

Coping with COVID-19: the role of accounting in shaping charities' financial resilience

Ralph Kober and Paul J. Thambar

*Department of Accounting, Monash Business School, Monash University,
Melbourne, Australia*

1416

Received 13 September 2020
Revised 26 November 2020
12 March 2021
Accepted 30 March 2021

Abstract

Purpose – The purpose of this paper is to explore the role of accounting in shaping charities' financial resilience during the COVID-19 crisis.

Design/methodology/approach – A case study of a charity was conducted. The financial resilience framework (Barbera *et al.*, 2017) was applied to explore how accounting contributes to charities' capacity to cope with crises.

Findings – The results show how the accounting practices of budgeting, forecasting and performance reporting (financial and nonfinancial), as well as “accounting talk,” form part of the anticipatory and coping capacities that provided the charity the financial resilience to navigate the COVID-19 crisis.

Practical implications – The paper evidences the important role accounting plays in establishing financial resilience to help charities cope with crises, particularly the importance of having accounting practices established prior to a crisis and accounting information forming part of managers' discussions. The study also demonstrates that financial reserves have an important buffering capacity role.

Originality/value – This is the first paper to examine the role of accounting within a charity during an economic crisis. The authors explore the role of accounting in shaping a charity's financial resilience and demonstrate the applicability of the financial resilience framework to a sudden, unexpected crisis such as COVID-19. They extend the accounting talk literature by highlighting its importance to a charity and during a crisis.

Keywords Accounting talk, Charities, COVID-19, Crisis, Financial resilience, NFP, NGO, Not-for-profit

Paper type Research paper

1. Introduction

The aim of this paper is to examine the role of accounting in shaping a charity's financial resilience during the COVID-19 crisis, that is, the charity's capacity to cope with the financial impacts of the crisis (Barbera *et al.*, 2020). Charities play an important role around the world, providing services to citizens as governments increasingly outsource their services to the charity sector (Kober *et al.*, 2021). The COVID-19 pandemic has created a significant economic crisis unlike any other since the Great Depression (Martin, 2020). Charities have been adversely affected, with reductions in donations coupled with an increased demand for their services. Pro Bono Economics (2020) estimates that 10% are facing bankruptcy. Consequently, it is important to gain an understanding of the role accounting can play in shaping charities' financial resilience.

The authors would like to thank the staff of The One Box and The Fruit Box for their support and time. In particular we would like to thank Martin Halphen for allowing access and Vivien Yui and Brendan Shaw who were extremely generous with their time. We would also like to thank the editors of the special issue, especially Giulia Leoni, and the two anonymous reviewers for their constructive feedback and support. The review process and your comments have improved the paper.

Funding for this research was provided by an industry grant from The One Box and a research grant from the Department of Accounting, Monash Business School. The financial support of both is gratefully acknowledged.



We conduct a case study of a charity, conducting interviews and observing meetings while the COVID-19 crisis unfolds. We apply the financial resilience framework (Barbera *et al.*, 2017), focusing on the two internal organizational capacities – anticipatory capacities and coping capacities – to develop an understanding of how a charity has been coping with the COVID-19 crisis. We provide a broad understanding of how different accounting practices and “accounting talk” [1] (Ahrens, 1997) develop financial resilience in a charity.

We make several contributions to the accounting crisis and financial resilience literature. We are the first accounting study to look at a charity during a crisis. Prior studies have examined for-profit organizations (Becker *et al.*, 2016; Makrygiannakis and Jack, 2016) and local governments (Barbera *et al.*, 2016, 2020). We also contribute to the accounting crisis literature by showing how a charity can use accounting practices to be financially resilient. We extend the financial resilience framework beyond the public sector to the charitable sector. Prior studies have focused on local governments (Ahrens and Ferry, 2020; Barbera *et al.*, 2017, 2020). These studies were also conducted with respect to austerity, which came with a forewarning. We therefore also extend the financial resilience literature by demonstrating the applicability of the financial resilience framework to an unexpected economic crisis, such as that associated with the COVID-19 pandemic (Ahrens and Ferry, 2020). Finally, we contribute to the accounting talk literature by extending this research to the charity sector and being the first study to highlight the importance of accounting talk during a crisis.

The remainder of the paper is structured as follows: Next, we review the accounting literature on crises and financial resilience. We then discuss our research method and the case site. Finally, we present our findings, followed by a discussion and conclusion.

2. Accounting research on crises and financial resilience

While research has examined the role of accounting within organizations during an economic crisis, it has typically focused on specific practices, for example, budgets (Barbera *et al.*, 2016; Becker *et al.*, 2016; Makrygiannakis and Jack, 2016). Barbera *et al.* (2020, p. 532) extend this literature by “exploring how organizational capacities shape responses to financial shocks and austerity and how accounting is shaped by and contributes to shape such capacities.” By applying the financial resilience framework, Barbera *et al.* (2020) demonstrate how accounting is implicated in the manner in which local governments maintain services during austerity. The authors show how accounting can assist or hamper the anticipation of shocks, as well as coping with them. This broader exploration of the role of accounting is important, because its role is multifaceted and can change over time (Ezzamel and Bourn, 1990). Consequently, focusing on only a specific accounting practice can limit our understanding of how accounting can potentially help organizations cope with crises. We extend the literature by applying the financial resilience framework to a charity, highlighting the role accounting practices play in developing anticipatory and coping capacities.

3. Research method

We conduct a qualitative case study of a food relief charity, The One Box (TOB). The research design involved data triangulation (Modell, 2005) through the collection of a variety of sources, including interviews, observations of meetings and organizational documents. From February to November 2020, we conducted 17 interviews with eight staff members and two external directors; observed 22 planning meetings, five grants meetings, and one board meeting and were provided with numerous organizational documents (see Table 1) [2].

We apply the financial resilience framework (Barbera *et al.*, 2017), which identifies four dimensions: environmental conditions, perceived vulnerability, anticipatory capacities and

Date	Interviewee position	Duration (minutes)
February 17, 2020	Research and Operations Coordinator	69
February 17, 2020	Chief Operating Officer	59
February 17, 2020	Chief Executive Officer	61
April 20, 2020	Research and Operations Coordinator	45
May 12, 2020	Head of Sales	60
May 12, 2020	Chief Marketing Officer	55
May 20, 2020	Marketing Coordinator	51
May 20, 2020	Chief Operating Officer	65
May 22, 2020	Chief Executive Officer	42
June 3, 2020	Head of Procurement	67
June 5, 2020	National Operations Manager	28
June 17, 2020	Chief Operating Officer	63
June 26, 2020	Research and Operations Coordinator	65
July 2, 2020	Chief Marketing Officer	56
July 3, 2020	Head of Sales	84
July 15, 2020	External Director 1	31
July 22, 2020	External Director 2	30
Total		15 hours 31 minutes

Note(s): Since the staff was employed by TFB, the titles shown relate to TFB, except for the two external directors, who were directors of TOB

Source(s): *Other data sources*

Annual financial report, annual report, board meeting (attended one), budgets, constitution, forecasts, internal research reports, grant meetings (observed five), planning meetings (observed 22), policy and procedures manual, and vision document

Table 1.
Case study data

coping capacity. The environmental conditions relate to the economic, institutional and social factors that impact an organization's perceived vulnerability and capacity to cope with a crisis (Barbera *et al.*, 2017). An organization's perceived vulnerability depends on both internal factors (e.g. financial reserves, debt levels) and external factors (e.g. reliance on donations). Anticipatory capacities and coping capacities are dimensions internal to an organization and thus form the focus of our attention. Anticipatory capacities "refer to the availability of tools and capabilities that enable [organizations] to better identify and manage their vulnerabilities and recognize potential financial shocks before they arise" (Barbera *et al.*, 2017, p. 675). These "include planning, controlling and monitoring systems as well as situation awareness and sensemaking" (Barbera *et al.*, 2020, p. 533). Coping capacities (Barbera *et al.*, 2017, p. 675)

... refer to resources and abilities that allow shocks to be faced and vulnerabilities to be managed. Coping capacities can take [three] different forms: buffering capacities, that is, the ability to absorb the impact of a shock without changes in structures or function; [adaptive] [3] capacities, that is, the ability to implement incremental changes to extant structures and functions without changing the underlying principles, culture, and values; [transformative] capacities, that is, the ability to implement radical changes, encompassing structures, functions, goals and values.

We apply the financial resilience framework to show how the COVID-19 crisis increased TOB's perceived vulnerability and how accounting practices and accounting talk formed part of the anticipatory and coping capacities that allowed TOB to navigate the crisis.

4. Case site

TOB is an Australian food relief charity operating across five states. Unlike other food relief charities, which provide beneficiaries with one-off lots of rescued food [4] without

guaranteeing future supplies, TOB provides a weekly box of purchased fresh fruit, vegetables, milk, and bread with a retail value of \$25 for 40 weeks. This form of relief overcomes problems associated with traditional food relief, namely, (1) the recipients of rescued food feeling stigma and shame (Purdam *et al.*, 2016), (2) the poor nutritional value of rescued food (Simmet *et al.*, 2017) and (3) not meeting recipients' chronic needs (Lindberg *et al.*, 2015).

TOB delivers the boxes to partnering schools and community centers, which then distribute them to the beneficiaries. The beneficiaries are identified by the schools and community centers according to TOB's eligibility requirements (must have a child under 16), with TOB having no contact with the beneficiaries.

TOB was initially established as a corporate social responsibility program of The Fruit Box (TFB). TFB delivers fruit and milk to offices across Australia. As the program expanded, TFB decided to create TOB as a separate legal charity. However, TFB continued to support TOB by being the primary source of donations, as well as through the use of its warehousing, logistics, office space and employees. See Figure 1 for TOB's organizational chart.

Prior to COVID-19, this financing and operating model was seen as a strength and meant that, unlike many charities, TOB was not preoccupied with financing its operations:

I think that takes a lot of the angst out of it and we can really focus on getting the model right rather than constantly wondering where the next dollar is. (Senior manager)

Thus, TOB focused on growing its operations, which it was successfully in doing, having delivered 35,000 boxes in 2018 and 40,000 boxes in 2019, with plans to deliver 45,000 boxes in 2020.

5. Impact of COVID-19

With the increasing spread of COVID-19 in Australia, in March 2020 the Australian Government commenced a series of social control measures (e.g. public movement restrictions, social distancing requirements, lockdowns) curtailing personal and organizational activities. These measures resulted in Australia experiencing its worst economic downturn since the 1930s (Martin, 2020), with unprecedented increases in the demand for food relief (Foodbank, 2020). However, the COVID-19 crisis had major operational and financial impacts on TOB's ability to provide weekly boxes of fresh produce to its

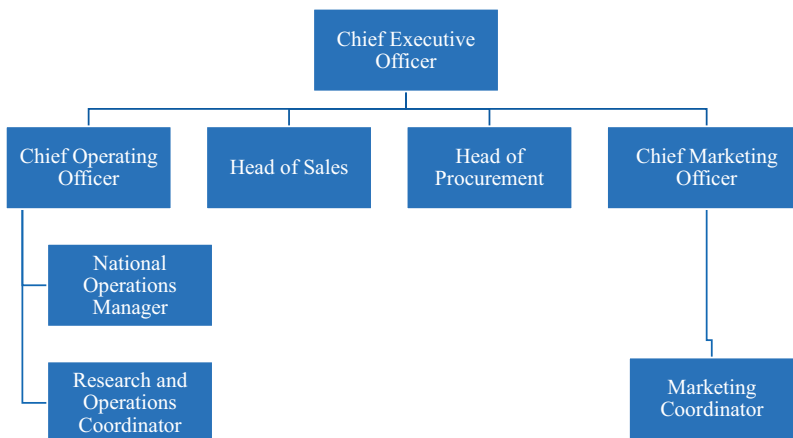


Figure 1.
Organizational chart of
TFB staff members
active in TOB

AAAJ
34,6

beneficiaries. Due to uncertainty associated with the distribution model, TOB was forced to suspend operations for three weeks in March 2020:

There was just too much uncertainty. We were not sure that we would be able to deliver the boxes to the schools and they would go to the intended recipients. We were not sure if they would just sit there, not being used. (Manager)

1420

TOB's financial vulnerability also increased as its major donor, TFB, which still provided over 90% of TOB's funding, suffered a 70% reduction in revenues. Such a major revenue reduction impacted TFB's ability to continue financially and operationally supporting TOB:

We've had to review The One Box program and how we support that. It's quite challenging from both an economic perspective but also an emotional . . . perspective, because, ironically, it's the time when people need [food relief] the most. But at the same time, if you can't afford it, then you can't afford it. (Senior manager)

In mid-April, TOB recommenced operations, slowly resuming deliveries to schools and community centers. However, given that TFB was no longer able to offer the same level of operational and financial support, TOB was faced with the problem of how to resume operations and return to pre-COVID-19 weekly delivery levels. Returning to these precrisis levels was considered important, since the COVID-19 crisis had increased levels of food insecurity. Furthermore, due to the increased need for food relief, TOB saw the crisis as an opportunity to expand the reach of its program.

Our findings in the next section detail the role played by accounting practices and accounting talk in supporting TOB's anticipatory and coping capacities.

6. Findings

6.1 Anticipatory capacities

The COVID-19 pandemic caught TOB by surprise, similar to most organizations. However, TOB had preexisting well-developed accounting practices in place that helped it successfully manage its increased vulnerabilities. These capacities were driven by a view that, even though TOB was a charity, it should be managed as a business. Consequently, TOB had implemented accounting practices such as budgets, forecasting and financial and nonfinancial performance measurement systems:

It's got to run like a business. Ultimately you don't want to have a—for want of a better term—charity mindset, as in it will cost what it will cost. It's no. It's run like a business. There's disciplines, and you typically have targets . . . so, it's very much a business mindset that we take to how we run TOB, even though at the end of the day it is a charity. (Senior manager)

One of the aspects associated with this business mindset was a strong emphasis on the accounting practices of forecasts, budgets and target setting:

We're very much budget driven and so we have our targets and our plans for the year. (Senior manager)

Every month there's a TOB report that's produced, which is against its budget year-to-date rolling forecast against basically actual plus budget remaining. (Senior manager)

TOB had an enterprise resource planning (ERP) system that could be accessed at any time to provide information on deliveries, costs and performance relative to the budget:

[We have] a live feed out of the ERP of the number of boxes produced every week and where they've gone, and then it's tied back to what we've set as a budget for the cost of producing those boxes. (Senior manager)

Consequently, cost information was considered in terms of the produce that constituted each week's boxes, as well as which schools to incorporate into the program:

With all of our boxes, it'll be season, functionality, the integrity of the product, and budget, so there's a few things that we look at. (Manager)

First question is . . . are we in that area and when? The second question is how many boxes need to get there? Because that will determine whether . . . one of our existing runs that has space for it, or whether we [need to] create a new run. (Manager)

TOB's criteria regarding participation in the program incorporated marginal costs. If a potential new school was near an existing delivery run and there was spare capacity within the run, there would be very low marginal delivery costs associated with onboarding this school into the program. Schools that were proximate to existing delivery runs were thus prioritized in joining the program.

In addition to the above financial aspects, TOB also closely monitored nonfinancial performance. Nonfinancial performance was tracked weekly and reported every two weeks. The reports detailed actual performance relative to planned performance on a weekly basis for the past few weeks, anticipated performance for the next few weeks and on a year-to-date basis. Figure 2 provides an example of such a report. Combined with the financial reporting practices detailed above, TOB paid close attention to its past performance, not only to gauge how it was performing but also to utilize this information to make necessary adjustments to

Operations Update:

Week no.	Planned/week	Actual/week	Running total (year)	Notes
20	1126	835	12,069	<ul style="list-style-type: none"> Resuming deliveries to sixteen VIC, NSW, SA, QLD schools All boxes back to fresh milk only
21	1126	875	12,944	<ul style="list-style-type: none"> Resuming deliveries to one WA charity and one NSW school Deliveries back to: 11 community centres and 27 schools total
22	351	479	13,383	<ul style="list-style-type: none"> Limited school holiday deliveries to charities in VIC Last week of Term 2 deliveries for NSW, SA, QLD
23	0	255	13,638	Limited school holiday deliveries to charities in VIC, NSW, WA
24 (this week)	1012 (with new schools)	593	14,231	Term 3 begins in QLD and regional VIC schools (extended school holidays in Greater Melbourne)
25	1428	1133	15,364	Term 3 begins in SA, NSW, WA; limited deliveries to Greater Melbourne schools
26	1443	1188 (TBC)		Some schools starting later in Term 3 will begin
27	1443	1196 (TBC)		Some schools starting later in Term 3 will begin

As of the end of this week:	Total delivered to date	Total planned to date	Difference between actual vs. planned
	14,231 (593 boxes this week)	22,490	8,259

Estimated totals by end of 2020:	Total delivered by end 2020	Difference between total vs. aim (45,000 boxes by end 2020)
Current scenario: <ul style="list-style-type: none"> 19 new schools and charities have joined The One Box for Term 3, from VIC (5), NSW (5), SA (6), QLD (1) and WA (2) 25/38 (~2/3) deliveries to Victorian schools and charities will still resume their deliveries from next week ≥ 1,133 boxes/week	≥ 37,208* <small>(*with current extent of deliveries; assumes not all VIC schools will resume by end of year)</small>	-7,792
In addition, we aim to: <ul style="list-style-type: none"> Resume metro VIC deliveries where possible (~222-245 additional boxes/week) Onboard additional schools as needed (number depends on when VIC schools can restart)? Deliver to charities over T3-4 school holidays? 	TBC	TBC

Figure 2. Nonfinancial performance report

future operations. For example, if the cost per box were exceeding expectations, then adjustments would be made to the produce purchased or attempts would be increased to source the produce at a decreased price. Alternatively, as was the case during the COVID-19 crisis, if TOB was behind in terms of numbers of boxes delivered, then it would explore ways in which to increase future deliveries.

In addition to paying close attention to past performance, TOB also paid close attention to forecasting:

[The chief operating officer's] got this finance modeling spreadsheet that is on our shared drive. I update that every week with what numbers we've done and how things are looking. (Manager)

Future box deliveries changed for various reasons, such as schools or community centers requesting increased or decreased deliveries or being unable to receive deliveries (e.g. due to a public holiday and being unable to reschedule deliveries), or when new schools joined the program, as occurred during the COVID-19 crisis as part of TOB's efforts to expand the reach of its program. Additionally, during the COVID-19 crisis, forecasted delivery numbers changed frequently due to government announcements (e.g. the lifting and reintroduction of public movement restrictions, the lifting and reintroduction of remote learning for schools, changing dates of school holidays, extending school holidays) and the stretched capacity of schools and community centers having to cope with substantially increased government regulatory requirements coupled with the reduced availability of volunteers. Once identified, any anticipated changes to upcoming deliveries were entered weekly into a modeling spreadsheet, which then reforecasted deliveries for the remainder of the year. The updated delivery numbers were then used to establish the sufficiency of financial reserves to fund operations for the remainder of the year.

There was also a substantial amount of accounting talk (Ahrens, 1997) within TOB. As noted by Hall (2010, p. 302), it "is primarily through talk . . . that accounting information becomes implicated in managerial work." At TOB, planning meetings formed a conduit to facilitate this accounting talk:

We have a fortnightly meeting where we go through all elements of the business, from how many boxes have we done according to what we said we were going to do, any operational issues, how we're going with procurement, how we're going with logistics, . . . and marketing. . . . That's done with finance, operations and logistics, research, marketing, procurement. (Senior manager)

Accounting talk was observed during various episodes within planning meetings [5]. When operations were discussed, nonfinancial performance such as in Figure 2 would be displayed. Discussions then covered variances and their implications, especially in later periods, when the reach of the program had expanded such that actual deliveries were exceeding planned weekly deliveries. These discussions often linked to finance discussions surrounding TOB's financial reserves and what the expansion of operations meant in terms of TOB's ability to fund operations, for example, whether existing reserves could fund the remainder of the year's activities. Consequently, accounting talk formed a central component of decisions concerning expansion of the program's reach. Accounting information was important in discussing issues associated with whether TOB should focus on increasing the numbers of boxes delivered to existing schools and community centers that had a need for more, which had low marginal costs as long as there was spare capacity in existing runs, or bringing new schools into the program and, if so, determining which ones. As indicated above, the proximity of a new school to existing delivery runs impacted costs, and, therefore, schools close to existing delivery runs were prioritized.

Accounting talk was also observed in planning meetings in regard to the composition of the produce that comprised the boxes. For example, discussions surrounding a potential change to the vegetables in each box to increase the number of meals they provided kept

returning to the costs associated with the various options. Discussion even progressed to, instead of including whole vegetables, as was the current practice, the consideration of minimal food preparation, for example, including cut vegetables (e.g. pumpkins, cabbages), to expand the range in a box while keeping produce costs within budget. This led to a discussion on the increased overhead costs associated with food preparation, necessitating either increased total costs per box or reducing the amount spent on the produce to offset the increased overhead.

The above detailed anticipatory capacities played a central role in the recommencement and continuation of TOB's program. When the COVID-19 crisis hit, TOB already had the above capacities in place, which allowed it to cope with the vulnerabilities that the crisis had created. TOB's pre-established accounting practices of budgeting, forecasting and performance reporting (both financial and nonfinancial) meant it was constantly aware of current performance and its financial situation, including how many weeks of operations current reserves could fund. These accounting practices facilitated accounting talk and ensured that accounting was implicated in the operational and logistical decision-making.

6.2 Coping capacities

6.2.1 Buffering capacities. The main buffering capacity that allowed TOB to recommence operations as soon as it did was its financial reserves:

If you didn't have any cash reserves . . . the program probably would have remained on hiatus for a long period of time. (Senior manager)

Over the last three years . . . we've built up a corpus . . . of about \$100,000 of donations. . . . And we've made a call to utilize those funds to get the program active again . . . to get the program going and get boxes out to the people who need it the most. (Senior manager)

These reserves allowed TOB to recommence its program and meant that, in the short-term, TOB had no concerns of being unable to finance operations. However, given that TFB, which contributed over 90% of TOB's donations, had suffered a 70% reduction in revenues, long-term concerns still remained. We detail below how TOB's adaptive and transformative capacities allowed it to address this concern.

6.2.2 Adaptive and transformative capacities. Due to TOB's anticipatory and buffering capacities, it was able to resume operations relatively quickly. However, as indicated in [Section 4.1](#), the COVID-19 crisis increased TOB's financial vulnerability. While, as indicated in [Section 6.1](#), TOB had always been run with a business mind-set, to cope with increased financial vulnerability, the emphasis placed on budgets, forecasting and performance reporting increased during the COVID-19 crisis, especially the budget:

[The budget's] become so much more important in the conversations I've been having with [the chief operating officer] week on week. (Manager)

Concurrently, adaptations were also made to the budgetary process. As of June 2020, there was a high degree of uncertainty regarding what the following 12 months would look like for TOB. While Australia was emerging from its first lockdown, there was uncertainty whether there would be further lockdowns, how quickly new schools could be onboarded, and TFB's ability to fund operations in the 2021 calendar year. Consequently, the preparation of the 2020–2021 financial year budget (July 1, 2020, to June 30, 2021) was delayed. Instead of an annual budget, a quarterly budget and cash flow forecast were prepared. Given the extremely high level of uncertainty, the preparation of a budget for the forthcoming financial year was considered meaningless, as evidenced in the following response from a senior manager when asked about budget preparation:

It gets thrown out the window . . . because trying to see what life looks like in 12 months' time is quite difficult.

After several weeks, the quarterly budget was extended to a half-year budget. In October 2020, with the state of Victoria emerging from its second lockdown and increased certainty regarding funding and the ability to deliver boxes (see below), the 2020–2021 financial year budget was completed.

To cope with the increased levels of uncertainty associated with the crisis, in addition to adaptations to the budgetary process, there were also adaptations to the reporting and meeting frequencies. The frequency of nonfinancial performance reporting increased to weekly, and that of planning meetings changed from every two weeks to weekly. Since managers were now being updated weekly on nonfinancial and financial performance, forecasts and performance relative to budget, there were higher levels of accounting talk.

This accounting talk was evident in discussions at planning meetings regarding delivery runs, especially as operations expanded, and the need to ensure operational efficiency. With a 70% reduction in sales, TFB was conducting fewer delivery runs and covering a smaller area. Therefore, there were not only fewer runs but also less spare capacity in TFB's vans to assist with TOB deliveries. TOB would thus now need to incur substantially increased delivery costs, since it could no longer solely use the spare capacity in TFB vans if it expanded the program. However, the funding of delivery costs would mean a reduction in the funds available to spend on produce to assist beneficiaries. Related accounting talk led to the decision to approach another food relief charity to see if it could conduct all deliveries in the state of Victoria (where TOB had the most deliveries), thus reducing delivery costs and allowing available funds to be spent on produce for beneficiaries. This was a substantial change to the manner in which TOB operated. Previously, TFB had conducted all delivery runs nationally, except for one.

TOB's anticipatory and buffering capacities assisted in the relatively quick expansion of its program through onboarding new schools and offering deliveries to community centers over the school holidays. This meant that box numbers rapidly increased, depleting financial reserves more quickly than expected. TOB's forecasting and budgeting practices meant that managers became aware of this situation and the need for timely adaptation. During a planning meeting, we observed a senior manager informing the participants that, due to the increase in deliveries forecast, TOB now only had sufficient financial reserves to fund operations for another three months:

We had to move to looking at what was in TOB's bank account. . . and [ask] what can we fund with just those funds, and for how long, and in which states? (Senior manager)

This increased financial vulnerability resulted in several discussions regarding TOB's funding model and the need for transformation. While TFB was keen to remain the major funder of operations (in the previous year, it provided 93% of funds), it was clear to managers that TOB needed to diversify its sources of funding to decrease financial vulnerability. Consequently, a funding budget was developed that established the targeted level of funds being sought from non-TFB sources (38%). To try to achieve this target, TOB ran a donation campaign, increased its focus on attracting donations from corporations and began applying for grants from local and state governments and philanthropic organizations. TOB made greater efforts in scanning the external environment, with managers actively seeking grant opportunities and the introduction of a new weekly grants meeting focusing on which specific grants to target.

This transformation of the funding model resulted in two adaptations to accounting practices: first, an expansion in performance reporting to incorporate a weekly update of grants applied for and received (see the examples in [Figures 3](#) and [4](#), respectively) and, second, budgetary updates provided in planning meetings that now incorporated

Grant/Funding Provider	Project focus	Funding	Applications Closed	Notified
Community Sector Banking Social Investment Grants Program	The One Box portal	\$50,000	Friday, 11 September	Yes
Bank of Melbourne	Boxes for 60 families, western Melbourne (VIC)	\$39,000	Sunday, 11 October	4-6 weeks
Newcastle Permanent Community Foundation	Boxes for 80 families, Newcastle area (NSW)	\$50,000	Thursday, 22 October 2020	17 November
Aurizon Community Giving	Boxes for 30 families, Perth (WA)	\$20,000	Friday, 23 October 2020	December
Community Food Relief Fund	The One Box portal	\$73,220	Monday, 26 October 2020	TBC
VicHealth - Reimagining Health Grants	Boxes for 80 families, regional (VIC)	\$50,000	Tuesday, 27 October 2020	Early December
SA Govt - COVID-19 Support Grant	Boxes for 23 families, Adelaide (SA)	\$9,872	Friday, 30 October 2020	TBC
City of Swan Grant	Boxes for 38 families (WA)	\$24,800.00	Friday, 6 October 2020	December

Figure 3.
Report for submitted grants

information regarding non-TFB funding received to date, expected funding (e.g. philanthropic foundations that had committed funds but had yet to donate), and how TOB was performing relative to its target level of non-TFB funding. This development provided managers with financial information that was central to decision-making regarding the further expansion of operations, such as when finances were secure enough to cover the long-term costs associated with onboarding a new school.

The adaptations to accounting practices and transformation of the funding model were successful and resulted in an increase in funding from corporations and philanthropic foundations, including a philanthropic foundation agreeing to a substantial three-year funding arrangement, ending TOB's financial vulnerability.

7. Discussion and conclusions

In this paper, we present an application of the financial resilience framework (Barbera *et al.*, 2017) to a charity. Our findings highlight the importance of accounting in making charities financially resilient. The calculative practices of accounting (Miller, 2001) coupled with accounting talk (Ahrens, 1997) played a central role in TOB's anticipatory and coping capacities. The various roles of accounting (Burchell *et al.*, 1980; Ezzamel and Bourn, 1990) facilitated managers' understanding of the impacts of the COVID-19 crisis, management of uncertainties and, ultimately, envisaging and constructing alternative realities (Burchell *et al.*, 1980) that enabled TOB to navigate a path through the crisis.

Our findings highlight the different role that accounting plays in navigating a crisis and how this enhances financial resilience. With regard to anticipatory capacities, accounting operated as an answer machine, a learning machine and a dialog machine (Burchell *et al.*, 1980; Ezzamel and Bourn, 1990). Costing and performance information was available to answer questions (e.g. cost per box, number of boxes delivered, performance relative to budget) to provide information to assist in decision-making (e.g. marginal costs of onboarding different schools), as well as to facilitate the discussion of alternatives and problem-solving (e.g. the composition of boxes). While these operations were also observed in relation to adaptive and transformative capacities, the emphasis changed, with more emphasis placed on the learning and dialog operations of accounting. Furthermore, the role of accounting expanded to include operation as an idea machine (Burchell *et al.*, 1980; Ezzamel and Bourn, 1990), providing multiple streams of enquiry and encouraging creativity (e.g. in transforming the funding model). These results highlight how, to enhance financial resilience, accounting needs to be adaptive and cannot operate solely as a single machine, but needs to operate as a hybrid of multiple machines serving different roles.

Grant/Funding Provider	Funding Available	Description	Round Closes	Project Focus	Status
City of Yarra - Annual Grants	\$1,000 (approx) to \$50,000 Total pool: \$900,000	Our annual grants provide financial and in-kind support for community initiatives and projects. The grants provide funding for small to medium sized projects and initiatives that respond to the social, cultural, recreational, economic and sustainability needs of Yarra residents.	Sunday, 29 November 2020	City of Yarra	In progress
Perpetual IMPACT Philanthropy Funding	\$10,000 to \$100,000 with an average grant size of approximately \$70,000	Our program allows philanthropists and Not-for-Profits (NFPs) to connect, and allows NFPs to demonstrate how they improve outcomes for the communities in which they operate. We encourage high quality outcomes by identifying organisations that can maximise their impact through: good governance, solid leadership, strong strategy and outcomes focus.	Friday, 4 December 2020		In progress
Bennelong Foundation	TBC	The Bennelong Foundation aims to enhance community wellbeing and provide opportunities for positive and lasting change in our community.	EOI Opens: Monday, 30 November 2020 Round Closes: Friday, 5 February		Yet to start
Australian Communities Foundation	\$2,000 (approx) to \$15,000 (approx)	As a public ancillary fund, Australian Communities Foundation represents around 310 subfunds, each with their own funding priorities and interests. The Foundation's donors are part of an engaged community of individuals, families, corporate giving groups, location-based giving circles and like-minded groups. As part of their donor engagement, ACF hosts a Funding Proposal Portal that allows their Donor community to identify grant opportunities aligned with their interests.	Aim to be on portal by end of November/December		Yet to start
Budget Direct	\$5,000	Aim is to help groups — including registered organisations, small community groups, not-for-profits and government bodies — throughout Australia in their efforts to build happy and healthy neighbourhoods.	31 December		Yet to Start

Figure 4.
Report for upcoming grants

The findings also highlight the importance of accounting as a communicative tool in establishing financial resilience. Accounting talk (Ahrens, 1997) was an integral component of TOB's anticipatory and coping capacities. The verbal discussion of accounting information allowed managers to tailor information and debate implications. Accounting talk prompted the consideration of potential future actions, allowing managers to collectively construct alternative organizational realities (Burchell *et al.*, 1980). Regarding anticipatory capacities, accounting talk played a central role in decisions regarding the program's expansion. Regarding coping capacities, accounting talk was fundamental in logistical adaptations and in transforming the funding model. Drawing on Hall (2010), one could argue that it is through talk that accounting helps organizations develop financial resilience.

The role accounting plays in managing uncertainty (Chenhall and Morris, 1986) and thus enhancing financial resilience is also apparent from our findings. Accounting practices combined with accounting talk supported TOB's financial resilience by allowing it to adapt to the increased perceived vulnerability experienced during the COVID-19 crisis. Through providing timely information, facilitating discussion, as well as providing ideas that allowed managers to envisage alternative realities, accounting reduced uncertainty, thereby improving decision-making.

Our findings highlight the importance of slack resources in establishing financial resilience since buffering capacities appeared to complement and reinforce adaptive and transformative capacities. The coping capacity of financial reserves acted as an *organizational shock absorber* (Meyer, 1982), providing managers with the time and space (Ezzamel *et al.*, 2001) to enact the required accounting practices associated with adaptive and transformative capacities. Financial reserves created the time and space required for accounting to change the manner in which it operated, that is, toward placing a greater emphasis on operating as a learning and dialog machine and incorporating the actions of an idea machine. This shift ultimately led to the identification of a new funding model and allowed operations to expand. Although our findings confirm the importance of slack resources in organizational adaptation (Meyer, 1982), it contrasts with the results of Barbera *et al.* (2017), who find that high buffering capacities crowd out the development of other capacities, thus reducing long-term financial resilience.

Our findings have implications for the manner in which charities operate. First, they highlight the importance of having accounting practices in place so that, if a crisis occurs, they can be mobilized. This is an important implication, since many charities have underdeveloped accounting systems (McConville, 2017), which means they are likely to be less financially resilient. While we acknowledge a perception that charities should limit expenditure on overheads (e.g. establishing and maintaining accounting practices), according to our findings, an appropriate expenditure on accounting practices can enhance the financial resilience of a charity and even lead to identifying opportunities to expand operations and thus, assist more beneficiaries. Second, given the importance of financial reserves in ensuring the ability to continue funding operations in the early stages of a crisis, charities would be prudent to establish appropriate levels of reserves. However, given that stakeholders view reserves negatively (Calabrese, 2013), charities might need to engage in a campaign to educate stakeholders regarding the importance of reserves.

This research contributes to the accounting crisis and financial resilience literature. We make four contributions to the accounting crisis literature: First, we highlight that accounting is not only to be mobilized for a single purpose, but can play a multifaceted role (Ezzamel and Bourn, 1990). Thus, research on the role of accounting during crises needs to explore all aspects of accounting, and not focus on a single practice, such as budgets (Becker *et al.*, 2016; Makrygiannakis and Jack, 2016), as has been typical of prior research. Second, we highlight that accounting need not constrain organizational responses to a crisis (Ezzamel and Bourn, 1990; Makrygiannakis and Jack, 2016), but that it can be mobilized in an enabling manner. Accounting can provide the means through which an organization can envisage future states and construct a new reality, thus creating a path through the economic crisis. Third, we highlight

the role accounting talk plays in navigating an economic crisis and extend this literature to the charity sector. Fourth, we are the first to explore the role of accounting in helping a charity during a crisis. Prior literature has focused on for-profit organizations and local governments. With regard to the financial resilience literature, we demonstrate the broad applicability of the financial resilience framework through its application to a charity and to an unexpected economic crisis. Previously, the framework had only been applied to local governments and to austerity measures (Ahrens and Ferry, 2020; Barbera *et al.*, 2017, 2020). Furthermore, we reveal the role of accounting as a communicative device in creating financial resilience. It is not just accounting *per se* that is important in developing financial resilience, but the manner in which the information generated from accounting practices is used in verbal communications.

Notes

1. Accounting talk is the use of accounting information in verbal discussions (Hall, 2010).
2. To maintain anonymity, we attribute the interview quotes by referring to the chief executive officer, chief operating officer, head of sales, head of procurement and chief marketing officer as senior managers and the national operations manager, research and operations coordinator, and marketing coordinator as managers.
3. We adopt the term *adaptive capacities (transformative capacities)* to reflect the ability to adapt (transform) and to acknowledge the adaptation (transformation) could have occurred, as opposed to the term *adapting capacities (transforming capacities)* used by Barbera *et al.* (2017) and Barbera *et al.* (2020), which implies that the process of adaptation (transformation) is still occurring.
4. Rescued food is food that would otherwise be disposed of retrieved from organizations (e.g. supermarkets) and distributed to beneficiaries. Although edible, it is often old or damaged.
5. Planning meetings were attended by the chief executive officer, chief operating officer, head of sales, head of procurement, chief marketing officer, research and operations coordinator, and marketing coordinator.

References

- Ahrens, T. (1997), "Talking accounting: an ethnography of management knowledge in British and German brewers", *Accounting, Organizations and Society*, Vol. 22 No. 7, pp. 617-637.
- Ahrens, T. and Ferry, L. (2020), "Financial resilience of English local government in the aftermath of COVID-19", *Journal of Public Budgeting, Accounting and Financial Management*, Vol. 32 No. 5, pp. 813-823.
- Barbera, C., Guarini, E. and Steccolini, I. (2016), "Italian municipalities and the fiscal crisis: four strategies for muddling through", *Financial Accountability and Management*, Vol. 32 No. 3, pp. 335-361.
- Barbera, C., Jones, M., Korac, S., Saliterer, I. and Steccolini, I. (2017), "Government financial resilience under austerity in Austria, England and Italy: how do local governments cope with financial shocks?", *Public Administration*, Vol. 93 No. 3, pp. 670-697.
- Barbera, C., Guarini, E. and Steccolini, I. (2020), "How do governments cope with austerity? The roles of accounting in shaping governmental financial resilience", *Accounting, Auditing and Accountability Journal*, Vol. 33 No. 3, pp. 529-558.
- Becker, S.D., Mahelendorf, M.D., Schäffer, U. and Thaten, M. (2016), "Budgeting in times of economic crisis", *Contemporary Accounting Research*, Vol. 33 No. 4, pp. 1489-1517.
- Burchell, S., Clubb, C., Hopwood, A., Hughes, J. and Nahapiet, J. (1980), "The roles of accounting in organizations and society", *Accounting, Organizations and Society*, Vol. 5 No. 1, pp. 5-27.
- Calabrese, T. (2013), "Running on empty: the operating reserves of U.S. nonprofit organizations", *Nonprofit Management and Leadership*, Vol. 23 No. 3, pp. 281-302.
- Chenhall, R.H. and Morris, D. (1986), "The impact of structure, environment and interdependencies on the perceived usefulness of management accounting systems", *The Accounting Review*, Vol. 61 No. 1, pp. 16-35.

-
- Ezzamel, M. and Bourn, M. (1990), "The role of accounting information systems in an organization experiencing financial crisis", *Accounting, Organizations and Society*, Vol. 15 No. 5, pp. 399-424.
- Ezzamel, M., Willmott, H. and Worthington, F. (2001), "Power, control and resistance in 'the factory time forgot'", *Journal of Management Studies*, Vol. 38 No. 8, pp. 1053-1079.
- Foodbank (2020), "COVID-19 food crisis: a message from our CEO", available at: <https://www.foodbank.org.au/a-message-from-foodbank-victoria-ceo-coronavirus-response/?state=vic> (accessed 8 September 2020).
- Hall, M. (2010), "Accounting information and managerial work", *Accounting, Organizations and Society*, Vol. 35 No. 3, pp. 301-315.
- Kober, R., Lee, J. and Ng, J. (2021), "Australian not-for-profit sector views on the conceptual framework, accounting standards and accounting information", *Accounting and Finance*, Vol. 61 No. 1, pp. 1105-1138.
- Lindberg, R., Whelan, J., Lawrence, M., Gold, L. and Friel, S. (2015), "Still serving hot soup? Two hundred years of a charitable food sector in Australia: a narrative review", *Australian and New Zealand Journal of Public Health*, Vol. 39 No. 4, pp. 358-365.
- Makrygiannakis, G. and Jack, L. (2016), "Understanding management accounting change using strong structuration frameworks", *Accounting, Auditing and Accountability Journal*, Vol. 29 No. 7, pp. 1234-1258.
- Martin, P. (2020), "Six graphs that explain Australia's recession", *The Conversation*, 2 September, available at: <https://theconversation.com/six-graphs-that-explain-australias-recession-145445> (accessed 8 September 2020).
- McConville, D. (2017), "New development: transparent impact reporting in charity annual reports—benefits, challenges and areas for development", *Public Money and Management*, Vol. 37 No. 3, pp. 211-216.
- Meyer, A.D. (1982), "Adapting to environmental jolts", *Administrative Science Quarterly*, Vol. 27 No. 4, pp. 515-537.
- Miller, P. (2001), "Governing by numbers: why calculative practices matter", *Social Research*, Vol. 68 No. 2, pp. 379-396.
- Modell, S. (2005), "Triangulation between case study and survey methods in management accounting research: an assessment of validity implications", *Management Accounting Research*, Vol. 16 No. 2, pp. 231-254.
- Pro Bono Economics (2020), "Charities facing £10.1 billion funding gap over the next six months", available at: <https://www.probonoeconomics.com/news/charities-facing-£101-billion-funding-gap-over-next-six-months> (accessed 30 August 2020).
- Purdam, K., Garratt, E.A. and Esmail, A. (2016), "Hungry? Food insecurity, social stigma and embarrassment in the UK", *Sociology*, Vol. 50 No. 6, pp. 1072-1088.
- Simmet, A., Depa, J., Tinnemann, P. and Stroebel-Benschop, N. (2017), "The nutritional quality of food provided from food pantries: a systematic review of existing literature", *Journal of the Academy of Nutrition and Dietetics*, Vol. 117 No. 4, pp. 577-588.

Corresponding author

Ralph Kober can be contacted at: ralph.kober@monash.edu

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com