



Knowledge Development

Canada Volunteerism Initiative

Estimating and Reporting the Value of Volunteer Contributions

RESULTS OF A SURVEY OF CANADIAN
NONPROFIT ORGANIZATIONS

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ISBN# 1-55401-093-4

The Canadian Centre for Philanthropy's Knowledge Development Centre is funded through the Community Partnerships Program of the Department of Canadian Heritage as part of the Canada Volunteerism Initiative. The views expressed in this publication do not necessarily reflect those of the Department of Canadian Heritage.

Canada 

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Estimating and Reporting the Value of Volunteer Contributions

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Introduction

This work builds on a previous study that developed a procedure that nonprofit and voluntary organizations could use to calculate the value added of volunteer contributions to the community (Quarter, Mook, & Richmond, 2002; Quarter, Mook, & Richmond, 2003). As we were doing that study, it seemed to us that very few organizations included volunteer contributions in their accounting statements. However, this observation was anecdotal rather than based on systematic research. The objective of this study was to check the truth of that observation and to undertake research on the extent to which nonprofit and voluntary organizations keep records on volunteer contributions, estimate the financial value of those contributions, and report on that value. We were also interested in the obstacles they encounter in attempting to do so.

This research was supported by the Knowledge Development Centre, an initiative of the Canadian Centre for Philanthropy.

Context

In modern economies such as Canada's, volunteers are playing an increasingly important role alongside paid labour, a phenomenon referred to as coproduction (Brudney, 1990; Ferris, 1984). The economic role of volunteers has been highlighted in some recent major surveys.

- The National Survey of Giving, Volunteering and Participating (Statistics Canada, 2001; Hall, McKeown, & Roberts, 2001) indicates that annual volunteer contributions in 2000 were the equivalent of 549,000 full-time jobs.
- A similar international survey (Salamon et al., 1999) estimated volunteer contributions as the equivalent of 10.6 million full-time jobs in Organization for Economic Cooperation and Development (OECD) countries.
- A recent Canadian survey carried out as part of the Social Sciences and Humanities Research Council-funded strategic grant, New Approaches to Lifelong Learning (Livingstone, 2001) indicated that volunteer labour represents about 11% of the total labour contribution in Canada.

Despite the important contributions of volunteers, the benefits that they generate are not included in national accounts and seldom appear in the accounting statements of charitable and nonprofit organizations. In part, as discussed below, this oversight has to do with accounting standards.

Accounting for Charitable and Nonprofit Organizations

In March 1996, the Canadian Institute of Chartered Accountants (CICA) released a special set of accounting standards (Sections 4400–4460) for nonprofit organizations, including charitable and voluntary organizations. These standards are largely adaptations of standards that are applied to business enterprises. They focus on profits and loss, and seem to sidestep the uniqueness of nonprofit organizations (Campbell, 1998). As such, they are inappropriate for several reasons.

First, while the primary audience of a business's financial statements is its investors, the primary audience of a nonprofit organization's financial statements comprises members, funders, clients, and the community (Richmond, 1999). Second, the main objective of accountability for a business is profit maximization, whereas for nonprofit organizations the objectives are stewardship (or trusteeship), quality, and social impact (Quarter, Mook, & Richmond, 2003). Third, as noted, unlike businesses, nonprofit organizations receive important contributions from volunteers.

As early as the 1980s, the CICA had recommended that material amounts of donated services be recognized, both as current revenue (as a donation) and as current expense (similar to wages), if:

- (1) the service is essential and would be paid for if not volunteered;
- (2) the volunteer accepts direction much as an employee would; and
- (3) the value of the service is readily measurable. (CICA, 1980, chap. 13, p. 16; Skinner, 1987, p. 501).

More currently, the CICA handbook (4410.16) suggests that, in certain circumstances, the contributions of volunteers should be recognized when a fair value for the services they provide can be reasonably estimated and when these services would otherwise have been purchased. However, donated services usually go unreported in financial statements. At best, they are included in the statement's Summary of Significant Accounting Policies, as a note to the audited financial statements. For example, the Centre for Addiction and Mental Health includes the following note in its financial statements under the heading *Contributed Services*: “because of the difficulty in determining the fair value of volunteer services, contributed services are not recognized in the financial statements” (Centre for Addiction and Mental Health, 2000, p. 7).

While there are some anecdotal examples of voluntary organizations that include the value for the contribution of volunteers in their financial statements (e.g., Canadian Crossroads International, the Energy Probe Research Foundation), there is no systematic research on this issue. Therefore, it is not clear whether the financial statements of voluntary organizations are even meeting the standard set out by the Canadian Institute of Chartered Accountants. Our study provides a first step in this direction by looking at whether or not organizations keep records of volunteer contributions, whether or not they estimate the financial value of those contributions, and whether or not they include this value in their accounting statements.

Methodology

To determine the extent to which charitable and nonprofit organizations estimate the financial value of volunteer contributions and the barriers they face in doing so, we conducted a national survey of Canadian nonprofit organizations. We used as our sampling frame *The Directory of Associations in Canada* (Associations Canada, 2002), which contains 19,213 listings from across Canada. This directory appeared to be the most comprehensive list of nonprofit organizations available in that it includes a range of organizations, including registered charities, in different fields and of different sizes. We selected 640 organizations from the directory by choosing every thirtieth entry. We then eliminated 32 organizations, either because they were co-operatives or because they were located in another country. We mailed surveys to the remaining 608 organizations, 529 of which were English and 79 of which were French. Organizations from every province in Canada were included in our mailing list.

Two weeks after the mailing, the organizations were contacted by phone. In total, 156 surveys were

completed (119 in English and 37 in French), not including several that came in after the deadline for data entry. Half of the surveys were received by mail and the other half were completed over the phone. However, of the 608 organizations that were sent surveys, 152 either did not receive the survey because the contact information we had was inaccurate or could not respond because they were so small that they did not maintain an office. If these organizations are excluded from our calculation, the response rate (i.e., responses from organizations that actually received the survey) was 34%.

The survey solicited information about the characteristics of the responding organization; its accounting practices, including whether it estimated the financial value of its volunteer contributions and reported that value in its financial statements; and why the organization either did or did not report on the value of its volunteer contributions. If the organization included the value of its volunteer contributions, the procedure for doing so was explored.

Findings

The organizations in the sample of 156 organizations had the following characteristics:

- the majority (89%) were incorporated nonprofit organizations; 10% were unincorporated associations;
- more than half (54%) had charitable status;
- the average age of the organizations was 34.8 years; the median age was 30 years;
- more than three quarters (76%) were anglophone; the rest (24%) were francophone;
- they came from every province and the Northwest Territories. The largest number of organizations were located in Ontario (33%), followed by Quebec (26%), British Columbia (10%), and Alberta (9%);
- they had an average of 10.8 full-time employees; the median was 3 full-time employees;
- they had an average of 250.6 volunteers; the median was 32 volunteers;
- they had average revenues of \$1.08 million; the median revenue was \$223,527.

To analyze the data, we focused on three questions:

1. Does your organization keep records of volunteer contributions?

2. As part of your record keeping, does your organization estimate a financial value for volunteer contributions?

3. In your accounting statements, does your organization include a financial value for volunteer contributions?

Just over one third (37%) of respondents indicated that their organizations kept records of volunteer contributions (see Table 1). Only 7% estimated the financial value of the volunteer contributions and only 3% reported this value in their accounting statements.

Table 1. Response to the Three Criteria Questions

	Respondents	Percentage that keep records	Percentage that do not keep records
Keep records of volunteer contributions	153	37	63
Estimate the financial value of volunteer contributions	152	7	93
Include volunteer value in accounting statements	150	3	97

The rest of our findings are divided into two sections. First, we examine the characteristics of the organizations that responded “yes” to each of the three questions above. Second, we examine the reasons given by respondents who answered “no” to the last two questions.

Organizations that Record, Estimate the Value of, and Report on Volunteer Contributions

Keeping Records of Volunteers

Just over one third of respondents (37%) reported that they kept records on the contributions of their volunteers. The likelihood of keeping such records varied according to the region in which an organization was located, its service orientation (i.e., whether it served primarily members, the public, or both), whether it had charitable status, the number of volunteers it had, the gender of its accountant, and whether it derived revenues from membership fees.

Region

Organizations in Ontario were the most likely to keep records on the contributions of their volunteers. Just over half of the organizations in Ontario (51%) reported recording volunteer contributions (see Table 2). Among the provinces, organizations in Quebec were the least likely to keep such records (18%).

Table 2. Region of Organizations by Whether Records of Volunteer Contributions are Kept

	Western Canada	Ontario	Quebec	Atlantic Canada	Northern Canada
Percentage that keep records	35	51	18	44	0
Percentage that do not keep records	65	49	82	56	100

n=152

Service orientation

Table 3 indicates that organizations that were oriented to the public at large were more likely to keep records of volunteers than those that were oriented to a membership or those that viewed themselves as being oriented to both the public and a membership. As shown in Table 3, 56% of organizations oriented to the public kept records. The same was true of only 24% of organizations oriented to a membership, and 38%

oriented to both. Therefore, only in organizations oriented to the public is the likelihood of keeping records decidedly greater than the likelihood of not keeping records.

Table 3. Service Orientation of Organizations by Whether Records of Volunteer Contributions are Kept

	Public	Membership	Both
Percentage that keep records	56	24	38
Percentage that do not keep records	44	76	62

n=151

Charitable status

Organizations that had registered charitable status were more likely than those without charitable status to record the contributions of their volunteers. Almost half of organizations (46%) with charitable status reported keeping records, while just over one quarter of organizations (26%) without charitable status did so (see Table 4).

Table 4. Charitable Status of Organizations by Whether Records of Volunteer Contributions are Kept

	With Charitable Status	Without Charitable Status
Percentage that keep records	46	26
Percentage that do not keep records	54	74

n=149

Number of volunteers

Organizations with more than 30 volunteers were the most likely to record the contributions of those volunteers. Approximately half of organizations with more than 30 volunteers kept records, compared to

no more than one third of organizations with 30 volunteers or fewer (see Table 5).

Table 5. Number of Volunteers by Whether Records of Volunteer Contributions are Kept

	1-10	11-20	21-30	31-70	>70
Percentage that keep records	22	17	33	54	49
Percentage that do not keep records	78	83	67	46	51

n=152

Gender of accountant

Organizations with female accountants were more likely to keep records than were those with male accountants. More than four in ten organizations (44%) with female accountants reported keeping records of their volunteer contributions (see Table 6). This compares to only 22% of organizations with male accountants.

Table 6. Gender of Accountant by Whether Records of Volunteer Contributions are Kept

	Male	Female
Percentage that keep records	22	44
Percentage that do not keep records	78	56

n=144

Membership fees

Deriving revenue from membership fees was negatively related to keeping records of volunteer contributions. As shown in Table 7, only 30% of organizations that derive revenue from membership fees kept records of volunteer contributions. In contrast, 50% of organizations that did not derive revenue from membership fees kept such records.

Table 7. Revenue from Membership Fees by Whether Records of Volunteer Contributions are Kept

	Derive revenue from membership fees	Do not derive revenue from membership fees
Percentage that keep records	30	50
Percentage that do not keep records	70	50

n=125

Number of volunteer hours

The number of volunteer hours was positively related to whether an organization kept records of volunteer contributions—that is, the greater the number of volunteer hours, the greater the likelihood of keeping records. The median number of volunteer hours reported by organizations that kept records was 2,500 while the median for those that did not was 1,000 volunteer hours.

Estimating the Financial Value of Volunteer Contributions

Given that only 11 of the organizations that responded to our survey estimated a value for volunteers, and that some data were missing, the conditions were not ideal for identifying the characteristics of organizations that were more likely to undertake this activity. We nevertheless carried out some tests, but found nothing of significance.

Reporting on Volunteer Contributions in Accounting Statements

Because only four of the organizations that responded to our survey estimated a value for volunteer contributions in their accounting statements, we were unable to identify the characteristics of organizations that were more likely to undertake this activity.

Reasons for Not Estimating and Reporting on Volunteer Value

The vast majority of respondents to our survey indicated that their organizations did not estimate the financial value of volunteer contributions (93%) and did not report on this value in their financial accounts (97%). This section of the report summarizes their reasons for not doing so.

Each respondent had the opportunity to provide the reasons for, or an explanation of, their responses to questions that asked whether they estimated the financial value of volunteer contributions and whether they reported on that value in their financial accounts. Some respondents provided several reasons, so the tabulations that follow are not mutually exclusive. Nevertheless, they give some insight into the thinking of respondents with regard to these issues. Two independent raters categorized the qualitative information. Before proceeding, we checked to see that their categorizations were consistent.

Six in ten respondents reported that they did not estimate the value of volunteer contributions and did not include this value in their financial accounts because they did not consider these activities to be applicable to their organization (see Table 8). Examples of answers in this category included: “not useful,” “not interested,” “not required by funder,” “not required by accountant,” “not required by Canada Revenue Agency,” and “not applicable because of too few volunteers.” Respondents made comments such as: “it is not required by our major funder” and “information is not required.”

The second most frequently mentioned reason for not undertaking either activity was that the organization had never considered it. Twenty percent of respondents indicated that they had never

considered estimating the financial value of volunteer contributions; 19% had never considered including this value in their financial accounts.

Nineteen percent of organizations said that they lacked the resources to estimate the financial value of volunteer contributions; 10% said that they lacked the resources to report on this value. Answers in this category included: “lack of human resources (to do it or to supervise how its being done),” “lack of financial resources,” “lack of technological resources (e.g., software, computers, etc.),” and “lack of appropriate tools/information (e.g., toolkits, access to appropriate rates, etc.).” Respondents made comments such as: “our record-keeping is done by volunteers, so we keep it to a minimum” and “no time, no resources.”

Other reasons:

- “Not desirable,” cited by 15% of organizations as a reason for not estimating the financial value of volunteer contributions and not reporting on that value. Comments included: “not appropriate to value volunteers this way,” “philosophical objections,” and “don’t want to burden volunteers.” Respondents made such comments as: “a volunteer’s contribution is time, not money” and “we volunteer because we want to do it. We do not want to really keep track.”
- “No organizational support,” cited by 5% of organizations as a reason for not estimating the financial value of volunteer contributions and by 9% as a reason for not reporting on that value. Comments included: “no leadership,” “no champion taking up the issue,” and “not required by board.”

Table 8. Reasons for Not Estimating and Reporting on Volunteer Value

	Not Applicable	Have Not Considered	Lack of Resources	Not Desirable	No Organizational Support	Credibility of Data	Unknown	Respondents
Reasons for not estimating volunteer value	60%	20%	19%	15%	5%	3%	2%	122
Reasons for not reporting volunteer value	61%	19%	10%	15%	9%	10%	1%	115

Note: Due to multiple responses, rows do not add to 100.

Respondents made such comments as: “this has not been a practice of this organization until now” and “never required by head office.”

- “Difficult to gather credible information,” cited by 3% of organizations as a reason for not estimating the financial value of volunteer contributions and by 10% as a reason for not reporting on that value. Comments included: “difficult to track hours” and “difficult to determine the accuracy of the numbers.” Respondents made such comments as: “we would have difficulty in collecting reliable data.”

We also asked respondents to identify the main challenges to estimating the financial value of volunteer contributions in accounting statements

Table 9. Main Challenges to Estimating and Reporting on Volunteer Value

	Percentage of Respondents Reporting this Challenge
Lack of resources	43
Not applicable	34
Credibility of data	20
Not desirable	15
Have not considered	3
No organizational support	2
Unknown	4

n=93

Note: Due to multiple respondents, percentages do not add to 100.

(see Table 9). The three most frequently identified challenges were “lack of resources” (cited by 43% of respondents); “not applicable” (34%); and “difficult to gather credible information” (20%).

Finally, we looked at the characteristics of the organizations that cited the two key reasons for not estimating or reporting on a value for volunteer contributions: “not applicable” and “lack of resources.” Three findings stood out.

First, as seen in Table 10, organizations that were oriented towards a membership only (76%) or towards both a membership and the public (58%) were much more likely to report that estimating the financial value of volunteers was “not applicable” than were organizations that were oriented towards the public as a whole (43%).

Table 10. Estimating Volunteer Value Considered “Not Applicable” by Service Orientation

	Percentage Giving this Response
Public orientation	43
Membership orientation	76
Both orientations	58

n=122

Second, organizations with charitable status were somewhat more likely than non-charities to identify “lack of resources” as a reason they did not estimate the financial value of volunteer contributions (25% of registered charities gave this reason vs. 11% of non-charities; see Table 11). Third, organizations with

charitable status were more likely to cite “lack of resources” as a main reason for not including a value for volunteer contributions in their accounting statements (14% of registered charities reported this reason vs. 5% of non-charities; see Table 11).

Table 11. Volunteer Value Not Estimated or Reported Because of Lack of Resources by Charitable Status

	With Charitable Status	Without Charitable Status	Respondents
Not estimated	25%	11%	120
Not reported	14%	5%	118

Conclusion

For this study, we conducted the first national survey of the practices of Canadian charitable and nonprofit organizations with regard to recording, estimating the financial value of, and reporting on the value of volunteer contributions. We found that just over one third of respondents (37%) kept records of volunteer contributions, only 7% estimated the financial value of volunteer contributions, and only 3% included a value for volunteer contributions in their accounting statements.

Record keeping was most common among organizations with charitable status that were oriented to the public rather than to a membership. There was also some indication that having a female accountant was positively associated with record keeping. Because so few organizations estimated the financial value of volunteer contributions and reported that value in their accounting statements, it was difficult to identify what these organizations had in common.

Respondents gave a variety of reasons for not estimating the financial value of volunteer contributions and including that value in their financial statements. The main reasons respondents gave were that they did not think that these activities were applicable to their organization, had never considered undertaking these activities, lacked the resources, and did not regard these activities as desirable.

Our findings suggest that there is much room for education about these activities. They also suggest that the problem of lack of resources will have to be addressed if more charitable and nonprofit organizations are to keep records on and estimate the financial value of volunteer contributions, and report on these contributions in their financial accounts.

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