



BBR. Brazilian Business Review

ISSN: 1807-734X

Fucape Business School

Lacruz, Adonai José; Rosa, Alexandre Reis; Oliveira, Marcos Paulo Valadares de  
The Effect of Governance on Donations: Evidence from Brazilian Environmental Nonprofit Organizations  
BBR. Brazilian Business Review, vol. 20, no. 1, 2023, January-February, pp. 56-75  
Fucape Business School

DOI: <https://doi.org/10.15728/bbr.2023.20.1.4.en>

Available in: <https://www.redalyc.org/articulo.oa?id=123075331004>

- How to cite
- Complete issue
- More information about this article
- Journal's webpage in redalyc.org

UDEM redalyc.org

Scientific Information System Redalyc  
Network of Scientific Journals from Latin America and the Caribbean, Spain and  
Portugal

Project academic non-profit, developed under the open access initiative

## ARTICLE

# The Effect of Governance on Donations: Evidence from Brazilian Environmental Nonprofit Organizations

Adonai José Lacruz<sup>1</sup>

adonai.lacruz@ifes.edu.br |  0000-0003-1575-3788

Alexandre Reis Rosa<sup>2</sup>

alexandre.r.rosa@ufes.br |  0000-0003-0619-7433

Marcos Paulo Valadares de Oliveira<sup>2</sup>

marcos.p.oliveira@ufes.br |  0000-0003-2646-5247

## ABSTRACT

This article uses the agency theory perspective to analyze governance, composed of a set of dimensions and measured by governance factors that influence donations to Brazilian environmental Nonprofit Organizations (NPOs). Data were collected predominantly from the documents available on the Internet, and the random sample consisted of 108 observations. We identified governance dimensions through Multiple Correspondence Analysis. From these dimensions, we verified, through Partial Least Squares Structural Equation Modeling, if governance affected donations. It was observed that governance positively affected donations and that public certifications provided to NPOs in Brazil did not moderate the relationship between governance and donations. These results showing that governance helps NPOs to have easier access to the donations market and that public certifications provided to NPOs do not contribute to increasing donations. These findings are important for practitioners and also to enrich the debate about public policies for the third sector in environments of low regulation.

## KEYWORDS

Governance, Donations, Agency theory, Nonprofit organizations, Environmental Organizations

<sup>1</sup>Universidade Federal do Espírito Santo – PPGAdm, Vitória, ES, Brazil, e Instituto Federal do Espírito Santo - Viana, ES, Brazil

<sup>2</sup>Universidade Federal do Espírito Santo – Departamento de Administração, Vitória, ES, Brazil

Received: 07/22/2020.

Revised: 03/29/2021.

Accepted: 02/14/2022.

Published Online: 10/20/2022.

DOI: <http://dx.doi.org/10.15728/bbr.2023.20.1.4.en>

---

## 1. INTRODUCTION

Governance is a constant topic in studies on Nonprofit Organizations (NPOs). In general terms, governance in the third sector refers to the set of internal and external mechanisms designed to limit the improper use of resources, and to ensure that an NPO fulfills its fiduciary duty, as well as to better align the executives' goals with those of the NPO and the audience it attends to (Harris et al., 2015).

In general, the discussion starts from the hypothesis that, all else being equal, better-governed NPOs receive more donations. Previous studies, depending on the specific research question, analyzed the potential influence of specific governance factors, for example board size (see Harrison & Murray, 2015) or governance dimensions, such as disclosure (see Blouin et al., 2018) or accountability (see Tacon et al., 2017), measured by sets of manifest variables (for example, annual report). For example, Harris et al. (2015) identified seven governance dimensions by using factor analysis (board, management, policies, access, audit, executive compensation, and minutes) and showed that donations and government grants are positively associated with six of the dimensions (minutes had no effect).

Thus, previous research operationalizes governance using a variety of measures (Boland et al., 2020). For example, Kitching (2009) includes one specific indicator while Yetman and Yetman (2012) include multiple indicators simultaneously and Harris et al. (2015) develop governance dimensions measures. While of these approaches are appropriate for the given research design, standard for measuring governance as a latent variable (a set of governance dimensions measured by governance factors) remains a research gap. In other words, prior studies built unidimensional factors and multidimensional constructs for governance dimensions and evaluated the impact of these factors and dimensions on donations.

Governance is a complex concept; thus, there are theoretical reasons to take it as a construct, because as a latent variable it better represents the theoretical definitions underlying its conceptualization (Larcker et al., 2007; Harris et al. 2015). Therefore, in this study, governance is a second-order construct that contains a set of layers for governance dimensions (first order constructs) measured by governance factors (manifest variables).

By focusing on the effects of governance, many of which address factors or dimensions of governance, previous studies brought important contributions about the influence of governance on donations in general. However, donations still have not included the potential impact of governance as a latent variable, or a set of dimensions, regarding donations received by NPO. Some dimensions of governance affect donations and others do not, as shown by Harris et al. (2015), who identified a positive association between six out of seven governance dimensions, investigated in donations. Hence, these findings contributed to clarify the effect of governance dimensions on donations, but not the effect of governance as a latent variable. In this sense, our central research question is whether governance, taken as a second-order construct, affects donor-constrained donations.

In our case, we examined, from an agency theory perspective, environmental NPOs in Brazil that had received grants from sponsors to carry out specific tasks.

In addition, empirical studies, using a sample of NPOs, in a context of low regulation and information on NPO governance which is difficult to access (as in Brazil) are rare (for example, Hasnan et al., 2016).

The ambient can change the behavior of an NPO in regards to their governance, due to the state's regulatory role, which creates an external control environment through the elaboration and enforcement of laws (Desai & Yetman, 2015). In addition to the existence of acts, the intensity

of their enforcement is another measure. Therefore, the law enforcement environment (strict or not) can also affect NPO governance (Yetman & Yetman, 2012).

Thus, our contribution lies in the development of a governance operationalized as a second-order construct, given the multiple conceptual layers of governance dimensions, so that it is possible to evaluate the effect of governance on donations in an environment of low regulation and limited access to information.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

As our main theory, we adopted the agency theory perspective. The explanatory basis in this study relies on the classical approach by Jensen and Meckling (1976), from which numerous studies emerged (for example Eisenhardt, 1989; Glaeser, 2003).

Therefore, we brought the assumptions and concepts of agency theory to the nonprofit environment, to discuss the conflicts between principal and agent, focusing on the agency relationship observed in hiring the NPO (agent) by the donor (principal), for transferring donations with donor restrictions.

In short, we assume that governance practices allow NPOs to have easier access to the donations market, or, more specifically, that governance positively affects NPO donations (Harris et al., 2015). Understanding that governance relieves the agency problem that results from the contractual relationship between donor (principal) and NPO (agent) in the donation process (Jensen & Meckling, 1976) supports this assumption.

Pauly and Redisch (1973) were among the first authors to examine governance in non-profit organizations empirically and Glaeser (2003) was to propose distinct utility functions (mathematical models) for different actors as the principal in the agency relationship.

Agency theory regards governance as a set of external and internal mechanisms aimed at mitigating the agency problem in organizations, derivative from the separation of control and management, and ownership and management (Fama & Jensen, 1983; Jensen, 1993).

Agency theory addresses the conflicts between principal and agent, and, in our study, we brought its assumptions and concepts to the third sector environment, as did other studies, for example Ho & Huang (2017), Blevins et al. (2020) and Balsam et al. (2020). Here, we examine the agency relationship observed in hiring an NPO (agent) by a donor organization (principal), for the transfer of donations with donor restrictions.

Governance helps to minimize the misuse of NPO resources and align the interests of executives with those of the NPO and the audience it addresses. Thus, information on governance can help donors in their decisions, by allowing them to assess how well their resources will be appropriately used. Therefore, our central hypothesis is:

- **H<sub>1</sub>** Better Governance positively affects Donations with donor restrictions to Nonprofit Organizations.

This hypothesis derives from the understanding that governance mitigates agency problems, due to the contractual relationship between principal (donor) and agent (NPO), through mechanisms that minimize several effects. Some of these effects would be information asymmetry, distinct utility functions (motivation and goals), different levels of risk aversion, rational behavior of the agent, different planning horizon, and lack of a perfect contract (see Lacruz, 2020). Hence, governance assures donors that their interests will prevail in the application of the resources given to the NPO.

To support this hypothesis, evidence suggests that institutional donors have a favorable perception of NPOs that are well managed (for example Harris et al., 2015). However, there are also reasons to expect that governance does not influence donors' decisions. In general, donors can more directly monitor the organization's performance through the project they support (Lacruz et al., 2019), or be more sensitive toward social status (Bekkers & Wiepking, 2011); therefore, they will be less prone to use information about NPO governance for their donation decision. In the Brazilian context, different from the North American and the European one, donors may not have available information on NPO's governance, which would make them consider other elements for decision-making (Lee, 2016).

In environments where there is not a mandatory disclosure regime for information on NPO governance, donors may access to this information by including governance-related issues in their project support calls (Lacruz et al., 2019) or through voluntary disclosure by NPO.

We also noticed that NPOs can receive some public certifications provided in Brazil (as OSCIP [Civil Society Organization of Public Interest]), that grants them benefits, and to their donors, as well as additional obligations (for example, audit of the Financial Statements provided for in NPO' statute). Moreover, a significant number of NPOs that made partnerships with the Brazilian Government received some kind of certification (FGV Projetos & Secretaria-Geral da Presidência da República, 2014). Thus, we developed the second hypothesis:

- **H<sub>2</sub>** NPOs' certification moderates the relationship between Governance and Donations with donor restrictions, with a positive impact.

This hypothesis regards the understanding that the political, legal and regulatory system (Jensen, 1993), operated by the state, helps NPOs to perform their social function and gives a favorable reputation. Hence, donors would tend to transfer more resources to NPOs with such certifications, because of the additional requirements for getting them. NPO' funding is volatile, as it depends on external donors (Verbruggen et al., 2011). This fact explains why NPOs seek certification, which is a measure of good management that can be presented to potential donors (to strengthen their image and achieve recognition). In this sense, Feng et al. (2016) and Desai and Yetman (2015) showed that certifications and legal requirements, respectively, are associated with the increase in donations. On the other hand, Lee (2016) suggests that state regulation does not affect the adoption of good governance policies by NPO, showing that requirements for reporting and registration generally have little effect on NPOs' adoption of good governance policies. The following section presents the methodological procedures adopted in the study.

### 3. RESEARCH DESIGN

This section presents the methodological procedures used to analyze the relationship between governance and donations.

#### 3.1. DATA

We chose NPOs in the environmental sector, with operations in Brazil, as units of analyses for this study. By delimiting the work to an area of activity and a geographic field of action, in an operational cutting, we contribute to the homogeneity of the units of analysis in all selected NPO. At the same time, aspects related to the relevance of the social object promoted by environmental NPO strengthen this option.

Considering the significance level of 0.05, statistical power of 0.8, effect size of 0.35, and six predictors, the minimum sample size were 46 observations. As we carried out the moderation evaluation through multigroup analysis (two groups), we considered as minimum size 92 observations, or two groups of 46. Then we developed the sampling plan (Table 1).

**Table 1**  
*Sampling plan*

Elements	Description
Environmental NPO	2.242
NPO registered at CNEA	654
Minimum sample size	92
Sample size	108
Geographic range	Brazil
Temporal range	2015

*Source:* Elaborated by the authors.

We built the sample in a simple random way, from the list of NPOs recorded at the National Register of Environmental Entities in Brazil (CNEA). There was a need for new draws, without repetition, because the necessary data for all the NPOs initially drawn were not identified.

We collected data predominantly from Financial Statements, Annual Reports, and Statutes, which were available at the websites of NPOs, or found in the repository “Map of Civil Society Organizations”. In addition, we contacted NPOs (telephone and email) for which we were unable to access the documents directly, using records at the Brazilian National Environment Council (CONAMA).

Data were collected during the first two months of 2017, and they refer to the fiscal year of 2015, in order to avoid bias due to unavailable information. Since the responsible body only discloses all documents of a specific year in the subsequent year, we did not want to risk having incomplete data, if we worked with information regarding 2016 or 2017.

**3.2. VARIABLES**

This study aimed to analyze the relationship between the governance structure of NPOs and donations. Therefore, donations with donor restrictions were the endogenous variable.

NPOs oftentimes develop their activities through projects (Diallo & Thuillier, 2004). To do so, NPOs submit proposals to national and international bodies to raise funds for projects that will carry out the activities defined by their institutional mission (Lacruz et al., 2019). The most recent yearbook “Environmental Management Analysis 2013/2014” (Análise Gestão Editorial, 2015) shows that 97% of the resources of environmental Brazilian NPO were donations from partners, and national and international organizations. Therefore, the volume of other resources (revenues from services rendered and sale of goods) is minimal.

As a measure of governance (explanatory factor), we used the presence of a set of governance factors (proxies) identified in the literature, following other authors (for example Bromley & Orchard, 2016; Feng et al., 2016).

In order to evaluate the possible moderation of NPO Certification in the relationship between Governance and Donations we included with a moderator variable the public certifications provided to NPO by Federal Government of Brazil.

Furthermore, we examined the need to include the control variable ‘NPO age’ in the model, assuming that NPO need time to operate and implement governance practices (Saxton et al., 2014).

Regrettably, we could not use NPO’s size as a co-variable, under the argument that larger NPO tend to have more resources to implement governance practices (Feng et al., 2016; Haski-Leventhal & Foot, 2016). Table 2 shows the operationalization of the variables.

### 3.3. SAMPLE CHARACTERIZATION

Table 3 shows the descriptive statistics of the variables concerning donations and the age of NPO.

There is a relevant discrepancy in the donations with restrictions and the age of NPO in the sample, which we expected, given the heterogeneous NPO’s profile in Brazil (Instituto de Pesquisas Econômicas Aplicadas, 2018). We also present the frequency statistics of the manifest variables in Table 4.

### 3.4. METHOD

Since we wanted to investigate relationships between latent variables, we chose the technique Partial Least Squares Structural Equation Modeling (PLS-SEM). As the variables related to manifest variables are qualitative, assuming dichotomous values, and this technique is not appropriate for measuring constructs under this condition (Hair et al., 2016), we initially conducted the Multiple Correspondence Analysis (MCA) to identify the underlying governance structure in NPO.

We used the dimensions detected in MCA as constructs to specify the structural model. Just like Donations, a single-item construct, we used as observations’ value the standardized score of the sum of the observations of each dimension’s variables.

Regarding the potential moderator effect ( $H_2$ ), as data assumed dichotomous values (zero and one), we evaluated it through a multigroup analysis, as suggested by Hair et al. (2016) and Sanchez (2013).

In the data processing, we used the software packages R (R Core Team, 2017) and psych, for correlation; FactoMineR and nFactors, for MCA; and plspm for PLS-SEM.

## 4. RESULTS AND DISCUSSION

In this section, we first identify the governance dimensions of NPOs. Next, from these dimensions, we verified if governance affected donations and if public certifications provided to NPOs in Brazil moderate the relationship between governance and donations.

### 4.1. UNDERLYING GOVERNANCE STRUCTURE

In order to identify the underlying governance structure in NPO, we conducted a MCA. Using the scree plot criteria and parallel analysis, we retained five dimensions, which together accounted for 74% of the variables’ variance.



**Table 2**  
*Operation of variables*

Variable		Scale	Description
Endogenous	Donations	Continuous	Natural log of the Donations with donor restrictions in the Financial Statements for the period ended at December 31, 2015
	Board	Nominal (dichotomous)	Existence of Board
Manifest	Election-Board		Formal rules for the election of the members of the Board
	Mandate- Board		Members of the Board with Formal Mandate
	CEO-Remuneration		Remuneration of the CEO approved by the Board
	Independence-Board		CEO does not participate, with voting rights, in the meetings of the Board
	Fiscal_Council		Existence of Fiscal Council
	Election-Fiscal_Council		Formal rules for election of the members of the Fiscal Council
	Mandate-Fiscal_Council		Members of the Fiscal Council with Formal Mandate
	Advisory_Committee		Existence of at least one advisory committee
	Corporate_Identity		Formally established institutional mission, vision and values
	Annual_planning		Annual Plan of Activities approved by the Board
	Policies_codes		Policies and/or codes approved by the Board
	Independent_audit		Existence of independent audit
	Annual_Report-General_Assembly		Annual Report approved by the General Assembly
	Financial_Statements-Internet		Financial Statements on public websites
	Financial_Statements-Fiscal_Council		Financial Statements appreciated by the Fiscal Council
	Annual_Report-Internet		Annual Report on public websites
	Annual_Report-Donnors		Annual Report sent to donors
	Annual_Report-Board		Annual Report assessed by the Board
	Team_Qualification		Qualification of council members and CEO on public websites
	CEO_Evaluation		Formal evaluation of the CEO by the Board
Moderator	NPO_Certification	Nominal (dichotomous)	Certified as OS or OSCIP or CEBAS
Control	Age	Continuous	Years since NPO was founded, until December 31, 2015

*Source:* Elaborated by the authors.



**Table 3***Descriptive statistics*

Statistics	Donations with donor restrictions (In thousands of dollars) <sup>a</sup>	Age <sup>b</sup>
Mean	1.317	16,7
Standard deviation	2.585	7,7
Minimum	26	5
Maximum	16.667	29
1 <sup>st</sup> quartile	110	10
2 <sup>nd</sup> quartile	308	16
3 <sup>rd</sup> quartile	1.282	24

**Source:** Elaborated by the authors.<sup>a</sup> US Dollar 1.00 = Brazilian Real 3.90 (date: 12/31/2015). <sup>b</sup> Years since NPO was founded (date: 12/31/2015)**Table 4***Frequency statistics*

Manifest variables	Frequency
Fiscal_Council	92%
Financial_Statements-Fiscal_Council	92%
Election-Fiscal_Council	90%
Mandate-Fiscal_Council	89%
Annual_Report-Donnors	86%
Board	82%
Annual_planning	82%
Election-Board	81%
Mandate- Board	81%
Annual_Report-Board	80%
Annual_Report-General_Assembly	77%
Corporate_Identity	72%
Independence-Board	64%
CEO-Remuneration	59%
CEO_Evaluation	53%
Policies_codes	50%
Advisory_Committee	44%
Team_Qualification	43%
Annual_Report-Internet	42%
Independent_audit	38%
Financial_Statements-Internet	31%

**Source:** Elaborated by the authors.

Next, by evaluating the discrimination measures of the variables, we decided to add a sixth dimension, since we did not get discrimination measures for three dimensions above the dimensions' inertia. The six dimensions explained 78% of the variance, and allowed, at least, one value of the discrimination measure to be above the inertia of its corresponding dimension. This improved the adjustment of the model.

Due to the theoretical domain defined for each dimension, we decided to group some variables with the dimensions for which they showed higher discrimination measures. Two referred to dimensions for which their discrimination measures were not the highest. However, they were superior to the inertia of the dimension to which they were associated. Thus, we arranged the underlying governance structure according to the following dimensions, as Table 5 shows.

**Table 5**  
*Multiple Correspondence Analysis*

Board (Inertia = 0.30)	Fiscal Council (Inertia = 0.18)	Transparency (Inertia = 0.12)
<ul style="list-style-type: none"><li>• Board</li><li>• Election-Board</li><li>• Mandate-Board</li><li>• CEO-Remuneration</li><li>• Annual_Report-Board</li><li>• Evaluation-CEO</li><li>• Independence-Board</li><li>• Advisory_Committees</li></ul>	<ul style="list-style-type: none"><li>• Fiscal_Council</li><li>• Election-Fiscal_Council</li><li>• Mandate-Fiscal_Council</li><li>• Financial_Statements- Fiscal_Council</li></ul>	<ul style="list-style-type: none"><li>• Financial_Statements- Internet</li><li>• Annual_Report- Internet</li><li>• Team-Qualification</li></ul>
Management (Inertia = 0.08)	Accountability (Inertia = 0.06)	Audit (Inertia = 0.05)
<ul style="list-style-type: none"><li>• Annual_Planning</li><li>• Corporate_Identity</li><li>• Policies_Codes</li></ul>	<ul style="list-style-type: none"><li>• Annual_Report-General_Assembly</li><li>• Annual_Report-Donors</li></ul>	<ul style="list-style-type: none"><li>• Independent_Audit</li></ul>

**Source:** Elaborated by the authors.

We understand, therefore, that Governance comprises a set of dimensions, composed of mechanisms of incentive and control, in order to mitigate the agency problem arising from the contractual relationship between principal and agent, thus minimizing agency costs (Jensen & Meckling, 1976).

Hence, from this theoretical domain, we assumed that governance is an abstraction of a higher order that operates through a set of dimensions. Harris et al. (2015), among others, characterized the theoretical attributes that are potential determinants of governance as latent variables, assuming the reflective character for the constructs. Thus, in the context of this research, we considered the observable variables (*proxies*) as indicators that reflect the underlying theoretical constructs.

Operationally, governance is a second-order construct reflected by the dimensions that emerged from MCA: Board, Management, Fiscal Council, Transparency, Accountability and Independent Audit. In turn, these dimensions are composed of governance mechanisms that arose from the theoretical background.

The Board represents the collective decision-making body responsible for keeping the strategic direction of the NPO. In other terms, it is responsible for the definition of guidelines that support NPO's practices and business, and whose main function is to establish a link between cause and management – according to Fama and Jensen (1983), Jensen (1993) and Jensen and Meckling (1995). Operationally, the construct Board involves elements that relate to its constitutive aspects (election, mandate, independence, and committees) and attributions (the approval of CEO's compensation and the Annual Report).

A reasonable explanation for the association of the Board with governance is the perception of donors that it is an important body for the separation between control and management

(Fama & Jensen, 1983), which oversees management actions, and reduces the risk of the agent operating against their own interests (principal).

However, the Board, in this study, does not include deliverables arising from its actions of agents' monitoring, or agents' actions whose behavior is not harmful to the principal (Jensen & Meckling, 1976; Harris et al., 2015). In this study, these aspects refer to the Management dimension, which involves the elements that guide the activities of the executive team, the Board, the Fiscal Council, and the General Assembly or the Board of Trustees (Corporate Identity, Annual Activity Plan, Codes and Policies).

The presence of formal policies, in a broad sense, can encourage employees to confidentially report unethical behavior, avoid conflicts of interest (for example, code of conduct, anti-corruption policy), and serve as a guide for management practices. As these policies can improve NPO's governance, by reducing information asymmetry, they will increase donors' confidence that their resources contribute to advance the NPO's institutional mission.

The Fiscal Council is the supervisory body of NPO's accounting and financial management, involving its constituent aspects (election and mandate) and attributions (assessment of the financial statements). Thus, it is different from the Board, whose theoretical domain refers to keeping NPO's purposes, while the Fiscal Council deals with the supervision of administration acts, providing opinions on the organization's financial statements (Lamb, 2002). The presence of a Fiscal Council, duly constituted, can be an additional line of defense for the principal's interest.

Transparency, in this study, is similar to OECD disclosure principle (2004), and means the public dissemination of relevant information. In our study, it consisted of disclosing information through the Internet (websites, fanpages etc.) regarding financial statements (audited or non-audited), the Annual Report, and the professional qualification of NPO's team (executive and board members).

Accountability, in turn, also similar to the principle of OECD (2004), involves an administrative body that reports to a higher authority; in the present case, it is the assessment, by the General Assembly or Board of Trustees, of the Annual Report presented by NPO's chief executive; and also accountability to donors, by sending them the Annual Report.

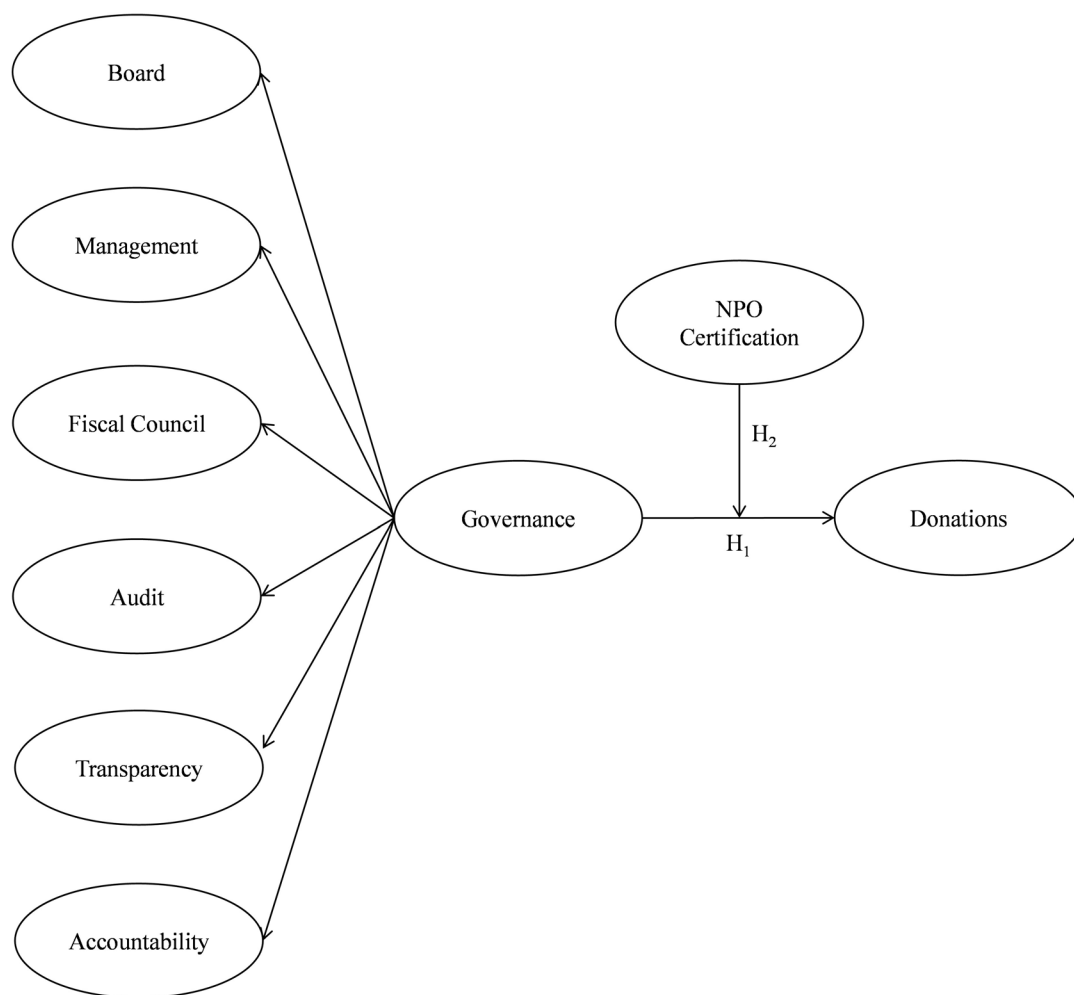
Higher authorities and donors exercise control through the regular reception of follow-up information by NPO executives, who make them aware of the appropriate use of resources.

Finally, in relation to first-order constructs that reflect Governance, there is Audit, a single item construct: the auditing of the financial statements by an independent audit company. This independent company issues an opinion on NPO's financial statements, whether they do not show relevant distortions and meet current standards (Verbruggen et al., 2015).

Thus, the audit report is a measure of an NPO's reputation (Watts & Zimmerman, 1978), in addition to providing an external overview, thereby reducing agency costs (Harris et al., 2015; Watts & Zimmerman, 1978). This makes donors more confident about the reliability of an NPO's financial-accounting information, and safe about the protection of the donated resources.

We next examined the need to include the variable 'NPO age' in the model, assuming that NPOs need time to operate and implement governance practices (for example Haski-Leventhal & Foot, 2016). Since we did not identify any statistically significant correlation between age and governance, measured by the sum of the dimensions' scores identified in MCA ( $r = 0.093$ ;  $p\text{-value} = 0.339$ ), we did not include this variable in the model.

Figure 1 shows the initial research model.



**Figure 1.** Initial research model  
**Source:** Elaborated by the authors

We operationalized the variable Donations, the main beneficiary of the research results, through the amount of donations with donor restrictions, reported in the Financial Statements.

In addition, the single item construct ‘NPO Certification’ had as proxy the public certifications provided to NPO in Brazil as OS (Social Organizations), OSCIP, or a certificate of CEBAS (Charitable Organization for Social Assistance). We expected that such certifications, some of them related to governance mechanisms (statutory provision of independent audit, or requirement of superior deliberation body), as they increase the list of obligations, would positively moderate the relationship between Governance and Donations. We assumed that public certifications provided to NPO would be similar to quality standards (for example, ISO). Companies traditionally seek certification to gain competitive advantage (Rao, 1994), and many NPO are adopting such practices as means to improve their competitive position in the donations market (Slatten et al., 2011).

In this research, the governance construct only comprised the internal mechanisms. Regarding the external mechanisms, the Market of Products and Factors and the Political, Legal and Regulatory System, we used them to delimit the object of empirical investigation (similar to a control variable); on the other hand, the main effects of this research fall on the Donations Market, that is, the impact of Governance on the Donations with donor restrictions. We also used a specificity related to the political, legal and regulatory system (NPO Certification) to

check a potential moderating effect on the relationship between Governance and Donations. Thus, we explored the set of governance dimensions.

20

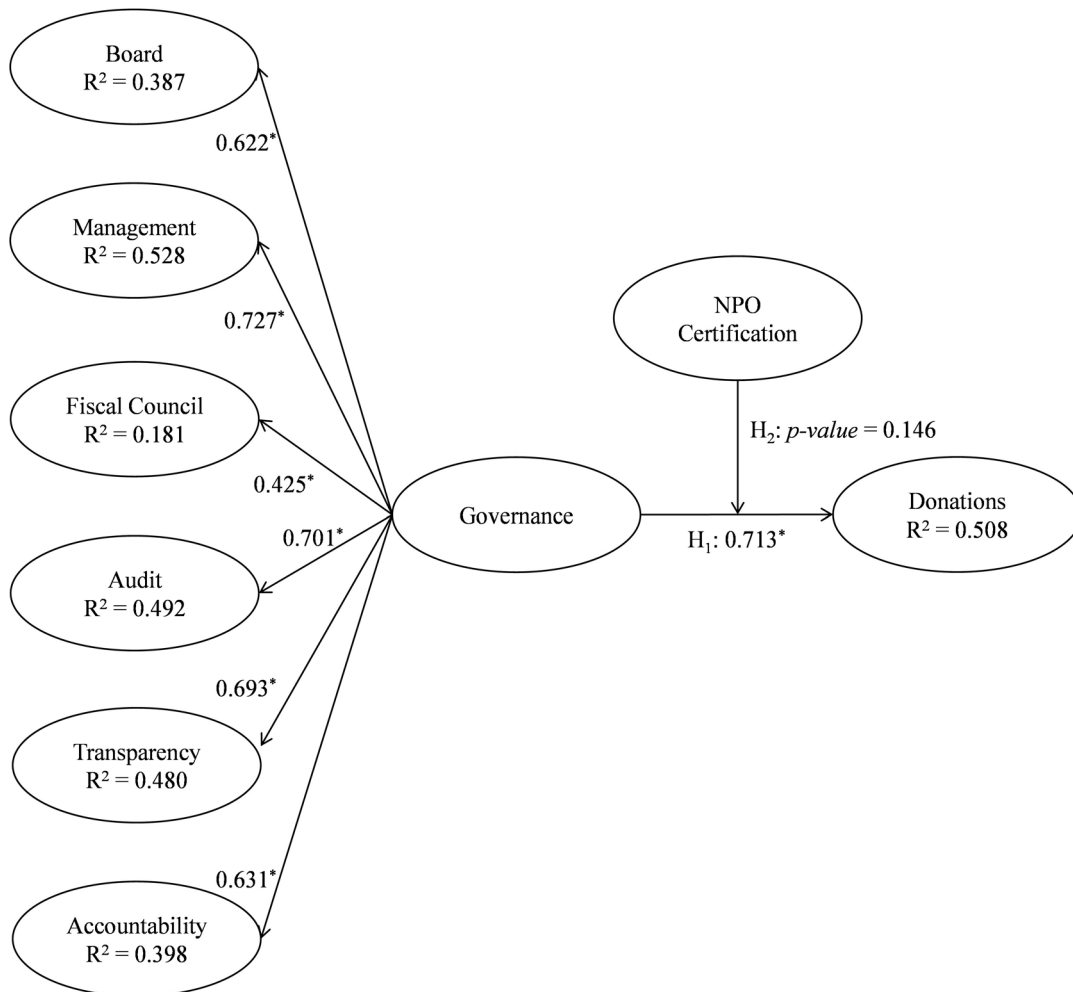
#### 4.2. EVALUATION OF THE STRUCTURAL MODEL

67

We conducted the validation of the structural model using the plspm package by checking the statistical significance ( $\alpha = 0.05$ ) and relevance of path coefficients, through the bootstrapping procedure; and the assessment of the coefficient of determination ( $R^2$ ) as a measure of the model's accuracy.

Figure 2 shows the values of  $R^2$ , the path coefficients, and their statistical significance.

In step with Sarstedt et al. (2020) and Schamberger et al. (2020), a further analysis was conducted so that this paper can confirm that the data does not contain outliers with the potential to distort the results of structural equation models (Cook's distance), the relationships of model are linear (Linktest) and the model has no omitted constructs bias are omitted (RESET for omitted variables). At first, the model was estimated in order to implement the tests, using the resulting construct scores as input for it. Outliers were not identified ( $D < 1$ ), evidencing the linear effect's robustness (p-value = 0.09) and that omitted variables bias does not occur (p-value = 0.31).



**Figure 2.** Results of the structural model

**Note.** \* Significant at the 0.01 level. Sample size = 108. Bootstrapping = 1,000 subsamples.

**Source:** Elaborated by the authors.

Second, according to Sarstedt et al. (2019), we assessed the measurement model of the higher-order construct, represented by the relationships between the higher-order component and its lower-order components: unidimensionality (Cronbach's alpha between 0.7 and 0.9, Dillon-Goldstein's rho between 0.7 and 0.9, and the dominance of the first eigenvalue), convergent validity (outer-loadings higher than 0.7, and the average variance extracted higher than 0.5) and discriminant validity (i.e. cross-loadings and Fornell-Larcker criterion).

Figure 2 shows that the direct relationships of the structural model were significant and caused a positive impact, since path coefficients assumed positive values. Within the second-order hierarchical model, it was possible to observe that The Fiscal Council mentions Governance in a less pronounced way, with a path coefficient of 0.425. Governance appears in the other dimensions in a similar way (between 0.631 and 0.727). This may occur because the Fiscal Council, within the legal environment of the sample NPO (a Brazilian NPO), is not a mandatory body for NPOs or for the companies.

We observe, in Figure 2, that Governance affects Donations with a statistically significant path coefficient of 0.713.

This result strengthens the field of agency theory, which underlaid and inspired this study, because it indicates that Governance positively affected Donations. This confirms Singh and Ingdal (2007), who discussed best practices for NPO donors in Nepal, and showed that donors require a range of NPO's governance practices for deciding to donate. Thus, governance practices allow NPO to have an easier access to the donations market, since they ensure more efficient and effective operations (Greiling & Stötzer, 2015). This contributes to the improvement of the organization's reputation in the market of product and factors, and reduces the information asymmetry and consequent agency costs; therefore, it follows that agents apply the resources according to the principal's interests (mitigating agency problems).

Therefore, the absence of or poor quality governance practices can result in donors' reluctance to contribute to NPO. According to Fisman and Hubbard (2005), a poor governance leads to a poor management monitoring, thus giving rise to agency costs.

Figure 2 presents the  $R^2$  of each endogenous latent variable, which is a measure of the model's accuracy. It is important to mention that  $R^2$  of the latent variable of the first order reflective construct indicates how much this latent variable is a sign of the latent variable of the second-order construct and, therefore, we analyzed it, since it also generates paths in the structural model.

We found relevant  $R^2$  values, especially considering the set of variables absent in the model.

A  $R^2$  of 0.508 indicates that the relationships established account for 51% of the variance of Donations, which provides the model a reasonable adjustment, given its economical character; through the gradation exhibited by Sanchez (2013),  $R^2$  values lower than 0.2, between 0.2 and 0.5, and higher than 0.5 showed a low, moderate and high explanatory power, respectively.

According to Wetzels et al. (2009), in the reflective-reflective type of models, first order constructs reflect the second-order constructs, which leads to the conclusion that  $R^2$  values of the latent variables of the first order reflective constructs indicate how much they reflect the latent variables of the second-order constructs.  $R^2$  of the latent variable of the first order reflective construct indicates how much this latent variable is affected by the latent variable variance of the second-order construct. Using Wetzels et al. (2009) terms, we highlight that in the Governance construct, the sub-dimension that best reflects it is Management,  $R^2 = 0.528$ , while for the Fiscal Council sub-dimension we achieved  $R^2 = 0.181$ .

In order to evaluate the possible moderating role of NPO Certification in the relationship between Governance and Donations, we conducted a multigroup analysis, with 54 observations for each group.

Contrary to intuition, we observed that NPO Certification did not moderate the relationship between Governance and Donations. That is, we did not confirm the hypothesis that NPO Certification, with at least one Brazilian Federal Government certification, would increase Governance relationship with Donations ( $p\text{-value} = 0.1461$ ).

This result disagrees with Feng et al. (2016), who identified that the certification Standards for Excellence® was associated with the increase of donations, compared to a control group of NPO that did not receive the same certification. However, this certification is granted by the Maryland Association of Nonprofit Organizations, and the requirements for getting and keeping it are more rigorous than for the other certifications considered in this study (OS, OSCIP and CEBAS). It does not confirm either the results of Desai and Yetman (2015), who found that the legal and report requirements demanded from NPOs moderated the relationship between the percentage of changes in charitable spending and the percentage of changes in program revenues. These findings support the notion that state regulation, through additional requirements for certification, helps NPOs to play their social role. On the other hand, results by Lee (2016), with data from the National Center for Charitable Statistics, suggest that state regulation does not affect the adoption of good governance policies by NPOs. NPOs that operate in states that demand reporting and registration were no more susceptible to adopting accountability policies than organizations that act in states that have no such requirements.

On the other hand, the result of our research indicates that, for the sample composed of Brazilian organizations, public certifications provided to NPOs (as OS, OSCIP or CEBAS) does not contribute to increase Donations with donor restrictions. Thus, Brazilian donors did not respond favorably to NPO certification, regarding the volume of donations. We suggest that donors did not perceive the benefits (tangible or intangible) of these certifications, for several reasons: (i) a possible lack of credit of the issuer (the Brazilian State), since one expects that certifications will lead to legitimacy and favorable reputation, as the issuer lends its credibility to the recipient - in this case, it would be a 'discredited accreditation'; (ii) because NPO without certification have voluntarily incorporated non-mandatory mechanisms, due to donor pressures (Lacruz et al., 2019), so that donors cannot distinguish NPO with and without the seal of distinction, only by observing their governance practices; or (iii) because the presence of governance mechanisms is sufficient, which makes the certification unnecessary, from donors' point of view.

As a general measure of model adjustment, we got the Goodness-of-Fit index (GoF) of 0.4177. Wetzels et al. (2009) suggest for gradation a low GoF = 0.1, average = 0.25 and high = 0.36. By this criterion, the general fit of this study's model can be considered high.

Through the analysis of confidence intervals, we evaluated the accuracy of the PLS parameter estimates for path coefficients and  $R^2$ , assuming, for all of them, statistical significance at 0.05 level.

The analysis allowed us to infer the positive impact on donations with donor restrictions, as well as the absence of moderation of an NPO's certification in this relationship (Governance -> Donations).

It is possible to associate the identified relationships to the process of marketization (Salamon, 1997), according to the findings of Lacruz et al. (2019). To deal with the donations market constraints, NPOs have adopted private for-profit market approaches. This lead to what Salamon (1997) named as 'the non-profit private sector marketization'. Thus, NPO extended their external



responsibility, and had to show results in terms of efficiency and effectiveness (Arvidson and Lyon, 2014), besides adopting management models for this purpose (Smith, 2010).

In this context, an important element is the temporality of governance in the third sector. NPO, in general, develop their actions to attain their institutional missions through projects (Diallo & Thuillier, 2004). Thus, the project, understood as a temporary effort to generate a specific delivery (Project Management Institute, 2017), according to Lacruz et al. (2019) refers to the object of the contractual relationship between NPO and the donor organization. Hence, it is a business venture executed within a specific time limit, with a defined cost, scope and quality and cost, in exchange for donation, and is subject to a contract (or related term) between the parties. Therefore, the project is the object of the contract, which, in turn, is the link of the agency relationship between the NPO (agent) and the donor organization (principal) (Lacruz et al., 2019). Specifically, in this research, we delimited the donations with donor restrictions, according to this understanding.

The temporality of the project leads to the understanding that governance in NPOs is largely due to the influence of the project; each project converges to practices of governance at the organization level (Lacruz et al., 2019).

Temporality leads to the reflection that NPO, because of the process of marketization (Salamon, 1997), can incorporate in their governance necessary elements and those imposed by donors over the duration of the project. However, at the end of a project, these mechanisms are interrupted, and a future project incorporates or modifies them, according to the new donors' demands (Lacruz et al., 2019). Although the results of the study do not allow it, we consider, from the whole discussion, that it is possible to make such a proposition.

This reflection has a strong association with the assumption of different planning horizon of the agency theory, which implies the transience of the principal in relation to the NPO, whose efforts are limited to the time of the contractual relationship, that is, to the project (Lacruz et al., 2019).

Lacruz et al. (2019) show that the donation market acts as a complement of the legal and regulatory political system, such as an external mechanism of governance for NPO in the delimitation of legal security, given the general legal context and low regulation environment in Brazil.

The analysis of external forces (for example Desai & Yetman, 2015), in particular the donation market, for the configuration of governance in the third sector, still lacks operational and empirical evidence for a stronger support (Lacruz et al., 2019). The underlying governance structure identified in this research is a reflection of internal and external forces (including the donation market) in NPO governance.

Renz (2007) suggest that project governance be the response to the gap between project management (operation) and governance (strategy) in the third sector context. Lacruz et al. (2019) advance this understanding, proposing that projects bring reflections to governance through temporary governance mechanisms; that is, governance would be (re)configured through the projects, in a *continuum*.

## 5. CONCLUSIONS AND LIMITATIONS

This paper analyzes of the influence of governance, considering its respective dimensions, over donations with donor restrictions received by environmental NPOs in Brazil. Its results are important not just for practitioners but also to enrich the debate about public policies for the third sector in low regulation environments. Managers should consider making information

about NPOs' governance available so donors can have access to it and probably be positively influenced when making a decision about a donation.

Another relevant contribution is regarding the identification of a set of governance dimensions for NPOs in a low regulation environment, and barriers to information access, similarly to what was done by Harris et al. (2015) in non-profit and highly regulated environments.

Elaboration of the governance construct was a contribution to the approach of agency theory, when applied to relationships in the third sector; as well as an original application of MCA in the validation of reflective measurement models consisting of exclusively dichotomous data – bypassing a limitation of the technique PLS-SEM.

This study presents some limitations. As we did not have access to the explanatory notes of all Financial Statements, it was not possible to distinguish types of donors (e.g. government donors, private foundations, corporate foundations). Different types of donors may have different motivations for donation (Kuti, 2008); thus, we cannot rule out that the type of donor may influence the relationship between governance and donations.

Furthermore, we assumed that more governance is better, such as Harris et al. (2015), Hansan et al. (2016) among others. While supporting the idea that governance is important, as part of NPOs' responsibility, we recommend that decisions on governance in NPOs undergo an opportunity cost analysis; without a benefit, activities related to governance (for example, audit procedures) would be diverting resources from NPOs' institutional mission.

We need additional research to capture all costs and benefits of NPO governance. While we showed that better governance is associated with more donations, we did not examine if better governance improves an NPO's effectiveness. Although difficult, it is essential to assess how well an NPO is carrying out its institutional mission of serving its target community, and what factors, besides governance, can help it reach its goals. Thus, it is appropriate to question: Do NPOs with better outcomes receive more donations than others? Some outcome variables could also be a moderator of the relationship between Governance and Donations.

Further, we suggest additional studies about the effect of a set of governance dimensions (board, audit, accountability, etc.) on the donations received by NPO. In this case, the authors develop hypotheses for each of the governance dimensions considered in the analysis. In other words, analyze each one of the effects of governance dimensions (board, management, fiscal council, audit, transparency, and accountability) on donations, expanding the possibility of more theoretical contributions.

In addition, due to the temporal characteristic of projects and, therefore, the ephemeral aspect of this contractual relationship, in contrast to their planning horizon, NPOs should reduce their dependence on donors, by diversifying their fund sources and increasing the volume of donations without restrictions, not linked to projects, in order to keep their actions towards perennial causes. Thus, they should incorporate management practices because of their relevance, and not due to donors' pressure.

Thus, we suggest that studies focus on the potential influence of the project on governance. For example, its possible mediating role in the relationship between governance and donations.

---

## REFERENCES

20

Análise Editorial. (2015). Atuação ampliada e transparência. In *Análise Gestão Ambiental 2013/2014* (pp. 214-219).

72

Arvidson, M., & Lyon, F. (2014). Social impact measurement and non-profit organisations: compliance, resistance, and promotion. *Voluntas*, 25(4), 869-886. 2014

Balsam, S., Harris, E. E., & Saxton, G. D. (2020). The use and consequences of perquisite types in nonprofit organizations. *Journal of Accounting and Public Policy*, 39(4), 106737. <https://doi.org/10.1016/j.jaccpubpol.2020.106737>

Bekkers, R., & Wiepking, P. (2011). A literature review of empirical studies of philanthropy: Eight mechanisms that drive charitable giving. *Nonprofit and Voluntary Sector Quarterly*, 40(5), 924-973. <https://doi.org/10.1177/0899764010380927>

Blevins, D. P., Ragozzino, R., & Eckardt, R. (2020). "Corporate governance" and performance in nonprofit organizations. *Strategic Organization*, 20(2). <https://journals.sagepub.com/doi/abs/10.1177/1476127020921253>

Blouin, M. C., Lee, R. L., & Erickson, G. S. (2018). The impact of online financial disclosure and donations in nonprofits. *Journal of Nonprofit & Public Sector Marketing*, 30(3), 252-266. <https://doi.org/10.1080/10495142.2018.1452819>

Boland, C. M., Harris, E., Petrovits, C., & Yetman, M. (2020). Controlling for corporate governance in nonprofit research. *Journal of Governmental & Nonprofit Accounting*, 9(1), 1-44. <https://doi.org/10.2308/JOGNA-17-017>

Bromley, P., & Orchard, C. D. (2016). Managed morality: The rise of professional codes of conduct in the U.S. nonprofit sector. *Nonprofit and Voluntary Sector Quarterly*, 45(2), 351-374. <https://doi.org/10.1177/0899764015584062>

Desai, M. A., & Yetman, R. J. (2015). Constraining Managers without Owners: Governance of the Not-for-Profit Enterprise. *Journal of Governmental & Nonprofit Accounting*, 4(1), 53-72. <http://doi.org/10.2139/ssrn.661301>

Diallo, A., & Thuillier, D. (2004). The success dimensions of international development projects: The perceptions of African project coordinators. *International Journal of Project Management*, 22(1), 19-31. [https://doi.org/10.1016/S0263-7863\(03\)00008-5](https://doi.org/10.1016/S0263-7863(03)00008-5)

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57-74. <https://doi.org/10.2307/258191>

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325. <http://www.jstor.org/stable/725104>

Feng, N. C., Neely, D. G., & Slatten, L. A. D. (2016). Accountability standards for nonprofit organizations: Do organizations benefit from certification programs? *International Journal of Public Administration*, 39(6), 470-479. <https://doi.org/10.1080/01900692.2015.1023444>

FGV Projetos, & Secretaria-Geral da Presidência da República. (2014). *Pesquisa sobre as organizações da sociedade civil e suas parcerias com o governo federal*. FGV Projetos / SGPR.

Fisman, R., & Hubbard, G. (2005). Precautionary savings and the governance of not-for-profit organizations. *Journal of Public Economics*, 89(11-12), 2231-2243. <https://doi.org/10.1016/j.jpubeco.2004.10.005>

Glaeser, E. L. (2003). Introduction. In *The governance of not-for-profit organizations* (pp. 1-43). University of Chicago Press.

Greiling, D., & Stötzer, S. (2015). Performance accountability as a driver for changes in nonprofit-government relationships: An empirical insight from Austria. *Voluntas*, 26(5), 1690-1717. <https://doi.org/10.1007/s11266-015-9609-8>

Hair, J. F., Hult, C. T. M., Ringle, C. M., & Sarstedt, M. (2016). *A primer on partial least squares structural equation modeling (PLS-SEM)*. SAGE.

Harris, E., Petrovits, C. M., & Yetaman, M. H. (2015). The effect of nonprofit governance on donations: Evidence from the revised form 990. *Accounting Review*, 90(2), 579-610. <http://www.jstor.org/stable/24467216>

Harrison, Y. D., & Murray, V. (2015). The effect of an online self-assessment tool on nonprofit board performance. *Nonprofit and Voluntary Sector Quarterly*, 44(6), 1129-1151. <https://doi.org/10.1177/0899764014557361>

Haski-Leventhal, D., & Foot, C. (2016). The relationship between disclosure and household donations to nonprofit organizations in Australia. *Nonprofit and Voluntary Sector Quarterly*, 45(5), 992-1012. <https://doi.org/10.1177/0899764016628673>

Hasnan, S., Mohamad, M., Zainuddin, Z. N., & Abidin, Z. Z. (2016). Corporate governance factors affecting donation: Evidence from charitable organizations in Malaysia. *International Journal of Economics and Financial Issues*, 6(6), 149-153.

Ho, S. J., & Huang, C. L. (2017). Managerial altruism and governance in charitable donations. *Managerial and decision economics*, 38(7), 1058-1068. <https://doi.org/10.1002/mde.2845>

Instituto de Pesquisas Econômicas Aplicadas. (2018). *Perfil das organizações da sociedade civil no Brasil*. IPEA.

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *Journal of Finance*, 48(3), 831-880. <https://doi.org/10.1111/j.1540-6261.1993.tb04022.x>

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 303-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

Jensen, M. C., & Meckling, W. H. (1995). Specific and general knowledge and organizational structure. *Journal of Applied Corporate Finance*, 8(2), 251-274. <https://doi.org/10.1111/j.1745-6622.1995.tb00283.x>

Kitching, K. (2009). Audit value and charitable organizations. *Journal of Accounting and Public Policy*, 28(6), 510-524. <https://doi.org/10.1016/j.jaccpubpol.2009.08.005>

Kuti, E. (2008). Differences and similarities between corporate, individual and 1% philanthropy: Their relevance to fund raising efficiency. *International Conference of the International Society for Third Sector Research*, Barcelona, Spain.

Lacruz, A. J., Moura, R. L. de, & Rosa, A. R. (2019). Organizing in the shadow of donors: How donations market regulates the governance practices of sponsored projects in non-governmental organizations. *Brazilian Administration Review*, 16(3), 1-23. <https://doi.org/10.1590/1807-7692bar2019180111>

Lacruz, A. J. (2020). Considerações teóricas sobre governança corporativa no terceiro setor à luz da teoria da agência. *Cadernos EBAPE.BR*, 18(3), 473-485. <https://doi.org/10.1590/1679-395120190007>

- Lamb, R. (2002). *Modelagem para uma investigação da efetiva função do conselho fiscal nas sociedades por ações brasileiras*.
- Larcker, D. F. Richardson, S. A., & Tuna, I. (2007). Corporate governance, accounting outcomes, and organizational performance. *The Accounting Review*, 82(4), 963-1008. <http://www.jstor.org/stable/30243484>
- Lee, Y. J. (2016). What encourages nonprofits adoption of good governance policies? *Nonprofit Management & Leadership*, 27(1), 95-112. <https://doi.org/10.1002/nml.21226>
- OECD. (2004). *OECD principles of corporate governance*. OECD.
- Pauly, M., & Redisch, M. (1973). The not-for-profit hospital as a physicians' cooperative. *The American Economic Review*, 63(1), 87-99. <http://www.jstor.org/stable/1803128>
- Project Management Institute. (2017). *A guide to the project management body of knowledge*. Project Management Institute.
- R Core Team. (2017). *R: A language and environment for statistical computing* (Current Version 3.3.3). R Foundation for Statistical Computing. <https://www.r-project.org>
- Rao, H. (1994). The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the american automobile industry: 1895-1912. *Strategic Management Journal*, 15(special issue), 29-44. <https://doi.org/10.1002/smj.4250150904>
- Renz, P. S. (2007). *Project governance: implementing corporate governance and business ethics in nonprofit organizations*. Physica-Verlag Heidelberg.
- Salamon, L. M. (1997). *Holding the Center: America's Nonprofit Sector at a Crossroads*. Foundation Center.
- Sanchez, G. (2013). *PLS Path Modeling with R*. Trowchez Editions.
- Sarstedt, M., Ringle, C. M., Cheah, J.-H., Ting, H., Moisescu, O. I., & Radomir, L. (2020). Structural model robustness checks in PLS-SEM. *Tourism Economics*, 26(4), 531-554. <https://doi.org/10.1177/1354816618823921>
- Sarstedt, M., Hair, J. F., Chea, J.-H., Becker, J.-M., Ringle, C. M. (2019). How to specify, estimate, and validate higher-order constructs in PLS-SEM. *Australasian Marketing Journal*, 27(3), 197-211. <https://doi.org/10.1016/j.ausmj.2019.05.003>
- Saxton, G. D., Neely, D. G., & Guo, C. (2014). Web disclosure and the market for charitable contributions. *Journal of Accounting and Public Policy*, 33(2), 127-144. <https://doi.org/10.1016/j.jaccpubpol.2013.12.003>
- Schamberger, T., Schuberth, F., Henseler, J. & Dijkstra, T. K. (2020). Robust partial least squares path modeling. *Behaviormetrika*, 47(1), 307-334. <http://doi.org/10.1007/s41237-019-00088-2>
- Singh, A., & Ingdal, N. (2007). *A discussion paper on donor best practices towards NGOs in Nepal*.
- Slatten, L. A. D., Guidry, B. N., & Austin, W. (2011). Accreditation and certification in the nonprofit sector: organizational and economic implications. *Organization Management Journal*, 8(2), 112-127. <https://doi.org/10.1057/omj.2011.17>
- Smith, S. R. (2010). Nonprofits and public administration: Reconciling performance management and citizen engagement. *The American Review of Public Administration*, 40(2), 129-152. <https://doi.org/10.1177/0275074009358452>

Tacon, R., Walters, G., & Cornforth, C. (2017). Accountability in nonprofit governance: A process-based study. <i>Nonprofit and Voluntary Sector Quarterly</i> , 46(4), 685-704. <a href="https://doi.org/10.1177/0899764017691637">https://doi.org/10.1177/0899764017691637</a>	20
Verbruggen, S., Christiaens, J., & Milis, K. (2011). Can resource dependence and coercive isomorphism explain nonprofit organizations' compliance with reporting standards? <i>Nonprofit and Voluntary Sector Quarterly</i> , 40(1), 5-32. <a href="https://doi.org/10.1177/0899764009355061">https://doi.org/10.1177/0899764009355061</a>	75
Verbruggen, S., Christiaens, J., Reheul, A.-M., & Van Caneghem, T. (2015). Analysis of audit fees for nonprofits: Resource dependence and agency theory approaches. <i>Nonprofit and Voluntary Sector Quarterly</i> , 44(4), 734-754. <a href="https://doi.org/10.1177/0899764014551279">https://doi.org/10.1177/0899764014551279</a>	
Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. <i>Accounting Review</i> , 53(1), 112-134. <a href="http://www.jstor.org/stable/245729">http://www.jstor.org/stable/245729</a>	
Wetzels, M., Odekerken-Shröder, G., & van Oppen, C. (2009). Using PLS path modeling for assessing hierarchical construct models: Guidelines and empirical illustration. <i>MIS Quarterly</i> , 31(1), 177-195. <a href="https://doi.org/10.2307/20650284">https://doi.org/10.2307/20650284</a>	
Yetman, M. H., & Yetman, R. J. (2012) The effects of governance on the accuracy of charitable expenses reported by nonprofit organizations. <i>Contemporary Accounting Research</i> , 29(3), 738-767. <a href="https://doi.org/10.1111/j.1911-3846.2011.01121.x">https://doi.org/10.1111/j.1911-3846.2011.01121.x</a>	

#### AUTHOR'S CONTRIBUTION

**AJL:** The first author was responsible for the idealization and accomplishment of the research. **ARR and MPVO:** The second together with the third author supervised the research.

#### ACKNOWLEDGEMENTS

The authors thank the Instituto Federal do Espírito Santo (Ifes) for funding the English revision of this paper.

#### CONFLICTS OF INTEREST

The authors declare no conflict of interest.