

# accounting for social impact

## ○ | The Expanded Value Added Statement

Social accounting examines ways in which economic, social and environmental value can be captured and communicated. Building on traditional accounting principles, the Expanded Value Added Statement (EVAS) is an innovative tool to account for economic, social, and environmental factors. It provides a way to account for traditionally non-monetized factors (such as volunteer hours) to provide a better picture of social value creation.

### Social Accounting

An accounting framework influences how a corporation defines success. Traditional accounting focuses on maximizing shareholder value and on the financial bottom line. However, an increasing number of corporations are interested in “double” or “triple” bottom line accounting. They are interested not only in measuring the impact of their business practices on the financial bottom line, but also the impact on their employees, the communities in which they operate, and the natural environment.

Given the lack of common practices around social impact assessment, many social ventures are judged solely by their financial metrics even if social goals are a primary driver.<sup>1</sup> Social accounting broadens this focus to include social and/or environmental objectives which are traditionally not reflected in accounting statements. It encompasses a broader definition of the ways in which organizations create value for different groups, by seeking to account for their social and environmental impacts in addition to financial performance. The Expanded Value Added Statement represents one innovative tool to account for social value creation.

### The Expanded Value Added Statement

The EVAS is a method of social accounting which attempts to answer the question, *what difference do our actions make in economic, social and environmental terms?*, in sharp contrast to the question asked by traditional accounting, *how can we maximize profit for our owners?*<sup>2</sup> Developed by Dr. Laurie Mook at the University of Toronto, the EVAS builds on traditional corporate accounting concepts to capture the social value that is created by (investments in) social ventures.<sup>3</sup> As well, the EVAS can be used to show how this value is distributed to a variety of stakeholders, including the wider community.

The EVAS attempts to quantify and place a value on goods and services that are usually viewed as “free.” It integrates financial and social information: financial information from audited financial statements, and social values from calculations of typically non-monetized factors, such as volunteer hours. For instance, the contributions of unpaid volunteers to non-profits, a valuable resource for many organizations, don't get “counted” in traditional accounting

## ○ | Social Accounting

## ○ | Measuring The Value of Volunteering

<sup>1</sup> Catherine Clark, William Rosenzweig, David Long, and Sara Olsen.(2004) “Double Bottom Line Project Report: Assessing Social Impact in Double Bottom Line Ventures. Methods Catalog.”, [www.riseproject.org/DBL\\_Methods\\_Catalog.pdf](http://www.riseproject.org/DBL_Methods_Catalog.pdf), p.3

<sup>2</sup> Laurie Mook (2007) *Social and Environmental Accounting: The Expanded Value Added Statement*. Unpublished doctoral dissertation. University of Toronto, Ontario Institute for Studies in Education. p.142

<sup>3</sup> Laurie Mook, Jack Quarter, and Betty Jane Richmond (2007). *What Counts: Social accounting for nonprofits and cooperatives*. Second Edition. London: Sigel Press.

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“*Social accounting seeks to encompass a broader definition of what is counted and what is excluded.*”

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statements. The EVAS provides a methodology that can account for some of these important contributions to illustrate the social value created.

**Valuing Volunteers: Items typically not monetized in financial statements**

- Value of volunteer time contributed to non-profits (as a resource for non-profits)
- Unpaid or subsidized specialized or technical contributions (such as free consulting)
- Informal skill development received by volunteers (e.g. leadership and management)
- Personal development of volunteers
- Community networking and collaboration

**Applying the EVAS**

**Employee volunteering:** The EVAS has been applied in a number of cases to assess the contribution of volunteer hours to non-profits.<sup>4</sup> Many corporations encourage employees to volunteer with community organizations, but often do not track the impact of these contributions of time and expertise. Excluding volunteer labour in non-profit accounting statements undervalues a key and valuable resource upon which many non-profits rely, and a key contribution that corporations make to their communities. The EVAS represents a way to articulate the social value of these contributions to society.

**Investments in non-profits:** Through CSR strategies, many corporations provide financial, in-kind or employee volunteer contributions to non-profits. Often, however, success is measured by the financial amount contributed rather than the social value created. The EVAS can reflect, in an integrated way, the financial and social value that non-profits create in communities, and for which stakeholders (community, employees, and other groups). These include the cost savings to society through services provided by non-profits, such as counselling and subsidized childcare. An EVAS can make the case for investing in non-profits, provide

direction on which areas to invest in, and a means to illustrate the social impact of these investments to different initiatives.

**Environmental sustainability:** The overall concept used to guide the EVAS is sustainability, and it can be used to account for various dimensions of environmental impact. The EVAS methodology has been used to illustrate the environmental impact of an organizational policy to encourage employees to use more environmentally friendly transportation to and from work.<sup>5</sup> Another example applied to sustainable building practices has demonstrated impressive additional social and environmental benefits (nearly \$1 million) gained from a mere two percent increase in costs (\$100,000).<sup>6</sup> Again, the EVAS can be used as a tool to justify investment into these social ventures by demonstrating the social and environmental value created.

**Applying the EVAS: Tracking Volunteering Hours**

Since nonprofits operate for purposes other than earning a profit, their efficiency and effectiveness cannot be determined by means of income measures alone. Volunteer contributions, an important resource for non-profits, are often not assigned a monetary value. The EVAS provides one way to account for these contributions. The main issues are: (a) attributing an appropriate market value to volunteer labour; (b) attributing a value to benefits received by the volunteers from their volunteering, and (c) attributing value to the social impacts of non-profits.<sup>7</sup>

The EVAS allows for a systematic analysis of each of these issues. A detailed explanation of the EVAS methodology, and various case studies on how it has been implemented, is provided in Laurie Mook's book, "What Counts".<sup>8</sup> The book discusses methods to capture the value that volunteers create by estimating a comparative market value of hours contributed by volunteers.

<sup>4</sup> Mook et al. (2007), Chapter 7; Karim Harji and Kelly Babcock (2007) "Social Value Accounting: Two Case Studies Using the Expanded Value Added Statement." Presented to the Annual Conference of the Canadian Evaluation Society, Winnipeg

<sup>5</sup> Mook (2007), p.3

<sup>6</sup> Ibid, p.92

<sup>7</sup> Ibid., p.52

<sup>8</sup> Mook et al. (2007)

While it is often difficult to quantify these kinds of values, as there may not be a direct market (price) comparison, proxy market values can be estimated as appropriate to the types of skills involved. The method uses conservative assessments to calculate the comparative market value of social contributions, and is transparent in articulating the assumptions behind the calculations. There are also credible guidelines and open source software to facilitate these assessments.<sup>9</sup>

The EVAS demonstrates the benefits of volunteering for volunteers, non-profits, and society. EVAS case studies have shown that the secondary benefits that volunteers derive, such as informal skill development, can be quantified. Volunteers make contributions that are as important, and sometimes even more significant than, financial grants or paid staff.<sup>10</sup> The EVAS can also describe how volunteers extend the human resources available to non-profits, provide measures of how well volunteer program resources are being used, and can be used to galvanize community and funding support for the non-profit's mission. For non-profits, the EVAS is a tool that allows a greater appreciation for the social value they create – not simply as recipients of funding, but the ways in which these funds are transformed into social benefits for communities.

### Return On Investment

For many corporations that encourage their employees to volunteer in local communities, the EVAS can be an important tool to analyze how employees are making a difference in their communities. However, there are also other ways in which corporations could use the EVAS to create greater awareness of at least three areas: the impact of the organization on different stakeholders; the role of the organization in creating economic, social and environmental value added; and the interconnectedness of the economic, social and environmental dimensions of organizational activities.<sup>11</sup>

A clearer understanding of these areas can be useful for corporate strategy, and allow for a closer alignment between different parts of the organization when implementing CSR strategies. By valuing traditionally non-monetized factors, these factors become important for decision making processes. The change of focus from a profit-oriented bottom line, to an integrated economic, social and environmental bottom line provides an opportunity for organizations and society to think about impacts in a much broader sense.<sup>12</sup> The EVAS can also illustrate and communicate a corporate commitment to sustainability and investing in communities.

In articulating and presenting the true costs and benefits of employee volunteering, corporations can design corporate volunteering programs in a more strategic manner – finding more appealing volunteering options; improving employee training and support programs; and assessing the value of these programs to employees, the corporation, and society. As well, it can help the corporation describe how corporate financial, in-kind and skilled human resources are leveraged to address social issues. It also makes the case for supporting employee volunteering programs, both inside the corporation and with external stakeholders.

### Accounting for Social Impact

Social accounting seeks to encompass a broader definition of what is counted and what is excluded. It does this by including traditionally non-monetized inputs and accounting for social and environmental outputs. By synthesizing financial data with social and environmental data, the EVAS is one mechanism for understanding the dynamics of an organization and the inter-related economic-social-environmental implications of various choices made in day-to-day operations.<sup>13</sup> The end result is a better picture of the social value that the organization contributes to the community, as well as the distribution of those benefits amongst stakeholders.

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“By redefining success in terms of social impact or environmental sustainability, social accounting can strengthen the business case for investments in social ventures.”

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<sup>9</sup> Refer to the resources listed at the end of this publication

<sup>10</sup> Refer to Mook et al (2007) for detailed case studies

<sup>11</sup> Mook (2007), p.92

<sup>12</sup> Ibid, p.131

<sup>13</sup> Ibid, p.93

<sup>14</sup> Ibid, p.41

<sup>15</sup> See the other publications in this series on “Blending CSR Evaluation and EVAS” and “Social Return on Investment”

<sup>16</sup> Mook (2007), p.9

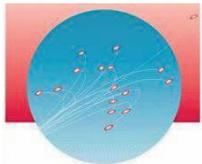
This case study was written by Karim Harji, Social Finance Program Officer at the Carleton Centre for Community Innovation, in January 2008. It benefitted from conversations with Laurie Mook from the University of Toronto.

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Social accounting can provide important benefits to corporations. By redefining success in terms of social impact or environmental sustainability, social accounting can strengthen the business case for investments in social ventures. In addition to analyzing performance in terms of efficiency (doing more with less), the EVAS also seeks to promote behaviours of effectiveness (doing the right thing in terms of economic, social and environmental impacts).<sup>14</sup> This can be particularly important for resource extraction and financial institutions that are coming under pressure to articulate their environmental and social impacts.

The EVAS is intended to supplement existing financial statements, not replace them. Combined with other approaches such as triple bottom line (TBL) accounting and social return on investment (SROI), the EVAS can be used to triangulate findings and provide a credible assessment of social impact.<sup>15</sup> Social accounting as a discipline is still evolving, and the EVAS is no exception. There may be disagreements how on social and environmental outputs are valued, but the effort of placing a value on them recognizes their presence and their relative importance to economic performance, and documenting the assumptions behind these calculations enables

readers to assess the basis of these valuations.<sup>16</sup> In addition, it provides a set of social performance criteria that allows funders and investors to assess the impact of investments in social or environmental ventures.

## Selected Resources

Laurie Mook, Jack Quarter and Betty Jane Richmond (2007). What Counts: Social accounting for nonprofits and cooperatives. Second Edition. London: Sigel Press.

Social Economy Centre at OISE/University of Toronto: <http://socialeconomy.utoronto.ca>

Volunteers Count (free online tool for calculating value of volunteers): [www.volunteerscount.net](http://www.volunteerscount.net)

The Canadian Centre for Philanthropy (2004) "Assigning Economic Value to Volunteer Activity: Eight Tools for Efficient Program Management", <http://www.volunteer.ca/volunteer/pdf/Goulbourne-MAN-English-Web.pdf>

Volunteer Value Calculator: <http://volunteercalculator.imaginecanada.ca/eng/default.asp>

Volunteer Program Efficiency Measures: <http://volunteercalculator.imaginecanada.ca/eng/default.asp?tabse1=8>

## Carleton Centre for Community Innovation

The Carleton Centre for Community Innovation (3CI) brings together superior academic research and knowledge dissemination to Canadian communities in ways that promote long-term growth and sustainable development. One of Canada's leading sources of expertise in social finance, 3CI has also played a leadership role in grant-making, evaluation and policy analysis in the fields of community economic development and social enterprise. From 1997 to 2008, the Centre managed the Community Economic Development Technical Assistance Program (CEDTAP), with the support of The J.W. McConnell Family Foundation, The Ontario Trillium Foundation, Bell Canada and other partners. Other action-research priorities for 3CI include local governance, community learning and community-university partnerships.

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