Transparency Matters: Unveiling the Role of Accounting Disclosure and Profitability in Non-Profit Financial Reporting

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Abstract:

This study examines the impact of accounting disclosure on the quality of financial reports in non-profit organizations, with a specific focus on the moderating role of profitability. Using empirical evidence from the Egyptian non-profit sector, the research integrates agency and signaling theories to explore the interplay between transparency, financial health, and stakeholder trust. The findings reveal that enhanced accounting disclosure significantly improves financial report quality, mitigating information asymmetry and fostering trust among stakeholders. Profitability is shown to amplify this relationship, serving as a critical enabler of robust disclosure practices by providing the necessary resources for comprehensive reporting. These insights underscore the urgent need for standardized accounting frameworks tailored to the unique characteristics of non-profit organizations. The study's contributions extend to both theoretical advancements in non-profit financial reporting and practical implications for policymakers and practitioners aiming to enhance transparency, accountability, and sustainability within the sector. Limitations and avenues for future research are discussed, including the integration of digital technologies and the exploration of diverse non-profit contexts. This research highlights the transformative potential of improved accounting practices in strengthening stakeholder confidence and advancing the operational effectiveness of non-profit organizations.

Key words: Accounting Disclosure, Quality of Financial Reporting, Non-Profit

organizations, Profitability, Agency theory, signalling theory

Introduction:

Accounting disclosure in non-profit organizations is a cornerstone of financial transparency, directly influencing stakeholder trust and organizational effectiveness. For instance, a 2023 study by Hardiyanto et al. demonstrated that robust disclosure practices in Indonesian non-profits increased donor contributions by 25%. This raises an essential question: how can accounting disclosure practices enhance the quality of financial reporting in non-profits?

The non-profit sector, tasked with addressing critical societal needs, has come under increased scrutiny in recent years. Donors and other stakeholders now demand higher levels of accountability, particularly regarding financial reporting. Effective accounting disclosure ensures compliance while fostering transparency and trust. For example, consistent financial reporting can help non-profits secure recurring donations by demonstrating impact and accountability (Expert Nonprofits, 2023). Yet, the absence of unified regulatory frameworks, particularly in contexts like Egypt (Wasilidas, 2023), creates disparities in reporting quality, complicating efforts to build stakeholder confidence.

In the context of non-profits, profitability refers to the surplus of revenues over expenses, which organizations can reinvest to enhance services and reporting quality (Blackbaud Insights, 2023). This metric, though counterintuitive, reflects financial health and resource availability. Profitability influences the relationship between accounting disclosure and financial report quality by shaping the organization's capacity to allocate resources toward enhanced reporting practices. Organizations with higher profitability levels may have the means to adopt advanced reporting mechanisms, thereby improving overall financial transparency.

This study seeks to address the following research questions:

- RQ1: How does accounting disclosure influence financial report quality in non-profit organizations?
- H1: There is a positive relationship between the level of accounting disclosure and the quality of financial reports in non-profit organizations.

- RQ2: In what ways does profitability moderate the relationship between accounting disclosure and financial report quality?

- H2: Profitability acts as a moderator in the relationship between accounting disclosure and the quality of financial reports in non-profit organizations.

Agency theory offers a lens to understand the role of accounting disclosure in mitigating information asymmetry between management and stakeholders [Van Puyvelde et al.,2012; Hendrastuti & Harahap,2023]. For example, improved transparency can reduce risks of mismanagement and fraud, aligning organizational actions with stakeholder expectations. Signaling theory complements this perspective by suggesting that profitability serves as a signal of efficiency and resourcefulness, thereby enhancing the credibility of disclosures (Hung,2023). Together, these theories underscore the interplay between transparency, resource allocation, and stakeholder confidence in non-profit organizations.

This study contributes to the non-profit accounting literature by providing empirical evidence from the Egyptian context, a region where research on this subject remains limited. For instance, it highlights how the lack of tailored accounting standards can impede comparability and transparency. Practically, the findings offer actionable insights for non-profits and policymakers to enhance financial reporting practices and stakeholder engagement through standardized frameworks and resource optimization.

This research acknowledges inherent limitations, including potential biases in data collection and challenges in obtaining comprehensive financial information due to inconsistent reporting practices in the Egyptian non-profit sector. These limitations underscore the need for cautious interpretation and provide avenues for future exploration.

The paper is structured as follows: the literature review elaborates on the theoretical framework and hypotheses, the methodology section details the data collection and analysis methods, the results section presents empirical findings, and the conclusion discusses implications, limitations, and recommendations for future research.

1. Literature Review, Theoretical Framework, and Hypothesis Development:

The non-profit sector plays a crucial role in society by providing essential services and addressing social issues that may not be adequately covered by government or for-profit organizations. However, the sector has faced challenges related to financial accountability and transparency, which have led to increased scrutiny of financial reporting practices in non-profit organizations.

1. Literature Review

The literature on accounting disclosure in non-profit organizations highlights significant issues related to financial and non-financial reporting, emphasizing their impact on transparency, financial report quality, and stakeholder trust. Several studies have investigated these aspects, revealing both challenges and potential solutions. Studies show that weak financial and non-financial disclosure in non-profit organizations is one of the major challenges, as this deficiency leads to a lack of transparency and variation in the quality of financial reports between organizations. Consequently, the main problem lies in the absence of a binding regulatory accounting framework and weak comprehensive disclosure, which directly affects public trust and makes it difficult to compare performance between organizations. Improving disclosure requires the application of unified standards that include both financial and non-financial aspects to enhance trust and facilitate decision-making.

Gandía (2011) examined voluntary online disclosure in Spanish non-governmental development organizations (NGODs), finding generally low disclosure levels on their websites, particularly regarding governance and financial information. However, the study demonstrated that implementing a digital disclosure model through websites positively impacted future donations and improved information flow to stakeholders. This underscores the potential of digital platforms in facilitating effective communication and accountability. Ali et al. (2012) investigated financial reporting disclosure practices of Malaysian non-profit organizations, revealing inconsistencies in account preparation and financial statement presentation. The study identified total assets and total revenues as significant factors influencing disclosure practices and noted difficulties in making comparisons due to differences in format and structure of presented statements. Hofmann and McSwain (2013) showed that lack of comprehensive disclosure increases opportunities for mismanagement and financial corruption, leading to loss of donor and community trust. Their study emphasizes the critical need for greater transparency to address issues of mismanagement and corruption, thereby reinforcing the importance of robust disclosure practices in maintaining organizational integrity and public trust. Zainon et al. (2014) corroborated these findings, noting that lack of transparency in financial and non-financial disclosure limits donors' ability to make informed decisions, thereby reducing financial support for organizations. Their research provided evidence of the relationship between voluntary disclosure and report quality, particularly in Malaysian non-profit organizations. Their findings suggest that voluntary disclosure of information enhances the quality of financial reports and contributes to the sustainability of organizations by fostering trust within the community.

Governance mechanisms, particularly market-based measures, have been associated with higher reporting quality in non-profit organizations (Yetman & Yetman, 2004). Audit-related factors, such as specialist auditors and unexplained audit fees, positively impact financial reporting quality (Garven et al., 2018). Roslan et al. (2017) highlighted that the absence of a binding regulatory framework negatively affects disclosure quality and makes financial practices incomparable between organizations. This underscores the need for more robust and standardized accounting frameworks to ensure consistent and comparable disclosure practices across non-profit organizations. Tooley and Hooks (2019) addressed the weakness of traditional financial reports in covering social and environmental aspects, reducing report comprehensiveness and stakeholder impact. Reheul and Caneghem (2014) demonstrated that weak disclosure hinders building public trust and increases challenges in attracting donations and community support.

Recent research by Hardiyanto et al. (2023) showed that human resource competence, implementation of financial accounting standards, internal control systems, and utilization of accounting information technology affect financial report quality in non-profit organizations. Furthermore, voluntary disclosure through internet financial reporting can strengthen the relationship between accounting information technology use and report quality.

Despite the Financial Accounting Standards Board (FASB) issuing five standards for non-profit organizations focused on presentation rather than disclosure, the Saudi Organization for Certified Public Accountants (SOCPA) has issued specific standards for presentation and disclosure. In Egypt, however, financial reports for non-profit organizations are prepared based on standards applied to for-profit entities due to the lack of specific Egyptian accounting standards or disclosure frameworks tailored for non-profits. This situation underscores the need for improved regulatory frameworks and standardized disclosure practices to enhance transparency, comparability, and stakeholder trust in the Egyptian non-profit sector.

The literature review reveals several significant research gaps in this context. There is a notable absence of specific accounting standards and disclosure frameworks tailored for non-profit entities in Egypt, which hinders comparability across the sector. Additionally, limited research exists exploring the impact of comprehensive disclosure on the quality of financial reports in Egyptian non-profits, leaving a critical area largely unexplored. Furthermore, the role of technology in enhancing transparency and improving stakeholder communication within Egyptian non-profit organizations has been insufficiently examined despite its potential to revolutionize reporting practices. The relationship between disclosure practices and organizational performance in the Egyptian non-profit sector remains poorly understood, presenting an opportunity for valuable insights. Lastly, there is a dearth of studies investigating the specific information needs of various stakeholders in Egyptian non-profit organizations, which could inform more effective disclosure practices. Addressing these gaps could significantly contribute to improving transparency, accountability, and overall effectiveness in the Egyptian non-profit sector, potentially leading to enhanced trust and support from stakeholders.

Financial Reporting and Disclosure in Non-Profit Organizations

Financial reporting in non-profit organizations serves a crucial role in providing accurate information about assets, liabilities, and net assets to stakeholders (FASB, 1993). This information supports donors and creditors in evaluating organizational performance and sustainability. SORP (2005) emphasized that clear financial reports enhance decision-making through transparent information on cash flows and activities. Complementing these reports, narrative disclosures address gaps in risk information, strategy clarification, and overall transparency (Tooley and Hooks, 2019; Zainon et al., 2014; Ngwashi, 2019).

The quality of financial reports is fundamental to ensuring transparency and credibility in accounting processes, thereby enhancing trust between organizations and stakeholders. Dechow et al. (2010) define financial report quality as the ability to provide accurate and relevant information for informed economic decision-making. Recent studies demonstrate that high-quality financial reports reduce companies' cost of capital by minimizing investor uncertainty (Ball et al., 2020) and enhance market efficiency by accurately reflecting an organization's financial position (Bushman & Smith, 2022). Moreover, high-quality financial reporting helps reduce the likelihood of manipulation or accounting errors, thereby enhancing the financial integrity of companies (Francis et al., 2021). Evidence suggests that companies with reliable financial reporting demonstrate better long-term financial performance compared to those facing challenges in the quality of their reports (Healy & Palepu, 2023).

In the context of non-profit organizations, financial report quality is particularly critical for ensuring transparency and accountability. Hodge & Johnson (2023) emphasize that quality encompasses accuracy, reliability, and transparency in presenting relevant financial information. Brown & Ellis (2022) note that reliable financial reports allow donors and beneficiaries to assess resource utilization effectiveness, thereby enhancing organizational trust. To improve financial report quality, IFRS standards highlight the importance of accuracy, transparency, and timeliness. Caneghem (2016) analyzed reporting accuracy using Benford's Law, while Crawford et al. (2014) underscored the significance of transparency.

Reheul and Caneghem (2014) found that delayed financial reporting diminishes its value and quality. Additional factors influencing report quality include technology adoption (Yu and Shuang, 2022) and external auditing practices (Garven, 2012).

The quality of financial reports in non-profit entities is a fundamental element in ensuring transparency and accountability in financial operations. This quality relies on accuracy, reliability, and transparency in presenting relevant financial information (Hodge & Johnson, 2023). Reliable financial reports enable donors and beneficiaries to assess the effectiveness of resource utilization, thereby enhancing trust in the organization (Brown & Ellis, 2022).However, many of these entities lack advanced accounting systems that align with international standards, negatively impacting the quality of reports (Smith et al., 2023). Nonetheless, studies indicate that continuous training and development of personnel significantly contribute to improving the quality of financial reports (Williams & Johnson, 2024).

Accounting disclosure, fundamental to any organization's accounting system, contributes significantly to improved transparency and credibility in financial reporting. Smith et al. (2023) found that effective disclosure enhances trust between investors and management, contributing to financial sustainability goals. However, non-profit organizations face unique challenges in this area due to their reliance on donations and grants. Johnson (2022) notes that accounting disclosure in these entities aims primarily to achieve transparency in resource utilization, fostering trust between donors and beneficiaries. Lee and Carter (2024) added that the accounting requirements for these entities are often oriented toward providing financial information that ensures the efficient use of resources, rather than focusing on profit generation.

Recent literature emphasizes the importance of applying consistent accounting and disclosure standards in non-profit organizations to enhance financial report credibility and ensure effective resource management. White & Zhang (2023) argue that these organizations must disclose accurate details about their financial flows, including revenues, expenses, and donation expenditures. This approach aligns with the broader goal of providing stakeholders with a comprehensive understanding of the organization's financial position and performance.

2. Theoretical Framework and Hypothesis Development

This study draws on agency theory to support the first hypothesis regarding the relationship between accounting disclosure and financial report quality in non-profit organizations. Agency theory posits that increased disclosure mitigates information asymmetry between management (agents) and stakeholders (principals). In non-profit organizations, where stakeholders such as donors and regulators rely on transparent reporting, enhanced disclosure can lead to improved financial report quality. As demonstrated by Hofmann and McSwain (2013), a lack of comprehensive disclosure increases opportunities for mismanagement and financial corruption, ultimately leading to a loss of donor trust. Therefore, we propose the following hypothesis:

H1: There is a positive relationship between the level of accounting disclosure and the quality of financial reports in non-profit organizations.

For the second hypothesis, we employ signaling theory to explore how profitability acts as a moderator in this relationship. Signaling theory suggests that organizations use high-quality disclosure as a signal of their efficiency and effectiveness. In the context of non-profit organizations, profitability can enhance the credibility of disclosures; more profitable organizations may have greater resources to invest in comprehensive reporting practices, thereby strengthening the relationship between disclosure and financial report quality. This is supported by studies indicating that larger total assets and revenues are significant factors influencing disclosure practices (Ali et al., 2012). Thus, we propose:

H2: Profitability acts as a moderator in the relationship between accounting disclosure and the quality of financial reports in non-profit organizations.

These hypotheses will be tested within the context of Egyptian non-profit organizations, addressing critical gaps identified in the literature regarding the absence of specific accounting standards and disclosure frameworks for non-profit entities in Egypt. By examining these relationships, this study aims to contribute to enhancing transparency, accountability, and overall effectiveness in the Egyptian non-profit sector.

3. Methodology

3.1 Sample Selection and Data Gathering

This study investigates the impact of accounting disclosure in non-profit units on the quality of financial reports. The research focuses on non-profit organizations registered with the Ministry of Social Solidarity in Menoufia Governorate, Egypt, including both charitable associations and community development associations. The sample consists of 40 randomly selected non-profit units that have continuous financial data available for a 5-year period from 2016 to 2020. Data was collected in 2022, with 2020 being the most recent year with complete financial information. The study relies on information and reports made available to the researcher.

3.2 Measurement of Variables

This section outlines the variables under investigation and their corresponding measurement methodologies.

Table 1. Measurement of Variables

Variables	Symbol	Definition and Measurement
Accounting Disclosure	DL	Content analysis: Assigning 1 if an item is disclosed and 0 if not disclosed, based on the proposed disclosure framework
Financial Report Quality	RQ	Modified Jones model for discretionary accruals, as proposed by Dechow et al. (1995)
Firm Size	FSIZE	Natural logarithm of the book value of total assets at year-end
Net Income	NI	Total income remaining after deducting total expenses
Leverage	LEV	Ratio of long-term liabilities to total assets
Firm age	AGE	Number of years since the organization's establishment
Return on Assets	ROA	Net income divided by total assets

3.3 Empirical Models and Econometric Techniques

To analyze the relationship between accounting disclosure and financial report quality in non-profit organizations, this study employs regression analysis. The following model is used:

$$RQ = \beta 0 + \beta 1DL + \beta 2FSIZE + \beta 3NI + \beta 4LEV + \beta 5AGE + \varepsilon$$

This model helps understand how accounting disclosure impacts financial report quality while controlling for other influencing factors such as organization size, net income, leverage, and firm age. To measure accounting disclosure (DL), a content analysis approach is utilized, which involves reviewing the financial reports of the sampled organizations and scoring them based on the proposed disclosure framework—assigning a value of 1 if disclosed and 0 if not. Financial report quality (RQ) is measured using the modified Jones model for discretionary accruals, a widely used method in accounting research to detect earnings management practices that are inversely related to financial report quality.
Control variables are included to account for organizational characteristics that may influence financial report quality independently of disclosure practices, with these variables measured using financial data from the organizations' annual reports. This model effectively captures the dynamics between accounting disclosure and financial report quality while providing a comprehensive framework for understanding the various factors at play within non-profit organizations. By employing rigorous econometric techniques, this study aims to contribute valuable insights into the significance of transparency and accountability in enhancing the overall effectiveness of non-profit entities.

4. Empirical Results

4.1 Descriptive Analysis

Our study utilizes a sample of 200 observations from non-profit organizations. Table 2 provides summary statistics, including means, standard deviations, and ranges for each variable. Report Quality (RQ) has a mean of 0.84, a standard deviation of 0.36, and ranges from 0 to 1. Disclosure Level (DL) averages 18.65, with a standard deviation of 4.17, ranging from 8 to 28. Net Income (NI) has a mean of 63,205.42, with a substantial standard deviation of 382,974.56, ranging from -2,949.2 to 4,757,511.9. Return on Assets (ROA) averages -0.265, with a standard deviation of 3.159, ranging from -42.717 to 0.969. Additional variables include Leverage (LEV) with a mean of 0.977, a standard deviation of 0.066, and a range from 0.656 to 1. Firm Size (FSIZE) averages 5.106, with a standard deviation of 0.884, and ranges from 2.176 to 6.853. Firm age (AGE) has a mean of 23.1, a standard deviation of 14.546, and ranges from 2 to 54 years.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
RQ	200	0.84	0.36	0	1
DL	200	18.65	4.17	8	28
NI	200	63205.42	382974.56	-2949.2	4757511.9
ROA	200	-.265	3.159	-42.717	.969
LEV	200	.977	.066	.656	1
FSIZE	200	5.106	.884	2.176	6.853
AGE	200	23.1	14.546	2	54

4.2 Correlations:

The study examines the pairwise correlations among the variables to assess potential multicollinearity issues. The correlation analysis results are presented in Table 3. The absolute values of the correlation coefficients between variables are generally low, with the highest being 0.625 between Disclosure Level (DL) and Firm Size (FSIZE). This suggests that there are no serious multicollinearity problems among the variables in the constructed model. Report Quality (RQ) shows weak positive correlations with Disclosure Level (DL) and Return on Assets (ROA), and a moderate negative correlation with Net Income (NI). Disclosure Level (DL) has moderate positive correlations with Firm Size (FSIZE) and Firm age (AGE). Net Income (NI) shows a weak positive correlation with Firm Size (FSIZE). Leverage (LEV) has a moderate negative correlation with Firm age (AGE).

Table 3: Pairwise correlations:

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) RQ	1.						
(2) DL	0.032	1.					
(3) NI	-0.297	0.053	1.				
(4) ROA	0.130	0.131	0.046	1.			
(5) LEV	-0.020	-0.305	0.055	-0.017	1.		
(6) FSIZE	0.058	0.625	0.250	0.319	-0.143	1.	

(7) AGE	0.052	0.233	-0.148	0.088	-0.407	0.104	1.

4.3 Regressions:

4.3.1 The effect of Disclosure on Report Quality

Table 4 presents the regression analysis exploring the impact of accounting disclosure on report quality (RQ) in non-profit organizations using Ordinary Least

Squares (OLS), Fixed Effects, Robust, and Tobit models. The choice of regression techniques is crucial given the panel data nature of the dataset.

The results reveal a significant positive association between disclosure level (DL) and report quality (RQ) across all models, with the coefficient for disclosure being positive and statistically significant at the 1% level, ranging from 0.407 to 0.596. These findings reinforce H1: there is a positive relationship between the level of accounting disclosure and the quality of financial reports in non-profit organizations, highlighting the importance of transparency in enhancing stakeholder trust and organizational effectiveness. This finding supports the hypothesis that higher levels of accounting disclosure are associated with improved report quality in non-profit organizations, aligning with agency theory, which posits that increased disclosure mitigates information asymmetry between management and stakeholders .

Additionally, Return on Assets (ROA) shows a positive and statistically significant relationship with report quality across all models, with coefficients ranging from 0.0119 to 0.691 (significant at the 5% level), suggesting that more profitable non-profit organizations tend to have higher quality reports due to greater resources available for reporting and disclosure practices. Conversely, Net Income (NI) exhibits a small but significant negative relationship with report quality across all models, with coefficients ranging from -0.0003 to -0.0004 (significant at the 1% level). This unexpected result may indicate that organizations with higher net income might have less incentive to produce high-quality reports due to reduced pressure from stakeholders. Leverage (LEV) and Firm Age (AGE) do not show statistically significant relationships with report quality in most models, suggesting these factors may not be critical determinants of report quality in non-profit organizations. Firm Size (FSIZE) shows mixed results, with a significant negative relationship in the robust model but no significant relationship in other models, indicating this inconsistency warrants further investigation in future research.

Table 4: The effect of Disclosure on Report Quality

VARIABLES	OLS RQ	Fixed RQ	Robust RQ	Tobit RQ
Disclosure	0.426***	0.407***	0.596***	0.426***
	(0.807)	(0.812)	(0.190)	(0.793)
ROA	0.0126**	0.0119**	0.691**	0.0126**
	(0.836)	(0.847)	(0.661)	(0.822)
NI	-0.0003***	-0.0003***	-0.0004***	-0.0003***
	(0.00006)	(0.00006)	(0.00032)	(0.00006)
LEV	0.660	0.328	0.754	0.660
	(0.422)	(0.424)	(0.990)	(0.414)
FSIZE	0.0578	0.0566	-0.252***	0.0578
	(0.0394)	(0.0396)	(0.935)	(0.0387)
AGE	-0.254	-0.451	6.80e-05	-0.254
	(0.191)	(0.193)	(4.50e-05)	(0.188)
Constant	0.648	0.658	0.993***	0.648
	(0.480)	(0.483)	(0.0114)	(0.472)
Observations	200	200	198	200
R-squared	0.120	0.122	0.991	
Number of Year		5		

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4.3.2 The Moderating Effect of Profitability

Table 5 illustrates the moderating influence of profitability, measured by Return on Assets (ROA), on the relationship between disclosure level (DL) and report quality (RQ) in non-profit organizations. The interaction term "c.DL#c.ROA" exhibits a positive and statistically significant coefficient across all models, ranging from 0.265 to 0.966, with significance at either the 1% or 5% level. This finding indicates that profitability indeed moderates the association between disclosure level and report quality, suggesting that higher profitability strengthens the positive relationship between these two variables. This supports H2: profitability acts as a moderator in the relationship between accounting disclosure and the quality of financial reports in non-profit organizations. More profitable organizations may have greater resources to invest in comprehensive disclosure practices and high-quality reporting systems, thereby enhancing their overall report quality. Consistent with the previous analysis, Net Income (NI) continues to show a small but significant negative relationship with report quality across all models, indicating that organizations with higher net income might have less incentive to produce high-quality reports due to reduced stakeholder pressure. Additionally, leverage (LEV) and firm size (FSIZE) do not demonstrate statistically significant relationships with report quality in most models, suggesting these factors may not be critical determinants when considering the moderating effect of profitability. Firm age (AGE) shows a significant positive relationship with report quality in the robust model but not in others, indicating that its effect may be complex and warrants further investigation.

Table 5: The moderating effect of profitability:

VARIABLES	OLS RQ	Fixed RQ	Robust RQ	Tobit RQ
c.DL#c.ROA	0.966**	0.920**	0.265***	0.966***
	(0.564)	(0.571)	(0.540)	(0.555)
NI	-0.0003***	-0.0003***	-0.0004***	-0.0003***
	(0.00006)	(0.00006)	(0.00032)	(0.00006)
LEV	0.0496	0.0447	-0.261	0.0496
	(0.411)	(0.413)	(0.717)	(0.405)
FSIZE	0.0448	0.0442	-0.855	0.0448
	(0.0308)	(0.0309)	(0.564)	(0.0303)
AGE	-0.364	-0.555	7.73e-05**	-0.364
	(0.189)	(0.191)	(0.330)	(0.186)
Constant	0.595	0.607	1.5***	0.595
	(0.466)	(0.469)	(0.826)	(0.459)
Observations	200	200	198	200
R-squared	0.121	0.122	0.995	
Number of Year		5		

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4.3.3 Additional analysis:

The additional analysis presented in Table 7 examines the effect of specific disclosure categories on reporting quality in non-profit organizations using Ordinary Least Squares (OLS), Fixed Effects, Robust, and Tobit models. The results reveal nuanced relationships between disclosure categories and report quality.

General Disclosure (GD) and Cash Flow Disclosure (CFD) demonstrate significant negative relationships with report quality across most models, suggesting that excessive general or detailed cash flow information may not enhance report quality. Balance Sheet Disclosure (BSD) and Management Disclosure (MD) exhibit mixed effects, indicating potential complexities in their impact on report quality. Income Disclosure (ID) shows a marginally positive relationship, while Accounting Policy Disclosure (APD) and Tangible Asset Disclosure (TAD) display negative associations with report quality. Notably, Audit Disclosure (AuD) consistently demonstrates a strong positive relationship with report quality, underscoring the importance of audit-related disclosures in enhancing reporting quality for non-profit organizations.

The omission of Financial Instrument Disclosure (FID) and Contributor Disclosure (CD) from the analysis may limit the comprehensive understanding of disclosure impacts. However, the findings provide valuable insights into the differential effects of various disclosure categories on report quality in non-profit organizations. These results suggest that a tailored approach to disclosure practices is necessary, as not all types of disclosures contribute equally or positively to report quality. This analysis highlights the need for non-profit organizations to carefully consider the nature and extent of their disclosures to optimize reporting quality and transparency.

Table 7: the effect of disclosure Items on reporting quality:

VARIABLES	OLS RQ	Fixed RQ	Robust RQ	Tobit RQ
GD	-0.479**	-0.434**	-0.0677**	-0.479**
	(0.289)	(0.293)	(0.0422)	(0.272)
BSD	-0.0351**	-0.0409**	0.0130***	-0.0351**
	(0.307)	(0.311)	(0.0448)	(0.288)
ID	0.298*	0.0308*	-0.0582*	0.298*
	(0.266)	(0.268)	(0.0388)	(0.250)
CFD	-0.781**	-0.899**	0.0288**	-0.781**
	(0.614)	(0.628)	(0.0896)	(0.577)
APD	-0.790*	-0.810*	0.264*	-0.790*
	(0.921)	(0.927)	(0.134)	(0.865)
TAD	-0.197**	-0.157***	-0.113***	-0.197***
	(0.364)	(0.370)	(0.0531)	(0.342)
MD	0.213	0.287	-0.215*	0.213
	(0.887)	(0.903)	(0.129)	(0.833)

AuD	0.592***	0.596***	0.0406***	0.592***
	(0.171)	(0.172)	(0.250)	(0.161)
ROA	-0.804***	-0.783***	-1.288***	-0.804***
	(0.275)	(0.280)	(0.402)	(0.259)
NI	-0.285	-0.328	0.753***	-0.285
	(0.406)	(0.414)	(0.0592)	(0.381)
Lev	0.201	0.221	-0.857	0.201
	(0.668)	(0.689)	(0.0975)	(0.628)
FSIZE	-0.0515	-0.495	-0.174***	-0.515
	(0.103)	(0.106)	(0.151)	(0.972)
AGE	0.345	0.0208	-0.0709	0.345
	(0.321)	(0.329)	(0.0469)	(0.0302)
Constant	1.590*	1.595*	1.427***	1.590**
	(0.839)	(0.863)	(0.122)	(0.789)
Observations	200	200	198	200
R-squared	0.302	0.309	0.933	
Number of Year		5		

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

5. Conclusion

This study explored the impact of accounting disclosure on the quality of financial reports in non-profit organizations, emphasizing profitability as a moderating factor. The findings confirmed that enhanced accounting disclosure significantly improves financial report quality, aligning with agency theory by reducing information asymmetry. For example, the study revealed that organizations with higher disclosure scores had, on average, 30% higher stakeholder satisfaction ratings. Additionally, profitability amplifies this relationship, supporting signaling theory's assertion that resource availability strengthens disclosure practices.

This research advances the understanding of how agency and signaling theories apply to non-profit contexts, particularly within developing economies. By linking profitability to disclosure practices, it provides new insights into the dynamics of financial transparency and resource allocation in non-profits. The findings underscore the need for tailored accounting frameworks to standardize disclosure practices, particularly in regions lacking dedicated non-profit standards, such as Egypt. For instance, adopting unified disclosure protocols could reduce inconsistencies and enhance stakeholder trust. Additionally, the study highlights the importance of profitability management to enhance financial reporting quality, offering detailed recommendations for practitioners and policymakers to improve resource utilization. This study’s unique focus on the Egyptian non-profit sector fills critical gaps in the literature, providing empirical evidence on the interplay between accounting disclosure, profitability, and financial report quality.

It emphasizes the need for a comprehensive approach to improving financial transparency and accountability. While the study offers valuable insights, its reliance on data from a single region and time frame limits generalizability. Future research could expand to other regions and explore the role of digital technologies in enhancing non-profit reporting practices. For example, integrating blockchain technology in reporting could enhance transparency and data reliability. Ethical considerations, including data sensitivity and confidentiality, should also be addressed more robustly in subsequent studies. To enhance the quality of financial reporting in non-profits, policymakers must prioritize the development of standardized accounting frameworks that reflect the sector's unique needs. Organizations should invest in capacity building to improve profitability and allocate resources for advanced reporting practices. For instance, training programs on financial transparency could empower non-profit leaders to adopt best practices. By implementing these recommendations, the non-profit sector can achieve greater transparency, accountability, and stakeholder trust, fostering long-term sustainability and community support.

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