

In Praise of *What Counts*

Touted by many sector leaders worldwide, here's what some of them have to say about *What Counts: Social Accounting for Nonprofits and Cooperatives, Second Edition*:

In Canada

"The research upon which this book is based has proven to be a powerful tool to our organization, in enabling us to fully articulate to our stakeholders and potential donors the significant impact of our added value, the social capital generated as a result of our work. We have integrated a range of the principles and practices outlined in the book, incorporating an annual assessment of our 'value added' as part of our series of benchmark indicators that both guide us internally and help tell a more accurate story externally. We applaud the innovation offered by Mook, Quarter, and Richmond in practice and principle and recommend this resource to other nonprofits seeking to demonstrate leadership in their work."

**Sharon Wood, Executive Director, Canadian Breast Cancer Foundation,
Ontario Chapter**

"Generally, books about accounting are not exciting to read. However, *What Counts* is an eye-opener and raises issues that have the potential to change practice for nonprofits, cooperatives, and other organizations with a social mission."

Eric Plato, Director of Finance and Administration, Frontier College, Toronto

"This book makes a strong contribution to nonprofit organizations and cooperatives as well as accounting as an academic field. The work of Laurie Mook, Jack Quarter and Betty Jane Richmond is innovative, original, brilliant and provocative. Social accounting is a social innovation that is worthy of dissemination among social enterprises as well as large corporations."

**Denis Harrisson, Centre de recherche sur les innovations sociales,
Université du Québec à Montréal**

"Social accounting is just as important as financial accounting. This book is very useful for studying and teaching in the field."

**Dr. Greg MacLeod, Professor Emeritus, Tompkins Institute,
Cape Breton University**

"This is a path-breaking book that has in a short time become a standard text for students and scholars of the social economy. Those who manage and govern nonprofit and cooperative organizations will benefit tremendously from the practical guides for incorporating systematic and analytical reports of social value in regular statements to stakeholders. The book's contribution goes well beyond a call for social organizations to begin assessing and communicating the true impact of their activities on communities, however, by presenting a major challenge to policy makers and the accounting profession to develop new systems of standard reporting that facilitate greater accountability of all organizations through an assessment of their social, environmental and economic value. This is a wonderful book—clear, practical and insightful—and destined to become a classic in the fields of management, accounting and nonprofit studies."

**Brenda Gainer, Royal Bank Professor of Nonprofit Management, and
Director, Nonprofit Management and Leadership Program,
Schulich School of Business, York University, Toronto**

"As more people become concerned about the social impact of economic activities, communities want to understand what the social economy does for them in creating social cohesion. This book makes a central contribution for people wishing to meet these needs. It belongs, its pages turned and reflected upon, in the board rooms and among memberships of all cooperatives and, indeed, all like-minded institutions."

**Dr. Ian Macpherson, Director, British Columbia
Institute for Co-operative Studies**

"The book is illuminating and will be useful for people involved in social organizations, either as staff, donors, or board members."

Harvey Schachter, Managing Books Columnist, *Globe and Mail*, Toronto

"At a time when our economy is making the rich richer and the poor poorer, when we are mining our ecology and when we are realizing that economic democracy is tied to political democracy, we are in great need of the tools that help us understand and measure the impacts of economic activity. *What Counts* contributes usable tools to measure what we do as a major contribution to our society and our world. We cannot manage what we cannot measure. This book is a must for anyone serious about making this world a better place for our children and grandchildren."

**Tom Webb, Program Manager, Master of Management: Co-operatives and
Credit Unions Program, Saint Mary's University, and
President, Global Co-operation Inc.**

"*What Counts* is stellar: it presents thoughtful and useful tools to count the social economy in the way it deserves to be! This book should be required reading for community leaders, policy makers and researchers alike."

**Ann Armstrong, Director, Social Enterprise Initiative,
Rotman School of Management, University of Toronto**

"*What Counts* is a superb resource for third-sector practitioners, policy-makers, philanthropists, students and scholars alike. It offers a well-researched and clear-eyed analysis of the field of nonprofit and cooperative evaluation. And its rigorously developed case studies and tools are accessible and widely and immediately applicable. This book is changing the way we value the results and performance of the social sector. *What Counts* really counts."

**Edward T. Jackson, Chair, Carleton Centre for Community Innovation,
Carleton University**

"Traditional accounting approaches struggle with measuring the 'triple bottom line' of economic, environmental, and social contributions of organizations, both not-for-profit and for-profit. Metrics for social value-added are the most challenging. This thoroughly researched book presents the Expanded Value Added Statement as a major signpost on the journey toward the Holy Grail of credibly accounting for organizations' social contributions. It belongs on the desk of leaders who care about the future."

Dr. Bob Willard, Author of *The Sustainability Advantage*

"Three Canadians have taken a major step with respect to nonprofits, with the publication of *What Counts: Social Accounting for Nonprofits and Cooperatives*. The tools in this book include a Community Social Return on Investment Model, a Socioeconomic Impact Statement, a Socioeconomic Resource Statement and an Expanded Value Added Statement. All of them give supporters considerable new information about the organization's real impact and real resource inputs. These tools supplement rather than replace regular accounting statements, so as not to lose existing information such as fund-raising expenditure and net surplus or deficit."

**Jane Garthson, Mills Garthson & Associates, Contributing Editor,
Governance, to *Canadian Fundraiser***

"Cooperatives and other organizations that serve multiple bottom lines have access to few practical tools to help them measure their social and community impact. This book addresses that resource gap and should be a key reference book on the bookshelves of all cooperatives and volunteer-based organizations. This book will help cooperatives to measure their social contributions and differentiate themselves in a marketplace that has, for too long, only embraced economic measurements of success."

Carol Hunter, Executive Director, Canadian Co-operative Association, Ottawa

"What Counts is a much-needed contribution to the literature on ways to unveil and value the range of social as well as economic contributions of organizations. This is especially important for social economy organizations, which place priority on social objectives and on contributing to an economy that is oriented first and foremost towards the needs of people rather than the accumulation of private wealth. The authors also demonstrate that the social and economic contributions of organizations are interwoven, and they demonstrate a range of specific accounting techniques that can help reveal this."

**Dr. Leslie Brown, Chair, Department of Sociology and Anthropology,
Mount St. Vincent University**

"On a personal level we have all benefited, either directly or indirectly, from the services of a nonprofit or voluntary organization. Intuitively we know how important these organizations are in our lives, but in a society focused on dollars and cents, their true value is underrated. At last, we have a book that provides nonprofits with social accounting tools with which to measure their performance more comprehensively, and in so doing, to give us all a clearer picture of their impact on society."

**Agnes Meinhard, PhD, Director, Centre for Voluntary Sector Studies,
Faculty of Business, Ryerson University, Toronto**

"Too few books for nonprofits come through with their claims to open up new vistas for this field. This book, however, is an exception. Useful for both researchers and practitioners, *What Counts* gives us not only a new perspective—that of the broader 'non-target' effects of nonprofits—but also a welcome plethora of tools to track and evaluate them."

**Ray Dart, Business Administration Program, Trent University,
Peterborough, Earth/Turtle Island**

"This book is an indispensable resource for leaders and managers of nonprofits and cooperatives who want to understand and demonstrate the full value that their organizations bring to the communities they serve. It argues, compellingly, that traditional financial statements and reports fail to acknowledge the important social contributions that nonprofit organizations and cooperatives make. Insightful and practical, it provides a framework for calculating and communicating both the social and economic value that these organizations generate."

Dr. Michael Hall, Vice President, Research, Imagine Canada

"As a participant in the research for this book, the Jane/Finch Community and Family Centre has had a firsthand opportunity to apply the Expanded Value Added Statement to our organization. Knowing the value added that we create has helped our funders to appreciate our contribution and has had the same effect for our staff and our volunteers. We have to come to realize that we don't simply use resources, but that we also add value to society through our services."

**Margarita Mendez, Executive Director, Jane/Finch
Community and Family Centre, Toronto**

In Israel

"The originality of this book is its integration of the discussion of theoretical topics with the presentation of case studies and with detailed analysis of accounting systems. This mixture might be problematic for some readers; it has however the advantage of bridging theory and practice and offers important tools to the practitioners of social and economic organizations."

Professor Menachem Rosner, University of Haifa

In Sweden

"The insight that social undertaking and economic activity are two faces of one and the same coin is voiced by many, but concretely measured only by few. *What Counts* is perhaps the most prominent example of this latter group. The book argues for, and develops, workable quantitative measurement tools for the elusive field in which economic and social inputs shade into, and are converted and reconverted into each other. In doing this, it actually manages the rare feat of being both a no-nonsense undergraduate textbook, and a substantial contribution to case study research method. The standards it sets for the measurement of social and voluntary inputs' *economic* impact—a sphere that is all too often overshadowed by traditional fund-raising (or, in the European case, grant-raising) deserve particular attention, and have the makings for becoming highly useful management tools as well."

**Dr. Yohanan Stryjan, Professor of Business Administration,
Södertörns högskola, Stockholm**

In the United Kingdom

"This is an intriguing book written at the interface between theory and practice in social accounting by three individuals who operate on the boundary of academe and the applied world of the third sector organizations in Canada."

**Rob Gray, Professor of Social and Environmental Accounting,
The School of Management, St Andrews University,
Scotland**

"The need for organizations to assess impact and demonstrate value is growing. Most, however, are grappling with exactly how to go about it. *What Counts* provides a valuable framework and guide for organizations. It offers insights and practical suggestions for how organizations can get to grips with social accounting and moves us on considerably in our thinking."

**Dr. Angela Ellis Paine, Assistant Director, Institute for
Volunteering Research, London, England**

In the United States

"For years, I collected examples of social accounting practices and developed a thick folder of materials. Thankfully, it has now been replaced by a detailed and effectively written reference—*What Counts*."

**Elizabeth K. Keating, CPA, Senior Research Fellow,
Hauser Center, Harvard University**

"This book is very significant in providing the beginnings of an alternative social accounting that can actually be described conceptually with procedures spelled out in a 'how-to-do' manner. I cannot rave enough about the significance and value of this book."

Thomasina Borkman, Professor, George Mason University

"*What Counts* is impressive for the depth of scholarship and astonishing wealth of detail. I am excited about this fine contribution to the literature on social accounting. The book can be utilized by professors as a teaching resource to complement general nonprofit management and finance courses in schools of social work, public administration, and business. Agency accountants and external consultants will also find that the case materials described in this volume can be used to develop social accounting statements for the benefit of board members, managers, volunteers, and funders."

Karun K. Singh, Faculty of Social Work, Hunter College, New York

"With new questions arising every day to challenge the contributions that nonprofits make to our communities, it is essential that we have the tools to clearly demonstrate our worth. This book holds out the promise that we can meet this challenge. For those of on the firing line, Mook, Quarter, and Richmond give us the ammunition we need to answer the communities' questions."

Bill Benet, Ph.D., Director, Community/University Partnership Project, Rochester, New York

"*What Counts* focuses on the crucial issue of fully valuing the contributions of nonprofit organizations, in particular their volunteers, to the larger society. Conventional accounting practices tend to overlook these aspects, even though they are among the most important effects of nonprofit organizations. Building from sound theory and principles of accountancy, the authors present novel approaches to address this oversight that advance the field. At the same time, they write with a view to application so that the new approaches are equally valuable for nonprofit practitioners and academic researchers."

Jeffrey L. Brudney, Ph.D., Albert A. Levin Chair of Urban Studies and Public Service, Cleveland State University

"This important book shows us how to rethink the way in which nonprofits do their accounting. By ignoring social accounting, nonprofits at their own peril ignore the value they add to society. I highly recommend this book to all practitioners and academics in the field of nonprofit management."

Femida Handy, Associate Professor, University of Pennsylvania and York University

"As the authors point out, conventional accounting statements are internally focused reports that emphasize financial dimensions of the organization and market-based measures. By contrast, the methodology of social accounting that is developed in this book casts a wider net, giving a fuller picture of the net contributions, resource usage, liabilities and assets, of an organization. It is especially relevant to nonprofit organizations, whose missions are explicitly social, which engage multiple important stakeholder groups, and which productively employ large quantities of volunteer effort. The net effect is that social accounting potentially provides a much fuller, more accurate, and very likely a more positive picture of the social and economic contributions that nonprofit organizations make to society."

Dennis Young, Bernard B. and Eugenia A. Ramsey Professor of Private Enterprise and Director of the Nonprofit Studies Program, Georgia State University, and President of the National Center on Nonprofit Enterprise

"I highly recommend this book for anyone seeking to analyze social capital and understand why traditional business accounting that focuses on money in and out is just not sufficient to value the nonprofit sector. *What Counts* is especially unique in adding the contribution of volunteers to the measurement of nonprofit resources."

Susan J. Ellis, President, Energize, Inc., Philadelphia, Pennsylvania

"In recent years, the idea of social accounting has shown signs of a renaissance, with a good bit more attention this time around to the organizational level and the problem of accountability. I find the approach of Laurie Mook, Jack Quarter and Betty Jane Richmond one which should be studied closely by all those interested in nonprofit financial reporting."

**Roger Lohmann, Editor, *Nonprofit Management and Leadership*;
Professor, West Virginia University**

"The practice of accounting as an indispensable assessment technique has for centuries been gradually evolving to reflect selected social values. Now accounting takes a quantum leap in this vital and well-grounded guide to measuring the value of volunteers. Mook, Quarter, and Richmond raise professional standards of accounting to include the formerly invisible value of unpaid labour in this classic contribution to accounting theory and practice."

John R. Whitman, PhD, Social Values Consultant, Boston, Massachusetts

"We in cooperatives have always known our organizations contribute far more than the financial statement suggests. *What Counts: Social Accounting for Nonprofits and Cooperatives* shows how cooperatives can go beyond traditional accounting and tell a fuller story of our contributions to our members, communities and society."

**Leslie Mead, Executive Administrator, Association of Cooperative Educators,
Arlington, Virginia**

"An unknown sage said, 'What gets measured gets managed.' *What Counts* is an ambitious effort to apply social accounting to nonprofit and cooperative organizations, to make sure that 'what counts' about these organizations gets counted and explicitly accounted for. The authors expand and apply the social accounting framework initially developed to account for the social and environmental effects of for-profit organizations to nonprofits and cooperatives."

**Denise Nitterhouse, MBA, DBA, School of Accountancy & Management
Information Systems, DePaul University, Chicago**

WHAT COUNTS

SOCIAL ACCOUNTING FOR NONPROFITS AND COOPERATIVES

SECOND EDITION

Laurie Mook

**Ontario Institute for Studies in Education,
University of Toronto**

Jack Quarter

**Ontario Institute for Studies in Education,
University of Toronto**

Betty Jane Richmond

York University

Sigel
Press

Sigel Press
37 Rosebank Grove
London E17 6RD
England

Visit us on the World Wide Web at:
www.sigelpress.com

First edition published by Prentice Hall, a division of Pearson Education, Inc., Upper Saddle River, New Jersey, 07458, USA, Copyright ©2003

Second edition published by Sigel Press, London, England, E17 6RD, Copyright ©2007

The rights of Laurie Mook, Jack Quarter and Betty Jane Richmond, identified as authors of this work, have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

Credits and acknowledgements borrowed from other sources and reproduced, with permission, in this textbook appear on the appropriate page within the text.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without either the prior written permission of the publisher or a license permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, 90 Tottenham Court Road, London W1T 4LP.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

ISBN: 1-905941-01-3

ISBN: 978-1-905941-01-8

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library

Typeset by Professional Book Compositors, Lorain, Ohio, USA
Printed and bound by CPI Antony Rowe, Eastbourne, England

The publisher's policy is to use paper manufactured from sustainable forests.

To the many dedicated staff, volunteers, and members of nonprofits and cooperatives who are doing work that counts

About the Authors

Laurie Mook is director of the Social Economy Centre of the University of Toronto. She has degrees in accounting, international development, and education. During her Ph.D. studies she was a Social Sciences and Humanities Research Council of Canada doctoral fellow at the Ontario Institute for Studies in Education of the University of Toronto. As part of her research, Mook has taken the lead in designing accounting statements that are appropriate for organizations with a social mission. One such adaptation is the Expanded Value Added Statement (EVAS), a statement that illustrates the impact of the organization upon the surrounding community and the effects of the organization on an array of stakeholders. In her Ph.D. thesis, Mook applied this framework to environmental accounting.

Jack Quarter is a professor at the Ontario Institute for Studies in Education of the University of Toronto, specializing in the study of nonprofits, cooperatives, and the social economy. He is one of the first researchers in English Canada to undertake a comprehensive study of the social economy, published in his 1992 book, *Canada's Social Economy*. Quarter is the author of 12 books and over 100 journal papers and book chapters addressing a broad range of social issues. He is the principal investigator for large number of research projects funded by the Social Sciences and Humanities Research Council of Canada (SSHRC), including the research currently being undertaken through the Social Economy Centre, but his more recent work has, together with Mook and Richmond, focused upon social accounting and its application to nonprofits and cooperatives.

Betty Jane Richmond (B.J.) is a professor in the Faculty of Education, York University, specializing in inclusive education, adult and community education. Richmond has extensive experience in the nonprofit sector including work with a large Ontario-wide funder of nonprofits. For her doctoral thesis (under the supervision of Jack Quarter) at the Ontario Institute for Studies in Education of the University of Toronto, Richmond developed the Community Social Return on Investment model and applied it to a community-based training agency for people on social assistance because of various forms of disability. Richmond won the outstanding dissertation award for 1999 from ARNOVA (Association for Research on Nonprofit Organizations and Voluntary Associations), the leading learned society in this field.

Brief Contents

List of Tables and Figures	xxiii
Foreword	xxvii
Preface	xxix
CHAPTER 1 Introduction	1
CHAPTER 2 The Social Economy	13
CHAPTER 3 Social Accounting: Theory and Practical Applications	39
CHAPTER 4 A Social Return on Investment Approach	65
CHAPTER 5 Socioeconomic Impact and Resource Statements: Junior Achievement of Rochester	87
CHAPTER 6 An Expanded Value Added Statement	109
CHAPTER 7 Volunteer Value Added: Five Nonprofits	133
CHAPTER 8 A Social Accounting Toolkit	167
CHAPTER 9 Making It Count	195
Afterword	215
References	217
Index	233

Contents

List of Tables and Figures	xxiii
Foreword	xxvii
Preface	xxix
CHAPTER 1 Introduction	1
Nonprofits and Cooperatives	4
A Changing Context for Accounting	8
Book Outline	10
Questions for Discussion	12
Notes	12
CHAPTER 2 The Social Economy	13
Economic Impact	13
The Social Economy	16
Public Sector Nonprofits	17
Market-Based Associations	19
Civil Society Organizations	20
Classification Summary	22
Relationship Between the Social Economy and the Other Sectors	23
Underlying Characteristics	23
Social Objectives	24
Social Ownership	27
Volunteer/Social Participation	30
Civic Engagement	33
Conclusion	36
Questions for Discussion	37
Notes	38

CHAPTER 3 Social Accounting: Theory and Practical Applications	39
Defining Social Accounting	39
A Systematic Analysis	42
The Effects of an Organization	43
Estimating a Market Value for Volunteer Service	45
Estimating a Market Value for Other Non-monetized Outputs	46
The Need for Social Indicators	48
Summary of the Effects of an Organization	50
Communities of Interest or Stakeholders	51
Stakeholder Input as Part of the Data	53
Social Auditing Versus Social Accounting	54
Objective Versus Subjective	55
Other Issues	56
An Integrated Approach to Social Accounting	57
A Socio-Economic Operating Statement (SEOS)	58
Social Impact Statements and Assessments	59
An Elaborated Social Impact Statement	60
Cooperative Social Balance	60
An Integrated Social and Financial Balance Sheet and Income Statement	61
Conclusion	62
Questions for Discussion	63
Notes	63
CHAPTER 4 A Social Return on Investment Approach	65
Social Return on Investment: The Roberts and Benson Approaches	65
Community Social Return on Investment Model	68
Methodology	69
Creating a Community Social Return on Investment Report	71
Background Issues	71
Outgoing Resources	75
Creating the Community Social Return on Investment Statement	79
Additional Disclosure	79
Summary of the Report	81

Discussion	82
Questions for Discussion	84
Notes	85
CHAPTER 5 Socioeconomic Impact and Resource Statements: Junior Achievement of Rochester	87
Junior Achievement of Rochester	87
The Socioeconomic Impact Statement	90
Socioeconomic Impact Statement: Junior Achievement of Rochester	91
Impact on the Social Economy	91
Impact on the Private Sector	94
Impact on the Public Sector	94
Surplus (Deficit)	95
Discussion	95
California Commuters	96
The Socioeconomic Resource Statement	99
Capital	99
Intellectual Capital	99
Junior Achievement of Rochester	101
Resources Available	101
Intellectual Capital	101
Economic Capital	104
Obligations	105
Intellectual Capital	105
Economic Capital	105
Net Resources (Obligations)	106
Discussion	106
Questions for Discussion	107
Notes	108
CHAPTER 6 An Expanded Value Added Statement	109
What Is Value Added?	111
Rationale for an Expanded Value Added Statement	113

The Organization	115
Creating the Expanded Value Added Statement	116
Primary Outputs	117
Secondary Outputs	119
Tertiary Outputs	121
Total Outputs	121
Subtracting External Purchases	122
Ratio of Value Added to Purchases	122
Distribution of Value Added	123
Employees	123
Residents	123
Society	124
Providers of Capital	125
Organization	125
Summary of Value Added Distribution	125
Implications	125
Discussion	127
Conclusion	130
Questions for Discussion	131
Notes	132
CHAPTER 7 Volunteer Value Added: Five Nonprofits	133
Case One: Jane/Finch Community and Family Centre	134
Human Resources	135
Collecting the Information for the EVAS	136
Primary Outputs	137
Secondary Outputs	138
Estimating the Market Value for Personal Growth and Development	139
Calculating Volunteer Value Added	139
Distribution of Value Added	140
Case Two: Canadian Red Cross, Toronto Region	142
Estimating the Volunteer Hours	143
Determining a Comparative Market Value	144

Out-of-Pocket Expenses	144
Estimating the Market Value for Personal Benefits	145
Calculating Volunteer Value Added	145
Distribution of Value Added	146
Case Three: Canadian Crossroads International	147
Primary Outputs	148
Secondary Outputs: Personal Benefit	149
Calculating Volunteer Value Added	150
Distribution of Value Added	151
Case Four: Canadian Breast Cancer Foundation—Ontario Chapter	154
Comparative Market Value for Volunteers	155
Out-of-Pocket Expenses	156
Secondary Outputs: Personal Benefits	156
Calculating Volunteer Value Added	157
Distribution of Value Added	157
Fund-Raising: A Different Perspective	158
Case Five: Junior Achievement of Rochester, New York Area, Inc.	160
Summary and Conclusion	162
Questions for Discussion	164
Notes	165
CHAPTER 8 A Social Accounting Toolkit	167
Accounting for the Value of Volunteer Contributions	168
Step 1. Calculating Volunteer Tasks and Hours	168
Step 2. Calculating Volunteer Hours	171
Step 3: Estimating A Market Value of Volunteer Hours	173
Step 4: Calculating Volunteer Hours Within Overall Resources	175
Additional Calculations: Volunteer Out-of-Pocket Expenses	177
Value to Volunteers	180
Summary of Volunteer Measures	182
Identifying and Evaluating Social Outputs and Value	182
Identifying Social Outputs	183
Resources for Identifying Outputs	184

Assigning a Value to Outputs	186
Summary of Social Outputs Measures	187
Collecting Background Information	187
Summary of the Background Section	192
Conclusion	192
Questions for Discussion	193
Notes	193
CHAPTER 9 Making It Count	195
Broadening the Domain	195
Accountability Framework with Multiple Stakeholders	199
Building A Supportive Infrastructure	201
Reinterpreting What Is Valued	204
Redefining the National Accounts	204
Social Investment	207
Conclusion	209
Questions for Discussion	213
Afterword	215
References	217
Index	233

List of Tables and Figures

Tables

Table 2.1	Classification by Funding Source and Orientation	22
Table 4.1	Community Social Return on Investment	78
Table 4.2	Secondary Outputs of the Computer Training Center	80
Table 5.1	Volunteer Hours Contributed	89
Table 5.2	Volunteer Out-of-Pocket Expenses Contributed	90
Table 5.3	Socioeconomic Impact Statement	93
Table 5.4	Statement of Activities and Changes in Net Liabilities	95
Table 5.5	Socioeconomic Impact Statement Impact of Organization on Environment	98
Table 5.6	The Socioeconomic Resource Statement	102
Table 5.7	Changes in the Value of Volunteer Hours	103
Table 5.8	Volunteer Hours Contributed	103
Table 5.9	Statement of Financial Position	106
Table 6.1	Typical Corporate Value Added Statement	113
Table 6.2	Expanded Value Added Statement (Partial) for WCRI	116
Table 6.3	Reconciliation of Expenditures on Audited Financial Statements to Purchases of External Goods and Services on a Value Added Statement	122
Table 6.4	Distribution of Value Added: Expanded Value Added Statement (Partial) for WCRI	124
Table 7.1	Staff Estimate of Volunteer Hours	136
Table 7.2	Calculation of Market Value of Volunteer Hours Contributed	138
Table 7.3	Expanded Value Added Statement (Partial)	140

Table 7.4 EVAS (Partial)—Distribution of Value Added	141
Table 7.5 Estimate of Volunteer Hours for the Social Accounting Year	143
Table 7.6 Calculation of Market Value of Volunteer Hours Contributed	144
Table 7.7 Calculation of Volunteer Out-of-Pocket Expenses	145
Table 7.8 Expanded Value Added Statement (Partial)	146
Table 7.9 EVAS (Partial)—Distribution of Value Added	146
Table 7.10 Hours Contributed and Market Value, by Volunteer Task	149
Table 7.11 Expanded Value Added Statement (Partial)—Example 1	150
Table 7.12 Expanded Value Added Statement (Partial)—Example 2	151
Table 7.13 EVAS (Partial)—Distribution of Value Added—Example 1	152
Table 7.14 EVAS (Partial)—Distribution of Value Added—Example 2	153
Table 7.15 Staff Estimate of Volunteer Hours	155
Table 7.16 Calculation of Market Value of Volunteer Hours Contributed	156
Table 7.17 Expanded Value Added Statement (Partial)	157
Table 7.18 EVAS (Partial)—Distribution of Value Added	158
Table 7.19 EVAS (Partial)—By Fund-raising and Programs	159
Table 7.20 Expanded Value Added Statement (Partial)	161
Table 7.21 EVAS (Partial)—Distribution of Value Added	162
Table 8.1 Staff Estimate of Volunteer Hours	171
Table 8.2 Calculating Volunteer Hours as a Percentage of Total Human Resources	172
Table 8.3 Volunteer Hours Contributed	174
Table 8.4 Calculation of Market Value of Volunteer Hours Contributed	175
Table 8.5 Calculating Volunteer Hours as a Percentage of Overall Resources	176
Table 8.6 Calculation of Volunteer Out-of-Pocket Expenses	178

Figures

Figure 2.1	The Social Economy in Relation to the Private and Public Sectors	24
Figure 4.1	Template of One-Year Community Social Return on Investment	69
Figure 5.1	Socioeconomic Impact Statement: Inflows and Outflows by Key Stakeholder Groups	96
Figure 5.2	Value Creating Resources of an Organization	100
Figure 6.1	A Graphic Illustration of Profit	110
Figure 6.2	A Graphic Illustration of Value Added	111
Figure 6.3	Monetary and Non-monetary Contributions	126
Figure 6.4	Proportion of Total Activity Hours by Residents and Staff	127
Figure 6.5	Expanded Value Added Statement	128
Figure 7.1	Human Resources	163
Figure 7.2	Value Added Reported and Unreported	164
Figure 8.1	Volunteer Hours as a Percentage of Total Human Resources	173
Figure 8.2	Volunteer Value Within Overall Resources	177
Figure 8.3	Sample Items from Survey	178
Figure 8.3	Sample Items from Survey Continued	179
Figure 8.4	Sample Items to Assess Negative Experiences	181
Figure 8.5	Calculating Volunteer Personal Growth and Development	182
Figure 8.6	Partial Program Outline	191

Foreword

What Counts: Social Accounting for Nonprofits and Cooperative, Second Edition, by Laurie Mook, Jack Quarter, and Betty Jane Richmond, raises an important issue for nonprofits. Those of us who care about the nonprofit sector have long recognized that conventional accounting does not count many important contributions of nonprofit organizations.

Also, as we know, many nonprofits rely heavily on volunteers and because they are not paid, their contributions normally do not find their way onto accounting statements. These uncounted contributions are significant: The most recent figures on volunteering from the Independent Sector indicate that for the year 2000, 44 percent of adults over the age of 21 (83.9 million) volunteered a total of 15.5 billion hours, or the equivalent of over 9 million full-time positions.

For these reasons, *What Counts* is a very timely analysis of a major challenge facing nonprofits today—how to properly assess social impacts and the important contributions of volunteers. In an era of resource constraints and increased demands for accountability, creating accounting procedures that highlight the social impacts of nonprofits is critical. *What Counts* tackles this issue by presenting actual social accounting statements that allow nonprofits to do just that: Four models are presented using seven case studies. Among the issues that are addressed within these accounting statements are the value of volunteer contributions, the impact of the organization on the personal growth and development of its volunteers, the impact of the organization on the recipients of its services, the impact on the community, and the impact on the environment. In other words, these statements address issues that are of importance to nonprofits.

The field of accounting has traditionally evolved in response to the needs of the business community. While this is an important constituency, nonprofits are different in that they do not have shareholders and they serve many stakeholders. Therefore, new accounting models are needed that speak to the uniqueness of nonprofits. While going a long way in demonstrating how volunteer contributions and unpaid services to the community can be included in accounting statements, *What Counts* acknowledges that this work represents only a beginning. Nevertheless, it is an important beginning!

Alan J. Abramson
Director, Nonprofit Sector and Philanthropy Program
The Aspen Institute
Washington, D.C.

Preface

This second edition of *What Counts* coincides with the release of *VolunteersCount*, an online software program that allows nonprofits and other community organizations to keep records of their volunteers. This online program attributes an estimated value to volunteer contributions and produces social accounting reports that present the volunteer contributions as a percentage of human resources and of financial resources. The online program also produces an adaptation of a Value Added Statement called an Expanded Value Added Statement, which is discussed in detail in this book.

At this point in time, it is not uncommon for nonprofits, under increasing pressure from funders, to justify the impact of their expenditures and to keep records of volunteer contributions to their organizations. Even though an increasing number of nonprofits record their volunteer contributions, most do this work manually. A national survey of 661 Canadian nonprofits we undertook in 2004 indicated that 41 percent kept records of volunteer contributions through their organization, but about 80 percent of that group did so manually—that is, without a computerized system. *VolunteersCount* should help such organizations; even more so because, as an open source program, it is available without charge.

Embedded within *VolunteersCount* is an electronic workshop that explains social accounting in basic terms and that discusses strategies for including volunteer value within a social accounting system. This workshop, like this book, helps participants obtain an understanding of the reports in *VolunteersCount* as well as an understanding of social accounting more generally. While there is a growing body of research and writing about social accounting, most of it represents a critique of conventional accounting (see Chapter 3). Relatively little of this work presents alternative accounting frameworks, and even less is applied to nonprofits and cooperatives, or to what we label as the social economy (see Chapter 2).

The accounting statements used for organizations in the social economy are identical to those applied to businesses oriented to generating profits for their owners. However, accounting statements for nonprofits and cooperatives miss an important feature of their activities—these are organizations with a social mission and, as such, their social impact is a vital part of their performance story. In addition, nonprofits rely in varying degrees on volunteers, yet ironically the value of this service normally is excluded from accounting statements. In other words, for organizations with a social mission conventional accounting misses critical aspects of their operations. This book begins the process of rectifying this oversight by including within accounting statements the contribution of volunteers and other forms of unpaid labor (unpaid member contributions in a cooperative and nonprofit mutual association) and social outputs that

normally are not exchanged in the market. This is a challenging task because it involves making appropriate market comparisons for items normally not involving any market exchange. We locate this work in the emerging field of social accounting, which attempts to broaden the domain of accounting by analyzing the impact of the organization on society and the natural environment. In this book we define social accounting as a **systematic analysis of the effects of an organization on its communities of interest or stakeholders, with stakeholder input as part of the data that are analyzed for the accounting statement.** This definition is developed in detail in Chapter 3.

The predominant tradition in social accounting is the creation of qualitative reports that systematically organize feedback from stakeholders on how well the organization is meeting its mission. In general, social accounting has bypassed financial statements and limited itself to supplementary reports, also referred to as social or ethical audits. We depart from this tradition and utilize actual accounting statements but with a difference—we broaden the domain that is considered and attempt to tell a more complete story of the organization's performance.

Three social accounting statements are presented in this book:

- the Socioeconomic Impact Statement, an adaptation of an income statement;
- the Socioeconomic Resource Statement, an adaptation of a balance sheet; and
- the Expanded Value Added Statement, an adaptation of a Value Added Statement.

In addition, a fourth approach—the Community Social Return on Investment model—was created specifically to measure the social impact of nonprofits. While not a formal accounting statement in the same sense the Socioeconomic Impact Statement, the Socioeconomic Resource Statement, and the Expanded Value Added Statement, the Community Social Return on Investment model is a relatively simple framework that social organizations can use to measure their social impact.

With each of these approaches, volunteer contributions and other forms of unpaid labor are included as are some social outputs that are not exchanged on the market. These approaches are applied to seven different organizations—nonprofits and one student-housing cooperative. For each application, there are illustrations and detailed explanations of how the calculations were arrived at. In addition, one chapter presents the data collection devices used in the book—these are useful for preparing social accounting statements and for organizations wanting to systematize their record keeping of volunteers and social impacts and to place a market value on them.

This second edition of *What Counts* serves as an explanatory text for *VolunteersCount* and also presents a theoretical rationale for this work. We view the book also as a supplementary text for persons in such programs as nonprofit management, cooperative management, and accounting. In addition, we feel that it is written in such a way as to be of use to managers of nonprofits and cooperatives in such activities as:

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

This book is an outgrowth of each of our diverse but related experiences. Betty Jane Richmond (B.J.) has served in management and on the board of directors with various nonprofits and worked with a large nonprofit foundation. Currently, she teaches in the Faculty of Education at York University. Through her experiences with nonprofits, she began to realize that the ways of evaluating how well a nonprofit organization is doing are limited and unbalanced. The costs of nonprofits are all too evident, but the value they contribute to the community is not easily assessed. She concluded that the evaluative mechanisms for nonprofits, including the accounting systems, are missing something critical—the impact of their services on their clients and the community.

For her doctoral thesis (under the supervision of Jack Quarter) at the Ontario Institute for Studies in Education of the University of Toronto, Richmond developed the Community Social Return on Investment model and applied it to a community-based training agency for people on social assistance because of various forms of disability. That perspective looked at part of the social return that these organizations create. Within this work, Richmond utilized the social economy framework that had been developed in Western Europe and had been applied to a Canadian context by Quarter, and written up in his book, *Canada's Social Economy*, and subsequent research. Unlike most frameworks for nonprofits, the social economy casts a broader net and includes all types of organizations formed primarily for a social purpose, including nonprofits oriented to the public and often with a charitable status, nonprofit mutual associations serving a membership, and cooperatives. All of these are referred to as social organizations. Richmond won the outstanding dissertation award for 1999 from ARNOVA (Association for Research on Nonprofit Organizations and Voluntary Associations). ARNOVA, based at the University of Indiana, is the major international association for researchers of nonprofits.

Through a fortuitous contact, Richmond met Laurie Mook, and together they began extending this work. With funding from the Canadian Co-operative Association, Ontario Region (now the Ontario Co-operative Association), they conducted research into how a student-run housing cooperative participated in the social and economic life of its community. In this research, Mook (a researcher who completed a Certified General Accountant's degree and who has a related set of social interests that led to degrees in International Development and in Educational Policy Studies) adapted a

Value Added Statement to illustrate both the social labor contributed by members to the cooperative and the effects of the organization on an array of stakeholders. This adaptation was named an Expanded Value Added Statement (EVAS). Mook undertook her Ph.D. program at the University of Toronto with the support of a prestigious doctoral fellowship from the Social Sciences and Humanities Research Foundation of Canada (SSHRC). Mook's thesis extends her research on the Expanded Value Added Statement and applies it to environmental accounting. She too was under the supervision of Jack Quarter.

After the completion of the project with the student housing cooperative in 2000, the three of us were fortunate to receive an International Year of the Volunteer grant from Human Resources Development Canada and the Canadian Centre for Philanthropy (the forerunner to Imagine Canada and the apex organization for nonprofits in Canada). The International Year of the Volunteer project with the Canadian Red Cross, Toronto Region, Canadian Breast Cancer Foundation, Ontario Chapter, Canadian Crossroads International, and the Jane/Finch Community and Family Centre, as well as a related project with the Junior Achievement program in Rochester, New York, allowed us to apply the Expanded Value Added Statement in different contexts. The project also permitted us to address more specifically the issues of attributing a comparative market value to non-monetary items, including volunteer contributions, within such a statement. As part of the work with Junior Achievement of Rochester, an income statement has been adapted to a Socioeconomic Impact Statement and a balance sheet to a Socioeconomic Resource Statement. These adaptations better suit the social purpose of this organization and take into consideration its important stock of intellectual capital.

In writing the book, it was also important for us to make accessible knowledge about suitable approaches to accounting for nonprofits and cooperatives to current and future managers and directors of these organizations. Through the International Year of the Volunteer project, we developed hands-on experience in how to help nonprofits track their volunteer tasks, hours, and non-reimbursed out-of-pocket expenses, and how to research the skills that they develop from volunteering. In addition, we have conducted workshops on social accounting with more than 700 staff and Board members of nonprofits and cooperatives. Instruction and examples illustrating how to proceed with social accounting can be found in our how-to chapter (Chapter 8).

We view the models that are presented here as a beginning rather than a final point. As will become apparent from our discussion in the chapters that follow, developing appropriate accounting systems for social organizations requires creating practical and replicable procedures for measuring the effects on key stakeholders, including society. Doing this requires time-consuming research on the creation of appropriate benchmarks or social indicators that become the standards for interpretation and also requires general agreement among professionals who account for the performance of social organizations. For example, measuring the contributions of volunteers is a complex labor-intensive process that social organizations often are reluctant to become involved with, in part because of a lack of human resources. Part of the solution is practical

(establishing the know-how) and part is political (establishing the agreement of the profession about standards that should be applied for estimating the dollar value of particular volunteer tasks).

In addition to the financial support already mentioned, some of the research flowing into this manuscript was supported by a grant from the Kahanoff Foundation, 1998–99, through the Queen’s University School of Policy Studies, that permitted some development of the social economy framework. More recently, our research has been supported by grants from the Social Sciences and Humanities Research Council of Canada (SSHRC), including a Public Outreach grant, which includes the development of *VolunteersCount* and its related electronic training tutorial. For this latter work, we are working closely with Imagine Canada, the umbrella organization for nonprofits in Canada.

We are also indebted to a number of people with whom we have worked with these models. These are the staff and board of directors of the Waterloo Co-operative Residence Incorporated (WCRI); Cathy Lang, former Ontario Regional Director of the Canadian Co-operative Association; Kunle Akingbola, former Manager of Employee and Volunteer Resources, and Maria Harlick, Director, Service Support & Development Services, at the Canadian Red Cross, Toronto Region; Margarita Mendez, Executive Director, and Clare Blythe, Volunteer Coordinator, at the Jane/Finch Community and Family Centre; Karen Takacs, Executive Director, Ian McNeil, Director of Finance, and Mario Gagnon, National Program Manager, at Canadian Crossroads International; Sharon Wood, Ontario Chapter Executive Director, and Beth Easton, the Ontario Community Programs Director, of the Canadian Breast Cancer Foundation; and Andrew Portanova, President, and Rebecca Sherman, Program Manager, of the Junior Achievement program of Rochester, New York.

To undertake this research, we were fortunate to have the assistance of some highly skilled and motivated graduate students: Dorothy Aaron, Anne Dimito, Michelle Hamilton-Page, Jorge Sousa, and Shannon Wall. Jorge also put together the index of the book and generously assisted with formatting. His support was invaluable in making the manuscript camera ready.

Professor Daniel Schugurensky helped us to formulate the discussion questions at the end of each chapter and Hugh Oliver gave generously of his unique skill in the use of the English language. We would like to thank those who have commented on earlier versions of this manuscript, and in so doing have provided feedback that has helped us to move the ideas forward: Professors Thomasina Borkman and Patricia Lewis of Nonprofit Management Studies at George Mason University; Professor Roger Lohmann of West Virginia University; Professor Ian MacPherson, University of Victoria; Professor Leslie Brown of Mount St. Vincent University; Professor Emeritus Hugh Oliver of the Ontario Institute for Studies in Education of the University of Toronto; and Bill Benet, Director of the Community/University Partnership Project. Angela Ellis and Kathy Gaskin were helpful in passing on their work on the Volunteer Investment and Value Audit (VIVA).

In particular, we would like to extend our appreciation to Professor Femida Handy (University of Pennsylvania and York University) with whom we have collaborated on

the SSHRC-funded research and who has been a great support in developing and promoting this work. Michael Hall, Vice-President of Research for Imagine Canada, has provided ongoing support for our work. We give a special word of thanks to Thomas Sigel, the former Acquisitions Editor (Accounting) of Prentice Hall, for believing in our work. Thomas, as is probably apparent from the front matter, is now our publisher.

On a personal level, we would like to thank Daniel Schugurensky, who went well above and beyond the call of parenthood while Laurie worked on the manuscript, Robert Paskoff along with B.J.'s family and friends for their support while her many duties called, and Dale Willows, who was there at all times for Jack.

Laurie Mook
Jack Quarter
B.J. Richmond