

THE
**ESSENTIAL
INDUSTRY**

REVEALED

NONPROFIT ECONOMIC IMPACT STUDY

CNM
Center for Nonprofit
Management

 **NASHVILLE
AREA
CHAMBER
OF COMMERCE**

the **NONPROFIT SECTOR** in the **NASHVILLE MSA**

PREPARED FOR
THE CENTER FOR NONPROFIT MANAGEMENT (CNM)

BY
**THE RESEARCH CENTER
NASHVILLE AREA CHAMBER OF COMMERCE**

ACKNOWLEDGEMENT AND CONTRIBUTORS

This study is an economic impact analysis of the nonprofit sector in the 13-county Nashville Metropolitan Statistical Area (MSA).

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Furthermore, many nonprofit organizations spent their precious time completing the survey. We thank them for their efforts and contributions to this project and their commitment and service to the greater Nashville community.

The following team members of The Research Center at the Nashville Area Chamber of Commerce contributed extensive hours to this project: Rupa DeLoach, Vice President of Research, Joanna McCall, Coordinator of Applied Research, and Barrett Smith, Coordinator of Applied Research.



EXECUTIVE SUMMARY

While the nonprofit sector in the Nashville Metropolitan Statistical Area (MSA) continues to be substantial, there has been no updated research on the regional sector since the 2013 study conducted by the Business and Economic Research Center (BERC) at Middle Tennessee State University, sponsored by the Center for Nonprofit Management (CNM). It is for this reason that CNM has once again underwritten an assessment of the nonprofit sector's contribution to the local economy in partnership with The Research Center at the Nashville Area Chamber of Commerce (TRC).

The findings of this study will reveal the presence of a healthy nonprofit sector that brings in a significant amount of money into the Nashville MSA. Because the nonprofit sectors crosses into multiple sectors and industries, and it is not clearly defined by the North American Industry Classification System or NAICS (note NAICS is a federal designation utilized throughout the United States), multiple methods were used to measure the size and value of the Nashville MSA nonprofit sector. The findings of this report clearly show that the nonprofit sector has a substantial impact on the economic landscape of the Nashville region.

KEY ECONOMIC FINDINGS

Based on the Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW, 2017 Annual Average) data on nonprofits which it strictly defines as 501(c)(3) organizations, the Nashville MSA has:

- 2.3%** **1,110 nonprofit establishments** equaling **2.3%** of private sector firms.
Does not include places of worship (churches, synagogues, temples, mosques, etc.) unless these organizations also operate Educational Services, Health Care & Social Assistance, Arts Entertainment & Recreation, or Social Advocacy Organizations
- 8.7%** **71,779 people** directly employed by nonprofits, representing **8.7%** of all private sector employment.
- 9.1%** **\$4 billion** in paid wages which represents approximately **9.1%** of all private sector wages.
- 11.7%** **\$14.4 billion** (2012 dollars) added to the regional GDP, or **11.7%** of the MSA's overall Real GDP.

An economic impact is the amount of accumulated change that occurs in employment, labor income, and GDP within a predefined economic region based on some change in final demand within a sector or sectors. Based on 2017 BLS employment data (the most currently available data) for the Nashville MSA:

The total employment based economic impact of 501(c)(3) nonprofits is \$24.6 billion (2012 dollars).

This amounts to the creation of an additional **100,300 jobs** for a total of **172,079 jobs**, **\$12.4 billion** (current dollars) in personal income and an **\$14.4 billion in contribution to GDP**.

Broadening the BLS definition to include more tax-exempt institutions and volunteer hours we see an even greater impact. According to the Corporation for National and Community Service, in 2015 and 2017 the Nashville MSA boasted the following:

346,900 volunteers served **42.5 million hours** of service in 2015. This means that nearly **one out of every four people** (aged 16 years and over) in the MSA volunteered over **three weeks** of their time.

This volunteerism provided nonprofits the equivalent work of **20,432 full-time employees** or a **further contribution worth \$1.1 billion in wages**.

In 2015, **24.9%** of those 16 years and over in the MSA volunteered with nonprofits. In 2015, the Nashville MSA **ranked 34th** out of the **51 largest MSAs** in terms of volunteerism. By 2017, the volunteer rate increased to **34.7%**, increasing the region's rank to **16th**.

This growth in volunteering matters, as **50.4%** of all residents make charitable contributions of **\$25 or more**, and among those who volunteer, **82.3% donate** (double the rate of non-volunteers). Therefore, growing the volunteer base increases not only the work a nonprofit is able to undertake, but also grows a nonprofit's donor base.

KEY SURVEY FINDINGS

An approximately **30%** smaller share of organizations that serve historically marginalized and underserved populations have experienced growth in revenue over time than those that do not serve these populations. If revenue and expense growth mirrored each other, then this could be taken as an indicator of healthy growth, however, an increase in expenses paired with stagnation in revenue is not healthy. Moving into a recessionary period, it is especially concerning that this trend is seen in organizations that serve already vulnerable populations.

Philanthropy/CSR, Environment, and Religious organizations consistently have higher contributions from outside of the MSA.

On average, capital expenses have risen by over **200%**. The change between the average expenses from 2015 to 2019 is approximately **\$1,000,000** per organization. This large change is reflective of the fact that **90%** of respondents saw an increase in capital expenses over this period of four years.

On average, in-kind contributions have risen by approximately **97%**. The change between the two-year average of in-kind contributions is approximately **\$244,626.87** per organization. The number of organizations that have seen decreases in in-kind contributions over this time period is at least double those who have seen decreases in capital expenses, approximately **20 survey participants**.

While a small amount of responding organizations' revenue increased, most organizations saw decreases in revenue since 2009.

It is notable that while revenue change and expected demand of services is relatively consistent regardless of populations served, demand rose at a **23%** higher rate for organizations that serve historically marginalized and underserved populations, as opposed to those that do not serve these populations.

While many organizations increased the number of paid employees or employee hours, it is unclear whether they increased wages for employees. This uncertainty is notable since many organizations reported that they made pay cuts or stopped giving pay increases as a response to the 2009 economic crisis. Those organizations that indicated that they adjusted in some “Other” way reported that they were either not in existence yet, or that they were continuing to diversify funding and increase reserves. Some organizations reported that they made improvements to their facilities, created endowments, began participating in social enterprise programming, and increased collaboration to offer more services.

In response to the economic recovery in 2013, more organizations used strategic planning and management as a strategy than in direct response to the economic crisis of 2009.

More organizations also increased their number of volunteers and hours.

Approximately **40%** of organizations continued to reduce costs.

Approximately **35%** of organizations began increasing their budgetary expenses.

Those respondents who reported “Other” were largely not yet in existence.

However, some organizations reported increasing requests for donations, some applied for additional grants and others reported making no changes.

A slightly higher percentage of respondents expect a decrease in revenue in the next fiscal year than those who expect an increase, with approximately 19% of organizations expecting revenue to remain the same and **11%** of organizations were unsure. This uncertainty was overwhelmingly reported to be a result of COVID-19 and the associated shutdowns. Uncertainty is primarily because of donation amounts, but some organizations are programmed around in-person events and are unsure of when they can safely resume operations. However, some organizations cited their uncertainty as due to much of their revenue being from grant funding.

Notably, **74%** of all organizations expect the demand for their organization’s services to increase within the next fiscal year. Based on revenue projections, this increase in demand will often be juxtaposed against tight budgets going into the next fiscal year.

KEY SURVEY FINDINGS

Comparing data projections about the 2009 economic crisis, there is a higher projection for increased services today due to current crisis than was reported as a result of the 2009 economic crisis.

In 2009, **57%** of organizations reported increased demand for their services. In 2020, **78%** of organizations reported an expected increase in demand for services in response to the COVID-19 related crisis.

This increase could be attributed to the survey sample groups' diversity of service areas and populations served, which correlates to the diversity of crises including the March tornado, COVID-19, organized actions for racial and social justice immediately following the murder of George Floyd.

Many organizations in the Nashville and Clarksville regions have programming related to disaster relief as well as health and economic strife due to COVID-19 and racial equity.

In 2009, **16%** of organizations saw a decrease in demand for their services. Today, **6%** of organizations project a decrease in demand for their services.

Overall, comparing today's revenue projections to observed effects of the 2009 crisis, the data shows that more organizations today expect their revenue to increase.

Discounting those that said "Other" in 2009 and "Unsure" today, only **14%** of organizations in 2009 saw their revenue increase, where **38%** of organizations today expect their revenue to increase over the next fiscal year.

Fewer organizations today expect decreases in revenue over the next fiscal year compared to organizations following the 2009 crisis.

61% of organizations saw decreased revenue after 2009, while **42%** expect decreases in the next year.

Fewer organizations today expect that their revenue will remain the same than was reported following the 2009 crisis.

Overall, revenue projections today are more positive than after the 2009 economic crisis and demand for services is high; the outlook today is relatively positive.

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