

Volunteers: The Overlooked and Undervalued Asset

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INTRODUCTION

Volunteers play an invaluable role in the nonprofit sector. At the very least, every nonprofit organization must have a volunteer Board of Directors, but many could not fulfill their missions, without extensive volunteer involvement. Volunteers fulfill a variety of functions ranging from organizing mass mailings to providing professional services. It is conservatively estimated that in 1990, over 20.5 billion hours of volunteer services were given in the United States valued by Independent Sector at approximately \$170 billion.

Volunteers are not free labor. Organizations must invest time and money in the recruitment, training and rewarding of volunteers. They must recognize and willingly bear those costs if they are to maintain a strong, well-qualified work force (American Red Cross, 1990). This expense is often disguised on the balance sheet within other line items such as personnel costs, making it difficult to accurately account for the cost of maintaining a volunteer staff. While a few nonprofit organizations include the value of volunteer labor in their annual reports, it does not show up as either an expense or income on the Operating Statement. By neglecting to include the expense and benefit gained from using volunteer labor, nonprofit organizations are not accurately reflecting the true value of their accomplishments. Because it does not appear on the financial statements, such value is not reflected in other economic measures such as the Gross National Product (GNP). It is the

contention here that nonprofit organizations should include the value of volunteer time on their balance sheets and that it should be taken into account when economists determine the level of productivity in the United States.

VOLUNTEERS BRING BENEFITS

Volunteers enable nonprofit organizations to maximize their resources by providing manual labor, skills, governance, and access to other resources for which the organization would otherwise pay. Citizens and corporations are willing to donate time because nonprofit and government organizations work for the good of the public, putting all of their resources into the fulfillment of a charitable, educational or religious mission, or the mutual benefit of the members.

Aside from actual labor, volunteers bring numerous non-quantifiable benefits to the organizations which they serve. They are seen as more credible and empathetic by the public and the people they serve, are able to be more objective as policy makers and are more free to criticize than salaried staff. Volunteers can be powerful advocates with the media and public policy makers (Ellis, 1986). Volunteers are conduits for communication both into and out of the organization, effectively helping the organization take the pulse of the community and enhancing the organization's image in the community. Volunteers frequently bring energy and a "can do" attitude to the organizational culture. "They are considered central to the organization,

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not mere extensions of the paid staff . . . They bring with them experience, skill, dedication, clout, passion and unparalleled ability to reach out to the American Public" (American Red Cross, 1990, p.1).

Interest in quantifying the value of volunteer work is increasing. Funding sources demand to know the return for their investments in volunteer programs. Administrators of volunteer programs look for reliable cost-benefit formulas when they receive a directive from an agency head or city council to justify the return of the volunteer program. Individual volunteer programs publish annual reports proclaiming the worth of their cumulative volunteer efforts, although these totals are rarely seen on the balance sheet (Karn, 1982). Volunteers also contribute more money to charitable causes than non-volunteers. In 1989, the average charitable contribution per volunteer was \$1022, three times higher than the non-volunteer's average contribution of \$359. Comparatively, volunteers give 2.6% of their household income, while non-volunteers contribute 1.1% (Hodgkinson & Weitzman, 1990).

Care must be taken when monetary value is placed on the volunteer product. By fixing a dollar value to volunteer time, one may be led to believe that volunteers replace paid staff. The ethic that "volunteers supplement, not supplant, paid staff" is one of the commandments of volunteer administration. We must also remember that by quantifying volunteer value, the intrinsic value of the volunteer contribution as previously discussed is not captured (Karn, 1982).

DETERMINING THE VALUE OF VOLUNTEER CONTRIBUTIONS

There is currently no uniform method used to determine the value of volunteer labor. Most methods grossly underestimate the equivalent worth of the volunteer work, "the volunteer donation." Listed below are some examples of methods which do not give a true value to volunteers worth:

- One method is to multiply the total number of volunteer hours from all of the volunteers by the current minimum wage as established by the Fed-

eral Government. This results in a significant underestimation, since many volunteers are involved in tasks that require greater skills than those required in a minimum wage job. The method of multiplying volunteer hours by minimum wage is blatantly apologetic and results in the most significant underestimations (Karn, 1982).

It is important to note that Independent Sector does use the minimum wage dollar amount in determining the value of volunteer time for both informal and formal volunteering by teens between the ages of 14 and 17 years. The minimum wage value in this case is a close estimation taking into account the skill level of most volunteer activity performed by youth (Hodgkinson and Weitzman, 1990).

- Another method frequently used is to assign the value of the national median hourly wage and multiply it times the number of volunteer hours. Currently this value is \$10.36, as assigned by U.S. Department of Labor, Bureau of Labor Statistics. This method also leads to an underestimation of the equivalent worth of volunteer work, since it does not take into account the skill level of the volunteer.
- Using an hourly wage half way between the lowest and highest wages of the organization or agency as the multiplier grossly underestimates the value of volunteer work. This method also does not take into account the skill level of the volunteer, which will lead to an underestimation.
- Another method which is highly inaccurate is based on the earning power of the volunteer. This may not lead to an underestimation, but to an inaccuracy in the actual worth of the contribution. For example, an accountant volunteers to clean up vacant lots for an agency. Using this method, the value of the volunteer time would be the accountant's salary, which is much higher than the value of the actual volunteer activity taking place. On the other hand, if the accountant assisted the agency with setting up a budget for a new program, the earning power value would be accurate

for the volunteer work. This example clearly shows the inaccuracy of using the earning power method as a way to measure volunteer value.

Several methods which are far more accurate for computing the value of volunteer donations have been developed. The authors recommend that agencies choose the method which most closely meets their needs until industry-wide standards have been established.

- When Independent Sector computes the overall value of time donated by volunteers 18 years and older to the nonprofit sector, they multiply the total number of volunteer hours times \$10.91. This figure is based on the average hourly wage for nonagricultural workers as published in the Economic Report of the President of the United States in 1989, increased by 12% to estimate fringe benefits (Weitzman, personal communication, Nov. 1991). As stated previously, for volunteers 14 to 17 years of age, the minimum hourly wage of \$3.35 is used as a measurement. This value is assigned to teens because of the basic skill level of the majority of volunteer positions that they fill (Hodgkinson and Weitzman, 1990).
- The equivalency method was developed by G. Neil Karn. Karn states that the true value of volunteer work should be based at the fair market value of the same paid job. It is the value of the volunteer time that becomes the "actual worth of the contribution, not the volunteers' earning power" (Karn, 1982). For example, if an attorney volunteers at a food bank as a food packer, then volunteers to do some legal consultation for the same nonprofit agency, there would be two volunteer hourly rates assigned this volunteer, one for the foodpacker assignment and one for the legal consultation.

"To formulate an equivalency rate for a particular job, carefully assess the duties performed and the knowledge, skills, and abilities demanded by the position. This requires that all volunteer positions have specific job descriptions so they can be compared to standard employment classi-

fications" (Karn, 1982). Karn has developed a model work sheet that adds the value of benefits to assist in computing the hourly value of an equivalent paid position. The hourly value is then multiplied by the number of hours donated. (Appendix A includes this model work sheet and two examples.)

Many professional volunteer administrators believe this method to be the most accurate; however, determining the equivalency can be very time consuming. If there are many different job positions, it will of course take longer to establish this system within the organization, but it is very efficient once it is implemented. It also requires the involvement of and continued communication with the organization's personnel director, presenting the opportunity to develop further support for volunteers throughout the organization.

- A short-cut version of Karn's Equivalency Model is to multiply the hourly equivalent by a standard percentage which represents fringe benefits, added to the hourly rate and multiplied by the number of volunteer hours.

IMPRESSIVE STATISTICS

Independent Sector estimates that, in 1990, 98.4 million Americans over the age of 18 (54% of total adult population) volunteered. This totals 20.5 billion hours including 15.77 billion hours of formal commitments to organizations and 4.8 billion hours of informal assistance. The formal volunteering represented an equivalent of 9.2 billion full time employees for an estimated value of \$170 billion at \$10.91 an hour (Hodgkinson and Weitzman, 1990). These numbers represent the estimated total of all volunteering in the United States, including for social service, arts, mutual benefit, and religious organizations, and volunteers to public sector volunteer programs and services.

The majority of Americans do their volunteer work within religious and charitable nonprofit organizations. In 1989, 19% of volunteer labor was given to religious organizations, 15% to health organizations, 14% to youth organizations, 12% to human services organizations and 11% to educational organizations. The remaining

29% went to recreational, general fundraising, citizenship, political, community action, social welfare, and cultural organizations (Hodgkinson and Weitzman, 1990). Volunteer labor accounts for 40% of the labor force of service nonprofits (Weisbrod, 1988).

These impressive statistics, however, are based on sketchy data and inaccurate computing methods. Independent Sector gathers its data by surveying approximately 2,775 families on their giving and volunteering habits, then extrapolating these figures to create national statistics. Organizations which involve volunteers are not surveyed. Were there a uniform reporting method for individual organizations and agencies which involve volunteers, data on the type and value of volunteer contributions could be more accurate.

WHEN VOLUNTEER DONATIONS ARE DISREGARDED

Some nonprofit organizations include in their annual reports the number of volunteer hours donated or their approximate value. Sometimes this appears near the Balance Sheet or Operating Statement, so that it can be compared to the financial status of the organization, sometimes it is included in the narrative portion of the annual report. Either way, it may receive only a cursory glance, and the figure is not based on any standard method of calculation. This approach does not give the proper weight to volunteer activity and misleads the public, funders, directors and sometimes even management to undervalue the role of volunteers in the organization. Since, in some nonprofits, volunteers are the primary providers of service, this oversight can be very dangerous. With the new emphasis on efficient management of nonprofits and the "bottom line approach," the value of volunteer time must be included in the financial accounts of the organization. Not only will it make the job of management and evaluation easier, it will, in turn, have an impact on the national figures on employment and productivity.

Nonprofit organizations and governments must prepare annual financial reports which are governed by Generally Accepted Accounting Principles. These

statements include a Balance Sheet which lists assets, liabilities and the fund balance as of a certain day (usually the last day of the fiscal year), an Operating Statement which is a statement of financial activity (including sources and amount of income and expenditures), and a Statement of Cash Flows which shows kinds and amounts of sources of funds and the uses for these funds. They report actual cash flow and the estimated cash value of assets. The purpose of these reports is to give a clear picture of the financial activity and fiscal health of the organization, and are used by the organization's management, funders, and the public to determine if the organization is being operated efficiently and legally. The Internal Revenue Service may request an audit of these documents if there is some question about the source or use of income. These financial reports sometimes are used in an evaluation of the organization's effectiveness, by comparing ratios of administrative expenses, personnel costs, fundraising, endowments and grants. The emphasis here is on the flow of cash, on measuring dollars.

These analyses miss an important aspect of the organization's operation: volunteer activity. As we have seen, it is possible to give a realistic and meaningful dollar value to the work of volunteers, but because their work does not involve the exchange of actual money, it is not carried on the books or included in the financial statements. Their contribution does have actual value, though, and enables the organization to maximize its resources in pursuit of its goals. By placing a monetary value on volunteer work, the organization can prepare an accurate cost/benefit analysis, and in so doing place emphasis on the necessity for a well managed and fully funded volunteer management program.

. . . volunteers are invisible when the agency presents its assets, liabilities, cost-effectiveness, and resources to the public. And that invisibility also too frequently results in a lack of financial support being given to volunteer efforts. Non-profits always "spend money to make money" and therefore account for fund raising expenses. But

volunteer involvement is not seen as a "cost center." If we acknowledge that volunteers are a form of revenue and support, perhaps we will also budget accordingly so that we can "raise people" as well as raise funds (Ellis, 1991).

The value of volunteer work should be carried on the books as if it involved the actual exchange of money. The contributions of volunteer time can be seen as equal to the contribution of money which would then be used to purchase labor. The same work is performed, having equal monetary value to the organization (although there are numerous nonquantifiable benefits to involving volunteers, as outlined above), while transaction costs are slightly lower. Since cash donations are carried on the books and appear in financial reports, volunteer donations can also be included in these reports. Generally Accepted Accounting Principles are being expanded to accommodate the complexities of nonprofit accounting, and although the Financial Accounting Standards Board recently issued a new standard which directed organizations that utilize volunteers to include donations of services as assets, relatively few organizations do so (Chronical of Philanthropy, 1990). The Internal Revenue Service currently asks nonprofits to report the value of donated goods and services on Form 990, which they require nonprofits to file annually, but it does not allow them to include this figure as support or expense (Ellis, p. 150). It is possible that the IRS will amend its Form 990, especially if nonprofits and accountants push hard for the change.

On the Operating Statement, the category of volunteer donations would be listed as one area of public support, along with grants, gifts, and fundraising, thus increasing the total income of the organization. The volunteer donations would also appear under expenses, since the work was actually performed, just as if the cash donation had been used to purchase labor. The net result is that they would cancel each other out and the fund balance would remain unchanged. (See Appendix B).

This would, however, give a truer picture of the financial activity of the organization or agency. When ratios of costs and

sources of income are used to evaluate the organization, volunteer donations will then enter in the picture. Their inclusion may show an organization to be far more efficient and to have a greater spread of community support. For instance, if the percent of program costs was being compared to the percent of administrative and building maintenance costs as a measure of how much of the organization's efforts go into programs, the inclusion of donations gives a truer picture of the total of program costs. By omitting volunteer donations, although the amount of dollars spent on programs is apparent, it may be considerably less than the true program cost if the agency involves many volunteers. Likewise, including volunteer donations as a source of income will demonstrate the organization's ability to diversify income and gather community support. Indeed, during recessionary periods in the economy, volunteer donations may be the organization's most stable source of income.

Properly presented, inclusion of donated time and materials on your financial statements should impress potential funders with the degree of support demonstrated by the community and with your managerial sophistication at recognizing the value of such support (Ellis, 1986).

IMPLICATIONS ON A NATIONAL LEVEL

Including volunteer donations in financial statements will facilitate the collection of accurate statistics about the activities of volunteers overall, production in the nonprofit and government sectors, and economic activity in the nation. Independent Sector has begun the practice of computing volunteer donations as part of the overall financial activity of the nonprofit sector. In 1987, the assigned value of volunteer time (computed at the average hourly wage) increased actual operating expenditures by 33%, from almost \$262 billion to more than \$348 billion (Hodgkinson & Weitzman, 1988). Weisbrod strongly recommends that more research be conducted into the extent and value of volunteer donations.

A major form of resources to nonprofits—volunteer labor—is another mystery, in large part because official labor force statistics disregard it; given the evidence that the market value of volunteer labor actually exceeds nonprofits' revenues from donations, the inattention to volunteerism handicaps our understanding of how the nonprofit sector and, indeed, the labor market as a whole functions (Weisbrod, 1988, p. 167).

Volunteer donations are not taken into account by the U.S. Department of Labor, Department of Commerce, and other government agencies which compute statistics about labor and productivity in the United States, resulting in grossly inaccurate statistics.

By not counting volunteer labor in national statistics on the labor force, we understate both the total number of persons who are engaged in productive activity outside the home and the number of employed persons. In the process we understate the proportion of the labor supply that is "employed" productively outside the home. Moreover, individuals do shift from one activity to another paid employment, volunteer work, housework and other productive activities, formal and informal; by not counting volunteers, we do record such shifting as changes in the size of the labor force and in the number of persons "employed" and "unemployed" (Weisbrod, 1988, p. 131).

For example, if a man quit his job as a lawyer to raise his children, and also started to volunteer as a trustee for a nonprofit hospital, he would no longer be counted as active in the labor force. Not only would his child rearing activities not be included in measures of productivity, but his donation of time and expertise to the hospital would be disregarded.

The volunteer force is especially important to the nonprofit economy. Volunteer donations represented 41% of the total employment in the nonprofit sector in 1987. Seventy-six percent of total employment in religious organizations, 66% in

arts and cultural organizations; 59% in civic, social and fraternal organizations; 41% in social and legal services; 24% in education and 20% in health services was provided by volunteers (Hodgkinson & Weitzman, 1989). This is the equivalent of 11.4 million full-time employees, and represents 6% of the total labor force of the United States (Weisbrod, 1988). Looking at the labor force as a whole in the United States, the proportion of working age population with "paying jobs" is 61.5% as of July 1991, which is a total labor force of 125.5 million full time equivalent (FTE) workers (U.S. Department of Labor, 1991). Adding the 9.2 million FTE volunteers, would total a labor force of 134.7 million people. This means that 6.8% of our labor force is being overlooked.

The Gross National Product is the total value of the nation's annual output of goods and services. This is monetized trade only, not including economic activity that does not have a dollar value attached, such as volunteer donations, barter, and unpaid work at home. In 1989, the GNP was \$5,200.8 billion (Bureau of the Census, 1990). Independent Sector puts volunteer donations for 1989, based on a \$10.91 per hour value, at \$170 billion. Therefore, if the GNP were to be more accurate, it would be increased by the \$170 billion of volunteer donations for a total of \$5,370.8 billion. This represents nearly 3% of the total GNP. The implication is that the U.S. economy is 3% more productive than is reported.

It is startling how little is known about this large and growing segment of the economy. It's overall contribution to national product remains largely a mystery. . . . An expanded statistical program could be carried out by existing agencies . . . such as the Census Bureau and the Bureau of Labor Statistics (Weisbrod, 1988).

ALTERNATIVE THEORIES

Why is it that volunteer donations are not valued enough to be included on Operating Statements and considered assets, and volunteers not counted among productive Americans? The economists who developed the dominant economic

theories, including even Marx, considered only those goods and services which were produced in the private (business) sector and traded for money. Consequently, when economists talk about the "economist pie" or compile statistics which reflect productivity and economic activity, they look at only monetary transactions. Non-monetized transactions, such as barter, volunteer work, work done at home without pay, and the value of natural resources do not enter into the picture. Only recently have they realized that activity in the public and nonprofit sectors, although their purposes and behaviors are very different from those of the private sector, is truly productive. Furthermore, economists assume that there is a limit to the amount of product available to consumers. When considering natural resources (fresh air, earth, etc.), volunteer labor, and work done at home to benefit one's family, is there really a limit to these products?

Hazel Henderson, a "new age economist," has developed a cutting critique of traditional economic thinking. She prefers to use a holistic model of which traditional economic theories and measurements are a small portion. In a demonstration of non-linear thinking, Henderson depicts the Total Society as a sphere. The sphere is quartered, with only one quarter representing the monetized sector of production, jobs, consumption, economic growth and profits. The three other sectors include the non-monetized social system (laws, customs, culture, the environment), unpaid work (volunteerism, hidden social costs, government risks and infrastructure), and the market and price system which govern social choices and consumer guidance. In Henderson's model, those costs which are considered externalities (unintended benefits and costs of production not benefiting or borne by the producer) are no longer excluded from economic consideration.

Henderson even turns the "economic pie" theory around and develops an "economic cake." The private sector layer on top rests on the public sector layer, resting on the social-cooperative economy which is supported by Mother Nature. In this scheme, the social-cooperative layer which includes volunteering, bartering, unpaid

work at home (including child rearing and care of the sick and elderly, and home-based production) are clearly a part of the economy with value. Although Henderson does not specifically advocate placing a monetary value on volunteer donations, by doing so a picture of the approximate size of each layer develops. A deeper appreciation of non-monetized trade in general and the contributions volunteers make to society as a whole also develops. When volunteerism is valued by society, as evidenced by its inclusion in economic theories and economic indicators, the value of volunteer donations will then be part of the Operating Statements of those organizations which utilize volunteers.

Another interesting model which places more emphasis on the public and nonprofit sectors in general, and volunteerism in particular, is emerging. Several researchers of the nonprofit sector have proposed that there are really more than three sectors (public, private and nonprofit) in our society. Several have proposed that there are four, but David Horton Smith proposes five;

- The Business Sector: Typical of the private sector in the more common three sector model. The main activity is economic exchange in the pursuit of profit. For all intents and purposes, there is no voluntary labor.
- The Government Sector: The main activity of governments is to produce public goods, financed through taxation. Volunteers and volunteer programs abound in governments! Indeed, in small municipalities the entire governmental body may be composed of volunteers.
- The Public Benefit Sector: This sector is composed of nonprofit/voluntary organizations which produce collective goods and services (hospitals, schools, social services, arts). They are financed through contributions and service fees. The majority of voluntary activity occurs in this sector, and all organizations are governed by volunteers.
- The Membership Sector: Membership Associations (members joined together to accomplish some mutually beneficial goal through collective

activity) are the typical form of this sector. Most typical are those which produce private goods benefitting members directly (unions, professional associations) but also included are membership associations which seek collective goods, such as Sierra Club. This sector is composed almost entirely of volunteers, with perhaps a small staff to maintain the business affairs of the association.

- **The Personal Sector:** The personal sector is composed of people and informal groups who work together for mutual benefit based on caring intimacy. Family, friends and neighbors are the basic units, which may extend to social groups, co-workers or other members of the community. Private goods which can be individually enjoyed or which benefit the family or group are pursued, and income is limited to personal wages. All activity in this sector is voluntary but informal and thus does not appear in any data (Smith, 1990).

Unfortunately, Smith does not define in which sector religious activity takes place. While church membership may seem to fall in the personal sector, how then do we place volunteer work, organized by churches, which produces collective goods, such as soup kitchens? While Smith, a sociologist, does not analyze the economic activity of these five sectors, it is obvious that economic activity takes place in all five, although in the personal sector it is much harder to track. Volunteer activity occurs in all but the business sector. The membership and public benefit sectors are most dependent on volunteer donations, but the government sector benefits by volunteer donations, and it is in these sectors the value of volunteer donations should be computed. Interestingly, the public benefit, membership and government sectors correspond to different tax-exempt codes granted by the IRS. Indeed, these sectors may be determined as much by their tax status as their economic or sociological functions. By segmenting society into five, rather than three, sectors the importance of volunteers to each sector and the extent of their participation is emphasized. In some

sense it may be important to distinguish mutual benefit volunteer activity from public benefit volunteerism and government volunteers.

CONCLUSION

Clearly, volunteers are intrinsic to our social fabric. Three of five sectors depend on volunteers for their very functioning, and the half of our economy which involves monetized trade depends on the health and stability of the non-monetized layer. Despite the importance of volunteers' contributions of time, skill, and caring they are ignored by economists, financial managers, and the administrators of the very organizations to which they contribute.

Most of the economists and researchers studied here advocated further research into the role of volunteers in the nonprofit and public sectors. The authors heartily agree. Volunteering, whether it be through religious belief, in community agencies, serving a term in a state or local office, or just helping out should be quantified, so its extent may be measured, where and when it occurs, and its role in the economic activity of the nation. Volunteer work of any type is truly productive; it has monetary value to the organization and the individual or public which receives the benefit, and produces intrinsic, non-quantifiable benefits to the volunteer. Furthermore, financial contributions by individuals who volunteer are three times greater than non-volunteers' contributions, continuing to replenish those organizations which they serve.

Including the monetary value of time volunteers give (however that is determined) in the organization's Operating Statement is only a small step. But that will enable researchers to determine the true contributions which the nonprofit sector makes to our society, in turn making it easier for nonprofits to raise funds, manage themselves, and recruit still more volunteers. As it becomes common practice, government sources will begin to incorporate those figures in other economic measures which have become commonly understood. Perhaps it will encourage economists, sociologists and the like to embrace new ways of thinking

about how our economy functions. Perhaps we will begin to think about ourselves in new ways.

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**APPENDIX A
MODEL WORK SHEET
TRUE VALUE ASSESSMENT COMPUTATIONS (REVISED)**

<p>I. VOLUNTEER JOBS COVERED:</p>	<p>I. EQUIVALENT PAID CLASSIFICATION:</p>
<p>II. ANNUAL SALARY FOR EQUIVALENT PAID CLASSIFICATION</p>	<p>II. SALARY:</p>
<p>III. VALUE OF BENEFITS PACKAGE</p>	<p>III. FICA: Retirement: Health Insurance: Life Insurance: Workmen's Compensation Insurance: Other Benefits: _____ _____ + _____ TOTAL VALUE OF BENEFITS = _____</p>
<p>IV. VALUE OF TOTAL COMPENSATION PACKAGE</p>	<p>IV. Annual Salary = _____ Benefits package + _____ ANNUAL COMPENSATION PACKAGE = _____</p>
<p>V. ESTABLISHED ANNUAL WORK HOURS FOR AGENCY</p>	<p>V. _____ hours/wk x 52 weeks = _____</p>
<p>VI. HOURS PAID BUT NOT WORKED ANNUALLY</p>	<p>VI. Annual Leave = _____ Paid Holidays = _____ Paid Sick Leave = _____ + _____ TOTAL HOURS PAID BUT NOT WORKED = _____</p>
<p>VII. HOURS ACTUALLY WORKED ANNUALLY</p>	<p>VII. ESTABLISHED ANNUAL HOURS = _____ HOURS PAID BUT NOT WORKED = _____ - _____ ACTUAL WORK HOURS ANNUALLY = _____</p>
<p>VIII. TRUE HOURLY VALUE</p>	<p>VIII. TOTAL COMPENSATION ÷ Actual Hours = </p>
<p>IX. NOTES ON THE COMPUTATIONS:</p>	<p>IX. NOTES:</p>

APPENDIX A (continued)

EXAMPLE

TRUE VALUE ASSESSMENT PROCESS
Member of the Board of Directors for a Non-Profit Agency

1. Equivalent Job Title: Executive Director	
Annual Salary - \$30,000 (a)	
2. FICA: A \$30,000 × .0670	\$ 2,010.00
Retirement: \$1500 lump sum per yr.	1,500.00 (b)
Health Insurance: \$40.42 × 12	485.04 (c)
Workmen's Compensation: \$.42 per \$100	126.00
	<hr/>
TOTAL BENEFITS	\$ 4,121.04
Annual Salary	\$30,000.00
Benefits	+ 4,121.04
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ANNUAL COMPENSATION PACKAGE	\$34,121.04
3. Annual Work Hours for Agency = 2080 hours (40 hours × 52 weeks)	
4. Annual Leave @ 13 days per year	104 hours (d)
8 Paid Holidays	64 hours
4 Personal Leave Days	32 hours (d)
4 Sick Leave Days (Average)	32 hours (e)
	<hr/>
	232 hours
Annual Work Hours for Agency	2080 hours
Paid Hours Not Worked	<hr/>
	-232 hours
ACTUAL WORK HOURS ANNUALLY	1848 hours
5. \$34, 121 ÷ 1848 hours = <u>\$18.46 per hour</u>	

NOTES ON THE COMPUTATIONS

(a) This non-profit agency quotes no hourly wage for its executive director.
 (b) Retirement contribution for all employees is a single lump sum of \$1500 per year. (c) Health insurance is offered for single member coverage only. Extra family coverage must be assumed totally at the employee's cost. No life insurance is offered as part of the benefits package. (d) Both annual leave and personal leave are considered a liability as unused leave balances in these two categories are paid off upon termination. (e) An average usage of four days has been estimated based on prior experience. Unused sick leave balances are not paid off upon termination, and therefore are not a factor in the computations.

EXAMPLE

TRUE VALUE ASSESSMENT PROCESS

Little League Coach

1. Equivalent Job Title: Playground Supervisor
Annual Salary – \$9288.00
Hourly Wage – \$4.46

2. FICA: $\$9288 \times .0670$ \$ 622.30
Retirement: $\$9288 \times .1037$ 963.16
Health Insurance: $\$67.02/\text{mo.} \times 12$ 804.24
Life Insurance: $\$9288 \times .01$ 92.88
Workmen's Compensation Insurance: 150.00
TOTAL BENEFITS \$ 2,632.58

Annual Salary \$ 9,288.00
Benefits Package + 2,632.58
ANNUAL COMPENSATION PACKAGE \$11,920.58

3. Annual Work Hours for Agency = 2080 hours
(40 hours \times 52 weeks)

4. Annual Leave @ 12 days per year 96 hours
11 Paid Holidays 88 hours
6 Paid Sick Leave Days (average) 48 hours
232 hours

Annual Work Hours for Agency 2080 hours
Paid Hours Not Worked -232 hours
ACTUAL HOURS WORKED
ANNUALLY 1848 hours

5. $\$11,920.58 \div 1848 \text{ hours} = \6.45 hour

APPENDIX B
HOMETOWN AGENCY
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
and CHANGES IN FUND BALANCES
Year Ended December 31, 19X2
with Comparative Totals for 19X1

	<u>19X2</u>		<u>Total All Funds</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>19X2</u>	<u>19X1</u>
Public support and revenue:				
Public support:				
Contributions	\$352,000	\$47,000	\$399,000	\$360,000
Special events (net of direct costs of \$42,000 in 19X2 and \$30,000 in 19X1)	<u>40,000</u>	<u>—</u>	<u>40,000</u>	<u>39,000</u>
	<u>392,000</u>	<u>47,000</u>	<u>439,000</u>	<u>399,000</u>
Donated time (note X)	<u>43,000</u>	<u>—</u>	<u>43,000</u>	<u>39,000</u>
Total public support	435,000	47,000	482,000	438,000
Revenue:				
Membership dues	8,000	—	8,000	5,000
Investment income	8,000	2,000	10,000	7,000
Miscellaneous	<u>2,000</u>	<u>—</u>	<u>2,000</u>	<u>2,000</u>
Total revenue	<u>18,000</u>	<u>2,000</u>	<u>20,000</u>	<u>14,000</u>
Total support and revenue	<u>453,000</u>	<u>49,000</u>	<u>502,000</u>	<u>452,000</u>
Expenses:				
Program services:				
Program X	76,000	—	76,000	64,000
Program Y	80,000	49,000	129,000	120,000
Professional education and training	49,000	—	49,000	45,000
Community services	<u>50,000</u>	<u>—</u>	<u>50,000</u>	<u>45,000</u>
Total program services	<u>255,000</u>	<u>49,000</u>	<u>304,000</u>	<u>274,000</u>
Supporting services:				
Management & general	87,000	—	87,000	83,000
Fundraising	<u>67,000</u>	<u>—</u>	<u>67,000</u>	<u>60,000</u>
Total supporting services	<u>154,000</u>	<u>—</u>	<u>154,000</u>	<u>143,000</u>
Total expenses	<u>409,000</u>	<u>49,000</u>	<u>\$458,000</u>	<u>\$417,000</u>
Excess (deficiency) of public support and revenue over expenses	44,000	(2,000)		
Fund balances, beginning of year	<u>162,000</u>	<u>22,000</u>		
Fund balances, end of year	<u><u>\$206,000</u></u>	<u><u>\$20,000</u></u>		

In these two illustrations, "note X" would probably be included in the *Summary of Significant Accounting Policies*, explaining that donated time and materials are recorded on the financial records and the method of valuation used.

APPENDIX B
HOMETOWN AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 19X2
with Comparative Totals for 19X1

	19X2									
	Program Services					Supporting Services				
	Program X	Program Y	Prof. Educ. & Trng.	Com- munity Services	Total	Manage- ment & General	Fund- raising	Total	Total Expenses	
								19X2	19X1	
Salaries	\$35,000	\$62,000	\$25,000	\$26,000	\$148,000	\$31,000	\$36,000	\$67,000	\$215,000	\$195,000
Donated time (note X)	15,000	20,000	—	—	35,000	8,000	—	8,000	43,000	39,000
Employee benefits	2,000	3,000	2,000	2,000	9,000	2,000	3,000	5,000	14,000	10,000
Payroll taxes, etc.	1,000	2,000	1,000	1,000	5,000	1,000	2,000	3,000	8,000	9,000
Total staff expenses	53,000	87,000	28,000	29,000	197,000	42,000	41,000	83,000	280,000	253,000
Professional fees	1,000	5,000	3,000	2,000	11,000	5,000	3,000	8,000	19,000	17,000
Supplies	2,000	3,000	3,000	3,000	11,000	7,000	5,000	12,000	23,000	25,000
Telephone	2,000	6,000	1,000	2,000	11,000	6,000	4,000	10,000	21,000	18,000
Postage	2,000	2,000	1,000	1,000	6,000	7,000	1,000	8,000	14,000	12,000
Occupancy	5,000	8,000	3,000	3,000	19,000	4,000	4,000	8,000	27,000	22,000
Rental of equipment	1,000	2,000	—	—	3,000	3,000	2,000	5,000	8,000	6,000
Local transportation	3,000	2,000	1,000	3,000	9,000	2,000	2,000	4,000	13,000	9,000
Printing & publications	4,000	5,000	4,000	4,000	17,000	2,000	1,000	3,000	20,000	24,000
Miscellaneous	1,000	4,000	2,000	2,000	9,000	2,000	2,000	4,000	13,000	12,000
Total expenses before depreciation	74,000	124,000	46,000	49,000	293,000	80,000	65,000	145,000	438,000	398,000
Depreciation of equipment	2,000	5,000	3,000	1,000	11,000	7,000	2,000	9,000	20,000	19,000
Total expenses	\$76,000	\$129,000	\$49,000	\$50,000	\$304,000	\$87,000	\$67,000	\$154,000	\$458,000	\$417,000

Letters

A quick note to let you all know how *helpful* and *practical* the Winter '91-'92 book has been to me in the past few weeks. In fact, I've passed on all but one of the articles to appropriate parties!

Diversity is a big issue in our Human Resources Department—and I was *most* pleased to share . . . articles with our Personnel Director, Training Officer and Affirmative Action Officer to help broaden their scope and understanding of volunteerism.

Thanks for the great job and all the time you take to give us a *professional* publication.

Cordially,
Joan Brown, Coordinator
Civic Center Volunteers
San Rafael, CA

I believe your activities and efforts are important. . . . Your role in the professional journal and its importance in shaping Volunteer Administrators' thoughts and actions should not be underestimated. Personally and on behalf of the thousands of lives you directly and indirectly influence — thank you.

Respectfully,
Donna D. Lenaghan, PhD
Independence, MO