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FINANCE AND ACCOUNTABILITY IN GROWING NONPROFIT ORGANISATIONS

Abstract:
Nonprofit organisations play an essential role in society: their activities range from various forms of traditional charity to working on 'self-care' schemes in local communities, from advocacy to recreation, from supporting those in need to educating for self-reliance. The various forms of civic self-care and community organising help to build capacity for action and autonomous solutions, strengthen local communities and, thus, their role in social networks and integration. Their more targeted focus can complement state solidarity or draw attention to target groups or problems that have missed by the attention of the state institutions.
Transparent and prudent finance and accountability can support organizations in efficient operation, in organizational development (by displaying bottlenecks and weaknesses) and in more focused mission fulfilment. In this area, NGOs have some specific characteristics, which result in the need for a specific toolkit in aspects of their everyday finance and comprehensive accountability. In this study it will be presented, that the set of methods are not only influenced by the nonprofit area, but also by organisational growth factors, based on which one can identify the optimal toolkit to support the organisation.
The following are the results of Hungarian nonprofit research, which examined the organisational growth aspects of Hungarian youth-related nonprofit organisations. Based on the analysis of 277 organisations, it can be overviewed how the organisations handle finance and accountability in the different growth stages. As we can learn later, the development of these areas can become critical to the organisation when it recognises that this is important to mission fulfilment. However, at different stages of the growth phase, this becoming more aware and professional. As a result, if we can first identify the growth stage of a nonprofit organisation, developing the toolkit within the focus of the current growth stage can support the organisation's prudent operation and long-term sustainability.
In the following pages, first the different aspect of nonprofit accountability can be read, then the growth model of NGOs is introduced, followed by the detailed description of the finance-linked organizational features at the different growth stages.

Keywords: nonprofit growth, organizational growth, nonprofit finance, accountability

1. INTRODUCTION

From an organisational point of view, nonprofit sector actors can take various forms, from small, one-person or informal groupings to large professional corporations. At one end of the scale, the nonprofit sector includes those nonprofit limited-liability companies that operate on a purely market basis, producing a product or service, except that the profits generated are not distributed as dividends. At the other end of the scale, there are small associations and foundations that operate purely voluntarily, with purely social objectives and missions that they believe serve their communities.
NGOs, as defined by Salamon and Anheier (1992), are those which are (a) institutionalised and regularly active, (b) legally wholly independent of the state (even if they receive subsidies from the state), (c) do not distribute dividends but reinvest them in the organisation's objectives, (d) are not influenced by any external organisation, (e) can be associated voluntarily as members or participants.
As being strongly mission-focused organisations, in NGOs the development of supporting areas can become critical to

the organisation to the extent that it recognises that this is important to mission fulfilment. Finance and accountability is one of the important supporting areas, but this mission-focus limitates the resources the organisation can allocate to this area. However, transparent operation and accountability can efficiently support sustainability of the organisation on long-term, so it is crucial to find and implement the best practices at this area.

NGOs are partly similar to business organisations, so some of the economic instruments associated with them can be used without change. However, some specific organisational characteristics require developing a particular set of nonprofit tools. The three most critical organisational characteristics are (a) the presence of volunteers, (b) non-professional management, and (c) the presence of specialised areas (e.g. resource generation) (Dobrai - Farkas 2016). These characteristics also affect the financial management of NPOs, from day-to-day operations to the revenue structure design and performance evaluation. However, the different financial challenges do not similarly affect NPOs of various sizes - financial awareness and the tools to support it evolve as the organisation grows.

This paper summarises the results of a research about a group of Hungarian NGOs, the local organisations of scout movement. The research identified five different stages of organisational development based on differences in the internal functioning of the organisations. This paper first introduces the different aspects of nonprofit finance based on literature review: financial operations and accountability, fundraising, and opportunities for business evaluation. Then presents the research results on the development of finances of NGOs from a perspective of organisational growth.

2. FINANCIAL OPERATIONS AND ACCOUNTABILITY OF NONPROFIT ORGANISATIONS

In the not-for-profit sector, organisations are often confronted with significant difficulties and shortcomings in finance, including the accounting activity itself, reporting, financial discipline, cost planning, and the assessment of financial accounting, sustainability etc. It is particularly true of classical NGOs that the accounting field is not only seen as remote but also useless and is, therefore, not given any attention.

There are four definitions of accountability in the nonprofit sector: 1) financial honesty and avoidance of fraud, 2) good organisational governance, 3) striving to fulfil the organisational mission, and 4) demonstrating the effectiveness of charity (Brody 2001). From a financial, or rather primarily operational, financial point of view, the first definition is the most important.

As regards the characteristics of the **internal accounting system**, NGOs can most often be described (Keating - Frumkin 2003) as

- *small, mission-driven, and often with only cash flow*
- *operate with few (or no) accounting resources, often voluntarily*
- *the accounting system is usually done using low-cost or free accounting software that is not tailored to the specificities of the nonprofit*
- *cash-based bookkeeping on an annual basis, followed by an external accountant once a year*

These characteristics limit the accounting system's reliability and the data's robustness, especially for financial planning.

The nonprofit organisation (NPO) accounting system has two significant actors (or groups of actors): the organisation itself and the 'target audience'. The reporting process consists of interactions between these two groups: the organisation asks for support from the external community and, in return, provides information about its activities, which the community can use to decide whether to continue supporting the organisation's activities (Keating and Frumkin, 2003). Both groups of actors can influence the financial reporting and monitoring system. For this reason, the interaction between the two components must also be examined and considered when analysing the system's effectiveness.

If we look at the **stakeholder system** of nonprofit organisations, we can see that they have different characteristics compared to the for-profit sector. This consists of the following:

Board members: these actors hold critical positions in the governance of NPOs. On the one hand, they select the executive director and on the other hand, they are much more active than in the business sector in terms of strategy formulation, regulation and financial decisions at the strategic level. It is interesting to note the relationship (which is well articulated) between the board of directors holding the staff 'accountable' for the performance of the organisation and the public holding the board of directors accountable.

Paid staff are responsible for the financial and operational delivery of the organisation's objectives. As an NGO, the question of the organisation's success is difficult. Still, the professionalisation of recent years has led to increasing use of metrics and performance measurement methodology.

Sponsors are the actors who provide a greater or lesser share of the organisation's financial resources. This group has a very mixed structure: foundations, companies, individuals, government agencies, etc., with a varied ability to interpret financial information or accounts and a varied need to make decisions on further support based on an accurate assessment of the organisation's performance.

Clients: the last two decades have seen an increase in the economic activity of organisations, with self-sustainability becoming an increasingly important aspect of sound operations. As a result, membership fees have become more important, as have the provision of additional economic services to the core activity. At the same time, customer satisfaction has emerged as an essential factor in evaluating organisations.

Wider communities: NGOs can play an important role in the life of local communities and therefore have some impact on the perception of the organisation. However, this perception is mainly based on the core activities rather than on financial reporting.
The **steps of financial accounting** in NPOs are as follows:

- *organisational activities*
- *their presence in the accounting system*
- *periodic preparation of financial statements for stakeholders*
- *review and monitoring of these statements by external experts (e.g. external auditors*
- *financial statements are used by investors, sponsors, government, customers, etc., to assess the performance of the organisation to determine how practical its activities have been*
- *based on which a decision is made about future funding or participation (Keating and Frumkin, 2003).*

3. FUNDRAISING AS A PARTICULAR REVENUE-GENERATING FUNCTION IN NONPROFIT ORGANISATIONS

In many cases, the "service" provided by NPOs is free of charge. However, this does not mean that it costs nothing, only that it is not paid for by those who use it. In other words, it is an essential part of the activities of NPOs to create the financial basis for their operations.
The trend towards a greater expectation of social responsibility from consumers towards companies has positively influenced this constraint. Today, it is not enough to compete on price and quality; it is also essential to ask how environmentally conscious a company is, how much animal testing it carries out, how much it uses clean technologies or supports research into renewable energy or some form of support for the underprivileged (Angel 2008):
On the one hand, through good practices - these campaigns (often built at very high cost and very high quality) are good examples from which the methodology of raising private funds itself can be learned more directly by NSAs, as they need less shaping, are much easier to replicate and are more inspiring.
On the other hand, by sensitising society: global companies are now campaigning for various social causes - hence this kind of thinking is (also) becoming more widespread. And as a result, the 'pro-cause' or even fundraising communication of NPOs is also more easily attracted because the messages are amplified to consumers by for-profit CSR campaigns.
The following trends and activities can be suggested for CSOs in resource generation activities (Bray, 2022):

1. Donor acquisition: in resource generation, careful consideration should be given to who the target group is, which age or lifestyle, which communication channel would be used and where they can be reached. Tailored communication with the group is essential.
2. Data-based operation: collect and process data on donors and the organisation's activities is essential, which can be used to refine the marketing strategy and the financial plans of projects.
3. Ease of access: it is also increasingly important to make charity easy: mobile apps, online access and ease of use are at the forefront.
4. Personalisation: on one hand, there are tools of personalisation (made widely available through digital channels). On the other hand, there is an easy measurement of the number of views achieved and the financial success of campaigns (also easily accessible through these channels).
5. Demonstrating impact: visible mission, communication of results, and regular reporting are increasingly important. Digital tools make this easier, but perhaps more challenging for NGOs, as they need to communicate in a more project-oriented way instead of the often-general objectives (e.g. "help animal shelters") to show results (e.g. "with your help, we have rehomed 500 more animals this year and added 30 more cages to our shelter").

With the rise of the digital world, a new tool for fundraising, crowdfunding, is worth mentioning in particular, as it is gaining ground in the nonprofit sector (Kuti et al. 2017). Its main characteristic (in contrast to more traditional forms of fundraising) is its project-like nature, i.e. the funds raised support a well-defined, specific, time-bound and concrete (usually development) investment. For example, the purchase of a significant new piece of equipment for a foundation hospital, the (building) extension of a dog shelter, the fitting of 15 ambulances with some more expensive equipment, the renovation of a playground, etc. Projects that have a tangible, verifiable result are easier to communicate to funders, so organisations should strive to set more tangible, concrete and communicable goals, even for crowdfunding campaigns linked to the core activity (e.g. "with your help, the clown doctors can provide 120 more hours of fun for children"; etc.)
These characteristics answer the question, "Why should I support this organisation?". However, to provide a convincing answer to this question, organisations need to be financially professionalised, i.e. to quantify and communicate the return on their investment (i.e. the grants).

4. OPPORTUNITIES FOR NONPROFIT BUSINESS EVALUATION

"A nonprofit organisation can be considered effective if its performance serves both to achieve mission objectives and to maintain viability." (Pavluska 2006, p. 24) These are some of the reasons for the ranking of evaluation options for NPOs.

One way is to apply **classical financial metrics** to NPOs, but this often runs into problems. First, this method is worth assessing NPOs that carry out economic activities (but many NPOs are not, especially those that are classical NGOs). But even if this is true, the financial methodology used can only assess the function of maintaining the organisation's viability, which is unjustified without considering the mission objectives. There could be a function of valuation to consider 'how much the NPO is worth', but this would only make sense if we could talk about selling in the economic sense of the word.

The other way is the overarching theme of **social impact measurement** (Pavluska 2006). Social impact measurement can serve four purposes, according to Nicholls (2012):

- *strategic alignment: i.e. examining how well the organisation's activities are aligned with its long-term mission objectives*
- *communication: the results of social impact measurement make the activity well communicated*
- *resource generation: quantified indicators of return on investment can help convince donors*
- *acceptance of the activity: the results of impact measurement can help to secure the commitment of external or internal stakeholders*

Within this, I would highlight one method, the calculation of **Social Return On Investment** (SROI) (Nicholls et al. 2012), which works similarly to the cost-benefit analysis approach and looks at monetary values (using financial proxies), thus producing comparable and easily communicable figures.

The steps of the method:

- *Setting the boundaries, identifying the key players*
- *Mapping the outcomes: mapping the social impact, showing the relationship between inputs, outputs and outcomes*
- *Quantifying the results: collecting data to quantify the results and then evaluating the result (in monetary terms)*
- *Impact identification: filtering out independent impacts or due to other factors*
- *Calculating SROI: summing up the total benefits, subtracting negative impacts or comparing with the investment*
- *Reporting, use and embedding: communicating results to stakeholders and drawing lessons to improve the day-to-day operations of the organisation*

This sequence of steps is concise, and in many cases, SROI is developing specific indicators, which makes it even more challenging to concretise. However, this is what makes it so widely applicable. The methodological description Nicholls et al. (2012) developed can also be used in practice, thus providing NPOs with a concrete measurement and evaluation tool. Its main merit is that it can offer a monetary answer to the question, "How much social benefit does an organisation's 1 HUF of support generate?"

5. FINANCIAL ACCOUNTABILITY IN THE CONTEXT OF ORGANISATIONAL GROWTH

The lack of professionalism, and its various manifestations, is a systemic feature of this sector - so accounting regulation, cost planning or strategic planning should not be built on "what if organisations were professional" but should consider this.

It is worth exploring this area further because, despite the differences at the institutional level, the international literature has some valuable lessons. And accounting-financial performance measurement could also be an important tool for success in the nonprofit sector, although the methodology will necessarily differ. In the following, we present a Hungarian study that describes organisational characteristics from the perspective of corporate growth, i.e., it studies the internal features of organisations at different stages of the growth trajectory. The research was conducted with 277 local organisations, which were local scout organisations of the Hungarian scout movement. The research methods included a complete interview survey (with 277 organisations) on qualitative criteria of internal functioning (processed using the content analysis method) and a survey on the number of members of the group of organisations (which can be considered a plausible outcome variable due to the activity of the organisations), which includes annual data back to 1990 and thus can be used to incorporate quantitative methods. Since the group of organisations are engaged in the same activity and have many aspects in common, the effect of organisational growth on the internal functioning of the organisations is easier to detect, as different core activities, missions or organisational forms cannot explain it.

As a result of this research, a model of nonprofit growth (Pótó, 2023) can be described, which consists of five stages.

Since the organisations studied fall into the category of NGOs with membership, the types were defined by the number of members. The category below 20 people is called the activity-building phase, while the routine-building phase includes organisations with between 20 and 50 people. The section between 50 and 100 people is for process-building organisations, the section between 100 and 160 people is for sustainability-building organisations, and the largest section, above 160 people, is for professionalism-building organisations.
Below we show how each category relates to the dimension of financial accountability.

5.1. Finance in activity-building organisations

The smallest category within the surveyed organisations is characterised by having a membership of less than 20, which, however, includes groups of children resulting from the activities of the organisations. Hence, this implies a few (1-3) adult leaders, including the founding leader. They often either start up alone or with no more than one helper: a spouse or a close associate. The activity is purely voluntary, and the focus is very much on the development of the core activity.
The primary determinant of the amount of work put in and the rhythm of tasks is, according to the results of the interviews, lack of capacity. A task or process lasts as long as there is energy and attention: if lost along the way, task completion stalls. Accountability is not at all a feature, and there are only aspirations for regularity, but adaptation to other areas of life is a priority - it is 'just' a voluntary activity, they frequently say.
It is, therefore, not surprising that the supporting areas, including the whole financial area, are completely overshadowed by the narrowly defined service. As the development and learning of the tasks related to the core activity take a lot of energy, there is no interest at all in the back office processes. This is compounded by the fact that, since anyone can be a volunteer, the people who set up the activity do not necessarily have background experience in organisation, administration, financial management or resource generation, whether from work or other sources. This leads to the critical fact that they also have no experience of why this is important and how much they can add to the core activities of an organisation.
In the organisations surveyed, we can see that they do not fulfil their reporting obligations or fulfil them only with a long delay, and in many cases, they perceive it as a 'useless favour'. Finances are practically not followed up at all; reports are only produced with significant delays (if at all), and asset management is entirely haphazard, not to mention relations with external partners.
This phenomenon can be explained by the fact that, because of its small size, virtually everything depends on the founding leader, i.e. their attention and energy is the most crucial bottleneck in the organisation. The key to the survival - and especially the growth - of the organisation at this stage is the quality of the core activity, not the quality of the back-end processes. And if the founding leader focuses on this, the organisation is more likely to grow but may not have time for back-office management. However, the study suggests this price is still worth paying to stabilise the NGO.

5.2. Finance of routine-building organisations

The next category is characterised by one or two key leaders and a few volunteers involved (with a total of 20-50 members). At this stage, activities are consolidated, and the first routines are established. Although the fact that actions are still based on experiential learning (i.e. there is no formal knowledge management) makes it difficult to practice the processes, a balance is established. This also means that some attention is paid to the underlying processes. In the organisations surveyed, this typically involves, in order, the methodology for recruiting child members; liaison with parents; essential mandatory data provision to headquarters and authorities; some equipment procurement (often still in a completely informal setting), and - also in a completely informal setting - resource generation, mainly in the form of fundraising (in kind or cash) for programmes. Lastly, there is the monitoring of finances.
Two characteristics hamper financial transparency. Firstly, the specificity of managing finances and sharing information about them within the organisation is often a question of power. This means it is difficult to challenge financial flows and accounts; conversely, it is difficult to establish good practices (and indeed procedures) in finance or asset management. This leaves the organisation's manager alone on two sides of the issue: they may be inclined to interpret organisational efforts to understand the organisation's assets or cash flow as an attack, and others may see asking questions as a conflicting ground.
Another essential feature is that at this stage, NGO leaders (especially founders) often fail to distinguish between their own lives and the organisation, which also means that they do not keep track of their own personal investments (in time, energy and, not least, money) in the organisation, although it can be significant. Transparent accountability would show this well, and they are reluctant to face up to it.

5.3. Finance of process-building organisations

However, this situation changes when the organisation reaches the third stage (50-100 people, 10-15 volunteers involved, and 4-8 key volunteer leaders). This stage is about intensive management improvements, a drive to improve

processes, and an investing and improving atmosphere, which is also reflected in the support areas. During this phase, there is an increased focus on support processes, with the emergence of major asset purchases and (due to larger purchases) more visible (and more effective) monitoring of finances, resource generation, and more precise member and other administration.
On the one hand, the tracking of finances becomes transparent. However, it is still true that this is an annual cash turnover and that an external accountant is brought in once a year (or continues to do the accounting voluntarily). On the other hand, due to the increased tasks, the money management for events is rotated among management members; a finance function is possibly developed within management members so that the money management and accounting processes can be learned and controlled.
A (more) formal resource generation is reinforced, mainly due to asset acquisition needs. The organisation engages in tendering activities and/or more formal fundraising events, with the same intense development drive and strong emotions that can be observed throughout the internal functioning of the whole phase. It is often the case, for example, that there are ambitions to write proposals, but that the management of the first winning tenders does not take the incoming funding well at all, especially when it has to take on the task of tender administration and project implementation. In this case, the arrival of external resources may even become a further source of conflict, as management may not appreciate the appearance of new (and disproportionately expensive) resources (because "we were doing fine without them"). Still, it may react unduly negatively to the need to collect invoices, attendance sheets and accounts.
The other primary type of acquisition is the search for a usable property, which at this stage is not typically done by the organisations surveyed by buying one (as they have neither the money nor the competence to do so), but by finding potential donors who can offer one or two rooms or a small property for use as a community centre, as another form of resource generation. If this is successful, the early part of the process typically goes well (as with all procedures at this stage): as long as it is a renovation, furnishing, or one or two big occasions, the familiar developer-expansion-investor modus operandi works well. However, when the property is supposed to be maintained, the organisation starts to have severe problems because the (back)processes are not yet in place to run the proper routine. Whether it is a question of paying rent or maintenance regularly, or of carrying out maintenance tasks or purchasing consumables, this is typically not without problems because the organisation is not yet ready to reliably perform repetitive tasks in the supporting areas, as management is concentrating on learning (at the organisational level) how to develop this reliability in the core business.

5.4. Finance of sustainability-building organisations

The above-mentioned operations and reliability emerge as a focus area in the fourth stage. In this phase, the organisation completes the major investments and focuses on sustainability. In terms of assets, this means sorting, scrapping, repairing and maintaining assets. In tenders, it is a matter of selecting and better-targeting tenders; in renting or used property, it is a matter of organising cleaning and maintenance more sustainably, etc. New processes are being developed for this, for which the organisation is assigning individual responsibilities; however, in specific areas, ways of transferring knowledge are not yet in place, so these areas are challenging to develop or expand.
Among the activities, resource creation stands out as a major focus at this stage, not in terms of spectacular energy investment and innovation, but in terms of organisation and sustainability. Organisations at this stage are regularly and increasingly professionalising their tendering activities, developing a multi-legged resource management portfolio, and professionally monitoring their finances and accounting for their projects. They often bring in a permanent external expert. The most frequently paid 'outsider' remains the accountant, but organisations sometimes also employ a tender writer (on a fee-for-service basis or through other forms of outsourcing). The significance of this is that the involvement of professionalism is already a permanent feature of the operations of the organisations studied. Still, as they operate voluntarily, it is interesting that professionalism is 'decoupled' from the organisation.

5.5. Finance of professionalism-building organisations

This professionalism is already integrated into the internal functioning of the largest organisations. These organisations have a total membership of 160-450 people, around 50-70 volunteers involved and a strategic management of 15-30 people (still volunteers). At the same time, professional management, prudent and expert handling of the organisation's finances, accounts, investments, and complete back office management (supported by paid and contracted experts) already feature.
Within this, two main patterns can be observed. The organisation may start new significant investments, for example, when it does not have a suitable property that can accommodate as many sessions as there are in a week, and it needs the right physical assets to accommodate a rapidly expanding membership. The other way (if the organisation has already done this or is lucky enough to have external resources) is to professionalise the operation: new posts and teams are created in administration, property management, and resource creation, who organise the backup separately in liaison with other departments.
In addition, new activities are being developed at this stage. The formalisation of organisational communication appears as a new area: the organisation devotes special attention (and human resources) to external communication, reporting,

and resource creation PR-related activities.
Attempts to measure organisational impact and effectiveness can also be observed. However, the late emergence of this organisational characteristic may be a feature of the organisations studied: headcount is a relatively good indicator of success in the earlier stages, and it is understandable that organisations start to look for deeper, more nuanced indicators when headcount alone provides little information on the scope for further improvement and efficiency gains.
To summarise, the functions of financial accountability presented at the beginning of this study appear at different stages of the growth trajectory. There is (optimally) a drive towards financial awareness and responsibility in organisations, but this may be secondary to the organisational mission and core business. Research interviews suggest that organisations develop support areas when the main areas are balanced. And the subsequent intensive development of core activities often relies on the security that comes from the orderliness of the support areas - they are thus mutually reinforcing, alternating developments in the organisations.
Table 1 summarises when the different characteristics associated with accountability typically emerge during organisational growth.

Table 1.: Presence of organisational characteristics of financial accountability in growth stages

	Activity-builder	Routine-builder	Process-builder	Sustainibility-builder	Professionalism-builder
activity accounting	none / ad hoc	none / ad hoc	separate accounting per event	annual financial monitoring	professional accounting
financial planning	none	none	ad hoc	annual financial plan	planning and evaluation
asset purchases	none / ad hoc	none / ad hoc	large investments	balance, organised replacements	large investments / maintenance
inventory	none	none	initial attempts	estabilishing procedures	system operation
scrapping, maintenance	none	none	none	estabilishing procedures	system operation
fundraising	none	in-kind	first tenders / fundraising	regular tenders, other sources, planning	multi-leg portfolio; new fundraising activities
financial statements	none	none	none	initial steps	internal statements; sometimes external reporting
performance evaluation	none	none	none	internal evaluation	internal evaluation
social impact measurement	none	none	none	none	attempts

Source: own editing

Table 2 shows how the interpretations of accountability presented at the beginning of this paper (Brody, 2001) appear at different stages of growth. Striving towards an organisational mission is vital at each stage, but the other three definitions only rise to a conscious level during organisational growth. This is not to say that 'financial fraud' is present in smaller organisations, for example, but instead that the organisation's activities are so small, with little financial turnover, informal and volunteer-driven, that the relevant definitions do not seem to be significant. Later, however, they appear to become important for organisations, as growth in size and level of division of labour makes transparency and internal traceability of processes important.

Table 1.: The emergence of definitional elements of accountability in the stages of growth

	Activity-builder	Routine-builder	Process-builder	Sustainibility-builder	Professionalism-builder
striving to fulfil organisational mission	yes	yes	yes	yes	yes
financial honesty and avoidance of fraud	not visible, non-conscious	not visible, non-conscious	under construction	transparent operation	transparent operation
demonstration of effectiveness of charity	not visible, non-conscious	not visible, non-conscious	number of membership + PR activities	PR activities	impact measurement efforts
good organisational governance	non-conscious	non-conscious	under construction	consolidated system	established and sustainable system

Source: own editing

6. SUMMARY

Looking at the different aspects of NPO accountability and the internal functioning of the organisations in the research, it can be concluded that NPOs are distinctly different from the for-profit sector from a financial point of view. One reason for this is the non-professional nature of their operations, in which the presence of financial analysis or even cost planning is not expected. The second reason is that the performance of NPOs is often difficult to quantify (even though this would benefit their activities). The third reason is that neither of the for-profit firms' two major classical financial characteristics (profit maximisation and asset value, i.e. saleability) applies to NPOs. Therefore other criteria must be sought for their evaluation.

However, looking through the growth life cycle, it can be seen that NPOs strive to meet different aspects of accountability. However, given the crucial presence of volunteers (hence the lack of capacity) and a solid mission-driven focus, supporting areas (and finance and accountability certainly fall into this category) and the development of supporting areas can become critical to the organisation to the extent that it recognises that this is important to mission fulfilment. However, it can be seen that at different stages of the growth phase, this means becoming more aware and professional.

In sum, it is not reasonable to expect the same professionalism and financial prudence from all NPOs. However, taking into account the 'organic' state of the organisation (i.e. the stage of growth they are in) in terms of financial accountability, professionalism and resource generation, they can be more effectively supported towards transparency (also in the financial area), as this will also help to achieve the organisational mission.

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