	877	52.48	282	29.25	275	36.23	446	37.45	2104	40.58
FL/F/Q	4	0.67	7	0.42	6	0.62	3	0.40	4	0.34	24	0.46
FL/F/NQ	15	2.50	34	2.03	8	0.83	3	0.40	13	1.09	73	1.41
FL/NF/Q	4	0.67	16	0.96	7	0.73	7	0.92	8	0.67	42	0.81
FL/NF/NQ	12	2.00	165	9.87	71	7.37	45	5.93	60	5.04	353	6.81
NTS/F/Q	2	0.33	8	0.48	0	0.00	10	1.32	4	0.34	24	0.46
NTS/F/NQ	40	6.67	85	5.09	37	3.84	28	3.69	61	5.12	251	4.84
NTS/NF/Q	4	0.67	9	0.54	17	1.76	19	2.50	9	0.76	58	1.12
NTS/NF/NQ	80	13.33	189	11.31	276	28.63	181	23.85	277	23.26	1003	19.34

	G1 n=1447		G2 n=875		G3 n=2315		G4 n=692		G5 n=534		Total grant makers n =5863	
H/F/Q	99	6.84	96	10.97	281	12.14	117	16.91	66	12.36	659	11.24
H/F/NQ	83	5.74	112	12.80	221	9.55	189	27.31	61	11.42	666	11.36
H/NF/Q	81	5.60	37	4.23	159	6.87	40	5.78	46	8.61	363	6.19
H/NF/NQ	727	50.24	300	34.29	996	43.02	151	21.82	248	46.44	2422	41.31
FL/F/Q	12	0.83	2	0.23	5	0.22	9	1.30	2	0.37	30	0.51
FL/F/NQ	33	2.28	20	2.29	15	0.65	35	5.06	8	1.50	111	1.89
FL/NF/Q	10	0.69	9	1.03	12	0.52	1	0.14	4	0.75	36	0.61
FL/NF/NQ	92	6.36	77	8.80	109	4.71	17	2.46	25	4.68	320	5.46
NTS/F/Q	3	0.21	6	0.69	2	0.09	5	0.72	1	0.19	17	0.29
NTS/F/NQ	51	3.52	48	5.49	75	3.24	66	9.54	35	6.55	275	4.69
NTS/NF/Q	14	0.97	6	0.69	26	1.12	4	0.58	4	0.75	54	0.92
NTS/NF/NQ	242	16.72	162	18.51	414	17.88	58	8.38	34	6.37	910	15.52

Notes:

n represents the total text unit coded within the charity's annual report and annual review.

% shows the percentage proportion out of the total text unit coded, n.

Fund-raisers are denoted by F1, F2, etc, while grant makers are coded as G1, G2, etc.

Appendix 14: Distribution of type attributes – four-way analysis – fund-raisers

Background information (BD)	F1 n=95 %	F2 n=216 %	F3 n=267 %	F4 n=178 %	F5 n=212 %	Total n=968 %
H/F/Q	1.05	0.93	0.37	0.56	0.00	0.52
H/F/NQ	12.63	2.78	1.50	2.81	2.83	3.41
H/NF/Q	4.21	0.46	1.87	4.49	3.30	2.58
H/NF/NQ	22.11	19.91	16.48	23.03	15.57	18.80
FL/F/Q	3.16	0.46	0.37	0.56	0.00	0.62
FL/F/NQ	4.21	1.39	0.00	0.00	0.47	0.83
FL/NF/Q	0.00	0.46	0.37	0.00	1.89	0.62
FL/NF/NQ	0.00	11.11	4.87	1.69	6.60	5.58
NTS/F/Q	0.00	2.78	0.00	0.00	0.94	0.83
NTS/F/NQ	13.68	18.98	9.74	7.87	13.21	12.60
NTS/NF/Q	0.00	2.31	2.62	4.49	1.89	2.48
NTS/NF/NQ	38.95	38.43	61.80	54.49	53.30	51.14

Related parties (PA)	n=43 %	n=114 %	n=59 %	n=60 %	n=79 %	n=355 %
H/F/Q	6.98	0.88	8.47	3.33	2.53	3.66
H/F/NQ	16.28	6.14	6.78	11.67	13.92	10.14
H/NF/Q	2.33	7.02	5.08	3.33	1.27	4.23
H/NF/NQ	46.51	80.70	50.85	61.67	68.35	65.63
FL/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	2.33	0.88	1.69	1.67	0.00	1.13
NTS/F/Q	0.00	0.88	0.00	0.00	0.00	0.28
NTS/F/NQ	0.00	0.88	0.00	1.67	1.27	0.85
NTS/NF/Q	2.33	0.00	8.47	3.33	0.00	2.25
NTS/NF/NQ	23.26	2.63	18.64	13.33	12.66	11.83

Resources (RES)	n=30 %	n=69 %	n=11 %	n=15 %	n=83 %	n=208 %
H/F/Q	6.67	2.90	0.00	0.00	1.20	2.40
H/F/NQ	20.00	21.74	0.00	26.67	7.23	14.90
H/NF/Q	13.33	8.70	45.45	13.33	22.89	17.31
H/NF/NQ	53.33	60.87	36.36	40.00	54.22	54.33
FL/F/Q	0.00	1.45	0.00	6.67	0.00	0.96
FL/F/NQ	0.00	0.00	0.00	0.00	2.41	0.96
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	1.45	0.00	0.00	0.00	0.48
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	0.00	0.00	0.00	0.00	1.20	0.48
NTS/NF/Q	0.00	1.45	0.00	0.00	2.41	1.44
NTS/NF/NQ	6.67	1.45	18.18	13.33	8.43	6.73

Appendix 14: continued

Forward-looking information (FL)	F1 n=24 %	F2 n=177 %	F3 n=80 %	F4 n=80 %	F5 n=68 %	Total n=429 %
H/F/Q	0.00	1.13	1.25	0.00	0.00	0.70
H/F/NQ	0.00	3.39	5.00	1.25	0.00	2.56
H/NF/Q	0.00	0.00	0.00	5.00	4.41	1.63
H/NF/NQ	12.50	2.26	12.50	35.00	20.59	13.75
FL/F/Q	4.17	2.82	2.50	2.50	1.47	2.56
FL/F/NQ	16.67	10.73	7.50	1.25	2.94	7.46
FL/NF/Q	16.67	8.47	7.50	8.75	2.94	7.93
FL/NF/NQ	29.17	60.45	52.50	46.25	45.59	52.21
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	8.33	7.91	1.25	0.00	0.00	3.96
NTS/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/NF/NQ	12.50	2.82	10.00	0.00	22.06	7.23
Operating data (OP)	n=118 %	n=314 %	n=199 %	n=162 %	n=247 %	n=1040 %
H/F/Q	19.49	3.82	14.07	4.32	3.64	7.60
H/F/NQ	5.93	12.42	6.03	4.94	4.45	7.40
H/NF/Q	33.05	9.87	31.66	25.93	35.22	25.19
H/NF/NQ	38.98	65.61	34.67	56.17	46.56	50.67
FL/F/Q	0.00	0.00	1.51	1.23	0.00	0.48
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	0.32	0.50	0.62	0.40	0.38
NTS/F/Q	0.00	0.00	0.00	0.00	0.40	0.10
NTS/F/NQ	0.00	2.87	1.51	0.00	0.81	1.35
NTS/NF/Q	0.85	0.00	1.01	1.85	0.40	0.67
NTS/NF/NQ	1.69	5.10	9.05	4.94	8.10	6.15
Financial and non-financial information (FIN)	n=42 %	n=43 %	n=40 %	n=57 %	n=44 %	n=226 %
H/F/Q	71.43	67.44	97.50	96.49	88.64	84.96
H/F/NQ	26.19	30.23	2.50	0.00	4.55	11.95
H/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
H/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/Q	0.00	0.00	0.00	1.75	0.00	0.44
FL/F/NQ	0.00	0.00	0.00	0.00	4.55	0.88
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/Q	0.00	2.33	0.00	1.75	0.00	0.88
NTS/F/NQ	2.38	0.00	0.00	0.00	2.27	0.88
NTS/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 14: continued

Management's analysis (MA)	F1 n=160 %	F2 n=291 %	F3 n=205 %	F4 n=151 %	F5 n=382 %	Total n=1189 %
H/F/Q	7.50	8.59	7.32	4.64	2.88	5.89
H/F/NQ	28.13	16.15	22.93	14.57	13.35	17.83
H/NF/Q	1.25	2.06	10.24	3.31	7.33	5.21
H/NF/NQ	23.13	43.30	25.37	32.45	36.91	34.06
FL/F/Q	0.00	0.34	0.00	1.32	0.79	0.50
FL/F/NQ	4.38	3.09	0.98	1.32	1.57	2.19
FL/NF/Q	0.00	0.00	0.00	0.00	0.52	0.17
FL/NF/NQ	2.50	6.87	3.90	1.99	3.40	4.04
NTS/F/Q	1.25	0.00	0.00	5.96	0.26	1.01
NTS/F/NQ	14.38	6.19	3.41	7.95	6.28	7.06
NTS/NF/Q	1.25	0.69	0.98	3.97	0.52	1.18
NTS/NF/NQ	16.25	12.71	24.88	22.52	26.18	20.86
Contributor's analysis (CO)	n=81 %	n=428 %	n=87 %	n=28 %	n=35 %	n=659 %
H/F/Q	1.23	0.47	0.00	7.14	0.00	0.76
H/F/NQ	2.47	1.40	0.00	0.00	0.00	1.21
H/NF/Q	0.00	3.27	1.15	3.57	11.43	3.03
H/NF/NQ	95.06	83.18	66.67	35.71	62.86	79.36
FL/F/Q	1.23	0.00	0.00	0.00	0.00	0.15
FL/F/NQ	0.00	0.47	0.00	0.00	0.00	0.30
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	2.57	6.90	0.00	2.86	2.73
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	0.00	0.47	0.00	3.57	0.00	0.46
NTS/NF/Q	0.00	0.00	1.15	0.00	0.00	0.15
NTS/NF/NQ	0.00	8.18	24.14	50.00	22.86	11.84
Not in framework (NOT)	n=7 %	n=19 %	n=16 %	n=28 %	n=41 %	n=111 %
H/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
H/F/NQ	42.86	5.26	6.25	7.14	24.39	15.32
H/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
H/NF/NQ	42.86	42.11	93.75	28.57	56.10	51.35
FL/F/Q	0.00	0.00	0.00	3.57	0.00	0.90
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	14.29	0.00	0.00	0.00	9.76	4.50
NTS/NF/Q	0.00	5.26	0.00	0.00	0.00	0.90
NTS/NF/NQ	0.00	47.37	0.00	60.71	9.76	27.03

Appendix 15: Distribution of type attributes – four-way analysis – grant makers

Background information (BD)	G1 n=160 %	G2 n=155 %	G3 n=400 %	G4 n=150 %	G5 n=94 %	Total n=959 %
H/F/Q	0.63	0.00	0.25	0.67	2.13	0.52
H/F/NQ	2.50	6.45	3.25	8.67	3.19	4.48
H/NF/Q	1.25	0.65	6.00	0.67	3.19	3.23
H/NF/NQ	25.00	21.29	24.75	7.33	42.55	23.25
FL/F/Q	0.00	0.00	0.25	2.67	0.00	0.52
FL/F/NQ	0.63	0.65	0.00	9.33	0.00	1.67
FL/NF/Q	0.00	0.00	0.50	0.00	0.00	0.21
FL/NF/NQ	0.00	1.94	1.75	1.33	1.06	1.36
NTS/F/Q	1.88	1.29	0.00	2.00	1.06	0.94
NTS/F/NQ	15.63	17.42	11.75	30.67	26.60	17.73
NTS/NF/Q	2.50	1.29	1.50	2.67	0.00	1.67
NTS/NF/NQ	50.00	49.03	50.00	34.00	20.21	44.42

Related parties (PA)	n=388 %	n=101 %	n=173 %	n=33 %	n=60 %	n=755 %
H/F/Q	0.00	0.99	0.00	3.03	6.67	0.79
H/F/NQ	1.55	3.96	4.62	27.27	1.67	3.71
H/NF/Q	1.29	0.99	5.78	0.00	1.67	2.25
H/NF/NQ	90.98	69.31	71.68	60.61	78.33	81.32
FL/F/Q	0.26	0.00	0.00	0.00	0.00	0.13
FL/F/NQ	0.26	0.00	0.00	0.00	1.67	0.26
FL/NF/Q	0.00	1.98	0.00	0.00	0.00	0.26
FL/NF/NQ	0.77	7.92	1.16	0.00	0.00	1.72
NTS/F/Q	0.00	0.99	0.00	0.00	0.00	0.13
NTS/F/NQ	0.00	1.98	1.16	6.06	0.00	0.79
NTS/NF/Q	0.52	1.98	2.31	0.00	6.67	1.59
NTS/NF/NQ	4.38	9.90	13.29	3.03	3.33	7.02

Resources (RES)	n=68 %	n=35 %	n=85 %	n=29 %	n=16 %	n=233 %
H/F/Q	4.41	14.29	0.00	0.00	0.00	3.43
H/F/NQ	7.35	31.43	25.88	34.48	31.25	22.75
H/NF/Q	19.12	25.71	4.71	13.79	0.00	12.88
H/NF/NQ	57.35	28.57	58.82	41.38	43.75	50.64
FL/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	1.47	0.00	1.18	3.45	18.75	2.58
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	1.47	0.00	0.00	6.90	0.00	1.29
NTS/NF/Q	0.00	0.00	1.18	0.00	0.00	0.43
NTS/NF/NQ	8.82	0.00	8.24	0.00	6.25	6.01

Appendix 15: continued

Forward-looking information (FL)	G1 n=87 %	G2 n=61 %	G3 n=154 %	G4 n=60 %	G5 n=18 %	Total n=380 %
H/F/Q	2.30	1.64	2.60	3.33	0.00	2.37
H/F/NQ	1.15	6.56	1.95	16.67	0.00	4.74
H/NF/Q	3.45	0.00	0.65	1.67	5.56	1.58
H/NF/NQ	12.64	3.28	27.92	11.67	0.00	16.58
FL/F/Q	6.90	3.28	1.30	8.33	5.56	4.21
FL/F/NQ	14.94	19.67	5.19	28.33	11.11	13.68
FL/NF/Q	5.75	11.48	3.90	1.67	16.67	5.79
FL/NF/NQ	41.38	36.07	44.81	16.67	55.56	38.68
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	1.15	3.28	3.25	6.67	5.56	3.42
NTS/NF/Q	0.00	0.00	0.65	0.00	0.00	0.26
NTS/NF/NQ	10.34	14.75	7.79	5.00	0.00	8.68
Operating data (OP)	n=169 %	n=90 %	n=496 %	n=187 %	n=130 %	n=1072 %
H/F/Q	8.28	16.67	8.67	13.37	23.85	11.94
H/F/NQ	7.69	17.78	7.86	28.88	12.31	12.87
H/NF/Q	18.34	17.78	15.32	17.65	23.08	17.35
H/NF/NQ	55.62	36.67	61.49	37.97	37.69	51.49
FL/F/Q	0.59	0.00	0.00	0.00	0.00	0.09
FL/F/NQ	0.00	1.11	0.00	0.00	0.00	0.09
FL/NF/Q	0.59	0.00	0.00	0.00	0.00	0.09
FL/NF/NQ	2.37	7.78	0.00	0.53	1.54	1.31
NTS/F/Q	0.00	0.00	0.40	0.00	0.00	0.19
NTS/F/NQ	0.00	1.11	0.81	1.60	1.54	0.93
NTS/NF/Q	0.59	0.00	0.60	0.00	0.00	0.37
NTS/NF/NQ	5.92	1.11	4.84	0.00	0.00	3.26
Financial and non-financial information (FIN)	n=62 %	n=85 %	n=205 %	n=70 %	n=24 %	n=446 %
H/F/Q	93.55	78.82	88.78	90.00	91.67	87.89
H/F/NQ	6.45	20.00	9.76	7.14	4.17	10.54
H/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
H/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/Q	0.00	0.00	0.00	0.00	4.17	0.22
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/Q	0.00	1.18	0.00	2.86	0.00	0.67
NTS/F/NQ	0.00	0.00	1.46	0.00	0.00	0.67
NTS/NF/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/NF/NQ	0.00	0.00	0.00	0.00	0.00	0.00

Appendix 15: continued

Management's analysis (MA)	G1 n=302 %	G2 n=149 %	G3 n=596 %	G4 n=151 %	G5 n=105 %	Total n=1303 %
H/F/Q	4.64	2.68	8.39	16.56	5.71	7.60
H/F/NQ	15.23	29.53	16.28	57.62	25.71	23.10
H/NF/Q	4.30	1.34	5.54	0.66	5.71	4.22
H/NF/NQ	30.13	38.93	37.92	12.58	37.14	33.23
FL/F/Q	1.32	0.00	0.34	0.00	0.00	0.46
FL/F/NQ	5.63	3.36	1.17	2.65	4.76	2.92
FL/NF/Q	0.66	0.00	0.50	0.00	0.00	0.38
FL/NF/NQ	11.92	8.72	4.03	1.99	4.76	6.22
NTS/F/Q	0.00	0.67	0.00	0.00	0.00	0.08
NTS/F/NQ	7.62	4.70	2.18	5.96	5.71	4.45
NTS/NF/Q	0.99	0.67	1.68	0.00	0.00	1.07
NTS/NF/NQ	17.55	9.40	21.98	1.99	10.48	16.27
Contributor's analysis (CO)	n=172 %	n=186 %	n=190 %	n=1 %	n=84 %	n=633 %
H/F/Q	4.07	1.61	0.53	0.00	1.19	1.90
H/F/NQ	1.74	2.15	7.37	100.00	9.52	4.74
H/NF/Q	7.56	4.30	5.79	0.00	5.95	5.85
H/NF/NQ	51.16	45.70	73.68	0.00	77.38	59.72
FL/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/NQ	0.58	1.08	0.00	0.00	0.00	0.47
FL/NF/Q	0.58	0.00	0.53	0.00	1.19	0.47
FL/NF/NQ	6.98	12.90	2.63	0.00	4.76	7.11
NTS/F/Q	0.00	0.54	0.00	0.00	0.00	0.16
NTS/F/NQ	0.00	3.76	0.00	0.00	0.00	1.11
NTS/NF/Q	1.16	0.00	0.53	0.00	0.00	0.47
NTS/NF/NQ	26.16	27.96	8.95	0.00	0.00	18.01
Not-in framework (NOT)	n=39 %	n=13 %	n=16 %	n=11 %	n=3 %	n=82 %
H/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
H/F/NQ	2.56	15.38	31.25	0.00	0.00	9.76
H/NF/Q	2.56	0.00	0.00	0.00	0.00	1.22
H/NF/NQ	28.21	69.23	56.25	100.00	33.33	50.00
FL/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
FL/F/NQ	0.00	0.00	0.00	0.00	0.00	0.00
FL/NF/Q	2.56	0.00	0.00	0.00	0.00	1.22
FL/NF/NQ	0.00	0.00	6.25	0.00	0.00	1.22
NTS/F/Q	0.00	0.00	0.00	0.00	0.00	0.00
NTS/F/NQ	2.56	15.38	6.25	0.00	33.33	6.10
NTS/NF/Q	5.13	0.00	0.00	0.00	0.00	2.44
NTS/NF/NQ	56.41	0.00	0.00	0.00	33.33	28.05

Appendix 16: Example of typical questions used in interviews

General questions (for all interviewees) plus specific questions for each interviewee.

1. As a charitable organisation, what is your perception of the role of disclosure (reporting)?
2. Why do you disclose information? Can you describe your organisation's policy regarding disclosure? How was this policy determined, eg by precedents, historical norms/practices? Who decides on what and how to disclose information? Is there an implicit awareness that organisations should provide mainly success stories and achievements?
3. There will be instances when organisations choose not to disclose information. Could you identify some of these instances and why organisations would choose not to report such information? What are the constraints or barriers to reporting?
4. How do you decide on the types of information to disclose?
5. What are the steps in identifying such information? In policy meetings, either formal or informal? Who are involved in this process? When do you conduct such meetings?
6. Are such decisions driven by targets or benchmarks? Are targets/benchmarks your own key performance indicators (KPIs) or your target recipients' of information or expectations (norms) within the industry?
7. How do you determine your KPIs? Are these KPIs set by competitors or stakeholders? If so, are they part of the meeting to determine how information is set? What is the process involved in identifying these KPIs, eg discussions with personnel, looking at competitors' reports, etc? Given the KPIs, how do you measure attainment of these targets? Do you see any specific types of charity as being a direct competitor for funds? How comparable are these competitors? Are there any consequences to meeting/not meeting these targets?
8. How do you identify your stakeholders? Is there a ranking to such groups? Given the target group, do you create content that is focused on providing information to this group, while also providing information to a wider range of users?
9. How do you see rules/regulations fitting into the reporting process, in particular, the roles of regulators and auditors? Do you think there are gaps in the current best practice recommendations (eg SORPs) that should be filled by organisations voluntarily, or should these gaps be set by the regulatory authorities?

RR/108/001

ISBN: 978-1-85908-451-9