

Using Social Accounting to Show the Value Added of Co-operatives: The Expanded Value Added Statement

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This paper discusses how a Value Added Statement can be adapted so as to take into consideration a fuller range of impacts produced by a co-operative. The conceptual framework used is that of social accounting, defined as "a systematic analysis of the effects of an organisation on its communities of interest or stakeholders, with stakeholder input as part of the data that are analysed for the accounting statement".¹ Value Added Statements rely on the information from financial statements but do not include nonmonetised contributions such as member services to the organisation and volunteering. This paper shows how the Value Added Statement can be expanded to produce an Expanded Value Added Statement that includes an imputed value for nonmonetised contributions that normally are excluded from a Value Added Statement. A fuller presentation on this can be found in our recently published book, What Counts: Social Accounting for Nonprofits and Cooperatives.² The example used is that of a student housing co-operative, but the principles can be applied to co-operatives more generally.

What is value added?

Value added is a measure of wealth that an organisation creates by 'adding value' to the raw materials, products and services through the use of labour and capital. It is not a new concept; rather it has been used in the calculation of the Gross Domestic Product since the turn of the twentieth century.³ At the organisational level, it was used in the UK during the reconstruction following world war two, when co-operation between labour and capital and employee participation in decision making were seen as the keys to improving economic performance.

Value added resurfaced in the mid-seventies due to the growing power of labour, increasing recognition of consumer

rights, and changing political conceptions of corporate accountability, especially with respect to the environment.⁴ The renewed impetus for value added started in 1975 with the publication of *The Corporate Report* by the UK Accounting Standards Steering Committee.⁵ This report (the findings of a committee that was reexamining "the scope and aims of published financial reports in the light of modern needs and conditions"), argued for a much wider view of accountability and recommended that a Value Added Statement be considered for new statutory disclosure requirements in the UK.⁶ Value added statements became so popular in the UK that in the 1970s, one third of the largest companies included it in their corporate reports.⁷

However, attention given to value added in the UK declined during the early 1980s as the political climate became more conservative. The election of Margaret Thatcher as Prime Minister resulted in a focus on free markets, competition, increased investment in technology, and reductions by corporations in their labour force (euphemistically referred to as "the elimination of surplus labour"). This political climate differed from the previous decade's emphasis on co-operation and participation.⁸ As well, with the increase of oil prices in 1979, the related economic recession, and the focus on short-term financial results, social reporting all but disappeared until the mid-1980s. At that point, social reporting was brought back as a result of the attention given to establishing environmental reporting standards - for example, by the Bruntland Report.⁹ A major emphasis on value added appeared in May of 2002, when the Department of Trade and Industry (DTI) Innovation Unit in the UK published its first 'Value Added Scoreboard,' which shows the top 500 UK and top 300 European companies in terms of value added.¹⁰

With the current wave of social reporting has also come the recommendation by the American Accounting Association¹¹ and the International Accounting Standards Committee¹² for the inclusion of Value Added Statements in financial reporting. Although much, if not all, of the emphasis of value added reporting has been within the corporate sector, it is even more relevant to nonprofits and

co-operatives because these organisations are established for a social purpose. As Burchell, Clubb and Hopwood¹³ state,

Value added has the property of revealing (or representing) something about the social character of production, something that is occluded by traditional profit and loss accounting. Value added reveals that the wealth created in production is the consequence of the combined effort of a number of agents who together form the co-operating team.

The organisation

Waterloo Co-operative Residence Incorporated (WCRI) supplies housing in dormitories and apartments for students of two major universities - Waterloo and Wilfrid Laurier. Its mission statement affirms that:

WCRI aims to provide quality, affordable student housing, emphasising member participation and superior service in the spirit of co-operation, while promoting pride, education, and diversity in a dynamic co-operative community.¹⁴

As a co-operative, WCRI is run by its members - that is, current students as well as former residents. The governance of WCRI is based on democratic and co-operative principles. Each resident becomes a member of the co-operative and is entitled to one vote at general membership meetings held each October. The general membership elects 10 directors for one-year terms, and directors may be reelected. Members can remove a director for nonperformance of duties, but this is an unusual circumstance. The co-operative's democratic approach to decision making distinguishes it from other university residences.

WCRI is situated close to the main campuses of two universities and therefore is integrated into the surrounding university community. Nevertheless, its members still have a unique environment that includes:

- the introduction to co-operative values and skills;
- participation in a democratic organisation;
- experience in volunteer activities (both internal and external to the co-operative);
- leadership opportunities; and
- the experience of teamwork.

In the Expanded Value Added Statement, these features of the co-operative experience are part of WCRI's social value added. In addition, there are a variety of services and facilities on the WCRI site that are not generally available in other university residences - such as common areas with barbecues and a large deck, as well as a customised meal-plan option.

Each resident of WCRI is required to perform social labour - that is, service to the organisation that help to reduce the housing charge. Common examples are: food preparation, serving meals, dish and pot washing, common-space cleaning, snow shovelling, grounds maintenance, writing for the newsletter, participating in committees, and sitting on the board of directors. Residents may also become members of committees responsible for internal education, environmental education, and such practical issues as menu planning, conflict resolution and special events. Again, these contributions from members are part of the value added of the organisation and therefore are presented in the Expanded Value Added Statement below.

Creating the expanded value added statement

There are two parts to a Value Added Statement: 1) the calculation of value added by an organisation; and 2) its distribution to the stakeholders. For an Expanded Value Added Statement, the value added is broadened from financial transactions (that are part of the financial statements) to take into account nonmonetised social contributions such as those referred to above.

To prepare a Value Added Statement for WCRI, we needed to determine the financial and social value added. To do this, we started by examining WCRI documents and

financial statements for the fiscal year under review. Then we visited the site, interviewed staff, and spoke with others in the co-operative movement who were knowledgeable about WCRI. As well, we surveyed current and former residents and held a focus group with residents who had been active either on WCRI committees or its board of directors. While the financial value added could be calculated by using the information on the audited financial statements, these steps were important in helping to understand the social value added.

The study found that, for the fiscal year examined, WCRI created financial and social wealth using both financial and nonfinancial resources. For its residents, it offered high quality, well managed social housing units. Residents also experienced secondary outputs such as learning skills from running the business of the co-operative and knowledge from functioning in a democratically run organisation. The broader community also benefited from monies expended by the co-operative, co-operative leadership, the use of WCRI to house war refugees (at less than the going rate for such a service), and through payment of municipal property taxes.

Value Added				
Created		Financial	Social	Combined
Outputs	Primary	\$3,964,031	\$246,128	\$4,210,159
	Secondary	\$65,192	\$424,808	\$490,000
	Tertiary		\$2,500	\$2,500
	Total	\$4,029,223	\$673,436	\$4,702,659
Purchases of external goods and services		\$1,538,561		\$1,538,561
Value Added Created		\$2,490,662	\$673,436	\$3,164,098
Ratio of value added to purchases		1.62	0.44	2.06

*Table 1
Expanded Value Added Statement (Partial) for WCRI
For the year ended 30 April 1999*

The impact of these findings is shown in Table 1. Although these tables may seem forbidding at first glance, as we go through them step by step, it should be apparent that the Expanded Value Added Statement is an accessible procedure.

Table 1, which presents the value added by WCRI, has three columns that refer to different sources of value added:

- Financial, which represents information from audited financial statements only and which is also referred to as a Restricted Value Added Statement;
- Social, which represents information about nonmonetised contributions and outputs for which market comparisons are estimated;
- Combined, which represents the total of the financial and social columns, and is also referred to as an Expanded Value Added Statement.

In order to calculate the amount of value added, the first step is to assess the total outputs of the organisation and assign a comparative market value to them. Total outputs are the results of an organisation's activities to accomplish its mission; all of the services that it offers. Total outputs, as noted in Table 1, are subdivided into primary, secondary and tertiary, reflecting how directly the associated items are connected to fulfilling the organisation's mission. Primary outputs are the direct services of the organisation - in the case of WCRI, the housing for students. The secondary and tertiary outputs are the indirect results of an organisation's activities to fulfil its mission. Secondary outputs are indirect outputs that accrue to the organisation's members or customers; tertiary outputs are indirect outputs that accrue to those other than the organisation's members or customers.

For WCRI, a secondary output was its provision of skills development for its residents. An example of a tertiary output was the consultations with other co-operatives. This was classified as tertiary because unlike the skills training of residents, it was not related directly to WCRI's primary service. Rather it was a service to other organisations or,

arguably, to the co-operative movement. Not all organisations would have all three categories of outputs, but for WCRI this division seemed logical.

Primary outputs

For the fiscal year examined, the primary outputs of WCRI were housing units and services. To determine the market value for these housing units, three sources were considered:

- the revenues generated from members for the housing charges;
- the value of social labour which members contributed to operate the housing units; and
- the value of the services that the co-operative and its members donated to the community.

For WCRI, the primary outputs totalled \$4,210,159. This amount, shown in the column 'combined', consists of two parts: first, \$3,964,031 from revenues received from such items as accommodation, food, parking (shown under the columns 'financial' since the amounts are taken from audited financial statements); and second, the value of social labour contributions and donated services (\$246,128). With a combined total of \$4,210,159, the related items are now discussed in greater detail.

a) Revenues

WCRI received revenues from fees for accommodation, meal plans, utilities, parking, laundry, and miscellaneous items, and also from its pub and restaurant. The amounts for these revenues are taken from the audited financial accounts and total \$3,964,031, as shown in Table 1 for primary outputs in the column financial. Technically speaking, revenues are not an output but rather a measure of outputs, or in this case, the primary outputs. There is an assumption involved that the market is an accurate measure of an organisation's outputs. Although this is open to debate, for our purposes, we accept this premise and work with it.

b) Social labour

For WCRI, social labour - the unpaid services of the members to the co-operative - reduces costs, creates opportunities for skills development, and also enhances the psychological sense of ownership among members. Social labour has an impact both on the market value of services and on the manner of payment by residents. For WCRI, dormitory residents contributed 40 hours of social labour a term. This figure was reduced by 50 per cent to allow for inefficiencies and was valued at \$8.00 per hour, an amount determined by the WCRI Market Subcommittee.¹⁵ Therefore, the member contribution to the school term had an estimated financial value of \$160 (40 hours x \$8.00 x 50%). Without this contribution, the residents of WCRI would have had to pay \$2,360. With it, they paid only \$2,200. On the Restricted Value Added Statement, only the portion received in cash (\$2,200) would have been recorded as revenue and the \$160 for social labour would have been ignored. Therefore, in order to record the true market value of the housing units and services in a Value Added Statement, an amount equivalent to the value of the social labour performed must be added to revenues obtained from the audited financial statements.

For the fiscal year studied, the estimated total hours of social labour were 58,632. As noted, this total was discounted by 50 per cent to compensate for inefficiencies. At \$8.00 per hour, this resulted in a total comparative market value of \$234,528 (58,632 x 50% x \$8.00).

On top of this, members of the board of directors contributed additional social labour. It was estimated that 10 members contributed 10 hours per month, which at \$8.00 per hour, totalled \$9,600. The total of these two figures is \$244,128 (\$234,528 for the market value attributed to the contribution of the general membership and \$9,600, the value attributed to the contribution of members of the board of directors). The \$244,128 is the major part of the primary output, within the social column of Table 1.

c) Donated service

In addition to revenues and social labour, donated service is a third component of WCRI's primary outputs. Although WCRI

supplies services primarily to university students who are members of the co-operative, during the summer of the fiscal year examined, it housed approximately 50 war refugees. Based on the rate that WCRI charged students, the market value of these services was estimated at \$14,000. However, WCRI charged immigration authorities at cost (\$12,000), thereby foregoing a portion of revenues (\$2,000) that it would have received at market value. In order to record the true market value of these services, an amount equal to the difference (\$2,000) between its market value (\$14,000) and its cost (\$12,000) is treated as social value added and therefore is included as part of the primary outputs in the column social. This item, a donated service, is treated as a primary output because it is directly related to the primary service of the organisation, the provision of housing. It is social value added rather than financial because, unlike the \$12,000 received from government for housing the war refugees (part of the \$3,964,031, as a primary output in the column financial), it never appears on the audited financial statements. Yet this \$2,000 is part of WCRI's contribution to a need in the community for social housing.

Therefore, this \$2,000 of social value added is combined with the \$244,128 of social labour to arrive at the total of \$246,128 that appears in Table 1 as primary outputs in the column social. All of these items represent WCRI's contribution to the service of housing. When the amount of financial revenues of \$3,964,031 is added to the estimate of social value added of \$246,128, we arrive at the total of \$4,210,159, the amount of the primary outputs that appears in the column combined, or in an Expanded Value Added Statement. In other words, to arrive at the total of WCRI's primary outputs in an Expanded Value Added Statement, an estimate of the market value of social labour and of donated housing service is added to the total revenues that appear on the audited financial statements.

Secondary outputs

In addition to housing units and related services, WCRI also produced secondary outputs such as skills training.¹⁶ To be

included in the Value Added Statement, these also had to be assigned a market value. Like the primary outputs, secondary outputs are divided between financial and social. The secondary outputs appearing in the column financial are the expenditures of \$65,192 taken from audited financial statements on such co-operative development items as meeting expenses, newsletter, and education. This part was relatively straightforward. The more demanding step was to estimate the social value for skills training. This item would not appear in a Restricted Value Added Statement but represents a genuine benefit (and hence added value) of the experience of living in WCRI, and therefore appears in the column social and is part of the Expanded Value Added Statement.

Skills training

The survey and the focus group indicated that a variety of skills were developed as a secondary benefit of living in the co-operative. These skills - a positive experience in the life of a university student - included independent living, as well as personal, organisational, and leadership skills. Skills development comes from a variety of experiences, and it was problematic to determine in a precise manner what portion should be attributed to living in the co-operative. However, by comparison to typical student dormitories or off-campus apartments, members of the co-operative acquire managerial skills and democratic experience - something that the participants in the focus groups emphasised. Members learn about running an organisation with a \$4 million budget and making decisions about both large and small matters.

In addition, through membership meetings students experience member control and participate in democratic processes. These lessons occur in a highly personal context - that is, decisions affect members' living conditions and the quality of life. It requires the balancing of self-interest with the interests of the community as a whole and it also requires a maturity of judgement that students may find challenging.

Assigning a market value to these secondary outputs was not as straightforward as estimating the market value of social labour or donated service. Yet these were valuable benefits of

living in the co-operative and should not be ignored in calculating the value added of WCRI. We assigned these benefits a comparative economic value equivalent to the cost of taking two undergraduate university courses at \$500 each. Yet this benefit could not be assigned to all of WCRI's residents because from our survey, not all had participated actively in the governance. Therefore, it seemed reasonable to assign these benefits only to the 56 per cent of residents who reported that they participated in management through the co-operative's meetings. Thus, the amount calculated for the market value of this portion of skills training was derived by multiplying the number of students active in the co-operative's management (56 per cent of the total, or 460 students) by the cost of taking two university courses (at \$500 each). This amounted to \$460,000 ($460 \times \$1,000$).

While 56 per cent of WCRI's residents were estimated to have gained this level of benefit, there was a small number who were especially active in the co-operative's governance. For this group, the additional enhancement of their skills as a result of extremely high participation in the running of the co-operative could be seen as a benefit not just to the students themselves but also to the community-at-large. The residents who benefited most from this type of learning experience were the 10 members of the board of directors as well as an additional 10 committee chairs and selected committee members. If these 20 students were to pay for this type of education, the equivalent was estimated to be an additional one theoretical and two practical courses in community development. Thus the value assigned to this output was the cost of three university courses at \$500 each, or \$1,500, multiplied by 20 students, for a total of \$30,000.

To arrive at the total value added of skills training, the \$30,000 was added to the estimated value of \$460,000 of the benefit experienced by the 56 per cent of residents who participated in the governance but not as actively. This created a total social value added of \$490,000 for skills training. However, to achieve these benefits, WCRI invested \$65,192 (as shown in the column financial, under secondary outputs). This amount represents such costs to the organisation as meetings, education as it relates to living in

and running a co-operative, and the production of a newsletter. To arrive at the net social value added of secondary outputs, the estimated market value of skills training has to be adjusted for financial expenditures. Therefore, the amount that WCRI spends (\$65,192) is subtracted from \$490,000, to arrive at the net social value for secondary outputs of \$424,808, as shown in the social column of Table 1. In other words, in order to create these secondary outputs valued at \$490,000, the organisation spent \$65,192.

To arrive at the value added of WCRI's secondary outputs, the expenditure of the organisation on related items, as stated in the audited financial statements, is added to the estimated market value for skills training. This amount of \$490,000 appears in the column combined, and represents value added of secondary outputs for an Expanded Value Added Statement.

All of the outputs discussed to this point are directly related to the provision of housing for the residents of WCRI. However, WCRI also views itself as part of the co-operative movement and as such provides services for other co-operatives. Because these are external to WCRI's services to its members, they are labelled tertiary outputs.

Tertiary outputs

Consultation with the co-operative sector.

As a result of its achievements and leadership status, WCRI was able to transfer knowledge to other co-operatives, another component of social value added. In the fiscal year, WCRI supplied pro bona consultation services to three other co-operatives in various stages of development and with diverse management issues. These contributions were in the form of leadership development, co-operative consultation, and business consultation. To estimate a comparative value for these services, the number of days involved was multiplied by the daily amount that the co-operative would normally pay to a consultant. As shown in Table 1, this amount is estimated to be 5 days at \$500 per day, or \$2,500. This amount appears as tertiary output in the column social,

and also in the column combined - that is, as part of the Expanded Value Added Statement.

Total outputs

Once the primary, secondary and tertiary outputs are calculated, these are added together to arrive at the total outputs. The total outputs from the financial statements are \$4,029,223, the amount that would appear in a Restricted Value Added Statement. However, when the total outputs social of \$673,436 are added to the total outputs financial, the total outputs combined are \$4,702,659. This amount represents the total outputs for an Expanded Value Added Statement.

Subtracting external purchases

Returning to our earlier definition, value added is a measure of wealth that an organisation creates by 'adding value' to the raw materials, products and services through the use of labour and capital. The total outputs (combined) represent the value placed on the organisation's services, but in order to provide those services WCRI has purchased goods and services externally. The cost of these purchases (\$1,538,561) is taken from the organisation's audited financial statements (see Table 2). As shown in Table 2, in order to arrive at this figure, the total expenses as recorded in the audited Consolidated Statement of Operations are adjusted for any labour and capital costs (in line with the definition of value added). These steps are taken because (as related to the definition above) labour and capital are the components used to add value to other purchases. As shown in Table 2, WCRI's total expenditures on its audited financial statements are \$3,546,780, but in order to arrive at the amount expended externally on goods and services, the costs related to capital and labour have to be subtracted from the total. Therefore, \$3,546,780 is reduced by the employee wages and benefits (\$838,222), the municipal property taxes (\$216,586), the loan interest (\$519,961) and the Amortisation of Capital Assets (\$433,450). In total, \$1,538,561 is subtracted from the total

outputs to arrive at the value added created by WCRI. For a Restricted Value Added Statement, the value added created is \$2,490,662; for an Expanded Value Added Statement, the amount is \$3,164,098 (see Table 1).

Expenditures per audited financial statements	\$3,546,780
Less: Employee wages & benefits	838,222
Municipal property taxes	216,586
Loan interest	519,961
Amortisation of capital assets	433,450
(EVAS)	\$1,538,561

Table 2

Reconciliation of Expenditures on Audited Financial Statements to Purchases of External Goods and Services on a Value Added Statement

Ratio of value added to purchases

The ratio of value added to purchases, indicated in the final row of Table 1, is established by dividing the value added by the cost of external goods and services. This ratio indicates that for every dollar expended on goods and services the organisation generated \$2.06 in value added. As noted, the Expanded Value Added Statement includes a market estimate of nonmonetised items such as social labour, donated service, skills training, and consultation to the co-operative sector. If those items had not been included, the ratio of value added to purchases would have been 1.62, as is indicated in the financial column. Therefore, the inclusion of nonmonetised items increases this ratio by over 27 per cent.

Percentage of value added compared to labour and capital

Another measure of productivity and performance, also used in the corporate sector, is value added divided by the sum of employee costs and amortisation. This ratio considers both labour and capital in relation to the amount of value added created. For capital, the assumption is that the amount

amortised for capital assets is the value of capital assets used that year. This ratio is presented in Table 3, showing three scenarios. The first shows this ratio taking into consideration only financial information from the audited financial statements. The second includes both financial and social value added.

	Financial	Combined
Value Added Created	\$2,490,662	\$3,164,098
Employee costs	\$838,222	\$838,222
Amortisation of capital assets	\$433,450	\$433,450
	\$1,271,672	\$1,271,672
Value added divided by employee costs plus amortisation	196%	249%

Table 3

Ratio of Value Added to Labour and Capital

This ratio shows that the combination of labour and capital at WCRI created financial wealth equalling 196 per cent of the total of employee costs and amortisation. This percentage increases to 249 per cent when you consider both financial and social wealth created.

Distribution of value added

As mentioned, there are two sections to a Value Added Statement: the value added created and the distribution of value added. Whereas the former measures how much value added has been created, the distribution of value added analyses how it was disseminated.

For the statement of distribution, the value added created by the organisation (as shown in Table 1) is distributed to the stakeholders in its entirety. Stakeholders are selected on the basis of their contribution to the viability of the organisation and its values. For a Value Added Statement, the stakeholders suggested by accounting regulatory bodies

normally are employees, government, investors, and the organisation itself. For purposes of the Expanded Value Added Statement of WCRI, one additional stakeholder was identified - residents; and one was modified - the stakeholder government was changed to the stakeholder society and expanded to include the nonprofit co-operative sector (as shown in Table 4).

Distribution of Value Added		Financial	Social	Combined
Employees	Wages & Benefits	\$838,222		\$838,222
Residents	Value from social labour		\$244,128	\$244,128
	Skills development	\$65,192	\$424,808	\$490,000
	Property tax credit		\$141,800	\$141,800
		\$65,192	\$810,736	\$875,928
Society	Government - municipal property taxes	\$216,586		\$216,586
	Government - property tax credit		(\$141,800)	(\$141,800)
	Government - housing of war refugees		\$2,000	\$2,000
	Nonprofit Co-operative sector - Consultations		\$2,500	\$2,500
		\$216,586	(\$137,300)	\$79,286
Capital	Loan interest	\$519,961		\$519,961
Organisation	Amortisation of capital assets	\$433,450		\$433,450
	Operating surplus	\$417,251		\$417,251
		\$850,701		\$850,701
Value Added Distributed		\$2,490,662	\$673,436	\$3,164,098

Table 4

Distribution of value added:

Expanded Value Added Statement (Partial) for WCRI

For the year ended April 30, 1999

As noted, the stakeholder-based approach of the Value

Added Statement differentiates it from most other forms of financial statements that are oriented toward shareholders. The Value Added Statement not only is based upon the assumption that a broad group of stakeholders contribute to an organisation but also attempts to analyse precisely how much value added each stakeholder receives from these combined efforts from year to year. Therefore, this form of financial statement not only acknowledges the importance of stakeholders, as so many organisations do in theory, but in a very practical manner it attempts to assign a portion of the value added to them.

Table 4 presents the distribution of value added for these five stakeholders and also lists the items associated with each stakeholder.

Employees

The value added distributed to the stakeholder employees lists their wages and benefits at \$838,222.

Residents

The residents of WCRI received a portion of the value added through a reduction in the cost of their housing and related services. This reduction results from their social labour (their unpaid service to WCRI) in the amount of \$244,128 (as discussed previously). They also received value totalling \$490,000 from skills training. Additionally, as WCRI does not receive the exemption from municipal property taxes accorded to university residences, eligible residents can claim 20 per cent of their rental payments (not including meal portions) as an occupancy cost for the Ontario Property Tax Credit on their income tax form. If they had lived in a university residence, they would have been eligible for a deduction of only \$25. Based on their rental payments and personal net income, this benefit is valued at \$200 per person for 709 residents, or a total of \$141,800. In Table 4, the \$141,800 is shown as an economic benefit transferred from the government to the residents.

Society

The stakeholder referred to as society received value added in both the public and the nonprofit co-operative sectors. In the public sector, the government received municipal tax payments less property tax credits \$74,786 (\$216,586 minus \$141,800), and the value of donated housing for war refugees (\$2,000). The co-operative sector received value in the amount of \$2,500 for consultations from other co-operatives. The support for the co-operative sector is an important difference between WCRI and other forms of student housing. WCRI contributes to the co-operative movement as a member of the North American Student Co-operative Organization (NASCO) and the Canadian Co-operative Association (CCA), and it also aims to educate others about co-operatives. In doing so, it adheres to the principles of the International Co-operative Alliance, as discussed above. The total of these contributions of \$74,786, \$2,000 and \$2,500 was \$79,286 (Table 4).

Providers of Capital

WCRI's interest payment of \$519,961 was the portion of the value added distributed to the providers of capital.

Organisation

Value added distributed to the stakeholder organisation was for \$433,450 for the amortisation of capital assets and \$417,251 from an operating surplus. For these items, the organisation was viewed as the primary beneficiary.

Summary of Value Added Distribution

In total, the value added distributed corresponds to the value added created. Where the items were limited to those on audited financial statements, that amount was \$2,490,662; where the items were expanded to include nonmonetised social contributions, the amount was \$3,164,098.

The value added created is distributed in total to a group of stakeholders who contribute to the organisation's total outputs. For WCRI, these were employees, residents, society, providers of capital, and the organisation. Table 4 shows the distribution of the value added to each of these stakeholders.

Implications

The Expanded Value Added Statement indicates that \$3,164,098 of value was added and distributed in the same period. If only the audited financial accounts were considered, WCRI appeared to create value added of \$2,490,662 for the year ended April 30, 1999. The Expanded Value Added Statement shows that the financial information without the social value added did not tell the organisation's whole performance story. The inclusion of the social value added in the calculation of value added led to an increase of over 27 per cent. This is significant because there are few other indicators that the organisation can use either to calculate the contribution of its residents or to assess the costs and benefits of managing such an extensive resource as 822 residents who contribute over 30,500 productive hours per year.

Furthermore, when considering the financial resources of the organisation, resident hours accounted for over 6 per cent of the total. Therefore, resident contributions, both monetary and nonmonetary, were a significant resource that should be counted in its overall performance.

Another way of looking at the significance of resident contributions is to examine the proportion that residents contribute to the overall human resources of the organisation. Resident activities accounted for over 35 per cent of WCRI's human resources. Based on the estimate of 30,516 resident hours, residents contributed the equivalent of 17 full-time equivalent (FTE) positions for the year ended April 30, 1999. This means that WCRI had the equivalent of a total workforce FTE of 48, not just the paid staff FTE of 31. These figures are significant when considering issues related to managing the equivalent of an additional 17 FTE positions distributed over 800 residents.

Social goods and services that are not given a monetary value often represent a large part of a co-operative's operations. Without taking these goods and services into account, there is no clear picture either of a co-operative's performance or of the contributions made by its members. In the case of WCRI, the Expanded Value Added Statement tells the story differently from the financial statements - and to a different audience. The Expanded Value Added Statement helps various stakeholders, particularly residents, to see what value they have added to WCRI - in this case, over 20 per cent of the expanded value added - and what value they have received.

The Expanded Value Added Statement is an experimental methodology to broaden the accounting for nonprofits and co-operatives. Aside from measuring financial and social impact, as shown in this case study, the model also provides a framework for including environmental impacts, and thus can be used to show the overall sustainability of an organisation. The next step in applying this model to other organisations is to establish generally accepted indicators and benchmarks for evaluating social and environmental impacts and assigning a value to them. By focusing attention on the interconnectedness and interdependence of the economy, community and the environment, the Expanded Value Statement is a valuable tool for focusing attention on an organisation's overall sustainability, and one which has great potential for highlighting the co-operative difference.

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Notes

- 1 Quarter, Jack, Laurie Mook, and Betty Jane Richmond. 2002. *Social Accounting for Nonprofits and Cooperatives*. Upper Saddle River, NJ: Prentice Hall. p3.
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- 11 American Accounting Association. 1991. Report of the Committee on Accounting and Auditing Measurement 1989-1990. *Accounting Horizons* (September): 81-105.
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- 14 WCRI. nd. WCRI mission statement. Waterloo: WCRI. Photocopy. p1.
- 15 WCRI Market Subcommittee. 1998. Market survey. Waterloo: WCRI. Photocopy.
- 16 Another secondary output identified for WCRI was a sense of community for its residents, and although there were initial attempts to put a value on this, it is not included here as the authors felt the valuation need further refinement.