

Enacting accountability: The case of the *Asili di Carità*, 1913 – 1926

Abstract

The *Asili di Carità* was a nonprofit educational institution established for very young children by the Catholic Church in 1836 in the City of Milan. This study shows how the First World War, changes in political ideology and economic developments in northern Italy directly impacted upon the, sometimes precarious, financial position of the *Asili*. Within the context of such change, the Board of the *Asili* enacted accountability through the maintenance and presentation of accounting records and meetings with stakeholders. This study draws from both public and private archives to examine the decisions made by the Board in response to change. The study focuses on the *Asili's* relations with its most economically powerful stakeholders in the period from 1913 to 1926 as it transitioned from a privately funded organisation to one that was funded predominantly by the Municipality of Milan, before reverting to private hands.

Keywords

Accountability, stakeholders, accounting, nonprofit, *Asili Milan*, education

1. Introduction

Educational institutions play a significant societal role in shaping the formative years in the lives of most people. This is because, for most, educational background will impact upon their social status and overall life chances. The rise and expansion of educational institutions is often directly linked to the rise of particular groups or classes within a locale as they gain power or influence (Boli et al., 1985). Historically, religious, charitable, economic and political mobilisation have been the driving forces behind the establishment of educational institutions, alongside broader national regulations and laws. Regardless of their origins, such institutions are seen as a common good established to initiate the socialisation of the next generation, whether they are publicly funded or privately funded, more selective, institutions. Despite their historical heritage, significance to society and the variety of forms of funding available to them, educational institutions remain relatively under-researched in the accounting history literature.¹ Accountability and its enactment and discharge through the provision of accounting information has an important role, since such institutions can have a diverse array of stakeholders and diverse sources of funding (such as charities, religious orders, private benefactors and the public purse). Ultimately such institutions are an interesting subject for study because the provision of financial information is not only a means of discharging accountability but can also impact upon relations between stakeholders and the educational establishment itself as well as having wider social implications.

As educational institutions, kindergartens have a very specific role in the daytime mass care of young children and emerged in nineteenth-century Europe alongside increasing employment of female labour in cities and factories.² In Italy, prior to unification, the French *crèche* model was adopted (translated in Italian as the *presepi*) as a means of providing care for the babies and infants of working women until the children were able to attend a pre-school institution (Caroli, 2017). Both France and Italy have strong Catholic roots and in the nineteenth century the Catholic Church provided charitable funding for childcare as a means of combatting poverty and the high levels of infant mortality. The case of Italy is particularly interesting, because as they became more widespread, these institutions became an important part of the public healthcare system and integral to national government policies regarding social provision, which had until then been dependent on charitable organisations.³

In this study, we examine the turning fortunes of one such educational institution in the city of Milan, Italy: the *Asili di Carità* (kindergartens of the Charity for Children), the first private infant school⁴ in the city. When originally established, in 1836, the kindergarten was funded by the *Santa Maria Segreta Church* and through donations from local Milanese benefactors that included entrepreneurs,

traders and nobles. Other kindergartens were later established throughout the city, under the umbrella of the *Asili di Carità*. The nonprofit organisation was managed by a Board (originally a commission) which was accountable to a number of stakeholders as represented by the General Assembly. Accountability to its stakeholders was discharged by the Board through the production of financial records and statements showing how the funding and donations were used, whether the organisation was in surplus or deficit and its net asset position. These statements were presented at Assembly meetings. In the nineteenth century, in times of financial distress, the Board occasionally turned to the Municipality of Milan for financial assistance and later in the twentieth century this source of funding became more significant. We focus our analysis on the period between 1913 and 1926. In this period the *Asili di Carità* went from relying mainly on private donations to becoming largely dependent on contributions from the Municipality of Milan. As the Municipality became a more powerful stakeholder, it sought representation on the Board in exchange for an increase in its stake. However, in 1926 the representatives of the Municipality were expelled by the *Asili di Carità* and it reverted to relying on donations from private benefactors.

This is a historical case study that draws from data gathered from archival records from the Municipality of Milan's Public Archive and the financial documents relating to the *Asili* held at the the Istituto Assistenza minori e anziani Onlus (Assistance Institute to Children and Elderly Onlus). The latter is a private archive that has not been open to the general public and therefore this material has not previously been available to other historians.⁵ The sources include the minutes of the Assembly meetings of the *Asili di Carità* for the period 1900-1926, plus annual budgets and financial reports for the period under study. The annual Assembly meeting minutes provide extensive information about the debates concerning the activities and governance of the organisation. The Board of Directors met once a month and their reports were an important source of information. We also examined relevant legislation⁶ and spent time carefully translating the information in both the records and the legislation. The historical accounting-related information that we examined not only provided a record of the financial operations of the organisation, but also provided information about the economic and social context within which events occurred (also noted by Riccaboni et al., 2006). However, for a more comprehensive contextualisation (Yin, 2014), we also turned to various secondary sources, including historical books and articles concerned with the history of *Asili di Carità* in Milan (Audoin-Rouzeau and Becker, 2014; Chabod, 1961; Gibelli, 2014; Minesso, 2011; Molinari, 2014; Baldi, 2003; Rebora and Sideri, 2007).

The data source for this study was also the basis of a study published by Magli and Nobolo (2014) in Italian in the *Spanish Journal of Accounting History* (which accepts papers written in any major European language). We suggest that the present study is different in a number of ways. Firstly, it is aimed at an English-speaking audience but we have drawn on the 2014 paper to provide relevant historical context and background material that will aid understanding for readers not proficient in Italian. Secondly, the two studies are set in different time periods. The present study covers the period 1913-1926, whereas Magli and Nobolo (2014) examined the financial statements and the “moral and administrative” management reports of the *Asili* between 1836 and 1892. Thirdly, the stated aims are different: the 2014 study focused on the historical evolution both of the structure and organisation and of the documents and a stated goal of the study was to analyse how accounting theories of the time penetrated in the accounting practice of the institution in the period under study. In the present study we examine how the First World War, changes in political ideology and economic developments in northern Italy directly impacted upon the financial position of the *Asili* and how the Board’s decisions and accountability changed over time.

The study makes a contribution to the extant literature at both empirical and theoretical levels. At the empirical level, we present an original historical narrative introducing the case of the *Asili di Carità*. We align this work with other key historical investigative studies that have made a connection between accounting, accountability and governance in nonprofit organisations (Cordery, 2006; Bracci et al., 2010; Riccaboni et al. 2006; Sargiacomo, 2009; Prieto et al., 2006; Moggi et al., 2016; Fowler, 2010; Jacobs and Walker, 2004).⁷ The present study also responds to calls for more accounting history studies in non-Anglo-Saxon settings (Carmona, 2004) as well as calls to move accounting history research from a focus on for-profit entities to incorporate the nonprofit sector (Carnegie and Napier, 1996). In order to present this case, we draw upon primary accounting data which has not thus far been presented in an English-language journal. Our analysis of the data allowed us to piece together the history of this kindergarten and explain, in narrative form, why particular decisions were made by the Board regarding both the operations of the *Asili* and its own composition in response to wider economic and socio-political change. It also highlights the role that accounting information played in helping the Board to successfully extract ever-greater resources from both the benefactors and the Municipality.

We also make a contribution to the burgeoning accountability-related literature. We adopt an ethical stakeholder theory approach to examine a case in which accounting information influences the Board to make decisions that have wider social implications. The application of ethical stakeholder theory

to this case enables us to examine the enactment of accountability within the *Asili* and explain how the Board's decision-making and accountability changed over time. In particular, we draw attention to what can happen when a Board adopts a strict ethical stance and is adamant in its refusal to be coerced or swayed by the economic power exerted by individual stakeholders. In this case, the Board was determined to fulfil the original charitable mission of the organisation despite other financial incentives and considerations. In adopting this approach we also respond to general calls for a greater understanding of the social roles of accounting (Hopwood, 1985; Walker, 2016) and for research that will show that accounting is not just a technical practice but also a social one (Sargiacomo and Gomes, 2011). Specifically, we note Bisman's comments in her examination of the state of accounting history research, where she identifies stakeholder theory as one of several potentially rich frameworks which have "been either comparatively under-utilised or completely overlooked, and could be mobilised (whether supportively or critically) in explorations of accounting's past" (Bisman, 2012, p. 10).

The study continues as follows. In the next section we present a framework for theorising the case of the *Asili* and review other studies that have set a precedent for and inform the present study. We then present a background section detailing the history of the *Asili*, its growth and structure. This is followed by a contextualised examination of the financial fortunes and Board-stakeholder relations of the *Asili* over the aforementioned time period. Drawing from the archival data and historical accounting information we present an analysis of the events that occurred as the *Asili* transformed from a privately funded organisation to a part-publicly funded one and then reverted to a private organisation again. Finally we conclude.

2. Ethical stakeholder theory and accountability

The *Asili* was a nonprofit organisation that provided early education for very young children. The governing Board was accountable to those that held a stake in the organisation and whilst this included the employees and the beneficiaries of charity, the most significant and vocal stakeholders were the private benefactors and, later, the Municipality that provided donations and funding to facilitate the charitable work. The Board enacted accountability to its stakeholders through the production of financial records, financial statements and ethical statements. Guided by the features of this case and the accounting-related data unearthed, we now examine the potential for adopting an ethical stakeholder framework for the study.

The ethical (or moral/normative) branch of stakeholder theory⁸ suggests that the organisation has social responsibility at the heart of its operations and that all stakeholders⁹ have the right to be treated

fairly. Within this framework, the impact of the organisation on the life experiences of those that it seeks to serve (Donaldson and Preston, 1995) and its moral role in achieving social good are paramount rather than the extent of economic power exerted by individual stakeholders (Ebrahim, 2003; Deegan and Unerman, 2006; Dhanani and Connolly, 2012). However, in the event of conflict between competing stakeholders' interests, this framework suggests that the organisation should strike an appropriate balance. Such organisations are often nonprofit entities established to further or forward a particular social or charitable cause or common view. They are driven by ethical, moral or philosophical causes rather than being motivated by profits and they tend to be mission-oriented with a view to driving social change (Ryan et al., 2014).¹⁰

Unlike commercial organisations that seek a return for their investors through profits, accountability to a much wider group of stakeholders lies at the very heart of the nonprofit organisation. There are many definitions of accountability (see Ebrahim, 2003), but in its most basic form accountability has been defined as the “way in which an organisation is held to account for its actions” (Tacon et al., 2017), or “the giving and demanding of reasons for conduct” (Roberts and Scapens, 1985, p. 47), or “the main purpose of accountability is to provide mechanisms through which all those affected by an organisation's (or person's) actions can demand an account from the managers of that organisation (or from that person) regarding how and why the organisation (or person) has acted in the manner it has” (Unerman and O'Dwyer, 2006, p. 351). In this simple form, the meaning implies an interaction between the organisation that provides the account of its activity and the stakeholder to whom the account is provided.

More nuanced typologies of accountability are to be found in the nonprofit governance literature (Ebrahim, 2003); for instance, O'Dwyer and Unerman (2006) suggest that: “a hierarchical conception of accountability privileging a narrow range of (potentially) powerful stakeholders, has begun to dominate external accountability discourse and practice” (p. 801). Although a nonprofit organisation may be accountable to multiple stakeholders, the literature shows that these relationships are not equivalent. Thus *upward accountability* (to funders, donors and oversight agencies) can often take priority over *downward* and *lateral accountability* (to communities and staff) (Knutsen and Brower, 2010; Ebrahim, 2003). Ebrahim (2003) further highlights the dual perspectives of the external and internal dimensions of accountability, the former as a means of satisfying prescribed standards of behaviour and the latter motivated by individual responsibility and organisational mission (p. 2).

Thus in their study of a microfinance nonprofit organisation in Zambia, Dixon et al. (2006) highlight tensions between “vertical and horizontal” accountability in practice. O’Dwyer and Unerman (2006) adopt the broader concept of “mission critical stakeholders”; that is, those stakeholders who are in the best position to progress the nonprofit organisation’s achievement of its mission. Others have advocated an alternative approach to the multiple accountability relationships that an organisation can be party to. Thus Mitchell et al.’s (1997) theory of “stakeholder salience” refers to the prominence of particular stakeholders who take priority over others in terms of the attention managers afford them and the accountability demanded by them.¹¹ More recently, Costa et al. (2018) have also advanced the concept of differential treatment of stakeholders. They examine the discharge of accountability in the voluntarily delivered reports of cooperative banks in Italy based on different levels of “empathy” towards different stakeholders.

A key mechanism through which nonprofit organisations are held to account and operationalise or enact accountability is the production of financial reports and ethical/disclosure statements which are intended to offer transparency (Laughlin, 1990; Brennan and Solomon, 2008). Such reports and statements provide information regarding the use of donated funding as well as demonstrating that a moral obligation has been fulfilled. The production of financial reports can be either the result of legal and regulatory requirements or an entirely voluntary action guided by the moral and ethical code of the organisation (Cordery and Baskerville, 2011; Ryan et al., 2014; Moggi et al., 2016).¹² These financial reports and/or ethical statements are the main channel of communication with stakeholders and provide information enabling them to understand and monitor the activities and operations of the organisation. They also offer transparency and evidence enabling the stakeholders to monitor decisions made by the Board and help the organisation to keep track of its spending to explain how surpluses or losses are generated (Ebrahim, 2003; Dhanani and Connolly, 2012). Ebrahim (2003) notes that accountability mechanisms such as financial records and statements also serve the purpose of allowing nonprofit organisations to publicise their projects and in the process leverage new forms of funding and attract new donors - a “resource interdependence”. In the ethical branch of stakeholder theory, the requirement for such reporting is assumed to be responsibility-driven (through the moral obligations of the Board) rather than demand-driven (resulting from the demands of stakeholders).¹³ In their development of a conceptual framework specific to nonprofit organisations, Ryan et al. (2014) suggest that the main imperative for financial reporting is mission-oriented accountability to stakeholders¹⁴ and that private sector nonprofit organisations are “motivated by their mission, which is formulated at their inception and is strategised in accordance with political imperatives”.

In this section, we examine how stakeholder theory has been employed in the accounting-related literature to study accountability and its discharge in nonprofit organisations. In her 2010 archive-based study, Fowler uses a stakeholder framework¹⁵ to examine the case of the Nelson School Society (NSS), which was a nonprofit organisation that established and operated local schools funded by the Nelson settlers in New Zealand between 1842 and 1852. The study focuses on the role of audited accounting information as a means of not only record-keeping but also as evidence presented to providers of funding, such as the government. Perhaps more akin to the present study, and building on Fowler (2010), Fowler and Cordery (2015) studied changes in accountability as the provision and control of education moved from private nonprofit organisations to a public sector provider within the context of the Nelson settlement. Their data shows that, in the private nonprofit phase of the primary schools, the input of the local community stakeholders may have been sufficient for the short-term survival of the school but only when the NSS schools were taken over by local government was longer-term financial sustainability secured.

In an adaptation of stakeholder theory, Moggi et al. (2016) apply Mitchell's delineated, three dimensional model of stakeholder saliency to explore how the accountability of confraternities in the City of Verona was influenced by the relationships between charities and others based on power (from religious and local authorities) or moral obligations to donors or the beneficiaries of charitable actions.¹⁶ In a more modern context, Cordery and Baskerville (2011) also utilise this extended model of stakeholder theory to study two charities (The Methodist Mission Northern (MMN) in New Zealand and The National Kidney Foundation (NKF) in Singapore). They suggest that not only can the salient stakeholder demand accountability from the organization" (p. 203) but that "the pull of powerful stakeholders may (also) marginalise those who share values with the charity". Finally, Dhanani and Connolly (2012) developed a framework based on ethical stakeholder theory to study nonprofit accountability in the UK charity sector. Interestingly, within a more modern context, they find that "contrary to the ethical model of stakeholder theory, the sample charities' accountability practices are motivated by a desire to legitimize their activities and present their organizations' activities in a positive light" (p. 1140).

What these studies show is that, for nonprofit organisations, ethical stakeholder theory offers a relevant and useful framework within which to study the discharge of accountability in the case of the *Asili di Carità*. The role and *raison d'être* for such charitable organisations is to serve and aid those sections of the community that may be marginalised in some way, to "do good" within the community and enhance social well-being. As nonprofit organisations are often founded on high

moral standards, ethics, philanthropy and the generosity of benefactors, their accountability to stakeholders and relations with them is integral and lies at the very heart of such organisations.

3. Background and history of the *Asili di Carità*

In this section we draw upon secondary historical sources and Magli and Nobolo (2014) to contextualise the study. We examine the conditions under which the *Asili* was originally created, how it operated on a day-to-day basis, how it was funded and how accountability was discharged. This examination is significant because it allows us to understand how changing economic conditions in the period covered in this study (1913-1926) affected this model and why it had such an impact on the discharge of accountability.

The origins and funding of the Asili in Milan

The earliest records in Italy relating to kindergartens date back to 1828 when Ferrante Aporti, a catholic priest from Cremona, opened the first kindergarten (*asilo*).¹⁷ News of Aporti's work had been published in an influential periodical *Antologia* in October 1832 and the model quickly spread across northern Italy. The Catholic Church was involved in charity work and establishing the *Asili* was a means of extending that charity in the city of Milan, offering education for children aged between the ages of two and a half and six (Baldi, 2003; Rebori and Sideri, 2007). The *Asili di Carità* was established by the priest Don Pietro Zezi in the *Santa Maria Segreta Church* (Milan) in 1836 to house the increasing number of abandoned infants following the Napoleonic campaigns (Baldi, 2003, p. 84).¹⁸ The *Asili* began as a private nonprofit institution, obtained legal status as a charitable foundation after two years and authorisation via royal assent.

The *Asili* hosted seventy children from poor families of different parishes.¹⁹ Milan had 24 parishes and each parish was divided into eight districts (Magli and Nobolo, 2014). Based on the original model, local priests throughout Milan sought to open kindergartens in each parish. This expansion could only be achieved through the involvement and generosity of local benefactors, who not only contributed to the creation of the kindergartens but also their subsequent management. For example, the local parish priest of the church of San Francesco da Paola, Ambrogio Ambrosoli, founded the second of these kindergartens in the home of the nobleman Mr. De Cristoforis. The benefactors were mainly philanthropic nobles of the City of Milan (such as Guiseppe Sacchi and Gaetano Melzi) and entrepreneurs (such as Giandomenico Falciola and Enrico Mylius), who donated money or buildings

and rooms to the *Asili* (Caroli, 2017). Within one year, three such kindergartens had been established in Milan - the third being the San Filippo Oratory in San Celso.

Although private benefactors²⁰ were originally the main providers of funding, the Municipality of Milan also provided the *Asili di Carità* with occasional financial support, as it was a private institution that provided a public service for children (see also Guarini et al., 2018). For example, in 1861 the Municipality contributed 4,000 Lire to inaugurate the first memorial party of the Kingdom Statute (Municipality of Milan, 1862).²¹ In the following years the Municipality of Milan made other occasional contributions to cover various extraordinary expenses, for instance the maintenance of buildings where the nurseries were housed (Municipality of Milan, 1902). We will later show how changes in funding and, in particular, the private/public balance impacted upon the decision-making of the Board over the time period of our study.

The organisation and operation of the Asili di Carità

The Board of the *Asili di Carità* (originally called the Commission) was established at the first general meeting held on February 11 in 1836. The responsibilities of the Board were defined within the Mission Statement of the *Asili*, and included: to permanently “ensure the foundation of this Pia Cause”; to “spread from hand to hand, and consistent with available financial resources, Infant Child Care in the most populous and poorest neighborhoods of the city”; and to “direct and administer the children as one institution - based around the foundation of the *Asili di Carità per l’infanzia* in Milan” (Translated from source: Tipografia G.B. Bianchi e C. 1837, Milano, p. 1). The Board consisted of seven seats and its responsibility included overseeing the institution’s mission, its financial viability, autonomy and continuity over time. Board members were obliged to act responsibly and in accordance with the ethical principles of the organisation. Representations of the interests of stakeholders, such as private benefactors, were made within the Assembly, which ultimately appointed the Board. As shown in Magli and Nobolo (2014), the Municipality of Milan also made financial contributions to the *Asili* from 1861. Article 5 of the 1836 statute set out the responsibilities of the Board as follows: “every year a list of benefactors is published, the task of the *Asili* will be to divulge the annual administration report and the statistical data of the children who will be hosted at the kindergartens to the Assembly” (translated from Article 5:1836 Statute of the *Asili*).

All of the *Asili* in the *Asili di Carità* in Milan operated along similar lines. Each kindergarten employed a teacher with an assistant who would take care of the growth and education of the hosted children in each *asilo*. An Inspector was appointed by the Assembly and had an operational role

controlling all of the *Asili*. In each parish-based *asilo*, the local parish priest was required to draw up a certificate that stated the age of the children and the state of poverty of their families.²² Applications for the creation of a new *asilo* under the *Asili di Carità* umbrella had to be submitted to the Inspector and were reviewed by him together with the “Visitors” before permission was granted. The “Visitors” were female benefactors who not only made monetary donations, but also helped in the kindergartens by volunteering their time acting as teachers and nurses (Baldi, 2003). The “Visitors” visited the various *Asili di Carità* kindergartens located in Milan but they had to be authorised and their names had to be declared in the Assembly. Each *asilo* was required to establish and teach rules of personal hygiene. Additionally, they were required to provide the children with daily soup and access to a doctor, two pharmacists and two surgeons who provided healthcare on a voluntary basis.

The mission of the kindergartens was to host and guard the destitute and poor children between the ages of two and a half and six (Statute of *Asili*, 1836). The children attended during the day, receiving food and a uniform and, in addition to learning to read, write and count, they received a civic education and training for work in industry and domestic life (Baldi, 2003, p. 87). Religious and moral education was considered to be paramount²³ and the children were indoctrinated from an early age and taught the “importance of love and fear of God, respect for property, docility and obedience” (*Asili di Carità, Resoconto 1836-1872* (reports of 1836-1872), Tipografia G.B. Bianchi e C.; Magli and Nobolo 2014). Albisetti (2009) suggests, perhaps surprisingly, that despite the teaching of Christianity in the *Asili*, many conservative Catholics opposed them on the grounds that they were seen as “foreign” institutions (Aporti’s model was based on similar institutions in Germany); others opposed the co-education of three- and four-year-old children and some opposed the role of the lady “Visitors”. Others criticised the long hours spent in prayer and the time devoted to academic learning taking priority over play and physical activity, and industrialists bemoaned the fact that the children were not taught to work. However, in a report to the King in 1869, the Minister of Public Education praised the *Asili*, stating that, in addition to the intellectual, moral and physical advantage they bestowed upon children from poor families, these children could “bring home the good influence of the discipline, morality and good habits that they have acquired” (Albisetti, 2009, p. 162). In addition to the kindergartens, the *Asili di Carità* also operated three *Conservatori*, which were private primary schools aimed at providing education and training to children aged from six to nine. The *Conservatori* were established after a Government regulation in 1872 which banned factories from hiring children younger than nine years old.²⁴

Another new national law in 1911 (law No 487 of June 4, 1911) required the State to assume responsibility for the education of children in primary schools (Report of 1906 *Asili di Carità per l'Infanzia e la Puerizia* in Milan, 1872-1909).²⁵ The *Conservatori*, therefore, became less popular as more parents sent their older children to the state-run schools and fewer children in this age range attended.²⁶ Although the number of primary school children in *Conservatori* run by the *Asili di Carità* was reducing (in 1906 there were only 197 children attending the *Conservatori*), overall more than 4,000 children were at the *Asili di Carità* (Report of 1906: *Asili di Carità per l'Infanzia e la Puerizia* in Milan, 1872-1909). The overall numbers increased because the children were required to have a kindergarten education before entering compulsory state education at the age of six.

The changes noted in this section are important because the growth in the number of children and related requirements for funding are key to what happened in the period of study (1913-1926). Although the growing organisation was managed and run by the Board, the *Asili di Carità* had a number of stakeholders. These included: the private benefactors; the employees; the beneficiaries (poor families and children); the “Visitors”, the church (through local parish connections) and later the Municipality of Milan. The Board discharged its accountability to these stakeholders through the production of financial records and it is to this that we now turn.

4. Discharging accountability: The ethical and financial reports

The literature suggests that nonprofit organisations are accountable to multiple stakeholders and subject to competing stakeholder demands. There are obligations of upward accountability to their patrons, the providers of funding, because the organisation must account for how and where the donated funds are spent. Nonprofit organisations are accountable to those that they provide services to, to communities and also to the individuals whose lives are impacted by their activities - downward accountability. In addition, the literature also identifies a further dimension of accountability for a nonprofit organisation - to its own ethical mission and staff (see Ebrahim, 2003). This accountability is discharged through the employment of accountability tools such as financial reports showing how sources of income are spent and also other disclosure statements. Such reports and disclosure statements are often legal requirements imposed by local or national authorities.

The requirements for the *Asili* Board to report back to the stakeholders represented within the Assembly date back to Article 5 of the 1836 Statute. In practice, the financial records were prepared by the chief accountant and they were presented by the Board to the Assembly. Further legislation

(17 July 1890, n. 6972) was issued by the national government²⁷ on public welfare and charitable institutions to regulate the following:

- i) the directors of public welfare and charitable institutions (articles 4-17),
- ii) the administration and accounting (articles 18-34) of charitable institutions,
- iii) the protection (articles 35-43) of charitable institutions, and
- iv) the supervision (articles 44-53) of charitable institutions.

As a result, charitable institutions were required to report on the financial situation on a yearly basis and would have to include the “account of the treasurer” (a cash statement). The financial statements of *Asili di Carità* were audited and approved by the provincial government of Milan (Art. 21 Law 6972, 17 July, 1890).²⁸ In addition, a report on non-financial performance was also required - the *Relazione Morale*, literally translated as the “ethical report”. The *Relazione Morale* was about twenty pages long and was composed of four parts: the status of the *Asili di Carità* in the year; the health status of children admitted to kindergartens; the state of education provision; and the religious and moral improvement of hosted children (Magli and Nobolo, 2014).

Examination of the annual reports show that from around 1900 the form of the reports changed and were focused more on the financial disclosure of assets, liabilities and the items of income and financial performance rather than ethical considerations - perhaps due to the fact that the financial situation was beginning to worsen (Report of 1902, n. 384 1903 and “Resoconto 1872-1909 e notizie sulle gestioni 1910-1911; Report 1872-1909 and management news of 1910-1911; Tipografia Luigi di G. Pirola di Enrico Rubini).²⁹ The financial report was composed of two segments: one dedicated to the *Asili dell’infanzia* (the kindergartens) and the other dedicated to *Conservatori* (the primary schools). The overall financial statement, which today might be called the “consolidated” account, was split into: the final result of the financial account; the difference between receipts and payments; income, expenditure; assets and liabilities (Magli and Nobolo, 2014). The preparation and presentation of this accounting information played a significant role in decisions taken by the Board over time and it is to this that we now turn.

5. Changes in funding: Managing stakeholder relations

Although accounting reports are a key tool for the discharge of accountability, this is just one dimension of accountability. Unlike the private sector, nonprofit organisations are also driven by their mission, the desire to do good and the ethical dimensions of their activities. In such cases, accountability is not just about “being held responsible” (i.e. externally driven) but also about “taking

responsibility” (i.e., internally driven) (Ebrahim, 2003, p. 13). In this section, we examine how accounting information played an important role in the decisions made by the Board with respect to funding and governance, but also how, ultimately, the moral stance taken by the Board dictated events. As noted earlier, in ethical stakeholder theory the moral goal of achieving social good supersedes the persuasive power of economically powerful individual stakeholders (Ebrahim, 2003; Deegan and Unerman, 2006; Dhanani and Connolly, 2012).

Analysis of the minutes of meetings and other archival data gathered shows that there were many discussions within the Board of Directors and in the Assembly regarding funding. Over the years there had been various requests for occasional financial assistance and funds had been forthcoming from the Municipality.³⁰ As the *Asili di Carità* experienced greater financial distress in the early twentieth century, the role of the Municipality as a funding source became more significant. This section draws from the accounting information and other archival evidence to examine the specific changes that occurred with respect to funding in the period between 1913 and 1926 and, in particular, it draws attention to the decisions made by the Board over this time period and its relations with its most economically powerful stakeholders.

Merger with suburban kindergartens: From private to public funding

The early twentieth century was a period of economic change and industrial growth in Italian cities such as Milan. The population of the city grew, as people were attracted by the prospects of new employment opportunities (Molinari, 2014). Former peasants and women joined the workforce and were employed in the factories and the major industries (Gibelli, 2014).³¹ In Milan, the political scene also changed as the socialists came to power and remained in power throughout the period of the First World War (Bigazzi and Meriggi, 2001, p. 38). This is significant because it meant that the Municipality of Milan was driven by socialist ideology in the period under study.

Major changes were also taking place at the *Asili di Carità* and in 1912 they were required by the Municipality of Milan to merge with suburban kindergartens (Rebora and Sideri, 2007, p. 114).³² These mergers, which actually occurred in 1913, caused organisational tensions and financial stress at the *Asili di Carità*: firstly, because of the increased number of children to be hosted and, secondly because of a stagnation in contributions from the benefactors. This is shown in Table 1: the number of children housed in the kindergartens increased after the merger, whilst the “income per number of children” ratio reduced.

Period	City of Milan children hosted in <i>Asili di Carità</i>	Suburban municipality children hosted in <i>Asili di Carità</i>	Total Children	Income/No of children ratio
Pre-merger (1904)	4,131		4,131	163,154/4,131= 39.5
Post-merger (1916)	4,477	10,359	14,863	301,345/14,863= 20.3

Table 1. Changes in numbers post-merger (Source: Annual Reports of *Asili di Carità*)

The accounting information provided in the financial statements had a direct impact on the decisions made by the *Asili di Carità* Board after the amalgamation (Minutes of *Asili* of Milan held on February 18, 1917: 3a). The *Asili* Board prepared new administrative and educational regulations for the former *Urban Asili* and *Suburban Asili*, as requested by the Municipality. The cost of these new regulations was met by an increase of the annual subsidy provided by the Municipality, as it became an increasingly important stakeholder. The changing relationship between the *Asili* and the Municipality also resulted in increased costs resulting from the need to standardise the salaries of educational and housing staff of the merged kindergartens (which had previously been different in the urban and suburban *Asili*), serving soup in the summer months at suburban kindergartens and improving the training of educational staff (Minutes of the Assembly of *Asili* of Milan held on February 18, 1917: 3b).

In 1915, a request was made to the Municipality by the Board of the *Asili* to increase its contributions because they argued that it was the Municipality that had initiated the merger with the suburban kindergartens, which had resulted in increased expenses, as now there were over 14,000 children. The Municipality of Milan agreed to a five-year service agreement with the *Asili di Carità* in 1915, in which the City Council agreed to contribute 50% of the costs incurred for services (see Figure 1).

c) di Beneficenza			
11	— sussidi ed obblazioni periodiche	l. 200	l. 200
12	da contributi benefattori aggiornati		
13	dal Comune di Milano per funzionamento degli asili infantili, compreso per l'educazione infantile	230.000	255.462,5
		230.200	255.746,25

Figure 1. Details of Municipality of Milan subsidy, 1915. (Source: Financial Statement *Asili di Carità* of 1915)

The intention was for the agreement to run from 1915 to 1919, with a commitment by the Municipality to pay 283,000 Lire to be increased over time according to the emerging needs of the entity (Minutes of Assembly Meeting of 15 May, 1919). In particular, the monies would cover an increase in the salaries of the *Asili*'s teachers and the fact that it was due to accept responsibility for seven new kindergartens from "*Ente Autonomo case popolari*" (a public housing institution) following an agreement between the Municipality and the *Asili*. Whereas previously the most powerful voice had been that of the private benefactors in the Assembly and on the Board, as the contributions of the Municipality increased it, too, had an increasingly powerful voice.

The war years: Seats for the Municipality

The period of the First World War brought change to Milan, as Italy entered the war in 1915. The Municipality of Milan played an important support role for the military during the war and Milan became a centre for the production of war munitions.³³ During the war period, there was a growing movement across Europe advocating social protection. In Italy too, forms of social protection of minors were on the rise, ranging from new hygiene regulations to the protection of migrant minors and assistance to illegitimate children born during the war (Minesso, 2011, p. 151). In Milan, the Municipality provided shelter for wounded, convalescing soldiers and assumed charge of the increasing numbers of orphans. Under the Socialist rule of Emilio Caldara (Mayor of Milan in the period 1916-1922) the Council set out to improve hygiene and overcrowding in the City of Milan and developed a tram system (Bigazzi and Meriggi, 2001, p. 136). By 1918, women constituted 25 percent of labour in Turin's factories, 31 percent in Milan and 11 percent in Genoa. As the women worked, young children were either placed in kindergartens or cared for by extended family or in some cases simply abandoned. This population growth in the cities, increasing numbers of working women and child abandonment during the war years resulted in a corresponding increase in the demand for nursery care and directly impacted the *Asili di Carità* (Gibelli, 2014).

However, the First World War also created increased costs for the *Asili*, including repairs following the destruction of some of the buildings in which the kindergartens were housed and a general rise in the cost of living and food in particular - for example, the cost of soup quadrupled. Our review of the financial statements suggests that in 1917 motivated by excessive cost increases, the members of the Assembly of *Asili di Carità* asked for the contributions of the Municipality of Milan, earmarked for 283,000 Lire for each of the five years from 1915 to 1919 as per the service agreement, to be increased further still to cover several extraordinary expenses. They also requested the training of educational

staff (resulting from the Law of 25 May 1913), the distribution of additional meals in the summer months to children of suburban kindergartens, expansion by creating five new kindergartens to meet the rising demand for places and hospitality for 2,250 children of war soldiers in accordance with the Government’s Child Care Regulations (Minutes of Assembly Meeting of 15 May, 1919).

This was also a period of marked change for the relations between the Board and its stakeholders, as the number of the Municipality’s representatives on the Board of Directors of *Asili di Carità* increased, primarily as a means of safeguarding their investment but also, perhaps, as a means of determining the use of their increased contributions (see Table 2). Under the terms of the agreement of 1915, and in return for the increased funding by Municipality, the number of seats occupied by the Municipality on Board of Directors of the *Asili di Carità* was set to increase over the five-year term. By 1917, municipal representation on the Board had increased from three seats to five seats (out of the eleven available), although private benefactors retained a majority and held six seats.

Year	Total	Composition of Board	
1836	7	7	Perpetual benefactors
1875	9	9	Perpetual benefactors
1912	11	4	Benefactors of <i>Asili di Carità</i>
		4	Benefactors of <i>Suburban Asili</i>
		3	Milan City Council
1917	11	3	Benefactors of <i>Asili di Carità</i>
		3	Benefactors of <i>Suburban Asili</i>
		5	Milan City Council
		1	School Provincial Council
1922	8	8	Benefactors
1926	8	8	Benefactors

Table 2. Composition of Board of Directors (Source: Annual reports, *Asili di Carità*)

Honouring the Mission - Expulsion of the Municipality

Although little accounting information remains from the war years, we can ascertain from the archival data and, in particular, the minutes of the Assembly of 8 June 1919 (which relate to the financial statements of 1918), that there was an improvement in the financial health of the *Asili* and the new net equity of *Asili* was 6,000,000 Lire due to the sale of buildings and the operating surplus. In fact, the minutes provide evidence that the position had improved sufficiently for the benefactors to begin to argue that the continuity of operations might be secure even without the contributions from the City of Milan. However, a year later the 1919 statements recorded a decrease in net equity and an

operating deficit of 4.481 million Lire. In response, many of the benefactors increased their voluntary contributions and the Board were able to secure contributions from the “Committee of Support for the War”³⁴, an important Milanese bank (*Cassa di Risparmio delle Provincie Lombarde*) and the Ministry of Education. These contributions left the books in a more healthy financial position, but only temporarily as the numbers of children were declining in the *Asili di Carità* and general poverty levels were increasing in the country in the aftermath of war.

In order to secure financial stability, the Municipality had also been asked to increase its financial assistance but it insisted that any additional funding would be contingent upon securing a majority of seats on the Board of Directors. The Assembly refused the Municipality’s proposal and, in order to avoid a looming financial crisis, the *Asili* proposed that the Municipality buy three of their kindergartens and that they would rent the other six to them.³⁵ A key factor in the Municipality accepting this proposal was their declared social policy to take charge of childcare management (Convention of June 7, 1920, Baldi, 2003, p. 99). This new situation again provided some financial relief for the *Asili di Carità*, but it was only a short-term solution since, in the longer term, the decrease in the number of paying children led later to further financial decline, exacerbated by the reduction from 20 to 11 kindergartens.

The minutes of the Assembly Meeting of 1919 provide us with details of the exchanges that took place regarding the Municipality’s request for a majority of the seats on the Board. Representatives of the Municipality argued that it had an obligation to provide public services with regards to childcare and therefore should lay claim to greater representation:

We should look at the number of children, at children of people who have the right to have kindergartens as a large city should have (Ms Malnati, Municipality of Milan’s representative, Minutes of Assembly Meeting of 8 June, 1919, p. 6).

However, the Assembly members were opposed and many spoke against the prospect of the Municipality having a majority on the Board. Councillor Mezzanotte, a well-respected benefactor of the *Asili*, stated:

As founders of Asili di Carità, we believe that claiming protection of our institution and opposing to this “municipalization” of our kindergartens is our right... I find that kindergartens should have a continuity in their mission far from the political swirls and their consequences, because no one can deny that a turnover in the ruling party could have a negative effect on the Board of kindergartens and then on the entire institution (Minutes of Assembly meeting of 8 June, 1919, p. 4).

In the same Assembly minutes, another member-benefactor commented on the close links between the private benefactors and the *Asili*:

The Asili are not a simple organization dedicated to a particular provision, but an association of many citizens aimed to integrate, with their sacrifices of time and money, the educational and charitable purposes of Asili, so that the institution is inseparable from its benefactors and cooperators (Minutes of Assembly Meeting of 8 June, 1919, p. 4)

The City of Milan was in the hands of the socialists at the time, whereas many of the benefactors of the *Asili* were Catholics. The Assembly were unwilling to accept the request for more seats from the Municipality as they were concerned about the risk of nationalisation and political interference in the decision-making process and were determined “*not to hand the Asili over to socialism and (potentially also) their huge patrimony*” (Minutes of Assembly Meeting of 8 June, 1919).

The Assembly members were determined to safeguard the capital of the *Asili* system of kindergartens, which at the time had reached 6,000,000 Lire. As the Marquis Cornaggia, a benefactor and Chairman of the Assembly Meeting of 8 June 1919, stated:

A patrimony of 6 million is a sure guarantee of the vitality and firmness of the situation; recent sales have brought a remarkable improvement in its revenues ... we have firm confidence in government bonds and we note that a recent test case made us confident that in any event, the interest of the charitable institutions will be always respected (Minutes of Assembly Meeting of 8 June, 1919, pp. 4-5).

Further, they were concerned about their own autonomy to manage the organisation and the potential for being over-ruled by a powerful stakeholder holding the majority of the seats on the Board in the future. The Marquis Cornaggia summed this up in his statement:

This situation, in this way, would lead us to give up our autonomy, to allow others to dictate the future of our kindergarten. Will we allow the Municipality of Milan to change the mission of Asili? We know the scope and purpose of that change and it certainly does not correspond to the feelings of the vast majority of benefactors (Translated from the Minutes of Assembly Meeting of 8 June, 1919, p. 5).

However, not all benefactors agreed and some supported the continued involvement of the Municipality and pointed to the issue of financial sustainability and losses resulting from the

withdrawal of the municipal subsidy (Figure 2). A Municipality representative (Vimercati) claimed that such losses would not leave enough to even cover the salaries of the custodial staff: “the kindergartens should keep the 1919 year deficit (one million) out of 6 million in assets and then calculate the 4% of the remaining 5 million. The result is an amount of 200,000 Lire which is not even enough to pay the custodial staff (that is 8 Lire pay per day), therefore, for the financial health and continuity of the institution we need the municipal subsidy” (Vimercati, Minutes of Assembly Meeting of 8 June, 1919, p. 12).

B) di Beneficenza			
11	-	Sussidii ed obbligazioni periodiche	
12	-	da Contribuanti benefattori azionisti	1000 - 1000
13	-	concorso alla spesa per l'educazione infantile	400.000 - 400.000
		Totale	401.000 - 401.000
C) Sussidii ed obbligazioni eventuali			
Sezione 2. ^a Contrate straordinarie			
17	-	di Beneficenza	
22	-	da Privati	209530 - 209530
23	-	da Enti morali diversi	39200 - 39200
23 ^{bis}	-	da Casse di risparmio della Provincia lombarda	75000 - 75000
24	-	da diversi per capitalizzazione di Azioni	2500 - 2500
		Totale	12589530 - 12589530

Figure 2. Detail of charity item - 1920. Source: Financial Statement of 1920 - Asili di Carità.

In the final analysis, the Municipality’s attempt to become the majority stakeholder was thwarted by the benefactors and it was unable to achieve the majority on the Board that it had sought - although it retained the five seats gained originally in 1917. The Assembly of *Asili di Carità* had voted and the minutes show that 330 votes were cast in favour of thwarting the Municipality and 233 votes against. Unfortunately, it is not known which of the benefactors voted in favour and agreed with Cornaggia (who was already a member of the Board of Directors) and which voted against and agreed with Vimercati (the representative of the Municipality).

Reverting to private funding and management

On 28 October 1922 the Fascist party, under the rule of Benito Mussolini, established itself in Rome and formed the new government. Between 1925 and 1926 a series of measures were enacted, which included the dissolution of all non-fascist trade unions, the abolition of the freedom of press and the

restoration of the death penalty (Chabod, 1961). Politically motivated change was sweeping Italy. The more conservative, Catholic members of the *Asili* Assembly were resistant to this change and concerned about the effects it might have on the *Asili* if the Municipality were given more seats on the Board.

The Minutes of the Assembly meeting in 1920 noted that the vote to deny the Municipality a majority on the Board resulted in a refusal by the Municipality to make further contributions. This was challenged by the Assembly and a member, the lawyer Mariani, noted that there was a legal obligation to contribute:

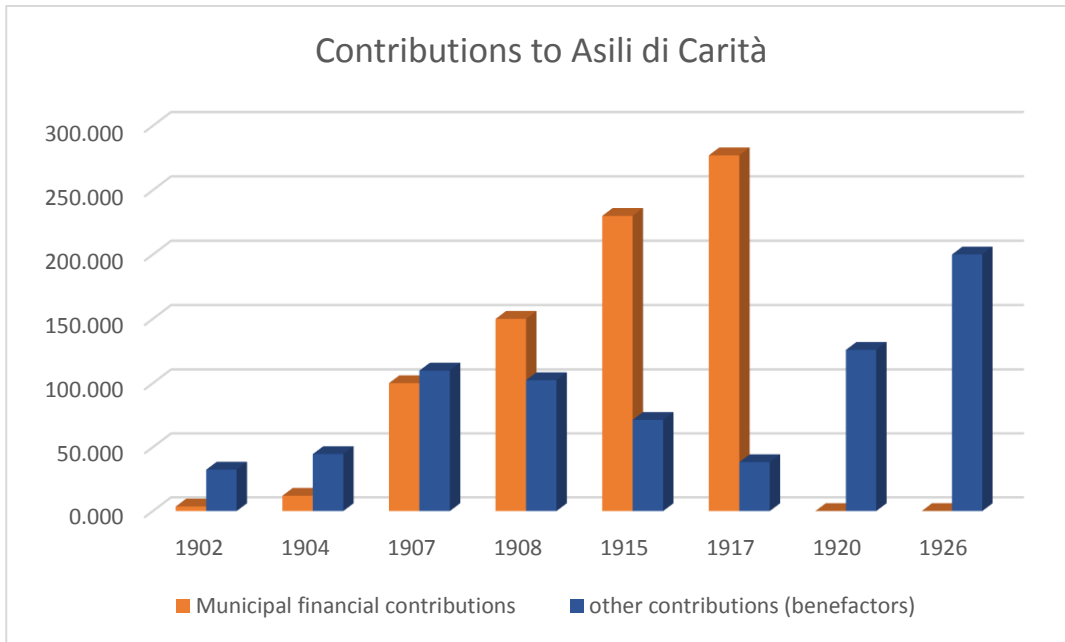
There is a legal provision in Art. 76 of the law on June 4, 1911, n. 222 on school patronage stating that all the subsidies granted as for the date of publication of the law in favor of kindergartens cannot be reduced. I checked the amount of the grant as to the date of the law, and I found the considerable sum of 154,000 Lire. So that amount is inflexible (Lawyer Mariani, a benefactor, Minutes of Assembly meeting of 8 June, 1919, p. 12).

However, the Municipality refused to make further contributions and the Assembly voted to expel them entirely from the Board in 1920 and became a fully privately funded nonprofit organisation again:

In 1913, and later in 1917, the Municipality of Milan was represented in the Board because of its contribution to Asili's expenses, but today the Municipality refuses any financial contribution to the expenditures of Asili di Carità and, therefore, municipal representatives will no more sit on the Board (Minutes of Assembly of Asili di Carità of 20 July, 1920).

These events were significant for the *Asili*, not only for its Board and Assembly but also for other stakeholders, such as the community and the children it hosted and their families. The Board had made a commitment to these stakeholders to act in their interests and uphold the values in the Mission Statement of what was essentially a nonprofit organisation with deeply religious roots. The changes in private and public contributions from the turn of the century to 1926 are summarised in Figure 3.

Figure 3: Contributions to the *Asili di Carità* (Source: Annual reports of *Asili di Carità*)



To formalise this, in 1922³⁶ the *Asili* created a new regulation under which the Board of Directors would be composed of benefactors alone, who would remain in office for a period of four years. Thus, the *Asili di Carità* returned to entirely private funding and management. The most economically powerful stakeholder had not been successful in exercising power and taking control of the Board. Instead the majority of the Assembly members had listened to the passionate arguments made by some of the member-benefactors who were determined to remain true to the ethical mission of the organisation.

By 1926 the new Board of *Asili di Carità* was composed only of benefactors. From the archival evidence, we noted that the financial performance resulted in a deficit of 116,969.95 Lire and that members of the Assembly decided to cover this deficit themselves with increased donations and increased fees for children, rather than turning back to the Municipality. In the minutes that we examined, there are comments made by members highlighting the fact that this deficit was much lower than that faced during the last four years - mainly due to rental receipts from the Municipality. However, competition from the services for children provided by the Municipality meant that numbers at the *Asili* continued to decline and in the following year there was a deficit of 117,000 Lire out of revenues of 978,000 Lire, and expenses for 1,095,000 Lire. See Figures 4 and 5.

CONTO ECONOMICO
delle rendite e spese e delle sopravvenienze attive e passive dell'esercizio 1922

DESCRIZIONE DEI TITOLI	SOMME	
	PARZIALI	TOTALI
<u>Rendite e Spese</u>		
Entrate effettive	1.525.531,17	
Spese effettive	918.411,48	
Sopraavvenienze delle spese effettive		+ 2.264.533,31
<u>Attive</u>		
Utile realizzato dalla vendita di r. stabili	659.539,31	
Consolidati 5% acquistati nell'esercizio	460.000	
Quota devota al Comune di Milano quale rimborso spese di gestione degli abit. affittabili dell'Asilazione ripartibilmente al periodo 1/1-1917 e 3/1-1920 (sopraavvenienze di residui attivi)	210.000	
Maggior debito del Comune di Milano al 31/12-1922 corrisposti all'1/1-1922	85.429,64	
Maggior debito verso la Cassa di Risparmio	3.191,48	
Sopraavvenienze attive dei residui	456,82	
	1.419.904,68	
<u>Passive</u>		
Alienazione di r. stabili	990.000	
Deposimenti del mobilare	462,20	
Sopraavvenienze di titoli di debito pub. lico ed industriale	436,63	
	1.009.931,88	
Sopraavvenienze delle Sopraavvenienze attive	444.442,80	+ 444.442,80
<u>Movimento di Capitali</u>		
Entrata	2.152.968,50	
Uscita	1.799.102,12	
Sopraavvenienze dell'Entrata		+ 351.866,38
		2.611.805,84

Risultato economico in aumento ~~di~~ del seguente Stato dei Capitali L.

AVVERTENZA. — La natura di questo prospetto si desume in cifre complesse dal Titolo del conto finanziario del Tesoriere relativi alle entrate e spese effettive, alle quali si aggiungono le sopravvenienze attive e passive, per dimostrare esattamente la differenza finale che ha subito il seguente Stato dei Capitali in confronto di quello dell'anno antecedente.

Figure 4. Financial statement - Income statement 1922 (Source: Financial statement of Asili di Carità 1922)

" Il Consuntivo 1926 si chiude approssimativamente

" con queste cifre, che purtroppo confermano le asser-

" zioni con le quali abbiamo cominciato questa breve

" relazione:

Entrata complessiva	L	978046,66
Spese complessive	"	1095018,61
Deficienza	L	116969,95

Figure 5. Brief summary of the Income Statement - 1926 (Source: Assembly minutes Asili di Carità of 1927)

6. Conclusion

This study has drawn from archival material to study the *Asili di Carità*, a nonprofit educational organisation established in mid-nineteenth century Milan by the *Santa Maria Segreta Church*. Like many other charitable institutions at the time, the *Asili* originally relied upon its wealthy benefactors performing acts of Christian generosity for its operation and survival. The data shows that not only did the benefactors wield a financial stake in the organisation, but many were also aligned with the organisation's mission at a personal level through a moral desire to "do good". As the organisation grew and the economic climate changed, so too did the financial needs of the *Asili* and the demands placed upon stakeholders in terms of contributions. In times of financial distress, the Board turned to the Municipality of Milan, which was legally bound to establish and support public facilities for the education and care of not only orphaned and abandoned children but also those from poor families.

Several accounting history studies already exist on nonprofit organisations with religious aims and our study adds to this literature by showcasing an organisation that has its roots strongly embedded within Catholicism and which established internal systems that enabled it to keep accounting records and produce financial statements in order to discharge accountability. Prior works in the accountability-related literature (Moggi et al., 2016; Cordery and Baskerville, 2011) have highlighted how organisations prioritise the demands of stakeholders depending on their "salience". In the present study we, too, have noted how the Municipality came to be a very powerful stakeholder within the *Asili*, as its contributions increased in the early twentieth century. Economic changes and the resulting financial distress forced changes in funding patterns for the *Asili*, as it went from being a fully-privately-funded organisation to being majority-publicly-funded and then reverted to private funding after 1919. The present study contributes to the literature recognising the supremacy or salience of particular stakeholders by showing that the primacy of stakeholders can change over time and therefore how accountability is discharged can also change. The Directors of the Board were accountable to the Assembly for their actions and discharged their accountability through the production of financial statements and by presenting these to the assembly meeting. In addition, in line with their charitable mission, the Board also produced an ethical statement. Our evidence shows how the emphasis on the financial statements took precedence as the *Asili* turned to the Municipality when subjected to greater financial distress in the period under study.

Although stakeholder salience is one element of our story, the main thread of our study supports the assertion in ethical stakeholder theory that the moral role of the organisation in achieving social good is paramount and supersedes the exertion of economic power by individual stakeholders (Ebrahim,

2003). The data shows that, in the nineteenth century, the Board was originally appointed from amongst the benefactors and that they were trusted to ensure the security of the mission. Even the periods in which the Assembly was made up of a small proportion of municipal representatives, directors appointed by the Municipality never really appeared to hinder the will of the benefactors. As this study has shown, over the years ever-greater resources were requested from the Municipality, particularly in periods of financial distress. In return, the Municipality acquired a powerful voice through representation on the Board and as the Municipality sought a majority of seats on the Board in 1919, a backlash from the private benefactors thwarted their attempts. The latter argued that the very nature of the organisation would potentially be different under a socialist Municipality. Despite the economic power wielded by the Municipality, the Assembly and the Board were more inclined to risk future financial distress rather than allow the organisation to suffer a loss of autonomy or stray from its mission and its moral, ethical and charitable standing. In addition, many of the benefactors were themselves Catholic and more conservative and they were also concerned about the political influence that a socialist-majority Board might exert.

Although analysis of the archival data has allowed us access to this private archive in order to narrate the story of an interesting and eventful period in the history of the *Asili*, the study is not without limitations. Firstly, there are missing records relating to the war years, which are significant in this story. We have attempted to overcome this limitation by reference to later records, many of which have allowed us to piece together the missing elements, although of course we cannot know exactly what remains excluded from the story as a result. Secondly, although the early records are written in a version of modern-day Italian, a degree of translation was required. Further, all of the records had to be translated into English and, despite our best efforts to mitigate issues arising from this, it is possible that something might, at times, have been lost in translation.

This study has highlighted the complex Board-stakeholder relations that existed within the *Asili di Carità* and has shed light on the accountability system in a period of economic, social and political change. The discharge of accountability and the ethical mission of the organisation have been shown to be inextricably linked. We have presented a case in which the demands of a powerful individual stakeholder was not the only priority and instead the organisation decided to remain true to its original ethical and charitable mission - a key feature of ethical stakeholder theory. Although this is a single case study, set within a particular historical context, the case presented supports other prior works that have highlighted changes in accountability and the mechanisms for discharging it, as nonprofit organisations transition from the private to the public sector and vice-versa over time.

¹ There are some significant examples to be found in the literature. Magli and Nobolo (2014) analyse the evolution of the accounting system in the *Asili di Carita* between 1836 and 1892. Fowler (2010) and Fowler and Cordery (2015) focus on education and the discharge of accountability in the Nelson settlements in the mid-nineteenth century New Zealand. Madonna et al. (2014) employ a Foucauldian perspective to examine the role of accounting in the power/control relationship between the Papal State and an eighteenth-nineteenth century Italian university. Rodrigues et al. (2007) examined the history of the establishment of the Portuguese School of Commerce in 1759.

² Prior to such provision, very young infants were cared for by wet nurses, families and child-minders or simply abandoned by single mothers (in the case of illegitimate children) and poverty-stricken families at foundling hospitals. Kindergartens (translated as children's garden) originated in Germany in 1837, founded by Friedrich Froebel, a philosopher and educator. The model was exported to France, Italy, England, Holland and America (Bryant and Clifford, 1992).

³ In unified Italy, national laws regulating the private charitable institutions (known as the *Opere Pie*) were passed in 1862, bringing these institutions under the control of the Ministry of the Interior.

⁴ Kindergartens for children were privately held nonprofit organisations established in Italy to respond to the working population's needs for childcare. Ferrante Aporti, who is credited with their introduction to Italy, was an Italian presbyter, pedagogist and politician (*San Martino dall'Argine, November 20, 1791-Turin, November 29, 1858*). In 1830, he opened the first free children's school, financed by the Austrian government, in Cremona (Baldi, 2003).

⁵ One of the authors has a family connection to the owners of the archive and was granted special permission.

⁶ We examined the following legal documents: Law no. 6972 of 17 July 1890; the Royal Decree of 5 February 1891 no. 99; Law no. 222 on June 4, 1911. We also explored the original documents from 1926 to 1947 (beyond our period of study), although no additional empirical findings emerged.

⁷ To some extent this also overlaps with the literature examining accountability and the sacred/secular divide in religious organisations (see also Laughlin, 1990; Jacobs 2005; Bigoni, 2013).

⁸ There are similarities that stakeholder theory shares with legitimacy theory (see Deegan, 2002).

⁹ A stakeholder is defined as "any identifiable group or individual who can affect the achievement of an organisation's objectives, or is affected by an organisation's objectives (Deegan and Unerman, 2006, p. 286). For a nonprofit organisation this could include providers of funding and donations but also beneficiaries, volunteers and others. See also Freeman's definition - a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (quoted in Mitchell et al., 1997, p. 854).

¹⁰ In modern times, nonprofit organisations can vary in character, ranging from very large international organisations undertaking charitable work across international borders to more local, smaller organisations.

¹¹ They identify classes of stakeholders based on their possession one, two, or all three of the following attributes: (1) the stakeholder's power to influence the firm, (2) the legitimacy of the stakeholder's relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm. Such a basis of classification helps to explain how/why managers prioritise certain stakeholder relationships over others.

¹² There can also be internal pressure for accountability as nonprofit organisations seek to value activities for internal decision-making (Ebrahim, 2003). See also Unerman and O'Dwyer (2006) on "identity accountability".

¹³ This is a distinction that has been identified in the context of corporate social reporting (Gray, R., Owen, D. and Adams, C. (1996) *Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting*. Prentice Hall). However, in some cases (such as charities) regulation and legislation may be the driver.

¹⁴ Examples of stakeholders in nonprofit organisations include employees, volunteers, advocates, lenders, suppliers and other trade creditors, customers, members, service beneficiaries, regulators and the community or public (Ryan et al., 2014).

¹⁵ Fowler refers to Hoskin and Macve (1986), who adopted a Foucauldian approach to their study of an educational organisation established by Joseph Lancaster in 1798. However, although the NSS exhibited some similarities with the Lancaster-based system, it was less concerned with mechanisms of accountability such as written examinations and marking models but rather more concerned with "student attendance and fees, indicating a concentration on resource issues" (p. 340) - something that it has in common with the present study.

¹⁶ Confraternities are religious associations composed mostly of lay people and some ordained subjects. Moggi et al. (2016) conclude that the accountability of confraternities was very much influenced by their relationships with the main groups of stakeholders, because of their importance. Thus local and religious authorities imposed their power through the audit of the confraternities' bookkeeping. Donors were shown to have a strong interest in the use for which assets and funds were reserved, "in light of the economic value of their donations and the spiritual aim of these actions" (p. 259), whereas beneficiaries were not the main recipients of accountability tools.

¹⁷ *Asilo* is the singular for a kindergarten; *Asili* is the plural. Aporti had read about similar initiatives in Joseph Wertheim's German translation of Samuel Wilderspin's "*On the importance of educating the infant children of the poor*" (published in 1823). Aporti's work was driven by his philosophy that children needed both moral and physical development alongside education and that it was far preferable to place them in an *asilo* than leave them on the streets or with parents who often had little education themselves (Albisetti, 2009). By 1846, there were 178 *Asili* that were known to Aporti and of these

ninety were in Austrian ruled territories (which included Milan), forty-seven were in Piedmont-Sardinia, twenty-four were in Tuscany, three were in the Kingdom of Naples (or The Two Sicilies) and two were in the Papal States (Albisetti, 2009).

¹⁸ Caroli (2017) notes that “Aporti’s work influenced the Milan Committee presided over by the jurist and philosopher Gian Domenico Romagnosi (1761-1835), who opened nurseries offering places to infants between the ages of two and a half and six” (p. 68) and that for older children nursery schools were first established by the *Opera Pia* in February 1836.

¹⁹ *Asili di Carità 1837 - Attorno alla Fondazione e allo stato corrente degli Asili di Carità per l’infanzia in Milano* (Around the foundation and the current state of Asili), 1837, Tipografia G.B. Bianchi e C. 1837, Milano.

²⁰ In the period of study, benefactors included Giuseppe Giani (businessman), Mario Cicogna (accountant), Gaetano Dehò (lawyer) Ottavio Cornaggia (noble), Anna Cornaggia (noble), Trivulzio Elisa (noble); Education Ministry, War Assistance Committee, Cassa di Risparmio delle Provincie Lombarde (a private bank).

²¹ A memorial to celebrate the creation of the new Kingdom of Italy, after the unification of the Kingdom of Lombardy-Veneto, the Grand Duchy of Tuscany, the Papal State etc.).

²² *Asili di Carità, Resoconto 1836 1872* (reports of 1836-1872), Tipografia G.B. Bianchi e C. P. 10-11.

²³ Source: *Asili di Carità 1837*, p. 40.

²⁴ Source: *On the state of Asili di Carità*, Tipografia Guglielmini, Milan, 1872.

²⁵ Law No. 487 (4 June, 1911) made the primary school (until then managed by the Municipalities) a State service, with the State now responsible for the payment of the salaries of the teachers.

²⁶ Both the state school and the *Conservatori* were free, but in order to be accepted to the *Conservatori* it was necessary to have documentation that attested to the state of poverty of the family. This was not necessary for state schools because any child over the age of 6 could attend.

²⁷ It was issued because the previous legislation (Law 3 August, 1862 No. 753) had proved to be deficient in the control and management of the directors and protection for the children. Under the 1862 legislation, the State regulated the *Opere Pie* – translated as charitable institutions but this law introduced minimum rules of administration and protection.

²⁸ Article 21 specified that the “final account will be forwarded to the office of the Prefecture” - the provincial administrative office. The income and expenditure supporting documents were submitted to Prefectural Council, which was required to approve within six months (Art. 21 L. 17 July, 1890, No. 6972).

²⁹ Due to war damage after WWI, financial information from the period 1915-1922 is scarce but we do know from the material available that the structure of financial reports did not change much.

³⁰ For example, the minutes show that in 1906 such a request was made as, although the benefactors had increased their contributions, the *Asili* was still in financial distress. To help their claim, the Board produced an analysis comparing the costs of 1836 with those of 1906, which highlighted the financial distress: a kindergarten cost in 1836 was around 1,900 Lire while in 1906 it was 11,900 Lire. They argued: “the government subsidizes the kindergartens in Rome and other cities with 100,000 Lire annually, the province and the City of Naples and the City of Turin contribute widely to the operations of kindergartens. The nearby town of Como has secured a significant contribution to the nursery care for children” (Report of 1907 *Asili di Carità per l’infanzia e la Puerizia* in Milan, 1872-1909, p. 14).

³¹ Italian cities, and Milan in particular, underwent rapid modernisation into the early 1900s with the introduction of large factories and industries. Europe’s largest power plant was constructed in Milan and new companies formed in the period: Edison S.p.A. (Società per Azioni), Falk S.p.A. (a steel company), Pirelli S.p.A. (automotive industry) and Breda S.p.A. (metals) and several pharmaceutical companies.

³² In the period 1874-1876 there was the amalgamation between the old city of Milan and the Corpi Santi (the suburban city) in the new city of Milan. In 1912 the *Asili* of Milano and *Asili* of Corpi Santi were merged into a single institution (Guarini et al., 2018).

³³ For example the Ansaldo Munitions Works, Milan. The company was founded in 1853 and focused on manufacturing and repairing railway components, quickly becoming a 10,000-worker company with seven factories. The company expanded into munitions production and by 1914 the company was worth 30 million Lire.

³⁴ This Committee was established in Milan on June 4, 1915 in order to support families of soldiers of the Italian army. The Committee’s program stated that the Executive Committee would have to: distribute grants to needy families of the soldiers; protect and cure childhood during the period of the war; place the unemployed residents in the Municipality of Milan and shelter the refugees and returnees born in Milan; protect the economic and personal interests of the soldiers; assist the wounded (Source: <http://www.europeana1914-1918.eu>).

³⁵ The sale of some of the *Asili* to the Municipality in 1919 could raise the question of whether the benefactors were really remaining true to their ethical and charitable mission as this act reduced their ability to “do good”. We suggest that their actions might be viewed as a way of protecting and saving what they could of the organisation in the face of total financial disaster and collapse.

³⁶ In the financial statement of *Asili di Carità* in 1922 (Figure 7), although an operating loss was made (the income was 630,878 Lire, the expenses were 915,411 Lire) it was possible to cover the extra expenses, and remain in profit, by creating a contingent assets of 1,777,704 Lire - the result of the sale of two buildings and income rentals from the kindergartens that had previously been transferred to the Municipality.

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