

THE EXPANDED VALUE ADDED STATEMENT AS APPLIED AT A NON-PROFIT ORGANIZATION

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ABSTRACT

This study poses to investigate the impact of entries of social nature as overlooked by traditional accounting when compiling expanded value added figures, before value added accounting. To this effect, an exploratory qualitative survey was conducted at a non-profit organization located in the State of Santa Catarina, Brazil. The study's object was Indaial's Women's Network Against Cancer (SC), an association of social and philanthropic purpose, deemed of both municipal and state public interest. Study results indicate that the value added statement -compiled as of financial information gathered at the researched institution- presents both employees and the government as being the prime beneficiaries of the wealth therein generated. Once both acknowledgement and measurement of volunteer service derived social entries are incorporated, compiled value added figures raise 82.92%. This disclosure approach extends the scope of beneficiaries of generated

wealth beyond that of employees and government to include the organization itself - which receives social care program preparation and management services - and society as a whole, the ultimate addressee of services deployed by non-profit entities. One may come to the conclusion that social accounting concepts enable the understanding of both social and economic dynamics of this kind of organization.

Keywords: Non-profit organizations. Expanded value added. Value creation.

RESUMO

O objetivo neste estudo é investigar o impacto das entradas sociais não tratadas pela contabilidade tradicional na formação do valor adicionado expandido, comparado com o valor adicionado contábil. Para a consecução do objetivo, desenvolveu-se pesquisa exploratória com caráter qualitativo em uma entidade sem fins lucrativos de Santa Catarina. A entidade analisada foi a Rede Feminina de Combate ao Câncer de Indaial (SC), associação de finalidade social e filantrópica, considerada de utilidade pública municipal e estadual. Os resultados do estudo indicam que a demonstração do valor adicionado, elaborada com base nas informações financeiras coletadas na entidade investigada, apresenta como beneficiários das riquezas geradas, basicamente, os funcionários e o governo. Ao se incorporarem a mensuração e o reconhecimento das entradas sociais decorrentes dos serviços voluntários, há um acréscimo de 82,92% no valor adicionado criado pela entidade. Nessa forma de evidenciação, os beneficiários das riquezas geradas expandem-se para além dos empregados e do governo, incluindo a organização, que recebe os serviços de gestão e a elaboração de programas de atendimento, além da sociedade, que é a destinatária dos serviços gerados pelas entidades sem fins lucrativos. Pode-se concluir que os conceitos da contabilidade social configuram-se como mecanismo

para a compreensão da dinâmica social e econômica dessas organizações.

Palavras-chave: Entidades sem fins lucrativos. Valor adicionado expandido. Criação de valor.

INTRODUCTION

Non-profit organizations feature the competence of strengthening the civil society as a whole given their role as guardians of human values, by their provisioning of services, by their defence and construction of social capital and should arise from society's core (Salamon, 1997). Ben-Ner (1994) advocates that non-profit organizations are non-government related private entities that pose to service members, users or other beneficiaries.

Most often the term employed to categorize society's initiatives that focus on the production of public assets is that known as "third sector". Nevertheless, the latter likewise attracts the attention of other designations such as non-governmental, civil society, non-profit, philanthropic, social, solidary, independent, charities, and base leagues and amongst others, associations (Falconer, 1999). It is Alves's (2002) understanding that different local cultures have coined diverse designations such as the charity segment, independent segment, volunteer segment, non-governmental organizations, social economy, philanthropy and so forth.

The creation of social value may be deemed as a permanent characteristic of non-profit organizations (Quarter & Richmond, 2001) and this kind of entity's accounting might be strengthened by what is referred to as being an integrated approach: the preparation of financial statements that combine an organization's economic and social impact (Mook, Richmond & Quarter, 2003).

When ideating a model to measure the value added by organizations engaged in volunteer activities, the traditional value added statement was deemed limited and was adapted to include the accounting of the social value entities generated. The resulting statement was named "Expanded Value Added Statement" (EVAS). In contrast with the restricted (traditional) value added statement which is solely based on accounting statements, EVAS otherwise also includes social entries – volunteer contributions, for instance – which most often do not comprise financial transactions (Quarter & Richmond, 2001; Mook et al., 2003; Mook, 2007).

Given the above introduced, the research problem defined for this study's purpose is: What is the impact of non-treated by traditional accounting resources

in the compiling of the expanded value added figure, as compared to value added accounting, at a non-profit organization located in the state of Santa Catarina?

This study's objective is to investigate the impact of social entries which rest untreated by traditional accounting when compiling the expanded value added rate, as compared to that resulting from value added accounting, at a non-profit entity headquartered at the State of Santa Catarina.

The methodological grounding involving one resorting to the tool known as EVAS derives from the fact that the technique enables the extension of the legitimacy capability of entities that pursue social purposes. Another reason pondered supporting the adoption of the named approach rests in the pertinence of one analysing management control system practices of contemporary interest such as those of social nature or non-financial performance measures (Chenhall, 2007).

The study's social justification lies in the relevance of discussions involving the rendering of accounts and presentation of performance evaluations to society that funds non-profit entity activities (via donations and volunteer services) and likewise, to those who manage such organizations. Society is keen to analyse whether the entity subject to investigation is adequately promoting the use of received resources and if it is generating value to society as a whole. Meanwhile, managers may verify both the organization's operating capacity and the relevance that volunteer work embeds within performed activities' levels, in addition to taking into account possible improvements that may come to be incorporated into the execution of the organization's management.

2 LITERATURE REVIEW

To address the study's objective, the bibliographical review primarily comprised three topics, namely: (a) non-profit entity related nuances in as much as the diversity of terminologies and the social purpose of such organizations is concerned; (b) performance and presentation of accounts at entities devoted to the pertaining purpose, investigating how these institutions keep the funding public and other stakeholders informed; (c) expanded value added particularly in

as much as non-acknowledged by traditional accounting statements resources, are concerned.

2.1 NON-PROFIT ORGANIZATIONS

The rise of the third sector posed as a change of heart in as much as the role of the State and of the market is concerned, interfering in the citizen's form of involvement with the public arena (Falconer, 1999). Alves (2002) characterizes the prime sector (market) as comprising agents of private nature that engage in private purposed activities (private assets); the second sector (State) shelters agents of public nature that engage in public purposed activities (public assets); and, the third sector comprises agents of private nature that engage in public purposed activities.

Distinct names are attributed to the grouping and identification of private, non-profit organizations whose purpose is to generate common well-being including beneficent, philanthropic, voluntary, non-profit, non-governmental (NGOs) organizations, charity sector, volunteer sector, non-profit sector and lately, social economy related entities (Falconer, 1999; Hudson, 1999; Coelho, 2000; Olack, 2000; Alves, 2002). "What these denominations share in common is the fact that they try to portray a universe shaped by the civil society's public focused volunteer activities and which are not profit purposed" (Maciel, 2005, p. 39).

Ben-Ner (1994) characterizes non-profit entities as private, non-governmental organizations whose purpose is to service its members, users and other beneficiaries. "The higher purpose of these entities seeks the support and improvement of individuals and consequently, of the community" (Milani Filho, Corrar & Martins, 2003).

Kearns (1994) understands that non-profit private organizations comprise a vast and growing economic segment that constitute vital governmental partnerships for the provisioning of social and human services. This sector's increased expansion in both size and influence has driven the rise of visibility and of public scrutiny involving diverse stakeholders, including governmental auditing agencies, private donors and foundations, clients, the press and the public in

general.

Amongst all expressions currently in use, that known as the “third sector” has proven to be the most adopted to designate the set of society sprung initiatives coined to produce public goods. During the 90’s, this sector emerged as “bearer of a new and grand promise: the renewal of the public space, the rescuing of solidarity and citizenship, the humanization of capitalism and, if possible, the overcoming of poverty” (Falconer, 1999, p. 2). However, said promise was ground on simple actions and outdated formulas such as volunteer work and philanthropy, cloaked with a more corporate-like outfit.

Olak (2000) advocates that non-profit entities conduct a wide and relevant range of functions within modern society, deploying activities of beneficent, philanthropic, charitable, religious, cultural, educational, literary, recreational, environment safeguarding and sporting nature, striving to address the very social purposes that reasoned their foundation.

Non-profit entity activity deployment encompasses a variety of organizations of diverse types, objectives, scopes and operating modalities. One may deem the organizational universe as being both ample and heterogeneous since it includes associations, non-governmental organizations (NGOs), foundations, community councils, religious entities, citizen companies and others (Almeida & Ferreira, 2007). As far as Brazil is concerned, the formation of a non-profit organization in the legal form of associations, foundations and religious organizations is foreseen in Article 43 of the country’s New Civil Code (Brazil, 2002).

Mook, Handy, Ginieniewicz & Quarter (2007) defend that one may classify non-profit oriented organizations across a spectrum whereby, on one extreme, there are organizations that generate benefits which largely address its members, such as professional associations, sporting associations, syndicates, sporting and leisure clubs, religious congregations and ethno-cultural associations. At the opposite end, organizations that generate third party benefits such as hospitals, shelters, food pantries, schools and environmental organizations are positioned. Between these extremes, one would encounter non-profit oriented organizations such as law groups, museums and some religious groups or organizations that generate benefits for their own members

and third parties.

Although this kind of entity is deemed of utmost public importance, they face difficulties that derive from society's lack of trust in as much as their very operation is concerned given the absence of disclosure in terms of both collected resources and results achieved by these institutions (Assis, Mello & Slomski, 2006). Olak (2000, p. 1) understands that, in as much as non-governmental organizations are concerned, three elements characterize a much needed managerial and control standing, namely: "accountability, evaluation reports (performance) and communication tools (accounting reports)".

Accountability refers to entity compliance, disclosure and responsibility requirements in as much as presenting accounts to diverse stakeholders such as members, volunteers, clients and funding sources (Almeida & Ferreira, 2007). Milani Filho, Corrar and Martins (2003) advocate that considering non-profit entities play a role deemed of public interest, there is a rampant increase in demands concerning disclosure and accountability before the community, both calling upon accounting to take on a core standing.

Keating and Frumkin (2003) claim that information collection conditions in as much as non-profit organizations are concerned are limited, hindering user definition as to whether a given entity is retaining relevant information. Although these organizations may voluntarily disseminate information, users still find it difficult to come to conclusions in as much as credibility is concerned. Large donors may find it easy to check financial reports yet a significant number of small donors may not be able to decide upon the quality of the information or make use of the same to support their charity-related decisions. Thus, those that are in a position to support non-profit oriented organizations ought to receive further and improved information which would in turn improve their trust concerning their own charity-related decisions and in the long run, increase support for the sector as a whole. Core non-profit organization characteristics suggest that expanding and improving information and account reporting systems might bring about significant financial benefits that are not being realised (Keating & Frumkin, 2003).

This study introduces a tool - the expanded value added statement - deemed capable of extending one's understanding of the social performance of

organizations, of improving the rendering of accounts and of disclosing the contribution of volunteers when compiling value added rates.

2.2 PERFORMANCE AND RENDERING OF ACCOUNTS AT NON-PROFIT ORGANIZATIONS

In addition to the fact that research involving the ideation of performance measurement systems for this kind of organization is scarce, literature on non-profit organizations reveals the absence of consensus as to criteria employed to measure entity performance (Moxham, 2009). Given the increased number of entities competing for the known shortage of donors and for foundation and governmental funding, non-profit organizations have been drawn to pay greater attention to concerns involving the measuring of performance and rendering of accounts (Kaplan, 2001).

One can verify both the precarious condition of information disclosed by non-profit entities or alternatively, the inability traditional statements reveal when it comes to comprising information needs of stakeholders involved in this sector in studies conducted by Assis et al. (2006), Almeida and Ferreira (2007), Soldi, Hatz, Santos, Silva and Milani Filho (2007), Brito, Oliveira, Santos, Luca and Oliveira (2008), Milani Filho (2008), Miranda, Oliveira, Feitosa and Rodrigues (2009), Silveira and Borba (2010) and Carneiro, Oliveira and Torres (2011).

Assis et al. (2006) for instance, in their case study that set out to measure the economic outcome at a third sector entity, indicated that the Army's Income Statement (*DRE*) prove not to be the most adequate format to disclose results this kind of entity generates. The Economic Income Statement, which focuses on services provisioned by public entities and on the evaluation of the performance of delivered services, prove, comparatively, to be more efficient in as much as the rendering of accounts is concerned, when one takes into consideration results achieved as of activities conducted by the entity.

Furthermore, Almeida and Ferreira (2007) identified that the rendering of accounts prepared by entities that were subsidized by Uberlândia's (MG) City

Hall was not clearly defined and entirely separate given the simultaneity of the various stakeholders (volunteers, members, users, sources of funding and so forth). The authors emphasize that this kind of plurality is positive for the legitimacy of services deployed and ensures accounts are publically rendered.

Soldi et al. (2007) investigated the level of disclosure at philanthropic organizations in São Paulo and, as of a sample comprising 235 local philanthropic entities, they came to the conclusion that 49% featured a reduced level of disclosure, 47% might be deemed to conduct partial disclosure and only 4% practiced full disclosure.

Brito et al. (2008) focused on the use management made of accounting statements for decision making purposes at ten non-governmental organizations which, according to the State of Ceará's Yearbook, were deemed those most locally relevant. Findings indicate that despite the fact that researched organizations prepared mandatory accounting statements, these are merely employed as subsidiary sources. The prime approach employed to evaluate performance takes place during internal discussions of matters concerning activities without resorting to social-economic and financial data offered by the organization's accounting statements.

Milani Filho (2008) in turn investigated philanthropic organization provisioning of financial reports so as to ensure the external public may monitor balance sheet and result positions. Within the sample of 85 local entities analyzed, 71.8% do not release accounting reports on a regular basis, whether via electronic media or mass circulation publications, despite being granted fiscal benefits, receiving both public and private resources and being legally obliged to do so.

Miranda et al.'s (2009) research findings indicate that the level of adherence of accounting statements to norms defined by the Federal Accounting Council (CFC) at 31 NGO's that released some form of rendering of accounts is very low. On the other hand, Silveira and Borba (2010) found an overall level of conformity of 67% in accounting statements before established accounting norms, having taken into account the fiscal years 2004, 2005 and 2006 at 39 foundations engaged in the field of research and education within the state of Santa Catarina. The authors indicate in their study that not only there is a

demand for improvements in terms of disclosure but also for greater awareness as to the use of specific norms that specifically apply to foundations.

Carneiro et al. (2011) investigated the rendering of accounts, disclosure and relevance of accounting statements prepared by 32 non-profit associations within the municipality of Vilhena (RO), Brazil. Results suggest that despite attaching considerable importance to both disclosure and the rendering of accounts, only but few organizations voluntarily and effectively offer society information that both addresses this communicational need and primarily resort to accounting as a means of sustaining and closing new cooperation agreements and arrangements with governmental institutions (prime source of financing) whilst also of complying with rulings in force.

One might verify the importance and pertinence of presenting value added figures (Bettiol Jr., 2005) and of taking into account the value of volunteer work in performance assessments of non-profit organizations in literature, such as researches conducted by Milani Filho et al. (2003), Mook, Sousa, Elgie and Quarter (2005), Mook et al. (2007) and Pace and Basso (2009).

Milani Filho et al. (2003) estimated volunteer work share at São Paulo city's social care philanthropic entities, the average number of hours they receive in the form of donations and the respective non-accounted for values that organizations overlook. The study observed that on average, the investigated entities count on 363 regular volunteers who devote an estimated 19.3 monthly hours' worth of rendered services. Volunteer work accounts for approximately 45% of the total amount of labour used to deploy activities.

Bettiol Jr.'s (2005) study concluded that Directors, Counsellors, Managers and collaborators of the organization subject to the author's research have different perceptions in as much as the end result is concerned. Whilst some perceive result as that which arises from inflows minus expenses thus emphasizing profit, others are mostly concerned with the results of the institution's end or core activities. The study suggests the alternative adoption of value added statements to disclose the generation of wealth and its distribution throughout the production factors of the activities that generate resources and of those that are deemed as being related to the institution's very purpose.

Mook et al. (2005) conducted two studies that investigate the accounting of amounts pertaining to the contribution of volunteers. The first research surveyed 156 non-profit organizations located in Canada and findings revealed that although one third of the sample registered the number of hours of volunteer work, no more than 3% allotted a value to these contributions in their accounting statements. The second study Mook et al. (2005) conducted comprised 49 non-profit organization accountants who discussed how one might measure volunteer contributions and how this ought to be included in an expanded value added statement. No more than 31% of sample accounts deemed that financial statements adequately reflected non-profit organization performance and 68% agreed that the very inclusion of volunteer work value within financial statements would offer a more comprehensive portrait of said performance.

Mook et al. (2007) conducted an exploratory case study involving the entities linked to *Arnova* – the Volunteer Action and Non-Profit Organization Research Association – to demonstrate how volunteer work is valued and presented within a social accounting context, employing the Expanded Added Value Statement (EVAS). The study makes special mention to the fact that entities depend on volunteer contribution of their labour force and states that without them, these organizations would not be in a position to offer the same level of services without incurring in substantial increases in taxes. It further indicated that during the 2004/2005 fiscal year, the inclusion of volunteer contributions in the compiling of value added figures generated an increase that exceeded 105% - a significant contribution.

Pace and Basso (2009) assessed the return on investments and its ability to add value at third sector organizations, duly extended by the inclusion of aspects relative to volunteer work. Research comprised 60 Brazilian entities registered at the National Social Care Council and demonstrated that the value added by this activity at the surveyed entities accounts for 67.6% of the financial and social value attributed to human resources and 15.6% of hours worked. Results suggest the need for non-evidenced volunteer work to be valued.

Cruz, Quandt, Martins and Silva (2010) by means of a case study investigated a third-sector organization, devoted to the social inclusion of low

income community children and teenagers via sporting activities, throughout Brazil. The study's objective was to support possible investors and donors when analysing organizations that receive financial resources, employing performance indicators to ground such assessments. Research utilized information contained in accounting statements to treat the current and quick liquidity ratios, the private and corporate donation indexes, administrative expenditure and application in social projects rates, project investment unit and the accumulated surplus index. Outcomes indicate the feasibility of conducting a thorough analysis of the organization, enabling stakeholders to shape an improved perception of the entity's structure.

As of findings reported in Milani Filho et al. (2003), Mook et al. (2005), Mook et al. (2007) and Pace e Basso's (2009) studies, this research introduces the participation of volunteer work at a non-profit organization headquartered in the state of Santa Catarina, employing, as proposed by Mook et al. (2003) and Mook (2007) concepts involving the expanded value added approach.

2.3 THE EXPANDED VALUE ADDED TECHNIQUE AT NON-PROFIT ORGANIZATIONS

The attraction of attention to matters involving accountability within the third sector is by no means a new phenomenon. As of the 90's, interest throughout the entire sector was renewed giving rise to queries such as: measuring value added performance in terms of actual results and their impacts; ensuring that trustees and other volunteers are in a position to understand and comply with their legal and professional responsibilities; public dissemination of operational practices in as much as fund raising and executive compensation is concerned; and abidance with explicit and implicit obligations pertaining to public subsidies (fiscal exemptions) of non-profit activities (Kearns, 1994).

Mook et al.'s (2005) study revealed a consensus amongst professionals: challenges involving the inclusion of volunteer contributions and other social impacts are not of ideological nature and do not arise from an impossibility of perceiving the task at hand. Instead, challenges are primarily perceived as being of technical nature. Respondents agreed that volunteer contribution reports are

both desirable and possible despite the absence of adequate methods and reporting tools to prepare the same.

Bettiol Jr. (2005, p. 42) understands that “third sector institutions ought to report in their financial statements the respective value of time donated by volunteers when executing their activities at the entity, thus bringing to light, in monetary terms, this form of contribution society receives”. On the other hand, Milani Filho et al. (2003, p. 171) when advocating as to the need to embed the same within information prepared by accountants, to this effect claim:

considering that the acknowledgement and communication of the value of volunteer work impact entity performance analysis, this information should be disclosed in an explanatory note, offering internal and external users conditions to acknowledge and analyse the number of regular volunteers and the respective number of worked hours received in the form of donation, in addition to enabling the use of models that value such services according to specific criteria.

Accounting’s non-acknowledgement of volunteer work derives from the absence of objectivity or from excessive conservatism, jeopardizing the analysis of the institution’s performance (Olak & Nascimento, 2000) despite the fact that, amongst received donations, volunteer works represents a relevant factor that ensures the continuity of non-profit entities (Milani Filho et al., 2003). Volunteer work at these organizations must be characterized as a source of resources given that it represents a form of “donation” of resources to the entity. Furthermore, the set of services undertaken by volunteers seek to ensure the execution of the established social objectives and if these were not to be received voluntarily, they’d constitute a financial burden in terms of hiring people to execute the same (Bettiol Jr., 2005).

The Social Interest Entity Accounting Procedures and Rendering of Accounts Manual (CFC, 2008) when guiding the accounting of volunteer services establishes that:

donations are solely characterized before situations whereby rendered services are specialized (accountants, doctors, electricians, lawyers, nurses, teachers, etc.), to the effect that the entity would pay for this service in the event of absence of volunteer services. Given this circumstance, the fact must be accounted for according to its fair value and the minimum fee scales employed by professional associations may serve as parameter for the definition of the value of rendered services.

According to Bulgarim et al. (2012) volunteer services that the entity receives must be acknowledged as income, whilst in counterpart entries register

the pertaining expenses (when incurred in whilst provisioning services) or investments (when applicable to activities associated with the entity's assets), on a case by case basis.

Mook et al. (2007) advocate that one way of approaching matters involving the contribution a given organization bestows to its community is to evaluate the entity from the value added the same generates and distributes. Value added is a measure of the wealth an organization creates that adds value to the acquisition of raw materials, products and services such as labour and capital. It corresponds to the value of outputs minus the cost of services and goods purchased beyond corporate frontiers.

Value added figures can be calculated using the Value Added Statement (VAS) which differs from the Income Statement in as much as its core purpose is concerned: instead of focusing on one of the stakeholders (shareholders) and on the return of the investment, VAS focuses on several interested parties (Mook et al., 2003; Mook, 2007).

Although VAS has primarily been employed at profit-oriented organizations it is also deemed an appropriate methodology for non-profit entities. One of the difficulties to be faced when adapting VAS to non-profit organizations resides in the fact that volunteers generate a share of value or wealth to the entity itself. Nevertheless, volunteer contributions usually do not involve monetary transactions and thus end up not being included in the organization's financial statements (Mook et al., 2007).

In light of conventional accounting's limitations before non-profit organizations (Henke, 1972, 1989; Macintosh, 1995, 2000), there were but a few attempts to prepare accounting statements for these entities which effectively capture economic and social impacts (Mook et al., 2003).

One of the tools that Mook et al. (2003) introduced to address non-profit organization's needs in terms of information is an adjusted version of the VAS that includes economic and social variables as an entry that inflows via volunteer contributions. This adaptation is known as the Expanded Value Added Statement (EVAS).

EVAS features an important characteristic once taking into account that

value is created and distributed to a number of interested parties or stakeholders. The strength of this model rests in its ability to perceive the organization and the role played by volunteers from a more extensive social-economic perspective (Mook et al., 2003).

Non-profit organizations differ from companies in as much as some relevant aspects are concerned. One of these aspects rests in the fact that they operate for purposes that do not seek the generation of profits. Furthermore, the entity's efficiency and effectiveness cannot be determined as of information that one only finds in financial statements. Another issue at hand is that entities can receive large amounts of resources from sources that do not expect monetary benefits in exchange for grants (Razek, Hosch & Ives, 2000). EVAS acknowledges this peculiarity and focuses on the economic and social impacts instead of solely emphasizing the bottom line of financial deficits or surpluses, as per Income Statements. It also highlights the required collective effort for a given organization to attain its objectives, displaying each party of interest as being vital to ensure its very feasibility as a social and economically responsible entity (Mook et al., 2007).

EVAS's structure features two portions, namely: the calculation of an organization's value added and its distribution to stakeholders. At non-profit entities, income is perceived as inputs and one often refers to outputs as most often representing the direct products of their activities. However, determining output market value poses major and often overlooked challenges given the fact that they are indirect outputs such as increases in volunteer work, greater safety at the districts entities are located and so forth. Nevertheless, one may check prevailing market rates for similar activities and allocate value to some of these inputs and outputs, such as the value of work supplied by volunteers who perform counselling activities or the value of meals (Mook et al., 2003; Mook et al., 2007; Mook, 2007).

According to Mook (2007), the expanded value added statement arises from three value columns, namely: a) financial – information that stems from financial statements; b) social and environmental contributions – where one estimates a monetary value *vis a vis* that practiced on the market; c) combined – sum of the first two columns.

Thus one may envision how non-profit organizations can resort to techniques that the field of accounting offers to better disclose the wealth they generate, taking into consideration donations received by means of volunteer activities a matter that has in turn already been researched by existing studies. An important factor one ought to note is the sporadic or inadequate use made of tools of the kind as confirmed in the reported studies herein researched. Considering the rampantly increasing pressure regarding disclosure stakeholders face and with views to better pinpoint the social benefits organizations promote, the call for entities to make use of more comprehensive statements such as that object of this study – the expanded value added statement – becomes increasingly relevant.

3 METHODOLOGICAL PROCEDURES

Ground on the characteristics of this study, the investigation might be qualified as being of exploratory and qualitative nature. Exploratory research allows one to analyse an often scarcely explored theme from new standpoints (Sampieri, Collado & Lucio, 2006), whilst the qualitative approach enables the description of the complexity involving a given matter of issue, the analysis of interactions between certain variables and the comprehension and classification of dynamic processes experienced by social groups (Richardson, 1999).

This study's target third sector entity was the Women's Network Against Cancer (locally known as RFCC) located at Indaial (SC) that, as of 1990, promotes health and combats cancer. The Women's National Network comprises tens of units scattered across Brazil and every two years a national President is elected amongst those who preside units located at affiliated states.

The Network was founded in 1946 nationwide by Carmen Annes Dias Prudente, Doctor Antonio Prudente's spouse. Volunteer work and fund raising supported the setting up of the "Hospital do Câncer" in 1953. Carmem Prudente in 1980 received in Italy on a unanimous basis, the Saint-Vincent "Women of the Year" Award.

Indaial's *RFCC* is legally registered as an association with social and philanthropic purposes, counts on approximately 70 volunteers and is deemed of municipal and state public utility. The purposes laid forth in its by-laws include to coordinate, congregate, develop and promote programs and activities to combat cancer; support governmental actions that seek to promote health; and promote volunteer collaboration to ensure the recovery and well-being of the diseased beneficiary. The entity receives volunteer services in the form of activities performed by doctors, psychologists, physiotherapists, secretaries, sales at the thrift shop that the network operates, in addition to handicraft workshops. Approximately 400 exams are conducted on a monthly basis.

Documental data was collected from accounting statements, administrative reports and from other managerial documents. Information regarding the overall organization and volunteer activities was gathered during on-site visits to headquarters, via a non-structured interview with the entity's President and by analysing the content of materials and data collected. The non-structured interview collaborated with the understanding of activities the investigated entity conducts, the type of volunteer services it receives and the respective number of hours allocated to each kind of activity.

Subsequently, the description of functions and classification of professional activities that pertained to services the entity received was conducted, checking both Syndicate and Professional Council websites, as per Chart 1, below:

Activity	Description	Source
Outpatient Clinic	Volunteers in this department execute secretarial activities.	Fenassec (2013)
Thrift shop	The entity's headquarters has an outbuilding that houses a thrift shop, managed by volunteers. The role of a salesperson was taken into account.	Secfloripa (2013)
Doctor	Given that the entity operates in the field of women's health, it is monitored by a doctor who is specialized in Gynaecology and Obstetrics.	Simesc (2013)
Psychologist	Once a week a psychologist is on duty to care for women who have undergone mastectomies.	CRPSC (2013)
Physiotherapist	Physiotherapists also monitor the entity's activities.	Crefito (2013)
Handicraft Workshop	At this workshop, volunteers prepare handicraft for fund raising purposes. The role of a salesperson was taken into account.	Secfloripa (2013)

Chart 1: Description of volunteer activities

Source: Prepared by the author – research data

As of research conducted at professional entity websites, volunteer hours were priced, keeping in mind compensation levels practiced by the professional market per activity. In the next section, Table 2 presents how these values were compiled and measured.

4 RESULTS ANALYSIS AND PRESENTATION

The first step consisted of compiling the VAS for 2012's third trimester using the financial data reported in the organization's Fiscal Year Income Statement, locally known as DRE, which was duly supplied by the entity.

Most often when one prepares VAS as of the "DRE" two informational deficiencies arise: as to the value of intermediate expenditures and the amount of recoverable taxes during the investigated period. Given the legal nature of the researched entity, in a restricted sense, one can compile VAS as of the Income Statement since the entity does not have taxes to recover and does not market inputs purchased from third parties. Therefore the values recorded in the organization's Fiscal Year Income Statement suffice requirements and enable the preparation of the VAS, accordingly presented in Table 1 that follows.

Table 1: VAS/2012 Third Trimester

VALUE ADDED STATEMENT – VAS		IN R\$	%
1	REVENUE	61,151.24	95,15%
1.1	Activity Proceedings	61,151.24	95,15%
2	INPUTS ACQUIRED FROM THIRD PARTIES	-22,443.85	-34,92%
2.1	Materials and Services	-22,443.85	-34,92%
3	GROSS VALUE ADDED	38,707.39	60,23%
4	RETENTIONS	0,00	0,00%
5	VALUE ADDED GENERATED BY THE ENTITY	38,707.39	60,23%
6	VALUE ADDED RECEIVED VIA TRANSFERS	25,560.34	39,77%
6.1	Financial Earnings	25,560.34	39,77%
7	TOTAL ADDED VALUE TO DISTRIBUTE	64,267.73	100%
8	ADDED VALUE DISTRIBUTION	64,267.73	100%
8.1	Human Resources	40,770.97	63,44%
8.2	Duties, Taxes and Contributions	23,135.87	36,00%
8.3	Return on Third Party Capital	0,00	0,00%
8.4	Return on Equity Capital	360,89	0,56%

Source: Prepared by the author – research data

Table 1 demonstrates that the sources of revenue comprise the entity's end or purposed activities (monthly fees, raffles, donations, thrift shop sales and charity events), in addition to financial returns on investments. The Fiscal Year Income Statement does not record amounts relative to the depreciation or amortization of the entity's resources.

In as much as value added distribution is concerned, the prime group of stakeholders that is granted with wealth generated is that of the employees given salaries and due benefits. Subsequently, the government appears as a receiving party once one primarily takes into account amounts paid in the form of social security charges collected over the payroll and income tax which is withheld and falls upon financial yields. Return on equity capital merely appears in a non-significant, residual manner and corresponds to non-subscribed retained amounts.

The Women's Network Against Cancer follows a weekly schedule that remains almost unchanged throughout the year given the fact that, as an entity which focuses on health, it has to count on a previously defined program comprising all of its activities. As of the weekly activity report supplied by the institution, per Table 2 that follows, volunteer work values were measured and presented so as to correspond to a monthly period.

Once having collected the types of activities deployed by volunteers as described in Chart 1, the amounts - in Brazil's local currency, *Reais* - each function ought to receive on a minimal basis was researched at the websites of syndicates and councils of the respective professional categories, pricing volunteer worked hours. Table 2 allows one to verify during the researched period, there were 40 volunteers deploying activities, totaling 534 monthly hours.

Table 2: Volunteer workforce information

Deployed Activity	Number of Volunteers	Monthly Worked Hours	Rate per Hour (R\$)	Total Amount with Charges (R\$)
Board of Directors	11	78	74,70	10,056.13
Outpatient Clinic	10	193	3,75	1,249.44
Thrift Shop	10	129	3,88	860,73
Doctor (Gynaecology/Obstetrics)	1	13	81,78	1,816.41
Psychologist	1	9	81,62	1,208.65

Physiotherapist	2	26	45,00	1,999.11
Handicraft Workshop	5	86	3,88	573,82
TOTAL	40	534	-	17,764.29

Source: Prepared by the author – research data

As of *RFCC*'s monthly volunteer worked hours log and the identification of the suggested hourly rate per professional category, social charges that would incur on the payroll were added and thus the monthly value of volunteer work was calculated.

Once having calculated VAS values (Table 1) and those relative to social contributions deriving from volunteer activities (Table 2), the Expanded Value Added Statement for 2012's third semester (July, August and September) could be compiled.

Ground on the Expanded Added Value Statement (EVAS) concepts discussed in the Literature Review session, Table 3 pictures the figures that arise from taking into consideration the pricing of volunteer work which most often is not accounted for by non-profit entities despite the *CFC* (2008, 2012) having laid forth recommendations to this effect.

Table 3: 2012 3rd. trimester EVAS – in R\$

Expanded Value Added Statement	Financial	Social	Combined
Activity Proceedings	61,151.24	-	61,151.24
Received Volunteer Services	-	53,292.87	53,292.87
Financial Earnings	25,560.34	-	25,560.34
Total Revenue	86,711.58	53,292.87	140,004.45
Minus: External Products and Services	22,443.85	-	22,443.85
Generated Value Added	64,267.73	53,292.87	117,560.60
Share of Value Added to Goods and External Services	2,86	2,37	5,24
Value Added Distribution			
Employees	40,770.97		40,770.97
Salaries and Benefits	40,770.97		40,770.97
Government	23,135.87		23,135.87
Duties, Taxes and Contributions	23,135.87		23,135.87
Society		23,124.48	23,124.48
Recipient (of volunteer worked hours)		23,124.48	23,124.48
Organization	360,89	30,168.39	30,529.28
Management and Program Coordination	-	30,168.39	30,168.39
Withheld Result	360,89	-	360,89
Distributed Value Added	64,267.73	53,292.87	117,560.60

Source: Prepared by the author – research data

Table 3 reveals that during the trimester subject to assessment, volunteer services generated R\$ 53,292.87 for the researched entity (R\$ 17,764.29 per month x 3 months). These values were proportionally distributed throughout the activities deployed by volunteers, as pictured in Table 2. Thus, the amounts that correspond to the volunteer hours devoted by the Board of Directors were destined to the organization itself (R\$ 10,056.13 x 3 months = R\$ 30,168.39) and used to manage the entity and to coordinate the programs purposed to address the community. The values that correspond to the entity's end-purpose (R\$ 7,708.16 x 3 months = 23,124.48) were destined to service the community.

During the 2012 trimester period analysed, the entity generated 2.37 times more social and environmental wealth than the value of external products and services it consumed. The expanded value added, taking into account the priced participation of volunteers, corresponds to an 82.92% surplus when compared to the financial value added figure. One may deem an increase of this kind as being of relevance given the fact that if it weren't for the presence of the volunteer work, the entity would have to consistently reduce its social activities in light of the absence of budget to remain sustainable and face the amounts it would have to have to compensate the workforce. For comparative purposes,

Table 4 presents outcomes in the form of individual item percent participation before the value added generated by the entity.

Table 4: 2012 3rd. trimester EVAS – in %

Expanded Value Added Statement	Financial	Social	Combined
Activity Proceedings	52,02	-	52,02
Received Volunteer Services	-	45,33	45,33
Financial Earnings	21,74	-	21,74
Total Revenue	73,76	45,33	119,09
Minus: External Products and Services	19,09	-	19,09
Generated Value Added	54,67	45,33	100
Share of Value Added to Goods and External Services	2,86	2,37	5,24
Value Added Distribution			
Employees	34,68	-	34,68
Salaries and Benefits	34,68	-	34,68
Government	19,68	-	19,68
Duties, Taxes and Contributions	19,68	-	19,68
Society	-	19,67	19,67
Recipient (of volunteer worked hours)	-	19,67	19,67
Organization	0,31	25,66	25,97
Management and Program Coordination	-	25,66	25,66
Withheld Result	0,31	-	0,31
Distributed Value Added	54,67	45,33	100

Source: Prepared by the author – research data

Table 4 demonstrates that the added social value thanks to volunteer work accounts for 45.33% of the entire combined amount generated. The distribution of the expanded value added evidences that the main beneficiaries of the volunteer services received are the organization itself and society, end-user of the activities the entity deploys.

5 FINAL CONSIDERATIONS AND FUTURE RESEARCH

This study set out to investigate the impact of social entries that remain untreated by traditional accounting approaches when compiling the expanded value added statement in comparison with the accounting value added technique. To accomplish the objective an exploratory research of qualitative nature at a non-profit entity of Santa Catarina was conducted.

The traditional value added statement prepared based on financial information collected at the researched entity pictures as beneficiaries of the

wealth generated the employees (who receive salaries and benefits) and the government (given the collection of duties, taxes and contributions).

Once both the measurement and acknowledgement of social entries deriving from volunteer services are incorporated, there is an 82.92% increase in the value added rate the entity generates. Sheltered by this form of expanded disclosure, the group of beneficiaries of the wealth that comes about likewise expands beyond employees and the government, to include society as the prime addressee of the services the non-profit entity provisions. Furthermore, the organization itself arises as beneficiary since it receives volunteer services that contribute with the preparation and coordination of the community service programs.

Several organizations may deem the adopting of a social accounting instruction prohibitively expensive because it requires the allocation of resources and time to develop accounting systems that enable the entity to also collect social data. Furthermore, this does imply in the occurrence of certain conceptual restrictions when one proposes comparisons with the marketplace and the definition of social indicators which pertain to non-profit entity activities.

Nevertheless, social accounting concepts extrapolate account statement preparation procedures and rather pose as a mechanism that enables the comprehension of these organization's social and economic dynamics. The presentation of the Expanded Value Added Statement allows one to take into account financial data in combination with social inputs and outputs, reinforcing the relevance of the social items and endowing them with significance within the organization's financial context.

Forthcoming research might investigate the level of adoption of the accounting procedures that pertain to third sector entities. To be more specific, future studies might pinpoint disclosure of volunteer services and its representativeness within the total value added entities whose purpose is to practice activities of social interest, generate.

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