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**The Canadian Satellite Account of  
Nonprofit Institutions and Volunteering:**

*Testing the Handbook of Nonprofit Institutions  
In the Canadian System of National Accounts*

**Preliminary Report to the Global Nonprofit Information System Project**

**Johns Hopkins University and United Nations Statistical Division**

Economic Accounts Coordination Section  
Income and Expenditure Accounts Division  
National Accounts and Analytical Studies Field

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**Canada**



## Acknowledgements

The Canadian *Satellite Account of Nonprofit Institutions and Volunteering* is a research and data development initiative in Statistics Canada's Income and Expenditure Accounts Division. The Satellite Account Project Team consists of:

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This preliminary report will be circulated broadly within Statistics Canada and to the members of the *Advisory Committee on the Satellite Account of Nonprofit Institutions and Volunteering*. Comments received will be taken into account in the final version, to be submitted to the Global Nonprofit Information System Project in the Fall of 2001.

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# **The Canadian Satellite Account of Nonprofit Institutions and Volunteering**

## **Preliminary Report on Testing the Handbook of Nonprofit Institutions In the System of National Accounts**

### **I. Introduction**

Statistics Canada's invitation to participate in testing the *Handbook on Nonprofit Institutions in the System of National Accounts* in October 2000 coincided with planned work to develop a *Satellite Account of Nonprofit Institutions and Volunteering* within the Canadian SNA. The timing was fortuitous, and the objectives of the project test largely coincided with those of the first year of the development phase for the Canadian Satellite Account. The first year deliverable in our Satellite Account project is to develop provisional estimates using existing data sources and make recommendations for methodological improvements, to be implemented in the second year.

Testing the draft handbook has been extremely beneficial to the Satellite Account project team as we proceed in the first phase of our project. It has offered advantages in many areas, advancing our thinking on the conceptual development of our account and enabling access to a network of international colleagues involved in similar work.

In return, we hope Statistics Canada's experience drawing on the resources of a large centralised statistical agency will offer lessons to inform the development of international guidelines for satellite accounts on nonprofit institutions. This report represents a first attempt to offer insights from the Canadian experience. Since we are mid-way through the development phase of our project and have not yet completed the data work to generate provisional estimates, it must be considered preliminary. It is based on our current state of knowledge as our research continues, and we will submit a more complete report, including provisional estimates, when the first phase of our project is complete. The target date for completion of this work is October 2001.

### **II. Organisation of this Report**

This preliminary report is structured as follows: introductory sections (Sections III and IV) provide background and context to the Canadian *Satellite Account of Nonprofit Institutions and Volunteering*. Section III describes the origins of funding for the project, the federal Voluntary Sector Initiative, and the implications of this initiative for the account's development. Section IV describes the Canadian project proposal, including the variables to be covered and the phases of the project.

Section V proceeds with comments on the draft *Handbook on Nonprofit Institutions in the System of National Accounts*, following the chapters in sequence and responding to the extent possible, given our current state of knowledge, to the questions enumerated in the reporting guide. Because of delayed access to a critical data source, it was not feasible to complete the data work to estimate many of the variables to be measured in the Canadian Satellite Account in time for inclusion in this report. We have, however, completed provisional compilations of the imputed value of volunteer activity, which are included in Section VI. We have also done a brief investigation of available capacity and output indicators, the results of which are also included in this section.

### **III. Background and Context**

#### **A) *Federal Voluntary Sector Initiative***

Funding for the Canadian *Satellite Account of Nonprofit Institutions and Volunteering* was confirmed in early summer of 2000 as part of a high-profile federal initiative to work more co-operatively with the voluntary sector towards common objectives. This initiative, the Voluntary Sector Initiative (VSI) is coordinated by a task force in the Canadian Privy Council Office and is governed collaboratively with the Voluntary Sector through a series of joint tables. It involves the participation of 22 federal departments and reports ultimately to a reference group of 9 federal cabinet ministers.

Projects receiving funding under the VSI respond to recommendations of joint tables in three key areas: 1) building a new relationship with the federal government, 2) strengthening capacity and 3) improving the regulatory framework. These recommendations are published in a report entitled *Working Together* released in August 1999. The Voluntary Sector Initiative was officially launched in June 2000, with approximately \$95 million allocated over five years to support related projects and activities.

Under the banner of strengthening capacity, recommendations of joint tables highlighted a need for more and better statistical information to increase the capacity for research and analysis on the Canadian nonprofit sector. Towards this end, a Memorandum to Cabinet and subsequent Treasury Board submission confirmed funding for two Statistics Canada projects. The first was a triennial repeat of the National Survey of Giving, Volunteering and Participating, with a small-scale longitudinal component in the intervening years. The second was the development of a satellite account on the voluntary sector within the Canadian System of National Accounts.

Subsequent to the initiative's launch, the Capacity Joint Table of the VSI contracted Statistics Canada's Small Business and Special Surveys Division to examine the feasibility of conducting a *National Survey of Voluntary Organisations*. Preliminary work in course involves investigating vehicles for the creation of a sampling frame of nonprofit organisations, including Statistics Canada's Business Register, tax files and provincial, territorial and federal corporate registries. The content of a prospective survey has not yet been established, and we aim to ensure the data requirements of the Satellite Account are considered in its development.

#### **B) *Implications of the VSI for the Canadian Satellite Account***

The extensive scope and high profile nature of the federal VSI has heightened demand for statistics on the Canadian nonprofit sector and brought existing data gaps to the foreground. Data development is proceeding in parallel with joint policy development. Broad participation of federal departments and voluntary sector participants in the numerous formal consultative mechanisms associated with the initiative has afforded us many opportunities to raise the profile of our work. These and other considerations are outlined in the sections to follow.

#### ***Advisory Committee on the Satellite Account***

Projects funded under the VSI are governed collaboratively with members of other federal departments and representatives from the voluntary sector. Towards this end, an external *Advisory Committee on the Satellite Account of Nonprofit Institutions and Volunteering* was struck. The committee is comprised of:

- 1) Sector members, designated through the Voluntary Sector Secretariat and representing a range of organisations;
- 2) Members from other federal departments, designated through the Voluntary Sector Task force who are involved in related projects through the VSI; and
- 3) Statistics Canada experts, who have expertise in the nonprofit domain or in the specific variables to be measured as part of the Canadian proposal.

A membership list is included in Appendix A.

Like other advisory committees at Statistics Canada, the mandate of the *Advisory Committee on the Satellite Account of Nonprofit Institutions and Volunteering* is to assist in the development of the Account by sharing expertise on the Canadian nonprofit sector. This will be accomplished by:

- Identifying the information needs of the sector and other key data users
- Sharing expertise on the size, scope and nature of Canada's nonprofit sector
- Acting a sounding board for definitional, conceptual and data issues throughout the development phase
- Providing feedback on proposed international guidelines
- Shedding light on issues and pitfalls relating to the interpretation of data sources

The first meeting of the advisory committee was held on April 19, 2001. The objectives were to brief participants on the nature of the Satellite Account project and to seek input on the proposed definition of the nonprofit sector. Points raised in the discussion are summarised in our comments on Chapter 2 of the handbook. Some committee members submitted further thoughts subsequent to the meeting, and their unedited texts are included in Appendix B.

A second meeting of the advisory committee is planned for September 13, 2001. In the interim any relevant documents and materials (such as this report) will be circulated to the committee via e-mail for comment.

### ***Participation in Other Fora***

Statistics Canada takes part in a number of other formal “consultative mechanisms” associated with related VSI projects and activities to ensure input into areas that affect our work. These include:

- The Joint Coordinating Committee for the VSI at the Assistant Deputy Minister level;
- The Capacity Joint Table of the VSI;
- The Steering Committee on the National Survey of Giving, Volunteering and Participating;
- A working group to study federal funding of the voluntary sector (whose mandate includes implementing improvements to the federal public accounts)

In addition to participating in these formal mechanisms, we have delivered a number of presentations in various fora to raise awareness of the nature and scope of our Satellite Account project. These include:

- A brief presentation at a conference of the VSI in the fall of 2000 entitled “*Partnering with the Voluntary Sector*”. Conference participants included federal government and voluntary sector members of the very numerous joint tables associated with the VSI. A follow-up to this conference was held in May 2001, at which timelines and key deliverables for all projects associated with the initiative (of which the Satellite Account) were reviewed.

- A presentation on the nature and objectives of the Account at Statistics Canada’s *Federal-Provincial Conference on the Provincial Economic Accounts* in November 2000. Members of this federal-provincial committee include representatives from provincial and territorial statistical agencies.
- A presentation to the *National Accounts Advisory Committee* in December 2000. This committee meets regularly and is one of a series of external advisory committees on various subjects at Statistics Canada. Members include high-profile macro-economists from across Canada.
- A presentation to the *Joint Coordinating Committee* of the Voluntary Sector Initiative in February 2001 on the definition of the nonprofit sector proposed for the Satellite Account. This presentation was requested as input to the development of a definition of the ‘voluntary sector’ for the purposes of the federal initiative.
- An internal research seminar is planned at Statistics Canada for mid-June 2001.
- A presentation to the Joint Capacity Table of the VSI is planned for their next meeting, likely in September 2001.

***The Description of the “Voluntary Sector” for the Purposes of the VSI***

The Joint Coordinating Committee has developed a description of the “Voluntary Sector” to clarify the target group for the purposes of the initiative. This description shares a number of features with the one in the draft handbook, but focuses on entities that “serve a public benefit and build social capital”. It also retains the requirement for meaningful voluntary participation. We are investigating means to identify the relevant subset of “voluntary” organisations of interest to the VSI within the broader concept of the nonprofit sector. The full description is shown below.

<p><b>Description of the Voluntary Sector For the Purposes of the Voluntary Sector Initiative</b></p> <p>The voluntary sector is by its very nature, rich and diverse, defying precise definition. It is the core nature of the sector rather than its boundaries that matter for purposes of the Voluntary Sector Initiative. The name captures the essential spirit of the sector.</p> <p>The voluntary sector comprises self-governing organisations that exist to serve a public benefit, generate social capital but do not distribute private profit to members, depend to a meaningful degree on volunteers, involve participation on a voluntary basis, and are independent or institutionally distinct from the formal structures of government and the profit sector.</p> <p>Some are registered charities, some are incorporated non-profit organisations and others exist independent of these classifications. The diverse multitude of organisations range from small community-based groups to large, national umbrella organisations, all enriching the lives of Canadians in various ways. These contributions include: delivering services; advocating on behalf of community causes; encouraging self-help; facilitating international, community and economic development; advancing religious faith and practice; and raising funds and providing financial support to other voluntary organisations. In using the term “voluntary sector”, it is recognised that many organisations rely on paid staff to carry out their work, although all depend on volunteers on their boards of directors for their governance.</p> <p>The voluntary sector is about Canadians engaged and involved in improving life in their communities and the world.</p> <p style="text-align: right;"><i>May 9, 2001</i></p>
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#### IV. The Canadian Satellite Account Proposal

The Canadian *Satellite Account of Nonprofit Institutions and Volunteering* was conceived with a two-year development phase, with an aim for ongoing publication in the Canadian SNA starting in the third year. Work in the first year consists of preparing provisional estimates with existing data sources and drafting a report assessing these results for completeness, quality and consistency and identifying data gaps. A second report will contain descriptive analysis of the sector based on these provisional estimates.

The second year of development consists of implementing methodological improvements to augment the quality of the estimates and fill gaps. Such improvements may be achieved, for example, through collaborative work with other federal departments on the quality of administrative records used in the first phase of the project, or through the development of methodologies to extract estimates from existing Statistics Canada surveys.

As initially envisaged, the Canadian Satellite Account resembled very closely the institutional sector accounts contained in Statistics Canada's quarterly *National Economic and Financial Accounts (NEFA)*. Standard accounts include a production account, an income and outlay account, a capital and financial account and a balance sheet for a newly defined nonprofit sector.

Transactions of nonprofit institutions will be deconsolidated from existing economic sectors to define this new institutional sector, which is broader than the Nonprofit Institutions Serving Households (NPISH) sector described in current international guidelines for national accounting in SNA93. At present, the Canadian SNA does not separately identify a NPISH sector; transactions of NPISHs are consolidated in the persons and unincorporated business sector.

The initial set of variables to be included in the account are listed in the following table. The Satellite Account was also conceived to include a non-market extension, estimating a replacement cost value of unpaid volunteer activity. Statistics Canada has significant experience in the measurement and valuation of unpaid household work, and the non-market extension to the Satellite Account would be prepared according to a similar methodology.

The project proposal for the Canadian Satellite Account did not specify whether variables would be classified according to a typology of organisations (ICNPO) or industrial classification (NAICS). The intent was to do so wherever possible, but the feasibility of estimating breakdowns given existing data sources remains to be fully examined. The demand for regional (by province) information is significant in Canada and must also eventually be given consideration in the work plan.

In addition to serving the purposes of the Satellite Account, our detailed examination of SNA methodologies and data collection mechanisms for the nonprofit sector will result in improvements to the core accounts of the Canadian SNA. The Satellite Account project team aims to play a coordinating role at Statistics Canada to assure more explicit accounting for nonprofit entities throughout the statistical system. Towards this end, a Statistics Canada working group on the nonprofit sector has been struck. Its membership currently includes representatives of SNA divisions, Public Institutions Division, Tax Data Division, Business Register Division, and Small Business and Special Surveys Division, and will be expanded as necessary as the work proceeds.

## Canadian Satellite Account of Non-profit Institutions and Volunteering

<i><b>PRODUCTION ACCOUNT</b></i>	
<p><b>Operating Expenditures:</b></p> <p><i>= Total value of market production</i></p> <p>Compensation of employees Intermediate use of goods and services Depreciation expenses Other operating expenses</p>	
<i><b>INCOME AND OUTLAY ACCOUNT</b></i>	
<p><b>Income:</b></p> <p>Sales of goods and services Investment Income Transfers from:     Government     Persons     Business     Other</p>	<p><b>Outlay:</b></p> <p>Compensation of employees Intermediate use of goods and services Transfers to individuals Depreciation expense</p> <p><i>Savings = incomes less outlays</i></p>
<i><b>CAPITAL ACCOUNT</b></i>	
<p><b>Sources of Funds:</b></p> <p>Savings Depreciation expense Capital transfers     Bequests</p>	<p><b>Disposition of Funds:</b></p> <p>Net purchases of new and used capital     New capital     Used capital</p> <p><i>Net lending = sources of funds less dispositions</i></p>
<i><b>FINANCIAL ACCOUNT</b></i>	
<p><b>Transactions in Assets:</b></p> <p>Cash and deposits Bonds and equity Other assets</p>	<p><b>Transactions in Liabilities:</b></p> <p>Loans Other liabilities</p> <p><i>Net financial investment = transactions in assets less transactions in liabilities</i></p>
<i><b>BALANCE SHEET</b></i>	
<p><b>Assets:</b></p> <p>Non-financial assets Financial assets</p>	<p><b>Liabilities:</b></p> <p>Loans and other liabilities</p> <p><i>Net worth = assets less liabilities</i></p>

## **V. Comments on the Draft Handbook of Nonprofit Institutions in the SNA**

This section includes our comments on each chapter of the draft handbook. Our comments follow the order of the questions in the reporting guide. They are addressed to the extent possible given our current state of knowledge. Those not covered will be addressed in our final report. Specific comments pertaining to each chapter of the handbook are provided at the end of each section.

## Comments on Chapter 1: Introduction

### *1.1 Other Comments on Chapter 1*

1.3 The “wide assortment of institutions that operate outside the market and the state” is not a fair characterisation of the nonprofit sector. Many NPIs have significant market activity and others have important ties to governments in terms of funding and control.

1.22 – 1.24 These paragraphs reference chapters and annexes that we have not yet seen and are not referenced in the reporting guide. These include:

Chapter 6: On the challenges remaining, such as valuing the real output of NPIs

Chapter 7: On the use of the satellite account for policy and other purposes, reviewing potential links to other statistical systems related to the extended account.

Annex 5: Data development tools

Annex 6: A roadmap for relating the satellite account data back to the parent SNA system.

We assume these will be part of a future revision and would be very interested in reviewing this material when it is available. We feel it will represent an important addition to the handbook.

## Comments on Chapter 2: Defining Nonprofit Institutions

### 2.1 Canadian Legal Definitions and Framework

In order to address the question of whether the proposed definition is workable in the Canadian context, we must first examine legal and fiscal framework surrounding charities and other nonprofit institutions. Legal definitions influence the public's understanding of the nonprofit sector and also impact the coverage and interpretation of administrative data sources to be used in the development of the Satellite Account. In Canada, fiscal structures surrounding nonprofit institutions are segmented into three principal areas: 1) registered charities, 2) nonprofit organisations and 3) other tax exempt entities.

#### Registered Charities

In Canada, a registered charity is an organisation, corporation, or trust that has been registered as charity by the Canada Customs and Revenue Agency for the purposes of the *Income Tax Act*. Registered charities are entitled to two primary advantages pursuant to act: (i) they can issue receipts to donors who may claim a tax credit; and (ii) they are exempt from paying income tax. There are currently over 78,000 registered charities in Canada.

To qualify for registration, an organisation must be established and operated for charitable purposes, and must devote substantially all of its resources to charitable activities. It must also meet a public benefit test, demonstrating that: (i) it provides a tangible benefit to the public; and (ii) the public as a whole, or a significant portion of it are eligible for these benefits (i.e., not a restricted group or one whose members share a private connection like as social clubs or professional associations).

The *Income Tax Act* does not comprehensively define the terms “charitable activities” or “charitable purposes”. These concepts have their origins in common law, dating back to 1601 with the preamble to the *Statute of Charitable Uses* (commonly referred to as the *Statute of Elizabeth*). They form the basis for the contemporary definition of a charity in Canada. The *Pemsel* general definition (1891) groups charitable purposes into four categories which the Canadian courts continue to identify. These are: (i) the relief of poverty; (ii) the advancement of education; (iii) the advancement of religion; and (iv), certain other purposes that benefit the community. The definition of what constitutes “charitable purposes” and “charitable activities” is part of an ongoing debate surrounding the federal regulations of Canadian charities.

Once registered, an organisation must devote its resources to charity (including the disbursement of funds to qualified donees<sup>1</sup>) and continue to meet a number of other requirements, summarised below:

- No part of a registered charity's income can be payable or otherwise available to **personally benefit** any proprietor, member, shareholder, trustee, or settlor of the organisation.
- Charitable organisations and public foundations (but not private ones) may also carry out **related business** that accomplishes or promotes charitable purposes, provided that these are

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<sup>1</sup> Qualified donees are organisations allowed to issue official donation receipts for gifts that individuals or corporations make to them. In practice, the largest category of qualified donees consists of registered charities; also included are a number of organisations such as registered Canadian amateur athletic associations; registered national arts service organisations; certain tax-exempt housing corporations; the Government of Canada; and the United Nations.

operated by volunteers. Private foundations are not allowed to engage in any business activity.

- Under the *Income Tax Act*, a registered charity can devote no more than 10% of its resources to non-partisan political *activities* that pertain directly to accomplishing its purposes.
- A registered charity must spend a specific amount each year on carrying out charitable activities, or on gifts to qualified donees. This amount, its “*disbursement quota*”, varies according to a charity’s designation. The rationale for the quota is (i) to ensure that most funds are used to further charitable purposes and activities; (ii) to discourage charities from accumulating excessive funds; and (iii) to keep other expenses at a reasonable level.
- Every registered charity must file an annual Registered Charity Information Return with the Canada Customs and Revenue Agency (CCRA) and provide financial statements within six months from the end of each fiscal period. Failure to do so may result in a loss of charitable status.
- The law differentiates *Registered National Arts Service Organisations* and accords them the same privileges (and obligations) as registered charities.

There are three types of registered charities in the Canadian tax system: (a) charitable organisations, (b) public foundations, and (c) private foundations, and the *Income Tax Act* requirements are different for each. The distinction depends on structure, source of funding and mode of operation.

The *Income Tax Act* is not the only law that applies to charities. They can also be subject to other federal or provincial legislation associated with their operations, like provincial or municipal standards for a nursing home, hospital, school board, or housing project. If a charity is federally or provincially incorporated, it must meet requirements under the incorporating law. At the federal level, registered charities must follow the requirements of the goods and services tax (GST) or the harmonised sales tax (HST), and may need to register GST/HST purposes.

The promotion of a sport is not considered charitable in Canada, but an organisation that has as its primary purpose the promotion of amateur athletics on a nation-wide basis may be registered as a Canadian Amateur Athletic Association. These organisations are essentially afforded the same tax advantages as charities.

If an organisation does not meet the requirements to register as a charity, it may qualify as a non-profit organisation under the *Income Tax Act*. An organisation with non-profit status does not have to pay tax on most types of income, but cannot issue official receipts for income tax purposes.

### Nonprofit Organisations

In the Canadian legal system, registered charities are distinguished from other Non-profit Institutions (NPIs), which are accorded the designation of a “non-profit organisations”. Non-profit organisations are also exempt from taxation under the *Income Tax Act*, but are not entitled to issue charitable donation tax receipts. These include clubs, societies, or associations that are organised and operated for social welfare, civic improvement, pleasure or recreation or other purposes. As in the case for Registered Charities, no part of a non-profit organisation’s income may be made available for the personal benefit of proprietors, members, or shareholders.

Since 1993, non-profit organisations have to file an annual return no later than six months after the end of their fiscal period if they exceed a minimum revenue (\$10,000) or asset (\$200,000) threshold, or they have filed a return in the previous fiscal year. Once an organisation files a Non-profit Organisation Information Return (form T1044), it is required to file for all future years, regardless of its revenues or the value of assets in those future years.

### Other Tax-Exempt Entities

While both registered charities and non-profit organisations, as defined in the Canadian legal framework, undoubtedly account for a large part of the Canadian non-profit universe, other entities accorded tax exemption privileges pursuant to the *Income Tax Act* are also likely to be within scope. Each of these will be examined individually to make this determination. .

Such cases include, but are not limited to:

- Certain organisations such as an agricultural organisation, a board of trade or a chamber of commerce, no part of the income of which is payable or otherwise available to personally benefit any proprietor, member, shareholder, trustee, or settlor of the organisation;
- Certain housing corporations constituted exclusively for the purpose of providing low-cost housing accommodation for the aged, no part of the income of which is payable or otherwise available to personally benefit any proprietor, member, shareholder, trustee, or settlor of the organisation;
- Non-profit corporations constituted exclusively for the purposes of carrying on or promoting scientific research and experimental development, part of whose income is not payable or otherwise available to personally benefit any proprietor, member, shareholder, trustee, or settlor of the organisation;
- Labour organisations or societies or benevolent or fraternal benefit society or orders; and
- Housing companies, as defined in the *National Housing Act*, all the business of which is the construction, holding or management or low-rental housing projects.

## **2.2 Themes and Issues on Definition Raised by the Satellite Account Advisory Committee**

To further examine the question of whether the proposed definition is workable in Canada, a discussion of definition was hosted as part of the first meeting of the *Advisory Committee on the Satellite Account of Nonprofit Institutions and Volunteering* on April 19, 2001. Participants were asked to review Chapter 2 of the draft handbook prior to the meeting, and to identify potential issues and risks in its interpretation and application in the Canadian context. They were also asked to identify potential borderline cases. A summary of broad themes and issues that emerged in the discussion is provided below.

### What Signifies “Institutional Reality”?

The draft guidelines state that in order for an entity to be considered “organised”, it must have some meaningful degree of institutional reality, for example, a legal charter of incorporation. The forms that this institutional reality can take will determine the extent to which smaller, less-traceable organisations fall within the scope of the Satellite Account. These may include small

non-incorporated groups or grass roots organisations which form around an issue (e.g., school closures) then disband, smaller self-help groups and others.

Irrespective of whether these groups meet the key criteria defining an NPI in conceptual terms, identifying them in practice through statistical vehicles is problematic. Taking existing administrative data as an example, these groups are not registered charities and therefore are not captured on the T3010 Registered Charity Information Return. Neither would they meet the revenue and asset thresholds required for filing a T1044 Nonprofit Information Return. The vast majority would not have paid staff, so a T4 statement of remuneration and benefits would not be issued. Volunteer time and contributions to these organisations would be picked up on demand side surveys of giving and volunteering, but these amounts may not be separately identifiable.

While the economic contributions of these smaller, less structured organisations may be modest and difficult to quantify, their contributions to building social capital warrant explicit recognition in the Satellite Account.

Women's groups were cited as examples of loosely structured entities that were not well organised. This was identified an important policy issue for Status of Women Canada as many of these groups had difficulty obtaining funding and other forms of support from government. The importance of their inclusion and separate identification in the Satellite Account was stressed. It was noted that proposed classification systems (i.e., ICNPO) do not permit this, and this issue should be taken up at later discussions of classification.

#### Government Authority/Regulatory Function/Economic Citizenship

In certain cases, government authority is delegated to entities such as trade associations to perform a regulatory function. These organisations are authorised through legislation to set industry standards or control entry to a trade or profession. The state has clearly delegated authority to these entities through legislation, and in exercising this authority they can be viewed as in conflict with the "private" criterion. Medical associations have the power to exclude immigrant doctors from practising medicine in Canada through non-recognition of their qualifications. Membership in farm associations is a requirement to qualify for many agricultural subsidy programs.

Unions are another case in point. Governments establish processes for collective agreements and unions take part in their enforcement. For closed shop unions, membership and the payment of union dues are compulsory. In some European countries, unions operate employment insurance programs. While, strictly speaking, membership and contributions to these entities are non-compulsory from the point of view of the state (one can choose not to be part of a given profession or industry) they are nonetheless a requirement of "economic citizenship". The same can be said of trade associations.

It was pointed out that the role of organisations may evolve over time, and many may serve a variety of other functions in addition to a regulatory role. Some may not have started out as regulators, this authority being later bestowed on them. While the committee did not recommend exclusion of these entities, unions and trade associations were identified as borderline cases, distinct from other types of civil society organisations.



### Identifying Public Benefit Organisations

The Voluntary Sector Task Force stresses the importance of specifically identifying public benefit organisations in the Satellite Account framework. Public benefit organisations are at the root of policy development for the federal Voluntary Sector Initiative. In order to ensure the Satellite Account's relevance for policy development, entities whose primary function is to serve the public good and build social capital must be recognisable within the framework. It was noted that draft guidelines do not account for the notion of "public benefit" in defining the nonprofit sector.

On the other hand, the general observation was made that the broadest possible definition will have the greatest analytic power for policy purposes, provided classification systems allow for the universe to be divided up in an appropriate way. A clear boundary is nonetheless required in order for the Account to be useful.

The dividing line between public benefit and mutual or member benefit organisations may be quite blurry in practice. Indeed many organisations fall somewhere on a continuum between the two extremes. The Canadian Nurses Association was cited as an example a member organisation that performs many "public-benefit" type activities, such as lobbying governments for increases in health care spending.

### Parallel Treatment of Similar Entities

In the implementation of a structural-operational definition, consideration must be given to treating similar entities in a parallel manner. An example cited was universities and colleges, which are regulated at the provincial level and have vastly different structures and institutional arrangements depending on the jurisdiction. They are nonetheless, fulfilling a similar role in society in other respects.

Conversely, care must be taken not to treat essentially different entities in a similar way. A blanket inclusion of co-operatives, for example, may have this undesirable result. We may wish to include small public-benefit co-operative groups, but exclude caisses populaires, which are significant players in the financial industry.

### Suggestions for Operationalising the Definition

It was suggested that lessons in operationalising the definition could be learned from observing how an entity behaves when it fails. For example, for NGOs and registered charities, any funds remaining on dissolution must go to a like organisation or to the state. Other questions to consider might include the following:

- What is the liability of board members?
- Can the organisation be sued?
- Can a bank account be opened in the name of the organisation?

### Other Borderline Cases

First nations groups, such as band councils, were identified as potentially problematic. In many respects they operate as local governments, administering local police services, schools and social services, and in some cases setting municipal laws. They are currently treated as NPISHs in the Canadian SNA, included in the household sector.

School boards were also seen as potentially ambiguous, autonomous in many respects but frequently viewed as part of municipal government.

### General Comments

Given that the “voluntary” criterion in the draft guidelines has now been softened to signify “non-compulsory” from the point of view of the state, it seems illogical to retain the term. The use of the term “voluntary” made sense when voluntary contributions of time or money were a requirement for inclusion of an entity in the nonprofit sector. It would be more logical and descriptive to rename the fifth criterion “non-compulsory”.

Additional material submitted by individual advisory committee members is included in Appendix B.

### **2.3 *Comments on Definition from the National Accounts Advisory Committee***

In addition to seeking the reactions of the advisory committee on the Satellite Account, as previously mentioned, a presentation was made to Statistics Canada’s *National Accounts Advisory Committee* in December 2000. Two main issues regarding definition emerged in the discussion.

#### Voluntary vs. Non-compulsory

The *National Accounts Advisory Committee* also took issue with the “voluntary” criterion signifying “non-compulsory” from the point of view of the state. Participants were at a loss to cite an example of an organisation that would be excluded on this basis in Canada and expressed the strong view that the criterion was not meaningful in the Canadian context.

#### “Funded or Controlled” vs. “Institutionally Separate” from Government

The inclusion of government-funded NPIs in the Satellite Account was the subject of some discussion. A number of members emphasised that source of funding could have a significant impact on behaviour. The distinction between NPIs separately identified in the sub-sectoral classification as “funded and/or controlled” by government and “institutionally separate from government” was viewed as unclear. The handbook could benefit from more guidance on where this line should be drawn.

### **2.4 *Longer Term Objectives in Operationalising the Definition***

As a longer-term objective in implementing the definition of the nonprofit sector, we hope to benefit from lessons learned in a recent undertaking to better define the public sector universe for the Canadian SNA. The *Public Sector Universe Project* was an extensive initiative undertaken to redefine the Canadian public sector based on concepts and definitions laid out in SNA93. As part of a recent historical revision process for the implementation of SNA93, practical decision criteria were established to operationalise the definition. Entities were profiled against these criteria to determine whether or not they fell within the public sector. Results of this exercise were later used to assign SNA sector flags to entities included on Statistics Canada’s Business Register, the central frame for economic surveys.

To refine the boundaries of our nonprofit universe, we would aim to profile larger and more ambiguous entities according to a set of practical decision criteria to operationalise the definition in the handbook. Our experience in doing so may be instructive for the further development of

the handbook. As a general comment we feel that Chapter 2 could benefit from concrete examples of how the criteria defining the nonprofit sector could be operationalised.

## **2.5 *Other Comments on Chapter 2***

Box 2.1           With respect to the criteria identified for defining the nonprofit sector, we found it somewhat confusing that the chapter first lays out the five criteria used in the CNP study then later merges the “organised” and “self-governing” into one criterion, “self-governing organisations”. Elements of these two criteria are then dealt with in one description. We suggest that retention of the five criteria separately would lend clarity to the explanations provided.

2.18               The criterion ‘organised’ suggests that an organisation must have some degree of permanence in order to be included in the non-profit universe. This seems to imply that by their nature, grassroots organisations that form around a particular issue then disband would be excluded. They are, however, cited in paragraph 2.18 as an illustrative example of the types of entities likely found in the sector. Clarification is required as to whether these entities are conceptually part of the universe.

### **Comments on Chapter 3: Classifying Nonprofit Institutions**

Having not yet completed the data work for provisional estimates, we have not thoroughly examined the feasibility of implementing the classification systems recommended in the handbook. This section offers some thoughts and indications on issues relating to classification in the Canadian context based on the current state of our investigation. Further information based on our experience in implementing these systems will be included in our final report.

#### ***3.1 Coding to ICNPO on the National Survey of Giving, Volunteering and Participating***

While we have not yet undertaken the implementation of ICNPO for the SNA variables included in the Satellite Account, the National Survey of Giving, Volunteering and Participating (NSGVP), has implemented this system to classify charitable giving and hours volunteered by type of organisation. Data are available for the year 1997, and the NSGVP project team has recently completed a second round of coding for the 2000 survey, the results of which will become available in August 2001.

In the NSGVP, respondents are asked a detailed set of questions about formal volunteering and financial donations to nonprofit institutions. If they respond 'yes' to any of these, they are asked follow-up questions, including the names of up to three organisations for which they had volunteered or to which they had donated. A precoded list of larger, well-known organisations was used, and about 21,000 other names of organisations were later coded to ICNPO using activity descriptions provided by respondents.

Problems encountered in the coding process were similar to those faced in any activity coding exercise. Organisations reported were sometimes seen to fit more than one code, and it was often difficult to determine their major activity. Since the respondents themselves described the organisations, activity descriptions would sometimes vary for the same organisation.

The NSGVP project team found that examples provided in the ICNPO documentation were insufficient for their purposes. As coding proceeded and decisions were made, the documentation was supplemented with further examples. Some specific cases of rulings include the following:

- “Christian radio broadcast” was coded to Religion (10000) rather than Media and communications (01110)
- “Ukrainian Dance Group” was coded as an Ethnic Association (07130) rather than Performing Arts (01130)
- Activities such as curling, bowling, martial arts, golfing and snowmobile clubs were coded as Recreation and Social Clubs (01310) rather than Sports (01200). Sports within schools were coded to the appropriate education group.
- Seniors residences, old age homes and retirement homes were coded to Services for the Elderly (04150) rather than Nursing Homes (03210)
- Organisations for the “mentally handicapped” were coded to Mental Health and Crisis Intervention (03300), rather than Services for the Handicapped (04140)

Information from the 1997 NSGVP on hours volunteered by type of organisation has been used to generate an imputed value of volunteer labour for the non-market extension to the Canadian Satellite Account.

### 3.2 *Classifications on Administrative Data Sources*

Principal administrative data sources to be used in the construction of the Canadian Satellite Account come with their own classification systems, which will assist in assigning ICNPO codes to entities on the corresponding data files. Each is described below.

#### The Registered Charities Information Return (T3010) Data File

Since the recent redesign of the Registered Charities Information Return, entities reporting are required to identify up to four main activity categories in which they participate and provide an estimate of the percentage of their time and resources allocated to each. The activity categories identified on the T3010 form are shown in the table below. We have developed a rough concordance of these categories to ICNPO and expect they will be very helpful in classifying registered charities according to their primary activity.

**Table 2: Classification of Charitable Programs  
Registered Charity Information Return (T3010, 1997 Version)**

<b>Social Services in Canada</b>	<b>Religion</b>
A1 housing for seniors, low-income people, and those with disabilities A2 food or clothing banks, soup kitchens, hostels A3 employment preparation and training A4 legal assistance and services A5 other services for low-income people A6 seniors' services A7 services for the physically or mentally challenged A8 children and youth services/housing A9 services for aboriginal people A10 emergency shelter A11 family and crisis counselling, financial counselling A12 immigrant aid A13 rehabilitation of offenders A14 disaster relief	E1 places of worship, congregations, parishes, dioceses, fabriques, etc. E2 missionary organisations, evangelism E3 religious publishing and broadcasting E4 seminaries and other religious colleges E5 social outreach, religious fellowship, and auxiliary organisations (e.g., women's auxiliaries)
<b>International Aid and Development</b>	<b>Health</b>
B1 social services (any listed under A1-A13 above) B2 infrastructure development B3 agricultural programs B4 medical services B5 literacy/education/training programs B6 disaster/war relief	F1 hospitals F2 nursing homes, hospices F3 clinics F4 services for the sick F5 mental-health services and support groups F6 addiction services and support groups F7 other mutual-support groups (e.g., cancer patients) F8 promotion and protection of health, including first-aid and information services F9 specialised health organisations, focussing on specific diseases/conditions

<b>Education and Research</b>	<b>Environment</b>
C1 scholarships, bursaries, awards C2 support of schools and education (e.g., parent-teacher groups) C3 universities and colleges C4 public schools and boards C5 independent schools and boards C6 nursery programs/schools (see below under "Other community benefits" for day-care) C7 vocational and technical training (not delivered by universities/colleges/schools) C8 literacy programs C9 cultural programs, including heritage languages C10 public education, other study programs C11 research (scientific, social science, medical, environmental, etc.) C12 learned societies (e.g., Royal Astronomical Society) C13 youth groups (Girl Guides, cadets, 4-H clubs, etc.)	G1 nature, habitat-conservation groups G2 preservation of species, wildlife protection G3 general environmental protection, recycling services
<b>Culture, Arts</b>	<b>Other Community Benefits</b>
D1 museums, galleries, concert halls, etc. D2 festivals, performing groups, musical ensembles D3 arts schools, grants and awards for artists D4 cultural centres and associations D5 historical sites, heritage societies	H1 agricultural and horticultural societies H2 welfare of domestic animals H3 parks, botanical gardens, zoos, aquariums, etc. H4 community recreation facilities, trails, etc. H5 community halls H6 libraries H7 cemeteries H8 summer camps H9 day-care/after-school care H10 crime prevention, public safety, preservation of law and order H11 ambulance, fire, rescue, and other emergency services H12 human rights H13 mediation services H14 consumer protection H15 support and services for the charitable sector Other

Previous classifications included on this data file before the redesign were problematic, as an entity was coded according to its stated major charitable purpose at the time of registration and codes were not later updated as its activity evolved.

The Nonprofit Organisation Information Return (T1044) Data File

The Nonprofit Organisation Information Return data file also identifies non-charitable nonprofit organisations according to 9 categories shown below. These will also be helpful in assigning ICNPO codes.

**Table 3: Classification Scheme of Non-profit Organisations  
Non-profit Organisation Information Return (T1044, 1997 Version)**

<b>Code</b>	<b>Type of Organisation</b>
01	Recreational or social organisations
02	Professional associations
03	Boards of trade or chambers of commerce
04	Organisations operated for civic improvement
05	Agricultural organisations
06	Educational organisations
07	Multicultural organisations
08	Arts or cultural organisations
09	Other types

### **3.3     *The North American Industrial Classification System (NAICS)***

Industry classification at Statistics Canada is based on the North American Industrial Classification System (NAICS), employed throughout the statistical system. All available data sources are based on NAICS. The Canadian SNA converted to NAICS this year, replacing the former 1980 Standard Industrial Classification (SIC 80).

Developed by the statistical agencies of Canada, Mexico and the United States, NAICS was designed to provide common definitions of the industrial structure of the three countries and a common statistical framework to facilitate analysis of the three economies. While there are many similarities to ISIC Rev 3, NAICS emphasises inputs and production processes in determining how entities are classified.

Because the Canadian statistical system is NAICS-based, we do not find the concordance between ISIC and ICNPO to have an application in our context. A concordance from NAICS to ICNPO would be helpful, however. We have prepared an approximate concordance for internal purposes, but we understand that work is underway to develop a NAICS-ICNPO crosswalk by the Urban Institute Center on Nonprofits and Philanthropy in Washington, DC. We hope to have access to this in the future.

NAICS can be concorded to ISIC Rev. 3 to ensure international comparability for reporting purposes.

### **3.4     *Sector Classification in the Canadian SNA***

While we have not yet fully examined the feasibility of implementing the sectoral classification identified in Table 3.5 of the handbook, we do not anticipate significant problems in doing so.

The Canadian SNA identifies institutional sectors, and an objective of our Satellite Account project is to deconsolidate the activity of nonprofits from existing sectors identified in our quarterly sector accounts. We expect the sector classification to be a logical result of this deconsolidation process. An exception may be the separate sector for ‘NPIs organised as mutuals or cooperatives’. This remains to be examined.

Mechanisms exist to aid in the SNA sectoring of our NPI universe, such as the SNA sector flags on Statistics Canada’s Business Register. We have also previously assigned sectors and industries to entities with remuneration on the Registered Charities Information Return (T3010) and the Nonprofit Organisation Information Return (T1044) for the purposes of estimating labour income in the Canadian SNA.

### **3.5     *Other Comments on Chapter 3***

Table 3.5       We find the inclusion of a subsector for ‘non-resident NPIs active in the economic territory’ a bit puzzling. Clarification on what variables would be included in the account for this subsector would be helpful. Since local branches of international organisations are considered residents according to SNA conventions, would this sector contain non-resident flows from private philanthropy or to and from parent organisations only?



## Comments on Chapter 4: Key Variables and Tables

As was mentioned in relation to the previous chapter, since our data work to estimate provisional accounts is not yet complete, we are unable to fully assess the feasibility of estimating the variables identified in the short form for the purposes of the project test. A fuller description of what is feasible in the Canadian context will be provided in our final report when we have concluded this work. We are nonetheless able to make a number of general and point out some areas where we expect to have difficulty.

### 4.1 *Short Form Vs Full Elaboration*

We find the distinction between a “short form” and the fully elaborated account to be useful in principle. However, the number of variables covered in the short form for the project test and the various classification systems to be implemented are far too ambitious as a starting point for countries embarking on the creation of an NPI satellite account. We recommend that key variables and tables identified for the short form be scaled down considerably in order to provide a meaningful distinction between a logical *starting point* and the fully elaborated account.

Furthermore, we have noted some inconsistencies between Figure 4.1, the Schematic Representation of the NPI Satellite Account Process and Table 4.1, which enumerates key variables and measures for NPIs in each version of the account. We feel it is unlikely that all the short form variables identified on Table 4.1 could be estimated using the corresponding data sources listed on Figure 4.1. For example, estimating the imputed value of volunteer labour requires a survey of giving and volunteering, listed under “specialised NPI data sources” in the fully elaborated account.

It will no doubt be challenging to identify a general subset of variables as a likely starting point for every country embarking on the creation of an NPI satellite account. The logical starting point will depend on what data sources countries have immediately at their disposal and the level of development of their National Accounts programs. In Canada, we have determined that the logical “short form” variables are those that we have identified in our project proposal, listed in Section IV. They have been chosen because they correspond to variables covered in our institutional sector accounts. We believe their estimation is feasible for the NPI sector as they are largely covered by available administrative data sources.

### 4.2 *The Feasibility of Estimating Key Variables*

The following represent key variables not covered in our project proposal where information is not readily available and where estimation would be problematic given existing data sources:

#### *Core monetary variables:*

- Holding gains: These are not estimated in the tables elaborated in the sector accounts of the Canadian SNA.

#### *Structure:*

- The number of entities: while numbers of registered charities are readily available, there is little information available to estimate the number of other nonprofits, particularly those that are small and unincorporated.

- Employment of NPIs by ICNPO: while this is not part of our project proposal and no information is readily available, it may be feasible to estimate. If a universe of entities, designated by their Business Number, were classified according to ICNPO, it could then be linked to administrative information from the payroll deduction account system to generate estimates of employment. This requires further investigation.
- Number of Members and Memberships: no comprehensive information is available on these items.

#### *Capacity and Output:*

While these variables are not included in our project proposal, a brief investigation has indicated that a number are available from sources at Statistics Canada. Available capacity and output measures corresponding to Table V.4 in the handbook are included in Section VI.

#### *Clients and Users, Impact and Performance*

While this area requires further investigation, there is no readily available information for many of these variables. The proposed *National Survey of Voluntary Organisations* may eventually collect information in certain areas.

### **4.3 Variables Missing from the Non-market Extension**

We find the three versions of valuation of output and value added to be useful and relevant. The issue of valuing the output of NPI subsectors in a consistent manner for comparison purposes (i.e., market NPIs valued by expenses) was raised during our presentation to the National Accounts Advisory committee.

In our opinion, however, a true “nonmarket extension” of the proposed NPI satellite account could benefit from further development. While their estimation may be problematic, a number of variables beyond the imputed value of volunteered labour services should be considered for a fully elaborated satellite account. Some suggestions of missing concepts include:

- Imputed value of volunteered capital services: In addition to volunteering labour services, households and businesses may volunteer the use of a capital asset for charitable causes. For example, individuals may volunteer the use of their vehicles for ride programs, and businesses may volunteer the use of facilities or other assets for fundraising drives. Extended valuations of output and value added should rightly include the imputed cost of both labour and capital used in the production process. Volunteered capital services could be estimated by first determining the amount of assets volunteered, then using a service flow methodology to generate a rental equivalent. A related exercise has been undertaken at Statistics Canada to estimate a service flow from consumer durables, which could be used as input to estimates of household production.
- Imputed value of “other” current transfers in kind: We feel that, in addition to the in-kind transfer of labour services, other current transfers in kind in the form of goods could be a significant resource for certain NPIs. Examples include toys donated to hospitals for sick children, used clothing and furniture donated to the Salvation Army, or canned goods donated to food banks. The definitional section of Chapter 4 mentions capital transfers in kind, but there is no explicit mention of this type of current transfer.

- Imputed value of volunteer labour contributed by sectors other than the household sector: The imputed value of volunteer labour is described in the definitional section of Chapter 4 as a transfer from the household sector to the NPI sector. It is conceivable that businesses or governments could volunteer a portion of their employees' time for a charitable cause while they are on the payroll. Many companies devote considerable resources to United Way payroll deduction campaigns, for example. This would constitute a transfer of volunteer labour services from the business sector to the NPI sector.
- Imputed value of volunteer labour employed by sectors other than the NPI sector: Individuals can volunteer labour services to sectors other than the NPI sector. The imputed value of these amounts should logically be tracked as current transfers (and augmented valuations of output and value added) in a nonmarket extension. For example, Canadian federal government entities (e.g., the Royal Canadian Mounted Police, the Coast Guard) make extensive use of volunteers in a number of programs and activities. A committee associated with the federal VSI is studying this issue. Businesses may also sometimes use volunteers (the America-On-Line Internet provider uses volunteers to run chat rooms and earns revenue from this service).

#### **4.4 Valuing Volunteer Work at Statistics Canada**

Statistics Canada has extensive experience in the valuation of unpaid household work, dating back to the 1970s. Estimates have been published for the years 1961, 1971, 1981, 1986 and 1992. A study is underway to update estimates of unpaid household work for 1998 and to put previously published estimates for 1992 on a comparable footing. This work taking place in the same unit at Statistics Canada as the *Satellite Account of Nonprofit Institutions and Volunteering*. A summary of the Canadian methodology to value households' unpaid work is provided in Appendix C.

To value unpaid volunteer activity for the purposes of the Satellite Account, we intend to use a replacement cost methodology similar to that employed for overall households' unpaid work. Estimates of the value of volunteer labour work will be based on hours volunteered by type of organisation (according to ICNPO) from the National Survey of Giving, Volunteering and Participating. As a first pass at provisional estimates, we have valued all unpaid volunteer activity at the average wage for community and social services occupations, derived from Census data. This wage rate has been applied for volunteer activity in former studies of households' unpaid work. Since there is significant regional wage variation in Canada, the calculations have been carried out by province. The results are shown for reference year 1997 in Section VI of this report.

In the future, we aim to improve this valuation by applying wage rates for matching occupations to specific types of activities defined on the NSGVP. At present, the NSGVP asks for yes/no information on a variety of activities, but no hours are associated with each. We will participate in content development for future rounds of the survey, and will raise this as a priority area for the Satellite Account.

The draft handbook recommends the valuation of hours volunteered at an economy-wide average wage. We have undertaken these calculations (also shown in Section VI) to show how results would differ from our preferred methodology. Since wages paid in community and social services occupations are inferior to the economy-wide average in Canada, our preferred methodology generates a lower result for the value of unpaid volunteer activity. It is difficult for us to say at this point how an improved methodology, matching wage rates by occupation to types of activity, would compare.

Valuing nonmarket activity at replacement cost is consistent with fundamental concepts underlying economic value in the System of National Accounts. We feel that to value nonmarket activity in the nonprofit sector at an economy-wide average wage would not appropriately represent the replacement cost of these labour services if they were purchased in a market setting.

#### **4.5 *Other Comments on Chapter 4***

Figure 4.1 Tax files and other administrative records are important data sources in the Canadian SNA. We would suggest they be listed under “Existing SNA data sources” in figure 4.1.

## **Comments on Chapter 5: Implementing the Satellite Account: Data Sources**

### **5.1 *The Data Compilation Framework***

The data compilation framework described in the handbook roughly corresponds to our work plan to develop the Canadian Satellite Account of Nonprofit Institutions and Volunteering. As a first pass, our intent is to focus on administrative data sources. Linkages at the micro level will be effected to improve coverage and assess the quality of these data. The results of this work will eventually be used to evaluate the coverage of nonprofit institutions on Statistics Canada's Business Register, with a view towards developing methodologies to identify nonprofits on existing economic surveys.

### **5.2 *Nonprofit Institutions on Statistics Canada's Business Register***

Statistics Canada's Business Register (BR) is a central database of entities engaged in the production of goods and services in Canada. It includes sampling frame information for about 2,000,000 entities, including for-profit corporations (large and small), some non-incorporated businesses, self-employed individuals, religious organisations, government departments and agencies, institutions and other non-profit organisations.

Organisations are picked up on the Business Register if they meet any of the following criteria:

- They are incorporated and file a Corporate Income Tax Return (T2) with the Canada Customs and Revenue Agency, regardless of their size;
- They are an employer and withhold income tax or employment insurance on behalf of employees; or
- If they collect the Goods and Services Tax. (GST), a federal sales tax in the Canadian system. Organisations with annual sales below \$30,000 are generally exempt from collecting GST.

The BR therefore includes all incorporated organisations, with or without employees. It includes unincorporated entities that are employers or have annual sales exceeding \$30,000. It excludes unincorporated organisations with no employees and with sales less than \$30,000.

Statistics Canada's BR is updated on a monthly basis, using administrative information from the Canada Customs and Revenue Agency on all entities receiving a Business Number (a unique identifier assigned for major tax programs). Large businesses are updated on a continuous basis, using survey feedback and the results of frame inquiries.

#### The Non-profit Designation on the BR

An entity is currently flagged as "non-profit" on the BR if it meets at least one of the following conditions:

- It filed a Registered Charity Information Return (T3010) or Nonprofit Organisation Information (T1044)
- It is a non-taxable corporation;
- It is a federal, provincial or municipal government establishment;
- It has been assigned a North American Industry Classification System (NAICS) code in a non-profit industry. The relevant codes include Religious Organisations; Labour Organisations; Political Organisations; Grant-making and Giving Services Organisations;

Social Advocacy Organisations; and Civic and Social Organisations.

The BR currently contains over 80,000 entities with the non-profit designation, of which about 11,000 represent federal, provincial or municipal government organisations.

#### Frame Information Available

The BR includes identification information such as name and address, size measures such as the number of employees and business income, industry codes according to NAICS and the 1980 Standard Industrial Classification (SIC), and SNA sector codes, including a code specific to the NPISH sector. Unique Business Number (BN) assigned by CCRA are included, allowing the possibility of linking administrative files for analytical or to supplement survey information with administrative data. Record linkage is strictly controlled at Statistics Canada to protect privacy and confidentiality.

#### Future Directions

As discussed previously, in the future we aim to evaluate and improve the coverage and sectoring of nonprofit institutions on the Business Register, based the definitional criteria spelled out in the handbook.

### **5.3 Other Lists and Registries of NPIs in Canada<sup>2</sup>**

Statistics Canada's Small Business and Special Surveys Division was mandated to examine the feasibility of conducting a *National Survey of the Voluntary Sector*. Preliminary work consists of investigating strategies for building a sampling frame for voluntary organisations by searching available registries and other listings of non-profit organisations and evaluating their coverage, quality and suitability.

For the purposes of the feasibility study, the "voluntary sector" includes not-for-profit societies and corporations incorporated under provincial or federal jurisdictions, and non-profit or charitable organisations registered with the Canada Customs and Revenue Agency (CCRA). It does not include unincorporated grassroots-type organisations. Nevertheless, some possible approaches to identify these organisations were also investigated.

#### ***Provincial, Territorial and Federal Registries of Incorporated Entities***

Contacts from all 10 provinces, 3 territories and the federal corporate registry were telephoned and they provided counts of active incorporated non-profit organisations in their jurisdiction. The total count was over 167,000<sup>3</sup> organisations throughout Canada.

Most of the 14 jurisdictions could provide a listing of their registries, in certain cases for a fee (the province of Ontario, for example, has contracted out the operation of their registry to a private firm). Most lists appear to be up-to-date, with new organisations added on a regular basis.

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<sup>2</sup> This section draws heavily from a draft feasibility study on a National Survey of Voluntary Organizations in Canada undertaken by Statistics Canada's Small Business and Special Surveys Division

<sup>3</sup> As will be discussed later, the extent of the overlap among jurisdictions is not known at this time.

Information available from provincial registries varies, but all have an identification number, the legal name of the entity, registered business address and mailing address, year of registration, status, date of last return, the number of officers or directors and usually their names and addresses.

As a general rule, listings do not contain any information on the size, type of activity or scope of the organisations. There is also overlap among the various registries: among provinces, the federal corporations registry and with other administrative sources. For example, provincially incorporated organisations can also be registered with the Canada Customs and Revenue Agency as a charity; other organisations are incorporated both provincially and federally, or in more than one province etc.). The extent of overlap among these sources has not yet been investigated.

Although a few provinces are moving towards including the Business Number (the unique identification number assigned by CCRA), the registration number currently assigned on incorporation is usually specific to the jurisdiction and cannot be used to link to any other administrative file. This complicates the task of linking files to determine extent of overlap. A preliminary assessment of duplication between provincial files (using a sample case for the province of British Columbia), Statistics Canada's Business Register and CCRA's Registered Charity listing is planned in the next phase of this investigation.

### ***Possible Approaches to Identifying Grassroots Organisations***

Since the vast majority of grassroots organisations do not incorporate, possible approaches to identifying these organisations include the following.

#### **a) Searches of Lists Available on the Internet**

A large number of lists of Canadian voluntary and non-profit organisations are available on the Internet and could be investigated as potential leads to grassroots organisations. For example, Volunteer Canada has a list of 86 volunteer centres in nine provinces, including the federation of 109 centres in Quebec. However, a preliminary enquiry has determined that such lists are not available for all regions.

#### **b) Hyper-network Sampling**

Network sampling is used to obtain a sample from a population difficult to identify or access, or one too large to conduct a census. It involves finding people or organisations in scope for a given study and asking them for the names of others like themselves; in other words, following their social networks to add to the frame. In the case of voluntary organisations, network sampling might consist of finding lists of volunteers and following up for the names and addresses of organisations in which they are involved.

A modified procedure called hyper-network sampling is thought to ensure that the resulting sample of organisations is representative. In this procedure, a random sample of individuals is first drawn, then asked for the names of organisations to which they are attached. The underlying premise is that if organisations are attached to a random sample of individuals, the hyper-network sample of organisations will be representative.

The Small Business and Special Surveys Division team investigated the possibility of adopting this approach using information collected on the 2000 National Survey of Giving, Volunteering, and Participating (NSGVP). They concluded that available responses did not significantly enhance existing lists of organisations.

True hyper-network sampling would be to re-contact NSGVP respondents who had reported voluntary activity or financial support for charities and ask series of probing questions to obtain clear names and contact information for organisations. This is not being considered at this time.

#### **5.4 *Principal Data Sources for the Canadian Satellite Account***

##### Fiscal and Administrative Sources

###### *The Registered Charity Information Return (T3010)*

Every registered charity must file an annual Registered Charity Information Return (form T3010) and provide financial statements within six months from the end of each fiscal period.

The return and its accompanying schedules were redesigned by the Canada Customs and Revenue Agency (CCRA) in 1996-97. The new form asks charities to disclose more information than in previous years. In addition to financial data on sources of income and expenditure (a statement of receipts and disbursements, and a statement of assets and liabilities), the return collects information on the nature of the charity's charitable programs, the number of directors/trustees, amounts given to qualified donees and associated charities. It also collects information on political and foreign activities, as well as qualitative information on amounts received, business, fund raising and donation practices. The calculation of the disbursement quota, that is the amount that each charity must spend on charitable programs, is included in a schedule. Financial statements are made available to the public at the discretion of the registered charity.

Reporting on the T3010 file is very good given that a charity can lose its registration status if it does not file. Unless a charity is audited, CCRA does not verify its information return. Therefore, like any other data set, the T3010 file is subject to reporting and adding up errors which must be addressed.

There were over 78,000 registered charities in Canada as of May 2001, up from 76,174 at the end of 1997, the year for which the first estimates of the Satellite Account will be available. Of these, 69,868 charities filed a return for the reporting period of 1997.

###### *The Non-profit Organisation Information Return (T1044)*

Non-profit organisations as designated under the Income Tax Act, as well as agricultural organisations, boards of trade, and chambers of commerce have to complete Form T1044, Non-Profit Organisation (NPO) Information Return, if they meet one of the following conditions:

- the organisation received or is entitled to receive taxable dividends, interest, rentals, or royalties totalling more than \$10,000 in the fiscal period;
- the total assets of the organisation were more than \$200,000 at the end of the immediately preceding fiscal period; or
- an NPO return was filed for a preceding fiscal period.



Information collected on the T1044 form is much more limited than for registered charities. It includes amounts received, remuneration (but no other expenditure data), a statement of assets and liabilities, and a very broad classification of entities. Coverage of the universe of non-profit organisations on this file is thought to be poor, as organisations are required to file only if they meet the revenue or asset thresholds. Furthermore, despite the administrative requirement that an organisation filing must continue to do so in future years (regardless of changes to its revenues or the value of assets), reporting appears to be sporadic. This may be because enforcement by the Canada Customs and Revenue Agency is not stringent since tax implications are not significant.

The 1997 T1044 file, which will be used to generate the first set of provisional estimates for the Canadian Satellite Account, contains over 7,800 records.

### ***Other fiscal and Administrative Sources***

#### *The GST Public Sector Bodies Rebate File*

Certain charities and other non-profit organisations that receive significant funding from government (more than 40% of total revenue) are entitled to a sales tax rebate. Limited information is collected on this form, but it is potentially useful for assessing coverage of these organisations on other data sources.

We will also be making use of numerous other administrative files to assess the quality and coverage of our main sources and to supplement coverage and information.

These additional files include:

- the *Income Tax Return of Individuals* (T1);
- the *Corporate Tax Returns* (T2);
- the *Statement of Remuneration and Benefits* (T4) issued by all employers; and
- *Payroll Deduction Account* data

For example, we plan to supplement the coverage of the non-profit organisations file using the Corporate Tax Returns file which collects information on incorporated NPOs, and other incorporated tax-exempt entities that fall within our universe.

Where possible, we will reduce gaps, impute missing information and correct erroneous values at the micro level through record linkage. The recent introduction of the Business Number as a unique identifier for Canadian businesses (including non-profit organisations and self-employed individuals) will significantly facilitate this task.

### **Survey Sources**

Another significant data source will be the National Survey of Giving, Volunteering and Participating (NSGVP), which will be used in particular for the non-market extension to the Satellite Account. The survey also collects other information, which can be used to validate other sources, such as charitable giving of individuals. Organisations identified as recipients of charitable giving or volunteering are classified according to ICNPO. Individuals can be classified according to a variety of demographic and labour market characteristics.

Other survey information will also be used, such as the General Social Survey on time use, the Survey of Household Spending, and business surveys like the Capital Expenditure Survey or selected industry surveys.

#### Feasibility Study for a National Survey of Voluntary Organisations

As mentioned previously Statistics Canada's Small Business and Special Surveys Division is examining the feasibility of conducting a *National Survey of Voluntary Organisations*. The content of the survey has yet to be determined, and the Satellite Account project team hopes to have input into its development.

A common theme across all data sources will be the difficulty of obtaining information on unincorporated entities.

#### System of National Accounts Published and Unpublished Estimates

We will also make use of System of National Accounts published and unpublished estimates pertaining to the non-profit sector, including others to be identified in unpublished detail.

The Canadian System of National Accounts currently measures the following series.

##### *In the Persons and Unincorporated Business Sector Accounts:*

The operating expenditures of:

- Welfare and charitable organisations;
- Religious organisations;
- Trade unions;
- Political parties; and
- Indian bands and the Inuit

These organisations are regarded as “associations of individuals” acting collectively for the benefit of the community (or part of the community). Since the Canadian System of National Accounts does not have a Non-profit Institutions Serving Households sector account, the value of these associations’ output “valued at cost” is included as part of personal expenditure on goods and services.

##### *In the Government Sector Accounts:*

- Transfers from provincial governments to non-profit organisations, nationally and provincially; and
- Transfers from local governments to non-profit organisations, nationally and provincially

The Canadian SNA does not publish estimates of federal transfers to non-profit institutions because such information is not easily identifiable from the federal public accounts. We are, however, participating on an interdepartmental working group to study federal funding of the voluntary sector, lead by the Treasury Board Secretariat. Part of this group’s mandate is to

implement improvements to tracking mechanisms in the federal public accounts for a better understanding of voluntary sector funding.

*In the Business Sector Accounts:*

- Corporate donations to charities (identified as transfers from businesses to persons).

### Our Investigation Continues

Our investigation of available sources will continue in the coming phases of the project. We expect to find much more useful information on nonprofit organisations in unpublished detail underlying National Accounts estimates.

In particular, we expect to find useful information underlying Statistics Canada's Input-Output Accounts and in sources in our Public Institutions Division. Non-commercial entities financed and controlled by government institutions, such as education institutions; cultural facilities; hospitals; residential care facilities; and health and social service agencies are currently included in the public sector.

### ***5.5 Time and Resources Allotted to Testing the Handbook of NPIs at Statistics Canada***

The time devoted to testing the Handbook of NPIs will undoubtedly vary according to the scale of the project undertaken in each jurisdiction. At Statistics Canada, the development of a *Satellite Account of Nonprofit Institutions and Volunteering* is a fully funded project drawing on the extensive resources of a large centralised national statistical agency. In our case, we experienced unexpected delays in receiving source data on Registered Charities. These delays aside, the recommended time allotted for testing the handbook represents only a very small portion of that which was actually spent as part of the development phase of our satellite account project.

While we cannot provide a precise estimate of the time spent on testing the handbook per se, the development of the Canadian satellite account involves the direct participation of a project team comprised of a section chief, a senior economist, two additional economists and technical support. As previously discussed, we are also drawing on the advice and input of experts throughout Statistics Canada and externally.

We believe the development of the handbook can and should be informed by the Canadian experience. Our responses to the questions in the reporting guide are preliminary at this time and will be expanded and updated as our research proceeds.

### ***5.6 Estimates of Output and Value Added in Real Terms***

We have not yet investigated this issue, apart from a cursory examination of the deflation of components relating to NPIs already identified within the working detail of the Canadian SNA. Our initial investigation indicates that deflation techniques in place could benefit from further development. This will be a topic of future study for the satellite account project team.

## 5.6 Institutional Sector Accounts in the Canadian SNA

Institutional sectors have served as the essential building blocks of the Canadian SNA since its inception. Annual *Income and Expenditure Accounts* are available back to the year 1926. They are available on a quarterly basis back to 1947.

In the most recent historical revision to the Canadian SNA, new quarterly sector accounts were introduced, available back to the year 1961<sup>4</sup>. These quarterly tables integrate information from the *Income and Expenditure Accounts* with transactions in assets and liabilities from the *Financial Flow Accounts*. Many data series previously available on an annual basis were made available quarterly.

The new quarterly sector tables include an income and outlay account, and a capital and financial account. Integrated tables are prepared for the following sectors and subsectors:

- *Persons and unincorporated businesses*, including NPISHs.
- *Corporations and government business enterprises*, with financial and nonfinancial subsectors for the capital and financial accounts.
- *Governments*, with subsector detail as shown below.

- Federal government
- Provincial governments
  - Health
  - Education
- Local governments
- Canada and Quebec Pension Plans

- *Non-residents*

The *National Balance Sheet Accounts* are available by institutional sector on an annual basis. Production accounts are not published by institutional sector in the Canadian SNA, but could be put together through reaggregations of unpublished detail.

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<sup>4</sup> This Historical Revision, the results of which were released in 1997, implemented the revised concepts and framework outlined in SNA93.

## **5.7 *Other Comments on Chapter 5***

5.4 Regarding the statement that an “NPI register can be used to identify and classify NPIs in administrative data”: while it is true that an existing NPI register could serve this purpose, it is also important to point out that administrative files may be an important source of information to build such a register in the first place. In Canada, for example, the Registered Charity Information Return (T3010) and the Nonprofit Organisation Information return (T1044) are used to assign a nonprofit flag on the Business Register.

5.5 More details and examples on how to “link households to the NPIs by which they are employed, by which they are served as customers, or with which they have other relationships” would be helpful. On first reading this strikes us as quite ambitious. Linking NPIs to their employees might be accomplished through vehicles such as Statistics Canada’s Workplace and Employee Survey.

## **VI. Available Estimates**

As mentioned previously, it was not possible to complete the data work for provisional estimates for the standard accounts included in our project proposal. We have, however prepared provisional estimates of the value of unpaid volunteer work, which are shown in subsection A below. We have also conducted a brief investigation of available capacity and output indicators, included in subsection B. Capacity and output indicators shown pertain to the total economy. The feasibility of obtaining the nonprofit share has not been examined at this point.

A) *Valuing Volunteer Work in Canada, 1997*

**1. Hours of Volunteer Work by Type of Organisation**

Type of Organisation (ICNPO)	Hours	Job equivalents*
Culture and recreation	282,257,951	144,009
Education and research	140,736,404	71,804
Health	92,840,650	47,368
Social services	228,111,715	116,384
Environment	23,273,889	11,874
Development and housing	57,231,913	29,200
Law, advocacy and politics	33,566,411	17,126
Philanthropic intermediaries and voluntarism promotion	16,280,904	8,307
International	6,999,399	3,571
Religion	194,811,245	99,393
Business and professional associations, unions	11,054,560	5,640
Other (not elsewhere classified)	7,580,623	3,868
Hours not coded	17,446,584	8,901
<b>Total</b>	<b>1,112,192,248</b>	<b>567,445</b>

*\*On a full-year full-time basis (49 weeks, 40 hours a week)*

**Replacement Cost Method**

**2. Replacement Cost by Province (\$)**

	Average hourly wage rate*
Canada	12.91
Newfoundland	8.23
P.E.I.	9.65
Nova Scotia	9.30
New Brunswick	8.92
Quebec	14.32
Ontario	14.30
Manitoba	9.56
Saskatchewan	9.79
Alberta	12.07
British Columbia	12.44
Territories	17.59

*\*Wage rate for welfare and community services occupations, derived from Census of Population.*

### 3. Replacement Cost Value of Volunteer Work

Value (millions of \$)	GDP ratio
14,357	1.6%

### 4. Replacement Cost Value of Volunteer Work by Type of Organisation

Type of Organisation (ICNPO)*	Replacement Cost Value of Volunteer Work (millions \$)	Percentage of total
Culture and recreation	3,629	25.7
Education and research	1,825	12.9
Health	1,221	8.6
Social services	2,964	21.0
Environment	292	2.1
Development and housing	752	5.3
Law, advocacy and politics	447	3.2
Philanthropic intermediaries and voluntarism promotion	220	1.6
International	91	0.6
Religion	2,464	17.4
Business and professional associations, unions	136	1.0
Other (Not elsewhere classified)	101	0.7
<b>Total</b>	<b>14,143</b>	<b>100.0</b>

### 5. Replacement Cost Value of Volunteer Work by Age and Sex (millions of dollars)

Age Groups	Male	Female	Total
15-24	1,109	1,012	2,122
25-34	1,123	1,104	2,227
35-44	1,539	1,804	3,343
45-54	1,490	1,320	2,811
55-64	774	794	1,568
65 +	981	1,091	2,072
<b>Total</b>	<b>7,015</b>	<b>7,127</b>	<b>14,143</b>



Economy-wide Average Wage Method

**6. Economy-wide Average Hourly Wage (\$)**

	<b>Economy-wide Average Hourly Wage</b>
<b>Canada</b>	15.58

**7. Value of Volunteer Work at Economy-wide Average Hourly Wage**

<b>Value</b> (millions of dollars)	<b>GDP ratio</b>
17,277	2%

**8. Value of Volunteer Work at Economy-wide Average Wage**

<b>Type of Organisation (ICNPO)</b>	<b>Value of Volunteer Work (millions of \$)</b>
Culture and recreation	4,398
Education and research	2,193
Health	1,446
Social services	3,554
Environment	363
Development and housing	892
Law, advocacy and politics	523
Philanthropic intermediaries and voluntarism promotion	254
International	109
Religious	3,035
Business and professional associations, unions	172
Other (Not elsewhere classified)	118
<b>Total</b>	<b>17,056</b>

## B) Selected Capacity and Output Indicators

Population of Canada in 1997: 30,003,955

ICNPO Category	Examples of Indicators	Year	Total Economy	Non-Profit Sector	Nonprofit Sector Share (%)
<b>GROUP 1: CULTURE AND RECREATION</b>					
1 100 Culture and Arts	Number of attendees at performing arts * <sup>1</sup>	1998	24,260,000		
	Attend any concert or professional performance		8,391,000		
	Theatrical performance		4,839,000		
	Popular musical performance		4,750,000		
	Symphonic or classical music		1,997,000		
	Opera		719,000		
	Choral music performance		1,597,000		
	Dance performance		1,658,000		
	Children's performance		1,640,000		
	Number of volumes in libraries				
	Number of visitors to museums				
	Number of members at sports clubs				
1 200 Sports					
1 300 Other Recreation and Social Clubs					
<b>GROUP 2: EDUCATION AND RESEARCH</b>					
2 100 Primary and Secondary Education	Enrolment <sup>2</sup>	1997-1998	5,386,302		
	Public		5,027,396		
	Private		288,174		
	Federal		69,126		
	Visually and Hearing Impaired		1,606		
2 200 Higher Education	Enrolment <sup>2</sup>	1997-1998	1,312,992		
	Community college post-secondary full-time		398,643		
	Community college post-secondary part-time		91,577		
	University full-time		573,099		
	University part-time		249,673		
	Number of postgraduate degrees awarded <sup>3</sup>	1996 Census	710,410		
	Medical degree		105,050		
	Master's degree		501,505		
	Earned doctorate		103,855		
2 300 Other Education					
2 400 Research					
<b>GROUP 3: HEALTH</b>					
3 100 Hospitals and Rehabilitation	Health care beds, all institutions by type of care <sup>4</sup>	1996-1997			
	Short-term Care		112,872		
	Rehabilitation		2,573		
	Extended Care		46,422		
	Patient days (average) <sup>5</sup>	1996-1997	10		
	Residents in nursing homes				
3 200 Nursing Homes					
3 300 Mental Health and Crisis Intervention					
3 400 Other Health Services	Litres of blood collected				
<b>GROUP 4: SOCIAL SERVICES</b>					
4 100 Social Services	Residents in residential care facilities for juveniles				
	Pre-school children in day-care				
4 200 Emergency and Relief					
4 300 Income Support and Maintenance					
<b>GROUP 5: ENVIRONMENT</b>					
5 100 Environment	Membership				
5 200 Animal Protection					
<b>GROUP 6: DEVELOPMENT AND HOUSING</b>					
6 100 Economic, Social and Community Development	Number and amount of credit for micro-enterprises				
6 200 Housing	Number of dwelling units constructed or rehabilitated				
	Number of occupants				
6 300 Employment and Training					
<b>GROUP 7: LAW, ADVOCACY AND POLITICS</b>					
7 100 Civic and Advocacy Organizations	Membership				
7 200 Law and Legal Services					
7 300 Political Organizations	Membership				

<b>GROUP 8: PHILANTHROPIC INTERMEDIARIES AND VOLUNTARISM PROMOTION</b>					
8 100	Grant-making Foundations				
8 200	Other philanthropic Intermediaries and Voluntarism Promotion				
<b>GROUP 9: INTERNATIONAL</b>					
9 100	International Activities				
<b>GROUP 10: RELIGION</b>					
10 100	Religious Congregations and Associations	Religious Affiliation <sup>6</sup>	1996	18,900,000	
		Roman Catholic		10,400,000	
		Mainline Protestant		4,800,000	
		Conservative Protestant		1,400,000	
		Other Protestant		1,200,000	
		Jewish		200,000	
		Eastern Orthodox		200,000	
		Eastern non-Christian religions		700,000	
<b>GROUP 11: BUSINESS AND PROFESSIONAL ASSOCIATIONS, UNIONS</b>					
11 100	Business Associations	Membership			
11 200	Professional Associations	Membership			
11 300	Labour Unions	Number of employees covered by union contract <sup>7</sup>	1998	3,906,400	
		Public Sector		1,591,500	
		Private Sector		2,314,900	
<b>GROUP 12: [NOT ELSEWHERE CLASSIFIED]</b>					

\* Persons frequently attended more than one type of event.

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## **APPENDICES**

## **Appendix A: Advisory Committee on the Satellite Account of Nonprofit Institutions and Volunteering**

### **Co-Chairs**

Jacquelyn Thayer Scott  
President & Vice-chancellor  
University College of Cape Breton

Karen Wilson  
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Income and Expenditure Accounts Division  
Statistics Canada

### **Committee Members**

Loleen Berdahl  
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Marie-Claude Juneau  
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Charities Directorate  
Canada Customs and Revenue Agency

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**Appendix B: Texts Submitted by Advisory Committee Members**

**Satellite Account of Nonprofit Institutions**

The purpose of this note is to raise some issues concerning the Satellite Account of Non-Profit Institutions and Volunteering and to discuss some boundary questions. The four issues to be discussed are:

- structure of the Satellite Account;
- inclusion of marginal groups;
- possible limitations of the structural-operation definition; and
- grassroots, self-help and similar organizations.

### **Structure of the Satellite Account**

During our meeting of April 19, there was some discussion of which groups should be included in the Satellite Account. Having sat in on a number of these discussions over the years, I would suggest that we be more inclusive, rather than less. That being said, I think that we should try to construct the Satellite Account to cover as many discrete categories of the non-profit sector as much as possible, but leave ourselves the ability to isolate these categories from the Account as necessary (i.e., extract hospitals and universities).

### **Inclusion of Marginal Groups**

As stated above, I am weighing in on the inclusion of what some may consider marginal groups in the interests of facilitating better use of the Satellite Account. From my experience, there are a number of groups which do not easily fall into one category or another or which fall into two or more categories.

Cooperatives would be an example. Dr. Leslie Brown of Mount Saint Vincent University gave a presentation to the Social Cohesion Network (a group of federal departments have been working on social cohesion for the past two years) entitled “Social Auditing and Community Cohesion: The Cooperative Way” on March 6, 2001. Brown used social auditing to look at social performance and ethical behaviour of cooperatives and looked at a number of indicators such as service to the community, socially responsible investment, attention to social justice issues, member participation, etc.

The result was a kind of snapshot of cooperatives which found that these groups operated within a range from profit maximization to a more socially oriented mandate. The more seriously that they took their role as cooperatives, the more they did on the social side of the equation and the more closely these groups resembled nonprofit organizations.

The smaller groups of cooperatives appeared to be closer to both nonprofit and social objects. Cooperative daycares would be a case in point. Using 1998 figures, the Cooperatives Secretariat stated that there were 431 cooperative daycares with 28,818 members and receipts of \$51.5M. While not stated by the Secretariat’s publication, it appears that these groups are run on a non-profit basis. The point being that cooperatives appear to run the full range from socially-minded business entities to nonprofit groups which use cooperative practices in order to reach their goals.

Deciding on the inclusion of which cooperatives should be included in the Satellite Account could enter into the provision of “public benefit” versus the Salamon-Anheier structural-



operational definition debate, but I would like to avoid that for now (see the structural-operational critique below).

Given the statistics used in the Cooperative Secretariat publication, there appears to be sufficient data for a fine breakdown of their economic contribution. The document in question, I only have the French copy, is called *Les Coopératives Canadiennes - Dossier d'Information* and was produced by the Cooperative Secretariat in 2000. The document appears to work from a sophisticated data base which would be useful for our project (if it doesn't already come from Statistics Canada information).

### **Possible Limitations of the Structural-Operational Definition**

Let me preface my remarks by stating that I remember Catherine Bertrand stating that we are not necessarily wed to the structural-operational definition, but that it has advantages over other attempts to define what falls into the nonprofit sphere. Catherine did list some limitations or areas where we may go beyond this definition. I have found another.

I recently read an article entitled "Defining the Nonprofit Sector: Some Lessons from History" by Susannah Morris, Department of Social Policy, London School of Economics and Political Science. The article appeared in the March 2000 edition of *Voluntas* (which shows where I am on my reading list). Morris tested the structural-operational definition of Salamon-Anheier to see if it was universal in its application. Her argument was that if the structural-operational definition was universal, it should work in a number of contexts including an historical one. She used two historical case studies for groups, which provided primary health care and social housing in Victorian England.

Morris found that some of the most important historical voluntary sector providers of both primary health care and social housing would be excluded under the structural-operational definition, primarily by the non-distribution of profit constraint. In the case of health care, Morris cites references to the effect that friendly society and work club provision of health care have historically been viewed as "self-governing, fraternal associations for mutual aid". However, strict interpretation of the non-distribution constraint would exclude these, and other, mutual benefit organizations from inclusion in the structural-operational definition. (The author notes that Helmut Anheier made helpful suggestions to her paper which suggests that her strict interpretation of the non-distribution constraint is in keeping with the structural-operational definition.)

Morris's second case study is less compelling. This looked at four major providers of social housing in Victorian England and found that two of them would be excluded because of both the non-distribution and voluntary constraints of the structural operational definition. The major category excluded was that of model dwelling companies which were joint stock limited liability companies providing social housing. While social housing was provided, usually at less than market rates, dividends were provided to the shareholders. This case studies does raise, in our context, the inclusion of social ventures in the Satellite Account and whether or not the issue of "public benefit" should be included as a defining characteristic in our discussions. It is a point for further discussion.

As stated above, I prefer inclusion over exclusion with two caveats. The first is that the data for questionable groups can be separated out from the whole of the Satellite Account. The second is

that we have a solid justification (i.e., public benefit) for inclusion of these other groups. There has to be a rigour associated with inclusion which makes sense to the Advisory Committee and to Statistics Canada.

### **Grassroots, self-help and similar organizations**

During April 19, some discussion was held about certain types of groups for which economic traces are either minimal or do not exist. These were smaller non-incorporated groups, grassroots associations which form around an issue (i.e., school closures) then disband, smaller self-help groups and other civil society groups where their income, if any, is minimal. These groups would not be charities and therefore not captured in the T-3010 Charities Information Return, under the donations section of the T-1 individual return nor the donations part of the Corporate return. Being small, they would not meet the asset or revenue requirements for the T-1044 Nonprofit Information Return. The vast majority would not hire any staff, so no T-4 would be filed.

In other words, without the economic records, it will be very difficult to find a way to mark their presence in the Satellite Account. Our discussions did allude to the fact that these groups use volunteers and that some portion of the volunteer time found in the National Survey of Giving, Volunteering and Participating is given to them, but that the amount is unknown.

Essentially, these groups operate outside of the state and the market. For the most part, they exist without using the frameworks which government has set up to support and regulate voluntary organizations. They may need some capital, but it is usually contributed by members. And this is fine because their structure, or lack thereof, still allows them to attain the majority of their goals. I would like to propose that, as part of the National Accounts, we note in a few paragraphs, the existence of these groups, their importance as part of the social capital generated in our society and the problems associated with trying to measure their contribution.

**Don McRae**  
**Canadian Heritage**

## **Satellite Account of Non-profit Institutions**

As a preliminary point, it is vital to the success of this project that a clear understanding of the goals of this account be established – that we take inventory of the questions we expect the account to address. This point is made at page 6 of the minutes, but I feel it is worth repeating as I believe it is the most important. These goals will ultimately affect the definition chosen as well as influence the types of information which is consulted and collected. If we fail to adequately define the purpose and scope of this account, I fear the end result will largely be a lot of statistics and figures signifying nothing (to borrow a phrase).

This concern is heightened by the focus, perhaps misperceived, on using the non-profit account as an instrument to purify the existing accounts. While it is agreed that the removal of certain groups will contribute to the provision of better and more useful data, caution should be used in making these moves. I agree with Mr. McRae that we should have a solid justification for the inclusion of groups within the non-profit account – not simply because they do not fit neatly into the other accounts. We should wholeheartedly resist the urge to make these moves as, inevitably, this will dilute the usefulness of the satellite account. The non-profit account could potentially be turned into the “everything else” account.

It is therefore imperative, in my opinion, that we create a definition which, while capturing the targeted non-profit universe, also resists the inclusion of the non-relevant. As above, if we seek to capture too much, we will end up producing nothing. Myself, I prefer exclusion to inclusion in this exercise and would suggest marginal groups and borderline cases be excluded unless they can be justifiably inserted. Just as there is the perceived goal of purifying the original accounts we should start with a goal to create a clear picture of the non-profit community. By limiting the groups to be included, through strict use of the definition we adopt, the information produced will be much more relevant.

### **Some thoughts on the definition**

#### **Organization:**

I wholeheartedly agree with this as a requirement, although certainly not so far as to stipulate incorporation as a requirement. As discussed in the meeting this is not a reality for a great many organizations, and as such would exclude too many of the groups that we are attempting to capture (e.g. the Church of Jesus Christ of Latter Day Saints is itself unincorporated as are its approximately 500 member churches.)

However, in the efforts of collecting meaningful information we must limit our data to organizations with some form of established structure (i.e., constitution, trust deed, incorporation or otherwise). Practically speaking, as noted in the minutes, the grassroots, loosely established groups are not now and not likely to begin producing measurable financial information. Despite our desire to capture information regarding some of these groups within the account, the feasibility of collecting information regarding these groups on anything more than a voluntary reporting basis is doubtful. Additionally, it is doubtful that the figures which would be retrieved would be of statistical significance.

As a final note on this, the existence of a “governing document” or some other proof of organizational existence is key to differentiating between an organization and a collection of

individuals. I am not convinced that all groups that assemble in some fashion are an “organization” *per se*, and certainly not all should be captured within the scope of this account. It is also the governing document we would use to determine other aspects of the organization such as its autonomy, non-profit status, and internal governance structure. In short I believe that “institutional reality” is a necessity.

**Non-profit distributing:** I have concerns with this area of the definition – namely, that this is a necessary component of non-profit, but not sufficient. Although it’s not specifically my area, the CCRA’s requirements for non-profit organizations are that they be a club, society, or association that is organized and operated solely for social welfare, civic improvement, pleasure or recreation or **any other purpose except profit**. This does not mean that an organization cannot enjoy profits and still be considered a non-profit organization. The subtle difference here is that the goal of the organization cannot be for profit, irrespective of whether the funds are cycled back into the organization.

For example, in one tax case some 20 years ago, the Church of Christ Development Company was re-assessed for taxes owed by the Minister of National Revenue. The Minister alleged in this case that despite its registration as a non-profit organization, it did not operate as such and should be taxed as a for-profit business. The Court looked to the Company’s activities and in rendering its decision stated

...the simple acceptance by an organization of donations, bequests, or funds from some of its supporters for deposit, and the investment by the *organization of these monies for the precise purpose of earning investment income thereon* for the organization would not disqualify that organization from a “non-taxable status”...the activity of the appellant in buying and selling stocks and bonds and in buying, subdividing, servicing and selling land was *conducting a business* in such a way that can readily be distinguished from the simple investment of company funds...

The corporation has been operated for the specific purpose of making a profit from a business not merely for earning income on investments, and in so doing, it divested itself of the major protecting cloak which could differentiate it from normal commercial activity...That the profit so earned may eventually find its way into charitable purposes while laudable, is not a redeeming feature – it will only be the net profit after the impact of income taxes that will be available. (*emphasis in original*)

As above, I believe it is a given that non-profit distributing should be a requirement. However, I would suggest that we extend the requirement to be non-profit distributing **and** operating for a purpose other than profit.

### **Non-compulsory**

As noted in the minutes, this element should be dropped. Since it has no significance in the Canadian context, the inclusion of this term will only raise unnecessary questions.

### **Some thoughts on Public Benefit Organizations**

Registered charities encompass about 80,000 of what would be considered public benefit organizations, but they are merely a subset of the larger world. While I agree that not all non-

profits will be public benefit organizations, I would also like to stress the importance of specifically identifying these organizations.

As is noted we need to identify the questions which are to be answered by this account. One of the most important uses of this account will be to specifically identify the contribution of public benefit organizations – those to whose causes volunteers sacrifice time and effort, those who give back to the community. If we consolidate this information with private benefit organizations, I think the results will be much less meaningful and useful to the philanthropic community.

Agreeably, in practice the line between the two can become blurred. It is an issue the Charities Directorate struggles with on a daily basis. However, these distinctions can be and are made. For us, the crucial distinction between an organization providing a public benefit and a “self-interest” group is achieved by looking at the organization’s primary purpose and activities. If the organization primarily promotes the interests of its membership and as a side effect provides a benefit that is public, we do not consider it is sufficiently altruistic for registration and *vice-versa*. I do not believe we should limit our data collection to these types of organizations, however we should maintain our ability to segregate them.

**Blaine Langdon**  
**Charities Directorate**  
**Canada Customs and Revenue Agency**

## ***Appendix C: Measurement and Valuation of Households' Unpaid Work at Statistics Canada***

The measurement and valuation of households' unpaid work (VUW) at Statistics Canada dates back to the early seventies, originating with proposals to modify the Gross National Product. Several estimates were prepared over the period since (1961, 1971, 1981, 1986 and 1992) with improved source data and refined concepts introduced at each stage. In the mid 1990s a project was undertaken to put all prior estimates on a comparable footing to analyse long term trends. An update has recently been completed using the latest General Social Survey on time use for 1998 and analysis of these results is in course.

### **Time Spent on Unpaid Work**

Statistics Canada's General Social Survey (GSS) is a household survey with about 10,000 respondents conducted annually, with a rotating theme each year. Surveys of time use were conducted in 1986, 1992 and 1998. To account for seasonal variations, the last two time use surveys were conducted throughout the full calendar year.

Respondents to the GSS were required to report and describe all activities conducted over a 24 hour period in chronological order. If activities occurred concurrently, respondents were asked to describe the primary activity. From these activities, up to 70 types of unpaid work are identified. These are aggregated to 22 categories for valuation purposes.

### **Valuation of Unpaid Work**

Statistics Canada has prepared VUW estimates according to a number of alternative valuation methods. All methods employ wage rates derived from information from the *Census of Population*. Annual employment earnings for those employed full time, throughout the full previous year, along with information on hours worked (pertaining to the week prior to Census day) are used to derive hourly wage rates. These wage rates are updated from the year prior to the latest Census (1995) to GSS reference year (1998) using a fixed-weighted annual index of labour costs. The results are further adjusted to include employers' social security contributions (to Employment Insurance and the Canada Pension Plan).

In the latest two unpaid work studies (1992 and 1998), estimates of VUW were generated using a micro-based approach, in which the valuation was applied to each record (along with its associated weight in the survey). This approach enables the maximum analytical flexibility and the best possible weighting in valuing unpaid work.

### ***Replacement Cost***

As the name suggests, replacement cost VUW estimates represent the cost of replacing goods and services produced in the home by those purchased on the market. Two variants of replacement cost VUW have been prepared at Statistics Canada: The replacement cost specialist and the replacement cost generalist method.

## **Classification of Households' Unpaid Work**

### **Domestic work**

#### **Meal preparation**

1. Food or meal preparation
2. Food or meal clean-up

#### **Cleaning**

3. Cleaning

#### **Clothing care**

4. Laundry and ironing
5. Clothes repair and shoe care

#### **Repairs and maintenance**

6. Home repair and maintenance
7. Gardening and grounds maintenance

#### **Other domestic work**

8. Pet care
9. Other domestic work

### **Help and care**

#### **Child care**

10. Physical care-children
11. Education
12. Medical care-children
13. Other care-children

#### **Adult care**

14. Personal care-adults
15. Medical care-adults

### **Management and shopping**

15. Household management and administration
16. Shopping for goods and services

### **Transportation and travel**

17. Transport-children
18. Transport-all other household work

### **Other unpaid work**

19. Volunteer work
21. Other help and care
22. Transport-other unpaid work

### **Specialist Variant:**

The replacement cost specialist variant assigns specific wage rates to each of the 22 categories of unpaid work. For example, time spent on meal preparation is assigned the wage for “chefs and cooks”; that spent on the transport of children is assigned the wage rate of “taxi drivers and chauffeurs”.

### Generalist Variant:

The replacement cost generalist approach to valuing household work, also referred to as the “housekeeper replacement cost” approach, assigns the wage of domestic employees to the majority of unpaid work categories. Exceptions are childcare and “other” unpaid work, which are assigned the same wage rates as for the specialist variant.

The housekeeper replacement cost approach is generally considered the most appropriate valuation for the purposes of the national accounts. It is assumed that domestic staff work under the same productivity conditions as those that exist in the household.

### *Opportunity Cost*

VUW based on an opportunity cost approach represents the value of foregone monetary benefits if an equivalent amount of time were spent on paid work by the same individuals. While these estimates are appropriate for a number of applications, they do not conform with National Accounts principles of economic value.

Two variants of opportunity cost are prepared: 1) Gross (before tax) and 2) Net (after tax). Both approaches use average hourly earnings, differentiated by province and gender. The net variant deducts income tax using marginal tax rates. Employers’ social contributions are also deducted.