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Article

FINANCIAL GOVERNANCE AND DONOR CONFIDENCE IN EDUCATIONAL NON-PROFIT INSTITUTIONS: AN EXPLORATORY STUDY

Governança financeira e confiança dos doadores em instituições educacionais sem fins lucrativos: Um estudo exploratório

Gobernanza financiera y confianza de los donantes en instituciones educativas sin fines de lucro: un estudio exploratorio

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ABSTRACT

Educational non-profit institutions depend significantly on donations to maintain their activities and fulfill their social purposes. In this context, financial governance plays an important role in building donor confidence and ensuring organizational sustainability. This study analyzes the relationship between financial governance practices and donor confidence in educational non-profit institutions. The research adopted an empirical approach through an online questionnaire administered to 25 regular donors, of whom 22 completed the survey . The findings indicate that financial transparency, accountability, donor communication, and the demonstration of organizational impact positively influence the willingness to donate and continue supporting such institutions. Respondents emphasized the importance of responsible use of funds, clear disclosure of financial information, and evidence of outcomes achieved by beneficiary organizations. The study concludes that effective financial governance mechanisms contribute to strengthening institutional credibility, increasing donor confidence, and enhancing the sustainability of educational non-profit institutions. The findings provide practical insights for managers seeking to improve transparency, accountability, and donor engagement practices.

Keywords: Financial governance. Donor confidence. Educational non-profit institutions. Transparency. Accountability.

RESUMO

As instituições educacionais sem fins lucrativos dependem significativamente de doações para manter suas atividades e cumprir suas finalidades sociais. Nesse contexto, a governança financeira desempenha um papel importante na construção da confiança dos doadores e na garantia da sustentabilidade organizacional. Este estudo analisa a relação entre as práticas de governança financeira e a confiança dos doadores em instituições educacionais sem fins lucrativos. A pesquisa adotou uma abordagem empírica por meio de um questionário on-line aplicado a 25 doadores regulares, dos quais 22 responderam integralmente à pesquisa. Os resultados indicam que a transparência financeira, a prestação de contas, a comunicação com os doadores e a demonstração do impacto organizacional influenciam positivamente a disposição de realizar doações e continuar apoiando essas instituições. Os participantes destacaram a importância do uso responsável dos recursos, da divulgação clara das informações financeiras e das evidências dos resultados alcançados pelas organizações beneficiárias. O estudo conclui que mecanismos eficazes de governança financeira contribuem para fortalecer a credibilidade institucional, aumentar a confiança dos doadores e promover a sustentabilidade das instituições educacionais sem fins lucrativos. Os resultados oferecem insights práticos para gestores interessados em aprimorar as práticas de transparência, prestação de contas e relacionamento com os doadores.

Palavras-chave: Governança financeira. Confiança dos doadores. Instituições educacionais sem fins lucrativos. Transparência. Prestação de contas.

RESUMEN

Las instituciones educativas sin fines de lucro dependen significativamente de las donaciones para mantener sus actividades y cumplir sus objetivos sociales. En este contexto, la gobernanza financiera desempeña un papel importante en la construcción de la confianza de los donantes y en la garantía de la sostenibilidad organizacional. Este estudio analiza la relación entre las prácticas de gobernanza financiera y la confianza de los donantes en instituciones educativas sin fines de lucro. La investigación adoptó un enfoque empírico mediante un cuestionario en línea administrado a 25 donantes habituales, de los cuales 22 completaron la encuesta. Los resultados indican que la transparencia financiera, la rendición

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

de cuentas, la comunicación con los donantes y la demostración del impacto organizacional influyen positivamente en la disposición a realizar donaciones y continuar apoyando a estas instituciones. Los participantes destacaron la importancia del uso responsable de los fondos, la divulgación clara de la información financiera y la evidencia de los resultados alcanzados por las organizaciones beneficiarias. El estudio concluye que los mecanismos eficaces de gobernanza financiera contribuyen a fortalecer la credibilidad institucional, aumentar la confianza de los donantes y mejorar la sostenibilidad de las instituciones educativas sin fines de lucro. Los resultados ofrecen aportes prácticos para los gestores interesados en mejorar las prácticas de transparencia, rendición de cuentas y participación de los donantes.

Palabras clave: Gobernanza financiera. Confianza de los donantes. Instituciones educativas sin fines de lucro. Transparencia. Rendición de cuentas.

1 INTRODUCTION

Educational non-profit organizations aim to make a difference in people's lives, not just earn profits. To do this they need people to donate money and they need grants. They also depend on volunteers to help out. When individuals contribute money, they want to be confident that it is truly being used to support education. This is why educational non-profit organizations need people to keep supporting them over time. Educational non-profit organizations need this help to keep going so they can continue their work of helping people through education and social development. Ongoing support allows these organizations to create lasting impact.

Donors are very important for organizations that help people learn things. Without donor support, these organizations would struggle to continue their activities. Trust from donors is extremely important. When donors trust an organization they are more likely to donate again. They may also maintain a long-term association with the organization. Donor trust helps ensure that organizations can continue supporting education and social development.

Financial governance refers to the responsible management of funds within non-profit organizations. This means having clear processes and rules in place. Financial governance

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

includes being open and honest about how money is used and ensuring accountability. It also involves maintaining proper records of donations and grants (Garner, 2025).

Non-profit organizations can use their money properly when they have good financial governance. This means they can achieve their goals, such as teaching people things. It also helps ensure that money is not wasted on unimportant activities.

Financial governance is really important for non-profit organizations, like schools. This is because it helps them use their money in the right way. Some people have studied this. They say that when non-profit organizations are open and honest about how they use their money and manage it properly, donors feel happy to give them money. This helps non-profit organizations receive support from donors over a longer period of time. Organizations are more likely to receive donations when they clearly explain how donated money is used. Also, using digital tools such as computers and the internet to show how money is used and tracked makes the process more transparent. Donors can see how their money is being used. They can see it quickly and trust the information. This is because digital reporting and monitoring platforms make it easier for donors to get the information they need when they need it (Nurdiani et al., 2025).

Good management of money helps schools use their resources in the best possible way to achieve their educational goals. It also helps prevent funds from being wasted or misused. Studies have shown that when schools are open about how they spend their money and manage it well, people who give them money are more likely to keep supporting them over time. This is because they can clearly see how their money is being used. The use of financial tracking and sharing tools has made this process easier, which helps build trust. This means that schools can get the money they need to keep doing their work, and donors can feel confident that their contributions are being used well.

Donors are becoming more careful about where they give their money. They want to know what is going on within the organizations they donate to. Today, people can use the internet and social media to see how organizations use donated funds. They want to know whether organizations are doing meaningful work. Donors expect organizations to be honest and to do what they promise.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

Donors want to make sure that the organizations they support are acting responsibly and staying true to their mission. They expect organizations to use donated money wisely and follow through on their commitments. Organizations have to be responsible for how they use donated funds. Donors are paying attention to organizational actions and expect them to do the right thing.

Educational non-profit institutions are under a lot of pressure. They must consistently show that they are governed properly in order to maintain donor trust. Educational non-profit institutions need to do this so they remain credible and continue receiving support. Maintaining trust is essential because donors are more likely to contribute when institutions demonstrate responsible governance (Rios et al., 2023).

Educational non-profits often face difficulties in managing their finances. Many educational non-profits struggle with how to handle their finances and do not always clearly communicate how their funds are being used.

Educational non-profits also do not always provide reports on how the money they receive is used. This lack of information can discourage donors from supporting non-profits on a regular basis.

Educational non-profits depend on donor funding to keep their programs running. Donors are very important because they provide the financial support needed to continue operations. When donors feel that their contributions are not being used properly, they may hesitate to continue giving. This can negatively affect educational programs that rely on regular funding.

Educational non-profits need to manage their funds in a way that encourages donors to continue their support. Some common challenges include a lack of skilled financial staff, weak systems for tracking funds, and limited monitoring of how money is used. These issues can make future planning difficult, reduce donor confidence, and even limit an organization's ability to fulfill its mission. Addressing these challenges is essential for educational non-profits to maintain donor trust and sustain their operations. In several documented cases, financial mismanagement in non-profit organizations has resulted in erosion of donor trust,

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

reputational damage, and declining funding support, highlighting the importance of effective governance (Rios et al., 2023).

2 LITERATURE REVIEW

This section presents the conceptual model of the study, developed from theoretical relationships among key factors and variables identified in the existing literature.

2.1. Trust and Donor Relationships

Trust forms the cornerstone of any meaningful relationship between donors and nonprofit organizations, particularly in the education sector where institutions depend heavily on external funding to support their programs and initiatives. Donors are more likely to contribute when they believe that a nonprofit's leadership is ethical, transparent, and genuinely committed to its mission (Dethier et al., 2023). At the heart of this relationship is perceived financial transparency, which research shows is strongly linked to donor trust; when donors perceive that an organization discloses clear and understandable financial information, they tend to feel more confident about the organization's legitimacy and stewardship of resources (Ghoorah et al., 2025). This perception directly influences donors' willingness to give, as they are more likely to support organizations they trust to manage funds responsibly.

In addition to financial transparency, trust also shapes donation intentions and donor behavior at a deeper psychological level. Research demonstrates that even when donors recognize an organization's accomplishments, their decision to contribute is strongly influenced by the level of trust they place in the organization (Ünal; Aydın, 2025). Furthermore, systematic studies on nonprofit accountability show that voluntary disclosure of detailed financial data, including annual reports, audited statements, and program-specific expenditures, enhances donors' perception of trustworthiness and commitment to the nonprofit's mission. These findings suggest that trust is not a static feeling but a dynamic outcome influenced by both formal governance mechanisms and relational processes. Nonprofits that maintain transparent financial reporting while actively engaging donors

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

through meaningful communication are more likely to cultivate durable trust, which is essential for continued financial support and long-term organizational sustainability (Ortega-Rodríguez et al., 2020).

Beyond financial transparency, trust in donor relationships is deeply influenced by relational and mission-based factors. Relational trust develops through consistent, positive interactions between nonprofit representatives and donors, including personalized communication, responsiveness to inquiries, and acknowledgment of contributions. Research shows that maintaining regular communication and building informal networks helps nonprofits engage donors and strengthen trust (Kumi; Copestake, 2021). Similarly, mission-based trust arises when donors perceive alignment between their own values and the nonprofit's goals; they are more likely to sustain support when they feel emotionally connected to the organization's mission (Duens; Mangen, 2023). In essence, donors evaluate not only how funds are managed but also how the organization engages with them personally and how faithfully it pursues its mission.

By combining financial transparency, relational engagement, and mission alignment, educational nonprofits can build a robust foundation of donor trust. Such trust enhances donor loyalty, encourages repeated contributions, and fosters long-term partnerships, which are crucial for sustaining educational initiatives and achieving organizational goals (Lin; Hsiung, 2024).

2.2. Financial Governance

Financial governance in educational nonprofits encompasses the policies, structures, and practices that guide how funds are managed, monitored, and reported, ensuring transparency, accountability, and ethical stewardship. Strong governance is particularly critical in educational institutions, which rely on donor support to sustain programs and maintain public confidence. Research demonstrates that robust financial governance mechanisms including board oversight, internal controls, audits, and transparent reporting are central to building donor trust and organizational credibility (Pratiwi et al., 2024).

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

A key component of governance is transparent financial reporting, which provides donors and stakeholders with clear information about revenue, expenditures, and program allocations. Studies indicate that organizations offering detailed disclosures, such as audited statements and program-specific budgets, are perceived as more trustworthy, which strengthens donor engagement and loyalty (Al-Hasan et al., 2024). This transparency reduces information gaps between nonprofits and donors, fostering confidence in how resources are managed and applied toward organizational goals.

Beyond transparency, accountability measures such as internal controls, regular audits, and active board oversight are essential for preventing misuse of funds, detecting errors, and ensuring compliance with legal and ethical standards. Robust internal controls including checks and balances, segregation of duties, and documented financial procedures help safeguard assets and enhance operational stability, which in turn reinforces donor trust in the organization's stewardship of resources (Kazanskaia, 2025). Regular external and internal audits provide independent verification of financial practices and reporting, offering donors confidence that financial statements accurately reflect organizational performance and that systems are in place to identify irregularities. Accountability structures like these ensure that nonprofits not only comply with rules but also demonstrate publicly visible responsibility and integrity (Lawry, 2006).

Effective financial governance extends beyond compliance to embrace proactive practices that show ethical stewardship and mission alignment. When educational nonprofits integrate transparent reporting, strong internal controls, regular audit reviews, and engaged board oversight, they build a governance framework that signals reliability and responsibility to donors and other stakeholders (Efunniyi et al., 2024). Such a framework not only enhances credibility and fosters long-term donor loyalty but also supports strategic planning and sustainable growth, helping these organizations fulfill their mission and maintain public trust in the long run.

2.3. Governance Practices and Sustained Donations

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

Effective financial governance in educational nonprofits not only builds trust but also directly influences donor behavior, particularly in terms of sustained support and repeated contributions(Francioni et al., 2020). Donors are more likely to maintain long-term relationships with organizations that demonstrate robust governance practices, including transparent reporting, active board oversight, internal controls, and regular auditing. These mechanisms assure donors that their contributions are managed responsibly and aligned with the institution's mission, thereby increasing their confidence to provide ongoing support(Rios et al., 2023).

Research indicates that consistent and proactive communication of financial performance and program outcomes enhances donors' perception of reliability, leading to stronger loyalty and sustained donations. When donors see evidence that governance practices effectively protect resources and optimize impact, they are more likely to continue contributing and even advocate for the organization within their networks.(Ghoorah et al., 2025)

Additionally, sustained donations are influenced by the perceived alignment between governance practices and organizational mission. Donors tend to support organizations that not only manage funds effectively but also demonstrate strategic foresight and commitment to long-term goals, as highlighted by (Lacruz et al., 2019).

Studies show that nonprofits integrating governance, risk management, and mission alignment achieve higher donor retention and more predictable funding streams, which are essential for the continuity of educational programs (Ortega-Rodríguez et al. (2020).

Governance practices also enhance donor engagement by demonstrating responsiveness and ethical stewardship. Nonprofits that actively report impact, involve donors in decision-making, and show accountability in resource allocation strengthen both trust and relational commitment, encouraging repeat donations and long-term partnerships (Kazanskaia, 2025).

In essence, governance practices serve as both a trust-building mechanism and a driver of sustained donor engagement. By combining transparent reporting, rigorous internal controls, regular audits, mission alignment, and proactive communication, educational

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

nonprofits can secure long-term donor support, foster organizational stability, and ensure the continued delivery of quality educational programs (Dethier et al., 2021).

3 RESEARCH GAP

People talk a lot about how non-profit organizations handle money and are transparent with donors. However, when it comes to educational non-profit organizations, there is limited research on this topic (Dethier et al., 2023; Ortega-Rodríguez et al., 2020). Most studies look at how organizations handle money and how donors behave in general. They rarely focus on how individual donors perceive governance in educational non-profit institutions. This means we do not know much about what individual donors think about how educational non-profit institutions manage their funds (Rios et al., 2023).

Understanding donor perceptions of governance is important because it directly influences trust in educational non-profit institutions. Moreover, the direct relationship between financial governance practices and sustained donor confidence has not been clearly established in this context (Ünal; Aydın, 2025). This gap highlights the need for focused empirical research on how transparency, accountability, and perceived fund utilization influence donor confidence and long-term support in educational non-profit institutions.

4 OBJECTIVES OF THE STUDY

The main objective of this study is to examine the impact of financial governance practices on donor confidence in educational non-profit institutions. Specifically, the study seeks to:

1. Examine how financial transparency influences donor trust;
2. Analyze the role of accountability in encouraging sustained donor support;
3. Assess donor perceptions regarding the utilization of donated funds; and
4. Identify key financial governance challenges affecting donor confidence in educational non-profit institutions.

Revista Esmat, Palmas, v. 18, n. 2, 2026, p. 01-21.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

5. BACKGROUND OF THE STUDY

Educational non profit institutions are really important because they help change the future of the world. They do this by giving students the chance to study. These Educational non profit institutions need help from people who donate money. So it is very important that these donors trust non profit institutions.. The truth is, this trust can be broken easily. What breaks this trust is the way Educational non profit institutions handle their money and talk to people about it.

Donor trust is really important. It is all about how money is handled. This means being open and honest about finances, which's what transparency is. Donor trust also means being accountable for the money and making sure it is used in a way, which is ethical fund management.

When people in charge of money use it in a way that's easy to see and responsible then the people who give money feel good about what they are doing. They know that their money is actually making a difference. If the people, in charge do not handle money properly then the people who give money might not want to give anymore. They will not trust that their money is being used in a way. Donor trust is built on transparency, accountability and ethical fund management.

Today donors can get a lot of information, from the internet and public reports. So donors do not just want people to ask them for money. Donors want to see that the organization is honest and does the thing. They want to see reports and know that the organization is doing what it says it will do. When organizations do these things donors feel like they are part of the team. They trust the organization. Donors want to feel like they are helping the organization achieve its mission.

The present study determines the link between financial governance and donor confidence in educational non profit institutions which explains how transparency and the responsible use of resources lead to trust and long, term sustainability, also acknowledging the human factor that is at the core of philanthropic support.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

6 METHODOLOGY

This study focused on regular donors who had experience of making recurring donations to educational non-profit institutions. A questionnaire was initially distributed to 25 potential participants, of whom 22 provided complete responses and were therefore considered effective participants for the study. The participants were regular donors and were not directly known to the researchers. They were located across different parts of India (South Asia), rather than being concentrated in a single city. Data were collected during December 2025 through an online questionnaire administered using Google Forms.

We made a list of questions to ask people who donate money. These questions were based on what other researchers have found and what we wanted to learn. We asked the donors about how money should be handled, whether they trust the organizations receiving their donations, whether the use of funds is clear, and how the money is actually used. The donors could answer the questions by choosing one of five options. We used simple wording so donors could easily understand the questions. The focus was on money handling, trust, transparency, and fund utilization.

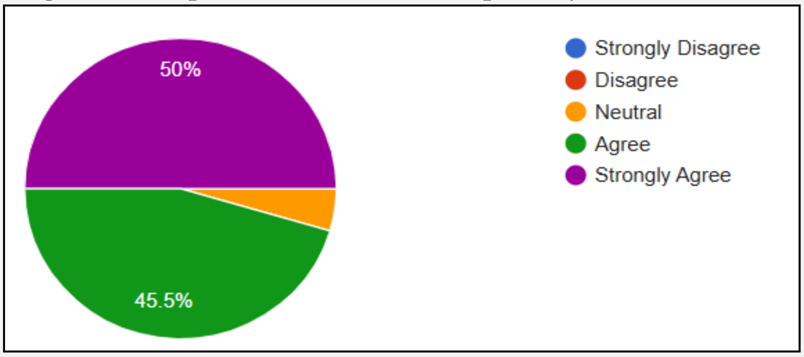
Data were collected through an online questionnaire administered using Google Forms, and all responses were kept confidential. The analysis was simple. We looked at how many people selected each option, the percentage of respondents giving similar answers, and the average responses. We also created some graphs to identify patterns. Advanced statistical methods were not used because of the small sample size, so we mainly relied on frequencies and percentages to understand the data.

This study has some limitations. For example, it involved a limited number of respondents and captured opinions at only one point in time. Despite this, the study provides useful insights into donor trust and how educational non-profit institutions manage their finances.

7 DATA INTERPRETATION AND ANALYSIS

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

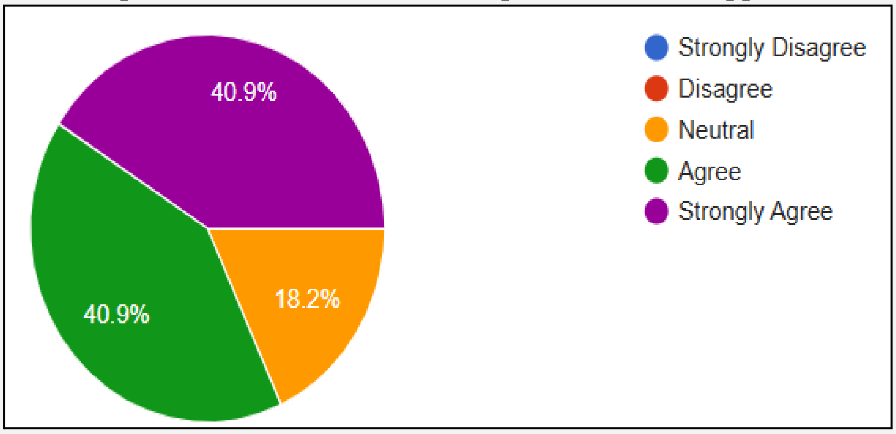
Figure 1 - Impact of Financial Transparency on Donor Trust



Source: Prepared by the author based on the research data.

The results indicate that a large majority of respondents believe that financial transparency positively influences donor trust in educational non-profit institutions. Most respondents either agreed or strongly agreed that clear information regarding the use of donated funds increases their confidence in the organization. Only a very small proportion of respondents expressed neutral views, and no significant disagreement was observed. This suggests that transparency in fund utilization plays an important role in shaping donor trust.

Figure 2 - Importance of Post-Donation Impact on Donor Support



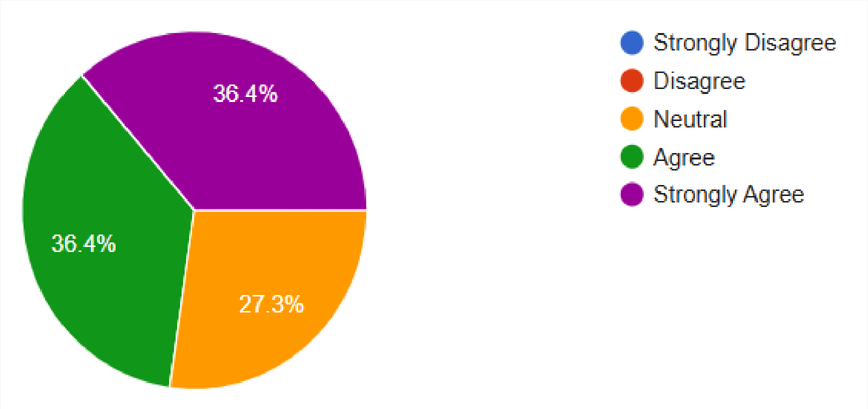
Source: Prepared by the author based on the research data.

The figure indicates that most respondents consider post-donation impact to be highly important when supporting educational non-profit institutions. A substantial proportion of

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

respondents agreed or strongly agreed that seeing real outcomes after donation matters most to them. A smaller share of respondents reported neutral views, while no respondents expressed disagreement. This suggests that visible outcomes and impact reporting significantly influence donor satisfaction and continued support.

Figure 3 - Impact of Communication & Work Allocation and Donor Confidence



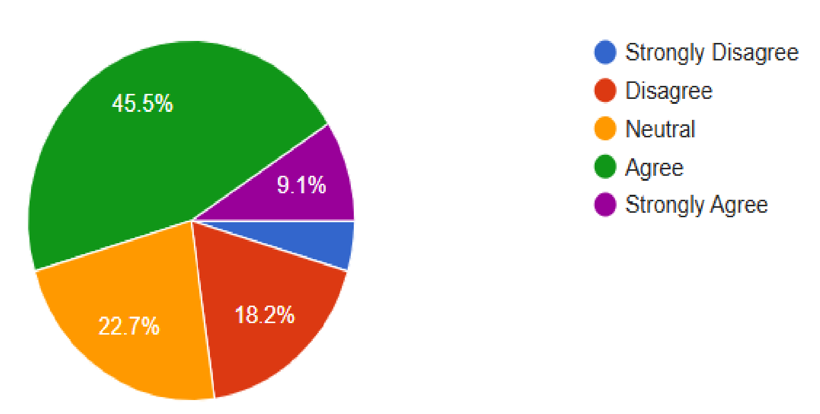
Source: Prepared by the author based on the research data.

The figure shows that a majority of respondents expressed positive views regarding communication and work allocation practices. A substantial proportion of donors agreed or strongly agreed that regular updates and clear responsibility allocation increase their confidence in supporting educational non-profit institutions. Some respondents reported neutral perceptions, while very few expressed disagreement. This indicates that effective communication and structured work allocation play an important role in strengthening donor confidence.

Revista Esmat, Palmas, v. 18, n. 2, 2026, p. 01-21.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

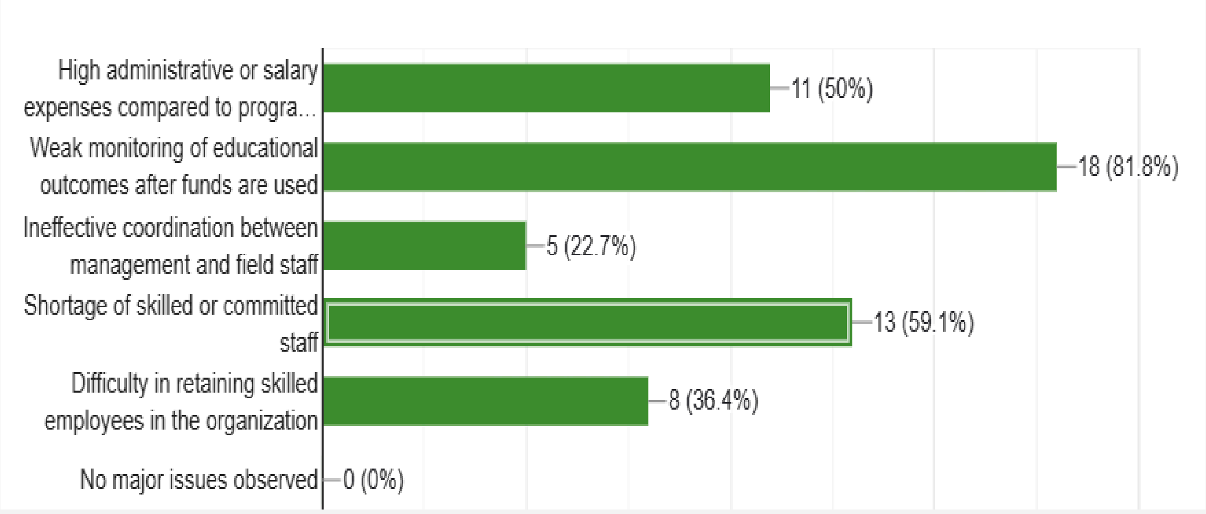
Figure 4 - Donor Comfort with Payment of Employee Salaries from Donated Funds



Source: Prepared by the author based on the research data.

The figure shows that a majority of respondents expressed agreement with the use of donated funds for employee salaries, indicating acceptance when such expenses are perceived as necessary for organizational functioning. However, a notable proportion of respondents reported neutral or disagreeing views, reflecting mixed perceptions on this issue. This highlights that while donors generally understand operational costs, transparency and justification of salary-related expenses remain important for maintaining donor trust.

Figure 5 - Key Operational Challenges in Educational Non-Profit Institutions



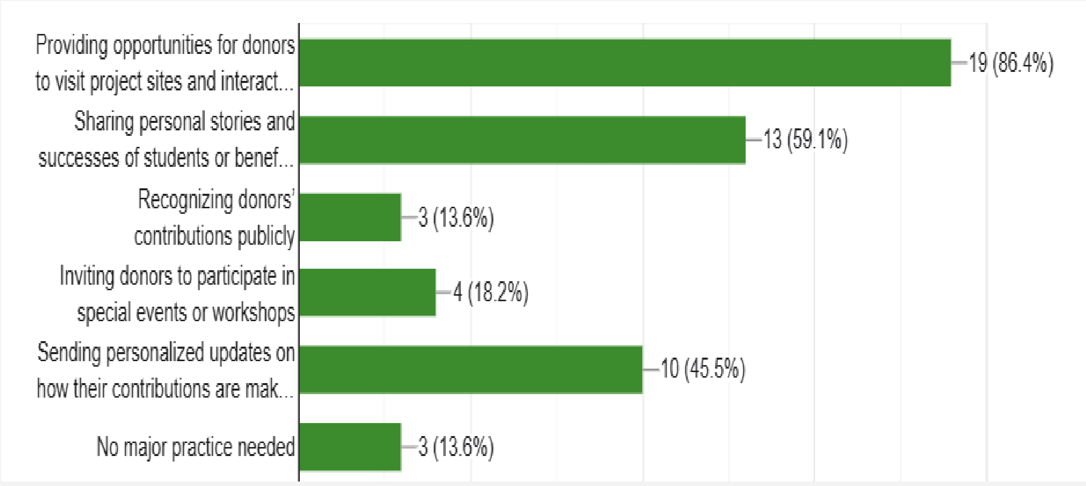
Source: Prepared by the author based on the research data.

Revista Esmat, Palmas, v. 18, n. 2, 2026, p. 01-21.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

The figure shows that weak monitoring of educational outcomes is the most common operational challenge. Shortage of skilled staff and high administrative expenses are also major concerns, while retention and coordination issues are reported to a lesser extent. No respondent reported the absence of operational issues, indicating that such challenges are widespread in educational non-profit institutions.

Figure 6 - Practices Enhancing Emotional Connection and Donor Engagement



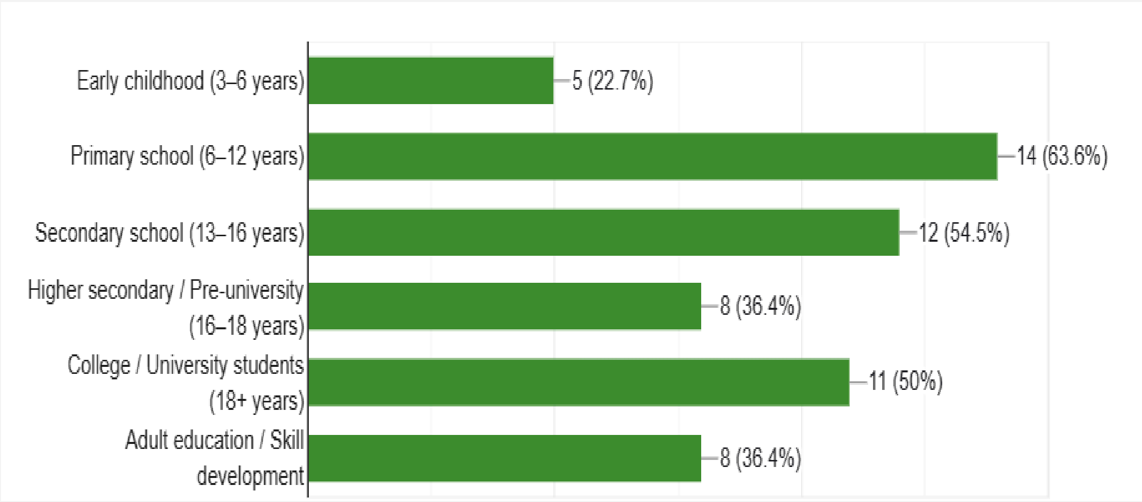
Source: Prepared by the author based on the research data.

The figure shows that most respondents consider donor visits to project sites and interaction with beneficiaries as the most effective way to build emotional connection. Sharing personal success stories is also viewed as important, while fewer respondents value personalized updates. Public recognition and event participation are considered less essential, indicating that donors prefer meaningful engagement and direct visibility of impact over symbolic recognition.

Revista Esmat, Palmas, v. 18, n. 2, 2026, p. 01-21.

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

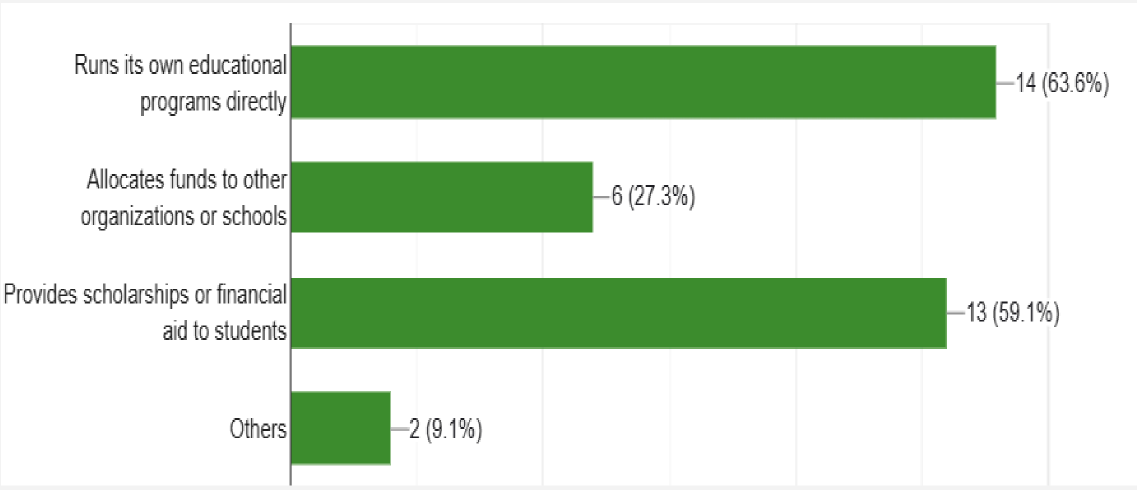
Figure 7 - Target Age Group Supported by Educational Non-Profit Institutions



Source: Prepared by the author based on the research data.

The figure indicates that educational non-profit institutions mainly focus on primary and secondary education, followed by college-level and adult education, with less emphasis on early childhood programs. This suggests stronger donor alignment with institutions serving school-age and higher education beneficiaries.

Figure 8 - Preferred Mode of Operation of Educational Non-Profit Institutions



Source: Prepared by the author based on the research data.

The figure indicates that donors primarily prefer institutions that directly run educational

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

programs or provide scholarships and financial aid to students. Fewer respondents preferred institutions that allocate funds to other organizations, suggesting stronger donor confidence in direct program implementation.

8 CONCLUSION AND SUGGESTIONS

The research focuses on understanding what donors think about how educational non-profit organizations manage and use their financial resources. Donors often form opinions based on how clearly these organizations explain the use of funds and how responsibly they handle donated money. The study also examines how these perceptions influence donor trust and whether donors are willing to continue supporting educational non-profit organizations over time.

The findings suggest that transparency plays a major role in building donor trust. Donors are more confident when educational non-profit organizations openly share financial information and clearly demonstrate the positive impact their activities create. When donors can see where their money is going and how it is contributing to educational outcomes, they are more likely to feel assured that their contributions are being used in a meaningful way.

At the same time, concerns related to administrative expenses and staff salaries continue to influence donor perceptions. Many donors want to understand how much of their contribution is spent on operational costs versus direct educational activities. This makes it important for educational non-profit organizations to openly communicate and justify such expenses rather than avoid the topic. Clear explanations regarding administrative spending and salary structures can help reduce misunderstandings and strengthen donor confidence.

The study also highlights that donors value more than just formal recognition for their contributions. They prefer direct interaction with educational projects, opportunities to observe outcomes, and visible evidence of impact. Donors tend to place greater importance on seeing real results and meaningful engagement than on symbolic gestures alone.

Overall, the findings indicate that the long-term sustainability of educational non-profit institutions depends largely on the development of strong financial governance

| ISSN eletrônico: 2447-9896 | ISSN impresso: 2177-0360

practices. Transparent reporting, responsible fund management, open communication, and visible outcomes together help strengthen stakeholder trust. When educational non-profit organizations adopt solid governance structures, they are better positioned to retain donor support and ensure their continued survival and effectiveness in the long run.

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