

WHAT VOLUNTEERS CONTRIBUTE:

Calculating and Communicating Value Added

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Canadian Centre for Philanthropy™
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WHAT VOLUNTEERS CONTRIBUTE: Calculating and Communicating Value Added

Introduction

Voluntary organizations, particularly those that depend on donations and government funding, are often viewed as users of the resources of others rather than as creators of value. This is reflected on traditional financial statements, which show how organizations spend the money that others give to them.

But voluntary effort is key to the functioning of voluntary organizations. Voluntary organizations are able to provide programs and services largely because of the unpaid efforts of volunteers who sit on boards of directors and committees, and who provide direct services, such as coaching and organizing fundraising activities, mentoring young people, working with the elderly, and delivering meals. The non-financial contributions of these volunteers are not captured on traditional financial statements.

Voluntary organizations can demonstrate the value added by volunteers by using an Expanded Value Added Statement (EVAS). This type of statement shows how voluntary organizations use resources, including volunteer resources, to generate value.

How nonprofit organizations can use the information from their Expanded Value Added Statement:

- in annual reports, to more accurately reflect to supporters, members, donors, and other audiences the value the organization returns to the community;
- in volunteer recognition programs, to demonstrate to volunteers their true value to the organization and to those served by the organization;
- in funding proposals and in reports to funders, to show how the impact of funder dollars is stretched by voluntary effort; and,
- to demonstrate to policy-makers the value of investing in community-based voluntary organizations.

This manual will show readers how to develop and use an Expanded Value Added Statement. Specifically, it will explain:

- value added and how it applies to voluntary organizations;
- the information needed to create a value added statement;
- the steps in creating an Expanded Value Added Statement that includes the value of volunteers; and,
- how this information demonstrates the value that voluntary organizations add to the community.

Throughout, we will use the example of the Canadian Red Cross, Toronto Region.

What is Value Added?

Value added is an indicator of organizational performance. It measures the wealth that an organization, typically a business, creates by “adding value” to raw materials, products, and services through the use of labour and capital. For example, a company that manufactures furniture first purchases raw materials such as wood and upholstery fabric. It then transforms those materials into furniture through the labour of its workers and the resources of its factory. The value added is the revenue that flows back into the organization from the sale of the finished furniture, minus the costs of external goods and services.

Does value added apply to voluntary organizations?

Voluntary organizations also add value to purchased materials, products, and services. For example, a community-based meal delivery program purchases groceries and uses them to prepare meals, which it then delivers to clients. Unlike businesses, however, voluntary organizations rely on volunteers to generate part of this value.

The accounting profession has recognized the need for some way to report the contribution of volunteers. As early as 1980, the Canadian

Institute of Chartered Accountants stated that it is appropriate to recognize volunteer contributions within accounting statements, particularly if the services provided by volunteers are essential and would be paid for if not provided by volunteers (Canadian Institute of Chartered Accountants, 1980). However, the contribution of volunteers is usually ignored on financial statements. At best, this information appears in a footnote.

The problem in adapting the concept of value added to voluntary organizations is that, while volunteers generate part of the value of the organization, the contributions of volunteers do not usually involve financial transactions and do not, therefore, show up on financial statements. However, by using the concept of an Expanded Value Added statement, voluntary organizations can calculate the value added by their volunteers.

What is Expanded Value Added?

Expanded Value Added expands on value added by including values for social (i.e., non-financial) contributions such as the non-paid efforts of volunteers. It is based on the premise that many stakeholders, including volunteers, add value. It can be used by voluntary organizations to demonstrate their value added.

Step 1: Gathering the Information you Need

To calculate the value added contributed by your volunteers, you first need to gather some key pieces of information.

A) Volunteer tasks and hours

The first step in determining volunteer value added is to calculate the number of volunteer hours contributed to your organization for the fiscal year (the year covered by your audited financial statements).

If your organization uses volunteers in only one or two roles (e.g., to serve on your board of directors or provide a particular service), you will find it easy to gather this information.

But many nonprofit organizations involve volunteers in a variety of roles. If this is the case for your organization, you will have to set up more detailed record-keeping procedures in order to produce an Expanded Value Added Statement. This can be done on a computer, using a simple spreadsheet program or specialized volunteer management software.

If computer tracking of this information is beyond the means of your organization, don't despair. You can keep track of the information you need on paper.

What information should you gather?

To prepare for your value added calculation, you need to gather the following information:

- the tasks performed by volunteers in your organization (e.g., sitting on the board of directors, sitting on a fundraising committee, providing office administrative support, delivering meals in the community, counselling clients, doing friendly visiting, planting trees, mentoring a child, disaster relief, etc.);
- the number of volunteers who perform each task;
- the number of hours each volunteer contributes to each task;
- the number of hours each volunteer spends preparing for his or her volunteer activities (e.g., reading documents, preparing reports, training for a special event); and,
- the number of hours each volunteer spends travelling to and from volunteer activities.

These last two items may not seem very important at first glance, but without preparation and travel time, many volunteers would be unable to fulfil their roles. And the time spent on these items is time freely given by volunteers.

There are two ways to gather this information:

- you can have the staff (or volunteers) responsible for volunteers in your organization collect this information regularly throughout the year and prepare monthly reports; or,
- you can ask volunteers to fill out a questionnaire once a year.

The first option is preferable. While volunteers may find it easy to report on what tasks they performed during the year, they may have more trouble remembering the precise number of hours they spent. It is better to collect this information on an ongoing basis, so that there is little room for error.

However you choose to collect this information, be sure to collect it for the same period that is covered by your financial statements (i.e., for your regular fiscal year).

B) Volunteers' non-reimbursed out-of-pocket expenses

Next, collect information on the out-of-pocket expenses your volunteers incur while fulfilling their volunteer roles. Typically, organizations reimburse some types of out-of-pocket expenses incurred by volunteers (e.g., travel expenses, meals, uniforms, and Internet connections). Other expenses are not usually reimbursed or not claimed for reimbursement (e.g., babysitting expenses and parking). Out-of-pocket expenses that are not reimbursed represent a type of value that volunteers contribute to the organization.

It is important to differentiate between expenses that are reimbursed and those that are not. Expenses that are reimbursed do not count as volunteer contributions. In some cases, expenses may be partially reimbursed. In these instances, the non-reimbursed portion would be considered out-of-pocket.

C) Estimated value of skills received by volunteers

Volunteers often learn skills from their volunteer experiences. These skills have value to them, to the organizations for which they volunteer, and

to society. Gather information on the skills your volunteers have acquired as a result of volunteering with your organization. Skills could include:

- fundraising skills;
- interpersonal skills;
- technical or office skills; and,
- communications skills.

D) Audited financial statements

Finally, get a copy of your organization's most recent audited financial statements.

Typically, incorporated nonprofit organizations have their financial statements produced by an accountant, and commission an independent audit of those statements. The financial information in the statements such as revenues, purchases, salaries, and expenses for training is used to produce an Expanded Value Added Statement.

Unincorporated organizations might not have a formal audit but can use internally produced financial records to develop an Expanded Value Added Statement.

What Volunteers Contribute

Sample Questions to ask Volunteers

- Please list the volunteer activities you undertook for our organization during the past year (e.g., sitting on the board of directors, sitting on a fundraising committee, providing office administrative support, delivering meals in the community, counseling clients, doing friendly visiting, planting trees, mentoring a child, disaster relief, etc.).

- For each of these volunteer roles, please estimate the number of hours you spent volunteering in the past year. _____

- Please estimate the number of hours you spent preparing for your volunteer activities (e.g., reading documents, preparing reports, training for a special event) in the past year.

- Please estimate the number of hours you spent travelling to and from your volunteer activities in the past year. _____

- Did you spend any money out of your own pocket to do your volunteer work with our organization in the past year?

- No Yes

If you spent money out of your own pocket to do your volunteer tasks, please use the chart below to record how this money was spent, and whether or not you were given any money back from the organization to cover your expenses.

| Type of Expense | Amount of money spent | | Amount paid back to you | |
|--|-----------------------|----------------|-------------------------|-----------------------------|
| | Regular/ongoing | Once in awhile | By our organization | By your place of employment |
| Travel while performing volunteer activities | \$ | \$ | \$ | \$ |
| Travel/bus fare to volunteer site | | | | |
| Meals/food/coffee | | | | |
| Phone/long-distance | | | | |
| Resource materials/supplies | | | | |
| Parking | | | | |
| Photocopying/printing | | | | |
| Internet time | | | | |
| Daycare | | | | |
| Volunteer uniform | | | | |
| Other, please specify: | | | | |

Have your volunteer activities at our organization provided you with any of the following skills or areas of knowledge? Please check all that apply.

- Fundraising skills
- Communication skills (e.g., public speaking, writing, public relations, conducting meetings, etc.)
- Technical or office skills (e.g., first aid skills, coaching techniques, how to use a word processor, how to file books in a library, etc.)
- Organizational/managerial skills (e.g., how to organize resources, to manage the work of others, to be a leader, to plan, to run an organization, etc.)
- Interpersonal skills (e.g., to understand people better, to motivate them, to deal with difficult situations, etc.)
- Advocacy skills (e.g., speaking out on an issue, writing a letter to the government, etc.)
- Increased knowledge (e.g., regarding health, women's issues, political issues, criminal justice, the environment, etc.)
- Some other skill or knowledge, please specify:

Step 2: Assign a Dollar Value to your Volunteers' Contributions

The next step in your calculation is to assign a dollar value to the contributions of your volunteers.

A) Calculate the dollar value of volunteer hours

First, take the information you have gathered on the number of volunteer hours contributed to your organization during the fiscal year covered by your audited financial statements and the number of hours spent in total on each task.

Second, assign a dollar value to each task. You can do this by using Statistics Canada wage rates, which are based on the North American Industry Classification System (NAICS). This system classifies organizations (such as businesses, government institutions, unions, and charitable and nonprofit organizations) according to

economic activity. Some of the more common industry classifications and wage rates are listed in Table 1.

Average hourly earnings

The average hourly earnings presented in Table 1 are calculated based on the North American Industry Classification System (NAICS) which was developed by the statistical agencies of Canada, Mexico and the United States. NAICS data are collected by Statistics Canada and can be found in the Canadian Socio-Economic Information and Management Database (CANSIM).¹ A manual listing the various classifications can be found on the Statistics Canada Web site.²

¹ Available online at <http://www.statcan.ca/english/CANSIM>.

² Available online at <http://www.statcan.ca/english/Subjects/Standard/index.htm>.

| NAICS Code | Industry or sector title | Employees paid by the hour, excluding overtime | Salaried employees, excluding overtime |
|------------|---|--|--|
| blank | Service producing industries | \$15.35 | \$22.96 |
| 54 | Professional, scientific and technical services | \$20.06 | \$27.54 |
| 55 | Management of companies and enterprises | \$16.69 | \$24.24 |
| 561 | Administrative and support services | \$12.84 | \$20.01 |
| 6111-15 | Educational services | \$15.54 | \$25.74 |
| 6216 | Home health care services | \$13.24 | \$15.38 |
| 624 | Social assistance | \$13.51 | \$14.52 |
| 62144 | Child daycare services | \$12.89 | \$13.74 |
| 711 | Performing arts, spectator sports and related industries | \$14.87 | \$19.98 |
| 813 | Religious, grant-making, civic professional and similar organizations | \$14.70 | \$19.75 |

What Volunteers Contribute

The Canadian Red Cross, Toronto Region, classified the activity of the majority of its volunteers under the NAICS system as sub-sector 624, social assistance (see Table 1). This sub-sector includes organizations engaged primarily in providing services directly to their clients, such as individual and family services, food and housing within the community, as well as emergency and other forms of relief.

The NAICS classification combines all levels of tasks for a class such as social assistance — from executive to administrative — and gives an average wage rate for all levels of occupations in that category. For the period April 1, 1999 to March 31, 2000, the hourly wage rate in sub-sector 624, social assistance, in Ontario was \$14.33.³

The NAICS rates do not take into consideration governance tasks performed by boards. The Red Cross used a second source of wage rates to assign a dollar value to the work of its board — Human Resource Development Canada's Labour Market Indicators.⁴ Using this information, it assigned a value of \$40.24 an hour to the work of its board. This represents a mid-point hourly wage for senior managers of health, education, social and community services, and membership organizations (Standard Occupational Code 0014), as determined by Human Resources Development Canada (HRDC) for the York region.

Table 2 shows the total market value of the hours contributed by core volunteers through specific programs of the Canadian Red Cross, Toronto

Region. The amounts were obtained by taking the total hours contributed by volunteers within a program and multiplying them by the appropriate hourly rate from the NAICS.

B) Calculate non-reimbursed out-of-pocket expenses

Take the information you gathered on the non-reimbursed out-of-pocket expenses that volunteers contribute in order to carry out their volunteer activities. Calculate the total dollar amount.

The non-reimbursed expenses for the Canadian Red Cross, Toronto Region, are shown in Table 3. The table shows the number of volunteers in each program area, and the percentage of volunteers within each program area who had expenses. Although the average amount of expenses per volunteer was not large, the total amount of expenses was a sizable \$98,218.

C) Calculate the dollar value of volunteer skill development

Volunteers learn skills as a result of volunteering. These skills can make them even more valuable to the organizations with which they are involved. There are two steps to this calculation.

First, using the information in Step 1C, calculate what percentage of your volunteers derived benefits and/or learned skills from their volunteer activities.

When the Canadian Red Cross, Toronto Region, surveyed its volunteers, it found out that 53% of them felt that they had developed skills by volunteering for the organization. This was used as a benchmark for skills development. In other words, the organization assumed that the

Table 2

Calculating market value of volunteer hours contributed

| | Number of Hours | Rate | Amount |
|--------------|-----------------|---------|------------------|
| Board | 1100 | \$40.24 | \$44,264 |
| Office | 2206 | \$14.33 | \$31,612 |
| Programs | 60262 | \$14.33 | \$863,554 |
| Total | | | \$939,430 |

³ This figure comes from the CANSIM database, available online at www.statcan.ca/english/CANSIM.

⁴ Available at <http://lmi-imt.hrdc-drhc.gc.ca>. A salary range was not available for the greater Toronto region, so the salary range for York region was used. The calculation is based on a 37.5 hour week for 52 weeks. An alternative method of assigning value to the work of boards would be to use one of the NAICS managerial or administrative categories.

calculation of skill development should be applied to 53% of its 1506 core volunteers.

Second, assign a dollar value to the skill development of your volunteers. How do you assign a dollar value to “learned fundraising skills” or “learned interpersonal skills”? As a conservative estimate you can use the cost of a personal growth course at a community college. For example, the average cost of five different personal growth courses at three community

colleges in Toronto in March 2002 was \$151.50.

The Canadian Red Cross, Toronto Region, had 1506 core volunteers. It multiplied this number by 0.5338 (for the 53.38% of its volunteers who indicated that they had developed skills), and then multiplied the product of that calculation by \$151.50 (the average cost of a personal development course at a community college). This gave a total dollar value of \$121,791 for volunteer skills development (see Table 4).

Table 3

Calculation of volunteer out-of-pocket expenses

| Program Area | # of Volunteers | % with Expenses | Average Amount per Volunteer with Expenses | Totals |
|---------------------------------|-----------------|-----------------|--|-----------------|
| Community services | 772 | 40% | \$75.00 | \$23,160 |
| Disaster and emergency services | 150 | 84% | \$111.19 | \$13,956 |
| Transportation | 113 | 92% | \$235.92 | \$24,438 |
| Home healthcare and equipment | 21 | 33% | \$163.26 | \$1,143 |
| Meals on wheels | 260 | 68% | \$145.00 | \$25,582 |
| Finance and administration | 2 | 50% | \$105.00 | \$105 |
| Council | 11 | 67% | \$225.00 | \$1,650 |
| Other | 67 | 75% | \$163.26 | \$8,183 |
| Summer students | 110 | NA | NA | 0 |
| Total | 1506 | | | \$98,218 |

Table 4

Calculating volunteer skill development

Canadian Red Cross Toronto Region
for the year ended March 31, 2000

| | |
|---|------------------|
| Total number of core volunteers | 1,506 |
| Percentage of respondents who indicated strongly that they had developed skills by volunteering for this organization | 0.5338 |
| Average cost of community college course for personal growth and development | \$151.50 |
| Total value of volunteers skills development | \$121,791 |

What Volunteers Contribute

Step 3: Putting it all Together Calculating your Expanded Value Added Statement

Your organization's Financial Statement shows one type of value: financial. It presents your organization's revenues (how much money it brought in) and expenses (how much it spent).

Your organization's Expanded Value Added Statement will show a fuller picture because it combines the financial and social contributions.

Financial contributions represent information from audited financial statements only. This is

referred to as a Restricted Value Added.

Social contributions represent information about non-monetary contributions for which a market comparison is estimated — in this case, the value added by volunteers.

Combined value represents the total value added from the financial and the social contributions. This is referred to as an Expanded Value Added Statement (EVAS).

Table 5

Canadian Red Cross, Toronto Region — Expanded Value Added Statement

| | | Financial | Social | Combined |
|--|-----------|------------------------|------------------------|------------------------|
| Outputs | Primary | (A) \$5,741,634 | (B) \$1,037,648 | (C) \$6,779,282 |
| | Secondary | (D) \$5,090 | (E) \$116,701 | (F) \$121,791 |
| | Total | (G) \$5,746,724 | (H) \$1,154,349 | (I) \$6,901,073 |
| Purchases of external goods and services | | (J) \$2,934,207 | | \$2,934,207 |
| Total Value Added | | (K) \$2,812,517 | (L) \$1,154,349 | (M) \$3,966,866 |
| Ratio of value added to purchases | | (N) 0.96 | (O) 0.39 | (P) 1.35 |

- (A) The dollar value of direct services provided by the organization (e.g., delivering meals to seniors).
- (B) The dollar value of volunteer hours.
- (C) The dollar value of A and B combined.
- (D) The dollar value of expenditures on volunteer training.
- (E) The dollar value of volunteers' personal growth and development, less the organization's expenditure on training.
- (F) The dollar value of D and E combined.
- (G) The dollar value of A plus D, representing the total financial outputs.
- (H) The value of B plus E, representing total social value added.
- (I) The total of G plus H, representing the combined total of financial and social outputs.
- (J) The dollar value of all externally purchased goods and services.
- (K) G minus J. Financial contributions to value added. This represents information from audited financial statements only. This is referred to as a Restricted Value Added.

- (L) Social (i.e., volunteer) contributions to value added. This represents information about non-monetary contributions for which a market comparison is estimated — in this case, the value added by volunteers.
- (M) The dollar value of K and L combined. This represents the total value added from the financial and the social contributions. This is referred to as an Expanded Value Added Statement (EVAS).
- (N) K divided by J. For every dollar it spent on the purchase of goods and services, the organization created an additional \$0.96 cents in restricted value added.
- (O) L divided by J. For every dollar it spent on the purchase of goods and services, volunteers created an additional \$0.39 cents in value added.
- (P) M divided by J. For every dollar it spent on the purchase of goods and services, the organization and its volunteers created an additional \$1.35 in value added.

Financial information taken from the Canadian Red Cross, Toronto Region for the fiscal year ending March 31, 2000

Primary outputs are direct results of your organization's activities in accomplishing its mission. In other words, they are the direct services it provides (e.g., providing meals to seniors). Total primary outputs are derived by adding items on the audited financial statements (shown in the column labelled Financial) and volunteer contributions (shown in the column labelled Social).

Secondary outputs are the indirect results of your organization's activities (e.g., volunteer skill development).

Table 5 (page 10) shows the value added created by the Canadian Red Cross, Toronto Region, during the fiscal year that ran from April 1, 1999, to March 31, 2000. To assist you in doing these calculations, a blank worksheet resembling Table 5 is included in the Appendix.

A Dollar value of the direct service you provide (Primary Financial Outputs)

Your organization exists to provide programs or services to the community or to a defined client group. The first step in developing your Expanded Value Added Statement is to assign a dollar amount to this.

Determining the market value for the outputs of a for-profit firm is relatively straightforward. It is simply the amount of revenues received through sales or, in other words, the amount people have paid for those goods or services in the market. However, for many nonprofit organizations, revenues are not earned in the market. Therefore, a method is needed to assign a comparative market value to the organization's outputs. Ideally, this method would use the market value of similar goods and services, but this may prove overly complex. Therefore, a simpler approach is suggested.

The expenditures on a nonprofit organization's financial statements can be taken as a measure of

the value of its outputs. So you can simply take the amount of revenues on the financial statements and adjust for any surplus or deficit. If your organization has a surplus, deduct this from revenues to arrive at the value of outputs. Similarly if your organization has a deficit, add this to revenues to arrive at the value of outputs.

Using this method, find the dollar value of the direct service your organization provides. Enter this into Primary Outputs under the Financial column on the worksheet.

The Canadian Red Cross, Toronto Region gets a total of \$5,741,634 in revenue from all sources. This represents its Primary Output in the Financial column.

B Dollar value of volunteer hours and non-reimbursed volunteer expenses (Primary Social Outputs)

Add together the dollar values that you assigned to the hours contributed by your volunteers and their total non-reimbursed out-of-pocket expenses. Enter that number into Primary Outputs under the Social column on the worksheet.

The Canadian Red Cross, Toronto Region assigned a dollar value of \$939,430 to the hours contributed by its volunteers. Total non-reimbursed out-of-pocket expenses were \$98,218. It added these two figures together to arrive at Primary Social Outputs of \$1,037,648.

C Sum of the total value of the services provided by your organization and the total value contributed by your volunteers (Primary Outputs Combined)

Add together your Primary Financial Outputs and Primary Social Outputs. Enter that number into Primary Outputs under the Combined column on the worksheet.

The Canadian Red Cross, Toronto Region calculated Primary Financial Outputs of

What Volunteers Contribute

\$5,741,634 and Primary Social Outputs of \$1,037,648. Added together, this gives Combined Primary Outputs of \$6,779,282. In an Expanded Value Added Statement, this amount represents the Total Primary Outputs of the organization.

D Dollar value of training volunteers (Secondary Financial Outputs)

Most volunteers receive some training or orientation before they carry out their volunteer activities. They may also learn skills informally from their colleagues or from performing their volunteer duties. Providing this training and orientation could involve an expenditure of resources by the organization (e.g., payments for items such as manuals and other materials). These expenses should be captured in a line on your financial statements. Enter that number into Secondary Outputs under the Financial column on the worksheet.

The Canadian Red Cross, Toronto Region allocated the item “training expended on volunteers” on its financial statements as its Secondary Financial Output. This amount, \$5,090, appears in the second row of the Financial column of Table 5.

E Net dollar value of volunteer skill development (Secondary Contributions)

Find the dollar figure that you calculated for volunteer skill development (see Table 4). If your organization spent money on volunteer training — either staff time or the cost of training manuals and materials — subtract that amount from the dollar value you have just assigned to volunteer skill development.

The Canadian Red Cross, Toronto Region, spent \$5,090 on volunteer training. It subtracted this from the \$121,791 in Volunteer Skill Development. The result, \$116,701, is the estimated market value of volunteer skill development (\$121,791 less the \$5,090 expended on training). Enter this amount into Secondary Outputs under the Social column on the worksheet.

F Sum of the total dollar value of volunteer training and the net dollar value of volunteer skill development (Secondary Outputs Combined)

Add together the total dollar value of volunteer training and the net dollar value of volunteer skill development. Enter this amount into Secondary Outputs under the Combined column on the worksheet.

G H I Total Outputs

Add Primary and Secondary Outputs under each column and enter the amounts in the Total row.

The Total of the Financial Outputs (G) of the Canadian Red Cross, Toronto Region are \$5,746,724. These outputs involve financial transactions only and represent the organization’s total financial contribution to Primary Outputs (\$5,741,634) and its total financial contribution to Secondary Outputs (\$5,090).

Its Total Social Contributions (H) are \$1,154,349. These contributions involve non-monetary transactions and represent the estimated market value of volunteer hours (\$1,037,648) and volunteer skill development (\$116,701).

Its Combined Total Outputs (I) are \$6,901,073. This is the sum of its Total Financial Contributions (\$6,779,282) and its Total Social Contributions (\$121,791). This is the amount that it will report on its Expanded Value Added Statement.

J Total purchases of external goods and services

Value added is a measure of the wealth an organization creates by “adding value” to raw materials, products, and services through the use of labour and capital. The Total Outputs represent the value placed on an organization’s services. However, to provide those services, organizations have to purchase goods and services externally. To arrive at the value added by labour and capital, you must subtract the cost of these purchases from Total Outputs.

The Canadian Red Cross, Toronto Region took the cost of the goods and services that it purchased externally (\$2,934,207) from its audited financial statements (see Table 6). In order to arrive at the total purchases of external goods and services, it subtracted the following items from its total expenditures of \$5,746,724: employee wages and benefits (\$2,608,957), volunteer training (\$5,090), volunteer recognition and awards (\$8,515), and amortization of capital assets (\$189,955). The remainder, \$2,934,207, represents the net value of externally-purchased goods and services.

Do this calculation for your organization and enter the amount into box J on the worksheet.

(K) (L) (M) (N) (O) (P) Result: Expanded Value Added Statement

You are now ready to calculate your organization's Expanded Value Added Statement. This can be expressed as a dollar amount or as a ratio of the value of goods and services purchased externally (N, O, P).

Financial contributions to value added: According to the Financial column, the Canadian Red Cross, Toronto Region's Total Financial Outputs were \$5,476,724 and the organization spent \$2,934.207 to purchase goods and services externally. In other words, for every dollar it spent on the purchase of goods and services, it created an additional \$0.96 cents in value added. To find the financial contribution to value added, it

subtracted the latter amount from the former amount. The result indicates that they created \$2,812,517 in value added.

Social contributions to value added: According to the Social column, the effort of the organization's volunteers created \$1,154,349 in value added. In other words, for every dollar it spent on the purchase of goods and services, it created an additional \$0.39 cents in value added.

Combined (Expanded) value added: According to the Combined column, the combined value added of the organization (the total of the financial and the social contributions) was \$3,966,866. In other words, for every dollar it spent on the purchase of goods and services, the organization and its volunteers created an additional \$1.35 in value added.

Table 6

Reconciliation of expenditures on audited financial statements to purchases of external goods and services on value added statement

| | |
|--|-------------|
| Expenditures (Total Financial Outputs) | \$5,746,724 |
| Less: Employee Wages and Benefits | \$2,608,957 |
| Volunteer Training | \$5,090 |
| Volunteer Recognition and Awards | \$8,515 |
| Amortization of Capital Assets | \$189,955 |
| Purchases of External Goods and Services | \$2,934,207 |

You can take this calculation further by "distributing" your value added, or showing the portion of the value added received by each of your organization's stakeholders. For information on how to do this, see *What counts: Social accounting for nonprofits and cooperatives* (Quarter, Mook, & Richmond, 2002).

What Volunteers Contribute

Step 4: Using an Expanded Value Added Statement to Demonstrate your Organization's Volunteer Value Added

Voluntary organizations, particularly those that depend on donations and government funding, are often viewed as users of others' wealth rather than as creators of additional wealth. Income statements show how nonprofit organizations spend the money that others give to them. But an Expanded Value Added Statement paints a different picture. It shows how a nonprofit organization uses the resources it is given to generate wealth.

If only the audited financial accounts were considered, Canadian Red Cross, Toronto Region appeared to create value added of \$2,812,517 for the year ending March 31, 2000.

The Expanded Value Added Statement shows that the financial information without the social contributions does not tell the organization's whole performance story. Including volunteer

contributions in the calculation of value added led to an increase of over 39 percent in value added.

In total, the Canadian Red Cross, Toronto Region, generated \$3,966,866 of value added or \$1.35 for every dollar of external purchases of goods and services.

Information gathered to prepare an Expanded Value Statement can also be used to show other impacts of volunteer contributions.

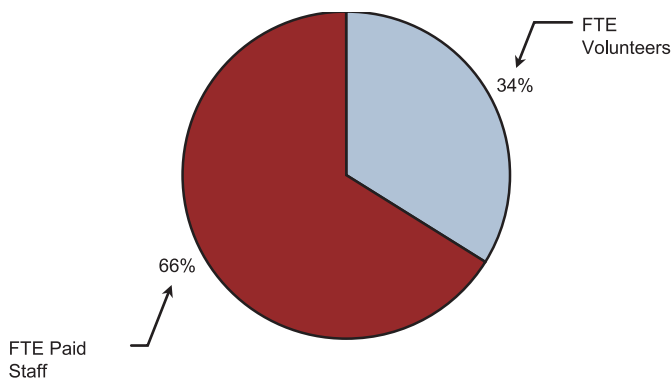
For example, the core volunteers at the Red Cross, Toronto Region contributed a total of 63,568 volunteer hours for the fiscal year ending March 31, 2000. Assuming a workweek of 37.5 hours, this is equal to 32.6 full-time equivalent (FTE) positions. This means that the Canadian Red Cross, Toronto Region has a total FTE workforce of 94.6, not just the paid staff FTE of 62. Volunteers contributed over one-third of the total activity hours associated with these 94.6 FTEs (see Figure 1). These figures are significant when considering issues related to managing the equivalent of an additional 32 FTE positions.

Nonprofit organizations can use the information from their Expanded Value Added Statement:

- in annual reports, to present a picture of the organization that may not appear in other forms of financial statements;
- in funding proposals, to help convince potential funders that, for every dollar invested, value added is generated; and,
- in recognizing the contribution of volunteers, to demonstrate the hard-dollar value of their contribution.

Figure 1

Proportion of total activity hours by volunteers and staff



Appendix: Worksheet

Worksheet — Expanded Value Added Statement

| | | Financial | Social | Combined |
|--|-----------|-----------|--------|----------|
| Outputs | Primary | (A) | (B) | (C) |
| | Secondary | (D) | (E) | (F) |
| | Total | (G) | (H) | (I) |
| Purchases of external goods and services | | (J) | | |
| Total Value Added | | (K) | (L) | (M) |
| Ratio of value added to purchases | | (N) | (O) | (P) |

- (A) The dollar value of direct services provided by the organization (e.g., delivering meals to seniors).
- (B) The dollar value of volunteer hours.
- (C) The dollar value of A and B combined.
- (D) The dollar value of expenditures on volunteer training.
- (E) The dollar value of volunteers' personal growth and development, less the organization's expenditure on training.
- (F) The dollar value of D and E combined.
- (G) The dollar value of A plus D, representing the total financial outputs.
- (H) The value of B plus E, representing total social value added.
- (I) The total of G plus H, representing the combined total of financial and social outputs.
- (J) The dollar value of all externally purchased goods and services.
- (K) G minus J. Financial contributions to value added. This represents information from audited financial statements only. This is referred to as a Restricted Value Added.

- (L) Social (i.e., volunteer) contributions to value added. This represents information about non-monetary contributions for which a market comparison is estimated — in this case, the value added by volunteers.
- (M) The dollar value of K and L combined. This represents the total value added from the financial and the social contributions. This is referred to as an Expanded Value Added Statement (EVAS).
- (N) K divided by J. For every dollar it spent on the purchase of goods and services, the organization created an additional \$0.96 cents in restricted value added.
- (O) L divided by J. For every dollar it spent on the purchase of goods and services, volunteers created an additional \$0.39 cents in value added.
- (P) M divided by J. For every dollar it spent on the purchase of goods and services, the organization and its volunteers created an additional \$1.35 in value added.

References

- Canadian Institute of Chartered Accountants. (1980). *Financial reporting for non-profit organizations*. Toronto: Author.
- Quarter, J., Mook, L., & Richmond, B.J. (2002). *What counts: Social accounting for nonprofits and cooperatives*. Upper Saddle River, NJ: Prentice Hall.