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Reporting Volunteer Labour at the Organizational Level: A Study of Canadian Nonprofits

Abstract

Volunteer contributions in the production of services are an important resource internationally. However, few countries include volunteer contributions in their national accounts, even though many encourage their populations to engage in volunteering. At the organizational level, many nonprofit organizations using volunteers often limit their input to a footnote in annual reports acknowledging their contribution; few estimate their value in financial terms. As a result, their financial accounts lack information upon which to base decisions affecting the organizations and the communities they serve. Additional information is required to assess the impact of volunteers in individual nonprofits as well as the sector as a whole. This study focuses on Canada, one of the few countries that include volunteers in the national accounts, to examine to what extent nonprofit organizations estimate a financial value for these contributions and include this in their financial statements. This paper reports the results of an online survey of 661 nonprofits from across Canada. In order to understand why some organizations keep records for volunteer contributions and quantify them, two sets of explanatory factors are explored: organizational characteristics and the attitude of the executive director. We find larger organizations were more likely to engage in record keeping and estimating volunteer value, as were organizations with a relatively large group of volunteers and volunteer programs. The attitude of the executive director is important in determining which organizations engage in these practices.

Keywords

non-profit organizations, surveys, voluntarism, volunteers

Comments

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**REPORTING VOLUNTEER LABOUR AT THE ORGANIZATIONAL LEVEL
A STUDY OF CANADIAN NON-PROFITS**

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ABSTRACT

Canada is one of the few countries to include volunteer contributions in its National Accounts. However, not much is known yet about the extent to which individual nonprofit organizations keep records of volunteer contributions, estimate a market value for these contributions, and include this market value within their financial statements. This paper reports the results of an online survey of 661 nonprofit organizations from across Canada. In order to understand why some organizations keep records for volunteer contributions and quantify them, two sets of explanatory factors are explored: organizational characteristics, and the attitude of the Executive Director. Larger organizations were more likely to engage in record keeping and estimating volunteer value, as were organizations with a relatively large group of volunteers and volunteer programs. The attitude of the executive director was also related to organizations engaging in these practices.

KEYWORDS: Canada; nonprofit and voluntary organizations; volunteers.

INTRODUCTION

Based on its proportion of nonprofit and voluntary organization workforce to its economically active population, Canada has the second largest nonprofit sector in the world, preceded only by the Netherlands (Hall et al., 2005). The nonprofit sector in Canada employs over 2 million full-time equivalent (FTE) workers with about two-thirds in paid positions, and one-third as volunteers (Hall et al, 2001; Hall et al., 2004). In comparison, Canada's manufacturing industries employ 2.3 million FTE workers.

As one of the first countries to produce a Satellite Account of Nonprofit Institutions and Volunteers in its national accounts (others are Australia and Belgium), Canada has a good sense of the scope of volunteer contributions at the macro level (Statistics Canada 2004b). For 1997, Statistics Canada estimated that the standard value of the GDP of the nonprofit sector was \$57.5 billion and accounted for 6.9% of the economy. It then assigned a replacement cost value to volunteer contributions of time (\$14.1 billion) based on the wage rate for community and social services occupation and found that the economic contribution of the nonprofit sector increased to 8.6%. In this extended value of GDP, volunteer labour services accounted for nearly 20% of the total extended GDP for the sector, primarily in four fields: (1) culture and recreation, (2) social services, (3) religion and (4) education and research. Volunteer labour also amounted to about 22 percent of the total value of labour services provided to the nonprofit sector, with paid labour in this sector amounting to \$48.9 billion and volunteer labour \$14.1 billion.

While we now have data reported on volunteers at the national level, we still have limited knowledge of the reporting of volunteer contributions at the organizational level.

Thus, this study aimed at understanding the extent to which nonprofits keep track of their volunteer contributions and include a value for them in their annual reports and/or financial statements. The study explores the prevalence of these variables and attempts to understand when organizations are likely to engage in record-keeping, estimate the value of volunteer contributions and include them in financial statements. In order to understand why some organizations do this, two sets of explanatory factors are explored in this paper: organizational characteristics, and the attitude of the Executive Director.

RATIONALE

This study is set within the context of social accounting. Relative to financial accounting, this is a new interdisciplinary field that emerged in the 1970s as a response to the exclusion of environmental costs within accounting statements (Bebbington, Gray, and Owen 1999; Gray, Owen, and Adams 1996; Mathews 1997). Social accounting is based on a critique of the limitations of financial accounting, especially its exclusion of items that do not result in a market transaction (non-monetized) albeit the significant impacts of such transactions on society. Most of the research on social accounting presents a critique of the accounting practices of profit-oriented firms, and advocates for a triple bottom line of financial, environmental and social returns. With only a few exceptions the social accounting field has not addressed nonprofit organizations, and particularly the inclusion of volunteer labour within nonprofit accounting (Mook et al., 2003, 2004; Quarter et al., 2003).

In our prior work we have argued that excluding volunteer labor in nonprofit accounting statements undervalues a key and valuable resource that many nonprofits rely on. In that work we presented a new model of integrated social accounting called the

Expanded Value Added Statement which combines social and financial information.

This model looks at the organisation from the perspective of its stakeholders, and includes non-market transactions. It reports the economic and social value added by the organisation, and assumes that value is created by and distributed to many stakeholders, including volunteers. (Mook at al. 2003).

Thus, in this study we started from the premise that including volunteer value within accounting statements would be beneficial to nonprofits, as it would provide a more complete picture of the organization's performance and impact. With a more complete accounting, the annual report will reflect more accurately the value of the organization to the community. For volunteers, it can be used to demonstrate their value to the organization and community. In addition, this information can be useful to funders and policymakers, who want to better understand the full impact of their investment in the organization.

METHOD

In order to understand the reasons why and the extent to which nonprofits keep or do not keep track of their volunteer contributions and include a value for them in their annual reports and financial statements, an online survey was administered to nonprofits across Canada. The survey solicited information on organizational characteristics, accounting statements, whether these include volunteers, and an exploration of the reasons for either inclusion or exclusion.¹ After the initial draft the survey was pilot tested with representatives of six nonprofits and, based on their feedback, it was finalized and formatted as an on-line survey.

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As a sampling frame, *Associations Canada 2002*, a directory of Canadian nonprofits containing 19,213 listings was used. *Associations Canada 2002* appeared to be the most comprehensive sampling frame available in that it contains a range of organizations from across Canada in many different fields, a range of size, and also those with and without charitable status. Nevertheless, the sampling frame does not include all nonprofits in Canada and therefore may not be representative. As such, we refer to the sample as purposive.

Organizations were selected from the *Associations Canada* listing by choosing those that were classified as organization type, 'special interest,' were located in Canada, and had e-mail addresses in the directory, a factor that greatly reduced the sample. Of the original pool of 6,620, there were 90 duplicate e-mail addresses. The actual electronic mailing consisted of 6,530 emails, and 1,978 were returned due to invalid addresses, leaving a total of 4,552. They were not divided into provinces, but the mailing list included every province and territory in Canada.

Two weeks after the e-mailing, the organizations were sent a reminder e-mail asking them to complete the on-line survey, or if they preferred, to request one by email attachment, fax or regular mail. Six hundred and eleven surveys were completed on-line, and 50 others were sent by email attachment, fax or regular mail. Overall, the response rate was 15 percent. Arguably, this figure understates the return as the email addresses used for the mailing were to an organization, and it is not clear what portion of the messages reach persons in management who would be in a position to respond to the survey.

Characteristics of sample

The sample of 661 organizations had the following characteristics:

- 97.6 percent were nonprofits; and 2.4 percent were unincorporated associations;
- 28.9 percent were oriented towards the public, 14.9 percent towards a membership, and 56.2 percent to both;
- 76.5 percent had a charitable status and 23.5 percent did not;
- 9.3 percent had at least one union and 90.7 did not;
- mean age was 36.78 years and the median was 30;
- mean revenues were \$2.12 million, with a median of \$287,500;
- mean number of FTE employees was 26 and the median was 3;
- mean number of volunteers was 752 and the median was 50; and
- mean number of volunteer hours was 11,981 with a median of 2,000.

Results

This paper focuses on the reporting practices of nonprofit organizations of their volunteer contributions of time. Five questions guide this analysis, and the frequencies of responses are shown below:

1. Does your organization keep up-to-date volunteer contact information?
Yes—95%; No—5%;
2. Does your organization keep records of the time (hours) contributed by your volunteers? Yes—41%; No—59%;
3. Does your organization estimate a financial value for volunteer contributions of time (hours)? Yes—22%; No—78%;

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4. Does your organization acknowledge the contribution of volunteer time (hours) in the financial statements? Yes—18%; No—82%.
5. Does your organization include a financial value for volunteer contributions of time (hours) in its financial statements? Yes—1%; No—99%.

ORGANIZATIONAL CHARACTERISTICS

Using cross-tabulations for nominal and ordinal data and nonparametric median tests for continuous data, we looked at organizational characteristics and how they related to these questions (Table I).

Table I. Significance of organizational characteristics

	Keep Contact Info	Keep Records	Estimate Financial Value	Acknowledge Contributions	Include Value in Financial Statements
Age					*
Unionization					
Fields of Activity		***	***	*	
Charitable status		***			
Orientation		***	*	*	
Paid manager		***	***		
Variety of tasks		*			
Budget		**	*		
# volunteers		***	*		
# volunteer hours		***	***		

* $p < .05$ ** $p < .01$ *** $p < .001$

Age of the organization

The age of the organizations ranged from one to 180 years, with a median of 30 years. Age was significantly related to whether or not organizations included a value for volunteer contributions in the financial statements (either in the notes or in the actual

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statements). Those including a value were more likely to be below the median of 30 years old than those not including a value ($\chi^2 (1) = 5.28, p < .05$).

Unionization of Employees

Almost ten percent of the organizations had a local of a union. Having a local of a union was not significantly related to any of the five questions.

Fields of Activity

The fields of activity reported by the organizations were: Social Services (22%), Education (11%), Environment (6%), Arts & Culture (18%), Healthcare (8%), Recreation (13%) and Other (23%). Field of activity was significantly related to acknowledging volunteer contributions in the notes to the financial statements ($p < .05$), keeping records of volunteer hours ($p < .001$), and estimating a value for volunteer contributions ($p < .001$). Social service and environmental organizations were more likely acknowledge volunteer contributions in the notes to their financial statements, to keep records of their volunteer hours and estimate a value for them. Organizations indicating Recreation as the primary field of activity were the least likely.

Charitable Status

Seventy-seven percent of respondent organizations have charitable status. Charitable status was significantly related to keeping records of volunteer hours, with charities more likely to do so ($p < .001$).

Orientation

Organizations oriented towards a membership constituted 15 percent of the respondents; twenty-nine percent were oriented towards the public, and the remainder (56 percent) were oriented towards both. Those organizations oriented towards a membership

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were less likely to acknowledge their volunteers in the notes to their financial statements ($p < .05$), or to keep records of volunteer hours ($p < .001$). There were also less likely to estimate a value for their volunteer hours ($p < .05$).

Paid Volunteer Manager

The majority of the organizations did not have a paid volunteer manager (73 percent), while 14 percent had a full-time paid volunteer manager and 13 percent had a part-time paid volunteer manager. Those that did have a paid volunteer manager were more likely to keep records of volunteer hours and estimate a value for them than those who did not ($p < .001$).

Variety of volunteer tasks

Organizations varied in the number of different volunteer tasks they had to manage. Just over 15 percent had volunteer tasks in two or less different areas, 66 percent had volunteer tasks in 3 to 7 different areas, and 19 percent had 8 or more. Those that had 3 or more different volunteer tasks were more likely to keep records of volunteer hours than those under 3 ($p < .05$).

Budget

The budgets for the organizations ranged from \$0 to \$160 million, and the median was \$287,500. Budget was found to be related to keeping records ($\chi^2 (1) = 10.25, p < .01$), and estimating a value for volunteer hours ($\chi^2 (1) = 6.22, p < .05$). Organizations above the median were more likely to keep records and estimate a value for volunteer contributions of time.

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Number of FTE Paid Staff

The full-time equivalents of paid staff for the organizations ranged from 0 to 3,000, with a median of 3. The number of FTE paid staff was related to keeping records ($\chi^2 (1) = 27.97, N = 505, p < .001$) and estimating a value for volunteer hours ($\chi^2 (1) = 4.82, N = 505, p < .05$). Organizations above the median were more likely to keep records and estimate a value for volunteer contributions of time.

Number of Volunteers

The number of volunteers for the organizations ranged from 1 to 121,982, and the median was 50. The number of volunteers was related to keeping records ($\chi^2 (1) = 34.00, p < .001$) and estimating a value for volunteer hours ($\chi^2 (1) = 13.72, p < .001$).

Organizations above the median were more likely to keep records and estimate a value for volunteer contributions of time.

Number of Volunteer Hours

The number of volunteer hours reported by the organizations ranged from 11 to 300,000, and the median was 2,000. The number of volunteer FTE was related to keeping records ($\chi^2 (1) = 56.75, , p < .001$) and estimating a value for volunteer hours ($\chi^2 (1) = 20.57, , p < .001$). Organizations above the median were more likely to keep records and estimate a value for volunteer contributions of time.

ATTITUDE OF EXECUTIVE DIRECTORS

Leadership is a key variable in many studies that look at organizational and reporting innovation (Rogers, 2003). In order to look at the role of leadership in whether or not organizations record, quantify, and include volunteer value in their financial statements, the subset of surveys completed by executive directors (n=286) was analyzed. The survey

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contained five items, using a 5-point Likert scale, that addressed the issue of attitude towards quantifying volunteer contributions, with higher scores indicating a more favourable attitude:

1. Conventional financial statements appropriately reflect the performance of our organization in accordance with our mission (reversed item scores).
2. Including the value of volunteer contributions in financial statements provides a more complete picture of a nonprofit's performance story.
3. Including the value of volunteer contributions in our financial statements would provide/provides a more complete picture of our performance story.
4. It is a bad idea to attempt to quantify volunteer contributions (reversed item scores).
5. It is impossible to quantify volunteer contributions (reversed item scores).

The responses to these items had a high inter-correlation and a resulted in an alpha of .740. Therefore, for the purpose of assessing the relationship of the executive director's attitude to recording, quantifying, and including volunteer contributions in financial statements, the five items were treated as a scale.

The statistical analysis, using nonparametric tests as recommended by Gibbons (1993) for Likert-scale data, attempted to determine whether the executive director's attitude scale was related to the aforementioned criteria measures: keeping contact information, record-keeping of volunteers, estimating a value for volunteers, acknowledging volunteers in the notes to their financial statements, and recording that value in financial records.

Keeping Contact Information

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Using the Mann-Whitney test, the attitudinal score of executive directors in organizations that kept contact information for volunteers ($M = 3.52$) was not significantly different from those that did not ($M = 3.35$) ($U = 1283.00$, ns).

Record Keeping

Using the Mann-Whitney test, the attitudinal score of executive directors in organizations that did not keep records ($M = 3.29$) was significantly lower than those in organizations that did keep records ($M = 3.81$) ($U = 6034.00$, $p < .001$).

Estimating a Value for Volunteer Contributions

Using the Mann-Whitney nonparametric test, the results showed that the attitudinal score of executive directors in organizations that did not estimate a value for volunteer contributions ($M = 3.34$) was significantly lower than those in organizations that did estimate a value for volunteer contributions ($M = 3.94$) ($U = 4440.50$, $p < .001$).

Acknowledging Volunteer Contributions in the Notes to Financial Statements

Using a Mann-Whitney test, the attitudinal score of executive directors in organizations that did not acknowledge volunteer contributions in their accounting statements ($M = 3.46$) was significantly lower than those in organizations that did ($M = 3.77$) ($U = 3867.50$, $p < .05$).

Including a Value for Volunteer Contributions in the Financial Statements

Using the Mann-Whitney nonparametric test, the results showed that the attitudinal score of executive directors in organizations that did not include a value for volunteer contributions in their financial statements ($M = 3.48$) was significantly lower than those in organizations that did include a value for volunteer contributions in their financial statements ($M = 3.95$) ($U = 1327.00$, $p < .05$).

In all cases, except for the keeping of volunteer contact information, it was found that the attitude of the executive director made a significant difference.

DISCUSSION

As indicated in the introduction to this paper, there is a body of research measuring the aggregate contribution of volunteers to nonprofits, but relatively little work that attempts to understand the extent to which nonprofit organizations keep records of volunteer contributions and make a financial estimate of their contribution, both for reports and accounting purposes. This study attempts to understand the extent to which these practices are occurring within nonprofits and some of the factors that may or may not affect their occurrence. Although the study is purposive, it is sizable and, arguably, as good as might be possible in Canada at this point in time.

Of the sample, about two-fifths are keeping records of volunteer contributions, about one-fifth are attributing a value to these contributions, and just four percent include these values within their financial statements, but largely in the notes; only one percent within the body. This replicates the findings in an earlier study (Mook & Quarter, 2004; Mook et al., 2005) using a different sample. Increasingly, organizations are being asked by funding agencies to keep records of their volunteer hours and therefore have put in place systems for doing this. In this study, 47 percent of those who kept records were required to do so by their funders and 31 percent used the information for a report to funders, but were not required to do so. Increasingly, software packages are being used for this task, making it somewhat less onerous and making it possible to put in place systems that carry forward from year to year. Nevertheless, only a minority of the

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organizations in this study used software for the task; the large majority relied on manual approaches.

Gathering data and keeping records is costly, hence it not surprising that about half of the organizations that did not keep records of their volunteers reported that they were not required to do so and nearly half indicated that they lacked the resources to undertake this task. This finding is corroborated by the data on organizational characteristics and record keeping. Larger organizations—as measured by budget and paid staff FTE—were more likely to keep records. Organizations with more volunteers, more volunteer hours, a paid volunteer manager, and a larger number of volunteer tasks were also more likely to keep records, as were organizations with a charitable status in the social service area.

The data for attributing a value to volunteers follow a similar pattern, even though a smaller number of organizations take this step. Initially, we felt that all organizations that attributed a financial value to volunteers would keep records, but this proved not to be the case. Of the 22% that estimated a financial value, 78 percent kept records. Some, the data suggest, estimated a value for their volunteer contribution without keeping records.

Interestingly, of those organizations not estimating a value for volunteers, only 8 percent felt that it was undesirable. The most common reason (78 percent) was the lack of a requirement for doing so. The organizational characteristics related to estimating a value for volunteer contributions followed a similar pattern to record-keeping.

Organizational size—budget and paid staff FTE—were positively related to estimating a value, as were the number of volunteer FTE, volunteer hours, having a paid volunteer

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manager, and being in the social service field. The procedures for estimating a value for volunteer contributions varied, with staff wage rates being the most prevalent and minimum wage rates being the least prevalent. We shall return to this point further down in the discussion.

About four percent of the sample included an estimate for volunteer value in their financial statements, but only one percent included this figure in the body of its financial statements. When taken as a group, 18 percent of organizations acknowledged volunteer contributions within their financial statements, either in notes or in the body.

Interestingly, except for being a social service organization, the other organizational characteristics related to keeping records and estimating a value for volunteer contributions were unrelated to its inclusion within the financial statements. However, younger organizations were more likely to engage in this practice, suggesting that these organizations were more willing to innovate.

Most importantly, perhaps, the attitude of the executive director appeared to be a critical factor in whether the organization kept records of volunteers, estimated a market value for volunteer contributions and included it within the organization's financial statements. This would suggest that starting with the executive director is the most realistic method to introduce these changes.

Although we lack longitudinal data, this study suggests that there is a trend towards record keeping for volunteers. The next step—estimating a value for volunteer contributions—is not as prevalent, perhaps because it is more controversial and perhaps because there is less clarity on how it is to be done.

POLICY IMPLICATIONS

Of the organizations in this study, almost all that estimate volunteer value use a replacement approach—in other words, what would it cost the organization if it had to pay for the service undertaken by a volunteer. There is little evidence of the use of opportunity costs or other approaches, and one study that attempted to reconcile the various approaches to volunteer labor in hospitals, including opportunity cost and replacement, found a convergence in the values (Handy and Srinivasan, 2004). However, within the nonprofit sector, there is a lack of uniformity on how to apply a replacement approach. The Independent Sector, for example, suggests one across-the-board value for volunteer contributions based on the average of non-agricultural paid work in the US plus 12 percent for benefits (Independent Sector, 2005). At the other extreme is an approach that attempts to make a market comparison for each task (for example, see case study of Junior Achievement in Quarter et al., 2003).

The approach that we recommend is attempting to make a market estimate based on the average level of market value for the skills within an organization. This is the approach derived from the North American Industrial Classification System (NAICS). This system (jointly developed by the statistics agencies of Canada, the United States and Mexico) classifies organizations such as businesses, government institutions, unions, and charitable and nonprofit organizations according to economic activity.

While about four percent of the organizations within this study included volunteer value within the notes to its statements, only a very small group (one percent) integrated volunteer value within the body of a statement. Generally accepted accounting principles act as a deterrent to this practice, though not forbidding it. Accounting regulations in

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Canada and the U.S. permit the reporting of an imputed value for volunteer contributions under limited circumstances when “contributed materials and services” (for example volunteering) would have otherwise been purchased. For many voluntary nonprofits, however, this is overly restrictive, as most volunteer-based organizations are not in the position to purchase these goods and services if they are not donated. Also, for some nonprofits, purchasing these services would defeat their purpose. For example, if Habitat for Humanity had to purchase services that volunteers contribute, it would not be possible for them to build houses that the working poor could afford.

In Canada, the accounting standards guiding the recognition of volunteer contributions are found in the *Handbook* of the Canadian Institute of Chartered Accountants (CICA), and date back to April 1997 (CICA 2001, 4106):

4410.16 An organization may choose to recognize contributions of materials and services, but should do so only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization’s operations and would otherwise have been purchased.

However, the CICA handbook makes it clear that part of their objection to an unrestricted estimate of volunteer value is arriving at a proper estimate of its worth:

4410.17 Organizations may receive substantial contributed materials and services. Often these contributions are not recorded because of record-keeping and valuation difficulties. For example, it may be impractical to record the receipt of contributed services where the organization depends heavily on the use of volunteers to provide services. Where

contributed materials and services meet the criteria in paragraph 4410.16, recording their value would provide useful information.

This means that, on the one hand, the CICA recognizes that recording the value of volunteer contributions would provide useful information, and that the reason many organizations may not be recording this information is because of difficulties in keeping records and assigned a value to them. However, on the other, they restrict what can be recognized by saying that in order to be allowed on the accounting statement, these volunteer contributions would have to be otherwise purchased by the organization, a criterion that would eliminate most volunteer contributions to nonprofits.

The CICA policy is similar to that of the Financial Accounting Standards Board (FASB) in the U.S. According to FASB, this restrictive definition of what can and cannot be recognized as contributed services came about because of practical and not conceptual reasons. They state that concerns over the reliability and cost of getting this information led them to limit recognition “to only those services that will provide information that is clearly relevant, clearly measurable, and obtainable at a cost that does not exceed the benefits of the information provided” (FASB, 1993, 121).

Even though these criteria are restrictive, they still provide some opportunity for nonprofits to include volunteer value within their statements, as done by four percent of the sample in the current study and three percent of the sample in an earlier study. In this study, we did not specifically ask about the impact of accounting policy on including volunteer value within accounting statements, but there is anecdotal information available.

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Including volunteer value within accounting statements could be done with existing formats, but might be enhanced by formats that are more appropriate for nonprofits. There is a need for accounting formats oriented to nonprofits. The Expanded Value Added Statement, an adaptation of a Value Added Statement is one such format (Mook et al. 2003). However, there is a need for nonprofit accountants to pool their insights and develop formats that are more appropriate for nonprofits and help them to assess such issues as to what extent they are meeting their mission and the impact of their services on the communities that they serve.

The problem isn't simply conceptual, but also political. As social accounting theorists have argued, accounting has evolved from the capitalist system and serves the businesses that function within it (Tinker, 1985). Although nonprofits also function within the same system, their purpose differs from a business, and therefore their accounting should address different issues given their significant impact on the Gross Domestic Product and employment. It requires an effort by apex organizations for nonprofits to bring this matter to the attention of the bodies that regulate accounting and to create pressure for the development of more appropriate accounting formats.

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¹ It also explored the extent to which volunteers supplemented or substituted for paid labour, but those items were analyzed separately.