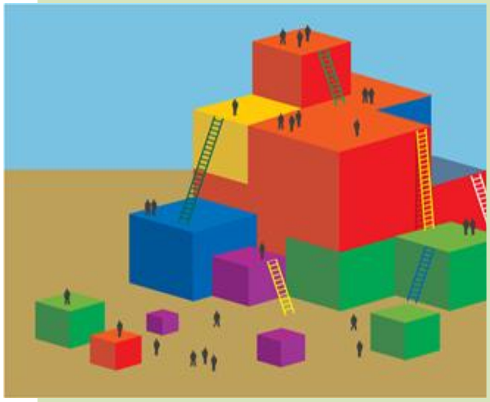

MIDDLE TENNESSEE STATE UNIVERSITY

The Nonprofit Sector in the Nashville MSA

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Acknowledgement and Study Contributors

This is a study analyzing the size and scope of the nonprofit sector in the Nashville MSA. I would like to thank the Center for Nonprofit Management (CNM) for sponsoring this initiative with special thanks to Lewis Lavine and Susan King for helping throughout the survey process. Furthermore, many organizations spent their precious time completing the nonprofit survey. I thank them for their efforts and contributions to this project.

This report is a product of teamwork. The following undergraduate research assistants contributed to various aspects of this project:

- *John Meese*: Literature Review and Data Gathering
- *Lance R. Ridings*: Data Gathering, Outlier Analysis, and MSA Comparison
- *Taylor Eidson*: Outlier Analysis, and Employment and Volunteering Data

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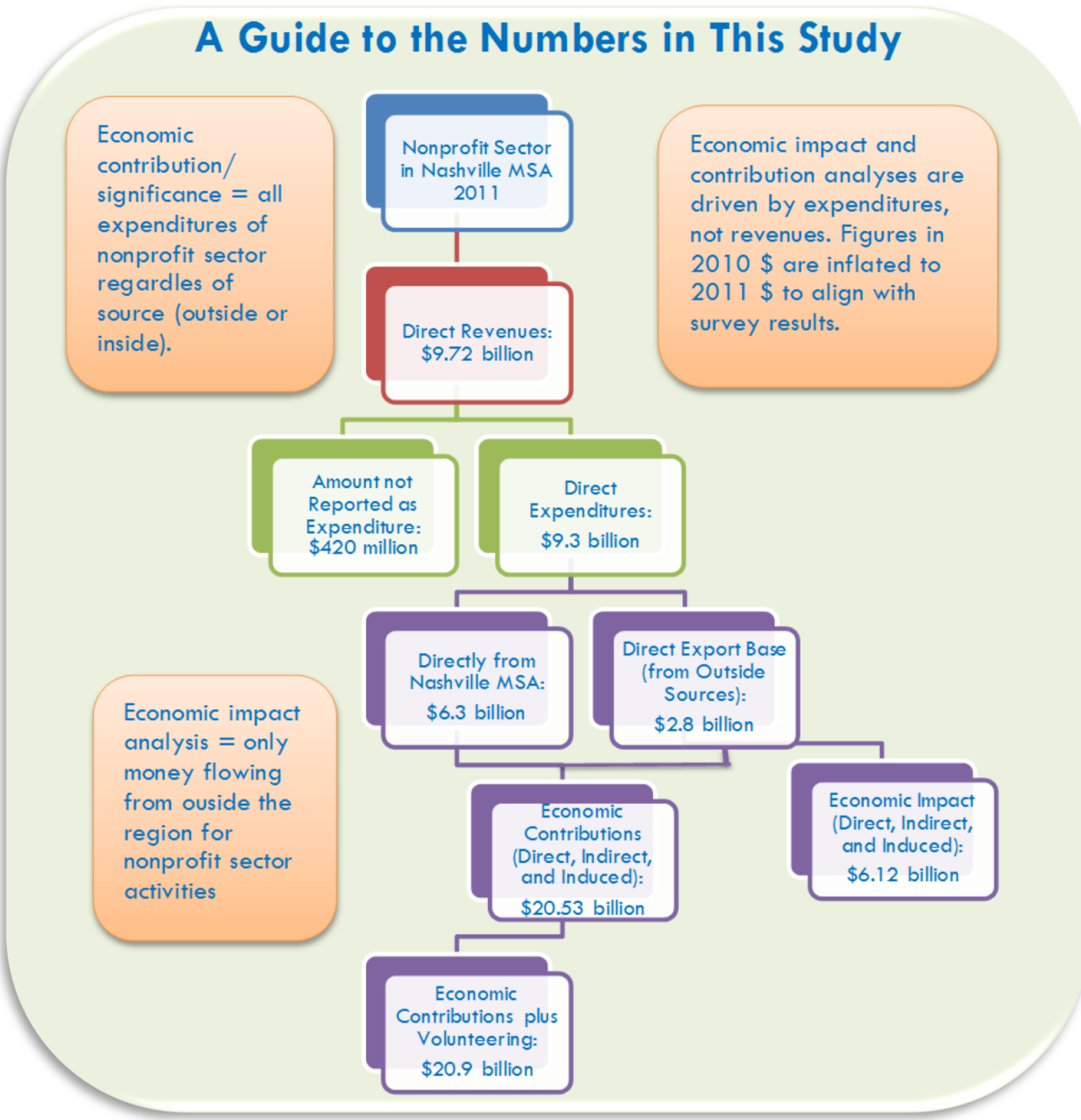
A Guide to the Numbers in This Study
Economic contribution/ significance = all expenditures of nonprofit sector regardles of source (outside or inside).
Nonprofit Sector in Nashville MSA 2011
Economic impact and contribution analyses are driven by expenditures, not revenues. Figures in 2010 $ are inflated to 2011 $ to align with survey results.
Direct Revenues: $9.72 billion
Amount not Reported as Expenditure: $420 million
Direct Expenditures: $9.3 billion
Directly from Nashville MSA: $6.3 billion
Direct Export Base (from Outside Sources): $2.8 billion
Economic impact analysis = only money flowing from ouside the region for nonprofit sector activities
Economic Contributions (Direct, Indirect, and Induced): $20.53 billion
Economic Impact (Direct, Indirect, and Induced): $6.12 billion
Economic Contributions plus Volunteering: $20.9 billion

Glossary of terms	
Study region	The geographical area (Nashville MSA) for which economic impacts and contributions are estimated.
Nashville MSA	The Metropolitan Statistical Area including Cheatham, Dickson, Hickman, Davidson, Macon, Canon, Sumner, Smith, Robertson, Rutherford, Trousdale, Williamson, and Wilson counties.
CNM	Center for Nonprofit Management
FTE	Full time equivalency. Indicates the workload of a full time employee.
BERC	MTSU Business and Economic Research Center
IMPLAN model	An input-output modeling system. IMPLAN includes procedures for generating multipliers and estimating impacts by applying final demand changes to the model.
Nonprofit sector	Businesses that operate for purposes other than profit and are not government organizations.
Business revenue	Revenue generated from the operation of nonprofit organizations.
Impact analysis	Net new economic activity generated by the nonprofit sector, which includes the impact of dollars from outside the study region on the regional economy.
Contribution / significance analysis	Importance of the nonprofit sector to the study region: Total spending of the nonprofit sector in the local economy.
Nonprofit organization	Organizations in our study are those classified as 501(c)(3), 501(c)(4), and 501(c)(6), excluding churches
Employment	Total nonfarm employment: The number of people working for wages in non-farming related industries.
Diversity index	A summary measure that takes into account how many different types of nonprofit segments are in the dataset, as well as the relative strength of each segment with respect to number of businesses, total revenues, and total expenditures. The index becomes "zero" when there is only one nonprofit segment (i.e., human services). This study uses the *Shannon-Weaver diversity index*.
Export base	Net new dollars flowing into the region because of the activities of nonprofit organizations.
Nonprofit segments	There are nine major categories of nonprofit organizations used in this study. They are human services; education; health; arts, culture and humanities; environment; international; mutual benefit; public and social benefit; and unknown.
Wages and salaries (Labor Income)	Wages and salaries paid to employees of nonprofit organizations.
Direct effect	Changes in economic activity during first round of spending.
Indirect effect	Changes in sales, income or employment within the region in backward linked industries supplying goods and services to nonprofit organizations.
Induced effect	Increases in sales within the region from employee spending earned in the nonprofit sector and supporting industries. For example, doctors in a nonprofit hospital spend their earnings on goods and services in the regional economy. This spending generates business revenues, employment, and wages and salaries throughout the study area economy.
Total effect	Sum of direct, indirect, and induced effects.
Additive (Volunteering)	Estimated contributions of volunteer activities are added to total contributions of the nonprofit sector.
Enabler (Volunteering)	A component of the nonprofit sector's contributions that may have not been possible without the volunteers.

Executive Summary

Although its size and scope is considerable, no systematic attempt has previously been made to study this sector in the Nashville MSA. The Business and Economic Research Center (BERC), Middle Tennessee State University, under the sponsorship of the Center for Nonprofit Management (CNM), has produced this assessment of the nonprofit sector's contribution to the local economy.

Study findings demonstrate the presence of a vibrant nonprofit sector, bringing in a significant amount of money from sources outside the Nashville MSA.

Key Findings

- Profile of the Nonprofit Sector
  - The Nashville MSA's nonprofit sector in 2011
    - employs 151,734 people, 15.3 percent of all regional employment;
    - has 2,045 nonprofit organizations, 5.44 percent of all regional businesses;
    - has revenue of $9.4 billion, 6.7 percent of all regional business revenue.
  - One in every three individuals over 16 years of age has volunteered for at least one nonprofit organization, generating an economic value of $376 million in wages and salaries and 8,147 in full-time equivalency work hours.
  - The nonprofit sector has a strong export base, attracting $2.7 billion from sources outside the Nashville MSA, or one in every three nonprofit dollars.
- The Economic Impact of the Nonprofit Sector—An Export Base Analysis
  - The economic impact of the direct spending of $2.7 billion (*export base*) by the nonprofit sector accounts for $6.12 billion in business revenue, representing 4.37 percent of all business revenues in the Nashville MSA.

    - For every dollar of *direct* nonprofit spending of resources flowing from outside sources, an additional $1.22 in business revenue is created in the Nashville MSA through a multiplier effect.
  - The nonprofit sector's export base directly employs 46,415 people, generating an employment impact of 72,095 jobs, accounting for 7.27 percent of all jobs in the Nashville MSA.
    - For every 100 jobs directly created by the export base of the nonprofit sector, an additional 55 jobs are created across the regional economy.
  - The export base component of the nonprofit sector disburses $1.4 billion in wages and salaries, generating an economic impact of $2.67 billion, representing five percent of all study-area wages and salaries.
    - For every dollar of wages and salaries paid by the nonprofit sector's export base, an additional $0.91 of wages and salaries is created in the local economy.
  - The export base of the nonprofit sector created total annual state and local tax revenues of $201 million in 2011.
- Broader Economic Contributions of the Nonprofit Sector to the Nashville MSA Economy
  - The nonprofit sector's total contribution (direct, indirect, and induced) to business revenue in the Nashville MSA is $20.5 billion, accounting for 14.7 percent of the Nashville MSA's business revenue.
    - Every dollar of direct spending by the nonprofit sector creates $1.22 in additional revenue throughout the economy of the Nashville MSA.
  - Nearly one in every four jobs is created by the nonprofit sector in the Nashville MSA, with a total employment of 237,967 (including all full-time and part-time workers).

    - Every *100 direct jobs* created by the nonprofit sector generates an additional *57* jobs through multipliers in the Nashville MSA.
  - The nonprofit sector accounts for 16.8 percent of the Nashville MSA's total wages and salaries, totaling $8.96 billion.
    - Every one dollar of wages and salaries paid by the nonprofit sector creates an additional $0.90 in wages and salaries through multipliers.
- Recession Crisis Management
  - Nearly 50 percent of nonprofit organizations cited a reduction in revenue because of the 2008 recession, while 56 percent of nonprofits indicated an increase in demand for services.
- The Nashville MSA and Its Peers
  - The nonprofit sector in the Nashville MSA is relatively strong compared with its nine peer MSAs.
    - Overall, Nashville ranks third in terms of the strength of the nonprofit sector among 10 MSAs.
    - Nashville and Raleigh are relatively stronger than other MSAs in terms of the combined strength of the nonprofit segments education and health care.

In conclusion, the nonprofit sector in Nashville, including its volunteerism component, is strong, diverse, and vibrant. It is a major contributor to the economic output (business revenue) of the MSA and plays a vital role in the area's strong economic picture.

I. Introduction

The nonprofit sector is an important part of both local and national economies because it includes not only spending and associated employment but also volunteering and civic participation in community affairs. Although its size and scope is considerable, no systematic attempt has previously been made to study this sector in the Nashville MSA. The Business and Economic Research Center (BERC), Middle Tennessee State University, under the sponsorship of the Center for Nonprofit Management (CNM), has produced this assessment of the nonprofit sector's contribution to the local economy.

The purpose of this study is to find answers to the following questions:

i. What is the scope and size of the Nashville MSA's nonprofit sector?
ii. How has the Nashville MSA's nonprofit sector evolved over the years?
iii. How has the Nashville MSA's nonprofit sector managed the economic downturn?
iv. How does the Nashville MSA's nonprofit sector compare with that of peer MSAs?

To answer these questions, BERC designed and administered a nonprofit survey in addition to obtaining nonprofit data from various sources. Study findings demonstrate the presence of a vibrant nonprofit sector in the Nashville MSA, bringing in a significant amount of money from sources outside the Nashville MSA.

The rest of this report will proceed as follows. The second chapter deals with the review of selected literature and methodological issues. The third chapter presents a summary of the characteristics of the Nashville MSA's nonprofit sector. The fourth chapter provides a comprehensive assessment of its economic contributions. The fifth and sixth chapters compare the Nashville MSA's nonprofit sector with that of peer MSAs, as well as the effect of the 2008 recession on nonprofit management. A conclusion and survey tables follow.

II. Literature Review and Methodology

How did BERC analyze the nonprofit sector's contribution to the local economy? In this section, we briefly address this question by reviewing literature, identifying data sources, and constructing the conceptual framework for data analysis.

II.1. Literature Review

Literature on the nonprofit sector deals with a wide range of topics including the economics of giving, dynamics of volunteering, management issues, civic participation, and economic impact assessments. Given the scope of this study and the research questions posed earlier, we primarily reviewed the literature on the economic contributions of the nonprofit sector to the state and local economies. The selected literature reviewed for this study, shown in Table 1, helped us develop consistent methodology for analyzing the nonprofit sector in the Nashville MSA.

Table 1: Selected Literature Review

Study	Region	Scope[1]	Method	Data Source	Sector Size	Composition[2]	Health	Conclusion
MSA/Region level studies								
State of the Sector (2012)	Northeast Florida	2009-2010	National statistics used to examine nonprofit sector structure and financial makeup. Results compared to similar regions.	IRS NCCS NTEE	#: 1,081 9% T-L/F 3% BUS	24% HS 12% ASS 10% A&H, EDU, RLGN, HLTH	# ▲ 33%	The sector has flourished in the broadening economy and will continue to do so.
State of the Sector (2010)	Northeast Florida	1998-2008	National statistics used to examine nonprofit sector structure and financial makeup. Compared to similar regions.	IRS NCCS NTEE	#: 998 0.9 #/PP	17% HS 13% HLTH 11% RLGN 10% A&H	RV ▲ 71% # ▲ 102%	Despite nonprofit number growth, few have the capacity to make significant impact or weather economic turmoil.
Kansas City Nonprofit Sector (2009)	Kansas City MSA	2002-2008 Includes some 501(c)(4) & 501(c)(6) data	National and local data used to quantify nonprofit sector. Entire population used to negate sampling error. Results compared to similar regions.	IRS NTEE USCB CMP Survey	#: 8,010 9% T-L/F 1.66 #/PP	14.6% PHIL 14.6% EDU 10.8% HS 13.3% n/a	'07-'08: # ▼ 2.8% '08-'09: # ▲ 8.2%, RV ▲ 2%	Focus of study is to provide relevant data in order to encourage research and understanding.
Kansas City Nonprofit Sector (2007)	Kansas City MSA	2006-2007 Includes some 501(c)(4) & 501(c)(6) data	National and local data used to quantify nonprofit sector. Entire population used to negate sampling error. Results compared to similar regions.	IRS NTEE USCB CMP Survey	#: 7,612 9% T-L/F 1.65 #/PP	15.0% EDU 10.9% HS 14.4% PHIL 12.4% n/a	# ▲ 1.9% RV ▲ 17%	Focus of study is to provide relevant data in order to encourage research and understanding.

Key To Abbreviations

- **#** Number of NPOs in region
- **#/PP** Number of NPOs per 1,000 residents
- **A&H** Arts & Humanities
- **ASS** Associations
- **BEA** US Bureau of Economic Analysis
- **BUS** Total Region Businesses (Number)
- **CNCS** Corporation for National & Community Service
- **CNP** Council of Nonprofits
- **DES** Department of Employment Security
- **DOL** Department of Labor
- **EDU** Education
- **EMPL** Employment
- **ERIC** Economic Research and Information Center
- **GMP** Gross Metropolitan Product
- **GSP** Gross State Product
- **HLTH** Health
- **HS** Human Services
- **IRS** Internal Revenue Service
- **n/a** No classification code
- **NCCS** National Center for Charitable Statistics
- **NPO** Non Profit Organization
- **NTEE** National Taxonomy of Exempt Entities
- **P/R** Total region payroll
- **PHIL** Philanthropy/Grantmaking
- **p-L/F** Total region private sector Labor Force
- **PUB** Public & Societal Benefit
- **RLGN** Religion
- **RV** Revenue
- **T-L/F** Total Region Labor Force
- **TR** Total revenue in region
- **USCB** United States Census Bureau
- **UVM** University of Vermont
- **V/H** Volunteer hours (in millions)
- **VL** Number of volunteers
- **VOL** Volunteer rate

[1] Unless otherwise noted, the studies referenced here limit the scope of their study to 501(c)(3) organizations with more than $25,000 in annual revenue.

[2] The subsectors mentioned are those with a 10% or higher share of the nonprofit sector.

Table 1: Selected Literature Review (Continued)

Study	Region	Scope[1]	Method	Data Source	Sector Size	Composition[2]	Health	Conclusion
MSA/Region level studies continued								
Kansas City Nonprofit Sector (2006)	Kansas City MSA	2005-2006 Includes some 501(c)(4) & 501(c)(6) data	National and local data used to quantify nonprofit sector. Entire population used to negate sampling error. Results compared to similar regions and trend.	IRS NTEE USCB CMP Survey	#: 7473 3.8% BUS 9% T-L/F 1.77 #/PP	15.2% PHIL 14.7% EDU 10.9% HS 13.3% n/a	# ▲ 1.8% RV ▲ 12%	Focus of study is to provide relevant data in order to encourage research and understanding.
Kansas City Nonprofit Sector (2005)	Kansas City MSA	2004-2005 Includes some 501(c)(4) & 501(c)(6) data	National and local data used to quantify nonprofit sector. Entire population used to negate sampling error. Results compared to similar regions and trend.	IRS NTEE USCB Survey	#: 7,336 2.8% BUS 9% T-L/F 1.38 #/PP 13% GMP	16.6% EDU 16.5% PHIL 10.5% HS	RV ▼ 5.6% # ▲ 26%	Despite the continued demand for services, more nonprofit organizations are competing for fewer resources. Present revenue levels for the sector are below 2002 levels.
State level studies								
Maine Nonprofit Sector Impact (2013)	Maine (ME)	2008-2010 NPOs with revenue greater than $50,000/year	National and local statistics used to examine nonprofit sector. Results compared to similar regions. Includes spotlight on key region NPOs.	IRS NCCS CNCS ME DOL	#: 3,022 18% GSP 15% T-L/F 16% P/R	33% HS 15% EDU 12% A&H, HLTH	EMPL ▲ 4 %	The nonprofit sector is essential to the region.
North Dakota's Nonprofit Sector in Brief (2013)	North Dakota (ND)	2012 NPOs with revenue greater than $50,000/year	National statistics used to examine nonprofit sector structure and financial makeup, including limited impact assessment.	IRS NCCS CNCS	#: 6,201 31% VOL 14.1 V/H 15% p-L/F	37.7% HS 18.7% HLTH 11.9% EDU 11.3% PUB 10.7% A&H	Not mentioned in this study	The nonprofit sector is essential to the region.

Key To Abbreviations

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- **#/PP** Number of NPOs per 1,000 residents
- **A&H** Arts & Humanities
- **ASS** Associations
- **BEA** US Bureau of Economic Analysis
- **BUS** Total Region Businesses (Number)
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- **p-L/F** Total region private sector Labor Force
- **PUB** Public & Societal Benefit
- **RLGN** Religion
- **RV** Revenue
- **T-L/F** Total Region Labor Force
- **TR** Total revenue in region
- **USCB** United States Census Bureau
- **UVM** University of Vermont
- **V/H** Volunteer hours (in millions)
- **VL** Number of volunteers
- **VOL** Volunteer rate

[1] Unless otherwise noted, the studies referenced here limit the scope of their study to 501(c)(3) organizations with more than $25,000 in annual revenue.

[2] The subsectors mentioned are those with a 10% or higher share of the nonprofit sector.

Table 1: Selected Literature Review (Continued)

Study	Region	Scope[1]	Method	Data Source	Sector Size	Composition[2]	Health	Conclusion
State level studies continued								
Oregon Nonprofit Sector (2012)	Oregon (OR)	2010-2011	National and local statistics, compared with survey results and past reports, used to examine nonprofit sector.	IRS NCCS OR DOJ Survey	#: 10429 13% p-L/F	26% RLGN 14% PHIL 12% A&H 10% HS	Responses: 54%: ▲ RV 20%: ▼ RV 25%: ▲ VL	Nonprofits expect revenue and support to increase in fiscal 2012. 4% margin of error
New Jersey Nonprofits (2012)	New Jersey (NJ)	2011	This study consists primarily of the results of an online survey issued to a sample of the region.	NJ Center for Non-Profits	Not mentioned in this study	43% HS 18% HLTH 14% EDU	Responses: 37%: ▼ RV 32%: ▲ RV	Demand for nonprofit services continues to rise while overall funding remains low.
Nonprofit Sector in Brief (2012)	New Hampshire (NH)	2009-2011	National and local statistics used to examine nonprofit sector structure and financial makeup. Financial strategies examined.	NCCS CNCS BEA NH DES	15% GSP 14% T-L/F 32.4 V/H 28% VOL	31% HS 14% EDU	Not mentioned in this study	The recovery and success of the region nonprofit sector is dependent on cross-sector cooperation and partnership.
Kentucky's Nonprofit Sector (2012)	Kentucky (KY)	2007-2010 Includes some 501(c)(4) & 501(c)(6) data	National and local statistics used to examine nonprofit sector structure and financial makeup. Financial strategies examined.	IRS NCCS CNCS	#: 4,316 80 V/H 10% T-L/F	38% HS 17% EDU 14% HLTH 10% PUB	# ▲ 47%	The nonprofit sector is essential to the region.
Vermont's Nonprofit Sector (2011)	Vermont (VT)	2008-2010	National and local statistics, compared with survey results, used to examine nonprofit sector.	IRS NCCS BEA UVM	#: 4,028 19% GSP 20.7 V/H 6.5 #/PP	28% HLTH & 16% EDU 15% A&H	Responses: 60% ▼ RV	Nontraditional funding avenues, such as fundraising and special events, are expected to increase over the next year.

Key To Abbreviations

# Number of NPOs in region	**CNP** Council of Nonprofits	**GSP** Gross State Product	**NTEE** National Taxonomy of Exempt Entities	**T-L/F** Total Region Labor Force
#/PP Number of NPOs per 1,000 residents	**DES** Department of Employment Security	**HLTH** Health	**P/R** Total region payroll	**TR** Total revenue in region
A&H Arts & Humanities	**DOL** Department of Labor	**HS** Human Services	**PHIL** Philanthropy/Grantmaking	**USCB** United States Census Bureau
ASS Associations	**EDU** Education	**IRS** Internal Revenue Service	**p-L/F** Total region private sector Labor Force	**UVM** University of Vermont
BEA US Bureau of Economic Analysis	**EMPL** Employment	**n/a** No classification code	**PUB** Public & Societal Benefit	**V/H** Volunteer hours (in millions)
BUS Total Region Businesses (Number)	**ERIC** Economic Research and Information Center	**NCCS** National Center for Charitable Statistics	**RLGN** Religion	**VL** Number of volunteers
CNCS Corporation for National & Community Service	**GMP** Gross Metropolitan Product	**NPO** Non Profit Organization	**RV** Revenue	**VOL** Volunteer rate

[1]Unless otherwise noted, the studies referenced here limit the scope of their study to 501(c)(3) organizations with more than $25,000 in annual revenue.

[2]The subsectors mentioned are those with a 10% or higher share of the nonprofit sector.

Table 1: Selected Literature Review (Continued)

Study	Region	Scope[1]	Method	Data Source	Sector Size	Composition[2]	Health	Conclusion
State level studies continued								
The North Dakota Nonprofit Sector (2010)	North Dakota (ND)	2008 Includes all region NPOs	National statistics used to examine nonprofit sector structure and financial makeup, including limited impact assessment.	IRS NCCS CNCS	#: 5,804 17 V/H 34% VOL	38% HS 19% HLTH 12% EDU 11% PUB 10% A&H	Not mentioned in this study	The nonprofit sector is essential to the region.
Nonprofit Current Conditions Report (2010)	Minnesota (MN)	2008-2010 Includes only data on members of the MN CNP	Survey results examined over a period of multiple years to explore immediate effects of the recession.	Survey	#: 2,000 436 surveyed	32% HS 11% PHIL & PUB 10% HLTH	55%▼ RV (2008) 61%▼ RV (2009) 37%▼ RV (2010)	Smaller nonprofits are struggling more than larger ones, yet all have begun to rely increasingly upon earned income. The sector remains hopeful that 2011 will yield sector improvements.
Maine Nonprofit Sector Impact (2010)	Maine (ME)	2007-2008 Includes some 501(c)(4) & 501(c)(6) data	National and local statistics used to examine nonprofit sector structure. Includes spotlight on key region NPOs.	IRS NCCS CNCS ME DOL	#: 2,935 17% GSP 14% T-L/F	32% HS 15% EDU 14% HLTH 12% A&H	EMPL▲ 2 %	The nonprofit sector is essential to the region while demonstrating efficiency and innovative partnerships.
New Jersey's Nonprofit Sector (2009)	New Jersey (NJ)	2009-2010	National statistics used to examine nonprofit sector structure and financial makeup.	IRS NCCS NJ DOL	#: 31,511 7% T-L/F 162.5 V/H	23% HS 20% PUB 18% EDU 17% RLGN	'98-'07: RV▲ 55% '98-'08: #▲ 72%	The nonprofit sector is essential to the region. Nonprofits strain as funding pools shrink and demand for services increases.

Key To Abbreviations

# Number of NPOs in region	**CNP** Council of Nonprofits	**GSP** Gross State Product	**NTEE** National Taxonomy of Exempt Entities	**T-L/F** Total Region Labor Force
#/PP Number of NPOs per 1,000 residents	**DES** Department of Employment Security	**HLTH** Health	**P/R** Total region payroll	**TR** Total revenue in region
A&H Arts & Humanities	**DOL** Department of Labor	**HS** Human Services	**PHIL** Philanthropy/Grantmaking	**USCB** United States Census Bureau
ASS Associations	**EDU** Education	**IRS** Internal Revenue Service	**p-L/F** Total region private sector Labor Force	**UVM** University of Vermont
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[2]The subsectors mentioned are those with a 10% or higher share of the nonprofit sector.

Table 1: Selected Literature Review (Continued)

Study	Region	Scope[1]	Method	Data Source	Sector Size	Composition[2]	Health	Conclusion
State level studies continued								
A Portrait of the Nonprofit Sector in New Hampshire (2009)	New Hampshire (NH)	2007-2008 Includes all region NPOs	National and statistics used to examine nonprofit sector structure and financial makeup. Key leaders interviewed for sector insight.	IRS NCCS CNCS	#: 7817 15% GSP 14% T-L/F 40.4 V/H 32% VOL 5.76 #/PP	29% HS 23% PUB 13% EDU	Not mentioned in this study	The nonprofit sector is essential to the region.
Missouri Nonprofit Sector (2009)	Missouri (MO)	2009	National and local statistics used to examine nonprofit sector structure and makeup, including limited impact assessment.	USCB NCCS MO ERIC	#: 10,494 1.77 #/PP 13% GSP	35.3% HS 17.1% EDU 13.1% HLTH 12.7% PUB	Not mentioned in this study	The nonprofit sector is essential to the region.
Montana Nonprofit Sector (2007)	Montana (MT)	2004	National statistics used to examine nonprofit sector structure and financial makeup, including impact assessment.	IRS	#: 1,668	38% HS 12% EDU, HLTH, A&H 11% PUB	<u>'94-'04:</u> #▲ 79%	The nonprofit sector is essential to the region.

<u>Key To Abbreviations</u>

# Number of NPOs in region	**CNP** Council of Nonprofits	**GSP** Gross State Product	**NTEE** National Taxonomy of Exempt Entities	**T-L/F** Total Region Labor Force
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[2] The subsectors mentioned are those with a 10% or higher share of the nonprofit sector.

II.2. Geography and Scope of the Nonprofit Sector

Map 1: What is the study area?

Proposed Nonprofit Sector Study Area

The geographical scope of this study is confined to the Nashville Metropolitan Statistical Area (MSA), which includes 13 counties in middle Tennessee, shown in Map 1: Cheatham, Dickson, Hickman, Davidson, Macon, Canon, Sumner, Smith, Robertson, Rutherford, Trousdale, Williamson, and Wilson counties.

A clearly defined study area allows us to identify out-of-area monetary flows. If the source of a nonprofit's revenue is from outside a clearly defined area, we then argue that the monetary activity is net addition to the area's economy. This treatment is an important component of the economic impact estimates in the following sections.

Does this study include all nonprofit organizations? Consistent with the literature, this study deals with a selected number of nonprofit organizations. BERC initially used the IRS classification of tax-exempt institutions. BERC collected information for

What nonprofits are included in this study?

a. Public Charities (501(c)(3))
b. Civic League and Social Welfare (501(c)(4))
c. Business Leagues and Associations (501(c)(6))

Are all organizations in these groups included in this study? No, there are two exclusions:

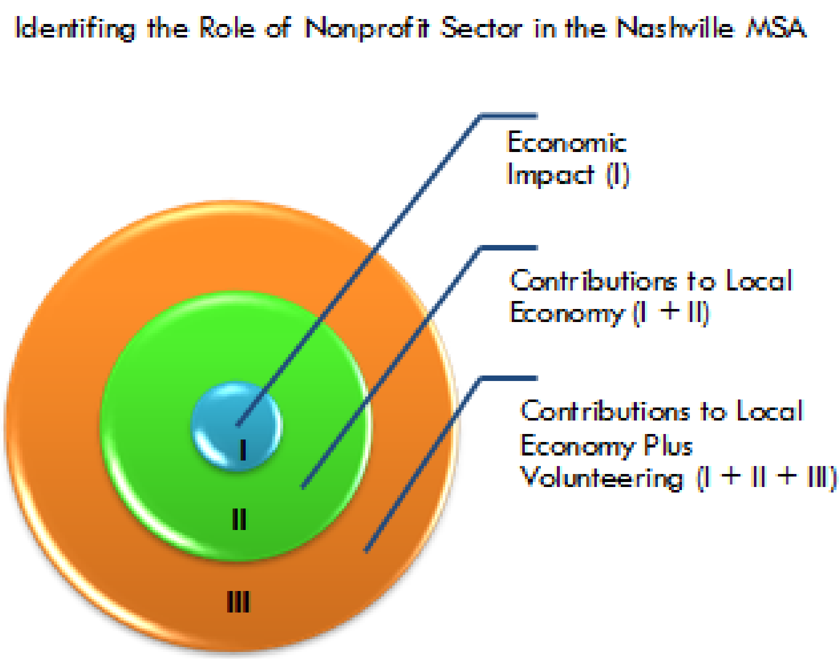
a. Organizations with less than $25,000 in annual revenue
b. Churches were excluded

institutions classified under the following subgroups: Public Charities (501(c)(3)), Civic Leagues and Social Welfare Organizations (501(c)(4), and Business Leagues (501(c)(6).

In choosing nonprofits for this survey, BERC used the nonprofits' income as a main criterion under the following guideline: if the last reported income (IRS 990 form) was less than $25,000, BERC excluded that organization. Furthermore, consistent with the literature, churches were excluded.

II.3. Economic Impact Definition and IMPLAN Software

What is the concept of economic impact, and how do we estimate it? In analyzing the nonprofit sector, BERC provides three types of assessment: (I) its economic impact (narrow category); (II) its economic contribution (broader category); and (III) its economic contribution including volunteer hours (the broadest category). The chart on the right illustrates the three measures' relationship.



Economic Impact and Economic Contributions. Economic impact refers to economic activities that are net new to the local economy. Such activities include exporting of goods and services by local businesses to areas outside the Nashville MSA, out-of-area visitor spending, and recapturing of economic activities sent outside the Nashville MSA due to lack of local business services. In the case of the nonprofit industry, we measure the direct economic impact by identifying the amount of monetary flow to the study region from outside the Nashville MSA: the net contributions to local economic activities. Without these nonprofit organizations, the local economy would have been smaller in proportion to the net new economic activities associated with the nonprofit sector, as well as their indirect and induced effects.

What concepts are estimated?

(I) Economic Impact
  a. Monetary flow to Nashville from outside the Nashville MSA:
    i. Direct Impact—amount of monetary flow to the nonprofit sector from outside the Nashville MSA
    ii. Indirect Impact—business-to-business transactions in the region as money is spent by the nonprofit sector
    iii. Induced Impact—impact of employees' spending in the region as they receive salaries and wages from the nonprofit sector

(II) Economic Contributions
  a. Economic impact (I) ***plus*** other spending associated with the locally generated revenue
    i. Direct Impact—amount of nonprofit's total spending
    ii. Indirect Impact—effects of business-to-business transactions
    iii. Induced Impact—effects of employee spending

(III) Economic Contributions ***plus*** Volunteering
  a. Economic contributions (II) ***plus*** volunteering
    i. Direct Impact—only the direct measure of the value of volunteering

This study makes a distinction between economic impact and economic contributions. While the former refers to new economic activity, the latter deals with the total size of the nonprofit sector in the Nashville MSA. The concept of economic contributions then refers to total spending of the nonprofit sector in the local economy. Because it is a broader concept, any measure of economic contributions includes the economic impact measures. To measure the economic contributions, this study first calculates total expenditure of the nonprofit sector and then *counterfactually* removes the sector from the local economy to identify indirect and induced effects.

Finally, this study argues that the economic activities associated with the nonprofit sector would not have been possible with only their given level of employment and nothing more. Volunteers are critically important in this sector. In a third category, this study quantifies total wages associated with volunteer labor and adds the total direct wages to the economic contribution estimates.

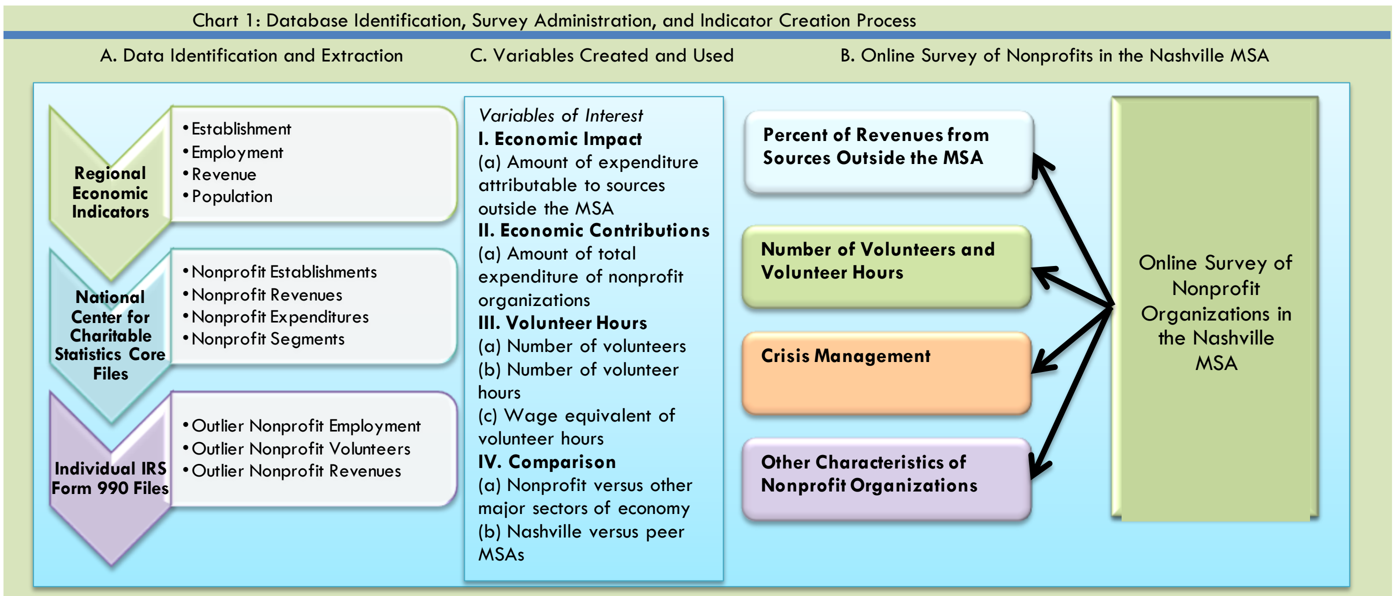
IMPLAN Model. To estimate *indirect* and *induced* effects of economic activities, BERC uses the IMPLAN model developed for the Nashville MSA. IMPLAN is a nationally recognized, commonly used input-output model to measure the economic and fiscal effects of economic development projects.

*What is this study **not** measuring?* It is important to note that by its very nature, this study estimates *economic contributions of the nonprofit organizations' spending* in the Nashville MSA. This estimate is markedly different from the economic contributions of nonprofit-related economic activities in the Nashville MSA. In the latter case, a study would also estimate any economic activity associated with a nonprofit organization. For example, while this research focuses simply on the impact of a university's operating expenditure spending, a broader study might also include spending associated with visitors to the campus, students' spending, capital expenditures, etc. Adding all of these components could even double the total impact estimate of an organization's operating expenditure. For this reason, the results in this study are not directly comparable with studies that deal with all economic activities associated with a nonprofit organization.

What is this study about?	
This study addresses:	***This study does not address:***
(I) Organization's operating expenditures (II) Organization's annual capital expenditures (III) Volunteer hours	(I) Visitor expenditure (II) Student expenditure (III) Patient expenditure (IV) Spin-off activities not directly tied to operating expenditures (V) Capital expenditures

II.4. Data and Data Sources

Where did the data originate? This study has used multiple sources to construct the input database. The chart below summarizes the process followed to estimate the variables of interest.



A. Data identification and extraction process. BERC created several databases used in this study. At the regional level, establishment, employment, revenue, and population indicators were collected to standardize the nonprofit indicators across peer MSAs. Using the National Center for Charitable Statistics (NCCS) Core Files, BERC staff identified several outlier organizations in the database and collected employment and volunteering information for those organizations using IRS 990 form files.

B. Online survey of nonprofits in the Nashville MSA. BERC designed and administered an online survey of nonprofit organizations in February 2013. The primary purpose was to gather several pieces of information that would supplement the data BERC obtained in section A. BERC received 306 completed surveys from nonprofit organizations out of 1,086 organizations surveyed for a survey response rate of 28.18 percent. The survey helped us answer three major questions:

A Survey of Nonprofit Sector in the Nashville MSA Area: Survey Results

	No Response	Response	Drop from the list (Undeliverable, misclassification or asked to be removed)	Total	Net total	**Response Rate**
Email Census	399	230	10	635	625	**36.22%**
Mail Sample	385	76	60	521	461	**16.49%**
Total Sample	784	306	70	1,156	1,086	**28.18%**
Total Population	2,045					
Margin of error	+/-5.17%					

I. What is the percent of nonprofit revenues coming from sources outside the Nashville MSA?

II. What is the extent of volunteering in the Nashville MSA?

III. How did nonprofit organizations manage the 2008 recession?

In the section that follows, we will cover these issues extensively.

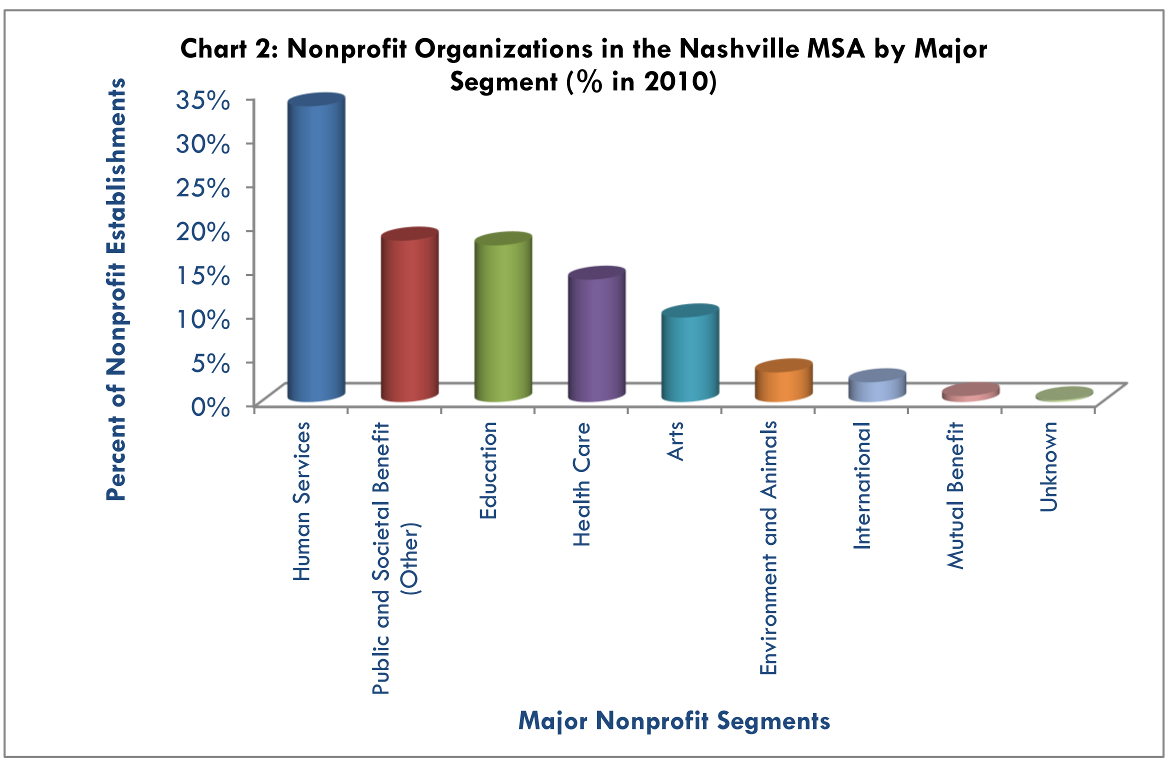
C. *Variables created and used in this study.* As a result of the processes in sections A and B, BERC created several variables that will be used throughout this study (Section C in Chart 1).

III. Characteristics of the Nonprofit Sector and the Nashville MSA Economy

Organizations in the nonprofit sector represent a diverse group of the NAICS (North American Industrial Classification System) sectors in the regional economy. They also differ in size in terms of employment, revenue, and expenditure. For example, the 15 largest organizations in the Nashville MSA's nonprofit sector account for two-thirds of its total revenue and expenditure. This section explores the dynamics of the nonprofit sector in the Nashville MSA.

III.1. Size, scope and change by segment

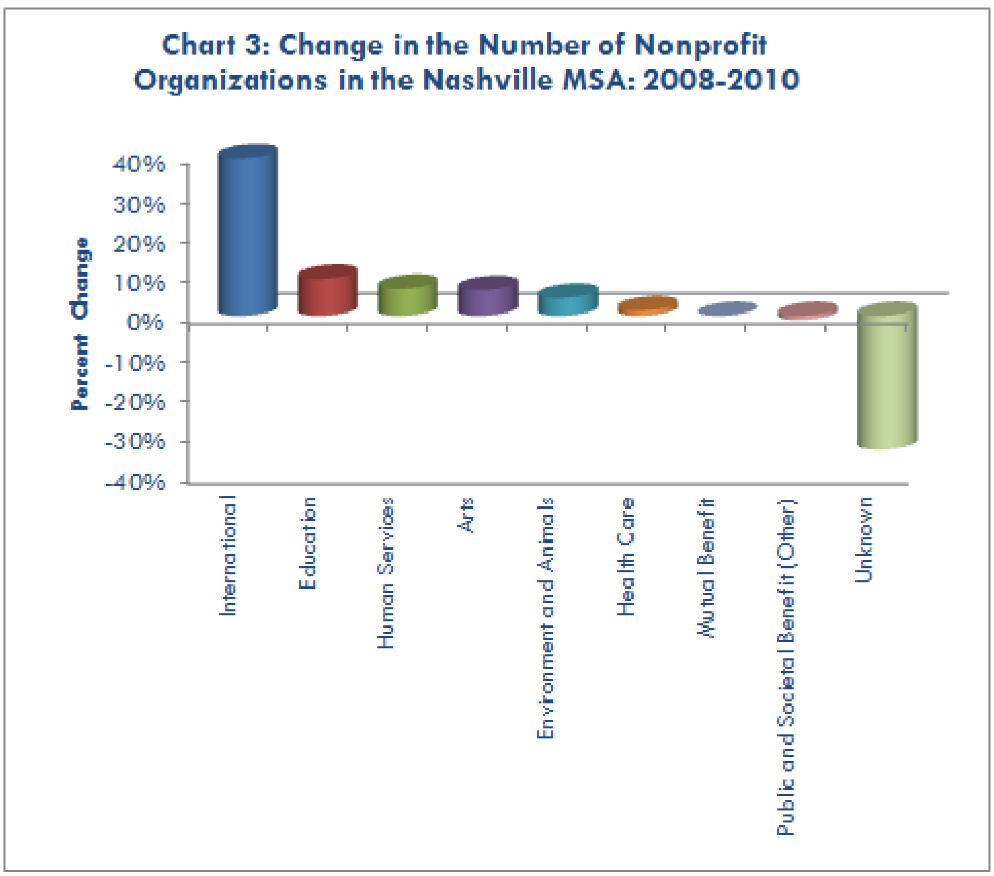
Number of establishments. According to the NCCS Core Files, the number of nonprofit organizations whose total revenue is larger than $25,000 was 2,045 in the Nashville MSA in fiscal year 2010-11, representing 5.44 percent of all businesses in the Nashville MSA. In terms of nonprofit organizations by major segment, the human services segment is by far the largest, representing 34 percent of all nonprofits. Compared with 2008, the number of nonprofit



organizations increased by 5.2 percent. In the same period, the total number of businesses in the Nashville MSA decreased by 3 percent.

From 2008 to 2010, total businesses in the Nashville MSA declined by 3 percent to 37,619, while the number of nonprofit organizations with income larger than $25,000 increased by 5.2 percent to 2,045.

Chart 3 below presents changes in the number of nonprofit organizations by segment. The largest growth occurred in the *international* segment, with an increase of 39.4 percent to 46 in 2010. In terms of the absolute number, the segments of *human services* and *education* added 44 and 31 new organizations, respectively, between 2008 and 2010. Organizations classified under *mutual benefit*, *public and societal benefit*, and *unknown* were either stagnant or experienced decline in numbers between 2008 and 2010.



Nonprofit revenues. What is the size of the nonprofit sector in the Nashville MSA? To estimate this figure, BERC used a consistent source, the NCCS Core Files, and an online survey. This report presents a conservative estimate of total revenue because BERC excluded (a) all organizations with less than $25,000 in annual revenue and (b) about 400 smaller organizations because the mailed surveys were returned as undeliverable.

According to BERC estimates, the size of the nonprofit sector in the Nashville MSA was $9.4 billion in 2010. The nonprofit sector experienced significant growth between 2008 and 2010, with a 10.2 percent increase in revenue in current dollars.

Nashville's nonprofits experienced significant revenue growth between 2008 and 2010:

Up 10.2%

How is this revenue distributed across major nonprofit segments? Chart 4 summarizes the breakdown of nonprofit sector revenue by major segment. The education segment accounts for nearly half (46.8%) of nonprofit revenues with $4.4 billion. The second-largest segment is health care with $3.1 billion and a 32.9 percent share, followed by human services with $0.94 billion and public and societal benefits with $0.62 billion.

All major nonprofit segments recorded growth in revenue between 2008 and 2010. While some segments recorded moderate growth in terms of percent change, such segments as *mutual benefit*, *international*, and those classified as *unknown* doubled their revenues (Table 1).

Chart 4: Nonprofit Revenue by Segment

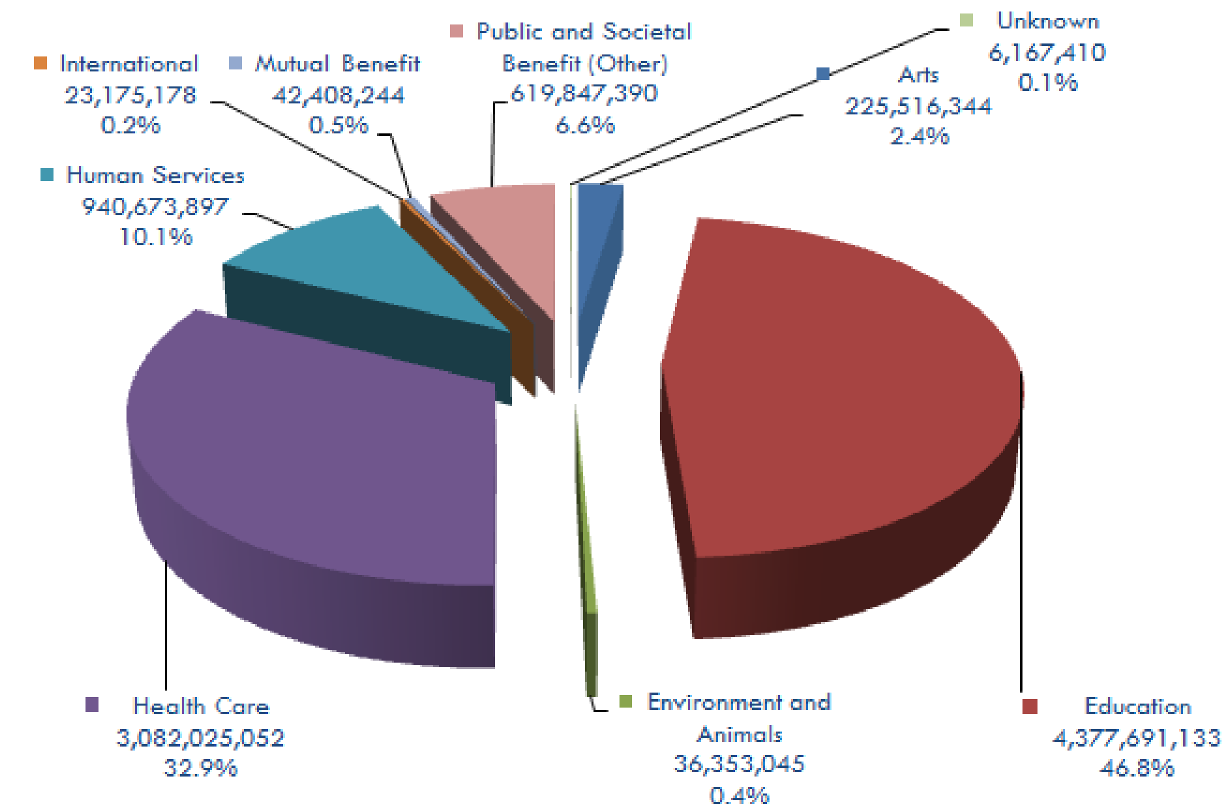


Table 1: Nonprofit Segments, Change in Revenue and Percent Change in the Nashville MSA (2008-2010)

Segment	Change ($)	% Change
Arts	**$2,622,774**	1.18%
Education	**$489,383,856**	12.59%
Environment and Animals	**$7,018,195**	23.92%
Health Care	**$173,687,941**	5.97%
Human Services	**$67,371,715**	7.71%
International	**$11,595,532**	100.14%
Mutual Benefit	**$22,229,558**	110.16%
Public and Societal Benefit (Other)	**$88,434,469**	16.64%
Unknown	**$3,325,008**	116.98%

Nonprofit expenditures. What matters for this study is how much money nonprofit organizations spend in the Nashville MSA. The amount of money these organizations spend enters as a direct input into the regional IMPLAN model to measure the economic contributions of these organizations. BERC used the NCCS Core Files and BERC online survey results to calculate the expenditure side of the equation. As stated in the methodology section, *this study does not attempt to measure capital expenditures because these expenditures may show significant annual fluctuations.*

According to BERC estimates, total expenditure of the nonprofit sector in the Nashville MSA was $8.97 billion in 2010. The nonprofit sector's expenditure showed significant growth between 2008 and 2010 with a 10.8 percent increase in expenditures in current dollars.

How is this expenditure distributed across major nonprofit segments? Chart 5 summarizes the breakdown of nonprofit sector expenditure by major segment. The education segment of the nonprofit sector, with $4.3 billion, accounts for nearly half (47.7 percent) of nonprofit expenditures. The second-largest segment is health care with $3.0 billion and a 33.3 percent share, followed by human services with $0.90 billion and public and societal benefits with $0.51 billion.

Unlike the case of nonprofit revenue, a few nonprofit segments recorded a decline in total expenditures between 2008 and 2010: the *mutual benefit* segment experienced a 7.51 percent decline and the *public and societal benefit (other)* a 5.21 percent decline in expenditures. Total decline in these segments amounted to nearly $29 million. On the other hand, the education and health care segments recorded significant expenditure growth (in absolute size) with a combined total growth of $0.79 billion (Table 2).

Chart 5: Nonprofit Expenditure by Segment

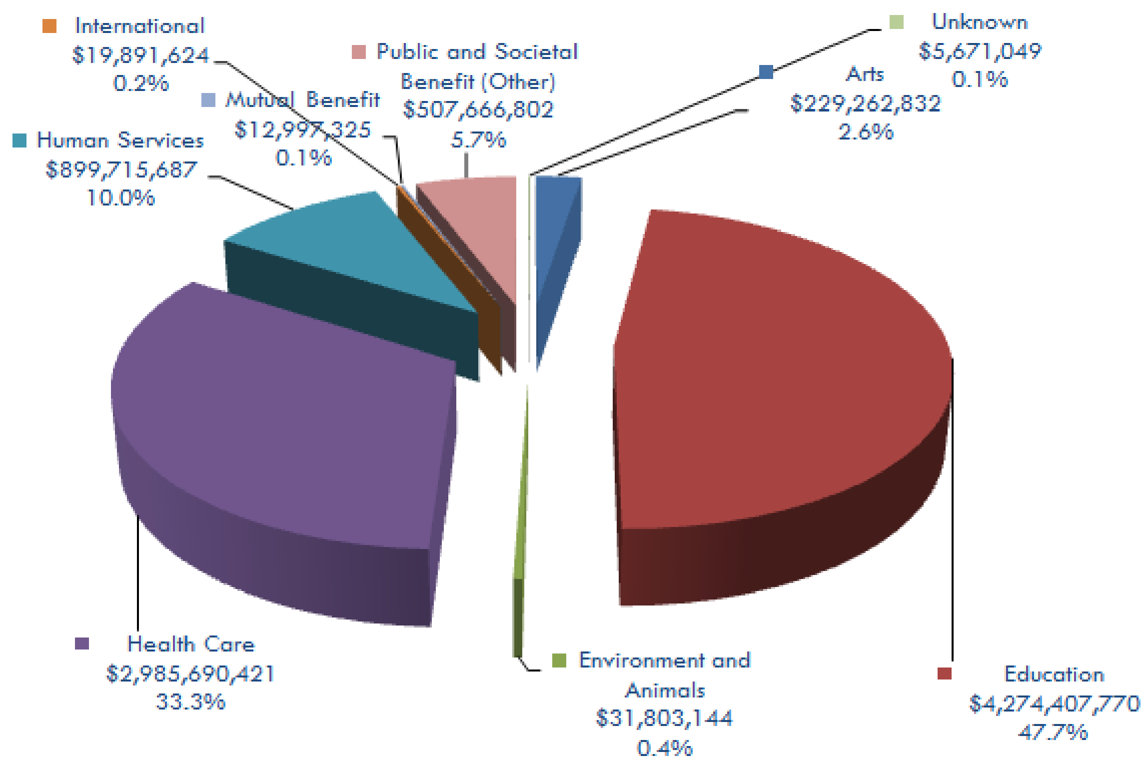
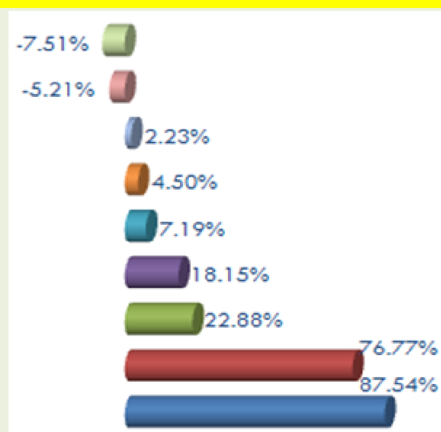


Table 2: Nonprofit Segments, Change in Expedniture and Percent Change in the Nashville MSA (2008-2010)

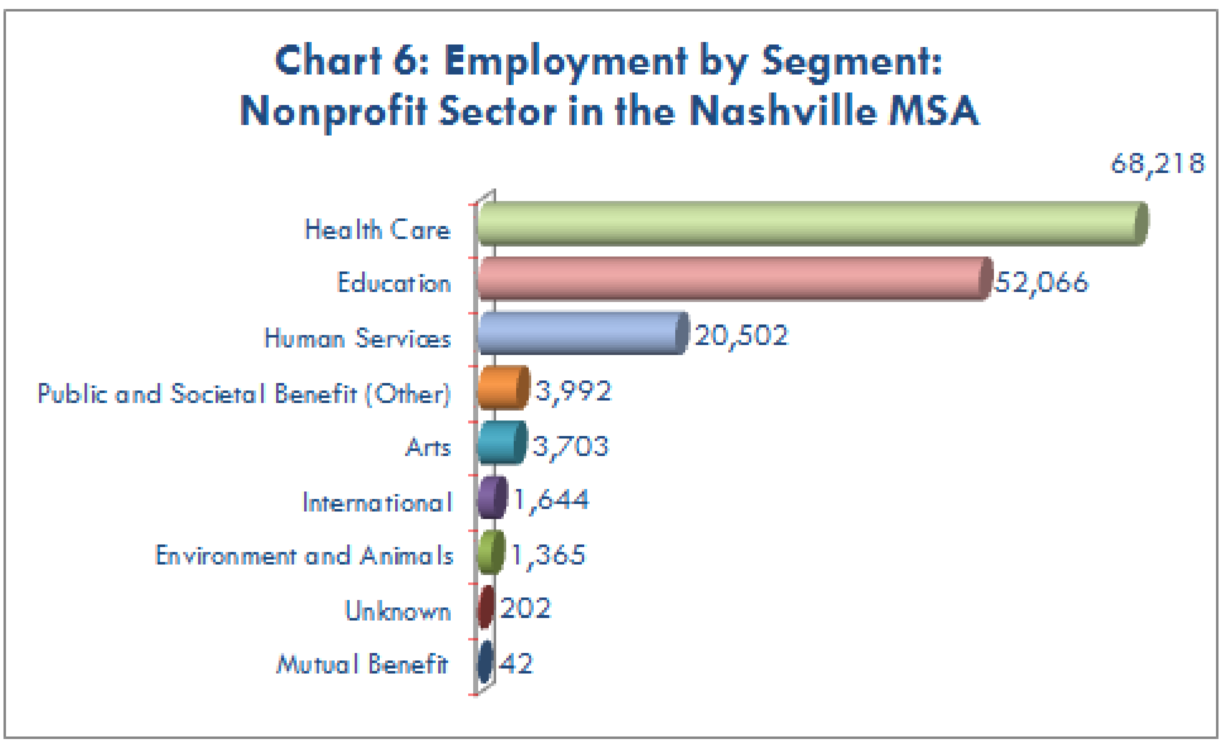
Segment	Change ($)	% Change
Mutual Benefit	-$1,055,039	-7.51%
Public and Societal Benefit (Other)	-$27,927,498	-5.21%
Environment and Animals	$694,010	2.23%
Health Care	$128,483,574	4.50%
Human Services	$60,378,087	7.19%
Education	$656,774,303	18.15%
Arts	$42,694,767	22.88%
International	$8,638,547	76.77%
Unknown	$2,647,089	87.54%



Nonprofit employment. How many people are employed by this diverse group of nonprofit organizations? To answer this question, BERC directly asked nonprofit organizations for feedback through an online survey. In addition, BERC did a separate analysis of the 12 largest outlier organizations to get their employment figure separately. According to BERC estimates, nonprofit organizations have 140,650 full-time and 40,489 part-time employees with a combined full-time equivalent (FTE) of 151,734 employees. Direct employment figures represent nearly 15.3 percent of Nashville MSA employment.

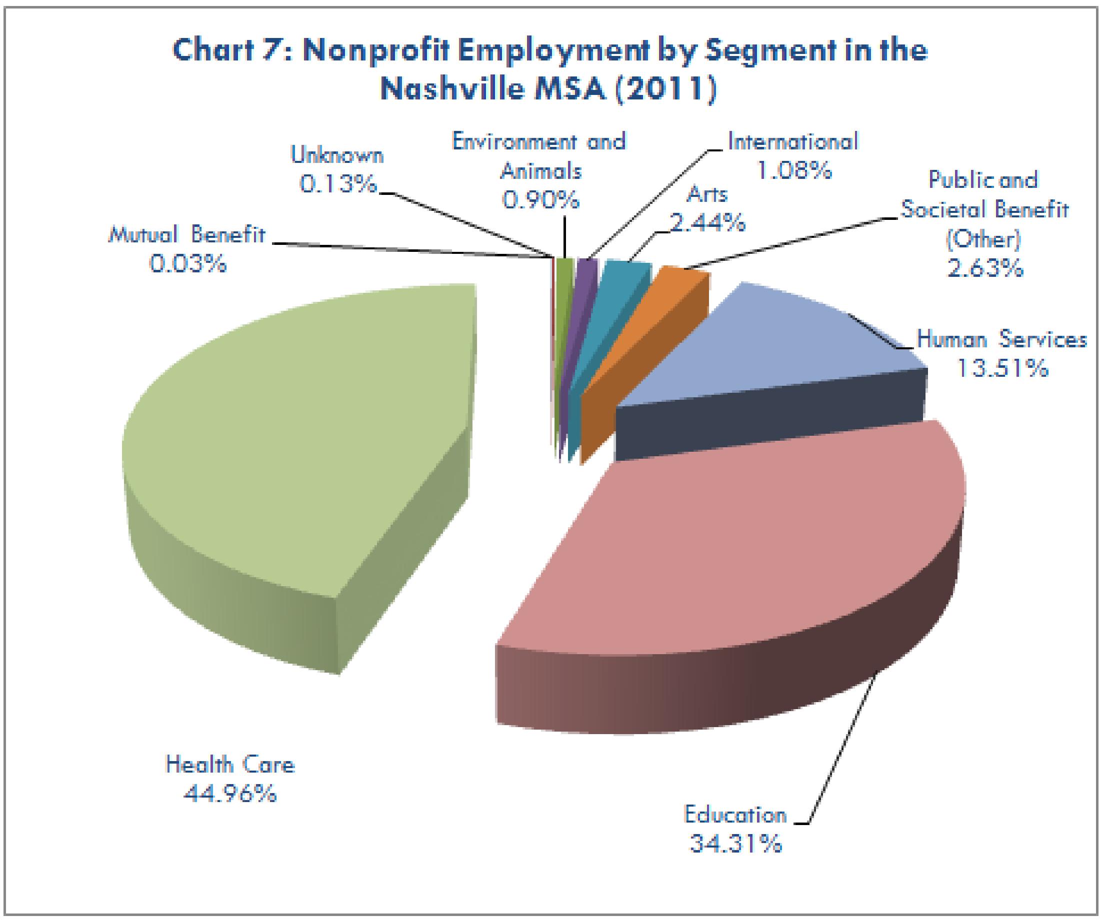
Nearly one in every seven employees in the Nashville MSA works in the nonprofit sector.

Chart 6 summarizes nonprofit employment by major segment. Given the strength of the health care sector in the Nashville MSA, it is not surprising that the health care segment leads all others by 68,218 employees. Education is second with 52,066 and human services a distant third with 20,502 employees. In this context, it is important to highlight the fact that, unlike many peer



MSAs, the education and health care segments in the Nashville MSA nonprofit sector are very much intertwined because of the presence of both Vanderbilt University and Meharry Medical College.

Chart 7 presents the percent breakdown of employment by nonprofit segment in the Nashville MSA. The health care segment represents nearly 45 percent of nonprofit sector employment, followed by education (34.31%) and human services (13.51%). Overall, direct employment by the nonprofit sector is a major force in the Nashville MSA. These estimates do not include the volunteer force these organizations mobilize when there is an unmet need in society.



Nonprofit volunteers. BERC administered an online survey to measure the level of volunteer activities in the nonprofit sector of the Nashville MSA. According to BERC estimates, a total of 429,588 people volunteered in nonprofit organizations in 2011. Since this survey was not a survey of the population about its volunteering activities, this number may involve duplicate counts of certain individuals volunteering for several organizations throughout the year. What does this tell us about the extent of volunteering in the Nashville MSA? Assuming this number represents unique individuals, one in every three people over 16 years of age volunteered in the nonprofit sector in the Nashville MSA in 2011. This figure is a little higher than U.S. figures measured through the Current Population Survey (www.bls.gov): According to the September 2012 estimates, slightly over one in every four individuals over 16 years of age had volunteered in the U.S. in 2011.

One in every three people over 16 years of age has volunteered in the nonprofit sector in the Nashville MSA.

What is the significance of volunteering in the Nashville MSA? According to BERC estimates, the volunteers in the Nashville MSA recorded 15,641,448 hours of volunteering in 2011. If we use full-time (40 hours per week) employment figures, these volunteer hours translate into 8,147 full-time employment equivalency. When we use the 2011 average annual wage for a full-time nonfarm employee in the Nashville MSA, $46,150, the nonprofit volunteering's monetary value is $376 million.

Monetary value of nonprofit volunteering in the Nashville MSA is $376 million.

This value is equivalent to the wages of 8,147 full-time employees in the Nashville MSA.

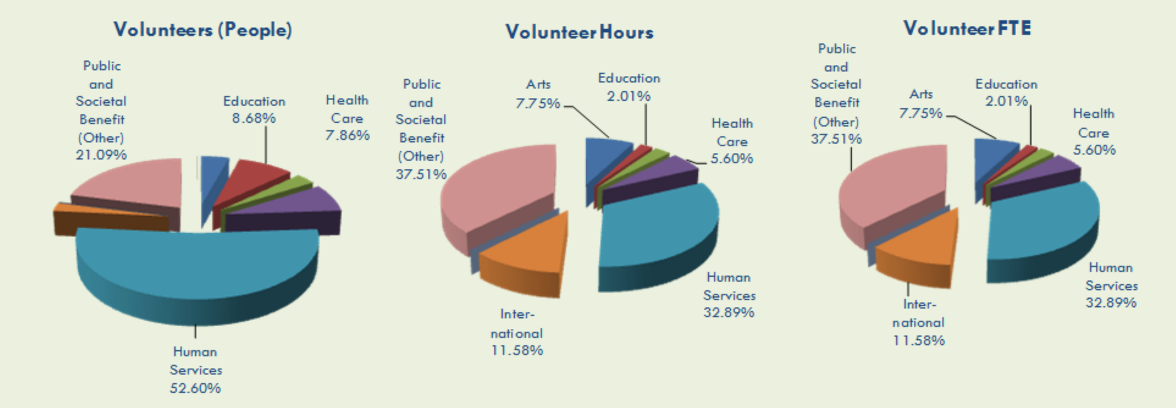
Table 2 below presents volunteering activities across nonprofit segments in the Nashville MSA. The human services segment leads with 225,953 volunteers, followed by public and societal benefit. The public and societal benefit segment has the largest number of volunteer hours with 5.9 million and full-time employment equivalents with 3,056. For percentage distribution, see Chart 8 below.

Table 3: Volunteering and Nonprofit Segment in the Nashville MSA (2011)

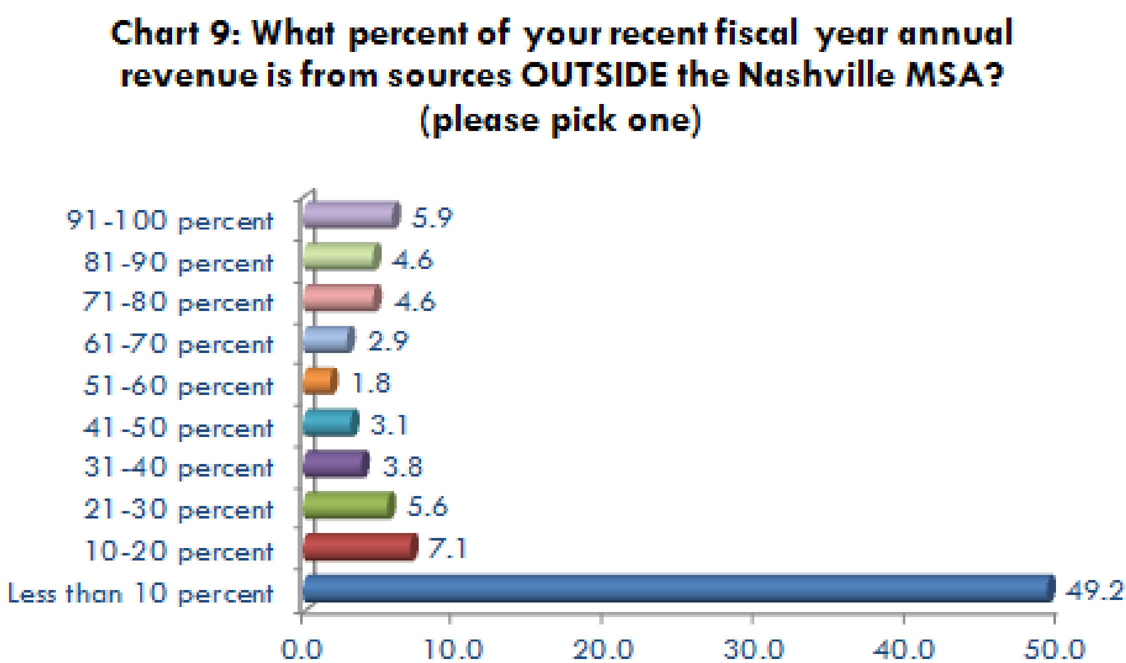
Nonprofit Segment	Volunteers (People)	Volunteer Hours	Volunteer FTE Equivalency*
Arts	18,401	1,212,556	632
Education	37,299	314,686	164
Environment and Animals	13,317	412,932	215
Health Care	33,759	875,907	456
Human Services	225,953	5,144,743	2,680
International	10,166	1,811,664	944
Mutual Benefit	0	0	0
Public and Societal Benefit (Other)	90,601	5,866,704	3,056
Unknown	92	2,256	1
Total	429,588	15,641,448	8,147

Source: BERC nonprofit survey.
*Full-time equivalency is estimated using the following formula:
Total Volunteer Hours/[(40 hours/week)*(4 weeks/month)*(12 months)]

Chart 8: Nonprofit Volunteers, Volunteer Hours, and Full-Time Employment Equivalency in the Nashville MSA in 2011



Nonprofits as export base. One of the critical research goals of this study is to identify the amount of money flowing to the Nashville MSA from outside sources. BERC used an online survey to identify the percent of nonprofit revenues flowing from sources outside the Nashville MSA. From the survey results we then estimated the total amount of nonprofit expenditure associated with outside sources. This amount is the net new addition to the study region's economy on which economic impact estimates are based.



As shown in Chart 9, nearly 20 percent of nonprofit organizations in the Nashville MSA have received more than 50 percent of their revenues from sources outside the study region. By using mid-point values, BERC estimated that $2.7 billion in 2011 flowed to the Nashville MSA economy from outside sources because of nonprofit sector activities. In 2008, the total amount of that flow was estimated at $2.5

The amount of money flowing to the Nashville MSA from other regions grew by 8.33 percent from 2008 to 2011.

billion. The amount of money flowing to the Nashville MSA from other regions grew by 8.33 percent between 2008 and 2011.

What does this figure tell us about the nonprofit's role in the Nashville MSA economy? The nonprofit sector is like an export sector, bringing a significant amount of money into the region by selling goods and services to individuals both in and out of the Nashville MSA. In 2011, an estimated 28.5 percent of all nonprofit revenues flowed from other regions. This figure was about the same in 2008. Given the margin of error in the survey, it would be reasonable to state that one in every three dollars of nonprofit revenues comes from other regions.

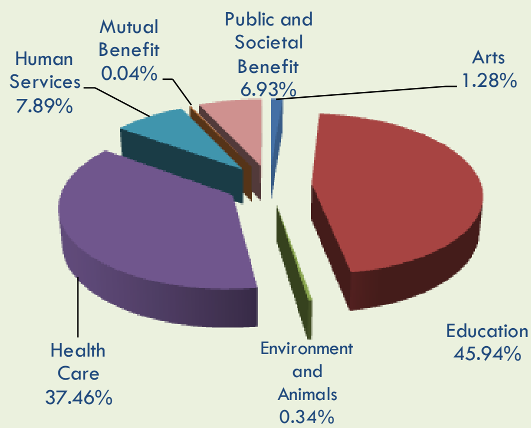
Nearly one in every three dollars of nonprofit revenues flows from other regions to the Nashville MSA.

How is the export base of nonprofit revenue distributed across major nonprofit segments? Table 4 gives a detailed view of the distribution and change in the export base of the nonprofit sector. According to the BERC survey, the international segment of nonprofit organizations attracts the largest share of its revenues from other regions, followed by the public and societal benefit and health care segments. In terms of the actual dollar amount, education at $1.27 billion, health care at $0.92 billion, and human services at $.22 billion occupy the top three positions. Compared to 2008, all segments except health care recorded at least a double- or triple-digit growth rate in revenues coming from other regions in the most recent fiscal year. Over the years, as pie charts show, the education segment's share in the total export base increased more than one percentage point, while the health care segment lost nearly three percentage points.

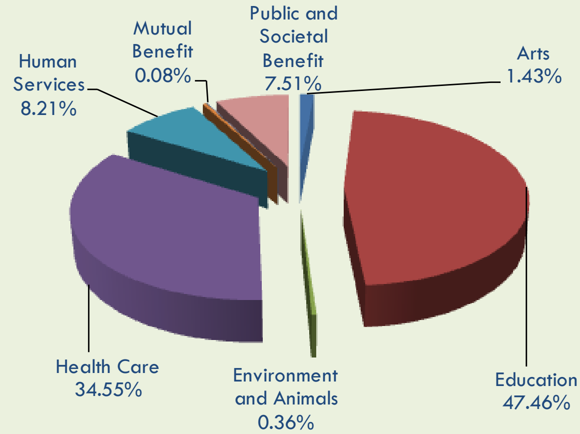
Table 4: Export Base of the Nonprofit Sector in the Nashville MSA by Segment, Share, and Year

	Average Percent from Outside (%) 2011	Nonprofit Export Base 2008	Nonprofit Export Base 2011	Change (%)
Arts	17	$31,407,730	$38,212,492	21.67%
Education	29	$1,131,143,935	$1,265,723,741	11.90%
Environment and Animals	26	$8,322,286	$9,497,379	14.12%
Health Care	30	$922,296,894	$921,432,296	-0.09%
Human Services	23	$194,148,254	$219,078,258	12.84%
International	45	$2,894,912	$10,428,830	260.25%
Mutual Benefit	5	$1,008,934	$2,120,412	110.16%
Public and Societal Benefit (Other)	32	$170,616,682	$200,189,230	17.33%
Unknown	5	$142,120	$308,371	116.98%

Distribution of Export Base Revenue by Segment (2008)



Distribution of Export Base Revenue by Segment (2011)



Export-base calculations in this section will inform us in the following sections about the size of the total economic impact of the nonprofit sector in the Nashville MSA. Following a brief comparative data analysis of the Nashville MSA's nonprofit sector, Chapter IV presents the economic and fiscal impacts as well as total contributions of nonprofits and volunteering.

In the previous section, we highlighted the fact that the nonprofit sector represents about 15.3 percent of total employment in the Nashville MSA. The nonprofit sector's revenue represents 6.7 percent of the Nashville MSA's business revenue (output).

Place of Nonprofit Sector in the Nashville MSA Economy	
Percent Share in Total Businesses	5.50%
Percent Share in Employment	15.30%
Percent Share in Business Revenue	6.70%

How does it compare with the other major sectors in the Nashville MSA economy if we treat the nonprofit sector as an independent major economic sector in the Nashville MSA? In terms of employment share in the Nashville MSA economy, the sector would become number one with a little over 15 percent (Chart 10). The nonprofit sector's share is somewhat smaller in terms of business revenue at 6.7 percent and value added (GDP) at 11.45 percent (Table 5 below).

Chart 10: Nonprofit Sector: A Comparative Perspective (2010)

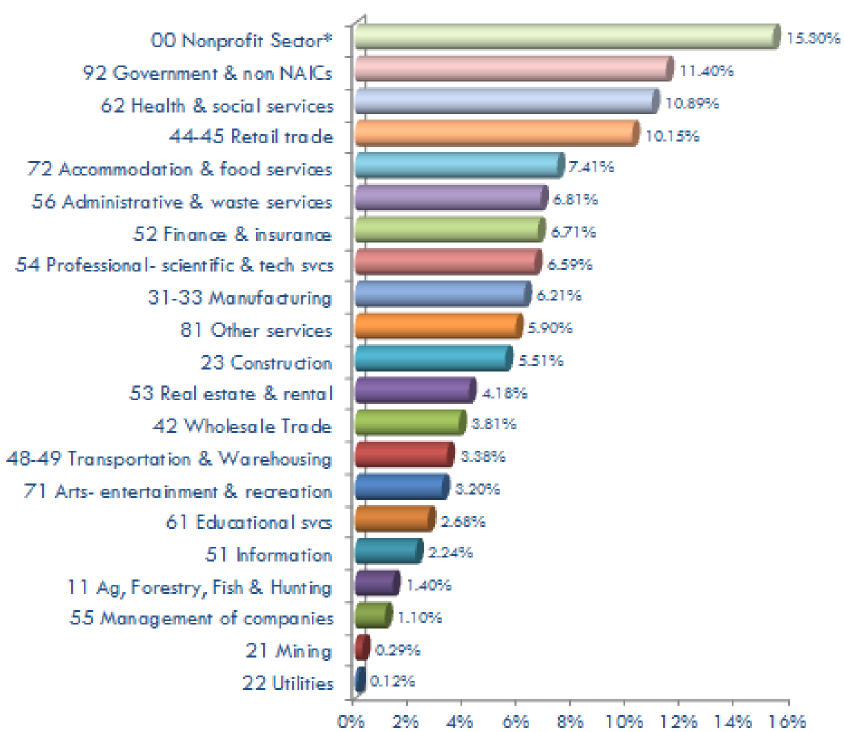


Table 5: Nonprofit Sector in the Nashville MSA Economy: A Snapshot

Description*	Employment		Output (Business Revenue)**		Total Value Added (GDP)***	
Total	991,456	Rank	$140,108,520,318	Rank	$81,588,381,749	Rank
11 Ag, forestry, fish & hunting	13,840	18	$540,656,881	20	$178,574,751	21
21 Mining	2,855	20	$527,188,939	21	$279,785,734	20
22 Utilities	1,232	21	$602,025,061	19	$387,621,161	19
23 Construction	54,646	11	$6,703,160,652	10	$2,932,651,070	12
31-33 Manufacturing	61,546	9	$30,217,266,848	1	$9,081,549,149	4
42 Wholesale trade	37,819	13	$6,156,347,656	11	$4,848,286,133	8
44-45 Retail trade	100,673	4	$7,078,886,063	9	$4,795,165,756	9
48-49 Transportation & warehousing	33,503	14	$4,451,253,464	14	$2,555,965,366	13
51 Information	22,205	17	$7,091,403,566	8	$3,734,872,045	10
52 Finance & insurance	66,529	7	$13,192,311,523	3	$6,739,245,728	6
53 Real estate & rental	41,466	12	$12,833,420,675	4	$10,676,134,775	1
54 Professional- scientific & tech svcs	65,304	8	$8,241,307,072	7	$6,169,840,244	7
55 Management of companies	10,952	19	$2,117,434,814	17	$1,391,768,188	16
56 Administrative & waste services	67,525	6	$4,489,650,459	13	$3,067,790,802	11
61 Educational svcs	26,619	16	$2,139,640,930	16	$1,223,858,643	17
62 Health & social services	107,972	3	$14,995,959,656	2	$10,531,612,946	2
71 Arts- entertainment & recreation	31,725	15	$1,788,317,444	18	$1,120,029,917	18
72 Accommodation & food services	73,508	5	$4,500,639,618	12	$2,544,759,422	14
81 Other services	58,478	10	$3,930,120,674	15	$2,131,067,348	15
92 Government & non NAICs	113,060	2	$8,511,528,323	6	$7,197,802,571	5
00 Nonprofit Sector*	**151,734**	1	**$9,353,857,693**	5	**$9,353,857,693**	3

Source: IMPLAN, BERC Online Survey, NCCS Core Data Files, and BERC estimates

*Nonprofit data is from NCCS Core Files and BERC estimates. All other data is from IMPLAN database.

**Output or business revenue represents all circulation of money in the regional economy. As a highly aggregate measure, it includes all trades, value added (GDP) and personal income.

*** Value added (GDP) is a widely used measure of economic activity. In the case of the nonprofit sector, we used the nonprofit revenue number as a proxy for both output (business revenue) and value added.

Compared with the major sectors in the regional economy, the nonprofit sector emerges as an economic powerhouse in terms of direct employment. The next section looks at additional dynamics to explore what other jobs, revenue, income, and taxes are associated with this direct employment.

IV. Economic Assessment of the Nonprofit Sector in the Nashville MSA

As the previous chapter clearly establishes, the nonprofit sector in the Nashville MSA is already a sizeable sector. In this section, we explore the indirect and induced contribution of the nonprofit sector to the regional economy. For the analysis, we use the IMPLAN model created for the study region with data from BERC online survey results and NCCS Core Files. We explore three concepts (economic impact, economic contributions, and economic contributions plus volunteering) along three major dimensions (direct, indirect, and induced effects). The process is summarized in the following chart.

IMPLAN Data Input Process

IV.1. Economic Impact—Export Component

What is the meaning of economic impact? Economic impact refers to an economic activity's net new contribution to the region in which the activity takes place. Some examples include a visitor from out of town spending money on a hotel/motel, a new manufacturing plant operating in the region, federal or out-of-region money flowing to an area to support a new program, or an activity that is unique in the region. Economic impact analysis is different from economic contributions or economic significance analysis in which we often counterfactually remove an institution, program, or event from an economy without determining whether that given institution, event, or program may be considered net new to the region. This section will analyze the economic impact of the nonprofit sector on the Nashville MSA economy.

How is the direct economic impact figure determined? BERC used an online nonprofit survey to capture what percent of nonprofit revenue flows from sources outside the study region. This estimate gives a conservative figure regarding resource flow to the region from outside sources. Many nonprofit organizations may provide a unique service to the study-area residents. In certain medical fields, there may not be even close substitutes within the Nashville MSA. However, making an assessment of each organization's unique contribution to the region is beyond the scope of this project. Therefore, as a conservative estimate, economic impact assessment in this study focuses on the amount of funding flowing to Nashville from other regions.

In reporting economic impact and economic contribution estimates, we follow the procedure outlined below:

(1) *Business revenue (output) effect—direct, indirect (the effect of business-to-business interactions), and induced (the effect of employee spending of wages and salaries) by nonprofit segment and major industries. These measures (indirect and induced) are also called the ripple effect. The business revenue effect represents all economic activities (i.e., trades, value added, income, taxes, proprietary income, etc.) associated with the activity. Therefore, this figure should not be aggregated with any other measures reported here.*

(2) *Employment effect—direct, indirect, and induced by nonprofit segment and major industries.*

(3) *Labor income effect—direct, indirect, and induced by nonprofit segment and major industries.*

(4) *Local and state taxes—total taxes by nonprofit segment.*

In this context, it is also important to remember the major assumptions used for this section:

(1) The study region is the Nashville MSA—13 counties in middle Tennessee.

(2) Only nonprofit organizations registered under 501(c)(3), 501(c)(4), and 501(c)(6) are included. As a further step, all churches are excluded.

(3) Only organizations with an annual revenue of $25,000 and above are included.

(4) In the economic impact section, only the component of revenue flowing to the Nashville MSA from outside sources is included.

(5) No further assumptions regarding the substitution effect, recapture rate, or any other attributes of nonprofit organizations have been made.

(6) Data sources are the NCCS Core Files for screening purposes and total nonprofit revenue and the BERC online nonprofit survey for an average percent of revenue flowing from outside the Nashville MSA.

(7) There may be a certain degree of discrepancy in data files in terms of number of establishments, revenue, expenditure, and employment, resulting from

   a. the use of multiple databases;

   b. several levels of aggregation;

   c. change in data year and impact year (for example, the NCCS Core Files are primarily for the year 2010-11; we deflated these numbers to 2011 to align with survey estimates).

Economic Impact by Segment

Business Revenue. Nonprofit organizations' total economic impact in the Nashville MSA, measured as business revenue, is $6.12 billion (Table 6). This represents 4.37 percent of the Nashville MSA's total output (business revenue) in 2011. In FY 2011, activities associated with the nonprofit organizations accounted for $201.3 million in state and local taxes. Which segment's impact is the largest? The education segment generated the largest economic impact among nonprofits with nearly $3 billion in 2011. The critical player in this segment is Vanderbilt University. The health care segment is next with about a $2.1 billion economic impact on the Nashville MSA economy. For every direct dollar spent by nonprofit organizations, an additional $1.22 was created in the greater Nashville economy. This is primarily because much of the organizational spending in the education and health care segments is in the form of salary and wages.

Table 6: Economic Impact of the Nonprofit Sector in the Nashville MSA: FY 2011

Business Revenue

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total effect	Local & State Taxes
Arts	$39,683,149	$19,316,635	$26,878,174	$85,877,958	$3,535,465
Education	$1,310,940,945	$705,923,847	$956,379,657	$2,973,244,449	$101,188,726
Environment and Animals	$9,777,700	$6,249,928	$6,715,991	$22,743,619	$675,171
Health Care	$949,253,589	$422,234,559	$690,834,336	$2,062,322,485	$63,490,792
Human Services	$226,570,996	$79,003,573	$162,589,964	$468,164,534	$16,689,400
International	$10,742,518	$6,533,464	$7,642,243	$24,918,225	$740,276
Mutual Benefit	$2,214,768	$879,112	$1,284,452	$4,378,332	$161,228
Public and Societal Benefit (Other)	$206,997,235	$127,122,697	$140,706,160	$474,826,092	$14,766,879
Total Effect	***$2,756,180,900***	***$1,367,263,815***	***$1,993,030,977***	***$6,116,475,694***	***$201,247,937***

Source: BERC estimtes from IMPLAN regional model.

Employment. What is the net employment impact of the nonprofit sector on the Nashville MSA economy? Table 7 highlights the economic impact estimates by nonprofit segment. The total employment impact of the nonprofit sector on the Nashville MSA economy is 72,095 jobs. This figure accounts for 7.27 percent of all jobs in the Nashville MSA. For every 100 *direct* nonprofit jobs, an additional 55 jobs are created in the Nashville MSA. The largest nonprofit segment by employment impact is health care with 29,700 total jobs (direct, indirect, and induced). The education segment follows closely with 28,863, and the human services segment occupies third place with 6,852.

Although some nonprofit segments have a lesser employment impact, in some cases this may be due to two issues related to the study's methodology:

(1) many small organizations in the arts and other segments may be excluded because they do not satisfy the $25,000 income minimum, and

(2) many small organizations rely on volunteer labor to operate.

Table 7: Economic Impact of the Nonprofit Sector in the Nashville MSA: FY 2011
Employment

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total effect
Arts	617	161	207	985
Education	16,310	5,201	7,352	28,863
Environment and Animals	408	49	52	509
Health Care	21,053	3,327	5,321	29,700
Human Services	4,992	608	1,252	6,852
International	862	53	59	973
Mutual Benefit	19	6	10	35
Public and Societal Benefit (Other)	2,155	942	1,082	4,179
Total Effect	***46,415***	***10,347***	***15,334***	***72,095***

Source: BERC estimtes from IMPLAN regional model.

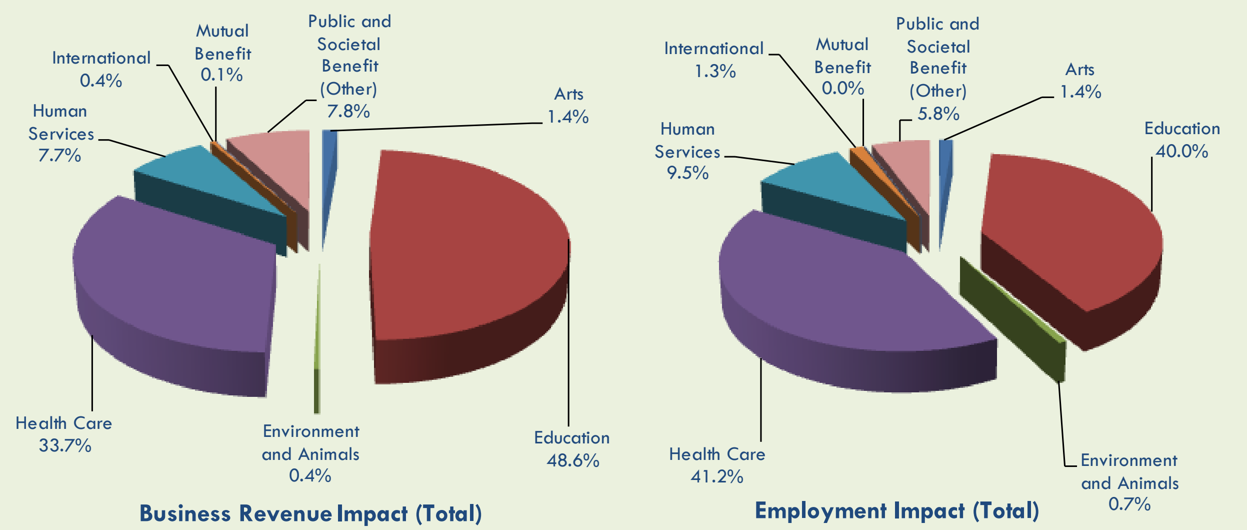
Wages and salaries. How much money do people earn because of the nonprofit sector in the Nashville MSA? Table 8 presents the extent of the wage and salary impact of the nonprofit sector on the Nashville MSA economy. In FY 2011, nonprofit sector–related economic activities account for $2.7 billion in wages and salaries, representing nearly 5 percent of the Nashville MSA's total wages and salaries. For every dollar of direct wages and salaries, an additional $0.91 of wages and salaries was created in the Nashville MSA. Four major segments account for this sizeable impact on wages and salaries: education with $1.3 billion, health care with $0.93 billion, human services with $0.22 billion, and public and societal benefit with $0.19 billion.

Table 8: Economic Impact of the Nonprofit Sector in the Nashville MSA: FY 2011
Wages and Salaries

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total effect
Arts	18,102,408	7,562,948	10,272,002	35,937,357
Education	663,653,109	247,560,263	365,500,898	1,276,714,271
Environment and Animals	4,007,742	2,392,415	2,566,658	8,966,814
Health Care	491,930,869	168,576,145	264,014,411	924,521,425
Human Services	126,515,939	28,854,721	62,136,689	217,507,349
International	4,714,446	2,570,379	2,920,642	10,205,466
Mutual Benefit	864,284	361,384	490,879	1,716,547
Public and Societal Benefit (Other)	87,531,795	46,626,364	53,773,750	187,931,909
Total Effect	***1,397,320,592***	***504,504,619***	***761,675,929***	***2,663,501,138***

Source: BERC estimtes from IMPLAN regional model.

Chart 11: Total Economic Impact of the Nonprofit Sector: Distribution of Impact by Nonprofit Segment (%)



Economic Impact by Major Industries—Business Revenue. The largest sectors impacted by the nonprofit sector in the Nashville MSA (Table 9) are other services, health and social services, finance and insurance, educational services, real estate and rental, and professional-scientific and technical services.

Table 9: Business Revenue Impact of the Nonprofit Sector in Nashville MSA by Major Industries (FY2011)

Description	Direct	Indirect	Induced	Total
Total	$2,756,180,902	$1,367,263,815	$1,993,030,977	$6,116,475,694
81 Other services	$1,373,187,717	$30,622,572	$95,929,720	$1,499,740,009
62 Health & social services	$661,759,138	$13,175,445	$357,862,878	$1,032,797,461
52 Finance & insurance	$2,146,855	$348,038,449	$295,356,312	$645,541,616
61 Educational svcs	$561,116,346	$23,527,412	$54,521,268	$639,165,026
53 Real estate & rental	$1,035,581	$222,158,126	$361,096,666	$584,290,373
54 Professional- scientific & tech svcs	$80,975,647	$189,039,570	$77,242,466	$347,257,683
56 Administrative & waste services	$365,390	$150,412,550	$51,495,822	$202,273,762
51 Information	$3,668,830	$118,521,650	$74,622,372	$196,812,852
44-45 Retail trade	$0	$3,068,574	$191,909,868	$194,978,442
72 Accomodation & food services	$4,778,294	$39,350,550	$96,438,594	$140,567,438
31-33 Manufacturing	$0	$37,525,792	$86,444,539	$123,970,331
71 Arts- entertainment & recreation	$62,994,297	$20,569,223	$28,602,362	$112,165,883
42 Wholesale trade	$0	$21,879,452	$79,856,810	$101,736,262
48-49 Transportation & warehousing	$3,146,595	$56,207,221	$42,249,504	$101,603,319
92 Government & non NAICs	$0	$37,861,687	$48,500,066	$86,361,753
23 Construction	$0	$21,683,911	$14,784,618	$36,468,529
55 Management of companies	$0	$20,183,417	$16,252,252	$36,435,669
22 Utilities	$1,006,211	$10,094,190	$13,186,262	$24,286,664
21 Mining	$0	$2,441,133	$3,340,930	$5,782,063
11 Ag, forestry, fish & hunting	$0	$902,890	$3,337,668	$4,240,558

Economic Impact by Major Industries—Employment. The results here are similar to the business revenue impact: the largest two major sectors are other services and health and social services. The educational services industry is in third place (Table 10).

Table 10: Employment Impact of the Nonprofit Sector in Nashville MSA by Major Industries (FY2011)

Description	Direct	Indirect	Induced	Total
Total	***46,415***	***10,347***	***15,334***	***72,095***
81 Other services	20,858	335	1,501	22,693
62 Health & social services	14,607	68	2,625	17,300
61 Educational svcs	8,172	367	678	9,218
52 Finance & insurance	8	1,863	1,483	3,354
54 Professional- scientific & tech svcs	1,344	1,381	590	3,315
56 Administrative & waste services	9	2,122	746	2,877
44-45 Retail trade	0	42	2,780	2,822
53 Real estate & rental	10	1,462	973	2,445
72 Accomodation & food services	105	653	1,633	2,391
71 Arts- entertainment & recreation	1,236	318	476	2,030
48-49 Transportation & warehousing	38	463	339	840
51 Information	19	465	288	772
42 Wholesale trade	0	139	507	645
92 Government & non NAICs	0	198	197	395
31-33 Manufacturing	0	137	174	311
23 Construction	0	181	128	309
55 Management of companies	0	98	79	176
11 Ag, forestry, fish & hunting	0	21	89	110
22 Utilities	9	19	27	55
21 Mining	0	15	23	38

To conclude, the economic impact of the Nashville MSA nonprofit sector is significant, accounting for nearly 5 percent of employment and wages and salaries and 4.4 percent of total business revenue (output). In terms of total impact, if nonprofit organizations were not operating in the region, the Nashville MSA would have lost $6.12 billion in business revenue, 72,095 jobs, and $2.7 billion in wages and salaries. In the next section, this study takes a broader perspective and analyzes total contributions of the nonprofit sector to the Nashville MSA economy.

IV.2. Economic Contributions—Total Spending

This section answers the following question: What is the true size of the nonprofit sector in the Nashville MSA? To answer this question, BERC estimated total expenditure of the nonprofit sector by nonprofit segment, major industry, and IMPLAN codes. BERC then counterfactually removed the nonprofit sector from the model to estimate indirect, induced, and state and local tax impacts. We would like to caution the reader about the conceptual difference between an economic impact and an economic contribution. In the latter case, some portions of activities, goods, and services might still be provided by other agencies or individuals without much loss to the local economy if nonprofit organizations providing those goods and services ceased to exist. In reporting the contributions of the nonprofit sector to the local economy, we follow a similar format to the one outline under the economic impact section.

Business revenue. What is the total contribution of the nonprofit sector to the Nashville MSA economy? How much money do these nonprofits spend in the local economy? How does total nonprofit revenue (direct + indirect + induced) compare with total business revenue in the Nashville MSA? Which nonprofit sector contributes the most to the local economy? How much state and local tax revenue is generated by the operations of the Nashville MSA's nonprofit sector? These are the major questions this section addresses.

Economic Contributions by Nonprofit Segment

Business revenue. Table 11 provides a detailed view of the Nashville MSA's nonprofit sector's total contribution to the local economy. A total of $9.3 billion (in 2011 $) in direct spending generates additional revenue of $11.3 billion in the local economy. This means that for every dollar of money spent by the nonprofit sector, an additional $1.22 is created through the ripple effect. Total contribution of the nonprofit sector to the local economy is $20.53 billion, representing 14.7

percent of the Nashville MSA's total business revenue. Total taxes associated with nonprofit spending are $0.680 billion in the Nashville MSA. When reviewing nonprofits' contribution to the local economy, keep in mind that Vanderbilt University with its educational and medical components, Meharry Medical College, Belmont University, and several other colleges and hospitals are included in the analysis.

Which nonprofit segments contribute most to the local economy? According to BERC estimates, the education, health care, human services, and public and societal benefit segments contribute more than one billion dollars each.

Table 11: Economic Contributions of Nonprofit Sector in the Nashville MSA: FY 2011
Business Revenue

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total Effect	Local & State Taxes
Arts	$238,086,326	$115,893,694	$161,358,645	$515,338,666	$21,219,712
Education	$4,427,108,435	$2,383,937,683	$3,229,737,938	$10,040,784,056	$341,719,019
Environment and Animals	$32,741,830	$20,928,652	$22,489,319	$76,159,801	$2,260,892
Health Care	$3,075,838,995	$1,368,154,347	$2,238,489,996	$6,682,483,338	$205,727,357
Human Services	$930,487,036	$324,453,723	$667,728,253	$1,922,669,012	$68,540,416
International	$20,489,942	$12,461,725	$14,576,576	$47,528,243	$1,411,980
Mutual Benefit	$13,575,694	$5,388,625	$7,873,208	$26,837,527	$988,265
Public and Societal Benefit (Other)	$529,978,987	$325,474,647	$360,252,692	$1,215,706,326	$37,807,923
Total Effect	***$9,268,307,245***	***$4,556,693,096***	***$6,702,506,627***	***$20,527,506,969***	***$679,675,564***

Source: BERC estimtes from IMPLAN regional model.

Employment. Table 12 suggests the nonprofit sector's presence in the Nashville MSA economy is significant. The total employment contribution of the nonprofit sector to the Nashville MSA economy is 237,820 jobs. This figure represents nearly one in every four jobs in the Nashville MSA economy. Education, health care, and human services are the three leading segments in terms of their total contributions to the local economy. According to these estimates, every 100 direct jobs associated with the nonprofit sector generates 57 additional jobs through multipliers.

Table 12: Economic Contribution of Nonprofit Sector in the Nashville MSA: FY 2011
Employment

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Arts	3,703	964	1,242	5,909
Education	52,066	17,564	24,827	94,456
Environment and Animals	1,365	164	173	1,702
Health Care	68,218	10,780	17,241	96,239
Human Services	20,502	2,499	5,141	28,142
International	1,644	100	112	1,856
Mutual Benefit	42	38	61	140
Public and Societal Benefit (Other)	4,193	2,412	2,770	9,375
Total Effect	***151,733***	***34,520***	***51,567***	***237,820***

Source: BERC estimtes from IMPLAN regional model.

Wages and salaries. How much money are people earning annually because of the nonprofit sector in the Nashville MSA? This amount is $8.96 billion. In fiscal year 2011, the operation of nonprofit organizations accounted for 16.8 percent of Nashville MSA wages and salaries. Table 13 presents a breakdown of wages and salaries by type (direct, indirect, and induced) and segment.

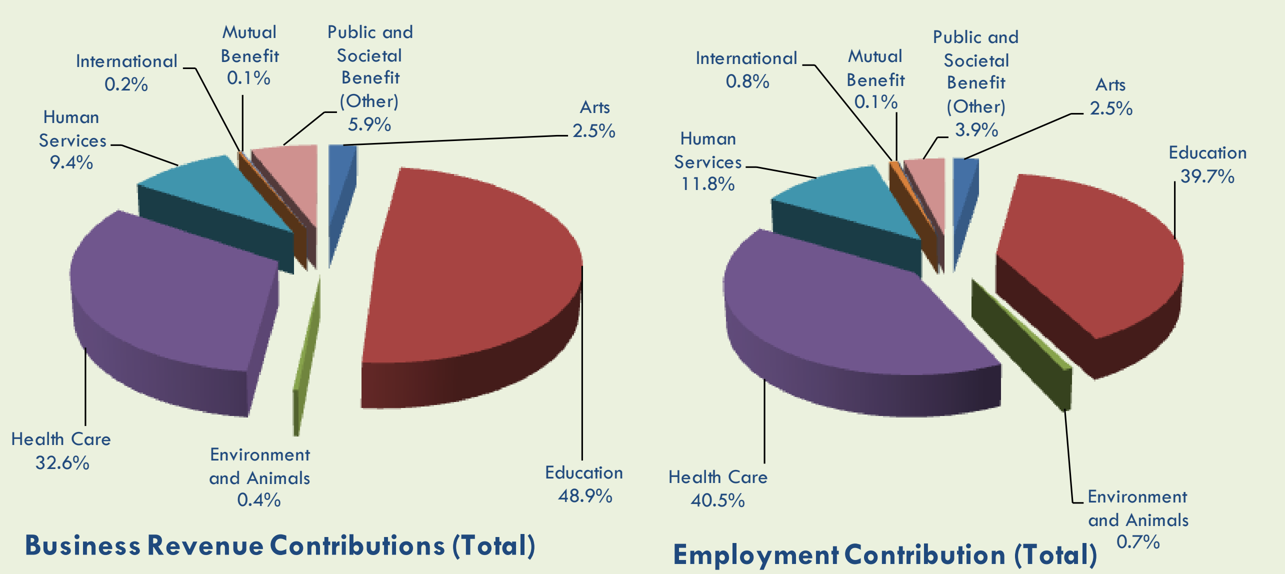
Table 13: Economic Contribution of Nonprofit Sector in the Nashville MSA: FY 2011
Wages and Salaries

Nonprofit Segment	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Arts	108,702,143	45,375,293	61,666,255	215,743,692
Education	2,241,187,260	836,022,541	1,234,313,317	4,311,523,117
Environment and Animals	13,420,413	8,011,296	8,594,768	30,026,477
Health Care	1,593,989,357	546,232,378	855,478,045	2,995,699,779
Human Services	519,578,586	118,501,243	255,184,406	893,264,234
International	8,992,186	4,902,660	5,570,742	19,465,588
Mutual Benefit	5,297,737	2,215,149	3,008,901	10,521,787
Public and Societal Benefit (Other)	224,109,350	119,378,359	137,677,968	481,165,676
Total Effect	***4,715,277,032***	***1,680,638,919***	***2,561,494,402***	***8,957,410,350***

Source: BERC estimtes from IMPLAN regional model.

For every dollar of direct wages and salaries paid by the nonprofit sector, an additional $0.90 is generated in the study area through multipliers. The largest nonprofit segments are education, health care, human services, and public and societal benefit. Chart 12 presents the percent distribution of business revenue and employment contributions of the nonprofit sector.

Chart 12: Total Economic Contributions of Nonprofit Sector: Distribution of Contributions by Nonprofit Segment (%)



Economic Contribution by Major Industry

Business revenue. Table 14 presents the contribution of the nonprofit sector by major industry. A caveat is in order regarding comparison of this table with the nonprofit segment table: the nonprofit education segment is different from the education sector under the NAICS classification as included in Table 14. One organization may be designated under the nonprofit education segment, but it may be operating under the *other services* sector of the NAICS industry classification. Other services, health and social services, and education are the largest industries associated with the nonprofit sector in the Nashville MSA.

Table 14: Business Revenue Contribution of Nonprofit Sector in the Nashville MSA by Major Industries (FY2011)

Description	**Direct**	**Indirect**	**Induced**	**Total**
Total	*$9,579,922,286*	*$4,658,156,887*	*$6,819,704,637*	*$21,057,783,810*
81 Other services	$4,603,575,268	$105,106,440	$332,142,783	$5,040,824,492
62 Health & social services	$2,333,509,941	$43,945,933	$1,245,026,529	$3,622,482,403
61 Educational svcs	$1,978,802,892	$80,672,128	$190,627,593	$2,250,102,612
52 Finance & insurance	$9,952,708	$1,144,491,225	$998,997,784	$2,153,441,718
53 Real estate & rental	$2,738,942	$769,827,234	$1,215,622,468	$1,988,188,644
54 Professional- scientific & tech svcs	$275,064,434	$654,812,309	$270,927,565	$1,200,804,308
56 Administrative & waste services	$1,536,702	$516,388,747	$178,233,037	$696,158,486
51 Information	$22,965,528	$407,014,857	$257,082,876	$687,063,262
44-45 Retail trade	$0	$10,279,708	$650,795,933	$661,075,641
71 Arts- entertainment & recreation	$320,545,926	$77,555,256	$99,573,737	$497,674,920
72 Accomodation & food services	$20,215,170	$133,691,354	$331,888,403	$485,794,927
31-33 Manufacturing	$0	$126,906,414	$294,263,748	$421,170,162
48-49 Transportation & warehousing	$8,428,984	$193,650,256	$146,759,375	$348,838,616
42 Wholesale trade	$0	$72,033,989	$264,272,273	$336,306,262
92 Government & non NAICs	$0	$129,516,375	$166,943,318	$296,459,693
23 Construction	$0	$75,454,123	$51,855,312	$127,309,435
55 Management of companies	$0	$70,518,318	$56,567,331	$127,085,648
22 Utilities	$2,585,790	$34,724,401	$45,130,942	$82,441,133
21 Mining	$0	$8,517,976	$11,904,890	$20,422,866
11 Ag, forestry, fish & hunting	$0	$3,049,843	$11,088,740	$14,138,583

Employment. Table 15 provides employment contributions of the nonprofit sector to the Nashville MSA economy. For this segment, BERC used two data streams: data derived from the regional IMPLAN model and BERC estimates based on the nonprofit survey.

Table 15: Employment Contributions of Nonprofit Sector in the Nashville MSA by Major Industry (FY2011)

Description	Direct	Indirect	Induced	Total
Total	151,733	34,520	51,567	237,820
62 Health & social services	68,205	220	8,828	77,253
81 Other services	48,333	1,119	5,047	54,500
61 Educational svcs	27,707	1,206	2,281	31,194
52 Finance & insurance	27	6,139	4,988	11,154
56 Administrative & waste services	37	7,086	2,509	9,631
44-45 Retail trade	0	140	9,349	9,490
71 Arts- entertainment & recreation	5,668	1,139	1,602	8,408
53 Real estate & rental	17	4,904	3,271	8,192
54 Professional- scientific & tech svcs	1,443	4,590	1,984	8,017
72 Accomodation & food services	169	2,168	5,492	7,828
48-49 Transportation & warehousing	30	1,546	1,139	2,715
51 Information	91	1,559	968	2,618
42 Wholesale trade	0	464	1,703	2,167
92 Government & non NAICs	0	662	663	1,324
31-33 Manufacturing	0	459	585	1,043
23 Construction	0	605	429	1,034
55 Management of companies	0	329	264	593
11 Ag, forestry, fish & hunting	0	71	300	371
22 Utilities	7	65	90	162
21 Mining	0	50	77	127

To conclude, the nonprofit sector's contribution to the Nashville MSA economy is substantial. Because the nonprofit sector is so diverse, it affects all aspects of economic activity within the study region. The next section deals with the volunteering effect on the Nashville MSA economy.

IV.3. Economic Contributions *plus* Volunteering

When we talk about nonprofit organizations, the first thing that comes to mind is volunteering. What role does volunteering play in regional economic activity? This section presents three views in analyzing volunteers' contribution to economic activity:

(1) *Volunteers as an addition to the total contributions of nonprofits to the regional economy*. In this case, we estimate the wage equivalency of volunteering activities and add the monetary value to the total contributions. Since volunteers do not get paid, they do not have indirect and induced economic impact.

(2) *Volunteers as enablers*. In this view, volunteers make a tremendous contribution to the economy. A portion of the economic contribution of nonprofit organizations identified in the previous section was possible only because of the presence of a large number of volunteers. In this sense, part of the total contribution should be recalculated to show the impact of volunteering.

(3) *A hybrid view that takes into account the first two arguments*. This paper uses this approach to identify the effect of volunteering in the nonprofit sector on the Nashville economy.

To recap Table 3, the estimated value of volunteering is 8,147 FTEs in the Nashville MSA. Many small organizations are simply run by volunteers. What would be the business revenue, labor income, and employment equivalency of actually employing 8,147 FTE volunteers and diverting resources of nonprofits to pay these individuals? Table 16 presents data on our estimates of the value of volunteers as enablers. Because of volunteer hours, nonprofit organizations were able to generate nearly $0.72 billion worth of economic activities, 8,147 jobs, and $307 million in wages and salaries. In the literature we reviewed, numerous studies repeatedly mentioned that the survival of many organizations would not be possible without volunteers.

Table 16. Impact of Volunteers as Enablers				
		Impact of Volunteers as Enablers		
Nonprofit Segment	Volunteer FTE Equivalency (D)*	D* Business Revenue Per Job	Employment (D)	D* Wages and Salaries Per Job
Arts	632	$55,079,092	632	$23,058,558
Education	164	$17,422,587	164	$7,481,277
Environment and Animals	215	$9,622,046	215	$3,793,552
Health Care	456	$31,676,982	456	$14,200,519
Human Services	2,680	$183,066,511	2,680	$85,051,959
International	944	$24,157,758	944	$9,894,011
Mutual Benefit	0	$0	0	$0
Public and Societal Benefit	3,057	$396,362,400	3,057	$156,876,688
Total	**8,147**	**$717,387,376**	**8,147**	**$306,853,629**

Table 17 below estimates the total value of volunteering as an enabling and additive concept. According to our calculations, volunteering is a billion-dollar business in the Nashville MSA, some of which (the enabler segment) was already accounted for in the economic-contribution analysis in the previous section.

Table 17. Impact of Volunteering			
Nonprofit Segment	Business Revenue (Enabling + Additive)	Employment (Enabling + Additive)	Labor Income (Enabling + Additive)
Arts	$84,224,651	1,263	$52,204,117
Education	$24,986,528	328	$15,045,218
Environment and Animals	$19,547,478	430	$13,718,984
Health Care	$52,730,675	912	$35,254,211
Human Services	$306,727,901	5,359	$208,713,350
International	$67,703,744	1,887	$53,439,997
Mutual Benefit	$0	0	$0
Public and Societal Benefit	$537,423,334	6,113	$297,937,622
Total	**$1,093,371,426**	**16,294**	**$682,837,679**

Table 18 advances the value of volunteering as an additive concept and integrates it into the broader economic-contribution estimates. Including volunteering results in nearly $21 billion in business revenue, 246,000 jobs, and $9.3 billion in labor income.

Table 18. Economic Contributions of Nonprofit Sector plus Volunteering (as an Additive Concept) (FY2011)

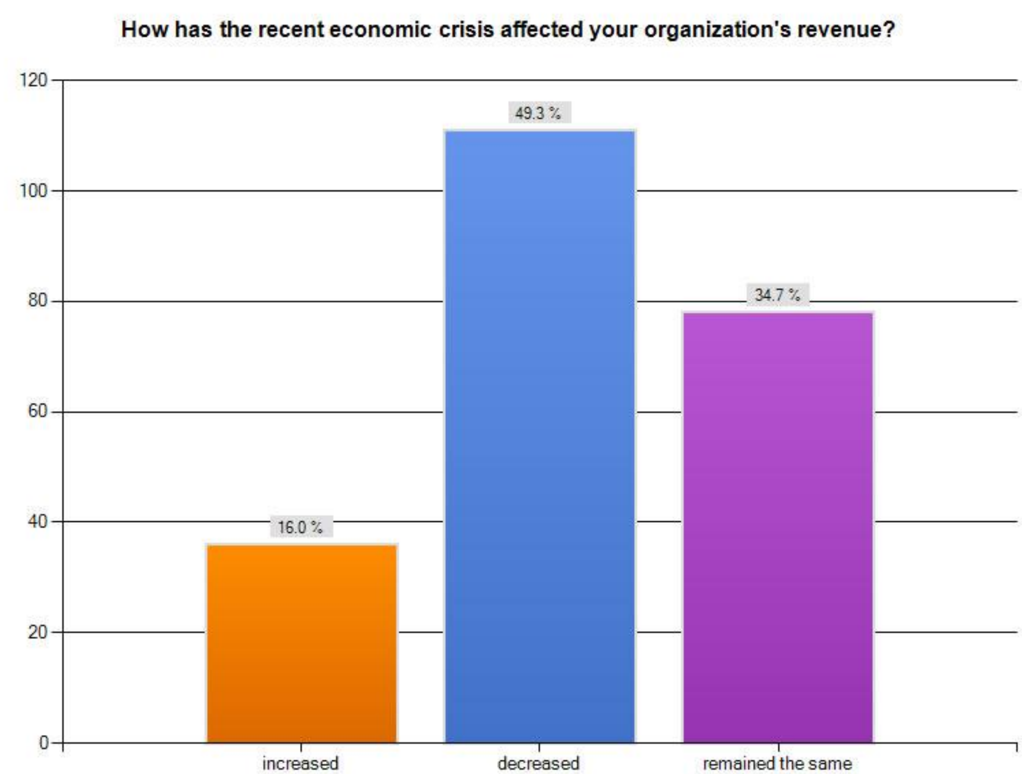
Nonprofit Segment	Business Revenue	Employment	Labor Income
Arts	$544,484,225	6,540	$244,889,251
Education	$10,048,347,997	94,620	$4,319,087,058
Environment and Animals	$86,085,233	1,917	$39,951,909
Health Care	$6,703,537,030	96,695	$3,016,753,471
Human Services	$2,046,330,403	30,822	$1,016,925,625
International	$91,074,229	2,800	$63,011,574
Mutual Benefit	$26,837,527	140	$10,521,787
Public and Societal Benefit	$1,356,767,260	12,432	$622,226,610
Total	$20,903,491,019	245,967	$9,333,394,400

To summarize, volunteering is a major force in the local economy, allowing many nonprofit organizations to survive without full-time employees. Volunteers should be treated as both enablers and additive to the economic-activity base. Volunteers allow the current level of nonprofit-related economic activity to occur. Without them, there would not be enough resources to carry out an important portion of nonprofit-related economic activity. The in-kind nature of volunteering should be recognized, quantified, and included in a contribution analysis as presented in this paper.

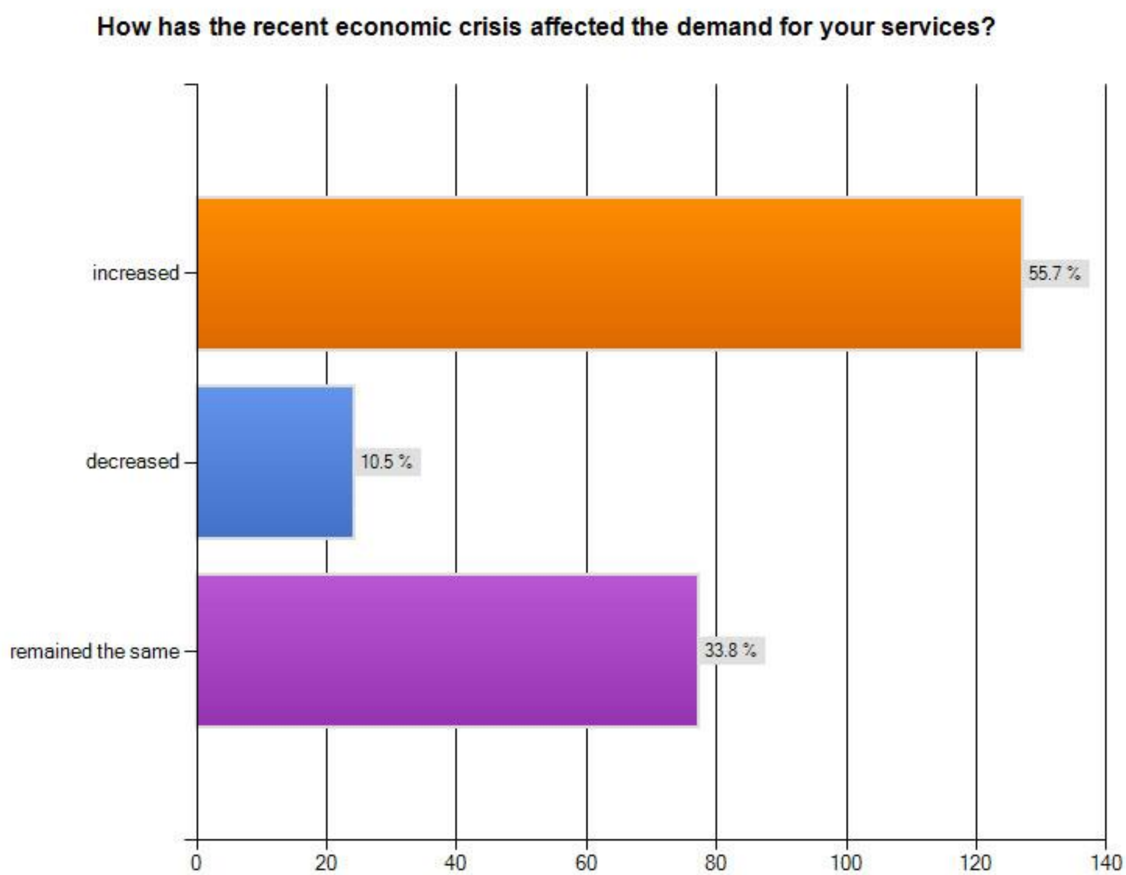
V. Recession Management and Nonprofits in the Nashville MSA

BERC administered an online survey in February 2013 to analyze how the 2008 recession affected nonprofit organizations. This section presents the findings from this survey.

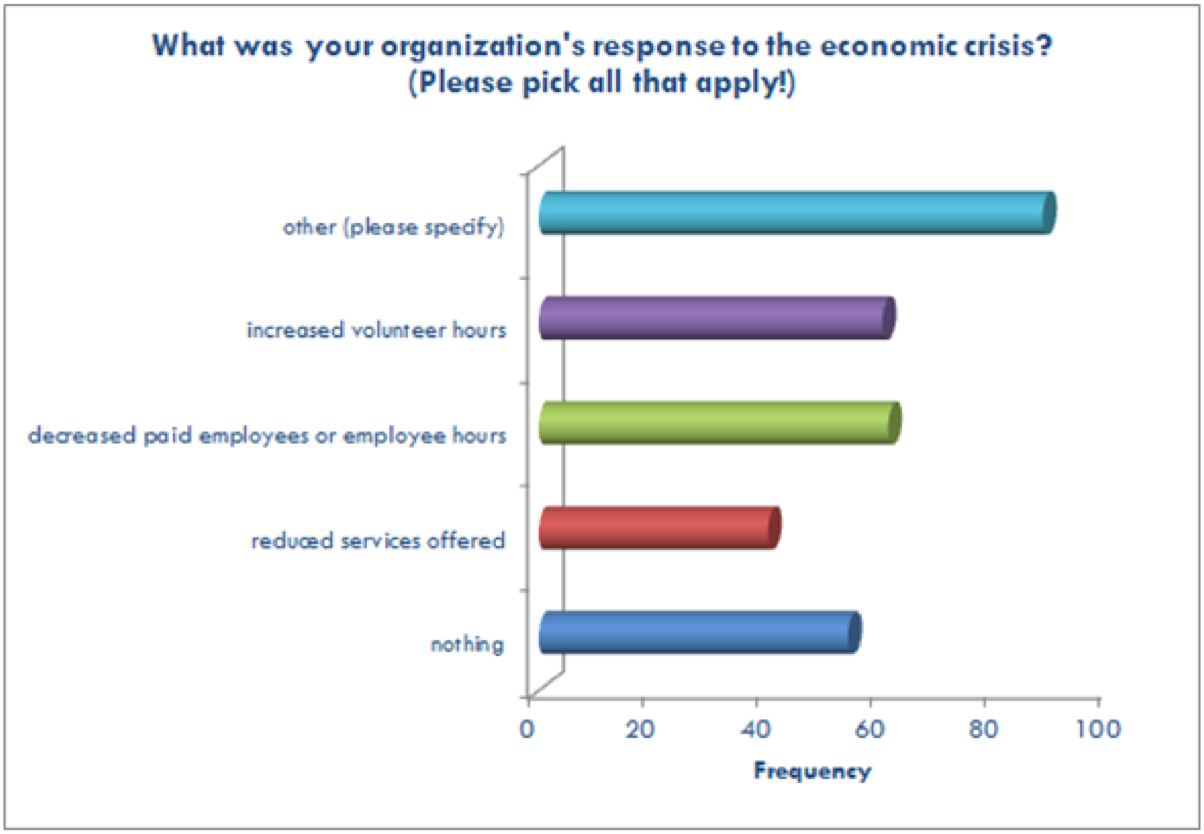
Overall impact of crisis. How did the 2008 recession affect nonprofit revenue? The effect of the 2008 recession on nonprofit institutions was not uniform. Nearly half of the organizations surveyed indicated that the recession decreased their revenue. One in every three organizations maintained the same level of revenue during the recession, while 16 percent of respondents increased their revenue during this crisis period.



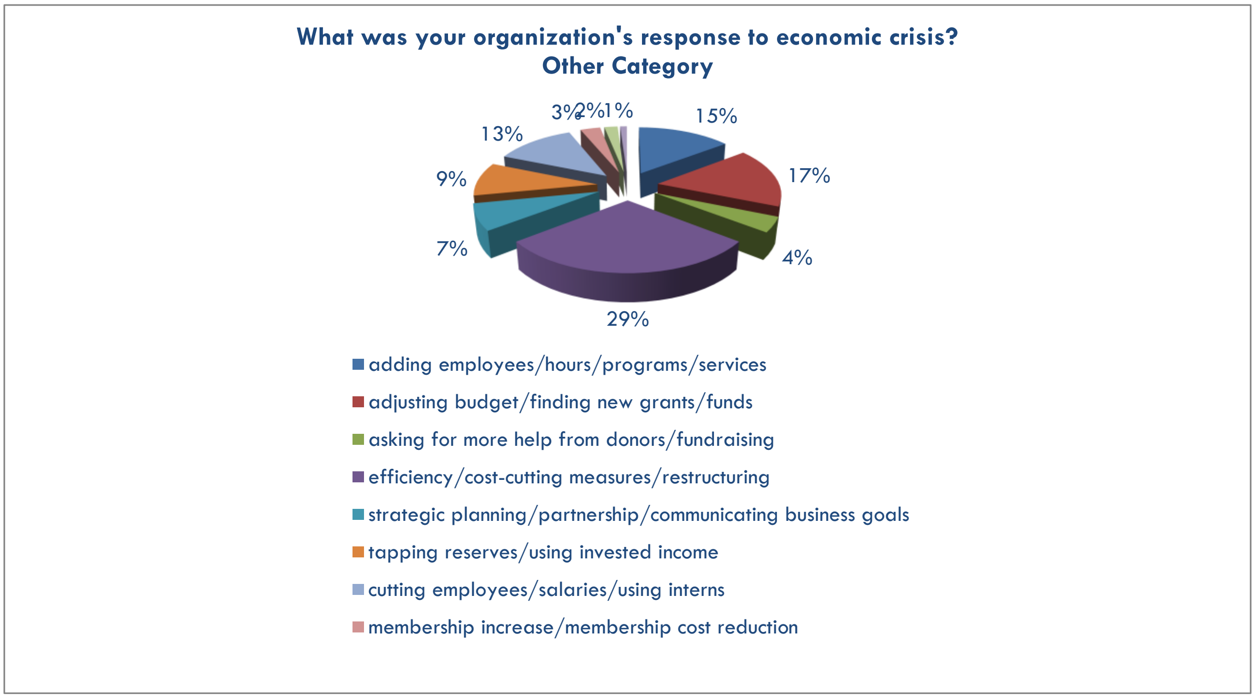
Regarding the demand side of the equation, nearly 56 percent of survey respondents recorded an increase in demand for their services. Only 11 percent indicated that demand for their services decreased because of the recession. It is clear from these two charts that the recession created a difficult situation for many nonprofits: as the demand for their services increased, their revenue to meet those demands decreased.



How did these nonprofits manage the impact of the recession? Nearly 83 percent of respondents took some sort of action to respond to the recession. A little over 13 percent reduced services offered, 20 percent reduced employment/hours, 20 percent increased volunteer hours, and 29 percent took some other action.

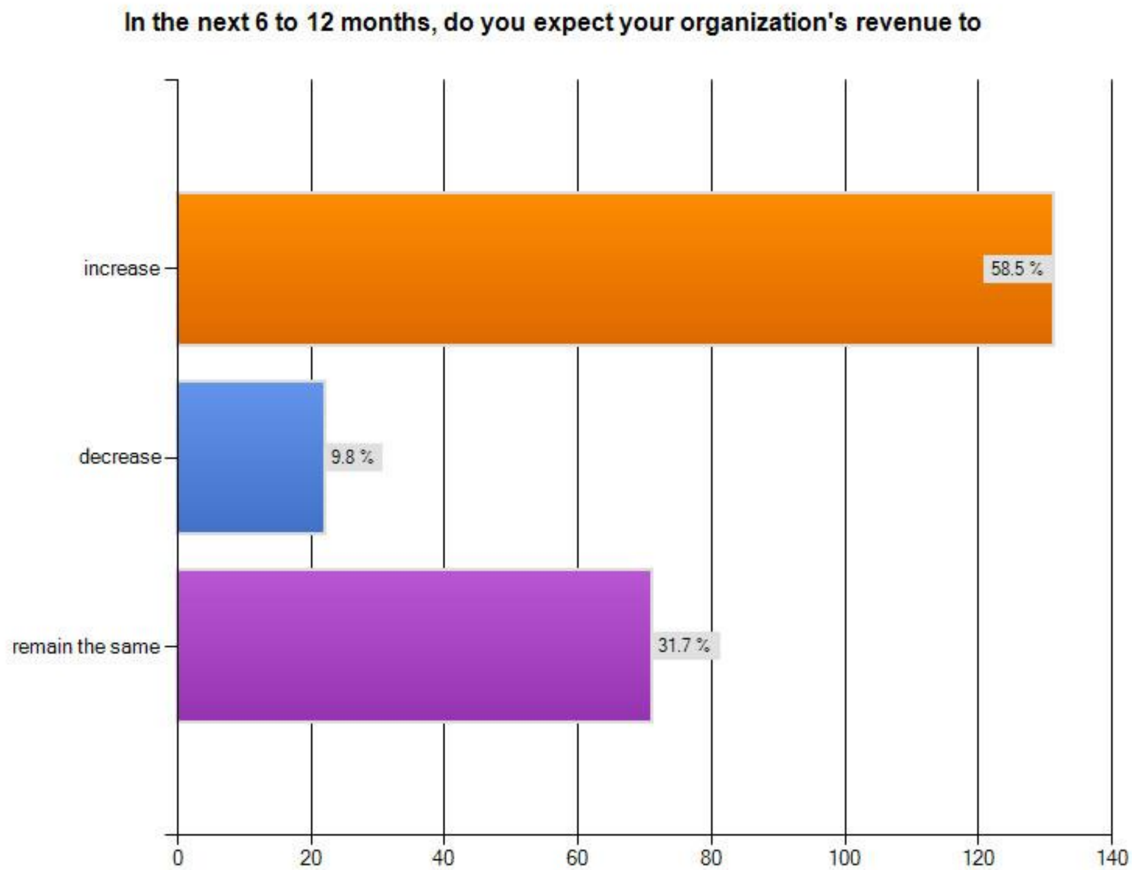


Nearly one-third (29%) of those organizations citing an action under the “other” category mentioned efficiency, cost-cutting measures, or restructuring as a primary action. Adjusting the organization’s budget and also seeking and obtaining new funds were cited as the second most important actions. The chart below presents the percent distribution of those responses cited under the “other” category.

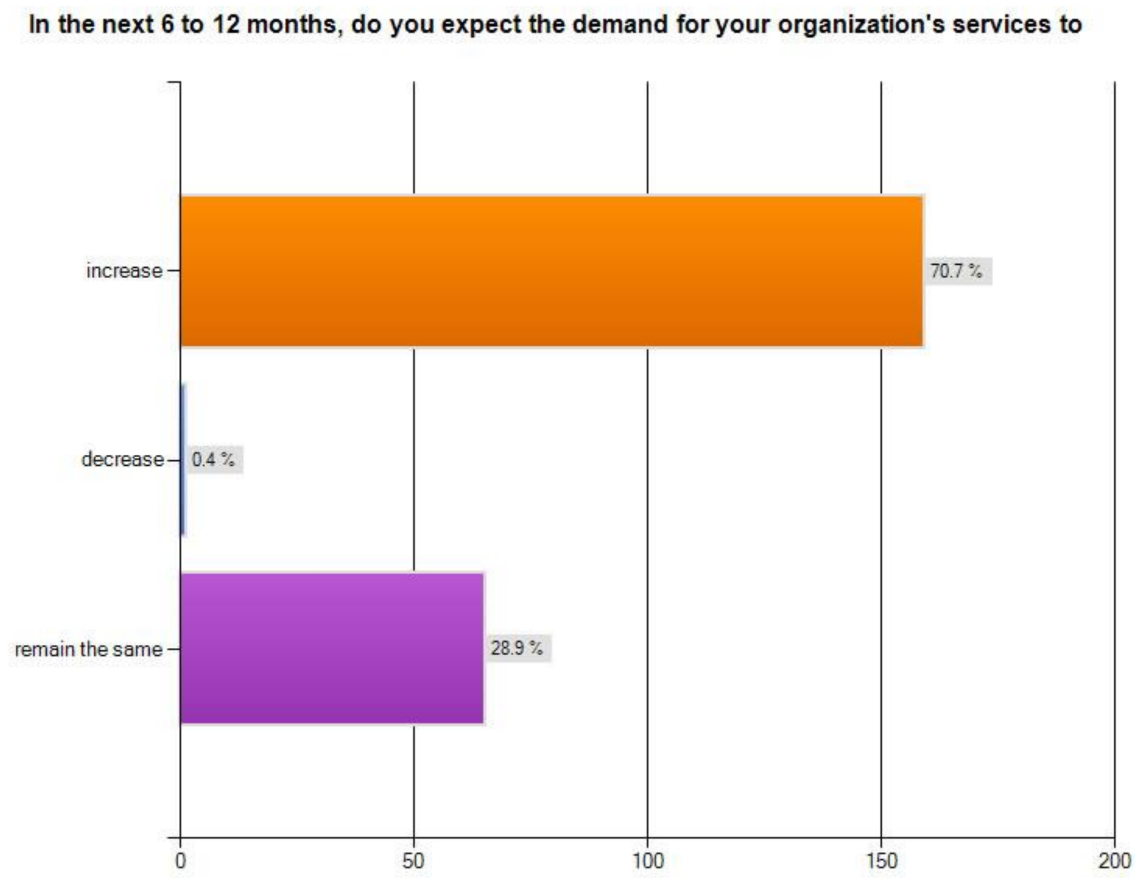


In response to the recession, has your organization attempted to use any of the following strategies? As this was a follow-up to the previous question, responses were not that surprising. Nearly one-third of the respondents took action to reduce operating costs, one-fifth implemented strategic planning and management, and 15 percent increased volunteering. Those organizations that mentioned the "other" category mirrored the responses and concerns tabulated above.

What is the outlook for the next six to 12 months in terms of revenue and demand for services? Nearly three-fifths of nonprofit organizations expect their revenues to increase in that time. About 10 percent see a reduced revenue outlook. Nearly one-third of respondents expect their organizations' revenues to remain the same.



Virtually all organizations agree that demand for services will either remain the same or increase. Nearly 71 percent expect to see an increase in demand for their services.



Nonprofit organizations have felt the impact of the economic downturn starting in 2007. While the majority were affected negatively and forced to develop strategies to mediate the negative impact, a few of these organizations experienced positive growth in both demand for services and revenues.

VI. A Comparative Perspective on the Nonprofit Sector in the Nashville MSA

How does the Nashville MSA compare with peer MSAs in terms of selected nonprofit indicators?

To make the comparison, BERC selected 10 peer MSAs widely used by the Nashville Area Chamber of Commerce in their publications. BERC especially focused on the peers with similar population size. The selected characteristics of these peers are presented in the table at right.

Socioeconomic Characteristics of Peer MSAs

	Population 2010	Employment 2010	Establishments 2010	GDP (in Millions of Current Dollars) 2010
Birmingham, AL	1,129,068	642,821	25686	52,554
Charlotte, NC	1,763,969	1,063,731	44513	113,861
Columbus, OH	1,840,584	1,162,188	39286	91,295
Indianapolis, IN	1,760,826	1,090,538	42317	100,837
Jacksonville, FL	1,348,702	783,003	34085	59,262
Kansas City, MO	2,039,766	1,253,279	50129	106,006
Louisville, KY	1,285,891	744,413	29859	57,340
Nashville, TN	1,594,885	991,981	37619	82,369
Raleigh, NC	1,137,297	654,958	28933	56,305
Richmond, VA	1,260,396	758,181	31037	64,740

Data Source: BEA (www.bea.gov), Census Bureau (www.census.gov), and BERC calculations.

Nonprofit Revenue and Expenditure by MSAs in 2010

	Nonprofit Revenue	Nonprofit Expenditure
Birmingham, AL	$4,576,950,177	$4,447,145,577
Charlotte, NC	$6,776,250,029	$6,361,954,552
Columbus, OH	$10,969,073,054	$10,240,841,731
Indianapolis, IN	$12,602,930,414	$11,793,824,015
Jacksonville, FL	$6,400,608,906	$6,033,536,414
Kansas City, MO	$10,416,524,439	$10,251,817,497
Louisville, KY	$8,055,722,770	$7,838,085,919
Nashville,TN	$9,199,402,730	$8,837,509,638
Raleigh, NC	$13,230,828,924	$12,383,106,056
Richmond, VA	$3,749,746,011	$3,660,037,392

Source: NCCS Core Files and BERC Estimates

BERC obtained nonprofit data from NCCS Core Files. Among the peer MSAs, the largest total revenue is recorded in Raleigh, followed by Indianapolis, Columbus, and Kansas City. The Nashville MSA is virtually in the middle of the group, occupying fifth place.

Columbus has the largest number of nonprofit establishments, followed by Indianapolis, Raleigh, and Kansas City. Again, Nashville occupies fifth place.

	Number of Businesses
Birmingham, AL	1,234
Charlotte, NC	1,981
Columbus, OH	3,088
Indianapolis, IN	2,775
Jacksonville, FL	1,273
Kansas City, MO	2,739
Louisville, KY	1,451
Nashville,TN	2,045
Raleigh, NC	2,741
Richmond, VA	1,741

In order to get a better picture of the peer MSAs, BERC used several standardized indicators and ranked each MSA by its score on each. The following indicators were used: 1-Nonprofit establishments as percent of total MSA businesses, 2-Nonprofit revenue as percent of gross regional product (GDP), 3-Nonprofit revenue per capita, 4-Nonprofit expenditure per capita, 5- Establishment diversity index (whether or not establishments are concentrated in a few segments of the nonprofit sector), 6-Revenue diversity index, and 7-Expenditure diversity index. To calculate the diversity index by each indicator, BERC used 10 major segments of the nonprofit sector excluding religion-related organizations (only churches).

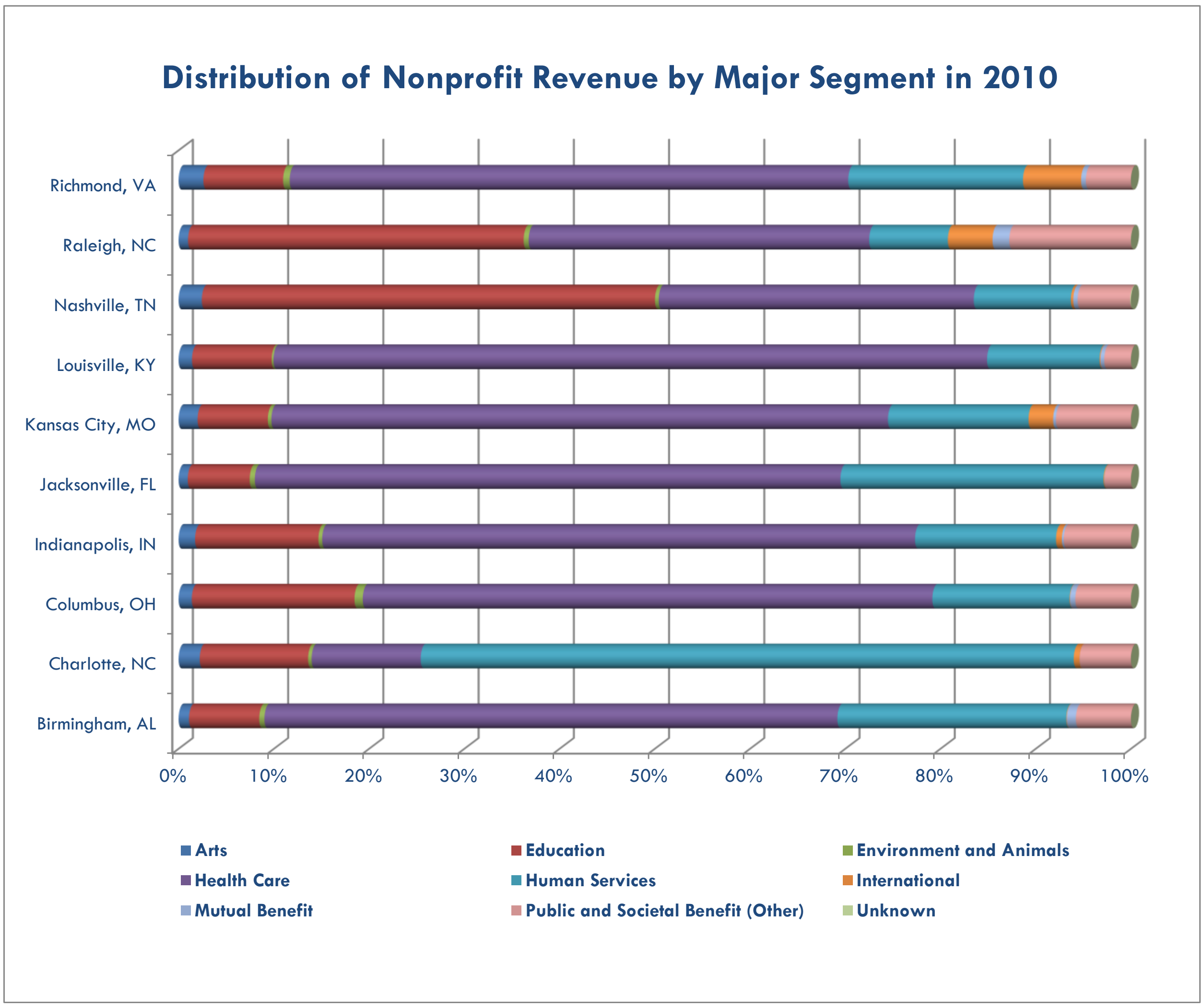
The table on the next page presents findings of this exercise. In terms of nonprofit establishments as percent of total businesses, Raleigh (9.39 percent), Columbus (7.69 percent), and Indianapolis 6.35 percent) top the list. Nashville ranks sixth with 5.27 percent. For nonprofit revenue as a share in GDP, Raleigh and Louisville take first and second place, while Nashville ranks fifth. In other categories, Nashville's ranking does not change too much, occupying the fifth spot. However, in terms of diversity, Nashville places third after Raleigh and Richmond. This relatively better ranking suggests that the distribution of nonprofit resources in Nashville across nonprofit segments is relatively better than in many of the peer MSAs. Overall, Nashville ranks third among the peer MSAs in terms of the health of the nonprofit sector.

Nonprofit Indicators from a Comparative Perspective: Nashville and Its Peers

	Nonprofits as Percent in Total Establishments	Rank	Nonprofit Revenue as Percent in GDP	Rank	Nonprofit Revenue Per Capita	Rank	Nonprofit Expenditure Per Capita	Rank	Diversity Index: Nonprofit Establishment	Rank	Diversity Index: Nonprofit Revenue	Rank	Diversity Index: Nonprofit Expenditure	Rank	Average Rank
Raleigh, NC	9.39%	1	23.50%	1	$11,634	1	$10,888	1	1.77	1	1.49	1	1.47	1	1
Indianapolis, IN	6.35%	3	12.50%	3	$7,157	2	$6,698	2	1.71	7	1.17	6	1.18	5	2
Nashville, TN	**5.27%**	**6**	**11.17%**	**5**	**$5,768**	**5**	**$5,541**	**5**	**1.73**	**4**	**1.27**	**3**	**1.23**	**3**	**3**
Columbus, OH	7.69%	2	12.01%	4	$5,960	4	$5,564	4	1.67	10	1.19	4	1.21	4	4
Richmond, VA	5.42%	4	5.79%	10	$2,975	10	$2,904	10	1.75	2	1.30	2	1.35	2	5
Kansas City, MO	5.28%	5	9.83%	7	$5,107	6	$5,026	6	1.72	6	1.17	5	1.16	6	6
Louisville, KY	4.78%	7	14.05%	2	$6,265	3	$6,095	3	1.69	8	0.88	10	0.86	10	7
Birmingham, AL	4.58%	8	8.71%	8	$4,054	8	$3,939	8	1.72	5	1.13	7	1.15	7	8
Jacksonville, FL	3.60%	10	10.80%	6	$4,746	7	$4,474	7	1.73	3	1.01	9	1.02	9	9
Charlotte, NC	4.31%	9	5.95%	9	$3,841	9	$3,607	9	1.67	9	1.05	8	1.05	8	10

The Shannon-Weaver Diversity Index= -∑(pi)* (ln(*pi*), where *pi=ratio of each segment in total. If concentration is in only one segment, the index value becomes zero. The higher the index value is, the more diverse the distribution is.*

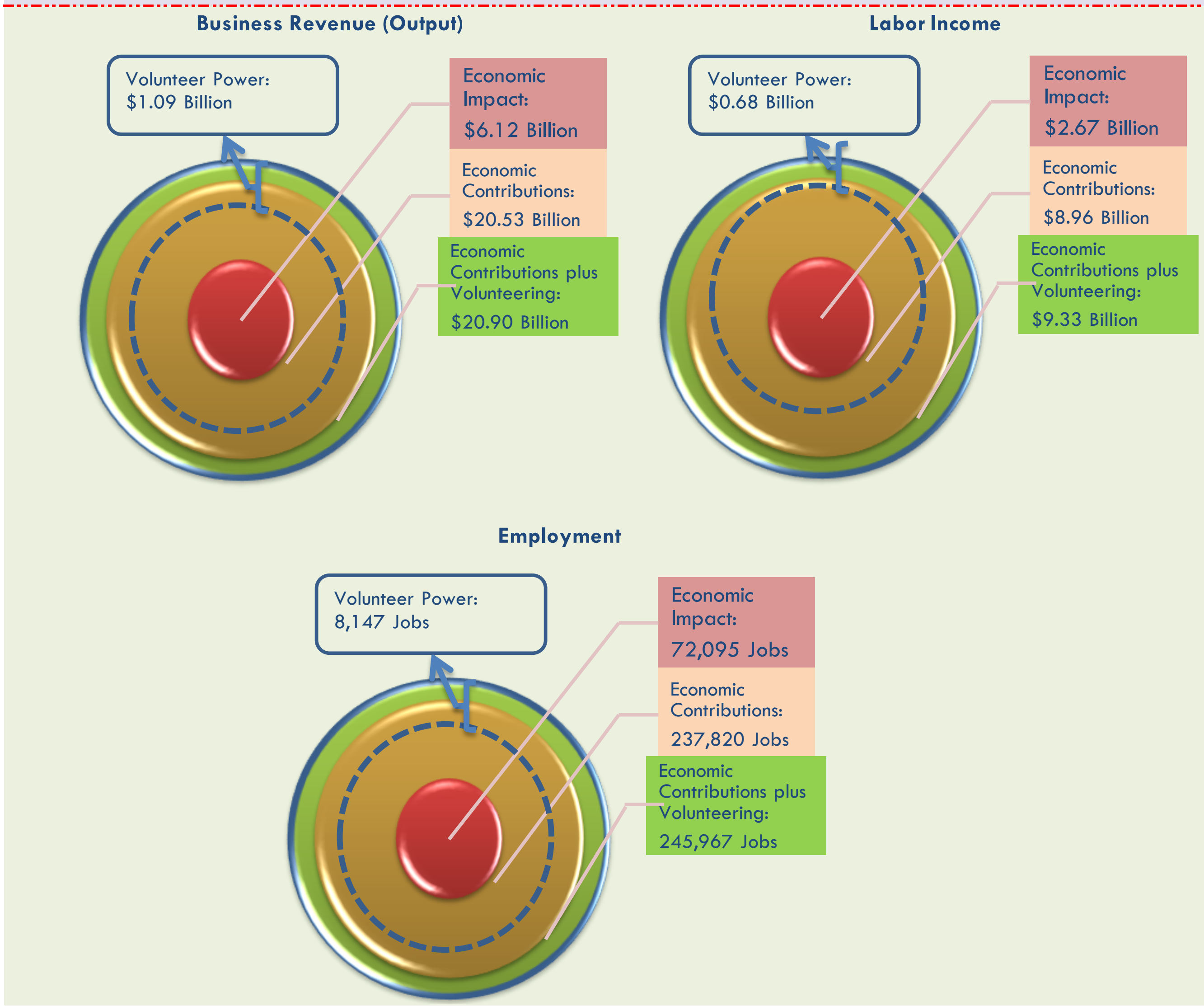
How does the nonprofit segments' share in the Nashville MSA compare with its peers? The following chart gives a better picture of which segments are relatively larger than the others. The health care segment is strong across all MSAs except Charlotte. Nashville and Raleigh distinguish themselves from the group in terms of their nonprofits' composition: both MSAs have strong health care and education segments. Among all of the MSAs, Charlotte is visibly stronger in the human services segment.



VII. Conclusion

What are the major takeaways from this analysis? Here are some critical highlights: The nonprofit sector in the Nashville MSA is a significant force. Chart 13 summarizes the reach of the nonprofit sector by the level of contributions for business revenue, wages and salaries, and employment. The chart also highlights what we call “volunteer power” with its enabling and additive sizes. Please keep in mind that this chart is not proportional: it is presented to provide conceptual clarity in measuring different aspects of the nonprofit sector.

Chart 13: A Summary View of the Type of Nonprofit Sector Contributions to the Nashville MSA Economy



Both economic impact and economic contribution analysis suggest that the nonprofit sector accounts for a sizeable portion of the Nashville MSA economy. It is a relatively diverse sector compared with peer MSAs. Not all nonprofits, however, are created equal: some emerge and grow during recessionary periods that result in many unmet demands from different segments of the population, while others experience a significantly reduced budget with ever-increasing demand for goods and services. The BERC online survey suggests that nonprofit organizations are able to respond to the recession using a variety of strategic management tools.

This study aims to start a conversation about the size and scope of the nonprofit sector in the Nashville MSA. We hope that the findings in this report provide a compelling reason to do just that.

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IX. Appendix: Survey Results (Tables)

I. Age of Organization

Q.1. How old is your organization?

Age Category	Number of Respondents	Percent Distrubtion (%)
Missing	12	4.00%
Less Than 10	62	20.12%
11-20	79	25.75%
21-30	62	20.14%
31-40	22	7.14%
41-50	21	6.84%
51-60	16	5.12%
61-99	21	6.88%
100+	12	4.07%

BERC Nonprofit Survey

II. Employment, Volunteer, and Volunteer/Work Hours

	Response		
	Valid	Missing	Median
Q2. How many full-time employees currently work for your organization?	294	12	4.00
Q3. In a typical month, what is the average number of hours worked by	290	16	160.00
Q4. How many part-time employees currently work for your organization?	294	12	2.00
Q5. In a typical month, what is the average number of hours worked by	288	18	26.89
Q6. How many volunteers currently work for your organization? (people)	288	18	21.47
Q7. In a typical month, what is the average number of hours worked by	288	18	40.00

III. Total Expenditure and Revenue by Income Group

Q8. What was your organization's total expenditure for the recent fiscal year ($)? (Please pick one.)

Categories	Frequency	Percent
Missing	40	12.9
25K-50K	42	13.7
51K-105K	27	8.7
106K-250K	46	15.2
251K-410K	19	6.2
411K-800K	32	10.6
801K-2,500K	32	10.3
2,501K-4,300K	14	4.7
4,301K-9,500K	14	4.5
9,501K-14,200K	7	2.2
14,201K-24,700K	3	1.1
24,701K-54,700K	3	1.0
54,701K and Above	27	8.8
Total	306	100.0

Q9. What was your organization's total expenditure for fiscal year 2008 ($)? (Please pick one.)

Categories	Frequency	Percent
Missing	47	15.2
25K-50K	54	17.7
51K-105K	31	10.3
106K-250K	37	12.0
251K-410K	25	8.1
411K-800K	24	7.8
801K-2,500K	32	10.5
2,501K-4,300K	10	3.4
4,301K-9,500K	15	5.0
9,501K-14,200K	4	1.3
14,201K-24,700K	1	.5
24,701K-54,700K	3	.9
54,701K and Above	22	7.3
Total	306	100.0

Q10. What was your organization's total revenue from all sources for the recent fiscal year ($)? (Please pick one.)		
Categories	Frequency	Percent
Missing	44	14.5
25K-50K	42	13.6
51K-105K	27	8.7
106K-250K	37	12.2
251K-410K	22	7.1
411K-800K	35	11.4
801K-2,500K	33	10.9
2,501K-4,300K	18	5.9
4,301K-9,500K	10	3.3
9,501K-14,200K	5	1.7
14,201K-24,700K	5	1.8
24,701K-54,700K	3	1.0
54,701K and Above	24	8.0
Total	306	100.0

Q11. What percent of your recent fiscal year annual revenue is from sources OUTSIDE the Nashville MSA? (Please pick one.)		
Categories	Frequency	Percent
Missing	35	11.4
Less than 10 percent	151	49.2
10-20 percent	22	7.1
21-30 percent	17	5.6
31-40 percent	12	3.8
41-50 percent	10	3.1
51-60 percent	5	1.8
61-70 percent	9	2.9
71-80 percent	14	4.6
81-90 percent	14	4.6
91-100 percent	18	5.9
Total	306	100

Q12. What was your organization's total revenue from all sources for fiscal year 2008 ($)? (Please pick one.)

Categories	Frequency	Percent
Missing	57	18.7
25K-50K	47	15.3
51K-105K	33	10.7
106K-250K	30	9.9
251K-410K	28	9.1
411K-800K	26	8.6
801K-2,500K	27	8.8
2,501K-4,300K	13	4.2
4,301K-9,500K	13	4.2
9,501K-14,200K	5	1.7
14,201K-24,700K	2	.6
24,701K-54,700K	4	1.3
54,701K and Above	22	7.1
Total	306	100.0

Q13. What percent of your 2008 fiscal year annual revenue is from sources OUTSIDE the Nashville MSA? (Please pick one.)

Categories	Frequency	Percent
Missing	55	17.8
Less than 10 percent	140	45.6
10-20 percent	26	8.4
21-30 percent	16	5.1
31-40 percent	7	2.1
41-50 percent	6	2.0
51-60 percent	9	2.8
61-70 percent	9	2.8
71-80 percent	12	4.1
81-90 percent	14	4.5
91-100 percent	15	4.8
Total	306	100.0

IV. Capital Expenditure and In-Kind Contributions

Q14. Please estimate your organization's annual capital expenditures and inkind contributions to your organization for the recent and 2008 fiscal years.

Low Response Rate (Omitted)

V. Sources of Revenue

Q15a. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Admission fees, sales of services and membership, etc. - recent fiscal year (%)

Categories	Frequency	Percent
Missing	118	38.4
Less than 10 percent	70	22.8
10-20 percent	24	8.0
21-30 percent	13	4.4
31-40 percent	6	1.9
41-50 percent	8	2.6
51-60 percent	11	3.7
61-70 percent	11	3.5
71-80 percent	12	4.1
81-90 percent	13	4.4
91-100 percent	19	6.3
Total	306	100.0

Q15b. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Contributions and grants from individuals - recent fiscal year (%)

Categories	Frequency	Percent
Missing	118	38.6
Less than 10 percent	78	25.5
10-20 percent	48	15.7
21-30 percent	15	4.8
31-40 percent	15	4.9
41-50 percent	7	2.3
51-60 percent	6	1.8
61-70 percent	3	.9
71-80 percent	7	2.3
81-90 percent	5	1.8
91-100 percent	4	1.4
Total	306	100.0

Q15c. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Contributions and grants from businesses - recent fiscal year (%)

Categories	Frequency	Percent
Missing	137	44.7
Less than 10 percent	92	30.0
10-20 percent	47	15.4
21-30 percent	14	4.7
31-40 percent	4	1.2
41-50 percent	6	1.9
51-60 percent	5	1.6
61-70 percent	1	.2
71-80 percent	1	.3
Total	306	100.0

Q15d. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Contributions and grants from foundations - recent fiscal year (%)

Categories	Frequency	Percent
Missing	141	46.1
Less than 10 percent	84	27.4
10-20 percent	31	10.2
21-30 percent	30	9.6
31-40 percent	10	3.1
41-50 percent	3	1.1
51-60 percent	3	1.1
61-70 percent	2	.6
71-80 percent	2	.6
Total	306	100.0

Q15e. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Contributions and grants from government - recent fiscal year (%)

Categories	Frequency	Percent
Missing	145	47.5
Less than 10 percent	93	30.3
10-20 percent	17	5.5
21-30 percent	8	2.5
31-40 percent	8	2.7
41-50 percent	6	2.0
51-60 percent	9	2.8
61-70 percent	4	1.2
71-80 percent	7	2.3
81-90 percent	4	1.4
91-100 percent	5	1.7
Total	306	100.0

Q15f. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
Investment income - recent fiscal year (%)

Categories	Frequency	Percent
Missing	153	50.0
Less than 10 percent	139	45.5
10-20 percent	10	3.1
31-40 percent	1	.2
61-70 percent	1	.2
91-100 percent	3	.9
Total	306	100.0

Q15g. Please estimate sources of your organization's annual income for the recent and 2008 fiscal years. Your best guess is appreciated!
All other sources - recent fiscal year (%)

Categories	Frequency	Percent
Missing	167	54.6
Less than 10 percent	100	32.5
10-20 percent	11	3.6
21-30 percent	7	2.3
31-40 percent	2	.6
41-50 percent	2	.6
51-60 percent	5	1.5
61-70 percent	1	.2
71-80 percent	1	.2
81-90 percent	5	1.6
91-100 percent	7	2.2
Total	306	100.0

Q16. How has the recent economic crisis affected your organization's revenue?

Categories	Frequency	Percent
Missing	82	26.8
Decreased	109	35.6
Increased	35	11.4
Remained the same	80	26.2
Total	306	100.0

Q17. How has the recent economic crisis affected the demand for your services?

Categories	Frequency	Percent
Missing	80	26.0
Decreased	24	8.0
Increased	122	39.7
Remained the same	81	26.3
Total	306	100.0

Q18. What was your organization's response to the economic crisis? (Please pick all that apply!)	
Nothing	54
Reduced services offered	40
Decreased paid employees or employee hours	61
Increased volunteer hours	60
Other (please specify)	88

Q19. In response to the economic crisis, has your organization attempted to use any of the following strategies (please check all that apply)?	
Volunteering	90
Reducing cost	164
Strategic planning and management	137
Risk management	35
Increasing reserves	68
Strategic partnership (mergers, outsourcing, collaborations)	77
Other (please specify)	30

Q20. In the next 6 to 12 months, do you expect your organization's revenue to

Categories	Frequency	Percent
Missing	85	27.6
Decrease	18	6.0
Increase	133	43.5
Remain the same	70	23.0
Total	306	100.0

Q21. In the next 6 to 12 months, do you expect the demand for your organization's services to

Categories	Frequency	Percent
Missing	83	27.2
Decrease	1	.2
Increase	157	51.3
Remain the same	65	21.2
Total	306	100.0