Accountability Online: Understanding the Web-based Accountability Practices of Nonprofit Organizations*

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Abstract: Nonprofit organizations are increasingly using Internet-based technologies to address accountability. In this paper we present a set of conceptual, theoretical, and empirical innovations to help understand this phenomenon. First, we present a conceptual framework that delineates two key dimensions of Web-based accountability practices: “disclosure” and “dialogue.” We then posit a four-factor explanatory model of online accountability incorporating organizational strategy, capacity, governance, and environment. Lastly, we test our model through a content analysis of 117 US community foundation Websites combined with survey and financial data. Our descriptive statistics show that the Website has been more effectively used to provide financial and performance disclosures than to provide dialogic mechanisms for stakeholder input and interactive engagement. Our multivariate analyses, in turn, highlight capacity- and governance-related variables, especially asset size and board performance, as the most significant factors associated with the adoption of Web-based accountability practices.

Keywords: Accountability; new media; Website; nonprofit organizations; community foundations

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The idea of holding organizations and their leaders accountable for their actions has long been a matter of concern in the nonprofit sector. In recent years, the rapid diffusion of advanced Internet-based technologies among nonprofit organizations has brought with it considerable potential for demonstrating and promoting organizational accountability. How are nonprofit organizations taking advantage of this potential? And what is driving their use of the Internet as an accountability- and public trust-building tool? In this paper we examine these questions in reporting the results of the first comprehensive study of nonprofit organizations’ adoption of Web-based accountability practices.

Our central aims here are, first, to present a framework for conceptualizing and operationalizing Web-based accountability practices and, second, to present and test a theoretical model that can account for variation in these practices. Specifically, building on existing literature, we first propose to understand the Web-based accountability practices of nonprofit organizations along two key dimensions: 1) “disclosure,” which concerns the transparent provision of key information on organizational finances and performance; and 2) “dialogue,” which encompasses the solicitation of input from and interactive engagement with core stakeholders. We then present a theoretical model in which four groups of factors – strategy, capacity, governance, and environment – are posited to affect the extent to which organizations vary in their adoption of Web-based accountability practices along our two dimensions.

In providing a generalized test of Web-based accountability, this paper represents an important first step toward understanding the role of information technology in enhancing nonprofit accountability. Using our four-factor model and new data collected through a content analysis of 117 U.S. community foundation websites in conjunction with survey and financial data, we demonstrate that organizations vary greatly in the extent to which they adopt Web-
based accountability practices along the dimensions of disclosure and dialogue. Though the typical community foundation takes care to disclose at least minimal financial- and performance-related information, many community foundations’ websites are, it appears, mostly information-only “brochureware;” they provide few mechanisms to facilitate input from or interactively engage with key stakeholders. The dialogue dimension is hence severely lacking in the typical community foundation. Our multivariate analyses, in turn, provide some support for the validity of the four-factor model we identified, with the governance- and capacity-related factors tending to dominate the results.

CONCEPTUALIZING WEB-BASED ACCOUNTABILITY

In this section we summarize accountability as it appears in the existing literature, briefly describe the impact of the Internet on the nonprofit sector, and present definitions of our two core dimensions of online accountability practices.

ACCOUNTABILITY IN THE LITERATURE

A review of the literature reveals the multi-dimensional nature of public and nonprofit accountability. First, there is accountability for finances, which “concerns tracking and reporting on allocation, disbursement, and utilization of financial resources, using the tools of auditing, budgeting, and accounting” and “deals with compliance with laws, rules, and regulations regarding financial control and management” (Brinkerhoff, 2001: 10). Second, there is accountability for performance, which “refers to demonstrating and accounting for performance in light of agreed-upon performance targets,” with its focus on “services, outputs, and results” (Brinkerhoff, 2001: 10). For nonprofit organizations, mission is at the heart of accountability for performance: it provides both “a verbal link between the presumably deeply held promises and the conduct of those representing the nonprofit” (Lawry, 1995: 14) and a basis for evaluating
organizational performance (Ebrahim, 2003). Accordingly, there are two sides to the nonprofit performance equation: first, the targets and goals that the organization sets and is trying to reach; and second, the organization’s actual outputs, outcomes, and impacts relative to those goals.

These two dimensions dominate the existing scholarly and practical discussions (Behn, 2001; Brinkerhoff 2001). However, given that clients are “moral owners” of a nonprofit organization (Carver, 1997; Miller, 2002) but are often relatively powerless constituents whose concerns tend to be ignored, scholars (Ebrahim, 2005; Kearns, 1996) are increasingly stressing the need for greater “downward accountability” to clients and other affected constituents, particularly the need for organizations to strive for responsiveness in their accountability mechanisms by ensuring that governance arrangements and strategic-level decisions accord with the demands of a broad range of stakeholders (Weber, 1999). In effect, there is an emerging call for the inclusion of intensive stakeholder participation in decision-making processes as a critical dimension of organizational accountability. Our preferred shorthand for this dimension is Roberts’ (2002) term “dialogue-based accountability;” it recognizes not only the importance of a direct, unmediated and participatory relationship between an organization and its constituents (Guo & Musso, 2007), but also the idea that accountability is an “ongoing process” rather than an “end-stage activity” (Global Accountability Project, 2005).

WEB-BASED ACCOUNTABILITY: A TWO-DIMENSIONAL VIEW

In the most general of terms, we might refer to a nonprofit organization’s Web-based accountability practices as any online reporting, feedback, and/or stakeholder input and engagement mechanisms that serve to demonstrate or enhance accountability. However, in order to fully appreciate what accountability “looks like” in an online context, it would be helpful to have a brief account of how the Internet is generally changing nonprofit organizational practices.
Overall, the rapid diffusion of Web technologies throughout the nonprofit sector has brought with it considerable potential for organizational change (see McNutt & Boland, 1999; Schneider, 2003; Hacker & Saxton, 2007) and, more critical for our current purposes, has helped create the framework for the emergence of a more accountable era characterized by increasingly inclusive and transparent organizational practices.

There are both demand and supply forces at work. On the demand side, Internet-based technologies are providing citizens with the increasing ability and interest to gain access to information they deem important.2 According to a Pew Internet & American Life Project (2008) survey, as of May 2008, 73% of Americans use the Internet. More and more people are getting their information from the Web—and in such a way that it is affecting how they volunteer with, give to, and otherwise interact with charitable organizations (e.g., see Gordon, Knock, & Neely, 2008). On the supply side, in turn, Internet-based technologies have led to an increased ability of organizations to disclose financial and operational information. Through the use of interactive electronic networking capabilities, the technology also facilitates stakeholder inclusion in organizational decision-making by lowering participation costs.

In short, with the diffusion of Internet technology, there is both an increased need as well as ability to use the Web to address organizational accountability. However, given the way technology changes the implementation of organizational practices such as marketing, fundraising, giving, and volunteering (see, among others, the growth in online “viral marketing” campaigns, Facebook fundraising applications, “Donate now” links, and “e-volunteering”), we cannot simply take the three dimensions of accountability noted above, plug them into our analysis, and expect to have a solid understanding of online accountability practices. Instead, we have to first understand how the Web might be changing organizations’ approach to
accountability. How do we “translate” accountability to the Web? We posit that there are two fundamental dimensions to Web-based accountability practices: disclosure and dialogue.

DISCLOSURE

First, we argue that an organization’s online efforts in the areas of both accountability for finances and accountability for performance essentially amount to demonstrating accountability through the voluntary disclosure of key organizational information. For this very reason, we cluster both forms of accountability into a single dimension, which we refer to as “disclosure,” that can be broken down into financial disclosure and performance disclosure elements.

Financial Disclosure

For the purpose of this study, we conceptualize financial disclosure as the extent of financial information a nonprofit organization discloses on its website. Such disclosure aims at demonstrating accountability for finances, and in the online environment involves posting such content as budgeting materials, reporting on the utilization of financial resources, and compliance-related documents—including information on administrative fees for funds; fund investment, management and spending policies; investment philosophies; investment performance and asset growth; audited and unaudited financial reports; IRS 990 forms; overhead costs; annual reports; codes of ethics and conflict-of-interest policies; and adherence to best practice standards.

Performance Disclosure

Similarly, we conceptualize performance disclosure as the extent of goal- and outcome-oriented information a nonprofit organization discloses on its website. Such disclosure aims at demonstrating accountability for performance, which in line with our literature review covers both the organization’s mission and its results. Performance disclosure thus involves an
organization making available online any information, first, on what it is trying to achieve—such as its mission statement, history, vision, plans, values, and goals—and, second, on what it has achieved in terms of outputs, outcomes, and broader community impacts.

DIALOGUE

The second dimension of Web-based accountability concerns mechanisms for stakeholder input and interactive engagement. In line with Roberts’ terminology, we refer to this dimension as “dialogue.” Although preliminary evidence suggests the disclosure element can be critical to organizational outcomes (e.g., Gordon, Knock, & Neely, 2008), it is on this second dimension that the Web holds special promise.

Solicitation of Stakeholder Input

We maintain that dialogue includes two related but distinct components. The first refers to the solicitation of stakeholder input, and includes any Web-based mechanism that can tap stakeholders’ preferences, needs, and demands in such a way that, ultimately, stakeholders have some degree of say in the organization’s decision-making regarding policies and programs. In addition to simple feedback forms, discussion lists and bulletin boards, the recent development and growth of collaborative “wikis,” online surveying and polling tools, and tagging and social bookmarking projects has opened up new opportunities for intense, decentralized, and highly participatory problem-solving, decision-making, brainstorming, and knowledge-creation efforts. Collectively, the “architecture of participation” (O’Reilly, 2005) in these technologies has dramatically increased organizations’ ability to obtain meaningful stakeholder input.

Interactive Engagement
While the first component of dialogue can be seen as the input of stakeholder preferences, this second component can be seen as an output of those preferences in the form of interactive content, tools, and services specifically designed for and targeted at particular stakeholder groups. This component is built on the notion that what best distinguishes second-generation Web technologies is precisely the ability to facilitate intense interactions between actors and, moreover, that highly interactive content targeted at core stakeholders is a key component of an organization’s attempts to be accountable to those stakeholders by responding to their preferences.4

In sum, our synthesis of the literatures on accountability and the organizational effects of the Web leads us to posit two primary dimensions of online accountability practices: disclosure, covering performance-related disclosure and financial-related disclosure; and dialogue, covering input and interactive engagement. Having presented our conceptual framework, we turn to our second task, modeling the determinants of online accountability efforts.

STRATEGY, CAPACITY, GOVERNANCE, AND ENVIRONMENT: A MODEL OF WEB-BASED ACCOUNTABILITY PRACTICES

We propose that a nonprofit organization’s level of Web-based accountability derives from four sets of factors familiar to nonprofit organizational scholars: strategy, capacity, governance, and environment. In particular, an organization’s adoption of Web-based accountability practices is a function of 1) the extent to which the organization’s strategy is focused on certain stakeholder groups or geographic service areas; 2) the degree to which the organization has the capacity to sustain strategic-level projects, especially with regard to the utilization of information technology; 3) the degree to which the organization is well governed,
and 4) the degree to which the external environment is receptive to or demanding of Web-based organizational practices.

In this section we lay out specific hypotheses about these relationships. It is our assertion that all of these determinants—strategy, governance, capacity, and environment—must be considered when explaining a nonprofit organization’s level of Web-based accountability.

STRATEGY

The particular strategy that a nonprofit organization develops in order to accomplish its social mission has important implications for its adoption of Web-based accountability mechanisms. We consider two elements here, the first of which is stakeholder focus. Community foundations’ strategies are often categorized according to whether the dominant stakeholder focus is on donor services or community leadership (Graddy & Morgan, 2006). This categorization is related to a long-lasting debate between two competing schools of thought regarding community foundations’ proper focus (Grønbjerg, 2006; Hammack, 1989). The community-focused model emphasizes community leadership, participation in community collaborative initiatives, and raising unrestricted funds in order to target high-priority needs. The donor-focused model, on the other hand, focuses on fulfilling the charitable interests of individual donors and on managing donor-advised funds. These two models have led to distinct views regarding community foundations’ accountability relationships. In line with the community-focused model, the foundation should be accountable to the community where it operates and responsive to the needs and concerns of that community. In line with the donor-focused model, however, the community foundation should be accountable to its donors and facilitate each donor’s individual charitable interests.
Taking the important differences between these two models into account, we posit that donor-focused foundations will adopt a higher level of Web-based accountability practices than community-focused foundations because of the stronger influence of and closer monitoring by donors. In practice, the levels of “donor-advised” and “unrestricted” funds can be used as proxies for distinguishing those foundations following a donor-focused strategy from those that follow a community-focused strategy. In recent years, donor-advised funds have grown in popularity as a major funding source for many community foundations (Luke & Feurt, 2002). This more restrictive type of funds, while offering hope of accumulating assets at a much faster pace than unrestricted funds, allows donors to have stronger control over the use of funds. It is thus reasonable to expect that a foundation that relies on donor-advised funds is more likely to demonstrate a higher level of online accountability, or conversely, that a foundation with greater amounts of unrestricted funds in its endowment will have lower levels of Web-based accountability. This leads to our first hypothesis:

_Hypothesis 1: Online accountability is negatively associated with the percentage of unrestricted funds._

The second strategy-related factor is geographic service area. Each community foundation serves a specific geographic area that often does not overlap with others. In a recent study (Guo & Brown, 2006), those foundations serving smaller or more-defined geographic or sociopolitical regions are defined as “specialist” foundations, and those serving larger and more heterogeneous regions as “generalist” foundations. For example, the Arizona Community Foundation is considered a generalist in that it is a large state-wide foundation. In contrast, the Athens Area Community Foundation is a specialist that serves “the interests of Athens area residents and donors” (available at www.athenscf.org). The authors suggest that specialist
foundations can make fuller use of local knowledge and experience to connect donors with effective providers. Following this line of reasoning, it seems reasonable to expect that specialist foundations will demonstrate a higher level of online accountability than generalist foundations:

*Hypothesis 2: Online accountability is negatively associated with the size of geographic service area.*

**CAPACITY**

The capacity the organization has to undertake strategically driven initiatives also has implications for the adoption of Web-based accountability practices. One of the most consistently important capacity factors cited in the literature is organizational size. Size is a particularly important determinant of nonprofit accountability. As an organization grows, it becomes more visible and therefore attracts greater attention and scrutiny by multiple external constituencies such as the state, the media, and the general public (Luoma & Goodstein, 1999).

The literature also demonstrates a strong relationship between size and access to technology (Berlinger & Te’eni, 1999; McNutt & Boland, 1999; Schneider, 2003); more importantly, there appears to be a critical connection between wealth and the ability to exploit technology for specifically mission-related purposes (Hackler & Saxton, 2007). In effect, size predicts an organization’s capacity to employ information technology for strategic functions—such as boosting accountability—as opposed to purely administrative functions. Recent nonprofit research has also found a positive relationship between size and voluntary disclosure (e.g., Behn, DeVries, & Lin, 2007; Gordon et al., 2002). Accordingly, we submit the following hypothesis:

*Hypothesis 3: Online accountability is positively associated with organizational size.*

We also posit that younger organizations will be more likely to resort to Web-based accountability mechanisms. The literature denotes several reasons for this. First, accounting
scholars have argued that there is a greater information asymmetry between insiders and outsiders in new organizations, which spurs younger organizations to greater voluntary disclosure in order to bridge the gap (e.g., Trabelsi, Labelle, & Dumontier, 2008). Management scholars, in turn, are likely to cite organizational age as a factor that increases “inertia” and weakens “discretion” (Hambrick & Finkelstein, 1987), rendering older organizations less likely to be innovative in the adoption of new technology. This leads us to the following hypothesis:

**Hypothesis 4: Online accountability is negatively related to organizational age.**

**GOVERNANCE**

The upper-echelons perspective (Hambrick & Mason, 1984) attributes major influence (in terms of both strategic choices and organizational performance) to organizational leadership. We present propositions for two specific governance characteristics. The first is board performance. In the United States, the law ultimately holds the board of directors accountable for the affairs and conduct of the organization. Murray (2001) makes the point that, “It is the [board of directors] to whom the rest of the organization is accountable and that, in turn, is accountable for the organization to the community, for which it acts as ‘trustee.’ It follows that the board must be both legally and morally responsible for establishing the organization’s mission and ensuring that it is carried out” (p.10). Brody (2002: 476) thus describes the role of a nonprofit’s board as the “classical model of nonprofit accountability.” Given the board’s ultimate responsibility for a foundation’s mission, direction and policies (Bothwell, 1989), we expect that those organizations with a high-performing board will demonstrate a greater level of online accountability than those with a low-performing board:

**Hypothesis 5: Online accountability is positively associated with board performance.**
Financial stewardship is one of the most important responsibilities of the nonprofit board. It refers to “the degree to which the board scrutinizes finances and the existence of sound financial practices as well as the extent to which the board maintains a degree of objectivity and independence from management” (Gill, Flynn, & Reissing, 2005: 278). A common indicator of effective financial stewardship is the current ratio, which divides an organization’s current assets on the balance sheet by its current liabilities (Chabotar, 1989). Not only is the current ratio an indication of an organization’s “ability to pay its short-term obligations” (Keating & Frumkin, 2001), but we posit it as a direct determinant of an organization’s willingness to invest in technology-enabled accountability practices. This leads to the following hypothesis:

*Hypothesis 6: Online accountability is positively related to financial stewardship.*

ENVIRONMENT

The last factor in our model focuses on conditions in the organization’s external environment. Numerous studies in the nonprofit literature have examined the impact of environmental factors on the general health of a community’s nonprofit sector. For instance, in terms of an organization’s resource environment, it is often posited that the lack of financial resources in a community inherently increase the *demand* for nonprofit services (Corbin, 1999; Grønbjerg & Paarlberg, 2001; Twombly, 2003), while others view community wealth (Wolpert, 1993; Corbin, 1999) as serving to increase the *supply* of human and financial resources that can in turn be mobilized (Hannan & Freeman, 1987) by the public to raise revenues, found new organizations, and build a more financially secure nonprofit sector (Bielefeld, 2000). We also propose that wealthier communities are more likely to demand higher-levels of Web-based services. Consequently, we posit that Web-based accountability is dependent on the wealth of the community, as measured by the proportion of residents living below the poverty line:
Hypothesis 7: Online accountability is negatively associated with the level of regional poverty.

According to theorists from the organizational ecology perspective (Hannan & Freeman, 1987), the density of the population in which an organization operates (i.e., the number of organizations in the population) has implications for its legitimacy. When few organizations occupy a niche, the niche realizes low levels of legitimacy, potentially leading to poor performance. The increase in the number of organizations in a population improves organizational viability insofar as legitimacy eases the difficulty of acquiring resources. Within the nonprofit sector context there is evidence that a positive relationship exists between population density and organizational viability (e.g., Minkoff, 1995; Saxton & Benson, 2005). Most relevant for our purposes here, a recent study (Guo & Brown, 2006) finds that the increase in population density, as measured by the number of community foundations in a given state, leads to enhanced legitimacy for each community foundation in the state. In line with these findings, we propose that organizations are less likely to need high levels of disclosure as legitimacy (as proxied by organizational density) increases. This leads to our final hypothesis:

Hypothesis 8: Online accountability is negatively associated with the level of organizational density.

[Insert Figure 1 here]

To summarize our hypotheses, we present Figure 1, which shows the direct effects of each of the factors on our two-dimensional notion of Web-based accountability practices.

SAMPLE AND DATA GATHERING

To investigate the prevalence and determinants of Web-based accountability, we utilize data gathered in September and October of 2005 on 117 US community foundations that had in a
previous study (Guo & Brown, 2006) completed a questionnaire and follow-up telephone interviews. Our website data-gathering method consisted of a multi-coder analysis of the complete content on each of the 117 community foundations’ websites. Our approach was to search for and code any website content that conformed to our literature-grounded conceptualizations of financial disclosure, performance disclosure, solicitation of stakeholder input, and interactive engagement. We then combine these data with the CEO survey data and IRS form 990 data in order to test our hypotheses.

The average community foundation in our sample was 28 years old in 2005 and had $58.6 million in assets, of which 24.4% were discretionary funds. It generated revenues of $5.7 million a year, and granted, on average, 9% of its assets. Our content analysis showed 113 of the 117 foundations to have meaningful websites. In terms of accountability-related content, 92% of the organizations made available online at least minimal information relevant to performance-related disclosure, 77% had information relevant to financial disclosure, 78% had at least simple feedback/stakeholder input mechanisms in place, and 85% made available some form of non-static interactive engagement mechanism with one or more core stakeholder group.

OPERATIONALIZATION

We operationalize five dependent variables that conform to our conceptual specifications of Web-based accountability: for the disclosure element we create indices of both financial- and performance-related disclosure, for the dialogue dimension we measure both the solicitation of input and the interactive engagement with key stakeholders, and to capture overall effort we create a composite online accountability index. In this section we describe our measurement procedures for these variables before turning to a brief description of our specification of the eight independent variables we use to test our hypotheses.
DEPENDENT VARIABLES: MEASURING WEB-BASED ACCOUNTABILITY

**Financial Disclosure Index (FDI).** Following the data-gathering approach noted above, for this measure we coded content found anywhere on the site that was targeted at demonstrating financial responsibility. As shown in Figure 2, we found seven items that indicate a community foundation’s online financial disclosure efforts: annual report, audited financial statement, privacy policy, data on investment pool performance, investment policy and/or strategy, information on administrative costs for funds, and IRS 990 form.

We define our financial disclosure index, $FDI$, as the total number of these seven items on each community foundation’s website. Specifically, for $i=1,2,\ldots,7$, let $Item_i = 1$ if the $i^{th}$ item appears on a community foundation’s website, and $Item_i = 0$ otherwise. Then,

$$FDI = \sum_{i=1}^{7} Item_i$$

As expected, a confirmatory factor analysis\textsuperscript{11} verified a single factor with a Cronbach’s alpha coefficient of 0.70, which suggests a solid degree of internal consistency for the index.\textsuperscript{12}

**Performance Disclosure Index (PDI).** In the area of performance disclosure, we coded any material on the website related to the organization’s fulfillment of its social mission. In line with our literature review, such disclosure includes any information related to the foundation’s “mission,” or what it is trying to achieve, along with its “impact,” or the outputs, outcomes, and broader community impacts of its grantmaking activity.\textsuperscript{13} Figure 3 shows the eight items we found that indicate community foundations’ online performance disclosure in these areas—a mission statement, list of recent grant awards, dollars amounts of individual grants awarded,
description of community foundations’ general purpose, summaries of funded projects, reporting
on program or grant impact, community impact reporting, and grantee “success stories.”

Our performance disclosure index, $PDI$, is defined as the total number of these eight items on
each community foundation’s website. Specifically, for $i=1,2,\ldots,8$, let $Item_i = 1$ if the $i^{th}$ item
appears on a community foundation’s website, and $Item_i = 0$ otherwise. Then,

$$PDI = \sum_{i=1}^{8} Item_i$$

The resultant index has a modest yet acceptable Cronbach’s alpha of 0.61.\(^{14}\)

**Solicitation of Stakeholder Input.** With this first component of “dialogue,” we are
interested in how community foundations use Web-based technologies to solicit feedback from
their stakeholders, assess their preferences and needs, or engage them in discussions that will
help the organization make important program-related decisions. As shown in Figure 4, we
found a few exemplary practices along this dimension that one or two organizations were using,
such as a Nonprofit Listserv or an Interactive Message Center. However, the number of
organizations availing themselves of such tools is very low; besides the ubiquitous “contact us”
links, the great majority of sites had no means of soliciting information on stakeholder concerns.
As a result, there is insufficient variability to engage in multivariate analysis of this variable.\(^{15}\)

**Interactive Engagement (Interactivity).** We are interested here in how community
foundations are using the Internet to be responsive to the needs and demands of donors,
grantseekers, and the community—their three core stakeholders—through the provision of high-
level “interactive” Website content. Our framework for evaluating the level of interactive
engagement is the *information-transaction-interaction* hierarchy developed by Saxton, Guo, and
Brown (2007). In this framework, an organization that has, for instance, only informational content available for donors cannot have great intensity in its online relationships with this key group. In contrast, an organization that allows online transactions to take place, such as e-donations, newsletter sign-ups, content downloads, or information uploads, has permitted more intense and important interactions with its contributors. And a site that has a variety of interactive,16 “Web 2.0”-type content targeted at donors—such as a customizable donor/advisor extranet, interactive blogs, Web-enabled databases, online training, virtual conferences, and social networking applications—will have the most meaningful donor interactions and thus the highest levels of interactive engagement. Based on this hierarchy, Figure 5 shows the proportion of foundations with low-level informational content, higher-level transactional content, and highest-level interactive content targeted at donors, grantseekers, and the community, respectively.

[Insert Figure 5 here]

To create our measure of interactive engagement, we first assigned each community foundation three provisional scores based on the information shown in the figure. Specifically, with regard to donors, a community foundation received a score of 3 if it provided any donor-related services on its website that allow for interaction; it received a score of 2 if it provided services that allow for transactions but no interactive content; it received a score of 1 if it provided only basic informational content to donors; and it received a score of 0 if it provided no donor-related content. We did the same with regard to grantseekers and the community. Our final composite scale, Interactivity, is then the sum of these three values, such that each community foundation’s score can range from a low of 0 to a high of 9.17
Online Accountability Index. Lastly, we created a composite index of online accountability by summing each organization’s scores on the FDI, PDI, and Interactivity variables. A Cronbach’s alpha of 0.82 indicates a high level of internal consistency.¹⁸

INDEPENDENT VARIABLES

As discussed earlier, we operationalize our hypotheses through eight independent variables, two for each of the four factors (strategy, capacity, governance, and environment) in our explanatory model. First, with regard to “strategy,” Discretionary Income is the natural logarithm of the percentage of permanent unrestricted funds in a foundation’s total assets, as reported by the chief executive (Community Foundation CEO survey, Guo & Brown, 2006). Size of Service Area, in turn, measures the size of geographical area that a community foundation serves; it is defined as a binary variable with a value of 1 for specialist foundations that serve a small-sized community (i.e., local community such as city or county) and 2 for generalist foundations that serve a medium- to-large-sized community (i.e., a regional or state-wide foundation). In terms of “capacity,” we include Asset Size, the natural log of a given foundation’s assets from the 2004FY IRS Form 990, and Age, the age of the organization in years. To examine “governance,” we first use our CEO survey data (Guo & Brown, 2006) to measure the chief executive’s perception of Board Performance on a 1 to 5 scale; this is a composite measure that covers resource acquisition, stewardship, donor service, grant making, marketing, and mission and strategy. We also measure the organization’s Net Working Capital as current assets less current liabilities (2004FY IRS Form 990); this serves as the proxy for financial stewardship.¹⁹ Lastly, we measure “environment” via Community Poverty, the percentage of residents below the poverty line in the foundation’s primary county in 2001 (US Census Bureau);
and Organizational Density, the ratio of the number of community foundations in a given state over the state’s Gross State Product.20

DATA ANALYSIS AND RESULTS

Because the dependent variables in this study involve counts of services and content on a community foundation’s website, we use a Poisson regression analysis21 to estimate the following four models:

\[
FDI = \exp(\beta_0 + \beta_1 \ln \text{DiscretionaryIncome} + \beta_2 \text{SizeofServiceArea} + \beta_3 \text{AssetSize} + \beta_4 \text{Age} + \beta_5 \text{BoardPerformance} \\
+ \beta_6 \text{NetWorkingCapital} + \beta_7 \text{CommunityPoverty} + \beta_8 \text{OrganizationalDensity})
\]

\[
PDI = \exp(\beta_0 + \beta_1 \ln \text{DiscretionaryIncome} + \beta_2 \text{SizeofServiceArea} + \beta_3 \text{AssetSize} + \beta_4 \text{Age} + \beta_5 \text{BoardPerformance} \\
+ \beta_6 \text{NetWorkingCapital} + \beta_7 \text{CommunityPoverty} + \beta_8 \text{OrganizationalDensity})
\]

\[
\text{Interactivity} = \exp(\beta_0 + \beta_1 \ln \text{DiscretionaryIncome} + \beta_2 \text{SizeofServiceArea} + \beta_3 \text{AssetSize} + \beta_4 \text{Age} + \beta_5 \text{BoardPerformance} \\
+ \beta_6 \text{NetWorkingCapital} + \beta_7 \text{CommunityPoverty} + \beta_8 \text{OrganizationalDensity})
\]

\[
\text{Online Accountability Index} = \exp(\beta_0 + \beta_1 \ln \text{DiscretionaryIncome} + \beta_2 \text{SizeofServiceArea} + \beta_3 \text{AssetSize} + \beta_4 \text{Age} \\
+ \beta_5 \text{BoardPerformance} + \beta_6 \text{NetWorkingCapital} + \beta_7 \text{CommunityPoverty} + \beta_8 \text{OrganizationalDensity})
\]

Table 1 displays the results of these regression analyses. The coefficients in Models 1 through 4 (with standard errors in parentheses) indicate the effects of each independent variable on the financial disclosure index (FDI), performance disclosure index (PDI), interactive engagement scale (Interactivity), and composite online accountability index, respectively.

Table 1 [Insert Table 1 here]

To recap, each of the eight independent variables is associated with a specific hypothesis related to one of the four primary factors in our explanatory model. In line with our hypothesis testing, we present our results here briefly factor by factor before discussing the most important implications of these findings in the Conclusions.

First, in Hypotheses 1 and 2 we proposed that two strategy-related variables – the percentage of unrestricted funds and the size of the geographic service area – would be negatively associated with Web-based accountability practices. The regression analyses revealed
no significant relationship between either of these variables and the disclosure and dialogue measures of accountability (FDI, PDI, and Interactivity). However, both obtained a strong, negative relationship with the composite measure of accountability, thus providing partial support for our hypotheses.

Next, we created two hypotheses to tap organizational capacity: Hypothesis 3 described a positive relationship between asset size and Web-based accountability practices, while Hypothesis 4 posited a negative relationship between age and accountability. The results were mixed. The analyses revealed a strong positive relationship between asset size and all four of the accountability measures, yet age failed to obtain significance in any of the models.

Hypotheses 5 and 6 then proposed that two governance-related factors – board performance and financial stewardship – were expected to obtain a positive relationship with online accountability. The regression analyses revealed no significant relationship between net working capital, our proxy for financial stewardship, and the disclosure and dialogue measures of Web-based accountability (i.e., FDI, PDI, and Interactivity). Yet, it did obtain a strong negative association with the composite online accountability index. The analyses also revealed a significant, positive relationship between board performance and three of the measures of accountability (FDI, PDI, and the composite index).

Lastly, in Hypotheses 7 and 8 we posited that community poverty and organizational density, our two environment-related measures, would be negatively associated with Web-based accountability practices. Surprisingly, regional poverty was found to be positively associated with the dialogue dimension of accountability (Interactivity), but not with the other accountability measures. However, consistent with our prediction, the analyses revealed a
significant and negative relationship between organizational density and both the financial
disclosure index and the composite index of online accountability.

**IMPLICATIONS AND CONCLUSIONS**

In this paper, we have examined the extent to which nonprofit organizations adopt Web-based accountability practices through an analysis of the content of 117 diverse US community foundation websites. This study yields several important practical and theoretical implications. First, it contributes to theory building by offering a two-dimensional view of Web-based accountability. While accountability for finances and accountability for performance have been discussed extensively in previous literature, in our “translation” of these concepts to the online environment we have explicitly combined the two forms of accountability into a single dimension we refer to as “disclosure.” Moreover, we have proposed that stakeholder “dialogue,” encompassing the solicitation of input from and interactive engagement with key organizational stakeholders, is a critical additional dimension of accountability. In fact, we believe it is on this dimension that the Web holds special promise, inasmuch as participatory input and engagement mechanisms are made feasible and affordable by the advance in Internet-based technologies. Taken together, this two-dimensional conceptual grounding paves the way for a more comprehensive understanding of nonprofit accountability in both online and offline environments. We believe the spread of interactive second-generation Web technologies has effectively increased organizations’ potential for communicating with, strategically engaging, and being responsive to their core constituents.

However, what do our findings suggest about nonprofit organizations’ realization of this potential? The strong implication is that community foundations in particular are failing to maximize the opportunity to use the Web to engage stakeholders. For instance, while 78% of the
Community foundations had the most basic “contact us,” “feedback,” or “ask a question” features on their websites, only 7% of the community foundations in our sample had any “higher-level” mechanism for the solicitation of stakeholder preferences, needs, and demands—such as an online stakeholder survey, an interactive message forum, an online grant recipient evaluation form, a guestbook, or an online needs assessment. We also found great variability in the extent to which foundations avail themselves of financial accountability mechanisms; as reflected in the amount and prominence of financial performance and policy information placed on their websites, only a small minority of organizations (e.g., the Grand Rapids Community Foundation, the Akron Community Foundation, and the Community Foundation for Southwest Washington) seemed to make a concerted effort to build trust and allay donor concerns through extensive efforts at transparency and voluntary disclosure with respect to finances.

This severe underutilization of the technology deserves further attention: community foundations are public charities serving specific geographic communities; therefore, the extent to which they engage community stakeholders and are accessible is a critical issue. In light of their power and influence in local communities and their entrepreneurial tendencies as potentially very responsive to community changes (Diaz and Shaw, 2002), one would expect community foundations to play a leadership role in the nonprofit accountability movement. In fact, just as the Ford Foundation served as a “prudence entrepreneur” (Fisher & Statman, 1999) for finances in the higher education sector in the 1960s—essentially helping university endowment managers, for better or worse, to redefine the standards of prudence regarding the allocation of assets—the nonprofit sector may need a resource-rich “accountability entrepreneur” to help nonprofits redefine what is considered “good governance” with respect to accountability, both on the Web
and off. Our findings, however, cast some doubts on whether community foundations are willing and capable of playing this role of accountability entrepreneur, even in the online environment.

Future research might thus delve further into the nature of accountability in an era that emphasizes results and donor input in grantmaking activities. To help researchers in this endeavor, we have presented with our conceptual framework a set of operational procedures for measuring online accountability, and we would hope that future work would continue to build on and refine these measures. We have also presented a theoretical framework for understanding organizational variation in Web-based accountability practices that focuses on four groups of influencing factors: strategy, capacity, governance, and environment. Our findings show that capacity, and particularly asset size, stands out as the predominant factor in our model. As with many nonprofit phenomena, resources matter. Moreover, we found that higher levels of community poverty are not generally associated with increased online accountability, except in terms of interactive engagement. On the positive side, we do find that governance in the form of board performance is important. We would like to think that this link between board traits and accountability outputs is causal in nature; practitioners might thus want to look into further institutionalizing the “accountability-building” function of the board. We also found some evidence that community foundations respond to increases in organizational density by decreasing the amount of financial disclosure. This lends credence to the idea that disclosure is a tool organizations use to boost legitimacy in low-density (i.e., low-legitimacy) industries.

It is also worth noting that most of the variables are highly significant in our last model, the composite measure of Web-based accountability, thus providing some supporting evidence for the validity of the model. In effect, while our framework does not exhaust the possible factors of influence, it does consider the major influencing factors and therefore lays the groundwork for
future study. We hope that future researchers continue to build on this model, especially given that the generalizability of our findings is potentially limited by our focus on community foundations, which represent a small subsector of nonprofit organizations in the United States. Since there is no one “typical” nonprofit organization, community foundations being no exception, we cannot argue that the same pattern of online accountability practices will necessarily exist in other types of nonprofits. Therefore, caution must be exercised in generalizing the findings of this study to a different industry context. Still, we believe that the two-dimensional view of Web-based accountability and the four broad sets of influencing factors identified in our model should work similarly in the rest of the nonprofit world; testing this assumption may prove to be fertile ground for future research that extends, refines, and even challenges our conceptual and theoretical framework.22

Of further practical and theoretical import is our supposition that the diffusion and increasing sophistication of Web technologies might lead to the evolution of some of the most important concepts in nonprofit governance and management. Just as the norms, models, and definitions of marketing, fundraising, giving, volunteering, and—as we have shown here, accountability—are changing as a result of the Web, so might other concepts, such as representation, responsiveness, participation, and performance. This area might also be ripe for future research.

In light of the substantial variation we found in online accountability practices along our two dimensions, researchers might also want to consider looking at the organizational outcomes of online accountability. For instance, which, if any, dimension or aspect of online accountability do stakeholders really care about? As just one example, using the “economic model of giving,”
researchers might look at whether donors are willing to “pay” for dialogue, or whether they are only interested in performance- and/or financial-related disclosure.

Ultimately, this study was predicated on the increasingly powerful belief that organizational transparency and the democratization of information can go hand-in-hand with enhanced organizational performance. Accordingly, future research might examine in-depth the connection between communication of the organizational mission and asset development. Future research should also concentrate on the link between philanthropic fundraising and public trust in nonprofit communities and the role of information technology in bolstering that trust. Such research should ultimately strive to inform both the academic and practitioner literatures on how nonprofit organizations can successfully utilize Internet-based technologies to simultaneously attain financial success while building a truly accountable organization.
NOTES

1 Community foundations are 501(c)(3) public charities that work to improve the quality of life of a specific geographic community by pooling funds from a wide range of individual, family, and corporate donors and allocating grants to targeted program areas that meet specific local needs. For more on community foundations, see Grønbjerg (2006).

2 An excellent example is the Guidestar web site, which provides financial and operational information on over one million nonprofit organizations throughout the United States.

3 The disclosure of financial and performance information has been increasingly identified as an important aspect of nonprofit accountability (e.g., Brody, 2002; Melendez, 2001).

4 For a complete account of this argument, see Saxton, Guo, & Brown (2007).

5 Similar results have obtained in the for-profit literature, where size has been identified as one of the critical “pre-requisites” or “antecedents” that enable an organization to exploit technology for mission-related purposes (e.g., Aral & Weill, 2004; Buhalis, 1998).

6 The authors of the earlier study (Guo & Brown, 2006) began with an original sample of 677 US community foundations, obtained from the Council on Foundations website, which essentially represented the population of community foundations in the country. They then contacted chief executives of all 677 community foundations in May and June of 2004. Follow-up emails and telephone calls resulted in a final sample of 117, which is a response rate of 17 percent.

7 Several steps were made to ensure the reliability of the analysis. First, we conducted an exhaustive search of the 117 websites rather than a limited examination of specific sections of the sites, since “financial disclosure” items, for example, can be found in a wide variety of differently named website sections. Second, in terms of coding, each of the two principal investigators started by analyzing and coding the same 10 community foundation websites. This
helped standardize the terminology used to code certain generic features (e.g., “administrative costs for funds” or “online stakeholder survey”) that were found on multiple sites but under different names. The two principal investigators and a graduate assistant then each coded a third of the remaining sites. Given the comprehensive nature of the examination of the sites and the multi-coder review of the initial data-gathering efforts, there were few ambiguous codings at this stage, such as questions about whether an item counted as “financial disclosure” or “performance disclosure.” Nevertheless, an additional crucial step was taken to ensure inter-coder reliability: each of the two principal investigators reviewed half of the graduate assistant’s sites in addition to half of the other investigator’s sites. This step helped discover various minor coding errors and/or discrepancies that were found in less than 10% of the sites.

Beginning deductively with our theoretically grounded conceptualizations of the types of content implied by the two dimensions of online accountability, we approached the coding process with a fair amount of inductive reasoning in mind, given that we did not know precisely which features (some of which might be unique to the Web) that we would find under each of these categories. For instance, we would have no way of knowing a priori that, related to community foundations’ solicitation of stakeholder input, we would find such material as online stakeholder surveys, interactive message forums, or online needs assessments.

To check for any potential non-response bias, we compared these key characteristics with those of the entire population of 677 community foundations then operating in the United States. We found that the average community foundation in the population at large was 22 years old and had $43.2 million in assets. It generated revenue of $5.2 million a year and granted, on average, 8% of its assets. In brief, the organizations in our final sample are slightly older and wealthier, but overall quite representative of the population at large.
Interestingly, two of the foundations had no website, and another two had simplistic sites with no meaningful content.

Specifically, a principal factors analysis (PFA) showed a single factor (eigenvalue = 1.88) on which all 7 items load at .42 or greater. We originally considered five other items to be potential candidates for inclusion in the index—donor bill of rights, code of ethics, accountability statement, link to Guidestar, and unaudited financial statement. A Cronbach’s alpha coefficient of 0.65 suggested a moderate degree of internal consistency for the expanded 12-item index; however, a PFA implied the existence of two factors: one with an eigenvalue of 1.23 on which four out of twelve items loaded at .3 or greater, and another with an eigenvalue of 2.03 on which seven of the twelve items (those in Figure 2) loaded at .43 or greater. We retained the strongest of these two factors and thus dropped the five poorly loading items from further consideration.

Nunnally’s (1978) rule of thumb is that alpha should generally be a minimum of 0.70.

It is on this component that community foundations seem to be making better use of Web technologies and providing more imaginative content to their key stakeholders—such as the regularly updated, hyperlinked photo galleries highlighting grant recipient “success stories” provided by the Lexington Community Foundation of Nebraska or the Madison Community Foundation of Wisconsin. Other organizations, such as the Community Foundation of Jackson Hole, provide copious details of their grantmaking activities in a way that is both educational for the general public and instructive to grantseeking organizations. The organization’s website also serves a “convening” function by incorporating a nonprofit community event calendar and information on workshops, talks, and nonprofit executive “meet-and-greet” sessions. Lastly, several organizations were using their websites to provide extensive assistance in the area of project evaluation and outcome measurement. The Maine Community Foundation, for example,
allows grant recipients to submit online a “Project Evaluation Report” to provide their results and feedback to the Foundation on what contributed to the success of their project, as well as reasons that made other aspects of their project more difficult or impossible to achieve. The Gulf Coast Community Foundation, meanwhile, provides a free online outcomes-tracking program called Impact Manager that comes bundled with “How To” documents, outcome workbooks, links to external sites, online technical assistance documents, Frequently Asked Questions (FAQs), and an online library.

14 As with the financial disclosure index, we initially considered a wider range of 16 items for inclusion in the index. However, a confirmatory factor analysis showed two factors with eigenvalues of 1.69 and 1.06, respectively. On the first factor, eight items (foundation history, vision, values, goals, strategic plan, links to awardees’ websites, “report to the community,” and grant recipient evaluation forms) loaded poorly, with all loading at less than 0.18, and the index had a Cronbach’s alpha value of only 0.55. Dropping these items, a factor analysis on the eight remaining items shown in Figure 3 yields a single factor with an eigenvalue of 1.54, with all items, except for the last, loading at .37 or greater.

15 The index obtained an extremely low Cronbach’s alpha of 0.13. This is most likely due to the distribution of the data—78% of the organizations have a “contact us” link, but only 1-3 organizations have any of the other six items, and the maximum effective score on the index is two. Not surprisingly, the confirmatory factor analysis (PFA) showed a single factor with a very low eigenvalue (0.17) and similarly low factor loadings for the individual items.

16 As its name suggests, this highest level of content involves some form of interaction—the two-way exchange of ideas, opinions, data, or information between two or more parties.
Though a PFA returned a single factor (eigenvalue = 0.64) with a low Cronbach’s alpha (0.49) score, we decided on theoretical grounds to include the scale in our analyses.

A PFA returned a single factor (eigenvalue = 2.06) on which all items load at 0.6 or better.

Similar to the current ratio, net working capital is a method of assessing a nonprofit’s ability to pay its short-term obligations. For the purpose of measuring financial stewardship, we decided to use net working capital instead of the current ratio because the latter has more missing observations in our sample.

We use this ratio instead of the actual number of community foundations to control for the effect of a state’s wealth on organizational density.

With count variables, the ordinary least squares (OLS) method would tend to result in biased, inefficient, and inconsistent estimates (Long, 1997). To deal with this problem, researchers have developed various nonlinear models based on the Poisson and negative binomial distributions. Both analyses were conducted here and produced similar results; since a likelihood ratio test showed that the negative binomial regression model is not a significantly better fit than the Poisson regression model, we only present here the results from the latter. We also ran an ordered logit regression for Interactivity and both an ordered logit and an OLS regression for our composite index. In all cases, there were no changes in sign or significance for any of the variables, thus we do not report the results further.

For instance, in setting forth testable hypotheses for our current efforts, some of the chosen indicators are especially relevant to a single nonprofit industry (i.e., community foundations). As a result, those who choose to use and build on the model with a different sample of organizations will likely have to operationalize the four principal factors with a different set of indicators.
REFERENCES


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Table 1. Factors associated with Online Accountability of Community Foundations: Poisson Regression Analyses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Independent Variable</th>
<th>Hypothesized Direction</th>
<th>Model 1 Financial Disclosure Index (FDI)</th>
<th>Model 2 Performance Disclosure Index (PDI)</th>
<th>Model 3 Interactive Engagement Scale (Interactivity)</th>
<th>Model 4 Composite Online Accountability Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Discretionary income</td>
<td>–</td>
<td>-0.03 (0.06)</td>
<td>-0.08 (0.05)</td>
<td>-0.03 (0.04)</td>
<td>-0.05** (0.02)</td>
</tr>
<tr>
<td>2</td>
<td>Size of service area</td>
<td>–</td>
<td>-0.23 (0.15)</td>
<td>-0.10 (0.13)</td>
<td>-0.17 (0.11)</td>
<td>-0.15*** (0.05)</td>
</tr>
<tr>
<td>3</td>
<td>Asset size</td>
<td>+</td>
<td>0.29*** (0.06)</td>
<td>0.15*** (0.05)</td>
<td>0.13*** (0.04)</td>
<td>0.17*** (0.02)</td>
</tr>
<tr>
<td>4</td>
<td>Age</td>
<td>–</td>
<td>-0.003 (0.004)</td>
<td>-0.001 (0.003)</td>
<td>-0.001 (0.003)</td>
<td>-0.000 (0.000)</td>
</tr>
<tr>
<td>5</td>
<td>Board performance</td>
<td>+</td>
<td>0.29** (0.14)</td>
<td>0.19* (0.12)</td>
<td>0.12 (0.09)</td>
<td>0.13*** (0.05)</td>
</tr>
<tr>
<td>6</td>
<td>Net Working Capital</td>
<td>+</td>
<td>-0.66 (0.47)</td>
<td>-0.46 (0.44)</td>
<td>-0.17 (0.31)</td>
<td>-0.55*** (0.18)</td>
</tr>
<tr>
<td>7</td>
<td>Community poverty</td>
<td>–</td>
<td>-0.01 (0.02)</td>
<td>-0.01 (0.01)</td>
<td>0.02 * (0.01)</td>
<td>-0.00 (0.01)</td>
</tr>
<tr>
<td>8</td>
<td>Organizational density</td>
<td>–</td>
<td>-1.51* (0.80)</td>
<td>-0.36 (0.64)</td>
<td>0.07 (0.51)</td>
<td>-0.58** (0.27)</td>
</tr>
<tr>
<td>Intercept</td>
<td></td>
<td></td>
<td>-4.42*** (1.07)</td>
<td>-1.65** (0.83)</td>
<td>-1.07 (0.66)</td>
<td>-0.04 (0.34)</td>
</tr>
</tbody>
</table>

N = 113
Log likelihood = -193.82  -204.34  -217.67  -378.32
χ² = 48.13***  23.56***  21.37***  124.60***

* p < .10; ** p < .05; *** p < .01, standard errors are shown in parentheses.
Figure 1. Generic Model of Causal Factors Determining an Organization’s Online Accountability Practices

**Strategy**
- Stakeholder focus (H1)
- Specialist versus generalist focus (H2)

**Governance**
- Governance structures, Board outputs (H5)
- Financial stewardship (H6)

**Discourse**
- Financial Disclosure
- Performance Disclosure

**Dialogue**
- Stakeholder Input
- Interactive Engagement

**Capacity**
- Annual Revenue, Assets (H3)
- Age (H4)

**Environment**
- Resource environment (H7)
- Organizational density & competition (H8)
Figure 2. Financial Disclosure

- Annual Report: 62%
- Audited Financial Statement: 44%
- Privacy Policy: 26%
- Investment Pool Performance: 22%
- Investment Policy and/or Strategy: 21%
- Administrative Costs for Funds: 19%
- IRS 990: 13%
Figure 3. Performance Disclosure

- Mission: 80%
- List of Recent Grant Awards: 68%
- $ Amounts of Grants Awarded: 39%
- What is a Community Foundation?: 37%
- Summaries of funded projects: 35%
- Program or Grant Impact: 11%
- Community Impact: 9%
- "Grantee Stories": 5%
Figure 4. Solicitation of Stakeholder Input

- Contact Us, Feedback, Ask a Question: 78%
- Grant Recipient Evaluation Forms: 3%
- Guestbook: 2%
- Online Stakeholder Survey: 2%
- Message Forum: 2%
- Online Needs Assessment: 1%
- Add Links: 1%
- Interactive Message Center: 1%
Figure 5. Interactive Engagement with Stakeholders

- **Donors**
  - Information: 46%
  - Transaction: 35%
  - Interaction: 89%

- **Grantseekers**
  - Information: 74%
  - Transaction: 1%
  - Interaction: 90%

- **Community**
  - Information: 55%
  - Transaction: 9%
  - Interaction: 2%