

**Financial Reporting: Reflection On Transparency In The Third Sector**  
**Evidenciação Contábil: Reflexão Sobre Transparência No Terceiro Setor**

Gabriel Moreira Campos  
Doutor em Ciências Contábeis – USP  
Professor da Universidade Federal do Espírito Santo (UFES)  
Av. Fernando Ferrari, 514, Departamento de Ciências Contábeis – CCJE  
Campus de Goiabeiras - CEP: 29075-910 - Vitória, ES- Brasil  
gabriel.campos@ufes.br

Rafael de Lacerda Moreira  
Mestre em Ciências Contábeis – UFMG  
Professor da Universidade Federal do Espírito Santo (UFES)  
Av. Fernando Ferrari, 514, Departamento de Ciências Contábeis – CCJE  
Campus de Goiabeiras - CEP: 29075-910 - Vitória, ES- Brasil  
rafaeldelacerdamoreira@gmail.com

Rodrigo Simonassi Scalzer  
Mestre em Administração – IBMEC-RJ  
Professor da Universidade Federal do Espírito Santo (UFES)  
Av. Fernando Ferrari, 514, Departamento de Ciências Contábeis – CCJE  
Campus de Goiabeiras - CEP: 29075-910 - Vitória, ES- Brasil  
rodrigscalzer@gmail.com

**Abstract**

This study highlights the accountability of Brazilian Third Sector Organizations to their stakeholders, since these organizations are not an end in themselves, and they play an important role in solving problems that affect all Brazilians, especially social inequality, violence, hunger and degradation of natural resources. The interaction between the Third Sector Organizations and external users of the accounting information generated by them, allows them to have a feedback on the impacts of the decisions taken by them and the operations they perform daily. In this study the Third Sector Organizations are considered providers of accounting information for the stakeholders. Thus, by means of an explanatory study with analytical and reflective approach, this research seeks to explain the use of Financial Statements and complementary Accounting Reports in the practice of accountability by Brazilian Third Sector Organizations to the external user. In this perspective, as contributions of this study is expected to: (i) identification of the financial statements and supplementary reports published by Third Sector Organizations affiliated with the Group of Institutes, Foundations and Enterprises – GIFE, and (ii) demonstrate the relationship between the degree of disclosure of these Organizations and the amount of funds raised by them during the period of the research.

**Keywords:** Accounting. Third Sector. Accountability.

## Resumo

Este estudo destaca a responsabilidade das Organizações do Terceiro Setor no Brasil para com seus *stakeholders*, uma vez que essas organizações não são um fim em si mesmas, e têm um papel importante na resolução de problemas que afetam a todos os brasileiros, especialmente a desigualdade social, violência, fome e degradação dos recursos naturais. A interação entre as organizações do terceiro setor e os usuários externos da informação contábil gerada por elas, permite aos mesmos terem um feedback sobre os impactos das decisões tomadas por essas organizações e as operações que executam diariamente. Neste estudo as organizações do Terceiro Setor são consideradas fornecedores de informação contábil para os *stakeholders*. Assim, por meio de um estudo exploratório com abordagem analítica e reflexiva, esta pesquisa procura explicar o uso das Demonstrações Contábeis e Relatórios Contábeis complementares, na prática da prestação de contas por organizações do Terceiro Setor no Brasil para o usuário externo. Nesta perspectiva, como contribuições deste estudo espera-se: (i) identificação das demonstrações contábeis e os relatórios complementares publicados por Organizações do Terceiro Setor filiadas ao Grupo de Institutos, Fundações e Empresas - GIFE, e (ii) demonstrar a relação entre o grau de evidenciação dessas organizações e o volume de recursos arrecadados por elas durante o período da pesquisa.

**Palavras-chave:** Contabilidade. Terceiro Setor. *Accountability*.

## 1. Introduction

### 1.1 Contextualization

Since its origin, Mankind promotes various activities in partnership with its kind as a way to overcome their individual limitations and achieve stated objectives throughout its existence. The implementation of activities related to human life, jointly, is achieved through the formation of groups composed of people with diverse characteristics, which when placed on the provision of the purposes defined by the group, will provide the society with a number of benefits, among which are the constant learning and the satisfaction of their basic needs.

Regarding the satisfaction of basic social needs, as well as initiatives in cultural and artistic areas, there is the role of entities present in human life since ancient times, such as the Egyptian, Greek and Roman civilizations. These entities form what we know today as the Third Sector. By addressing the origins of foundations, Paes (2003, p. 141) reports the following:

The antecedents of foundational figure can be found in ancient Egypt, where philanthropic actions, typical of that civilization, were institutionalized, and then crystallized with greater consistency in Greece.

For purposes of this study, *organizations* means those nonprofit, belonging to the so-called third sector, which is inserted in a context formed by the first sector (government) and the second sector (for-profit companies).

On the daily basis of the activities of the organizations, several decisions need to be taken, among which is the definition of what, how, when, where, by whom, to whom and for how something will be done. Regarding the decisions, the definition of *what* will be done is related to the entity's mission, *as* relates to the means to achieve the objectives, the *when* refers to the time limits for the tasks, *where* is to define the range, *by whom*, is to assign the responsibilities for executing the tasks, *for whom* it is the target audience and finally the *how* refers to material resources and to be used in financial activities.

Currently, organizations are subject to a number of challenges in the conduct of its activities, among them are those relating to planned managing and transparent features by

which their assets are formed. To speak of resources, it is necessary to make clear the classification of these items that are vital to the on-going of an organization's operations. The equity of entities is formed by different types of resources, namely financial, material and human.

In the case of Third Sector organizations, which have as one of its main purposes the improvement of the lives of the people they attend, transparency in resource management is not restricted to its internal environment, but concerns the whole society.

The range of effective transparency of the activities of nonprofit organizations becomes feasible to the extent that the Accounting fully play its role in everyday life of such organizations, considering notably, his sociological approach, as advocated by Iudícibus (2004, p. 27):

Accounting, in this approach, is judged by its effects on the sociological field. It's an approach like *social welfare*, in the sense that the accounting procedures and reports emanating from accounting should serve broader social purposes, [...]

As an example of results of organizations acting to better perform their role, the GROUP OF INSTITUTES, FOUNDATIONS AND COMPANIES - GIFE is formed by companies and organizations that perform a range of social, environmental and educational activities and whose work is relevant to the development of the Third Sector in Brazil.

The development of the Third Sector in Brazil requires the implementation of public policies in partnership with the government and with companies; such policies have as one of its main objectives: finding solutions to social inequalities in the country. For this purpose various home business organizations began a series of meetings that culminated with the completion, on May 25, 1995, the Constitution Assembly GIFE with 25 organizations.

GIFE (2006) has stated as its mission: *To improve and disseminate concepts and practices in the use of private resources for the development of the common good* and goal:

Contribute to the promotion of sustainable development in Brazil, through political and institutional strengthening and supporting the strategic operation of business and other private entities institutes and foundations engaged in volunteer and systematic social investment, facing the public interest.

## 1.2 Research Question

According to the above, is placed the following guiding research question:

What levels of transparency of Third Sector Organizations members of the GROUP OF INSTITUTES, FOUNDATIONS AND COMPANIES - GIFE?

## 1.3 Objectives

### 1.3.1 General Objective

The general objective of this work is to check the levels of transparency of Third Sector Organizations members of the GROUP OF INSTITUTES, FOUNDATIONS AND COMPANIES - GIFE considering the representativeness of the activities performed by them.

### 1.3.2 Specific Objectives

- Ensure that the third sector organizations GIFE members disclose their financial statements according to the precepts of NBC TG (CFC 2011) of the Federal Accounting Council, considering:
  - Balance Sheet,
  - Statement of income,
  - Statement of changes in equity,
  - Statement of Cash Flow,
  - Notes,

- Management Report
  - Independent Auditors' Report.
- Identify whether the financial statements and reports listed above provide to its users, a minimum set of social, economic, financial, legal and physical information as well as enabling them knowledge and analysis of the situation of such organizations , according to predicted on NBC TG (CFC, 2011) of the Federal Accounting Council.

## **2. Theoretical**

### **2.1 Third sector**

For a better understanding of what is this sector, it's important to place it in a context which are also part of the State (First Sector), composed by the various spheres of power and Markets (Second Sector) here formed by the companies for-profit.

This work does not aim to establish a concept of Third Sector, but describe it, and characterize it by presenting some concepts used in the literature dealing with the subject and characteristics of the entities that are part of it.

It's taken as reference points used in the development of a project involving dozens of countries, coordinated by the Institute for Policy Studies Johns Hopkins University in the United States: The Johns Hopkins Comparative Nonprofit Sector Project directed by Professors Lester M. Salamon and Helmut K. Anheier; and to show some results of such Landim & Beres (1999) project.

The objective of the project, for each participating country, was to describe the sector in terms of size, funding sources and internal composition, also analyzing the different roles and social impacts taken by this universe of organizations in different societies at present and within a historical perspective.

The entities studied by the project were defined according to a set of seven requirements listed below:

- Formally constituted,
- Private,
- No distribution of profits,
- Independent Governance
- Participation of volunteers,
- Non-Religious,
- Non-Political.

Nowadays, organizations are subject to a number of challenges which need to be properly prepared, under penalty of succumbing and negatively affect the lives of various people and other organizations with greater or lesser intensity depending on relations with them.

The history of third sector organizations in Brazil is intertwined with the activities of the Catholic Church in the country. Since the sixteenth century there is the deployment of the Holy House of Mercy, as indicated by Landim & Beres (1999), and the creation and performance of many other types of entities linked to the activities of the Church in the country in social services, health and education.

The expressiveness of the figures originated by the activities of Third Sector Organizations in Brazil and the world generates increasing demand for studies that provide more and better knowledge of the reality of those entities in the various sciences, notably in Accounting and Economics. Even in developed research on the third sector in those areas countries has been relegated to the sidelines for a considerable period, a situation that is so treated "In terms of economics nonprofit research institutions have been traditionally the poor Financial Reporting: Reflection On Transparency In The Third Sector

relatives of their counterparts in the for-profit and government sectors." (HANDY & Katz, 1998, p. 1)

This study explains that this situation has changed and that the nonprofit sector attracted considerable attention in the economic literature. As stated by Olak; et. Al. (2007) the number of initiatives that aim to develop research in the area is very small and according to what is reported in the study:

[...] The accounting academic production in the Third Sector area is very incipient in Brazil. Whereas the period analyzed (7 years), the mean is too low [sic] about 5 productions per year. Moreover, as already emphasized earlier, most of the papers presented at conferences or published in journals is the result of theses and dissertations, further limiting this statistic (Olak et al. 2007, p. 10).

Accounting studies that provide further data and information on the activities undertaken by the Third Sector Organizations in Brazil will allow their target audience, managers, employees and other persons interested in them, to have more knowledge that will act in a more enriching way to achieve the mission of those entities. As such, the Financial Accounting Standards Board - FASB as Mook et al. (2007) recognized the need for disclosure by financial reporting, performance in the provision of services by nonprofits entities.

Those authors, in reference to FASB Statement about the matter, also call attention to the need for more research on the measurement of services provided by Third Sector Organizations according to their characteristics, to enable the inclusion of the values of such services in Financial Statements issued by them. The labor waged and volunteering plays a significant role in achieving the social mission of those entities, as shown in the figures.

This study has as Third Sector Organizations object located in Brazil and are coated the following: 1) private and non-government, 2) nonprofit (not distribute any surplus among the directors, affiliates, founders etc.), 3) institutionalized (legally constituted), self-administered or able to manage their own activities, and 4) volunteering.

Surveys taken in 1996, 2002 and 2005 by the Brazilian Institute of Geography and Statistics – IBGE, show the number of organizations of the Third Sector and Brazilian numbers for manpower active, as shown in Table 1. Surveys for 2002 and 2005 demonstrate, by region of Brazil, the amount of Third Sector Organizations, the number of employees and average monthly salary paid (in number of minimum wages).

**Table 1 – Third Sector Organizations in Brazil, employed persons and average monthly salary paid.**

	<b>1996</b>	<b>2002</b>	<b>2005</b>
Third Sector Organizations	107.332	275.895	338.162
Waged work force	1.039.925	1.541.290	1.709.156
Mean of waged workers	9,7	5,6	5,1
Average monthly wage	1.081	1.082	1.094

Source: Brazilian Institute of Geography and Statistics – IBGE (2002), (2005).

The social range of the activities of the Third Sector Organizations in Brazil is magnified to the extent that their number increases, as shown above, which also provides increased benefits generated to the populations served in different regions of the country. The success of public policies in Brazil in the areas of education, health, environment and safety, necessarily involve partnership between the government, enterprises and Third Sector Organizations.

## 2.2 Disclosure

Examination of the levels of transparency of the surveyed organizations, through its Financial Statements, Notes and other reports, is understood as being among the most relevant

forms of disclosure made by Iudicibus (2006). Regarding Financial Statements, that the author mentions that should contain the most amount of disclosure and that the placement of such statements in a form or order to improve interpretability helps improve the evidence.

With respect to the Notes, Hendriksen (1999, p. 874) states that its main advantages are:

1. To present nonquantitative information as an integral part of the financial report.
2. To disclose qualifications and restrictions to items in the statements.
3. To disclose a greater amount of detail than can be presented in the statements.
4. To present either quantitative or descriptive material of secondary importance.

There is another important aspect to be considered for disclosure that achieves its goals, in other words, it is necessary that the revised information is qualitative characteristics.

### 2.3 Transparency and Accountability

In this regard, Fischer (2002, p. 51) states:

To overcome this vulnerability and strengthen the establishment of strategic alliances, civil society organizations need to develop some essential skills. Skills to build institutional linkages that require skill to negotiate, to plan together, to work in partnership. The skills to display its operations and its management with transparency in a concept close in meaning to the English word accountability. And the skills to produce services with high quality standards, managing effective and capable of evaluation results by the whole of civil society.

It is believed that the approach of such a topic is relevant because it enables users to check whether the Financial Statements and Notes to the entities surveyed have at their disposal information that effectively give them adequate notion of the nature and amount of resources used in their activities. Furthermore, it is understood to be important that these users can assess whether entities are following their mission and achieving the objectives, for which they were created, thus playing effectively and efficiently its role in society.

Besides a transparent operating at all times of its existence, the third sector organizations need to work interactively with the society in which it operates. It is in this context that the concept of accountability goes, that according Larroundé (2006, p. 20), emphasis added by the author) It is:

[...] A **relationship** between two parties, whether individual or collective, in which the first (agent) has a **duty** to account for (i.e., explain, justify or account for) their actions and decisions to the second (main) and the second has the **power** to control the first and imposing the consequences of any improprieties or inadequacies in such acts and decisions or own accountability.

The financial statements and other reports cited in this study are the best means of third sector organizations to exercise accountability and fulfill their role in society.

When it comes to accountability and, consequently, disclosure, some authors, such as Verrecchia (2001) and Murcia & Santos (2009) argue that there is a link between accounting disclosure and its economic consequences. In other words, the disclosure is the result of economic incentives, suffered by managers to disclose or not information, as external users of financial statements will be consumers of this information.

In this view, to interpret the disclosure or non-disclosure of an accounting information, even in nonprofit entities, it is necessary to understand the incentives that managers have to behave in such way. Since the cost of disclosure to even agency conflicts can change the incentives for disclosure. Among the variables that can influence the accountability feature is the size of the organization, efficiency, liquidity, leverage and net income, for example.

### 3. Methodology

#### 3.1 General Aspects

The research is built as follows: review of the literature inherent to the theme and an exploratory and descriptive study which has as its object the entities listed in Frame 1 (next page) below, using the technique of data collection and evidence called Content Analysis, based on the financial statements and related reports on Table 1 (page 9), below.

Within this context, this research has an exploratory purpose for trying to find evidence little explored in Brazilian academic literature, using both qualitative tools in content analysis and quantitative analysis of descriptive statistics.

As the object of analysis of this research were used as database entities participating GIFE in 2011, and that most published their financial statements in the period in their respective Web sites. Thus, we collected the reports published by each of these aforementioned entities individually, with the goal of raising the published financial statements and their respective information content.

It is emphasized that this research aims to act in one very broad field of study, but unexplored in the Brazilian environment, which makes this study have the ambition to start an investigation in a quite rich, yet unexplored topic in Brazil.

Finally, the conclusions of this study apply only to entities object analyzed. However, the results obtained constitute the basis for further research that may be conducted.

To analyze how the entities disclose information an index was created, called Degree of Disclosure, which is the percentage derived from the ratio of the number of published reports of a total of seven (7) financial reports: Balance Sheet, Income Statement, NECS, Cash Flow Statement, Value Added, Notes and independent Auditors' Report.

Fundação O Boticário
Fundação Romi
Fundação Vale do Rio Doce
Instituto Avon
Instituto Camargo Correa
Instituto Criança é Vida
Instituto CSHG
Instituto de Cidadania Empresarial
Instituto Desiderata
Instituto Ecofuturo
Instituto Elisabetha Rondon
Instituto EDP
Instituto Estre
Instituto Holcim

**Frame 1 – Gife's Third Sector Organizations**

Source: GIFE (2006).

Still, in order to draw a relationship between the level of disclosure of nonprofits and incentives for disclosure of accounting information, a correlation analysis, the Pearson method, between the index of disclosure and the variables was performed: Revenue Total, Net Income, current Assets, current Liabilities, Social Equity, non-current Liabilities. To avoid the size effect, all variables were divided by total assets of the entity.

#### 3.2 Variables used in the correlation

##### **Total Revenue**

Considered as a proxy for entity size, it is expected that larger entities have a higher level of disclosure, as well as having higher political costs, which means it holds more

attention from society, tend to attract more investment and donations from public and private entities and individuals. Additionally, larger bodies tend to have lower cost of publication.

### **Net Profit**

Because the net result has been divided by total assets, the variable analyzed is the Return on Assets (ROA). It is considered that managers of entities with better net profit have incentives to demonstrate to society their ability to return, because even without lucrative purposes, this variable is able to indicate the sustainability of the entity.

If these entities provide services to society, their goal is social change that must be performed continuously, year after year. For this it is necessary that the entity have surplus in its income, which is a sign that the entity will be able to fulfill its objectives.

### **Social equity**

By dividing by the Social Equity Total Assets, the variable reflects the issue of financial leverage and capital structure, so the higher the value of this variable, the lower the use of debt in the entity.

According to Watson et al. (2002), this variable is related to the financial structure of the entity and the long-term risk derived from this structure. Although at times it is necessary and interesting to present some degree of leverage, debt increases the financial risk of the entity and, at certain levels of leverage, is unsustainable.

In this sense, there are two theories that support divergent results for this finding. According to signaling theory, entities with secure financial position in relation to the debts, tend to signal this information as a positive factor. Watson et al. (2002) point out the negative relation between leverage and disclosure.

Opposed to this expectation, agency theory predicts that agency costs will be higher, the higher the proportion of debt. Thus, by this theory, the higher the Social Equity in relation to assets, the lower the rates of disclosure by managers. It is so because there is no need to control agency conflicts.

### **Assets and Liabilities**

These variables were used to analyze the influence of short-term on disclosure of entities. Financial planning on short-term provides control of operations and safer handling of cash flows of the entity. In this study, an analysis of this cash management was hampered by the fact that many organizations do not publish their Cash Flow Statement. Therefore, we preferred to analyze the impact of short-term in disclosure by the influence of assets and liabilities.

## **4 Data Analysis**

### **4.1 Published Statements**

Data analysis begins with the explanation of what was raised and shown in Table 2, based on the order of the entities surveyed. The number 1 identifies the entity that issued the report, and the number 0, the entity did not publish it.

- **Fundação Boticário e Instituto Ecofuturo**

The entities have not published any of the statements / reports recommended by the accounting standard, having exclusively released a report of activities.

- **Fundação Romi, Instituto Avon, Instituto Camargo Correa, Instituto Criança é Vida, Instituto Desiderata and Instituto Holcim**

The above entities lacked only publishing of the Statement of Value Added, which is positive considering the fact that the users has at their disposal a better level of information to make their decisions. It is noteworthy that even not publishing Value Added Statement,



entities meet NBC TG (CFC, 2011), because this is a demonstration only mandatory for publicly traded entities.

- **Fundação Valia**

This entity has not published the Income Statement, the Statement of Cash Flows and Statement of Value Added. This implies a loss to stakeholders, with regard to knowledge about: the composition of income of the entity, the dynamics of the organization and behavior of the wealth distributed in the period.

**Table 2 - Survey of the reports of the entities surveyed**

Organization	Report or Statement							Disclosure Level
	Balance Sheet	Income	Changes in Social Equity	Cash Flow	Value Added	Notes	Independent Auditors'	
Fundação Boticário	0	0	0	0	0	0	0	0%
Fundação Romi	1	1	1	1	0	1	1	86%
Fundação Valia	1	0	1	0	0	1	1	57%
Instituto Avon	1	1	1	1	0	1	1	86%
Instituto Camargo Correa	1	1	1	1	0	1	1	86%
Instituto Criança é vida	1	1	1	1	0	1	1	86%
Instituto CSHG	1	1	0	1	0	1	1	71%
Instituto de Cidadania Empresarial (ICE)	1	1	0	0	0	0	0	29%
Instituto Desiderata	1	1	1	1	0	1	1	86%
Instituto Ecofuturo	0	0	0	0	0	0	0	0%
Instituto Elizabetha Randon	1	1	0	1	0	0	0	43%
Instituto EDP	1	1	0	0	0	0	0	29%
Instituto Estre de Responsabilidade Sócio-Ambiental	1	0	0	0	0	0	1	29%
Instituto Holcim	1	1	1	1	0	1	1	86%

- **Instituto CSHG**

The organization has not published the Statement of Changes in Social Equity, a fact that prevents stakeholders to have access to the movement of the entity's own resources. Nor has published the Statement of Value Added, not allowing users to check how the wealth generated was distributed.

- **Instituto Cidadania Empresarial and Instituto EDP**

The accounting disclosure of these entities is extremely limited, given that they only published the Balance Sheet and the Statement of Income. This fact allows only the user of accounting information to know the composition of the equity at the end of the fiscal year and the result obtained by the organization in the period.

- **Instituto Elizabetha Randon**

With the publication only of the Balance Sheet, Statement of Income and Statement of Changes in Social Equity, the entity has a degree of accounting disclosure unsatisfactory, considering the absence of a series of statements published on additional information.

- **Instituto Estre de Responsabilidade Sócio-Ambiental**

We were unable to identify the reason why the entity has not published other statements besides the balance sheet, since that were examined by independent auditors.

## 4.2 Descriptive Analysis and Correlation analysis

Initially there is great dispersion of values found, since the relationship between standard deviation and average of all variables is high and extreme minimum and maximum, distant. This result indicates how different entities are analyzed for their structure and financial performance.

The descriptive statistics of the variables can be seen in Table 3.

**Table 3 – Descriptive Statistics**

Variable	Obs.	Mean	Std. Dev.	Min.	Max
Disclosure Level	14	0,55	0,33	0	0,86
Total Revenue	10	2,1367	1,9383	0,0164	5,1687
Net income	10	-0,251469	1,1444	-3,3573	0,6171
Current Assets	11	0,7644	0,3158	0,0777	0,9994
Current Liabilities	11	0,1922	0,2243	0,0058	0,6099
Social Equity	12	0,6152	0,7204	-1,5087	1,0000

The total revenue was average 2.1367, which means, on average the revenue of have analyzed entities have more than twice the values of their assets, but as already mentioned, the values among entities are heterogeneous.

The net result has shown a negative mean, however, only three entities had a deficit in the period analyzed. This average value was greatly influenced by the outcome of an entity, the Instituto EDP, which presented deficit of more than 3 times the value of the assets during the time series.

Current Assets and Current Liabilities presented quite heterogeneous values between entities. Social Equity variable was also strongly influenced by Instituto EDP and therefore also presents values with large dispersion. Still it's notable, from the average, that the analyzed entities employ a capital structure with lower levels of debt, which means less debt.

In order to analyze the relationship between the disclosure level and financial variables of the entities we created a correlation matrix, which can be seen in Table 4.

Note that since this is a small sample, we preferred to not eliminate Instituto EDP as an outlier, as it shows very different results from the other entities. However, this fact would not result very differently from those presented below in the correlation analysis results, for when estimating the correlations with Instituto EDP, the statistical significance and the signs of the estimated coefficients were very close to the sample correlation without Instituto EDP.

In the correlation matrix were found correlated values at 10 % and 5% significance. However, the analysis focus of this table is the relationship between the Disclosure Level and other variables, which can be seen in the first column.

Significant values between the Disclosure Level and Net Income and between Grade Disclosure and Social Equity were found. As the values are positive, it can be said that there is a positive association between Net Income and Social Equity with the disclosure of non-profit entities analyzed.

Note that the relationships found in the correlation analysis cannot be mistaken as a cause and effect relation, but the degree of linear association between two variables alone.

The observations corroborate theoretical statements treated in this work. The positive association between net income and disclosure goes against the expectation that managers will have incentives to demonstrate to society, the ability of return of the entity and hence provide a positive indication of sustainability.

The observed for the relationship between social equity and disclosure supports the argument of signaling theory, that the entities with secure financial position in relation, to the debts, have incentives to signal this information as a positive factor via disclosure.

**Table 4** - Correlation matrix between variables

	<b>Disclosure Level</b>	<b>Total Revenue</b>	<b>Net Income</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	<b>Social Equity</b>
Disclosure Level	1,0000					
Total Revenue	-0,4595	1,0000				
Net Income	0,7370**	-0,5563*	1,0000			
Current Assets	0,2431	0,4820	-0,0698	1,0000		
Current Liabilities	-0,2861	0,6203*	-0,4682	0,2911	1,0000	
Social Equity	0,6156**	-0,6136*	0,9726**	-0,2089	-0,4354	1,0000

Besides, contrary to agency theory in the sense those entities with higher debt would have a greater incentive for disclosure to reduce the effects of agency conflicts. This observation can be explained by perhaps the analyzed entities do not present more complex levels of agency conflicts because they do not have gainful purposes and does not have the obligation to remunerate its shareholders.

## 5. Conclusions

This study aimed to verify the level of transparency of members of the Third Sector Organizations GROUP OF INSTITUTES FOUNDATIONS AND ENTERPRISES- GIFE. More specifically, to check which Financial Statements organizations of the third sector members of GIFE disclose and analyze the relationships between the level of disclosure of the entities and their financial variables, with the goal of identifying incentives associated with disclosure.

On the results, it is observed that six of the fourteen analyzed entities publish all mandatory statements, failing to publish only the Value Added Statement, which is required only for Brazilian public companies.

Moreover, the results are worrisome regarding the publication of complete statements, as from fourteen entities analyzed, ten entities presented the Income Statement, and only seven had the NECS, as eight had the Cash Flow Statement and footnotes nine presented Independent Auditors' Report.

This implies a loss to stakeholders, with regard to knowledge about: the composition of income of the entity, the cash flow dynamics of the organization and behavior and mutation of social equity and the absence of a series of statements published on additional information for the Financial Reports. Still, it is noteworthy the fact that those submitting Independent Auditors' Reports failed to submit the financial statements fully.

Regarding the incentives for disclosure, from a correlation analysis, linear degrees of association were statistically significant for the variables: Net Income and Social Equity.

Positive correlation was found between net income and Disclosure Level, which supports the assertion that managers of nonprofit organizations have incentives to disclose information if the net result is a surplus of the entity, which would indicate a positive factor in relation to sustainability of the organization in the long run.

The positive correlation between the Social Equity and the disclosure level supports the claim addressed in the signaling theory that managers have incentives to signal to society the fact of the non-profit entity to have a foothold in relation to debts. It is concluded that

there is, in relation to the study sample, a positive association between disclosure and have no debts.

Beyond this indication for future research, it's recommended to investigate enforcement tools in the preparation and dissemination of financial information of nonprofit organizations, or even the influence of non-financial variables, but social care, at the disclosure level.

## References

CEPAL; PNUD; OIT. **Emprego, desenvolvimento humano e trabalho decente: a experiência brasileira recente**. Brasília, 2008.

CONSELHO FEDERAL DE CONTABILIDADE - CFC. **Normas brasileiras de contabilidade**: NBC TG - geral - normas completas, NBC TG – estrutura conceitual e NBC TG 01 a 40 (exceto 34 e 42). Brasília: Conselho Federal de Contabilidade, 2011.

CRESCIMENTO do terceiro setor leva organizações ao debate sobre governança. **RedeGIFE online**, São Paulo, 12 dez. 2005. Disponível em: <[http://www.gife.org.br/print/redegifenoticias\\_print.php?codigo=6934](http://www.gife.org.br/print/redegifenoticias_print.php?codigo=6934)>. Acesso em: 16 ago. 2006.

CRITÉRIOS de avaliação. c2006. Disponível em: <[http://www.anefac.com.br/m3\\_print.asp?cod\\_pagina=2847](http://www.anefac.com.br/m3_print.asp?cod_pagina=2847)>. Acesso em: 15 ago. 2006.

DUARTE, Alexandre Orsolini. Auto-regulação e governança nas associações e seus reflexos nos stakeholders: um estudo exploratório. **Integração – a revista eletrônica do terceiro setor**, São Paulo, CETS/FGV, Ano VIII, n 50, 2005. Disponível em: <<http://integracao.fgcp.br/ano8/05/index.htm>>. Acesso em 15 ago. 2006.

FISCHER, Rosa Maria. **O desafio da colaboração**: práticas de responsabilidade social entre empresas e terceiro setor. São Paulo: Editora Gente, 2002.

GIFE. Missão e objetivo. Disponível em: <[http://www.gife.org.br/print/missao\\_print.php](http://www.gife.org.br/print/missao_print.php)> Acesso em: 11 ago. 2006.

GIFE. Organizações do terceiro setor integrantes. Disponível em: <[http://www.gife.org.br/print/associados\\_print.php?tipo\\_b=1](http://www.gife.org.br/print/associados_print.php?tipo_b=1)>. Acesso em: 11 ago. 2006.

HANDY, Femida; KATZ, Eliakim. The wage differential between nonprofit institutions and corporations: getting more by paying less? **Journal of comparative economics**. 26, n° JE981520, 1998 246-261.

HENDRIKSEN, Eldon S.; BREDÁ, Michael F. Van. **Teoria da contabilidade**. Tradução de Antonio Zoratto Sanvicente. São Paulo: Atlas, 1999.

INSTITUTO BRASILEIRO DE GEOGRAFIA E ESTATÍSTICA. **As fundações privadas e associações sem fins lucrativos no Brasil 2002**. 2. ed. Rio de Janeiro: IBGE, 2004.

INSTITUTO BRASILEIRO DE GEOGRAFIA E ESTATÍSTICA. **As fundações privadas e associações sem fins lucrativos no Brasil 2005**. Rio de Janeiro: IBGE, 2008.

IUDÍCIBUS, Sérgio de. **Teoria da contabilidade**. 7 ed. São Paulo: Atlas, 2004.

LANDIM, L. BERES, N. **Ocupações, despesas e recursos**: as organizações sem fins lucrativos no Brasil. Colaboradora: Maria Celi Scalon. Rio de Janeiro: Nau, 1999.

LARROUDÉ, Elisa Rodrigues Alves. **Accountability de organizações do espaço público não estatal**: uma apreciação crítica da regulação brasileira. 2006. 199 f. Dissertação (Mestrado em Administração Pública) – Escola de Administração de Empresas de São Paulo, Fundação Getúlio Vargas, São Paulo, 2006.

MARTINS, Gilberto de Andrade. **Estudo de caso**: uma estratégia de pesquisa. São Paulo: Atlas, 2006.

MOOK, Laurie; HANDY, Femida; QUARTER, Jack. Reporting volunteer labour at the organizational level: a study of Canadian nonprofits. **Voluntas: Journal of Voluntary and Nonprofit Organizations**. vol. 18, nº 1, March 2007 55-71.

MURCIA, Fernando Dal-Ri; SANTOS, Ariovaldo. Fatores determinantes do nível de disclosure voluntário das companhias abertas no Brasil. REPeC - Revista de Educação e Pesquisa em Contabilidade, Brasília, v. 3, n. 2, art. 4: 72-95, May to August 2009.

OLAK, Paulo Arnaldo; NASCIMENTO, Diogo Toledo do. **Contabilidade para entidades sem fins lucrativos**: terceiro setor. São Paulo: Atlas, 2006.

OLAK, Paulo Arnaldo; SLOMSKI, Valmor; ALVES, Cássia Vanessa Olak. As publicações acadêmicas da pesquisa contábil no Brasil, no âmbito das organizações do Terceiro Setor. In: I Congresso ANPCONT 2007, 2007, Gramado. **Anais eletrônicos** da ANPCONT, 2007 - CD-ROM, 2007.

PAES, JOSÉ EDUARDO SABO. **Fundações e entidades de interesse social**: aspectos jurídicos, administrativos, contábeis e tributários. 4. ed. Brasília: Brasília Jurídica, 2003.

PARKER, Lee D. Boardroom strategizing in professional associations: processual and institutional perspectives. **Journal of Management Studies**. 44, nº 8, 2007 1454-1480.

PARKER, Lee D. Boardroom operational an financial control: an insider view. **British Journal of Management**. Vol. 19, 2008 65-68.

WATSON, A.; SHRIVES, P.; MARSTON, C. Voluntary disclosure of accounting ratios in the UK. **British Accounting Review**. n. 34: 289-313, 2002.

WYOMING DEPARTMENT OF EMPLOYMENT, RESEARCH & PLANNING, **Wages in the nonprofit sector: management, professional, and administrative support occupations**, Vol. 45 nº 11, 2008, <<http://doe.state.wy.us/lmi/1108/a3.htm>>. Accessed May 6, 2009.

VERRECCHIA, Robert. Essays on disclosure. **Journal of Accounting and Economics**, v. 22: 97-180, 2001.