Points of Light Foundation:
Estimates of the Economic Effects
of Selected Programs
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Americans prize the work nonprofit organizations do for our society, bringing people together to better their communities and serve the welfare of those most in need. Can we assess the economic effects of these contributions? In many cases we can. We believe it is important to do so to understand the depth of the impact of voluntary activity on our overall social well-being. Toward this goal, the Points of Light Foundation (Foundation) has asked the Indiana University Center for Urban Policy and the Environment (Center) to estimate the economic effects of their programs. This report was prepared in collaboration with the Foundation’s Office of Planning, Research and Evaluation.

This analysis employs an econometric methodology in which proxies are used to estimate the economic valuation for selected Foundation programs and services. It is especially important to note that this type of analysis does not attempt to measure or value the extent to which a program is achieving its strategic objectives or meeting it programmatic obligations. There may be benefits such as enhancing the Foundation’s reputation, strengthening ties with Volunteer Centers, or increasing awareness that cannot be evaluated using this technique. This economic valuation assessment uses a complex methodology to answer a simple question: Does a program or service deliver economic value? A full description of the methodology is included as an appendix to this report.

Our findings show that one program, MissionFish, is delivering exceptional economic value; two programs, training and communications, are delivering value in excess of their costs; and two programs, technical assistance and 1-800-Volunteer, are struggling to reach economic viability. Specifically:

- **MissionFish** generates tremendous economic value to the broader community in which it provides services. We estimate that this program, which had net costs to the Foundation of $136,000 in the first two quarters, generated about $5 million dollars of economic value in the community.

- **Training** generates economic value to important Foundation constituencies that exceeds its cost to the Foundation. Training programs operated at a net cost to the Foundation, over the first two quarters of 2006, of only $5,000, yet generated an estimated $135,000 in economic value. It is anticipated that training will end the year
generating about $270,000 in economic value and show revenues exceeding costs by nearly $100,000.

- **Communications**, unlike the above listed programs, does not generate revenue by providing programs or services for a fee. Therefore it is not possible to measure the economic impact using the same cognitive structure, measuring generated community economic value. Instead, a different economic indicator was used, calculating the cost to the Foundation of Communications in communications-industry terms: cost per thousand impressions. However, only a portion of the overall Communications budget is responsible for generating media impressions that can be measured using this metric, the $183,000 allocated to media relations. We estimate the value of media placements to be $250,000, meaning that the Foundation is getting value from its media relations expenditures.

- For the first two quarters of 2006, **technical assistance** (including the Internet library VolunteerResource.org) is estimated to have provided Foundation members with approximately $165,000 of economic value. These programs cost the Foundation $267,514 over this same time period, suggesting that its costs exceed the value it generates. However, there are known problems with tracking technical assistance services that may lead to significant underestimates of provided value. Until these tracking issues are resolved, the above estimates serve as the best available.

- **1-800Volunteer.org** is still a relatively new and growing service of the Foundation that is believed to hold promise for generating economic value within the community as it matures and spreads. However, at the present time 1-800 is not generating economic value that even approximates its costs. With expenses approaching $1 million for the first half of 2006, 1-800 generated only $200,000 in economic value as computed by our model. Further, 1-800 exists in an environment in which there is considerable competition, and the primary customers of 1-800 represent a relatively small segment of the nonprofit sector as its target population -- perhaps 300 or 400 Volunteer Centers out of more than 1 million nonprofit organizations.

However, estimating the return on investment for any nonprofit organization, including the Points of Light Foundation, is difficult because many of the services for which investments are used generate no revenue. As an example, a free health clinic that has no revenue nonetheless produces measurable economic impact because its clients have
fewer visits to hospital emergency rooms. This results in a reduction in medical expenses that would otherwise have to be absorbed by the social welfare system. These kinds of indirect impacts are captured under the term Social Return on Investment (SROI), which attempts to associate an investment by or for a nonprofit organization with economic returns to society. The computation of an SROI, developed by the Roberts Enterprise Development Fund, has been used by organizations such as Volunteer Match (a competitor for 1-800 in providing Internet-based volunteer matching services) as a means to value its services to customers.

To measure Social Return on Investment for 1-800-Volunteer.org, a model was developed that starts with the number of registered users, makes assumptions about their volunteering time, and multiplies that by an estimate of the value of volunteer time. Using these assumptions, the social value of 1-800 exceeded $36 million annually by the end of 2006, and has totaled more than $56 million over the three years from 2004-2006. When compared to the investment of funds over the same time frame, by the end of Year 3 in 2006, 1-800 achieved an annual Social Return on Investment of $16.79 for every dollar invested, and overall returned nearly $12 in value for each dollar of the $4.8 million of investment over the three years.
CONCLUSION

The estimated economic value of the four selected program areas totals $4.3 to $7.9 million, compared to a cost of $2.1 million. Although these programs reflect only a portion of the Foundation’s budget, they represent a significant economic value. When the overall results of our assessment of economic effects are disaggregated, however, we find wide differences in economic valuation across programs. Training and MissionFish are sources of strength in the Foundation’s portfolio. They generate significant economic value. The Foundation’s 1-800 and technical assistance programs generate low economic values. They presently appear to be poor investments of the Foundation’s resources; however, the economic values we estimated were affected by the market values for comparable services and our ability to obtain appropriate information about the Foundation’s services.

In some cases, the quality of information we used probably affected the economic values estimated. For example, better information about technical assistance services might have produced higher estimates of economic value. Some technical assistance the Foundation provides is probably unaccounted for in current tracking systems. Not enough is known yet about the use of Volunteer Resource.org or its perceived value to clients. Furthermore, the services may be undervalued because not enough is known about the type of consultation that is provided in technical assistance. Thus, better tracking of technical assistance and more information about the service provided could change the economic value estimates.

Because 1-800 is relatively new, its economic value could change as more Volunteer Centers become subscribers. The prospect for growth of 1-800, however, is an empirical question. The Foundation could conduct market research on the diffusion of volunteer matching technologies and the willingness and ability of Volunteer Centers to pay for services as a way to assess likelihood for further growth. Given the competition from Volunteer Solutions and other services and the limited financial resources of many Volunteer Centers, the likelihood for significant growth, as we noted earlier, is doubtful. Further research using the SROI modeling, however, provides additional insights about the value of this program.

The value of the Foundation’s Communications investments is more difficult to gauge because of limitations on information about their effects. The Foundation could pursue research about the intermediate and advanced effects of its communications services to augment the information we were able to obtain. According to the Institute for Public Relations, research techniques to measure the effectiveness of communication programs include quantitative
surveys, focus groups, qualitative in-depth surveys of elite audience groups, pre-test/post-test studies, ethnographic studies, and experimental and quasi-experimental research projects. Information from these types of studies was not available for our assessment. Had such information been available, then the economic valuation for Communications might have been even higher.
Establishing the economic effects for an investment can be approached in several ways. Three quite different methods, economic impact analysis, cost-benefit analysis, and economic valuation of services, are commonly used. Economic impact analyses seek to determine the incremental effects of an investment upon the local economy, in particular jobs and income. Economic impact analysis is best suited to the analysis of community investments that attract people and money into a community from outside and for which the major benefits arise by visitors’ spending.

A good example of an investment that is well suited to economic impact analysis is the National Conference on Volunteering and Service. The incremental effects of investments in the National Conference can be calculated using known economic input-output multipliers associated with the investment. Although the National Conference’s economic impacts can be estimated on a local level, the assessment of its economic impacts differs if extended from local economies to a national level. The money coming into a local economy has to come from somewhere, whether from federal taxes, contributions made at the national level, or the expenditures of visitors to the community. If money is coming into one local economy, by definition, it is not being spent in other local economies. The net economic impact nationally would be zero. Since most of the Foundation’s work occurs at the national level, economic impact analyses would not be suitable to estimate the economic effects of their activities.

The second method for assessing economic effects, cost-benefit analysis, involves estimating all costs and benefits associated with a given program or course of action to determine if the benefits outweigh the costs. We do not use cost-benefit analysis to assess the economic effects of the Foundation’s programs because the full benefits cannot be measured. The models for conceptualizing effects and data for measuring them are not well enough developed to have confidence in their results. It would, therefore, be misleading to measure the full costs and compare them to partial benefits.

The third method for assessing economic effects, economic valuation, seeks to place an economic value on services provided to a community at no charge or for a subsidized price. Economic valuation estimates the worth of an investment by obtaining estimates of the value of comparable services for which market prices are charged. The prices are a measure of the economic value to the user or consumer. Although the price charged is used to help determine economic value, it is different than the price paid for a service from the Foundation.
the example of a public library that makes DVDs available to its patrons. Although the DVDs are free to the public, they have an economic value. One method for estimating this value is determining what is charged for a similar DVD at a local video rental store. If the local store charges $3.00 for an overnight rental of a DVD, then an estimate of the economic value of the DVD to the library patron is $3.00.

As discussed above, economic impact and cost-benefit analyses are not appropriate methods for estimating the economic effect of most of the Foundation’s programs. We can, however, use economic valuation methods, which use proxies for valuing services, to arrive at economic valuations for many Foundation programs. This analysis estimates the economic value of five of the Foundation’s programs for the first two quarters of fiscal 2006. Information about Foundation costs will be referred to in each section below to put the economic valuations in context.
WHAT IS THE ECONOMIC VALUE OF SELECTED FOUNDATION PROGRAMS?

As Table 1 illustrates, the total estimated economic value of five selected Foundation programs ranges from $4.3 million to $7.9 million. The remainder of this report explains how the estimates were derived and interprets their significance.

**Table 1: Summary of High and Low Estimates for Economic Value of Selected Programs**

<table>
<thead>
<tr>
<th>Program</th>
<th>Low Estimate (First two quarters 2006)</th>
<th>High Estimate (First two quarters 2006)</th>
<th>Net Cost to Foundation (First two quarters 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance</td>
<td>$146,000</td>
<td>$183,000</td>
<td>$267,514</td>
</tr>
<tr>
<td>Training</td>
<td>$120,530</td>
<td>$151,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>1-800-Volunteer.org</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$921,030</td>
</tr>
<tr>
<td>Communications</td>
<td>$200,000</td>
<td>$300,000</td>
<td>$795,689</td>
</tr>
<tr>
<td>MissionFish</td>
<td>$3,664,600</td>
<td>$7,079,200</td>
<td>$136,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$4,331,130</td>
<td>$7,913,200</td>
<td>$2,125,233</td>
</tr>
</tbody>
</table>

**TRAINING AND TECHNICAL ASSISTANCE**

An important role that the Foundation plays in the nonprofit sector is to serve as a source of specialized information for individuals and organizations in the nonprofit sector. The Foundation was created because President George H.W. Bush and the representatives who voted for the National and Community Service Act of 1990 appreciated the value of volunteering in American society. Scholars and experienced professionals also recognized that it was important to diffuse knowledge about volunteering and make it widely available to people in the sector. A barrier to disseminating expertise was that there were few reliable providers. The Foundation became this reliable source, serving as a focal point for training and technical assistance to Volunteer Centers, corporations, nonprofit organizations, and others interested in volunteering.

Can you put an economic value on training and technical assistance? The answer is yes. In fact, the economic value of training and technical assistance is relatively easily identified. Our analysis indicates that in the first two quarters of 2006 technical assistance produced a range of economic value of $46,347 to $182,934 and training produced a range from $120,530 to $151,000.
ASSUMPTIONS FOR CALCULATING ECONOMIC VALUES FOR TRAINING & TECHNICAL ASSISTANCE

The Foundation provides training and technical assistance to several markets including youth and family, nonprofits, Volunteer Centers, and business. In estimating the economic value of training and technical assistance, a range of $80 to $100 an hour is used as the value of training and consulting time. This conservative estimate is based on the average of similar trainings and the average rate of consultants available for technical assistance, as presented in Table 2.

Table 2: Estimated Cost of Training and Technical Assistance

<table>
<thead>
<tr>
<th>Organization</th>
<th>Activity</th>
<th>Daily Rate</th>
<th>Hourly rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Source</td>
<td>What Corporate Leaders Must Know About Nonprofit Leadership Service</td>
<td>$125 (1/2 day)</td>
<td>$31.25</td>
</tr>
<tr>
<td>Board Source</td>
<td>Critical Components of Effective Governance</td>
<td>$500 ($1000 for two days)</td>
<td>$62.50</td>
</tr>
<tr>
<td>Center for Third World Organization</td>
<td>Community Organizing Training</td>
<td>$1200</td>
<td>$150</td>
</tr>
<tr>
<td>Search Institute</td>
<td>Youth leadership training</td>
<td>$1650 (1/2 day)</td>
<td>$421.50</td>
</tr>
<tr>
<td>Center for Third World Organization</td>
<td>Technical Assistance</td>
<td></td>
<td>$75</td>
</tr>
<tr>
<td>Nonprofit Risk Management Center</td>
<td>Technical assistance</td>
<td></td>
<td>$80-$150</td>
</tr>
</tbody>
</table>
Training includes presentations (usually less than an hour in length), workshops (90 minutes to two hours in length), and training sessions (four hours to three days in length). The approximate net cost (costs less revenues received) to the Foundation for training for the first two quarters of 2006 is $5,000. For all of 2006, however, the Foundation expects to realize a net gain (revenues minus costs) of $84,000. As Table 3 illustrates, the economic value of training in the first two quarters ranged from $120,530 to $151,000. This means that the Foundation’s training is providing an economic value to nonprofits and generating revenue for the Foundation. At the low end of our economic value estimates, the net gain of $84,000 the Foundation expects to generate this fiscal year is well below the low end of our annualized estimate of the economic value of training, which is $177,100 (2 x $88,550). The high end of our estimates of economic value suggests that training is an excellent investment for the Foundation.

Table 3: Estimated Economic Value of Points of Light Foundation’s Training

<table>
<thead>
<tr>
<th>Training 1st 2 quarters</th>
<th>POLF</th>
<th>Comparable training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High estimate</td>
</tr>
<tr>
<td></td>
<td>Number of sessions</td>
<td>Length in hours</td>
</tr>
<tr>
<td>Business 4 hrs</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Business 7 hrs</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>VC trainings</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Youth/Family</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8</td>
<td>36</td>
</tr>
</tbody>
</table>
ESTIMATED ECONOMIC VALUE OF TECHNICAL ASSISTANCE

Technical assistance includes customer service, knowledge sharing, customized assistance, and downloads from VolunteerResource.org. Transactions between Foundation staff and customers that are seeking technical assistance are typically by phone. The encounters last, on average, ten minutes.

The cost to the Foundation for technical assistance for the first two quarters of 2006 was $267,514. Foundation staff estimated that a total of 6,703 minutes (or 112 hours) was spent on technical assistance in the first two quarters. In addition, approximately 10,000 resources were downloaded from VolunteerResource.org. We assume that someone downloading a document is equivalent to ten minutes of technical assistance. The most downloaded document was a Martin Luther King Day Service Toolkit, which gives details on planning this day of service. These assumptions lead us to a low estimate of $146,000 and a high estimate of $183,000 for the economic value of technical assistance.

INTERPRETING THE ECONOMIC VALUES FOR TRAINING AND TECHNICAL ASSISTANCE

The economic values derived above show contrasting results for training and technical assistance. Two differences are noteworthy. First, training, even when valued conservatively, generates a much higher economic value for the Foundation and society than does technical assistance. When the two activities are benchmarked against Foundation costs, the differences in their economic value are still quite large. It should be noted that there could be other value to technical assistance from the Foundation that is not being captured in this analysis. It is also possible that not all technical assistance is documented, leading to an undervaluation. Even taking these caveats into account, technical assistance appears to be a poor investment for the economic value it generates.

1-800-VOLUNTEER.ORG

1-800-Volunteer.org (1-800) is a volunteer management tool designed for use by Volunteer Centers. It includes tools for recruitment, referrals and signup, records of service hours, recognition and awards, and reporting. Currently, the net cost of 1-800 for the first two quarters is $921,030. Some of the revenue sources used to arrive at the net cost include the Volunteer
Centers subscription payments for the service and sponsorships of the site. To arrive at an estimated economic value for this service we examine alternatives to 1-800 and determine the comparable market value of these alternatives, which provides the foundation for the estimated economic value. We also estimated the Social Return on Investment for 1-800, which is described later in this paper.
There are several competitors to 1-800, including Angel Points, Volunteer Match, and Volunteer Solutions. Angel Points focuses on employee volunteer programs. Angel Points’ Web site describes its mission, “Mobilizing corporations to meet the pressing needs of their communities is what Angel Points is all about.” Because of the exclusive corporate focus, Angel Points differs too much from 1-800 to provide a point for comparison.

Although Volunteer Match is the industry leader, it also is not designed for Volunteer Centers. The basic Volunteer Match module is provided at no cost for nonprofits, but each nonprofit listed is required to provide its tax identification number to verify that it is a legitimate nonprofit. Additional features are fee-based. Many of the Volunteer Centers that use Volunteer Match list with them to drive volunteers to their individual Volunteer Center Web site. The individual then enters the information on that Web site and is referred to the opportunity. This means that the Volunteer Center uses its own program to perform the majority of the functions comparable to 1-800. Thus, Volunteer Match does not provide a comparable service for estimating economic value.

Volunteer Solutions, offered by United Way, is directly comparable to 1-800. It is designed for United Ways and Volunteer Centers to use to list opportunities and match volunteers with opportunities. Their pricing system takes into account the size of the Volunteer Center in a way similar to that of 1-800. Therefore, we will use the pricing structure of Volunteer Solutions to estimate the economic value of 1-800.

**COMMUNICATIONS**

In the literature on demonstrating effectiveness in communications and public relations, there is something of a consensus that there are basic, intermediate, and advanced types of evaluation that can be done. The basic type focuses on measuring outputs or media placements and impressions. The intermediate focuses on measures of intermediate effects that include evaluating reception (how individuals make meanings for media messages), awareness, comprehension, and retention of the message among target publics. The advanced focuses on outcomes or measures of organizational goal achievement such as change in opinion, attitude, or behavior. This could include funds raised, legislation passed, and new members recruited (Lindemann 1993, Bissland 1990, Dozier 1985).
ASSUMPTIONS FOR CALCULATING ECONOMIC VALUES FOR COMMUNICATIONS

Data from the Foundation are sufficient to estimate values using only basic evaluation methods or outputs (media placements). It estimates that in the first two quarters of fiscal year 2006, the 1,908 print articles placed would equal 57,651,466 (plus radio and online) audience impressions. Audience impressions are calculated using assumptions based on readership and listenership. For example, if an article appears in a newspaper with a readership of 100,000, that would equal 100,000 impressions. Industry standards for values for audience impressions range from $3.47 to $5.20 per 1,000 impressions. These estimates could be refined by using specific data for each of the outlets, but are not likely to be significantly higher.

ESTIMATED ECONOMIC VALUE OF COMMUNICATIONS

As Table 4 illustrates, the equivalent advertising space cost would have been approximately $200,000 to $300,000. This methodology and their estimates of advertising costs are consistent with industry standards.

Table 4: An Estimate of the Economic Value of Communications

<table>
<thead>
<tr>
<th>Media placements</th>
<th>Audience impressions</th>
<th>Equivalent advertising space</th>
<th>Cost per 1,000 impressions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1908</td>
<td>57,651,466</td>
<td>$200,000</td>
<td>$3.73</td>
</tr>
</tbody>
</table>

Another way to look at the output of Communications is to calculate the cost per 1,000 media impressions and see how that compares to industry standards. With a budget for the first two quarters (general communications, media relations, and branding) of $795,689, the cost per 1,000 impressions is $13.80. If only media relations ($183,065) is considered, the cost drops to $3.73 per 1,000 impressions. This compares to costs for 1/16 of a page for USA Today of $6.25 per 1,000 impressions for regional circulation and $2.58 per 1,000 impressions for national circulation. Another comparable cost is 1/4 of a column in the Chronicle of Philanthropy, which costs $555. The Chronicle estimates its readership at 100,000, leading to a cost per 1,000 impressions of $5.55.
INTERPRETING THE ECONOMIC VALUE FOR COMMUNICATIONS

If the economic value of Communications is compared to the budget for media relations ($183,065), then it seems worthwhile for the Foundation. If the economic value is instead compared to the overall Communications budget ($795,689), then the worth of the investment is questionable. Again, as mentioned above, this measure of economic value is of outputs and not of changes in awareness or opinions. This finding indicates the need for further research by the Communications department to determine the economic value of the changes in awareness and opinions, which is the real mission and expected outcome of the department.

MISSIONFISH

MissionFish helps raise unrestricted revenue for registered nonprofit organizations using online auctions. MissionFish raises funds for nonprofits using two different methods. The first is eBay community sellers; the second is through nonprofit direct sellers. Community sellers are people who list products on eBay and donate all or some of the proceeds to a nonprofit. Nonprofit direct sellers list their items for sale on eBay. The item description includes the nonprofit’s logo and mission, and that they will receive 100 percent of the sale. The buyer of the item pays the nonprofit seller directly. The revenues generated for the Foundation are different from each type of seller. MissionFish receives $3.00 plus 2.9 percent for each transaction from the community sellers (lower than normal eBay fees) and nothing from the direct sellers.

ASSUMPTIONS FOR CALCULATING ECONOMIC VALUES FOR MISSIONFISH

eBay estimates that, on average, items listed through MissionFish get more bids, are more likely to sell, and sell for up to 40 percent more than those listed on regular eBay. For the first two quarters, community sellers generated an estimated $4.6 million in funds while direct sellers generated an estimated $5.7 million. On one end of the range of economic value estimates, the funds generated by community sellers can be assumed to be new donations. An argument can also be made that some of the donations would have been given to the nonprofits without MissionFish. A person could sell their item and donate the proceeds to the nonprofit. We estimate the low end of the range of economic value to be 50 percent of the total to account for this argument.
Direct sellers had goods donated and could have sold them on eBay without MissionFish. As stated above, however, items listed on MissionFish sell faster and at 40 percent higher price. Thus, at the high end we estimate the value added to direct sellers by MissionFish is 40 percent of the value of the goods sold and at the low end 20 percent of the value of goods sold.
ESTIMATED ECONOMIC VALUE OF MISSIONFISH

As Table 5 illustrates, this combination of community and direct selling and donation of fees resulted in a range of $3.9 million to $7.3 million new funds to the nonprofit sector from MissionFish in fiscal year 2006 through March 31. For comparison, MissionFish is estimated to have cost the Foundation $136,000 during the first two quarters. For the year, MissionFish is projected to be a revenue source for the Foundation with $127,000 estimated revenue for fiscal year 2006. The $127,000 surplus projected for the full year may be optimistic in light of the $136,000 cost incurred during the first two quarters, but either way the cost would be exceeded by the economic value.

Table 5: An Estimate of the Economic Value of MissionFish Funds Raised for Nonprofit Sector

<table>
<thead>
<tr>
<th>Funds raised 10/1/05 – 3/31/06 (estimated)</th>
<th>High estimate of new $</th>
<th>Economic value to nonprofit sector (high end)</th>
<th>Low estimate of new $</th>
<th>Economic value to nonprofit sector (low end)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Selling</td>
<td>$5,688,000</td>
<td>40%</td>
<td>$2,275,200</td>
<td>20%</td>
</tr>
<tr>
<td>Community Selling</td>
<td>$4,554,000</td>
<td>100%</td>
<td>$4,554,000</td>
<td>50%</td>
</tr>
<tr>
<td>Estimated fees donated by eBay</td>
<td>$250,000</td>
<td></td>
<td>$250,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$10,492,000</td>
<td></td>
<td>$7,079,200</td>
<td></td>
</tr>
</tbody>
</table>

INTERPRETING THE ECONOMIC VALUES FOR MISSIONFISH

MissionFish generates a large economic value for the nonprofit sector for either a small cost (through 1st two quarters) or a small projected surplus (full year) to the Foundation. The value to the nonprofit sector indicates that MissionFish is an excellent investment for the Foundation. In addition, there are values to the nonprofit sector not calculated here, such as the free advertising they receive on eBay, which may result in increased awareness of their organizations.

ESTIMATED ECONOMIC VALUE OF 1-800.VOLUNTEER.ORG
As Table 6 illustrates, 1-800 provided an economic value to volunteer centers of $200,000 in first two quarters of 2006.

Table 6: Estimated Economic Value of 1-800-Volunteer.org Using Volunteer Solutions Pricing

<table>
<thead>
<tr>
<th>Volunteer Center's Budget Size</th>
<th>1-800-Volunteer Annual Cost</th>
<th>Volunteer Solutions Annual Cost</th>
<th>Number of Volunteer Centers Using 1-800</th>
<th>Estimated Economic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$1,000,000+*</td>
<td>$2,500</td>
<td>$5,000</td>
<td>6</td>
<td>$30,000</td>
</tr>
<tr>
<td>$500,001-$1,000,000</td>
<td>$2,000</td>
<td>$4,000</td>
<td>3</td>
<td>$12,000</td>
</tr>
<tr>
<td>$100,001-$500,000</td>
<td>$1,500</td>
<td>$3,500</td>
<td>18</td>
<td>$63,000</td>
</tr>
<tr>
<td>&lt;$100,000</td>
<td>$750</td>
<td>$3,000</td>
<td>38</td>
<td>$95,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>65</strong></td>
<td><strong>$200,000</strong></td>
</tr>
</tbody>
</table>

INTERPRETING THE ECONOMIC VALUES FOR 1-800.VOLUNTEER.ORG

The economic values generated for 1-800 are lower than the costs to the Foundation. The Foundation’s net outlay of almost $1 million in the first two quarters far exceeds the estimated economic valuation of $200,000. One reason for the gap between costs and economic value is 1-800’s newness. In the future, the marginal costs to add a new volunteer center will be less than the marginal gain in revenue. Thus, each new volunteer center that is added will bring the economic value of 1-800 closer to the cost. We believe it is unlikely, however, that the gap between economic valuation and costs can be closed significantly because of the competitive environment for 1-800 and the limited market potential among volunteer centers.

SOCIAL RETURN ON INVESTMENT FOR 1-800-VOLUNTEER

Estimating the return on investment for any nonprofit organization, including the Points of Light Foundation, is difficult because many of the services for which investments are used generate no revenue. As an example, a free health clinic that has no revenue nonetheless results in measurable economic impact because there are fewer visits to hospital emergency rooms, resulting in a measurable economic impact. These kinds of indirect impacts are captured under the term Social Return on Investment, which attempts to associate an investment by or for a
nonprofit with economic returns to society. This section provides an example of applying this theoretical construct to one program of the Foundation, 1-800-Volunteer.

WHAT IS SROI?

Social Return on Investment (SROI) was developed by the Roberts Enterprise Development Fund (REDF) in order to assess the impact of their portfolio nonprofits on disadvantaged and marginalized populations. Specifically, REDF sought to address the following issues:

- How to measure the success of philanthropic efforts;
- How practitioners and investors can determine whether an organization is accomplishing its intended objectives;
- How practitioners and investors can make informed decisions concerning the ongoing utilization of resources; and
- How nonprofits can test whether and demonstrate to others that there are quantifiable, tangible results associated with monetary investments in nonprofit work.

Like the traditional approach to return on investment (ROI) used in business analyses, SROI answers these questions by comparing the resources invested in an activity to the benefits generated by that activity. However, the social aspect of SROI broadens the ROI definition of “benefits” by recognizing harder to quantify social returns that accrue to an entire community in which philanthropic work is conducted, rather than only those that can be monetized and accrue to a specific set of investors.

PERSPECTIVES ON SROI

In determining the SROI associated with an activity, REDF focuses on the measurement of economic and socio-economic value.

Socio-economic value is created when a nonprofit organization or program makes use of resources, inputs, or processes by increasing the value of these inputs and generating cost savings and revenues for the public sector. An example of socio-economic value creation is when community work, such as counseling services, generates decreased costs to society when members of the target population commit fewer crimes, stop depending on public
assistance or obtain jobs because they have increased self-esteem. In addition, members of the target population generate more taxable income through their jobs and, thus, socio-economic value is also generated by the additional taxes accrued to society. Socio-economic value is measured by quantifying and monetizing the elements of an activity’s social value that lend themselves to such analysis.

While REDF is the leading authority and resource for SROI, other organizations and scholars have weighed in on the topic. According to Greg Dees of the Kennedy School of Government, the values identified by REDF rest upon a fourth dimension of value creation: Transformative value. Transformative value recognizes that “the central purpose of the nonprofit sector is to … transform our society and world for the better”\(^1\). Furthermore, transformative value accounts for the fact that economic, social, and socio-economic values are created over a specific investment timeframe\(^2\).

The Yale School of Management also addresses guidelines concerning the measurement of SROI. In *Yale Nonprofit Ventures Workshop: Social Return on Investment*, the school offers ten guidelines for applying SROI analysis. These guidelines were excerpted from *Social Return on Investment: Standard Guidelines* by Sara Olsen and Alison Lingane (2003)\(^3\). Some significant guidelines include:

- Consider impacts made by and on all stakeholders, including those inside the company itself before deciding which are significant enough to be included in the assessment.
- In industries or geographic areas in which impacts would be created by the existence of any business, these impacts should not be counted in an SROI.
- Carry out a sensitivity analysis to identify key factors influencing projected outcomes.

\(^1\) Downloaded from http://hbswk.hbs.edu/archive/1957.html
\(^2\) This picture demonstrates Dees’s concept of transformative value and its relationship to the other value forms.

\(^3\) Olsen and Lingane co-founded the National Social Venture Competition. Their work on SROI has been referenced by various U.S. business schools such the University of California Haas School of Business and non-U.S. schools such as the London School of Business.
APPLYING SROI TO FOUNDATION PROGRAMS: AN ILLUSTRATION

Having outlined the processes necessary for the Foundation to use SROI analysis and the limitations associated with the process, the final part of this section illustrates how the Foundation might employ SROI using the socio-economic value of the 1-800 program as an example. Note that the Foundation’s Office of Planning, Research, and Evaluation has adjusted the socio-economic valuation process so that it better fits 1-800’s purpose and the data available from the program.

The difficulty in using this approach is estimating the number of hours potential members (people) in the 1-800 system give over time, since the system does not track these numbers for all volunteers or all volunteering. Even if the system did track these numbers, a thorough SROI analysis would have to subtract from that potential value the time a member would have given without 1-800 involvement. That is, 1-800 can take credit only for the increased time a volunteer gives over the time that person would have given without the system. This analysis, then, is based on the assumption that the incremental time given by a 1-800 member is low. The logic behind this assumption is grounded in the theory that a new volunteer gives relatively little time, and that an established volunteer comes to 1-800 seeking secondary or tertiary opportunities, neither of which allows the attribution of much time to the 1-800 experience. It is known that episodic volunteers initially give little time as they explore what volunteering is and what it means. It is also known that an established volunteer gives less time to a volunteering opportunity that is not his/her primary volunteering commitment. Lastly, we assume that the utilization of 1-800 will increase over time for both types of volunteers.

The number of hours we assumed to be generated by 1-800 is a conservative estimate. As comparisons, we have data from the national volunteering study conducted by the Bureau of Labor Statistics (BLS) and the data used by Volunteer Match. BLS estimates that 28 percent of adults volunteer, giving an average of about 96 hours per year. Note that this estimate excludes non-volunteers, who by definition give zero hours. If the average number of hours per year were calculated across all people, including those who gave zero hours, the average would be 26.8 hours per year (28% of 96). Volunteer Match used an estimate of 24 hours per year per member, which they base on data from a panel of members. This number, too, includes those who gave zero hours. Therefore, we could have justified using either of these numbers as constants in our estimates for 1-800. However, we believe, as we stated, that use of 1-800 will grow over time as members become accustomed to using the system.
We estimated 10 hours per year for first year members, 20 hours per year for those in their second year, and 30 hours per year for those in their third year. We will continue to increase the annual cohort estimates for five years until we reach 50 hours per year for fifth year and beyond members (stopping at the BLS median adult volunteering effort of 50 hours per year). In the analysis presented here, the blended volunteering annual time commitment is 16 hours over the three years for which we have data. While this results in lower estimates of volunteer time and generated value than if we had used either the BLS or Volunteer Match estimates, we believe this is a more sound approach as it allows for increasing commitment to 1-800 over time.

In performing this calculation for 1-800, it is important to note that all volunteering is by definition a non-cash contribution to society that has economic value, and 1-800 is a service for which there is no direct revenue to compare to direct costs. Therefore, the return on investment can only be estimated by putting a value on volunteer time as a measure of indirect, or societal, revenues. The current estimate of this value is $18.04 per hour, as published by Independent Sector and available from their Web site. In this example, we use 10 hours/year as the starting point for all 1-800 participants increasing by 10 hours/year until the median time of 50 hours/year is reached over five years. Table 7 shows this progression for the first three years of 1-800, with the number of people in each box:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of New Members</th>
<th>10 hours</th>
<th>20 hours</th>
<th>30 hours</th>
<th>Total hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>28,870</td>
<td>288,700</td>
<td></td>
<td></td>
<td>288,700</td>
</tr>
<tr>
<td>2005</td>
<td>19,605</td>
<td>196,050</td>
<td>577,400</td>
<td></td>
<td>773,450</td>
</tr>
<tr>
<td>2006</td>
<td>78,995</td>
<td>789,950</td>
<td>392,100</td>
<td>866,100</td>
<td>2,048,150</td>
</tr>
<tr>
<td>Totals</td>
<td>127,470</td>
<td>1,174,700</td>
<td>972,500</td>
<td>1,258,200</td>
<td>3,110,300</td>
</tr>
</tbody>
</table>

In Year 1, there are 28,870 people giving 10 hours each (288,700 hours). In Year 2, there are 19,605 new people giving 10 hours each (196,050 hours) and 28,870 people from the Year 1 cohort giving 20 hours each (577,400 hours). In year 3, there are 78,995 new members giving 10 hours each (789,950 hours), 19,605 members from the Year 2 cohort 20 hours each (392,100 hours), and 28,870 members from the Year 1 cohort giving 30 hours each (866,100). By the end of Year 3, 1-800 is generating more than 2 million hours of volunteering annually, and has generated more then 3 million hours over the three years.
The data in the following table can then be used to estimate the value of volunteer time generated by 1-800 by using the value published each year by Independent Sector. The current value is $18.04/hour. (Table 8)

**Table 8: Estimated Value of Volunteer Time Generated by 1-800-Volunteer.org**

<table>
<thead>
<tr>
<th>Hours of Volunteering</th>
<th>Social Value @$18.04/hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1 - 2004</td>
<td>288,700</td>
</tr>
<tr>
<td></td>
<td>$ 5,208,148</td>
</tr>
<tr>
<td>Year 2 - 2005</td>
<td>773,450</td>
</tr>
<tr>
<td></td>
<td>$13,953,038</td>
</tr>
<tr>
<td>Year 3 - 2006</td>
<td>2,048,150</td>
</tr>
<tr>
<td></td>
<td>$36,948,626</td>
</tr>
<tr>
<td>Total</td>
<td>3,110,300</td>
</tr>
<tr>
<td></td>
<td>$56,109,812</td>
</tr>
</tbody>
</table>

The social value of 1-800 then has exceeded $36 million annually by the end of 2006 and totaled more than $56 million over the three years.
These social return values would then be compared to the investment of 1-800 over the same five-year span. Table 9 shows how that can be done.

**Table 9: Estimated Social Return on Investment of 1-800-Volunteer.org**

<table>
<thead>
<tr>
<th></th>
<th>Annual Investment</th>
<th>Social Value</th>
<th>SROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1 - 2004 and prior</td>
<td>$574,004</td>
<td>$5,208,148</td>
<td>$9.07</td>
</tr>
<tr>
<td>Year 2 - 2005</td>
<td>$1,984,649</td>
<td>$13,953,038</td>
<td>$7.03</td>
</tr>
<tr>
<td>Year 3 - 2006</td>
<td>$2,200,925</td>
<td>$36,948,626</td>
<td>$16.79</td>
</tr>
<tr>
<td>Total</td>
<td>$4,759,578</td>
<td>$56,109,812</td>
<td>$11.79</td>
</tr>
</tbody>
</table>

By the end if Year 3, 2006, 1-800 achieved an annual Social Return on Investment of $16.79 for every dollar invested, and overall returned nearly $12 in value for each dollar of the $4.8 million of investment over the three years.
REFERENCES


