

FACTORS AFFECTING THE RELATION BETWEEN DONATIONS TO NOT-FOR-PROFIT ORGANIZATIONS AND AN EFFICIENCY RATIO

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ABSTRACT

Accounting standard-setters assume that donors use financial information to allocate donations among nonprofit organizations. Using regression analysis on a sample of approximately 6,500 nonprofit organizations' state regulatory filings, I find that greater reported efficiency is generally associated with higher subsequent donations, and identify several factors related to the efficiency measure's relevance or reliability that affect the strength of the relationship. In addition, I compare the performance of two different models of the price elasticity of donations and the sensitivity of donations to fund raising share.