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Measuring the Value that your Organization Contributes to the Community

Calculating value: two methods

Value added

Business uses “value added” to measure the wealth it creates by “adding value” to raw materials. Value added in the private sector is the difference between what a company spends on external materials, products and services to produce a good or service, and the revenue it receives for those goods and services. This information can be found in a company’s financial statements.

Expanded value added

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

part of this value. The contributions of volunteers do not involve financial transactions and do not show up on financial statements. An Expanded Value-Added Statement expands on the financial value added by including the non-financial contributions of volunteers.

Learn how to do this calculation

For information on how to calculate the value added by your organization’s volunteers (expanded value added), please see *What Volunteers Contribute: Calculating and Communicating Value Added*, available online at www.nonprofitscan.ca and in a printed version from the Canadian Centre for Philanthropy. A more detailed account of this work is found in the book: *What Counts: Social Accounting for Nonprofits and Cooperatives* by Jack Quarter, Laurie Mook and Betty Jane Richmond (Prentice Hall, October 2002).

Case Study: Sunshine Services

Sunshine Services, a community-based organization in Anytown, Canada, uses government funding and donors’ dollars to run programs that help children, the elderly and new Canadians. Like most voluntary organizations, it is often viewed as a user of the funds and donations of others rather than as a creator of value.

Every dollar that Sunshine Services receives in funding goes to ensuring that the organization serves the community. Those dollars show up on its financial statements.

But Sunshine Services also relies heavily on volunteers to deliver its programs, to help with administrative work and to do fundraising, as well as to sit on its board. The value of these volunteer contributions does not show up on its financial statements.

In fact, Sunshine Services and its volunteers created \$1.36 in value added for every dollar spent on the external purchase of goods and services (see example on reverse). Of this value added, 44 cents, or about 32%, was attributed to volunteers.

The amount of value added created by voluntary organizations varies. Of the four organizations studied in our volunteer value added project, the

value added ranged from \$1.35 to \$8.43. For these four organizations, the amount of value added specifically attributed to volunteers ranged from 39 cents to \$2.62, with the percentage of the total value added by volunteers ranging from 29% to 70%. In other words, for voluntary organizations, Sunshine is a conservative example of both the value added and the portion of that attributable to volunteers.

Sunshine Services — and other voluntary organizations — can use this information:

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

The Sunshine Services Expanded Value-Added Statement

	Financial	Social	Combined
Outputs	(A) \$4,888,900	(B) \$1,000,522	(C) \$5,889,422
Primary	(D) \$6,200	(E) \$123,800	(F) \$130,000
Secondary	(G) \$4,895,100	(H) \$1,124,322	(I) \$6,019,422
Total	(J) \$2,545,452	(K) \$2,349,648	(L) \$1,124,322
Purchases of external goods and services	(M) \$2,545,452	(N) 0.92	(O) 0.44
Total Value Added	(P) \$2,349,648	(Q) \$1,124,322	(R) \$3,473,970
Ratio of value added to purchases	(S) 0.92	(T) 0.44	(U) 1.36

Annotations

- (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) 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 \$0.92 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 \$0.44 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 \$1.36 in value added.

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