

Special Report

Accounting for Volunteer Services in a Charitable Organization

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Report Synopsis

Should a not-for-profit organization record the time its volunteers spend in providing program and supporting services?¹ Should this time be reported in its financial statements as contributions received and as functional expenses incurred for program services, fund-raising, or management and general activities? While these questions are not new, they have emerged as a result of a new accounting standard for volunteer services proposed by the Financial Accounting Standards Board. Most have said no to these questions in the past and most of the individuals and organizations commenting on the proposed standard are not in favor of it. Why are so many opposed to accounting for volunteer services?

This report examines these questions in terms of what purposes the financial statements of a not-for-profit organization should accomplish. The first section reviews the conceptual basis underlying not-for-profit financial reporting. Discussed are objectives of charitable organization financial statements, the relevance and reliability of information concerning the value of volunteer services in such organizations, and the need for comparability in financial reports. Current accounting standards are reviewed to determine why volunteer services have not been reported in most not-for-profit financial statements. Emerging trends that may affect the reporting of volunteer services are also examined.

The second section reviews an accounting standard for contributions proposed by the Financial Accounting Standards Board (FASB). The proposal is compared with current practice and analyzed in terms of potential improvements in financial reporting of volunteer services. Also examined is the controversy surrounding this proposal and the extent to which it is based on conceptual or practical considerations.

The third section discusses factors that a not-for-profit organization should consider in recording and reporting volunteer services in external financial reports. Discussed are key control elements for volunteer services and documentation typically required to substantiate an objective basis for valuation of these services. Also discussed are Internal Revenue Service regulations pertaining to the optional reporting of volunteer services.

The final section contains a summary of conclusions concerning the recording and financial reporting of volunteer services and recommendations for reporting these services in external financial statements of not-for-profit organizations. The recommendations include steps to:

- Establish the substantive basis for reporting volunteer services as contributions received and as functional expenses incurred by the charitable organization;
- Develop and maintain an accounting system, including key controls and supporting documentation; and
- Present information concerning volunteer services in financial statements and in accompanying footnotes.

Included with the recommendations are illustrative financial statements and footnotes.

Financial Reporting of Volunteer Services

Volunteers provide significant amounts of their time and expertise to many not-for-profit organizations for programs, fund-raising campaigns, and for management or general activities. For 1989, the total dollar value of these services was estimated at \$170 billion.² However, the financial statements of charitable organizations currently do not generally reflect dollar amounts for these services. Should current practice be changed? If not, why should financial statements continue to generally exclude dollar values for volunteer services? If so, under what circumstances should volunteer efforts be documented and reported?

The Conceptual Basis

Not-for-profit organizations prepare annual financial statements that are provided to donors, creditors, members, accreditation agencies, state regulators, and others who seek financial information. These financial reports should provide information that aids these users to engage in one or more of the following:

- Make resource allocation decisions (e.g., what organizations should individuals or funding agencies support);
- Assess services and the ability to provide them (e.g., how are the organization's resources used in accomplishing its objectives);
- Assess management performance and stewardship (e.g., how efficiently the organization is managed and whether management has properly executed its fiduciary responsibilities); or
- Evaluate economic resources, obligations, net resources, and changes in resources and obligations (e.g., what resources are available to provide services and how does the availability of these resources change over time).³

In meeting users' needs the financial reports should be based on some fundamental characteristics that make the information useful.⁴ These characteristics include the following:

- **Relevance.** Relevant accounting information makes a difference to a user in a decision situation. It helps users to form predictions about the

outcomes of past, present, or future events or to confirm or correct prior expectations;

- **Reliability.** Reliable information has representational faithfulness. It truly represents what it purports to represent, it is verifiable, and it is neutral or free from bias toward a particular result or interest; and
- **Comparability and consistency.** Information about a particular organization is useful if it can be compared with similar information about other organizations and with similar information about the same organization over time. Comparability between organizations and consistency in the application of methods over time increases the informational value of comparisons such as relative economic resources and performance.

Financial information may have these characteristics and yet not be reported because the dollar amounts are not material (i.e., too small to make a difference) or because the cost to obtain the information exceeds the benefits to decision makers. Given these characteristics, should information concerning volunteer services be reflected in financial reports?

Because volunteers play critical roles in many charitable organizations and contribute substantial amounts of time and expertise to programs and supporting services, few would argue that volunteer services are not a valuable economic resource for these organizations. Such information has relevance. It may be relevant to present and potential donors and other persons for making decisions about providing resources to these organizations. For example, some donors may want to decide whether to provide cash or volunteer time to an organization. Information about volunteers may also be relevant to assessing the services that organizations provide and their ability to continue to provide such services. For example, what would be the impact if significant amounts of volunteer time were no longer available to the organization? Finally, such information may be relevant in evaluating management and its stewardship in using the economic resources of the organization.

Information about volunteers must also be reliable. Reliability depends on whether the dollar values can be objectively determined and verified by

others. If volunteer time and its value can be measured and documented, then a reliable basis exists. The information must also be free from bias toward a particular result. However, this does not imply that information can not result in positive or negative impacts in a particular situation for a particular organization.

Information about volunteer services aids comparability between organizations. To demonstrate this, consider a situation involving two hypothetical charitable organizations, Help Children Now and Help Our Children. These organizations have the same cause and their programs are very similar. Help Children Now relies heavily on volunteers to assist in delivery of its public awareness and education programs to assist children with problems. It uses an outside consultant to assist in its fund-raising. The organization raised \$800,000 in the past year and spent \$450,000 on program services, \$100,000 on management and general functions, and \$250,000 on fund-raising. It determined the value of its volunteer services was \$200,000.

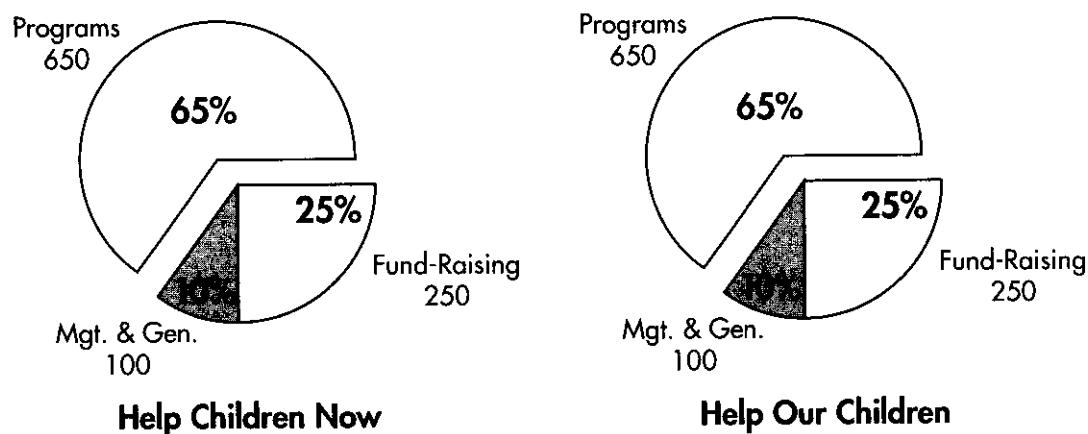
By contrast, Help Our Children relies heavily on volunteers to conduct its fund-raising campaign and utilizes outside consultants for its public awareness and education programs to assist children. This organization also raised \$800,000 in the past year and spent \$650,000 on program services, \$100,000 on management and general expenses, and \$50,000 to administer the volunteer fund-raising campaign. The value of volunteer services contributed was \$200,000.

A comparative financial analysis of these two organizations is displayed in Figure 1. Both organizations received \$800,000 in cash and \$200,000 in volunteer services during the year and both used \$650,000 to deliver programs, \$100,000 to manage and administer the organization, and \$250,000 to raise funds. Both the contribution of volunteer services and their utilization in the organizations must be reported to provide a meaningful comparison between the organizations. As shown in Figure 2, the ratios of each expense category to the total resources contributed and utilized is the same for both organizations, reflecting the similarity of their operations. Program services consumed 65 percent, management and general functions 10 percent, and fund-raising 25 percent of resources contributed for both organizations.

Figure 1: Charitable Organizations Operating Statement Comparison

	Help Children Now (\$ in 000's)			Help Our Children (\$ in 000's)			% of Total
	Cash	Donated Services	Total	Cash	Donated Services	Total	
Public Support							
Contributions	800	0	800	800	0	800	80
Donated Services	0	200	200	0	200	200	20
Total Support	800	200	1,000	800	200	1,000	100
Expenses							
Program Service	450	200	650	650	0	650	65
Management & General	100	0	100	100	0	100	10
Fund-Raising	250	0	250	50	200	250	25
Total Expenses	800	200	1,000	800	200	1,000	100
Change in Fund Balance	0	-	0	0	-	0	-

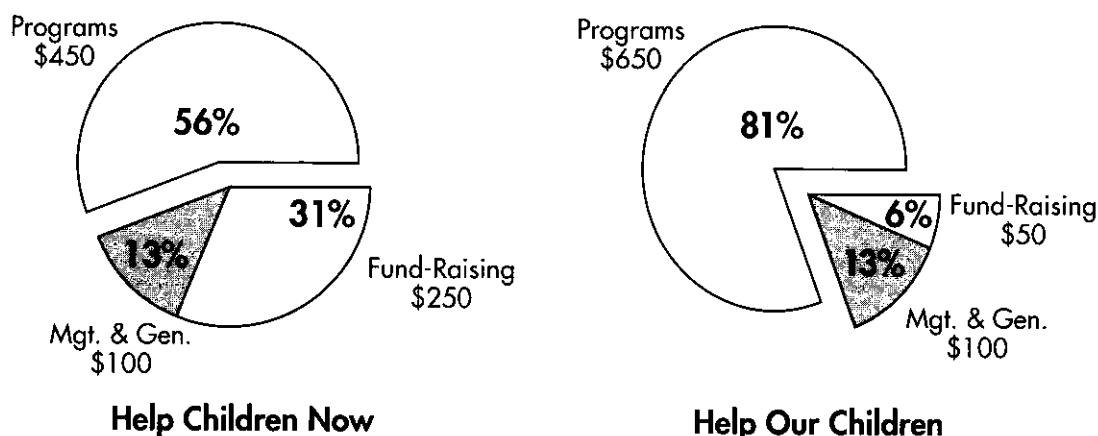
Figure 2: Effects of Reporting Volunteer Services



Total Resources Reported: \$1,000,000
Value of Volunteer Services: \$200,000

Not reporting the value of volunteer services has a dramatic impact on the comparison of these organizations as shown in Figure 3. By limiting consideration of resources utilized to the cash contributions received, the total resources available to both organizations are understated by \$200,000. Further, the ratios of each expense category to cash contributions received become much less favorable for one organization compared to the other. Help Our Children appears to use 81 percent of resources for programs compared to only 56 percent for Help Children Now. Management and General expenses increase to 13 percent from 10 percent for both organizations, but fund-raising expenses become only 6 percent of cash contributions to Help Our Children compared to 31 percent for Help Children Now.

Figure 3: Effects of Not Reporting Volunteer Services



Total Resources Reported: \$800,000
 Value of Volunteer Services: \$200,000

Given that the inputs and outputs of these two organizations are similar, the value of volunteer services as both contributions received and as expenses incurred by these organizations is necessary to produce comparable financial statements. Not reporting the value of volunteer services leads to the under-statement of the economic resources available to both organizations. It also biases the ratios of expense categories to total expense in favor of the operating results of one organization compared to the other. The illustrations in the

preceding figures indicate that financial information concerning volunteer services should be reported in financial statements. Yet most not-for-profit organizations do not report the dollar value of volunteer services. Why? The answer to this question lies in the current accounting standards for financial statements.

Current Accounting Standards

In response to a survey conducted by the FASB, only 8 percent of the responding organizations that receive contributed services assign dollar values to the contributed services and recognize those dollar values in their general purpose financial statements.⁵ Not-for-profit financial statements are prepared in accordance with generally accepted accounting principles and standards for the recording and reporting of financial information. Accounting standards for reporting volunteer services have been developed in the past by the American Institute of Certified Public Accountants (AICPA) in response to specific problems of various not-for-profit organizations.⁶ The AICPA has issued separate *Industry Audit and Accounting Guides* and Statements of Position containing accounting guidance for volunteer services as follows:⁷

- *Audits of Providers of Health Care Services;*
- *Audits of Voluntary Health and Welfare Organizations; and*
- **Statement of Position 78-10 Accounting Principles and Reporting Practices for Certain Non-Profit Organizations** incorporated in *Audits of Certain Nonprofit Organizations.*

These pronouncements cite somewhat different criteria, depending on the type of not-for-profit organization, to determine when volunteer services should be reported in financial statements. Specific criteria for major types of not-for-profit organizations are outlined below.

Health care providers should record donated services only if:

- a. the services performed are significant and form an integral part of the efforts of the organization as it is presently constituted; the services would be performed by salaried personnel if donated or contributed services were not available for the organization to accomplish its purpose, and the organization would continue to provide the program or activities;

- b. the organization controls the employment and duties of the persons donating the services (i.e., it has established an employer-employee relationship); and
- c. the organization has a clearly measurable basis for determining the amount of revenue and expense to be recorded.⁸

Footnotes accompanying the financial statements should disclose the methods followed by the organization in evaluating, recording, and reporting donated services and should clearly distinguish between those donated services for which values have been recorded and those for which values have not been recorded.

Voluntary health and welfare organizations should record donated services if:

- a. the services performed are significant and form a normal part of the program or supporting services and would otherwise be performed by salaried personnel;
- b. the organization exercises control over the employment and duties of the donors of the services (i.e., it has established an employer-employee relationship); and
- c. the organization has a clearly measurable basis for determining the amount of revenue and expense to be recorded.⁹

If these criteria are not met, the guidance for voluntary health and welfare organizations does not appear to prohibit the recording of volunteer services. The footnotes accompanying the financial statements should disclose the methods followed by the organization in evaluating, recording, and reporting donated services and should clearly distinguish between those donated services for which values have been recorded and those for which values have not been recorded.¹⁰

Other not-for-profit organizations should record donated services only if:

- a. the services performed are significant and form an integral part of the efforts of the organization as it is presently constituted; the services would be performed by salaried personnel if donated or contributed services were not available for the organization to accomplish its purpose; and the organization would continue this program or activity;

- b. the organization controls the employment and duties of the service donors (i.e., it has established an employer-employee relationship);
- c. the organization has a clearly measurable basis for the amount to be recorded; and
- d. the services of the reporting organization are not principally intended for the benefit of its members.¹¹

The guidance for other not-for-profit organizations calls for the same footnote disclosure as discussed for voluntary health and welfare organizations.

These criteria suggest three major tests for reporting volunteer services in financial statements of not-for-profit organizations. They are:

- An essential services test. Volunteers must provide services that are a normal or integral part of the organization;
- An employer-employee relationship test; and
- A clearly measurable basis test.

Essential Services Test. Volunteers provide a broad range of important services to not-for-profit organizations. However, the essential services test restricts the services that can be recorded. For example, the accounting and audit guidance discussed earlier notes that supplementary efforts of volunteer workers which are provided directly to beneficiaries of the organization may not meet this test. The guidance indicates that such activities may comprise auxiliary activities or other services which would not otherwise be provided by the organization as part of its operating program.¹² Any volunteer services not deemed essential or that would not otherwise be performed by salaried personnel fail to meet the essential services test.

Employer-Employee Relationship Test. The organization must control the employment and duties of volunteers. The organization should be able to influence the activities of the persons donating the services in a manner similar to the control it would exercise over employees with similar responsibilities. This includes control over the time, location, nature, and performance of the donated services. Under this test, periodic services of volunteers needed for concentrated fund-raising drives would generally not be recorded, because the activities of volunteer solicitors are not usually subject to a sufficient

degree of operating supervision and control to enable it to have a proper basis for measuring and recording the value of the time devoted.¹³

Clearly Measurable Basis Test. The accounting and auditing guidance discussed earlier notes that because of the difficulty of placing a monetary value on donated services, the value of these services often is not recorded as contributions and expense.

However, none of the guidance provides explicit considerations to determine what constitutes a clearly measurable basis. Instead, procedures are provided for possible use in audits of donated services. These include the following steps:

1. Obtain a listing of recorded amounts, including name and position of person rendering the services, gross annual valuation of the services, amount paid in cash (if any), and net contribution recorded.
2. Review on a test basis the time records, scheduling sheets, or other evidence to substantiate the services rendered.
3. Review for reasonableness the listing of the gross annual valuation for each position in relation to the local labor market, and determine that the positions listed are applicable to the operating program and are appropriate to be recorded as contributions.
4. Compare the total of the listing to the amount recorded as contributions.
5. Inquire of appropriate organization officials as to volunteer help which might be considered as substituting for salaried personnel.¹⁴

Thus, despite the relevance of information concerning volunteer services, current accounting standards generally discourage reporting of such information primarily due to concerns about the reliability of such information.

Significant changes are affecting volunteer availability and utilization. These changes will require not-for-profit organizations to utilize their volunteers in activities integral or important to operations and to formalize relationships with volunteers. Consequently, these trends may lead to organizations meeting current accounting standards for reporting the value of volunteer services in the financial statements.

Emerging Trends

A major trend affecting the availability of volunteers is the change in demographics of the work force, particularly the increased participation of women. This suggests that many not-for-profit organizations will find it more difficult to recruit volunteers who can work during daytime hours. Consequently, organizations must offer volunteers flexible hours, finite projects, lower minimum hours of commitment, and appropriate placement. The role of the volunteer must be explained, and goals and deadlines must be established. Volunteers want, expect, and deserve substantive work in their volunteer efforts.¹⁵

Other trends affecting volunteerism in the coming years include a renewed focus on family and community life, a greater premium on one's time, a more flexible corporate culture, senior citizens reentering the work force, growing minority populations who must be involved as contributors, volunteers, and decision-makers, and government-related issues, such as privatization and changes in federal and state laws affecting volunteers. To encourage volunteerism, not-for-profit organizations must provide reasonable work schedules, suitable workloads, pleasant surroundings, competent supervisors, transportation, parking, day care, and flexible hours.¹⁶ In short, volunteers must be treated like regular employees except for the pay.

In the legal environment, the courts have held that a volunteer program can establish an employer-employee relationship, despite the absence of a salary. Agencies can be held liable for damages caused by a volunteer when that person is fulfilling his or her volunteer assignment. Concerned about lawsuits, one in seven nonprofit agencies whose officers were polled by the Gallup Organization in 1988 reported they had eliminated certain worthwhile programs simply because they could be inviting a basis for legal action. Added to this fear has been the scarcity and soaring expense of insurance to protect against lawsuits.¹⁷

Proposed legislation to reduce this exposure indicates an employer-employee relationship with volunteers should be established by not-for-profit organizations. The Volunteer Protection Act of 1991 seeks to protect volunteers from liability in cases when they have acted in good faith in carrying out

official duties and functions of the organization. States can adopt the model act to provide immunity for all volunteers in civil lawsuits on the basis of any volunteer act or omission, as long as the volunteer was acting in good faith and within the volunteer's official function. This suggests it is in the organization's best interests to establish a formal employer-employee relationship.¹⁸

Because of these trends, an increasing number of agencies are using very up-to-date administrative techniques in running their volunteer programs. Clear job descriptions, screening before assigning, training, and supervision are personnel management techniques being applied to volunteers as well as to salaried staff. Management information systems to aid these efforts can be obtained for less than \$1,000.¹⁹

As these trends continue throughout the nineties, not-for-profit organizations may become more likely to meet current accounting standards and to report the value of volunteer services. Another factor which may increase this likelihood in the coming year is a proposed FASB accounting standard. This standard provides criteria significantly different than those in current standards to determine whether the value of volunteer services should be reported by not-for-profit organizations.

Proposed FASB Accounting Standard

In October 1990 the FASB proposed a new standard to account for contributions, including volunteer services, to not-for-profit organizations. The proposed statement, **Accounting for Contributions Received and Contributions Made and Capitalization of Works of Art, Historical Treasures, and Similar Assets**, if adopted, would replace the AICPA pronouncements dealing with accounting for volunteer services discussed earlier.²⁰ The FASB noted the conflicting nature of existing guidance in developing the proposed standard. The *Guide for Audits of Voluntary Health and Welfare Organizations* requires recognition of revenue and expense under certain specified conditions, and although it does not encourage recognition of services received under other conditions, it does not preclude their recognition. In contrast, the Statement of Position 78-10 guidance for other not-for-profit organizations precludes

recognition of services not meeting similar conditions. The FASB notes that this latter guidance has been interpreted by some as permitting rather than requiring recognition of contributed services meeting its conditions.²¹ Consequently, volunteer services are not recorded and reported.

Proposed Criteria

In developing the proposed standard, the FASB noted that most not-for-profit organizations receive and use contributed services in operations, but few recognize them as revenues and expenses. The FASB believes, however, that in concept all contributed services should be recognized in financial statements. Generally, the proposed standard would require contributions received to be recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received.²² However, the FASB also believed that requiring not-for-profit organizations to recognize all contributed services that can be measured with sufficient reliability is too great a step in changing current practices. Thus, at this time, the proposal would require contributed services to be reported in financial statements only if those services:

- create or enhance other assets;
- are provided by entities that normally provide those services for compensation; or
- are substantially the same as services normally purchased by the recipient.

In addition, donees are encouraged to recognize other contributions received if they conclude that it is possible, at reasonable cost, to estimate the fair value of the items or services received.²³

The proposed standard also provides guidance for footnotes to the financial statements. An entity receiving contributed services shall disclose the following:

- a. The nature and amount of contributed services received and recognized (i.e., included in the financial statements) as revenues (and as expenses) for the period;

- b. The nature and extent of contributed services received but not recognized revenues for the period and the reasons they were not recognized; and
- c. A general description of the programs or activities for which contributed services were used.²⁴

A summary of the current and proposed criteria for the reporting and disclosure of information concerning volunteer services is provided in Table A. The proposed standard represents a considerable change from the AICPA pronouncements on accounting for contributed services. The proposal recognizes that it is feasible to generate reliable information concerning the dollar value of volunteer and other contributed services and that this information should be included in the financial statements.

Table A: Current and Proposed Guidance Reporting Volunteer Services

	Current AICPA Guidance	Proposed FASB Guidance
Recognition of volunteer services required as contributions received and functional expenses incurred if:	<p>Services are normal and integral part of operations, and</p> <p>Employer - employee relationship exists, and</p> <p>A clearly measurable basis exists.</p>	<p>An asset is created or enhanced, or</p> <p>Services are from entities that normally provide such services for compensation, or</p> <p>Services are substantially the same as normally purchased.</p>
If above criteria are not met, recognition of volunteer services as revenue and expense is permitted:	Only if the organization is classified as a Voluntary Health and Welfare Organization.	If it is possible, at reasonable cost, to estimate fair value of services received.
Required disclosure of volunteer services:	<p>Methods used to value services.</p> <p>Services recorded.</p> <p>Services not recorded.</p>	<p>Nature and amount of services received and recognized.</p> <p>Nature and amount of services received not recognized and why.</p> <p>Programs and activities where services were used.</p>

As discussed earlier, the existing AICPA criteria emphasize the reliability of the reported information. Specifically, the employer-employee relationship and the clearly measurable tests deal more with reliability rather than relevance. The FASB proposal would replace these criteria with tests that are more oriented to the economic substance or relevance of the reported information. Specifically, the value of volunteer services would be reported if they enhance or create an asset, or are services either normally provided for compensation by the donor or normally purchased by the donee. In addition, as indicated in Table A, all three tests must be met under current standards to report the value for volunteer services. Only one test must be met under the proposed standard.

The FASB believes that its proposal will improve current practice and confidence in financial reporting. Although estimates may be used instead of clearly measurable information, confidence in estimates of the fair values of contributed services received and recognized should increase, because evidence generally will be available to help confirm management's estimates. Also, the FASB believes that management will have to make fewer subjective judgments in applying the proposed criteria compared to existing criteria. Less subjectivity should lead to more consistent recognition of contributed services.²⁵

The FASB also considered whether it should preclude entities from recognizing contributed services received that do not meet the conditions specified in the proposed standard. It concluded that encouraging recognition of those contributed services that are considered measurable with sufficient reliability would be beneficial, because recognition allows practice to evolve and improve. The FASB believes that this benefit outweighs the fact that inconsistency in practice will continue, if some organizations choose to recognize contributed services not meeting the conditions while others do not.²⁶ Thus, in contrast to the restrictive criteria in the AICPA pronouncements, this permissive condition may lead to the increased incidence of reporting volunteer services in financial statements.

Implementation Issues

The proposed standard drew over 1,000 letters from interested parties, and public hearings on the issue generated almost 400 pages of testimony. Many of the letters and much of the testimony did not deal with contributed services but with other issues in the proposed standard, including accounting for pledges, works of art and other historical treasures. A total of 531 letters specifically mentioned contributed services. Figure 4 portrays the distribution of responses. The responses are categorized by those which discussed contributed services only and those which also discussed pledges, or works of art and historical treasures.

Figure 4: Analysis of Responses to Exposure Draft for Contributions

Comments Concerning¹

	Contributed Services Only	Contributed Services & Pledges	Contributed Services & Works of Art	Contributed Services, Pledges & Works of Art	Total	Percent of Total
Favorable	2	3	0	13	18	3.4
Unfavorable	93	166	5	249	513	96.6
Total Responses	95	169	5	262	531	100.0

Basis for Opposition²

	Lack of Relevance	Lack of Reliability	Not part of Financial Statements	\$ Value too Difficult to Determine	Cost Exceeds Benefits	Other	Total	(%)
Colleges & Universities	5	4	46	75	217	22	369	(54.1)
Museums & Other Cultural Org.	1	2	7	21	35	3	69	(10.1)
Charities & Religious Org.	4	2	13	17	42	11	89	(13.1)
Business, Govt. & Individuals	4	2	9	5	41	30	91	(13.3)
Accounting Firms & Rep. Org.	3	3	5	13	34	6	64	(9.4)
Total	17	13	80	131	369	72	682	(100.0)
% of total	2.5	1.9	11.7	19.2	54.0	10.5	100.0	

¹Twenty letters not included in these totals presented a full discussion of issues without registering agreement or disagreement with the proposed standard.

²Respondents may have indicated more than one reason for opposing the proposed standard.

As indicated in the upper portion of Figure 4, almost 97 percent of the responses registered opposition to accounting for contributed services as proposed. The sources and bases for this opposition are displayed in the lower portion of Figure 4. Over half the responses came from colleges and universities because of an orchestrated campaign by associations of higher education institutions.²⁷ Another 10.1 percent came from museums and other cultural institutions and 13.1 percent came from charitable and religious organizations. An additional 13.3 percent came from businesses, government agencies and individuals. The bulk of these responses were in response to a call which appeared in a business periodical.²⁸ Not specifically determinable was the number of responses which resulted from an appeal in a periodical for readers to contact national organizations to lobby against the proposed standard.²⁹ Most of the letters containing substantive comments on the proposed criteria came from accounting firms and representational organizations, that is, associations or societies representing not-for-profit organizations.³⁰

Since almost 97 percent of the responses were against accounting for contributed services as proposed, Figure 4 also portrays the reasons cited. The most frequently mentioned reason (54 percent) for opposition was that the cost of implementation would be excessive with no corresponding benefits. Very few (2.5 percent) of the responses questioned the relevance of the information concerning volunteer services to external users of financial statements.³¹ Only 1.9 percent specifically raised concerns about the reliability of such information, although 19.2 percent of the responses mentioned the dollar value would be too difficult to determine. Approximately 12 percent believed that volunteer services did not meet the definitions for revenue or expense for financial statement presentation. Other reasons included the non-tax-deductibility of donated services, potential confusion of financial statement users, and perceived adequacy of current disclosure of volunteer services. Other letters reflected the belief that certain contributed services should be recognized but suggested modifications to the criteria proposed in the standard.³²

The arguments based on the anticipated cost of implementing the proposed standard as stated in the comment letters were very general, with the phrase "administrative nightmare" appearing frequently. These arguments did not consider whether any benefits for external users would result from adoption of the standard. For example, policy makers may find information concerning the availability and value of volunteer services quite useful in determining needs for tax supported services. In addition, many not-for-profit organizations have volunteer administration systems in place, and the number and types of volunteers and hours worked is readily available. The only issue for valuation is determination of a dollar amount for these services. Implementation of an accounting system for volunteer services can readily be accomplished within existing personnel management and administrative systems. Consequently, implementation of the proposed standard may be less costly than some would believe.

Another argument related to the cost-benefit issue is that the proposed standard may have a negative impact on philanthropy and volunteerism.³³ However, the potential harm to philanthropy or volunteerism should not be a criterion to determine whether external users should have information concerning volunteer services. A counter-argument to the negative impact concern is that the failure to provide information may be equally harmful to not-for-profit organizations. As discussed above, financial information, to be reliable, should not be biased in favor of, or against, an interested party or a predetermined result.

Other arguments suggest that the proposed requirement to meet only one of the criteria in the standard is too open-ended. For example, some argue that requiring an organization to recognize the volunteer services solely on the basis that the services are provided by entities (i.e., individuals or organizations) that normally provide such services for compensation may result in the not-for-profit organization recognizing revenues (and expenses in a corresponding amount) for services provided gratuitously that it otherwise would not have purchased.³⁴ An example cited by some respondents is the gratuitous appearance by a celebrity to help a fund-raising effort. The organization

could not afford the celebrity's appearance fee and would not utilize the service if it were not provided gratuitously.

This argument is apparently based on the view that a cash transaction must occur for revenue and expenses to be recognized rather than the view that an economic resource has been provided to, and consumed by, the not-for-profit organization when the celebrity participates in the fund-raising effort. As discussed earlier, financial statements should provide users with information about economic resources and how management has used these resources. A donation of a useful service may be as important to the organization and as relevant to a user evaluating the organization as a donation of an equivalent amount of cash.

Another argument is also advanced against recognition of volunteer services for which only a single criterion has been met. It is suggested that this would result in an organization recognizing revenue for services (and corresponding amounts for expenses), regardless of who provides the service and the quality of the service.³⁵ Some respondents provided examples of organizations that accepted volunteer services but then needed paid staff to "undo" the volunteer efforts. Notwithstanding the potential public relations benefit from accepting any and all volunteers, such a practice consumes both cash and contributed resources to accomplish organizational purposes and the results in economic terms should be reported in financial statements. The instance of "undoing" volunteer services would be a relatively inefficient use of resources and reporting the economic cost would be a fair representation of the (mis)management of resources available to the organization.

Given the objectives of financial statements, volunteer services received should be recognized as economic resources, and the source should not be a factor. The quality of the service provided should be reflected in the dollar value placed on the service as part of the measurement process. Thus, recognizing volunteer services that are substantially the same as those normally purchased does not appear to present problems for either the relevance or the reliability of the information included in the financial statements.

Although the proposed standard would encourage the recognition of volunteer services not meeting the proposed criteria, some advocate that recognition of volunteer services be prohibited in financial statements if the proposed criteria are not met. They argue that an organization may manipulate information in the financial statements by selectively recognizing contributed services. For example, an organization may recognize only contributed services that affect program expense and ignore those that affect fund-raising or management and general expenses.³⁶ Consequently, users of financial statements may be misled by this distorted reporting.

While manipulation of recording and reporting the dollar value of volunteer services is a possibility, a not-for-profit organization must have a reliable basis for measurement to ensure all volunteer services are recorded. Thus, a sufficient basis will exist to determine the reliability of reported information. The argument also fails to consider the possibility that users of not-for-profit financial statements may also be misled by the exclusion of information concerning volunteer services.

Future Prospects

The preceding discussion suggests why in concept the FASB believes that all contributed services should be reported in the financial statements. However, the proposed standard may not be put into effect in the near term. Other accounting issues in the proposed standard have also generated considerable controversy. Thus, the FASB is re-exposing the proposed standard. Issues concerning recognition of volunteer services in addition to those discussed above to be addressed include the following:

- Should a distinction be made between volunteer services that are provided directly to the organization and those that are provided on behalf of the organization?
- Should the proposed FASB criteria that (a) services should normally be of the types provided for compensation or (b) should be of the types normally purchased by the recipient be linked, so that both must be met for contributed services to be recorded?

- Should the proposed footnote disclosure be modified from the requirement that the nature and *amount* of volunteer services be reported to the nature and *extent*?

These issues suggest that many respondents prefer to see a return to the more restrictive guidance in the AICPA pronouncements for reporting volunteer services and the more general requirements for required footnote disclosure. Until the FASB proposed standard becomes final, a not-for-profit organization must meet the AICPA requirements for its type of organization to report volunteer services in its financial statements. The next section discusses some considerations for accounting for volunteer services.

Accounting for Volunteer Services

As discussed earlier, existing audit and accounting guides for charitable organizations provide several criteria for dollar amounts of volunteer services to be reported in financial statements as contributions received and as expenses incurred. In general, these guides indicate that dollar amount valuations must be supported by documentation that the services performed are significant and form an integral part of the efforts of the organization. Further, an employer-employee relationship between the charitable organization and its volunteers must exist to enable it to have a proper basis for measuring and recording the value of the volunteer time devoted. Finally, the organization must be able to demonstrate a clearly measurable basis for the amount to be recorded.

These requirements must be met for auditors of a not-for-profit organization's financial statements to certify that the information concerning volunteer services is a fair presentation in accordance with existing accounting standards. As a basis for this certification, auditors will evaluate key controls within the not-for-profit organization and examine documentation supporting the reported volunteer services.

As discussed earlier, the following procedures may be used to audit volunteer services:

1. Obtain a listing of recorded amounts, including names and positions of persons rendering the services, gross annual valuation of the services, amount paid in cash (if any), and net contribution recorded.
2. Review on a test basis the time records, scheduling sheets, or other evidence to substantiate the services rendered.
3. Review for reasonableness the listing of the gross annual valuation for each position in relation to the local labor market, and determine that the positions listed are applicable to the operating program and are appropriate to be recorded as contributions.
4. Compare the total of the listing to the amount recorded as contributions.
5. Inquire of appropriate organization officials as to other volunteer help which might be considered as taking the place of salaried personnel.³⁷

These audit steps indicate that a not-for-profit organization should ensure its organizational control structure incorporates several key objectives. Although the exact form will vary between organizations, implementation of these objectives, discussed below, will be sufficient to provide the necessary controls.

Control Considerations

To include the dollar value of volunteer services in its financial statements, a charitable organization should have in place policies and procedures that provide reasonable assurance of:

- Validity. Only volunteer services actually provided are recorded.
- Authorization. The volunteer services have been authorized and carried out as part of the organization's official functions.
- Completeness. All volunteer services provided are recorded.
- Valuation. Volunteer time is valued at the proper hourly rate or salary equivalent.
- Classification. The dollar value of volunteer services is properly classified by program, management and general, and fund-raising categories.
- Timing. Services are recorded when rendered.³⁸

For most not-for-profit organizations, these policies and procedures are already implemented as part of existing systems for personnel, timekeeping and payroll for paid staff. These systems generally provide for:

- Adequate separation of personnel, timekeeping, and payroll duties;
- Proper authorization of the use of human resources;
- Adequate documents and records of work accomplished and time spent;
- Physical control of personnel, timekeeping, and payroll records; and
- Independent checks on performance of personnel, timekeeping, and payroll duties.³⁹

Thus, existing policies and procedures are likely to require little modification to incorporate personnel administration and timekeeping for volunteers. In addition, many not-for-profit organizations have volunteer administration systems established. Since volunteers are in effect unpaid employees of the organization, existing payroll systems can be utilized to generate dollar values for volunteer services based on hours contributed but without issuing checks.

A summary of typical control procedures for volunteer services is displayed in Table B. This listing is not all-inclusive but is representative of the types of policies and procedures that would be found within a sound organizational structure.

Table B: Summary of Control Procedures for Recording Volunteer Time

1. a. Timekeeping for volunteer hours should be an independent function.
b. Some means of recording time should be used under the observation of timekeeping.
c. Strict rules should be enforced requiring each volunteer to record his or her own time.
d. Timekeeping or the Volunteer Administrator should make periodic checks of volunteers on duty.
2. Personnel or the Volunteer Administrator should advise functional departments of new volunteers and terminations.
3. A procedure for authorization of using volunteers should be devised, and Timekeeping or the Volunteer Administrator should determine that required authorizations are made.
4. a. Volunteers should report hours by job or function accomplished.
b. Supervisor should review and approve documentation and timekeeping should check to see that these approvals are made. (The effectiveness of this depends on the supervisor's ability to evaluate the time spent on particular jobs and a conscientious review of the documentation.)
c. Volunteers should be instructed to assign actual hours to jobs. Either the supervisor or timekeeping should enforce this policy.
5. Timekeeping should check required authorizations and appropriately note hours that should be charged to jobs or functions.
6. Absolute balancing may be impractical or unnecessary for cost accumulation, allocation, or control; limits of reasonable difference should be established by appropriate authority.

Source: Adapted from W.A. Wallace, *Auditing* (PWS-Kent, 1991), pp. 814-815.

Valuation of Volunteer Services

The auditor must examine documentation of a clearly measurable basis for the dollar value of volunteer services for inclusion in the not-for-profit organization's financial statements. To generate reliable information, the organization should determine the dollar value of volunteers' services as accurately as possible. The minimum wage or the national median wage should not be used for computations. Also, averaging salaries of all organization employees to determine an "average" hourly rate to value volunteer services should be avoided. This approach does not compare similar jobs nor include the equivalent cost of employee benefits.

The dollar value of the service provided by volunteers should not necessarily be based on the earning power of the volunteers. If someone earns a living as a lawyer and volunteers to write a brief, then the donated service should be valued at the hourly rate normally charged by the lawyer. But if the lawyer volunteers to paint the building, the dollar value of the volunteer work must be assessed based on what it would cost to hire a person with equivalent skills.

The best evidence to determine the value of volunteer services is based on a written description of the services the volunteer provides. This job description also provides documentation to support the existence of an employer-employee relationship. By using the volunteer job description for each assignment, it is possible to compare the tasks given to volunteers to those listed in job descriptions for paid job classifications. For example, a volunteer assigned to help with mass mailings and photocopying would be equivalent to an entry-level clerk. A volunteer writing the newsletter would be equivalent to a public relations specialist or editor. A volunteer participating in a phon-a-thon would be equivalent to a telemarketing specialist. The equivalent paid classification hourly rate or annual salary should be supplemented by FICA, retirement, health insurance and other benefits paid by the organization to find the total equivalent cost for an employee in that position.

The dollar equivalency amount of volunteer services should be recorded in the same way as the hours or salaries of the paid staff are for expenses. In addition, the value of the donated time is recorded as a contribution. The expense category depends on which function the volunteer services were used to accomplish. The financial statements will then show both the services received and their use in accomplishing organizational purposes.

Table C provides a summary of the key factors that should be incorporated in the organization's policies and procedures, some key internal controls, and typical documentation or evidential matter that an auditor could examine to satisfy audit requirements for volunteer time reported in the financial statements.

Table C: Summary of Objectives, Controls, and Sources of Documentation for Volunteer Services

Control Objective	Key Control	Common Sources of Evidential Matter
Recorded amounts are for work actually performed by volunteers (validity).	Time cards are approved by supervisors. Time clock is used to record time. Adequate personnel file. Separation of duties between personnel, timekeeping, and payroll. Only volunteers included as valid in the computer data files are accepted when they are entered.	Examine the cards for indication of approvals. Examine time cards. Review personnel policies. Review organization chart, discuss with employees, and observe duties being performed. Examine printouts of transactions rejected by the computer as having invalid employee numbers.
Dollar amounts are properly authorized (authorization).	Specific or general authorization and approval is important at three points: Authorization to work. Hours worked. Equivalent wage or salary, rate.	Examine personnel files. Examine time cards for indication of approval. Examine payroll records for indication of internal verification. (No check issued.) Examine authorizations in personnel file. Compare time cards with independent record of hours worked.
Recorded volunteer services are for the amount of time actually worked and at the proper pay rate (valuation).	Internal verification of calculations and amounts. Batch totals are compared with computer summary reports.	Examine indication of internal verification. Examine file of batch totals for initials of data control clerk; compare totals to summary reports. Recompute hours worked from time cards. Compare pay rates with approval by board of directors.
Volunteer service transactions are properly classified (classification).	Adequate chart of accounts. Internal verification of classification.	Review chart of accounts. Examine indication of internal verification. Compare classification with chart of accounts or procedures manual. Review time card for employee department and job ticket for job assignment, and trace through to labor distribution.
Volunteer service transactions are recorded on a timely basis (timeliness).	Procedures require recording transactions as soon as possible after the work is accomplished. Internal verification.	Examine procedures and observe when recording takes place. Examine indication of internal verification.
Volunteer service transactions are properly included in the master file; they are properly summarized (completeness).	Internal verification of master file contents. Comparison of master file with general ledger totals.	Examine indication of internal verification. Examine initialed summary total reports indicating comparisons have been made. Test clerical accuracy by tracing postings to general ledger and the master file donated time.

Source: Adapted from A. Arens and J. Loebbecke, *Auditing: An Integrated Approach* (Prentice-Hall, 1992), pp. 574-575.

Internal Revenue Service Regulations

Organizations exempt from Federal Income Tax must file an annual information return with the Internal Revenue Service. These annual returns are also used for certain state regulatory filings, and they are available to the public. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, and grants and functional expenses be reported in accordance with the AICPA pronouncements discussed earlier.

Although reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the AICPA pronouncements, many states and the IRS do not permit the inclusion of those amounts in Form 990. Because Form 990 is open to public inspection, the organization may want its return to show the contributions that it received in the form of donated services. The **Other Information Section** of this return provides for optional reporting by a not-for-profit organization of its receipt of donated services or the use of materials, equipment or facilities at no charge or at substantially less than fair rental value. If the organization's records either show the amount and value of such items, or give a clearly objective basis for an estimate, the amounts received may be reported as an optional item on line 82 of Form 990. On the other hand, clear instructions indicate that the amount reported for donated services and materials may not be included elsewhere on Form 990 as part of the organization's support or expense. Specifically, these amounts may not be included as part of the expenses reported in Part II of Form 990, the Statement of Functional Expenses. This treatment will be inconsistent with reporting of donated services in financial statements, if the organization recorded the value of these services.

Since the IRS does not require any organization to keep records of donated services, volunteer services have not been widely reported. Therefore, users of financial statements may be skeptical of information resulting from recognition of contributed services. Thus, while IRS regulations do not directly affect the preparation of financial statements, they may inhibit the reporting of donated services in financial statements because of the differing treatment in federal information returns.

Conclusions and Recommendations

Based on our analysis of current and proposed accounting standards, current audit guides and emerging trends, we conclude that it is feasible and appropriate for a not-for-profit organization to report the dollar value of volunteer services in audited financial statements. In particular, the emergence of the proposed FASB standard for contributed services recognizes the relevance of information concerning volunteer services and, if adopted, will encourage reporting of these services in financial statements. However, adoption of the proposal in its present form is uncertain at this time.

Accordingly, we recommend that a charitable organization take the actions outlined below to reflect volunteer services in its financial reports.

Reporting Volunteer Services

To report the dollar value of volunteer services in its financial statements, a charitable organization should ensure that the criteria in the AICPA pronouncement applicable to its situation as discussed earlier are met as follows:

- Health care providers:
 - a. the services performed must be significant and form an integral part of the efforts of the organization as it is presently constituted; the services would be performed by salaried personnel if donated or contributed services were not available for the organization to accomplish its purpose, and the organization would continue to provide the program or activities;
 - b. the organization must control the employment and duties of the persons donating the services (i.e., it has established an employer-employee relationship); and
 - c. the organization must have a clearly measurable basis for determining the amount of revenue and expense to be recorded.
- Voluntary health and welfare organizations:
 - a. the services performed must be significant and form a normal part of the program or supporting services and would otherwise be performed by salaried personnel;

- b. the organization must exercise control over the employment and duties of the donors of the services (i.e., it has established an employer-employee relationship); and
 - c. the organization must have a clearly measurable basis for determining the amount of revenue and expense to be recorded.
- Other not-for-profit organizations:
 - a. the services performed must be significant and form an integral part of the efforts of the organization as it is presently constituted; the services would be performed by salaried personnel, if donated or contributed services were not available for the organization to accomplish its purpose; and the organization would continue this program or activity;
 - b. the organization must control the employment and duties of the service donors (i.e., it has established an employer-employee relationship);
 - c. the organization must have a clearly measurable basis for the amount to be recorded; and
 - d. the services of the reporting organization must not be principally intended for the benefit of its members.

Accounting System Features

A charitable organization should ensure that policies and procedures are in place and operating to provide reasonable assurance that volunteer services are properly authorized, equivalent salaries and wages are objectively determined and adequately documented with job descriptions and records, and periodic verification is made of actual performance of duties.

A charitable organization should ensure its accounting system provides for the timely recording and proper classification of volunteer services as revenues from contributions received and as expenses incurred in the appropriate program, management and general and fund-raising categories. In those instances where volunteer services lead to the creation or enhancement of assets, the services should be recorded as revenues received and should be capitalized as part of the asset.

Financial Statement Presentation

A charitable organization should report the dollar value of volunteer services in the financial statements generally presented by its type of organization. For a voluntary health and welfare organization, the presentation should be as follows:

- In the Statement of Support, Revenue, and Expenses and Changes in Fund Balances, volunteer services should be shown as a separate category entitled “Donated Services” in the Public Support and Revenue Section. These services should also be included in the appropriate categories of expenses for program services and supporting services. Thus, volunteer services will not be separately displayed in the expense categories. A sample display is shown in Table D.
- In the Statement of Functional Expenses, volunteer services should be shown as a separate category entitled “Donated Services” with the amount for each program and supporting service separately displayed as well as the total for the period. A sample display is shown in Table E.
- In the notes to the financial statements, disclose the methods followed by the organization in evaluating, recording, and reporting donated services. If appropriate the note should clearly distinguish between those donated services for which values have been recorded and those for which they have not been recorded.

A suggested format for the situation where no volunteer services have been reported is as follows:

(Note X): No amounts have been reflected for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a large number of volunteers have given significant amounts of their time to the organization’s programs, fund-raising campaigns, and management.

Table D: Charitable Organization Statement of Support, Revenue, and Expenses and Changes in Fund Balances
 Year Ended December 31, 19X2 with Comparative Totals for 19X1

	19X2	19X1
Public support and revenue:		
Public support: Contributions	\$399,000	\$360,000
Special Events (net of direct costs of \$42,000 in 19X2 and \$30,000 in 19X1)	40,000	39,000
	<u>439,000</u>	<u>399,000</u>
Donated Services	43,000	39,000
	<u>482,000</u>	<u>438,000</u>
Total Public Support	482,000	438,000
Revenue:		
Membership dues	8,000	5,000
Investment income	10,000	7,000
Miscellaneous	\$2,000	2,000
	<u>20,000</u>	<u>14,000</u>
Total Revenue	20,000	14,000
Total support and revenue	502,000	452,000
Expenses:		
Program services:		
Program X	76,000	64,000
Program Y	129,000	120,000
Professional education and training	49,000	45,000
Community services	50,000	45,000
	<u>304,000</u>	<u>274,000</u>
Total program services	304,000	274,000
Supporting Services:		
Management and general	87,000	83,000
Fund-raising	67,000	60,000
	<u>154,000</u>	<u>143,000</u>
Total supporting services	154,000	143,000
Total expenses	458,000	417,000
Excess (deficiency) of public support and revenue over expenses	44,000	35,000
Fund balances, beginning of year	184,000	149,000
Fund balances, end of year	\$228,000	\$184,000

Source: Adapted from J.P. Dalsimer, "Volunteers, What Are They Worth?", (*Management Accounting*, May 1989), p. 44.

Table E: Charitable Organization Statement of Functional Expenses: Year Ended December 31, 19X2 with Comparative Totals for 19X1

	19X2								Total Expenses	
	Program Services				Supporting Services					
	Program X	Program Y	Professional Education Training	Community Services	Total	Management and General	Fund-raising	Total	19X2	19X1
Salaries	\$45,000	\$62,000	\$20,000	\$21,000	\$148,000	\$31,000	\$36,000	\$67,000	\$215,000	\$195,000
Donated Services	5,000	20,000	5,000	5,000	35,000	8,000	0	8,000	43,000	39,000
Employee Benefits	2,000	3,000	2,000	2,000	9,000	2,000	3,000	5,000	14,000	10,000
Payroll Taxes, etc.	1,000	2,000	1,000	1,000	5,000	1,000	2,000	3,000	8,000	9,000
Total Staff Expenses	53,000	87,000	28,000	29,000	197,000	42,000	41,000	83,000	280,000	253,000
Professional fees	1,000	5,000	3,000	2,000	11,000	5,000	3,000	8,000	19,000	17,000
Supplies	2,000	3,000	3,000	3,000	11,000	7,000	5,000	12,000	23,000	25,000
Telephone	2,000	6,000	1,000	2,000	11,000	6,000	4,000	10,000	21,000	18,000
Postage	2,000	2,000	1,000	1,000	6,000	7,000	1,000	8,000	14,000	12,000
Occupancy	5,000	8,000	3,000	3,000	19,000	4,000	4,000	8,000	27,000	22,000
Rental of equipment	1,000	2,000	0	0	3,000	3,000	2,000	5,000	8,000	6,000
Local transportation	3,000	2,000	1,000	3,000	9,000	2,000	2,000	4,000	13,000	9,000
Printing & publications	4,000	5,000	4,000	4,000	17,000	2,000	1,000	3,000	20,000	24,000
Miscellaneous	1,000	4,000	2,000	2,000	9,000	2,000	2,000	4,000	13,000	12,000
Total expenses before depreciation	74,000	124,000	46,000	49,000	293,000	80,000	65,000	145,000	438,000	398,000
Depreciation of equipment	2,000	5,000	3,000	1,000	11,000	7,000	2,000	9,000	20,000	19,000
Total Expenses	\$76,000	\$129,000	\$49,000	\$50,000	\$304,000	\$87,000	\$67,000	\$154,000	\$458,000	\$417,000

Source: Adapted from J.P. Dalsimer, "Volunteers, What Are They Worth?", (*Management Accounting*, May 1989), p. 45.

Other not-for-profit organizations should report volunteer services in a manner similar to voluntary health and welfare organizations but in the specific format prescribed for the type of organization.

A charitable organization should report volunteer services in its annual information return filed with the Internal Revenue Service. To ensure consistency with information provided in its financial statements and to meet the requirements of the IRS, the organization should report the dollar value of service as a donated service in the optional reporting section of Form 990 and provide a detailed description of how these services were used in the narrative section of Form 990.

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Endnotes

1. The term charity is used in this report to refer to a nonprofit organization granted an exemption from federal income tax under I.R.C. section 501(c)(3).
2. Virginia A. Hodgkinson and Murray S. Weitzman, *Giving and Volunteering in the United States, Findings from a National Survey*, (Washington, DC: Independent Sector, 1990), p. 2.
3. These are objectives drawn from Statement of Financial Concepts No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, (Stamford, CT: FASB, December, 1980). The Financial Accounting Standards Board is an independent organization comprised of members from business, professional accounting, government, and academia whose major function is to study accounting issues and establish accounting standards. It has the responsibility to establish accounting standards for not-for-profit organizations.
4. The characteristics described are drawn from the Statement of Financial Accounting Concepts No. 2, *Qualitative Characteristics of Accounting Information*, (Stamford, CT: FASB, May 1980). The FASB relies on these concept statements as a basis to formulate accounting standards.
5. Jane B. Adams, Ronald J. Bossio and Paul Rohan, *Accounting for Contributed Services: Survey of Preparers and Users of Financial Statements of Not-For-Profit Organizations*, (Stamford, CT: FASB, 1989), p.10.
6. The AICPA is the national professional organization of Certified Public Accountants and sets standards for auditors. Auditors are responsible for providing users an independent basis on which to rely for fair presentation of financial information.
7. In addition to setting standards for auditors, the AICPA influences the establishment of generally accepted accounting principles through the issuance of Audit and Accounting Guides and Statements of Position. The Audit Guides often recommend a preferred accounting method. Statements of Position deal with issues that have not been addressed by the FASB standard setting process.
8. From *Audits of Providers of Health Care Services*, (New York: AICPA, July 1990).
9. *Audits of Voluntary Health and Welfare Organizations Second Edition*, (New York: AICPA, 1988), p. 21.

10. *Ibid*, p. 22.
11. AICPA Statement of Position 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, (New York: AICPA, 1978), par. 67.
12. *Audits of Voluntary Health and Welfare Organizations*, p. 21.
13. *Ibid*, p. 21.
14. *Ibid*, p. 23.
15. See Paula Mergenbagen, "A New Breed of Volunteer," (*American Demographics*, June 1991), pp. 54-55.
16. See Charlotte J. Lunsford, "Volunteering in 2001: The Answer is in Your Hands", (*Vital Speeches*, September 15, 1988), pp. 729-732.
17. See David O. Weber, "A Thousand Points of Fright?", (*Insurance Review*, February, 1991), pp. 40-43.
18. See George D. Webster, "Volunteer Protection Update," (*Association Management*, June 1991), pp. 96-97.
19. For example, a PC-based Volunteer Information Management (VIM) System is available from BWB Associates, 1071 Peters Mountain Road, Dauphin, Pennsylvania 17018. The program is a total tracking system for volunteers and allows calculation of the value of volunteer time as well. The list price of \$995 includes installation and training in use of the system.
20. Exposure Draft, Proposed Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made and Capitalization of Works of Art, Historical Treasures, and Similar Assets*, (Stamford, CT: FASB, 1990). FASB pronouncements depend on gaining general acceptance through an open standard setting process. The process is open to public inspection and participation and is designed to achieve consensus among interested parties on a standard before issuance. General acceptance is the foundation for a standard's credibility.
21. Exposure Draft, par. 54.
22. Most contributed services would likely result in expenses. While creation or enhancement of assets is possible, e.g., an electrician providing and installing wiring in a building gratuitously, this report concentrates on expense situations.

23. See Exposure Draft, par. 6.
24. Exposure Draft, par. 17.
25. See Exposure Draft, par. 57.
26. Exposure Draft, par. 58.
27. Many of the respondent letters specifically mentioned activities of the National Association of College and University Business Officers or the National Association of Independent Schools and Colleges in generating response letters to the Exposure Draft.
28. "Dimming A Thousand Points of Light?", *Forbes*, June 24, 1991.
29. G. Douglass Alexander, "Are Non-Profits Asleep at the Wheel?", (*Fund-Raising Management*, March 1991), pp. 62-63.
30. For purposes of this report, representational organizations include letters from associations, major accounting firms, and state CPA societies. It should be noted that several individuals and organizations also provided very substantive comments. However, a significant number of responses were form letters or general attacks on the proposed standard.
31. The term relevance is used here as discussed earlier in the report.
32. This overview of respondent positions is based on an independent analysis of the comment letters conducted by the authors at the offices of the FASB in February 1992.
33. Alexander, *op cit.*, p. 63.
34. KPMG Peat Marwick, *Management Issues Newsletter*, June 1991, p. 6.
35. *Ibid*, p. 7.
36. *Ibid*, p. 8.
37. *Audits of Voluntary Health and Welfare Organizations*, p. 23.
38. These criteria are drawn from A. Arens and J. Loebbecke, *Auditing: An Integrated Approach, Fifth Edition*, (Englewood Cliffs, NJ: Prentice-Hall, 1991), p. 288.
39. *Ibid*, pp. 291-295.

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