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# **A Social Accounting Framework for Cooperatives**

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## **The Expanded Value Added Statement**

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# Outline

- ◆ General overview of the value added framework
- ◆ The case of WCRI (Housing co-operative)



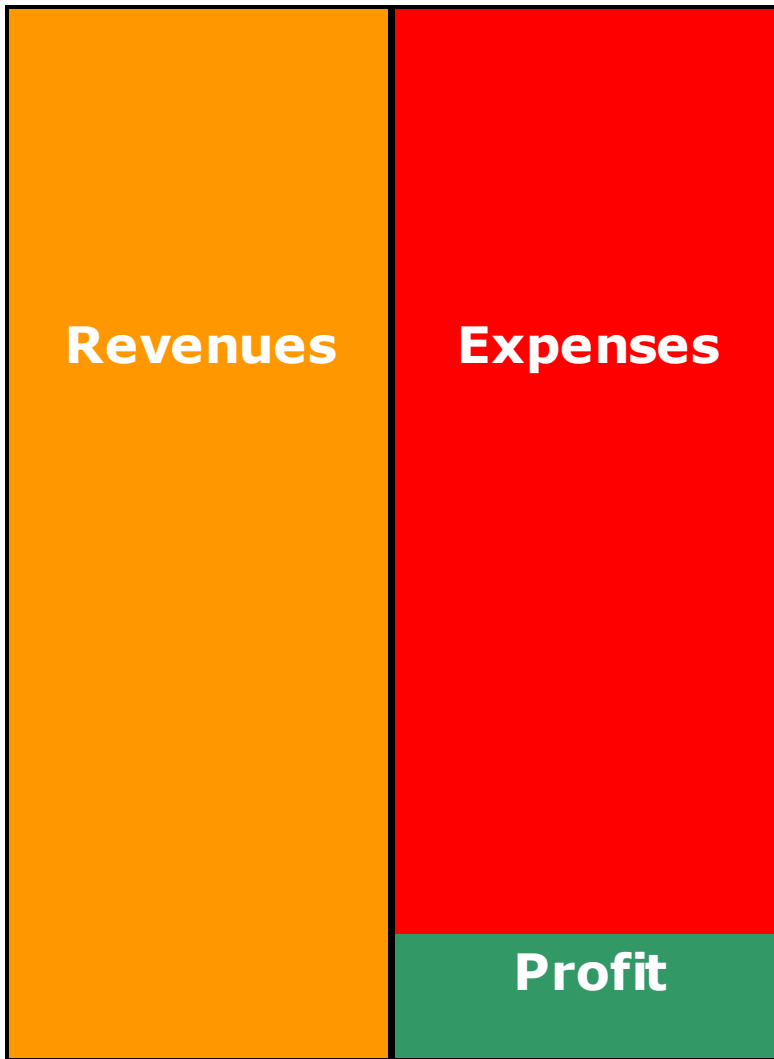
# What is value added?

- ◆ Measure of wealth that an organization creates by ‘adding value’ to raw materials, products and services through the use of labour and capital
- ◆ In contrast to profit created only for owners or shareholders in a profit organization, value added is the wealth created for a larger group of stakeholders

# Income Statement

For the fiscal year

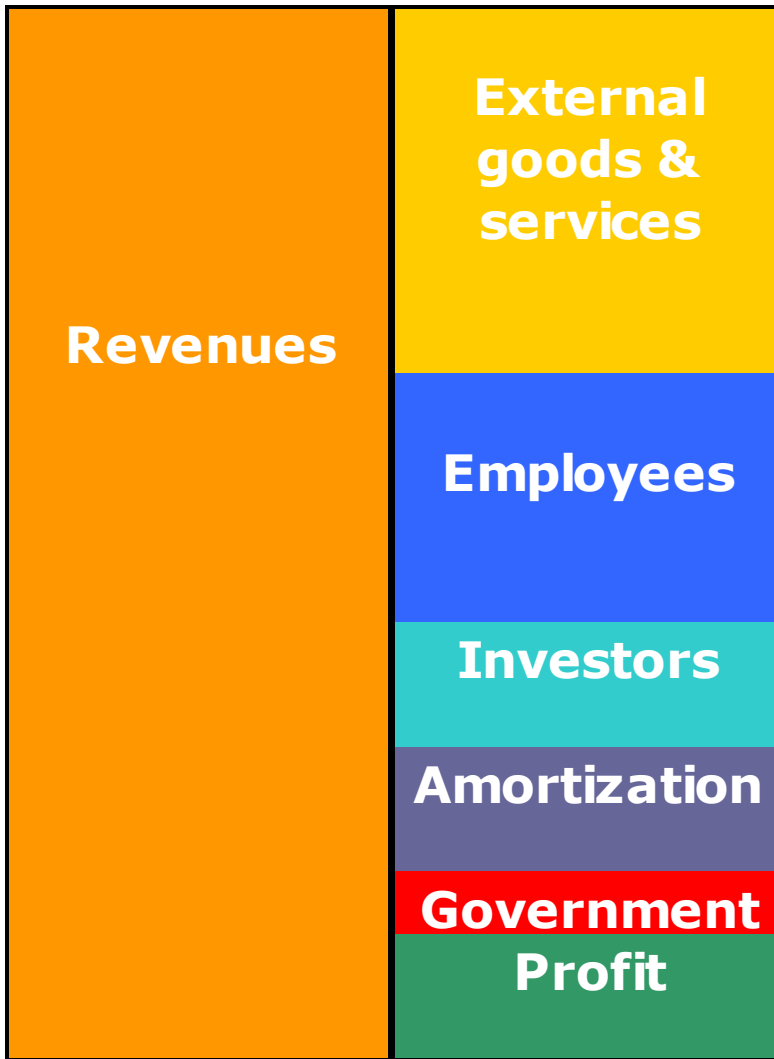
<b>Revenues</b>	<b>100</b>
<b>Expenses</b>	<b><u>(85)</u></b>
<b>Profit</b>	<b>15</b>

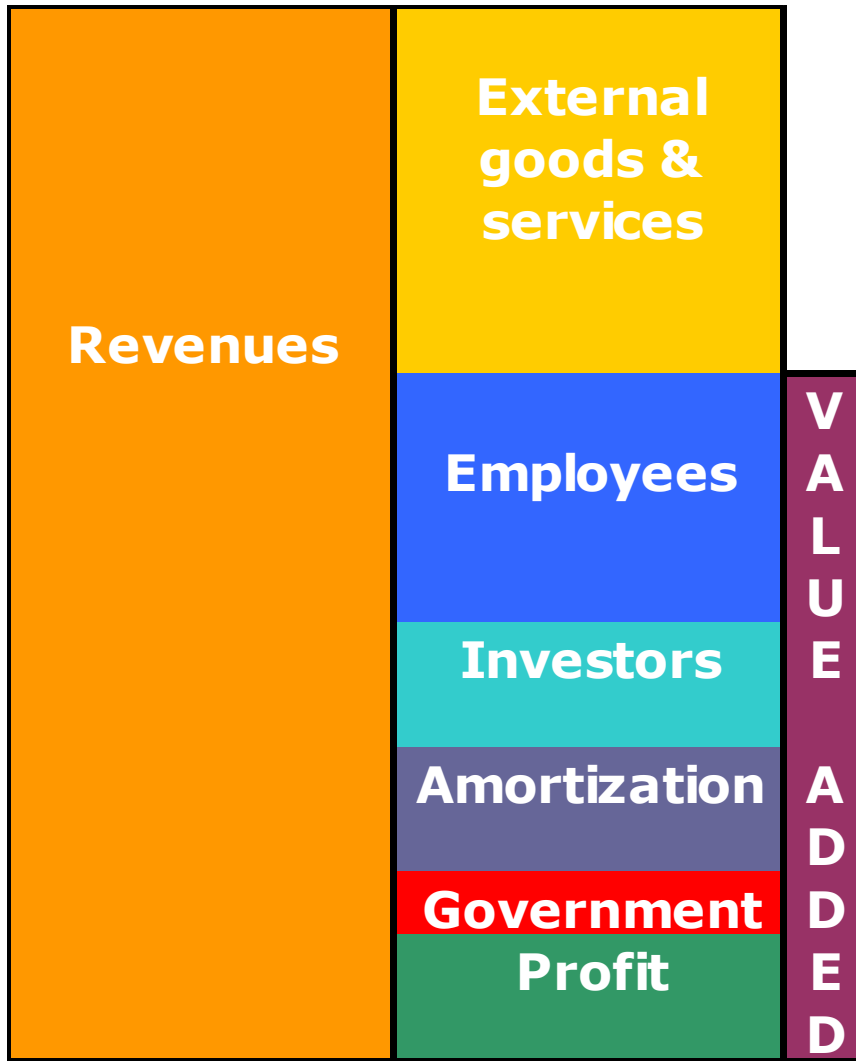


# Income Statement

For the fiscal year

<b>Revenues</b>	<b>100</b>
<b>Ext. G&amp;S</b>	<b>(35)</b>
<b>Employees</b>	<b>(25)</b>
<b>Investors</b>	<b>(10)</b>
<b>Amortization</b>	<b>(10)</b>
<b>Govt.</b>	<b><u>(5)</u></b>
<b>Profit</b>	<b><u>15</u></b>





## Value Added Stmt

For the fiscal year

<b>Revenues</b>	<b>100</b>
<b>Ext. G&amp;S</b>	<b><u>(35)</u></b>
<b>Value Added</b>	<b><u>65</u></b>
<b>Employees</b>	<b>25</b>
<b>Investors</b>	<b>10</b>
<b>Govt.</b>	<b>5</b>
<b>Org.</b>	<b><u>25</u></b>
<b>VA Dist.</b>	<b><u>65</u></b>



# What is Expanded Value Added?

- ◆ Value added by itself does not tell the whole story
- ◆ Members add value too
- ◆ Expanded Value Added combines financial and social data to give a fuller picture of the social and economic impact of an organization



# The Expanded Value Added Statement

- ◆ Includes both monetary and non-financial inputs and outputs
- ◆ Looks for ‘surrogates’ in the market in order to assign comparative market value to non-financial inputs and outputs





# Waterloo Co-operative Residence Inc. (WCRI)

- ◆ Incorporated in 1965 with 140 members and 10 houses
- ◆ Now is the largest student housing co-operative in Canada, and the second largest in North America housing over 900 resident members with a paid staff of 31 FTE



# Waterloo Co-operative Residence Incorporated

## Consolidated Statement of Operations

For the year ended April 30, 1999

<b>Revenues</b>		<b>Division expenses</b>	
Accommodation	\$3,353,201	Variable	\$1,434,207
Food	75,273	Fixed	648,765
Utilities	86,112		\$2,082,972
Parking, laundry and	68,085	<b>Administrative expenses</b>	
Other income	64,908	Variable	\$453,882
	\$3,647,579	Fixed	548,772
<b>Weaver's Arms</b>	<b>316,452</b>	<b>Co-operative development</b>	<b>92,410</b>
	\$3,964,031		\$1,095,064
		<b>Weaver's Arms Expenses</b>	<b>\$368,744</b>
		<b>Total expenses</b>	<b>\$3,546,780</b>
		<b>Operating surplus</b>	<b>\$417,251</b>



Revenues	\$3,964,031
Social labour	244,128
Donation of accommodation	2,000
<b>Total primary outputs</b>	<b>\$4,210,159</b>
Skills development	
<b>Total secondary outputs</b>	<b>\$ 490,000</b>
Consultation to other co-ops	
<b>Total tertiary outputs</b>	<b>\$ 2,500</b>



# External Goods & Services

Expenditures per audited financial statements	<b>\$3,546,780</b>
Less: Employee wages and benefits	838,222
Municipal property taxes	216,586
Loan interest	519,961
Amortization of capital assets	433,450
<b>Purchases of external goods and services</b>	<b>\$1,538,561</b>



# Waterloo Co-operative Residence Incorporated

## Expanded Value Added Statement (Partial)

For the year ended April 30, 1999

<b>Value Added Created</b>		<b>Financial</b>	<b>Social</b>	<b>Combined</b>
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
<b>Value Added Created</b>		<b>\$2,490,662</b>	<b>\$673,436</b>	<b>\$3,164,098</b>
<b>Ratio of Value Added to Purchases</b>		1.62	0.44	2.06



# Waterloo Co-operative Residence Incorporated

## Expanded Value Added Statement (Partial)

For the year ended April 30, 1999

Distribution of Value Added		Financial	Social	Combined
Employees	Wages and benefits	\$838,222		\$838,222
Residents	Value from social labor		\$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
	Cooperative sector: consultations		2,500	2,500
		216,586	(137,300)	79,286
Capital	Loan interest	519,961		519,961
Organization	Amortization of capital assets	433,450		433,450
	Operating surplus	417,251		417,251
		850,701		850,701
<b>Value Added Distributed</b>		<b>\$2,490,662</b>	<b>\$673,436</b>	<b>\$3,164,098</b>

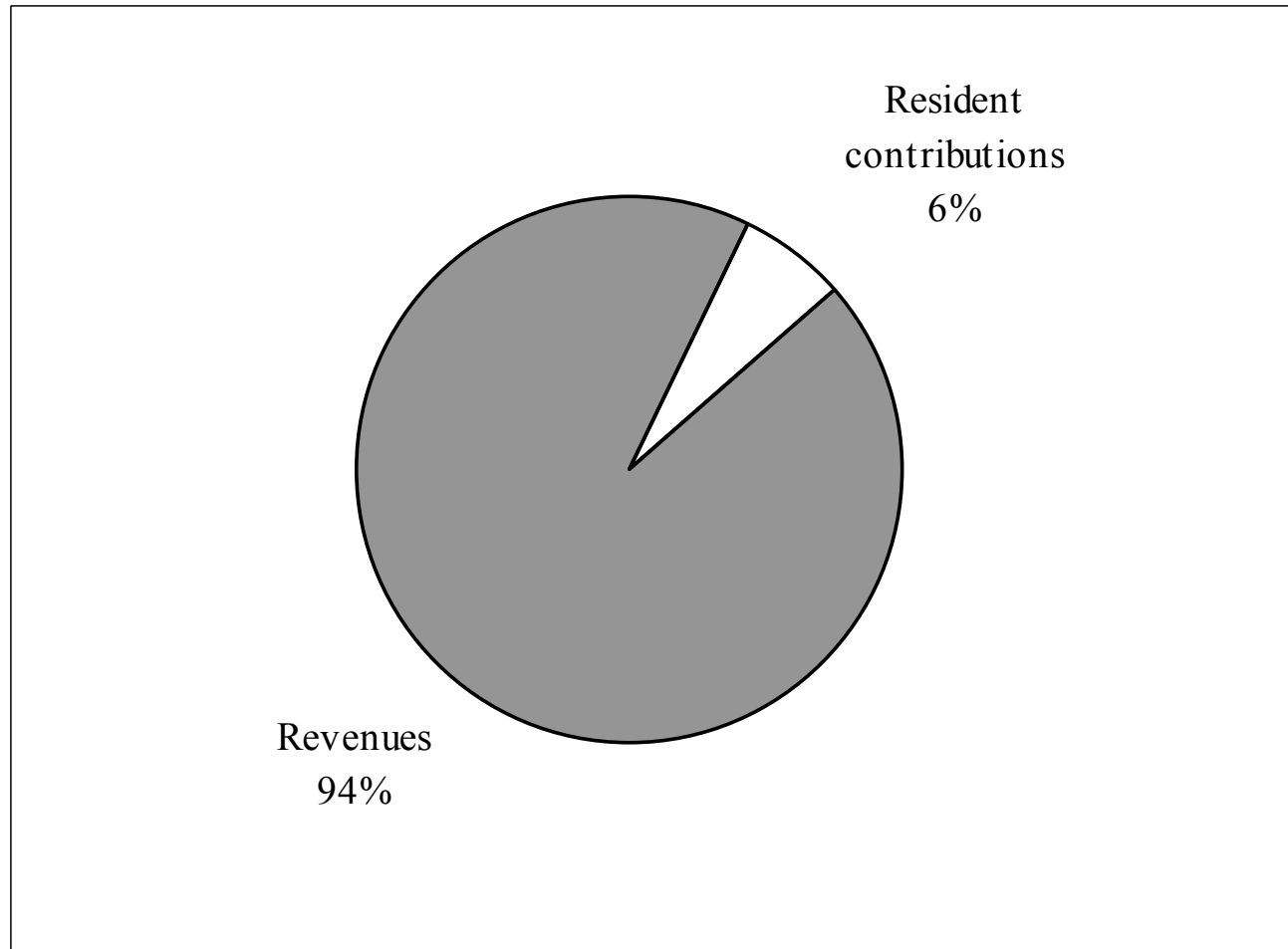


# Findings

- ◆ Restricted Value Added \$2,490,662
- ◆ Expanded Value Added \$3,164,098
- ◆ Increase of \$673,436 or 27%
  
- ◆ Over 30,500 social labour hours contributed
- ◆ 17 FTE performed by over 800 people



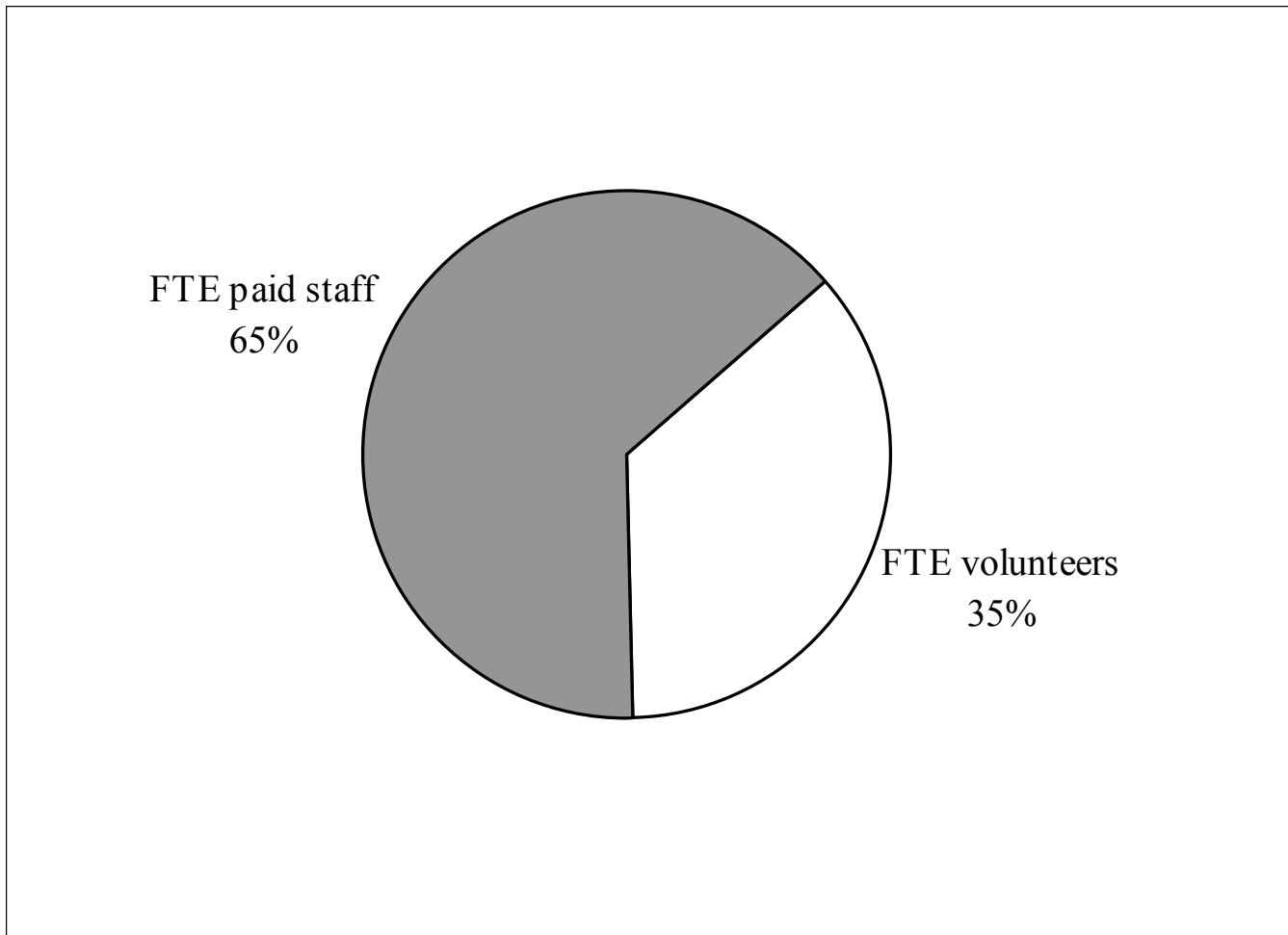
# Monetary and Nonmonetary Contributions

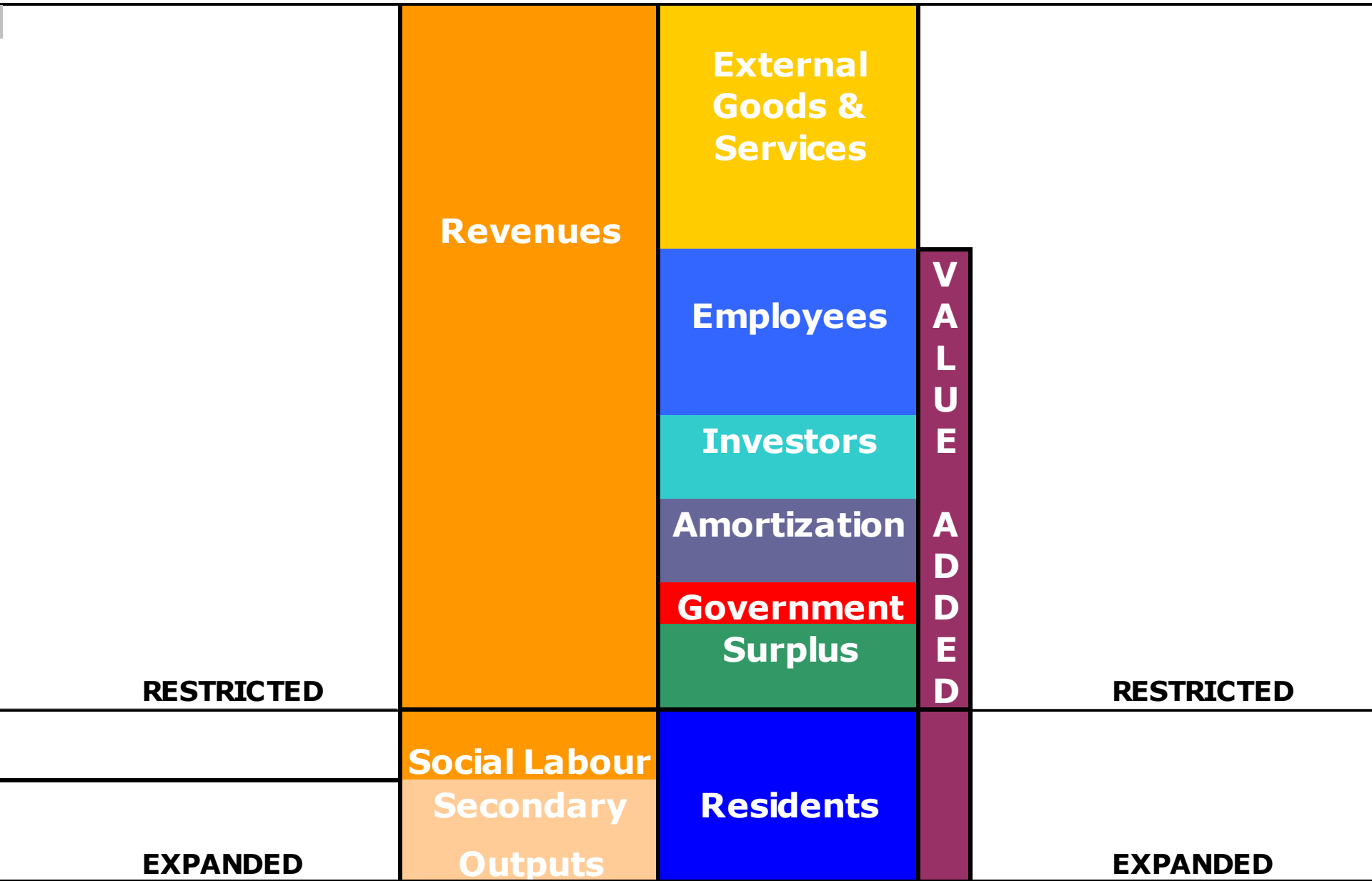






# Total Activity Hours





**RESTRICTED**

**Revenues**

**External Goods & Services**

**Employees**

**Investors**

**Amortization**

**Government Surplus**

**V  
A  
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D**

**RESTRICTED**

**EXPANDED**

**Social Labour  
Secondary  
Outputs**

**Residents**

**EXPANDED**



## **Expanded Value Added Statement creates greater awareness of:**

- ◆ the role of the organization in providing employment;
- ◆ the role of the organization in providing skills training and other indirect outcomes;
- ◆ the impact of social labour contributions;
- ◆ the role of the organization in supporting the co-operative sector; and
- ◆ the role of the organization in contributing to society through donated services.



# Some challenges

- ◆ Must also consider 'value subtracted'
- ◆ Lack of established measures for placing a value on goods and services that are seen as 'free'



# The Expanded Value Added Statement

- ◆ Integrates financial and non-financial information
- ◆ Offers a beginning step to recognizing the uniqueness of co-operatives
- ◆ Changes 'reality' to include social contributions and multiple stakeholders



# Resources

## Book

*What Counts: Social Accounting for Nonprofits and Cooperatives*, Prentice Hall, 2003.

## Manual

<http://www.nonprofitscan.ca/pdf/MAN/Quarter-MAN-English-Web.pdf>

## Volunteer Value Added Website

<http://home.oise.utoronto.ca/~volunteer>

## Social-accounting listserv

<http://listserv.oise.utoronto.ca/mailman/listinfo/social-accounting>



# Thank You!

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