We seek to document the association between the compensation received by executives and the effect of meeting the budget constraint, after controlling for other factors that might drive a change in compensation. After confirming the existence of the manager’s incentives for meeting the budget constraint, we investigate under which circumstances the top executives are likely to engage earnings management. The underlying assumption is that managers of private non-profit hospitals benefit through meeting the budget constraint by receiving pecuniary promotion such as compensation increase and/or non-pecuniary benefits such as higher level of job security.