Earnings Management in Non-Profit Organizations: A Systematic Literature Review

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〈Abstruct〉

This study reviews the literature on earnings management in non-profit organizations. Using the preferred reporting items for systematic reviews and meta-analyses (PRISMA), we review 13 relevant articles from the Web of Science (WoS) and Scopus databases. The findings suggest that earnings management studies of non-profit organizations can be divided into several research themes, such as measurements, motivations, and determinants of earnings management. Specifically, non-profit organizations tend to use real activities rather than accrual-based management, to manipulate earnings. The main motivation for earnings management in non-profit organizations is to drive financial results toward zero surplus/deficit. There is also evidence of factors associated with earnings management in non-profit organizations, including debt or leverage, the organization's size, grants or subsidies, and corporate governance. Prior research suggests that directors with no corporate experience and who have friendships with the chief executive officer (CEO), as well as the appointment of auditors or observers, are more likely to reduce earnings management activities in non-profit organizations. Overall, prior literature shows limited research on earnings management in non-profit organizations, partly because of difficulties in obtaining data and accessing these organizations.

〈Keywords〉

earnings management, non-profit organization, literature review, governance, relationship

I. INTRODUCTION

Non-profit organizations play important roles in health, welfare, and other areas. For example, in Japan, the national medical care expenditure was approximately 43 trillion yen in 2020 (Ministry of Health, Labour and Welfare 2022), and most medical care was provided by non-profit hospitals or clinics. With the aging Japanese population, social welfare organizations, one of Japan's non-profit organizations, provide long-term care services for the elderly (Article 2, paragraph (2), item (iii) and

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Article 2, paragraph (3), item (iv) of the Social Welfare Act. Act No. 45 of March 29, 1951). Further, the expenditure on long-term care services in 2022 exceeded 10 trillion yen (Ministry of Health, Labour and Welfare 2023, 7). Therefore, non-profit organizations play a significant role in Japan.

The legal systems for non-profit organizations differ across countries. For example, in the U.S., tax-exempted organizations under the Internal Revenue Code, such as public charities, are socially recognized as non-profit organizations. In the U.K., non-profit organizations include companies limited by guarantee (CLG), trusts, industrial and provident societies, and charitable incorporated organizations. In Germany, non-profit organizations comprise associations, foundations, and limited private companies. However, in France, non-profit organizations only cover associations and foundations (The Japanese Institute of Certified Public Accountants 2013). In Japan, there are several types of non-profit organizations, such as public interest incorporated associations/foundations (Article 2, paragraphs 1 and 2 of the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations. Act No. 49 of June 2, 2006), corporations engaging in specified non-profit activities (Article 2, paragraph (2) of the Act on Promotion of Specified Non-profit Activities. Act No. 7 of March 25, 1998), social welfare organizations (Article 22 of the Social Welfare Act), incorporated educational institutions (Article 3 of the Private Schools Act. Act No. 270 of December 15, 1949), or medical corporations (Article 39 of the Medical Care Act. Act No. 205 of July 30, 1948). In summary, non-profit organizations exist in many forms and differ from country to country.

These organizations are not immune to earnings management, since it is visibly detected in them (Eldenburg, Gunny Hee, and Soderstrom 2011). Some studies have focused on the overall situation and determinants of earnings management in non-profit organizations. Specifically, several studies examine the relationship between corporate governance and earnings management, since corporate governance factors deter earnings management (Almutairi 2021, Greenwood and Zhan 2019 and Norman, Rose, Rose and Ugrin 2022).

A literature review paper is available on earnings management and corporate governance in for-profit firms (Callao, Jarne and Wroblewski 2021). Nevertheless, to the best of our knowledge, there is no literature review of earnings management in non-profit organizations. Moreover, non-profit organizations and earnings manipulations continue to be important and have become regulatory and policy concerns. Almutairi (2021) introduces the Ministry of Social Affairs and Labor's (MOSAL) law no. 118 of 2013 for consumer cooperative societies (co-ops) in Kuwait. Cannon, Lamboy-Ruiz. and Watanabe (2022) point out the concerns expressed in the media and among government officials, that non-profit hospitals may be behaving like their for-profit counterparts, by taking advantage of tax exemptions to maximize earnings. Cyr, Landry and Fortin (2023) insist on the need to better understand the phenomenon of financial disclosure management in the charitable sector, and the factors that impact this practice. Therefore, this study reviews the literature on earnings management in non-profit organizations.

This study's contributions are as follows. First, it summarizes the evidence on earnings management in non-profit organizations. Specifically, non-profit organizations tend to use real activities manipulation more than accrual-based management. The main motivation for earnings management is to drive their financial results toward a zero surplus/deficit. Finally, the evidence suggests that the determinants of earnings management in non-profit organizations include debt or leverage, the size of the organization or grant, and corporate governance factors. Non-profit organizations with monitoring elements, such as directors with no corporate director experience and who have friendships with the chief executive officer (CEO), along with the auditors' or observers' appointments, are more likely to reduce earnings management.

The remainder of this paper proceeds as follows. Section II reviews the existing literature on earnings management, section III explains the methodology, section IV shows the results of the literature review, and section V presents the conclusions and future research agendas.

II. LITERATURE REVIEW

2.1 Definition of Earnings Management

According to Schipper (1989), earnings management is a "purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain." Healy and Wahlen (1999) define earnings management as, when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers. Consistent with these definitions, this study views earnings management as opportunistic management behavior, to obtain private gains and benefits from the adjusted figures of non-profit organizations.

2.2 Earnings Management Practices in Non-Profit Organizations

Regarding the measurement of earnings management, there exists a few studies on accrual-based management (Ballantine, Forker, and Greenwood, 2007 and Verbruggen and Christiaens 2012). Certain other studies also use real earnings manipulation (Eldenburg et al. 2011, Keating, Parsons and Roberts, 2008 and Yetman and Yetman 2013).

Few factors motivate earnings management, for example, to attract more donations (Keating et al. 2008 and Yetman and Yetman 2013) or to manage earnings toward zero (Eldenburg et al. 2011 and Verbruggen and Christiaens 2012). Some determinants of earnings management are found in existing literature, namely, gender, ethnicity, educational background, and the presence of financial experts on the audit committee (Nguyen 2016).

III. METHODOLOGY

3.1 PRISMA

This study uses the method of Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) to guide the systematic review, since it provides the standardized method of systematic review or meta-analysis (Moher et al. 2009). Moreover, PRISMA is used in many accounting studies (e.g., Kaur, Sood and Grima 2023, Polzer, Adhikari, Nguyen, and Gårseth-Nesbakk 2023, and Vale et al. 2022).

3.2 Information Sources

This study uses the Web of Science (WoS) and Scopus databases to select articles on earnings management in non-profit organizations. These databases ensure a wider range of high-quality peer-reviewed journals in the business and management domain, than EBSCO, Google Scholar, and others (Ferreira, Fernandes and Ratten 2016 and Verma and Gustafsson 2020). Moreover, many articles use WoS and Scopus (e.g., Kalia and Gill 2023 and Veloso and Gomez-Suarez 2023). The reviews are conducted on September 18, 2023.

3.3 Eligibility Criteria

Following Ismail and Basiruddin (2021), this study adopts the following eligibility criteria. First, it only includes articles published in indexed journals, and excludes other types of articles including journal reviews, editorials, book series, books, chapters in books, and conference proceedings. Second, only articles written in English are included. Third, only recently published journals between 2019 and 2023 are included, because the last five years are an adequate period to observe the evolution of research and related publications (Ismail and Basiruddin 2021). Finally, this study focuses on earnings management in non-profit organizations. It does not analyze recruitment, payments to employees, or fraud (Table 1).

Table 1. Eligibility Criteria

Criterion	Eligibility	Exclusion
Literature type	Journal (research articles)	Book series, book, chapter in book, conference proceeding
Language	English	Other than English
Timeline	Between 2019 and 2023	Before 2018
Analyzed area	Relationship between the corporate governance factors and earnings management	Recruitment, payments to the employees, or fraud

Note: This table is prepared by the authors.

3.4 Systematic Review Process

There are four-phase flow diagrams for the systematic review process in PRISMA (Moher et al. 2009). The first stage is identification, in which records are identified through a database search or other sources. The keywords used were earnings AND management AND nonprofit OR non-profit OR not-for-profit (refer to Table 2). A total of 163 articles have been identified.

The second stage involves screening, during which, duplicate records are removed. At this stage, 32 papers have been deleted, because they are located by using WoS and Scopus search. Records that do not meet eligibility criteria are also excluded. Twenty-one articles are excluded since they have not been published in indexed journals, and one article is removed for not being written in English. Additionally, 73 papers are excluded because they were published before 2018, and 20 articles are removed because they do not address the earnings management topic. Rather, they focus on recruitment, payments to employees, or fraud. A total of 147 articles, including 32 duplicate articles, are removed in the second stage.

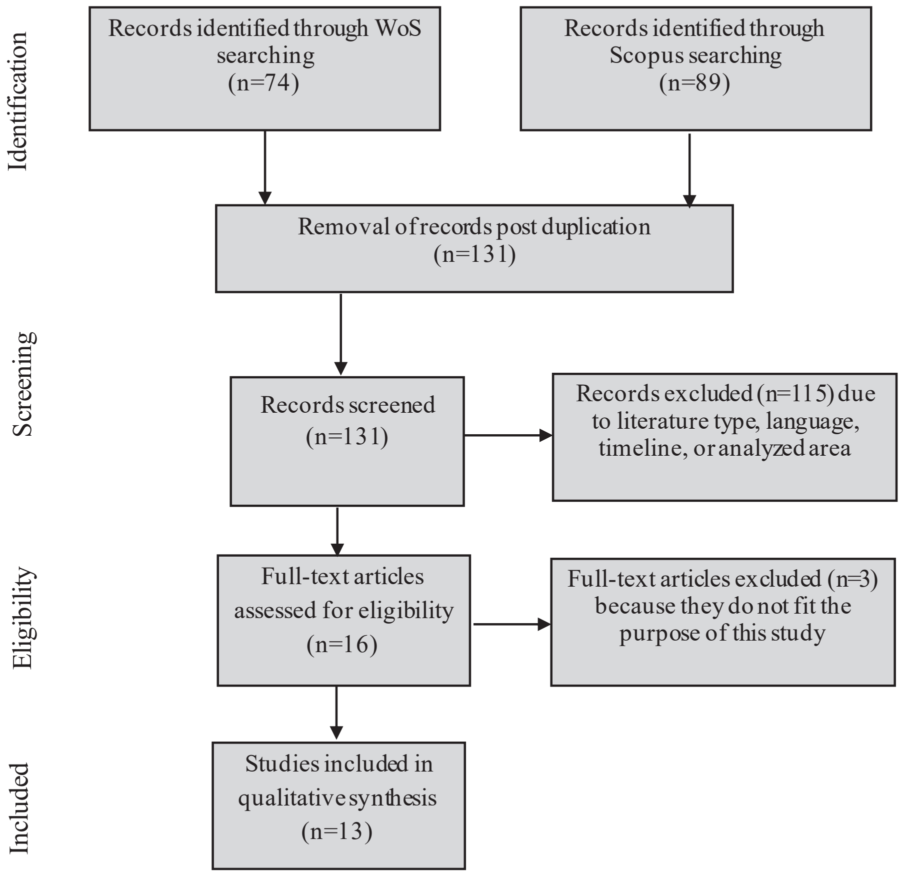
The third stage is eligibility, wherein full-text articles that do not fit the purpose are excluded. At this stage, three articles (Calabrese and Searing 2019, Gilchrist, Etheridge and Liu 2023, and Miller 2021) are excluded, due to their unclear earnings management determinants. Finally, the inclusion phase results in 13 relevant articles for qualitative synthesis. We cannot identify any individual or overall bias in the article selection. Figure 1 summarizes the four stages of the selection process.

Table 2. Keywords Used for the Search

Databases	Keywords Used
Scopus	TITLE-ABS-KEY (earnings AND management AND nonprofit OR non-profit OR not-for-profit)
Web of Science	TS=(earnings AND management AND (nonprofit OR non-profit OR not-for-profit))

Note: This table is prepared by the authors.

Figure 1. Selection Process of the Papers Subject to the Review

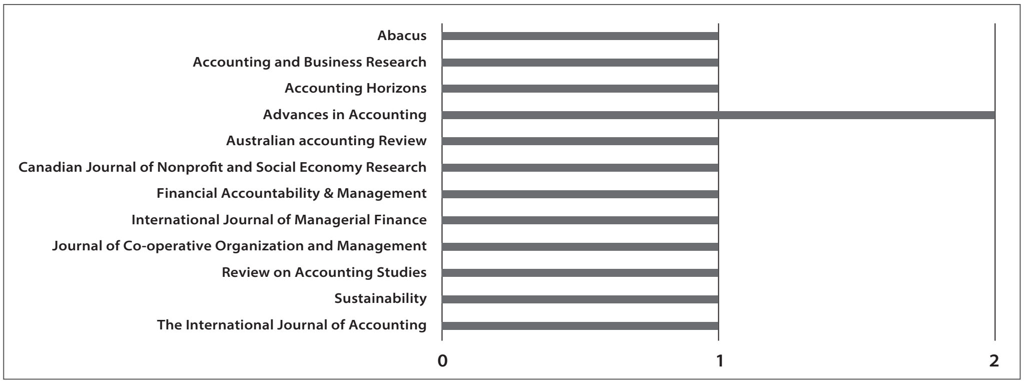


Note: This figure is prepared by the authors based on "Figure 1. Flow of information through the different phases of a systematic review" by Moher et al. (2009).

3.5 Journals, Subjects of Articles, Authors, and Geographical Locations

Among the 13 articles, two are published in *Advances in Accounting*. Other articles are published in different journals (*Abacus, Accounting and Business Research, Accounting Horizons, Australian Accounting Review, Canadian Journal of Nonprofit and Social Economy Research, Financial Accountability & Management, International Journal of Managerial Finance, Journal of Co-operative Organization and Management, Review of Accounting Studies, Sustainability, and the International Journal of Accounting*) (Figure 2).

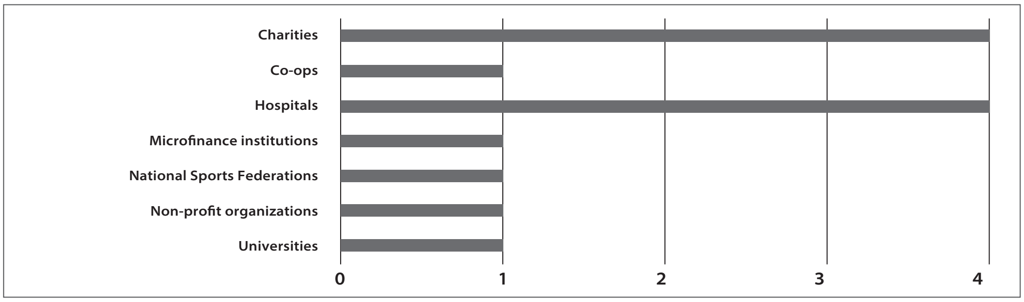
Figure 2. Journals



Note: This figure is prepared by the authors.

Four articles address hospitals, including the English NHS Foundation Trusts (Beck, Gilstrap, Rippy and Vansant 2021, Cannon et al. 2022, Greenwood and Zhan 2019, and Wen, Huang, Shen and Zhang 2019). There are four papers on charities (Cyr et al. 2023, Habib and Huang 2019, Newton 2022, and Nguyen and Soobaroyen 2019). One each investigates co-ops (Almutairi 2021), microfinance institutions (Lassoued 2022), non-profit organizations (Norman et al. 2022), National Sports Federations (NSFs) (Guevara, Martín and Arcas 2021), and universities (Greenwood and Tao 2021) (Figure 3). This shows that hospitals and charities are the two major types of operations among non-profit organizations.

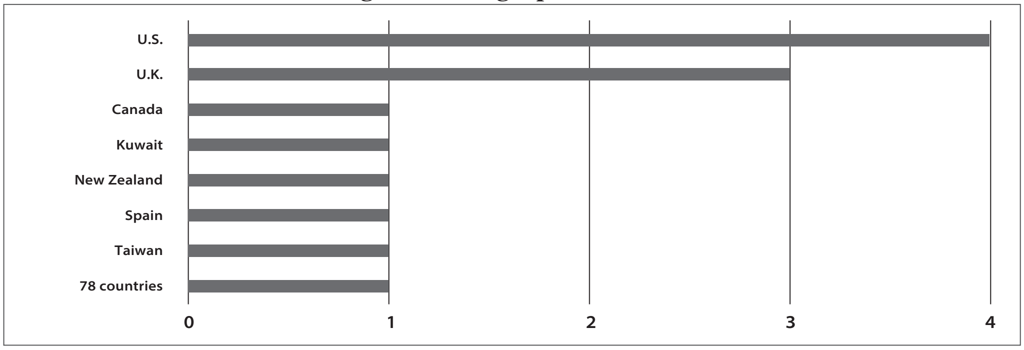
Figure 3. Subjects of Articles



Note: This figure is prepared by the authors.

Among the 13 papers, two papers are written by Margaret J. Greenwood, whereas other authors appear only once. Therefore, she is regarded as the leading author in this area. Regarding the geographical locations, four articles focus on the non-profit organizations in the U.S., three refer to those in the U.K., and one each focuses on Canada, Kuwait, New Zealand, Spain, Taiwan, and the 78 countries across six different regions (Africa, East Asia and the Pacific, Eastern Europe and Central Asia, Latin America and The Caribbean, Middle East and North America, and South Asia) (Figure 4). Therefore, the situation in the U.S. is primarily studied.

Figure 4. Geographical Locations



Note: This figure is prepared by the authors.

3.6 Data Analysis

Based on 13 relevant articles, this study uses content and thematic analyses to derive the patterns of the themes within the qualitative data. The final themes include (1) measurements, (2) motivations, and (3) determinants of earnings management. These themes correspond to the result of the literature review shown in section II. Moreover, the result of the correspondence analysis using the titles of 13 articles shows the three themes, namely (1) measurements (earnings management), (2) motivations (debt, threshold), and (3) determinants (director, audit, nonprofit) of earnings management (Figure 5). These themes are explained in the following section.

Figure 5. Co-Occurrence Network of 13 Article Titles

Note: This figure is prepared by the authors by using User Local AI Text Mining (https://textmining.userlocal.jp).

IV. RESULT OF THE PRISMA

4.1 Measurements of Earnings Management

Accrual-based earnings management is discussed in five relevant articles (Cyr et al. 2023, Greenwood and Zhan 2019, Greenwood and Tao 2021, Guevara et al. 2021, and Nguyen and Soobaroyen 2019), and seven articles explain real activities manipulation in non-profit organizations (Almutairi 2021, Beck et al. 2021, Habib and Huang 2019, Lassoued 2022, Newton 2022, Norman et al. 2022, and Wen et al. 2019). One study suggests that non-profit organizations employ both accrual-based earnings management and real activities, to manipulate earnings management (Cannon et al. 2022). Overall, the evidence suggests that non-profit organizations execute manipulation through real activities, rather than accrual-based earnings management.

4.2 Motivations of Earnings Management

Five articles state that the motivation of earnings management is to drive financial results toward a zero surplus/deficit (Almutairi 2021, Cyr et al. 2023, Greenwood and Zhan 2019, Greenwood and Tao 2021, and Nguyen and Soobaroyen 2019), and four articles suggest that its motivation is to meet a certain target (Cannon et al. 2022, Guevara et al. 2021, Lassoued 2022, and Wen et al. 2019). Other motivations for earnings management are to lower debt costs (Beck et al. 2021), avoid the loss of trust and confidence of their internal and external stakeholders (Habib and Huang 2019), exceed the 33-1/3 percent public support threshold (Newton 2022), and benefit their CEO friends (Norman et al. 2022). In summary, the main motivation for earnings management in non-profit organizations is to drive their financial results toward zero surplus/deficit.

4.3 Determinants of the Earnings Management in Non-Profit Organization

4.3.1 Long-Term Debt Level/Leverage

Cyr et al. (2023), Guevara et al. (2021), Lassoued (2022), and Nguyen and Soobaroyen (2019), examine long-term debt and leverage. Cyr et al. (2023), Guevara et al. (2021), and Nguyen and Soobaroyen (2019) argue that debt increases earnings management. Cyr et al. (2023) claim that higher leverage intensifies earnings management toward zero. Guevara et al. (2021) show that the NSF most indebted in the long term manipulate the results upward. Nguyen and Soobaroyen (2019) suggest that charities with extensive debt and credit obligations are more likely to be involved in earnings management. Nonetheless, Lassoued (2022) posits that debt decreases earnings management. This confirms the monitoring hypothesis of debt, indicating that debt holders effectively control managerial behavior and limit earnings management (Lassoued 2022).

4.3.2 Size of the Organization

Guevara et al. (2021), Habib and Huang (2019), and Nguyen and Soobaroyen (2019) focus on organizational size's effect on earnings management. Guevara et al. (2021) and Nguyen and Soobaroyen (2019) suggest that earnings management decreases as an organization's size increases. Guevara et al. (2021) show larger Spanish NSFs' reduced engagement in earnings management, to avoid reporting losses. Nguyen and Soobaroyen (2019) posit that larger charities are less likely to be involved in earnings management and may proxy for the possibility that a higher level of professionalism, reputational awareness, and governance (e.g., external trustee members) is present in such charities, curbing the potential for higher earnings management.

Habib and Huang (2019) suggest asymmetric cost behavior to be cost stickiness, thereby finding that costs are significantly sticky for larger charities: expenditure increases by 0.88% with a 1% change in income, whereas it decreases by just 0.25% (0.875–0.627) for a 1% decrease in income. Conversely, they indicate that smaller charities exhibit cost anti-stickiness—costs fall at a higher rate than the decrease in income (expenditure increases by 0.57% with a 1% increase in income, but declines by 0.66% with a 1% decrease in income) (Habib and Huang 2019).

4.3.3 Grants/Subsidies

Cyr et al. (2023) and Greenwood and Tao (2021) cater to grants or subsidies. Cyr et al. (2023) insist that grants and subsidies increase earnings management, and the magnitude of government grants relative to the charity's total revenue intensifies this practice. However, Greenwood and Tao (2021) suggest that financial quality is positively associated with the dependence on funding from regulators.

4.3.4 Non-Profit Hospitals or Public Hospitals

Non-profit hospitals (Cannon et al. 2022) and public hospitals (Wen et al. 2019) have lower earnings management levels. Cannon et al. (2022) state that nonprofit hospitals engage in a lesser degree of accrual and discretionary cost-driven real earnings manipulation than for-profit hospitals. Wen et al. (2019) claim that the real activity management level varies significantly across ownership types in nonprofit hospitals. They also insist that while privately owned hospitals, on average, increase or decrease both types of expenditure to meet their net income benchmarks, state-owned hospitals are less likely to exhibit similar behavior (Wen et al. 2019).

4.3.5 Donation

Habib and Huang (2019) and Lassoued (2022) examine donation variables. Habib and Huang (2019) find that charities relying primarily on donations exhibit a greater degree of cost stickiness than those relying on government grants. Lassoued (2022) suggests that donated equity encourages managers to manipulate earnings to attract donors.

4.3.6 Corporate Governance

Two corporate governance variables are associated with earnings management in non-profit organizations: non-profit directors with/without corporate experience having friendship ties with the CEO, and the appointment of auditors or financial administrative officers. Norman et al. (2022) claim that non-profit directors without corporate director experience are less likely to manage earnings for the CEO's direct benefit or reach forecast targets, when they have friendship ties with the CEO, compared to the absence of such ties. They state the reason for this outcome to be the following: non-profit directors without corporate experience would perform their director roles in accordance with the expectations, to demonstrate competence and preserve their reputation by signaling their independence and objectivity (Norman et al. 2022).

Conversely, Norman et al. (2022) suggest that directors with corporate experience are more willing to manage earnings for CEOs who are friends. The differences between these two groups of non-profit directors result from behaviors learned in the corporate boardroom, as well as any potential individual differences between non-profit directors who choose to seek out corporate director positions, versus those who do not take corporate director roles (Norman et al. 2022).

Regarding the appointment of auditors or financial administrative officers, Greenwood and Zhan (2019) and Almutairi (2021) posit that these individuals can reduce the opportunistic earnings in non-profit organizations. They monitor and observe the organizational operations from the outside. Greenwood and Zhan (2019) indicate that audit adjustments mitigate management bias for the English National Health Service Foundation Trusts with a pre-audit deficit. Almutairi (2021) investigates the effect of financial and administrative observers in co-ops, as required by MOSAL's law no. 118 of 2013 in Kuwait. This shows that the passage of MOSAL's 2013 regulation has a negative effect on real activities manipulation and accrual-based earnings management (Almutairi 2021).

4.3.7 Other Factors

The following studies refer to other factors impacting earnings management. Beck et al. (2021) state that nonprofit hospitals use discretion to shift costs from bad debt expenses to charity care, in anticipation of entering the bond market. Cyr et al. (2023) state that higher public benefit intensifies the practice of reducing earnings when a charity anticipates a surplus. Here, "public benefit" is measured as the proportion of total charitable expenses to total revenues (Cyr et al. 2023, 71). Greenwood and Tao (2021) find that financial reporting quality decreases to avoid deficit reporting. Here, discretionary accruals are used as proxies for financial reporting quality (Greenwood and Tao 2021, 165). Habib and Huang (2019) claim some evidence of greater cost stickiness during a crisis as opposed to non-crisis periods. It also documents that the magnitude of cost stickiness is greater in the primary sector than in other charity sectors (Habib and Huang 2019). Here, "primary sectors" include the following: (i) education, training, and research; (ii) health, people with disabilities, and emergency disaster relief; (iii) social services, accommodation and housing, and community development; and (iv) care and protection of animals and environment conservation (Habib and Huang 2019, 17). Newton (2022) insists that public support levels for charities that surpass the 33-1/3 percent threshold are likely to be misrepresented. Wen et al. (2019) indicate that religiosity is likely to play a significant role in constraining real earnings management behavior. The results of the literature review are summarized in Tables 3-1 and 3-2. Table 3-1 shows the geographical locations of non-profit organizations, types of operations, earnings management measurements, and motivations for earnings management. Table 3-2 indicates the determinants and signs of earnings management.

Table 3-1. Overview of Earnings Management in Non-Profit Organizations (1)

Author	Geographical Locations	Types of Operations	Measurements (accrual, real activities, others)	Motivations of Earnings Management
Almutairi, A.R. (2021)	Kuwait	Consumer co-operative societies	Real activities manipulation (sales revenue, SG&A discretionary expenses and COGS)	To drive earnings toward zero
Beck, A., Gilstrap, C., Rippy, J. and Vansant, B. (2021)	U.S.	Non-profit hospitals	Real activities manipulation (to shift costs from bad debt expenses to charity care)	To lower debt costs
Cannon, J.N., Lamboy-Ruiz, M.A. and Watanabe, O.V. (2022)	U.S.	For-profit and non-profit hospitals	Accrual -based and real earnings management	For-profit hospitals use earnings management to report earnings that are more consistent over time.
Cyr, D., Landry, S. and Fortin, A. (2023)	Canada	Charitable organizations	Discretionary accruals	To manage their surplus or deficit toward zero
Greenwood, M. and Zhan R. (2019)	U.K.	English NHS Foundation Trusts	Discretionary accruals	To manage earnings to report small surpluses close to zero by managing deficits upwards and surpluses downwards
Greenwood, M. J. and Tao L. (2021)	U.K.	Universities	Discretionary accruals	To avoid deficit reporting
Guevara, J. C., Martín, E. and Arcas, M. J. (2021)	Spain	National Sports Federations	Accounting accruals	To artificially increasing the result
Habib, A. and Huang, H. J. (2019)	New Zealand	Charities	Real activities manipulation (Cost)	To avoid the loss of trust and confidence of their internal and external stakeholders
Lassoued, N. (2022)	78 countries	Profit and nonprofit microfinance institutions	Real activities manipulation (Discretionally provisions for impairment loss)	To be sustainable or profitable to ensure their continuity and to reach their social goal
Newton, A. (2022)	U.S.	Public charities	Real activities manipulation (Expenses)	To exceed the 33-1/3 percent public support threshold
Nguyen, T. and Soobaroyen, T. (2019)	U.K.	Charities	Discretionary accruals	To drive their financial results toward a zero surplus/deficit
Norman, C. S., Rose, A. M., Rose, J. M. and Ugrin, J. C. (2022)	U.S.	Non-profit organizations	Real activities manipulation (R&D spending)	To benefit their CEO friends
Wen, Y.C., Huang, P., Shen, H.C. and Zhang, Y. (2019)	Taiwan	Nonprofit hospitals	Real activities manipulation	To meet their net income threshold

Note: This table is prepared by the authors.

Table 3-2. Overview of Earnings Management in Non-Profit Organizations (2)

Author	Determinants and the Signs of Earnings Management					
	Characteristics	Sign	Corporate Governance	Sign	Others	Sign
Almutairi, A.R. (2021)			Financial and administrative observers required by the 2013 MOSAL (Ministry of Social Affairs and Labor) regulation	(-)		
Beck, A., Gilstrap, C., Rippy, J. and Vansant, B. (2021)					Public bond issuance	(+)
Cannon, J.N., Lamboy-Ruiz, M.A. and Watanabe, O.V. (2022)	Non-profit hospitals	(-)				
Cyr, D., Landry, S. and Fortin, A. (2023)	Government grants	(+)			Public benefit	(+)
	Leverage	(+)				
Greenwood, M. and Zhan R. (2019)			Auditors ((-) in the case of English NHS Foundation Trusts with a pre-audit deficit, (i) in the case of English NHS Foundation Trusts with a pre-audit surplus)	(-) or (i)		
Greenwood, M. J. and Tao L. (2021)	Dependence of funding from regulators	(-)			Deficit	(+)
Guevara, J. C., Martín, E. and Arcas, M. J. (2021)	Size of the organization	(-)				
	Long-term debt level	(+)				
Habib, A. and Huang, H. J. (2019)	Charity size (For large charities, if income increases, expenditure increases. For small charities, costs fall at a higher rate than the decrease in income.)	(+)			Economic crisis	(+)
	Donation	(+)			Primary sector	(+)
Lassoued, N. (2022)	Debt	(-)				
	Donated equity	(+)				
Newton, A. (2022)					Public support test	(+)
Nguyen, T. and Soobaroyen, T. (2019)	Organizational size	(-)				
	Leverage	(+)				
Norman, C. S., Rose, A. M., Rose, J. M. and Ugrin, J. C. (2022)			Non-profit directors without corporate experience who have friendship ties with the CEO	(-)		
			Non-profit directors with corporate experience who have friendship ties with the CEO	(+)		
Wen, Y.C., Huang, P., Shen, H.C. and Zhang, Y. (2019)	Public hospitals	(-)			Entity-level religiosity	(-)

Note: This table is prepared by the authors.

V. CONCLUSIONS AND FUTURE RESEARCH

The results from the systematic literature review of 13 relevant articles suggest that earnings management in non-profit organizations primarily uses real activities to manipulate earnings, rather than accrual-based management. This indicates that its main motivation is to drive its financial results toward a zero surplus/deficit. The determinants of earnings management include the long-term debt level or leverage, size and types of organization, grants or subsidies, and corporate governance factors, which are limited only to directors with or without corporate experience and relationships with the CEO, as well as auditors' or observers' appointment in the organization. These findings are in line with the previous studies. However, these findings can help conclude that prior research on earnings management in non-profit organizations is limited, due to difficulties in obtaining data and accessing non-profit organizations (Habib and Huang 2019 and Nguyen and Soobaroyen 2019).

The findings of this study should be used with caution, because the review may not include various forms of non-profit organizations, such as a specific non-profit organization type. Additionally, each country has different forms of non-profit organizations; thus, the findings cannot be generalized to all forms. Future research should include more keywords that represent true non-profit organizations. Moreover, in-depth analysis, such as an analysis of earnings management based on the classification of non-profit organizations (size, debt, or donation), or an analysis of specific types of non-profit organizations (hospitals, charities) for a relatively long term, might be future directions.

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Beck, A., Gilstrap, C., Rippy, J. and Vansant, B. 2021. Strategic reporting by nonprofit hospitals: An examination of bad debt and charity care. *Review of Accounting Studies* 26(3):933-970.

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