

IDAHO **nonprofit** CENTER

STATE OF THE
SECTOR

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M.J. Murdock
CHARITABLE TRUST

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Idaho runs on **NONPROFITS.**

Introduction

Every corner of the state has an organization maintaining and building beautiful communities that contribute to the overall success of our collective home.

In this four-part report, the Idaho Nonprofit Center will illustrate the benefits of nonprofits and the need to support the 9,000+ registered organizations.

KEY TAKEAWAYS

☆ Local nonprofits continue to create jobs and bring significant funds to Idaho including \$4.8 billion in out-of-state resources.

☆ The size of an organization directly impacts their capacity and ability to build community support for their mission. Those with smaller budgets and staff rely on additional resources and training.

☆ Total giving in Idaho is continuing to climb year-over-year but is not keeping pace with inflation or the future lack of COVID-19 funding, causing strain on nonprofit budgets.

☆ The more an organization has cause and brand awareness, the more the public trusts them and directly increases donations.

ECONOMIC CONTRIBUTIONS

Introduction & Methodology

The University of Idaho, College of Business and Economics at the Vandal Impact Center produced the data in this section of the report. Credit for the research goes to the student team, Quinn Cowden, Adriana Pylypiv, Michael Hanshaw, and faculty advisor Steven Peterson.

This study captures the economic contributions and impact of Idaho's nonprofit (exempt) organizations.

While the vast majority of exempt organizations are classified as 501(c)3 charitable nonprofits, this study includes all other "501c's" such as 501(c)4s (civic clubs) and 501(c)6s (chambers of commerce).

Narrative and editorial comments are provided by the Idaho Nonprofit Center and do not necessarily represent the views of the University of Idaho.

Economic Engines

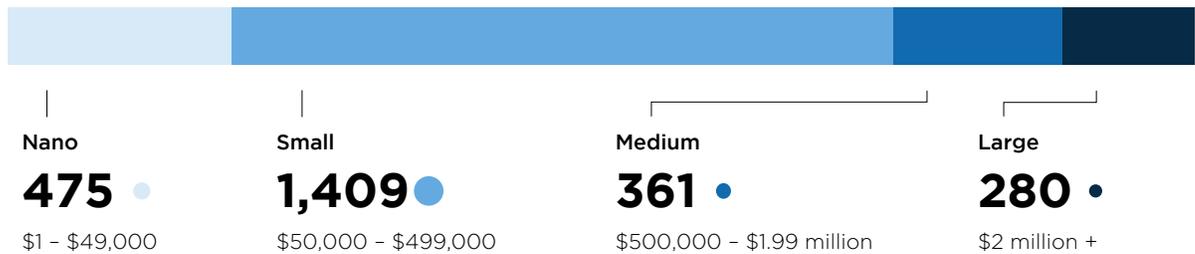
Idaho has 2,525 financially active nonprofits (includes all exempt organizations), or those that report earning more than one dollar annually. While the median annual revenue of these organizations is \$149,719, nonprofits collectively generate revenue that exceeds \$8.38

billion and hold assets (e.g. cash, investments, property) that amount to a whopping \$9.45 billion.

Local nonprofits are also responsible for \$116 million in taxes that are poured into the wellbeing of the State of Idaho.

FIGURE 1*

Financially Active Idaho Nonprofits by 2021 Revenue Size



9,440

Registered nonprofits



7,341

501(c)3 charitable organizations



1,844

'Financially active' 501(c)3 nonprofits



\$9.45B

Collective assets



\$8.38B

Collective revenue

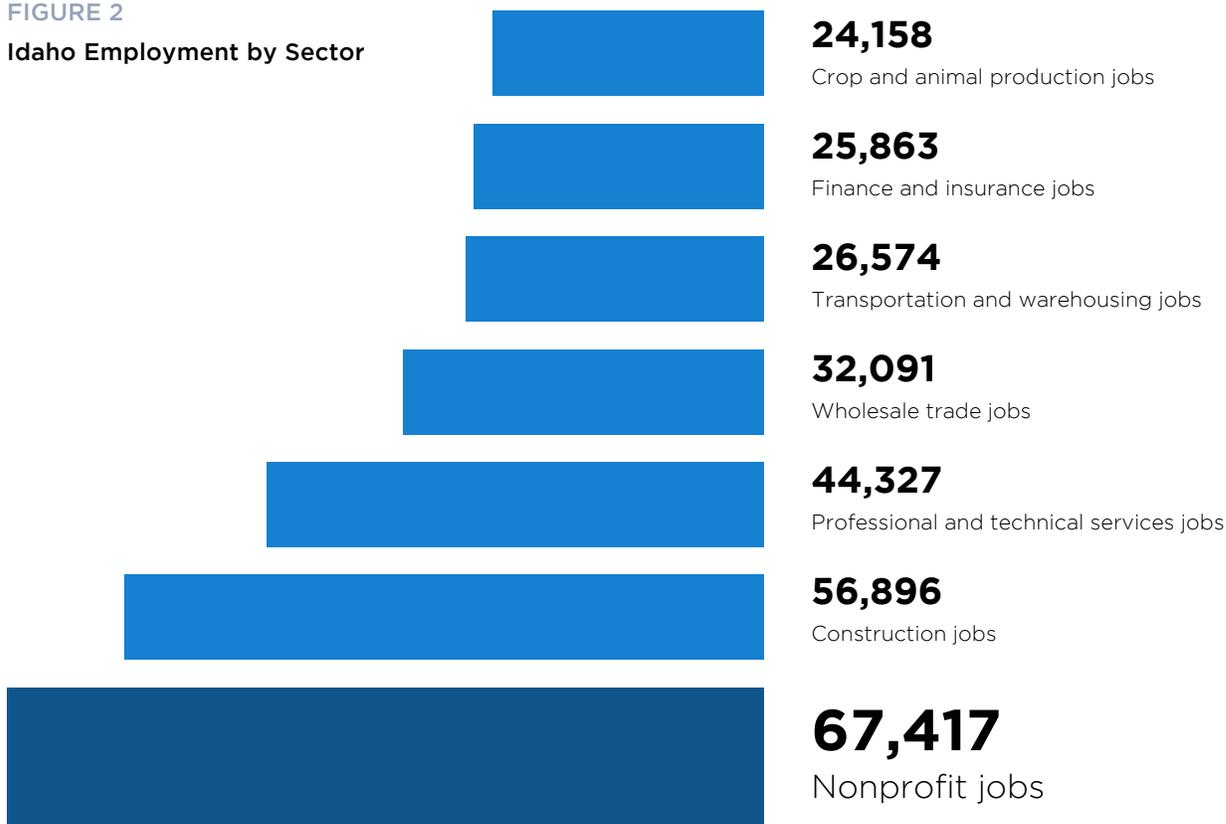


\$149,719

Median annual revenue

FIGURE 2

Idaho Employment by Sector



Job Creators

Of the revenue generating nonprofits (see Figure 1), the vast majority employ between five and 20 people.

If you also include volunteers, 48.6 million hours of service would be added to the economic impact of the sector. For more info regarding volunteers, go to page 21 and 26.

12%

Idaho's private sector workforce

67,417

people employed by Idaho-based nonprofits

5th

largest private sector employer

FIGURE 3

Share of Total Nonprofit Staff by Subsector

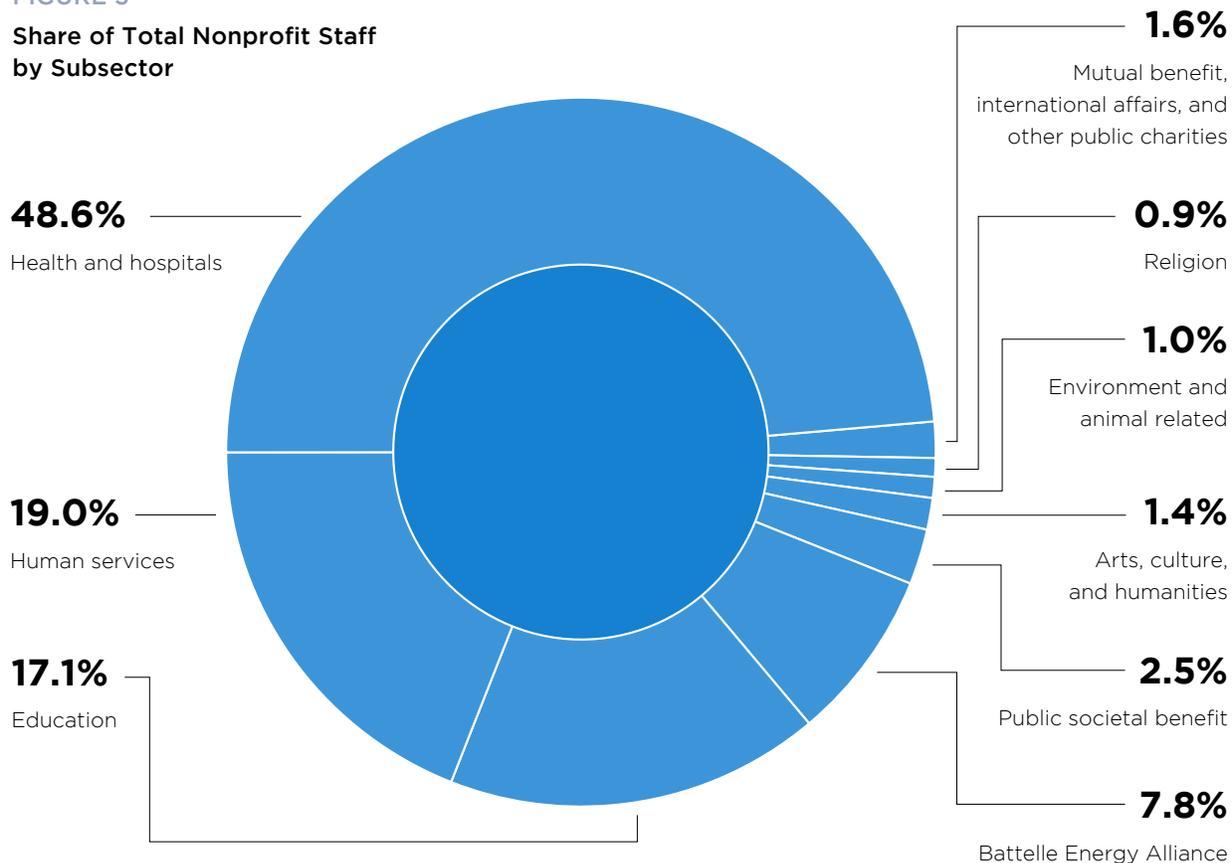
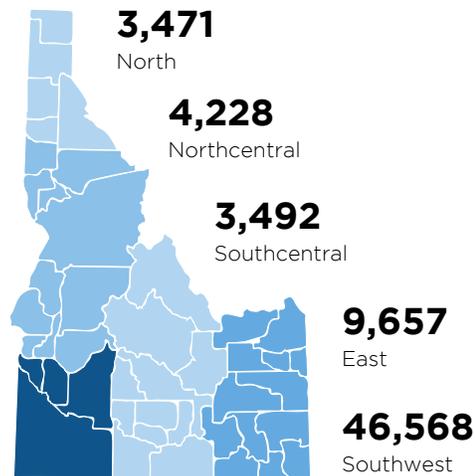


FIGURE 4

Nonprofit Staff by Idaho Region

5 - 20
 people are employed by the majority of the revenue generating nonprofit organizations



Bringing Funds to Idaho

A large driver of nonprofit job creation is out-of-state funding. This funding supports a staggering **59,299 jobs in Idaho from \$4.8 billion** in out-of-state funds secured by nonprofits in Idaho.

These jobs also include indirect employment generated by the sale and distribution of local goods and services, contractors, etc.

The data is clear: to discard federal and out-of-state funds is to eliminate

jobs from over 59,000 Idahoans.

However, a faction of the Idaho statehouse hopes to reject nearly every type of federal support. Refusing these funds (that Idaho taxpayers have already paid for) removes family-sustaining jobs from local communities. When these conversations repeatedly arise, nonprofits have an opportunity to advocate for the sector and talk to Idaho's elected officials.

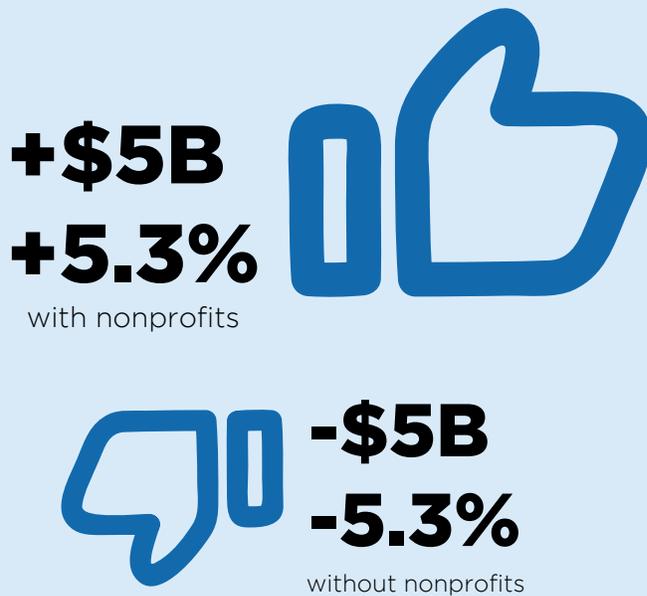


FIGURE 5
Gross State Product Value Add of Idaho Nonprofits



FIGURE 6
Out-of-state Funding to Idaho Nonprofits

Often Overlooked

Because of the large economic impact Idaho organizations provide, they must have access to the same community resources given to for-profit small businesses. Nonprofits are vastly overlooked regarding special loan access, workforce development initiatives, and other support programs that are offered to their for-profit counterparts.

As the state's fifth largest private employer by sector, action needs to be taken to help nonprofits maximize their ability to operate in the marketplace. This includes further attention to access capital for program expansion, workforce recruitment and development, and securing a talent pipeline.**

For example, when COVID-19 recovery efforts began, nonprofit organizations were not mentioned in the original Treasury guidance for the first round of Paycheck Protection Program (PPP) funding. Only after coordinated outreach and advocacy was it corrected to explicitly include nonprofits.

*Represents all 2,525 financially active, tax exempt organizations as of 2021 reporting
**In our higher education institutions, no major undergraduate course of study currently exists for 'nonprofit management.'

NONPROFIT HEALTH & CAPACITY

Introduction & Methodology

The Idaho Nonprofit Center designed and distributed the Health and Capacity survey to identify local trends, challenges, successes, and opportunities in hopes of educating funders, legislators, and fellow nonprofit professionals. The results help tell the story behind this vital sector while highlighting future opportunities for advancement.

The data in this section broadly represents Idaho's nonprofit sector and Idaho Nonprofit Center membership, yet slightly underrepresented Southwest Idaho (Treasure Valley) and slightly overrepresented North Idaho and Southeastern Idaho.

Employees & Hiring

While COVID-19 was very difficult for nonprofits in numerous ways, increased levels of state and federal support allowed many nonprofits to maintain staffing at pre-pandemic levels. In fact, approximately 30% of respondents increased staffing.

Our data did not indicate any major changes in employment by sub-sector. However, consistent, informal discussions had with Idaho Nonprofit Center members suggests that many nonprofits that relied on ticket sales,

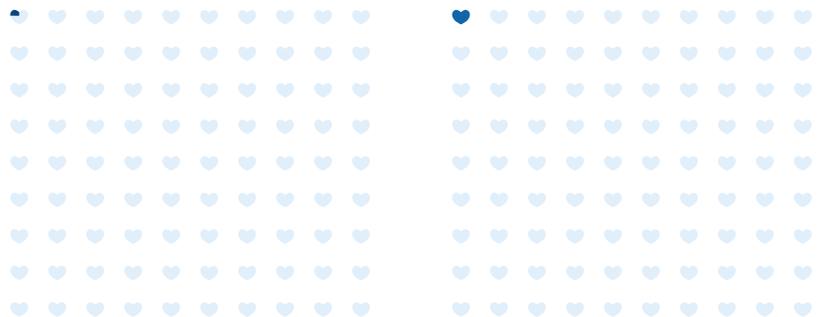
fees for services, or other earned revenue suffered losses throughout the pandemic and may have faced a temporary or permanent reduction in staff as a result.

Additionally, data indicates that hiring continues to be a challenge. Wages and benefits in the nonprofit sector lag far behind the for-profit sector and attracting top talent for mid and entry level positions is extremely challenging.

FIGURE 7
Budget Size Categories

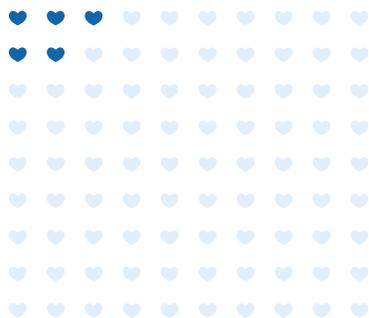
Nano	•	less than \$50K
Small	•	\$50K - \$499K
Medium	•	\$499K - \$1.99M
Large	•	greater than \$2M

FIGURE 8
Average Full Time Employees by Nonprofit Budget Size

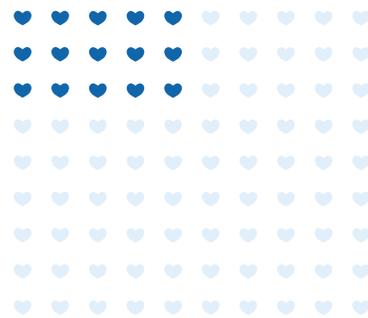


.75 employees
less than \$50K

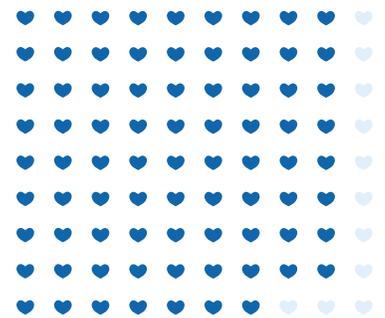
2.5 employees
\$50K - \$500K



12.5 employees
\$500K - \$2M



40.75 employees
\$2M - \$7M



216.75 employees
greater than \$7M

FIGURE 9

Hiring and Retention Difficulty

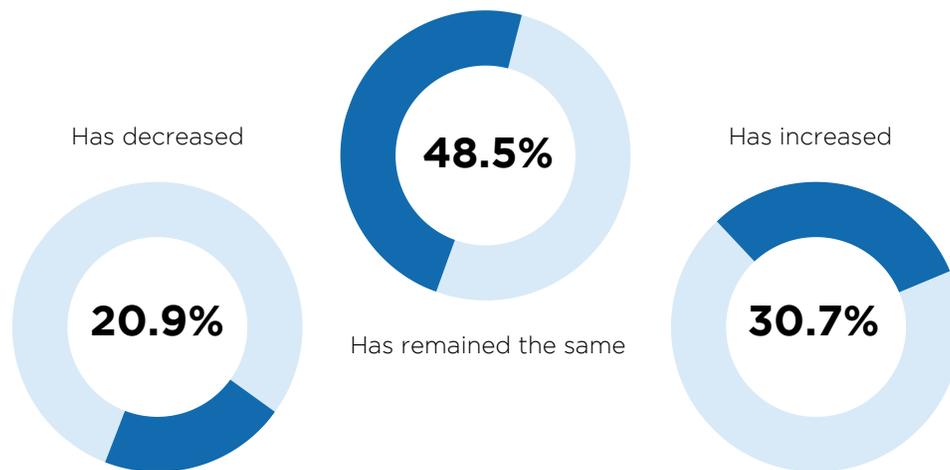
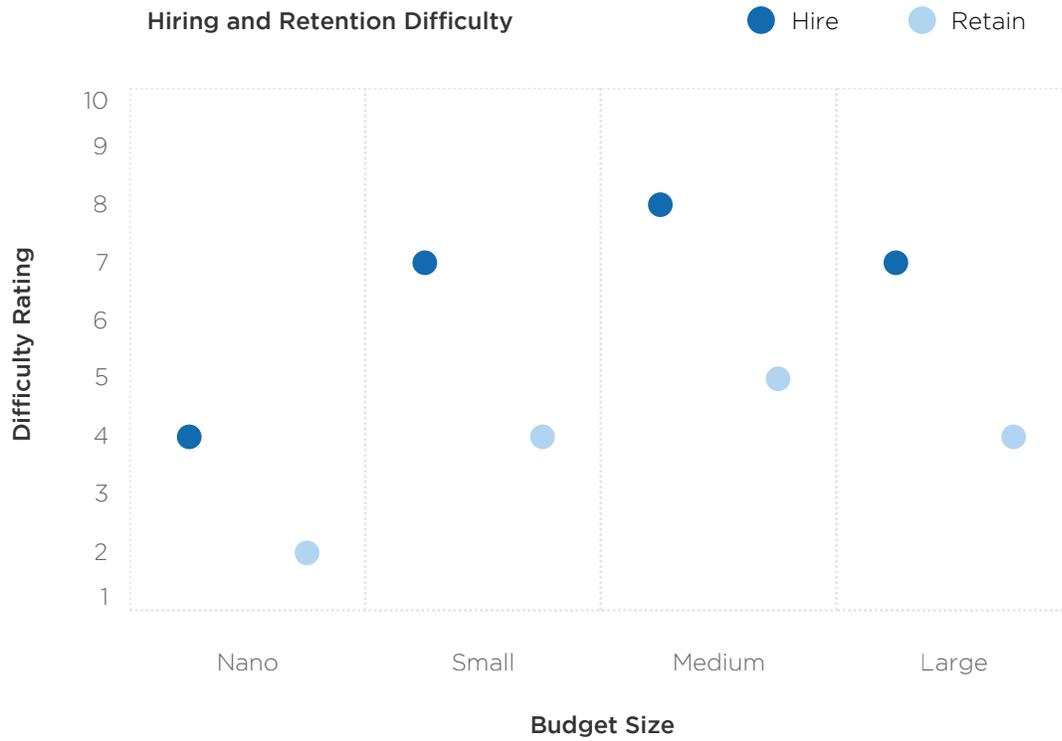


FIGURE 10

COVID-19 Impact on Employee Head Count

Financial Outlook

Current Financial Stability

Overall, 41% of all respondent organizations report they are doing well or even better financially than before the pandemic, while only 9% report that they are struggling. However, if we disaggregate by size, we see a different story.

Nano and small organizations are less likely to be financially stable. Also, more than a third of nano nonprofits are 'struggling' financially, a much higher rate than their larger peers.

Predictions for the Future

Across all budget sizes, nearly half of the sector was expecting increased revenue in 2022. The other half reported they expected to decrease or to remain level.

When disaggregating by budget size (see Figure 11), the data showed that those between \$500K-\$2M were significantly more likely to expect a decrease in funding. This particular budget size is an important demographic as it represents a 'typical' human services organization in the community - e.g. the local shelter.

Unrestricted Reserves

A good portion of Idaho's nonprofits are operating at significant financial risk and would be in danger if a national or global financial shock were to occur. It is recommended that nonprofits maintain at least four to six months of operating reserves, and only about 66% of respondents have more than four months of reserves on hand.

About 60% of nano nonprofits have fewer than three months of reserves, yet 83% of large nonprofits have four or more months. Nearly one third of mid-size nonprofits have below the recommended level.

Endowment & Investment Funds

These are key tools to sustain nonprofit growth and help nonprofits endure lean economic years. Investment income for organizations has been strong over the past five years riding the strength of the stock market. Unsurprisingly, the larger the nonprofit, the more likely they are to hold an investment fund.

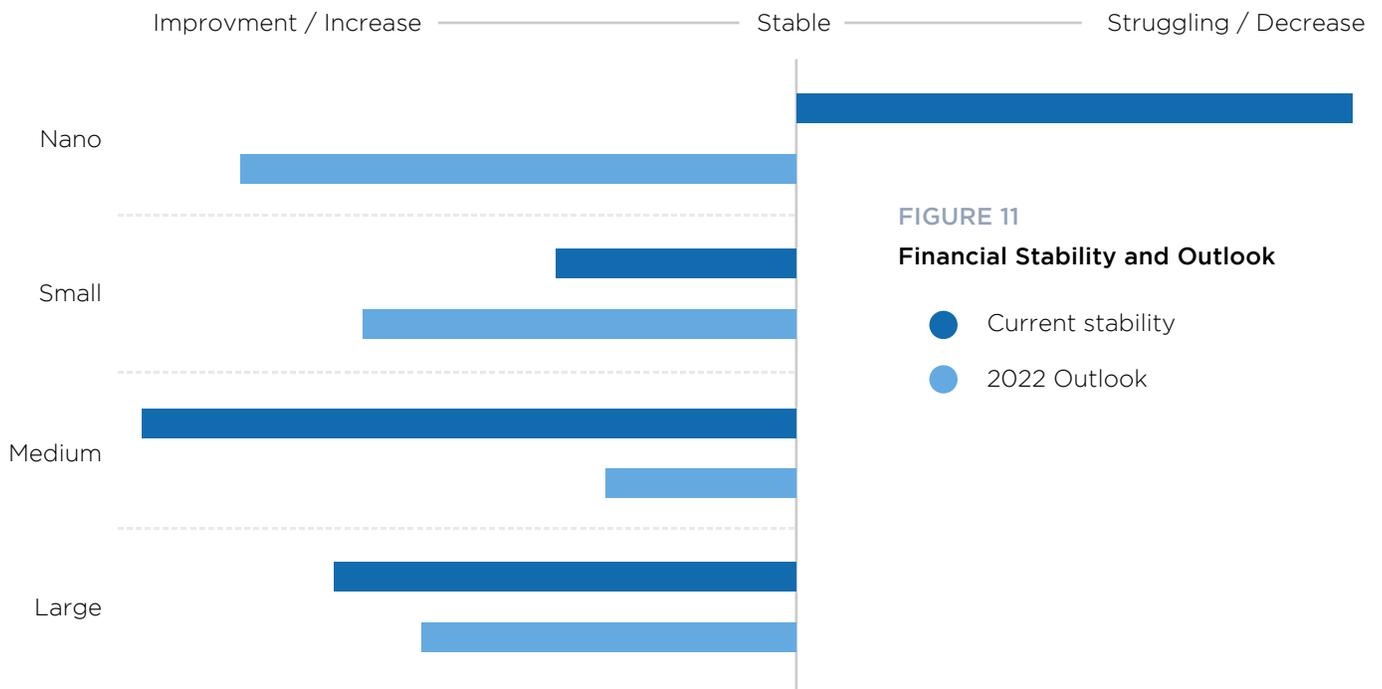


FIGURE 11
Financial Stability and Outlook

- Current stability
- 2022 Outlook

FIGURE 12

Unrestricted Reserves by Budget Size

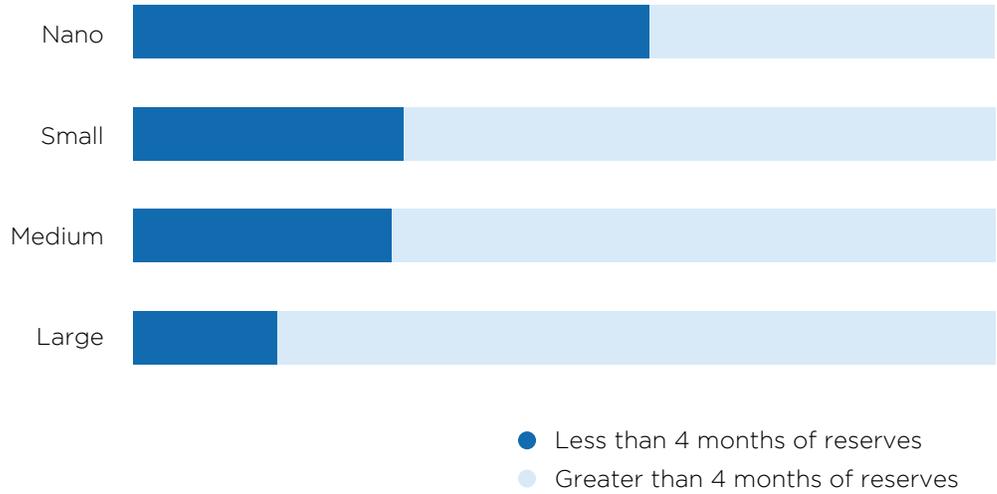
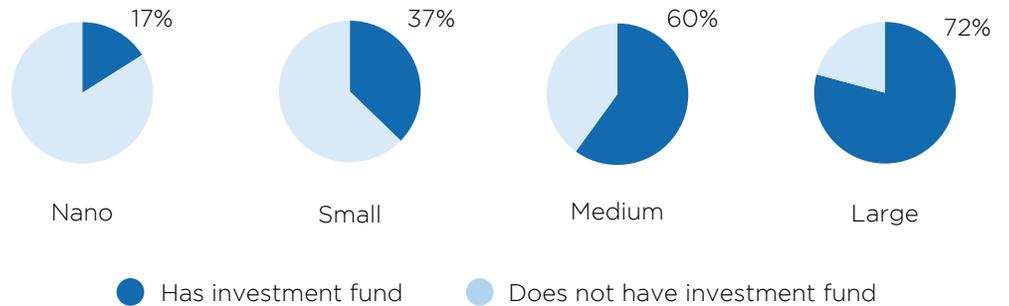


FIGURE 13

Endowment and Investment Funds



Income Sources

Individual charitable donations still make up the largest segment of nonprofit budgets averaging about 26% of a surveyed organization's budget.

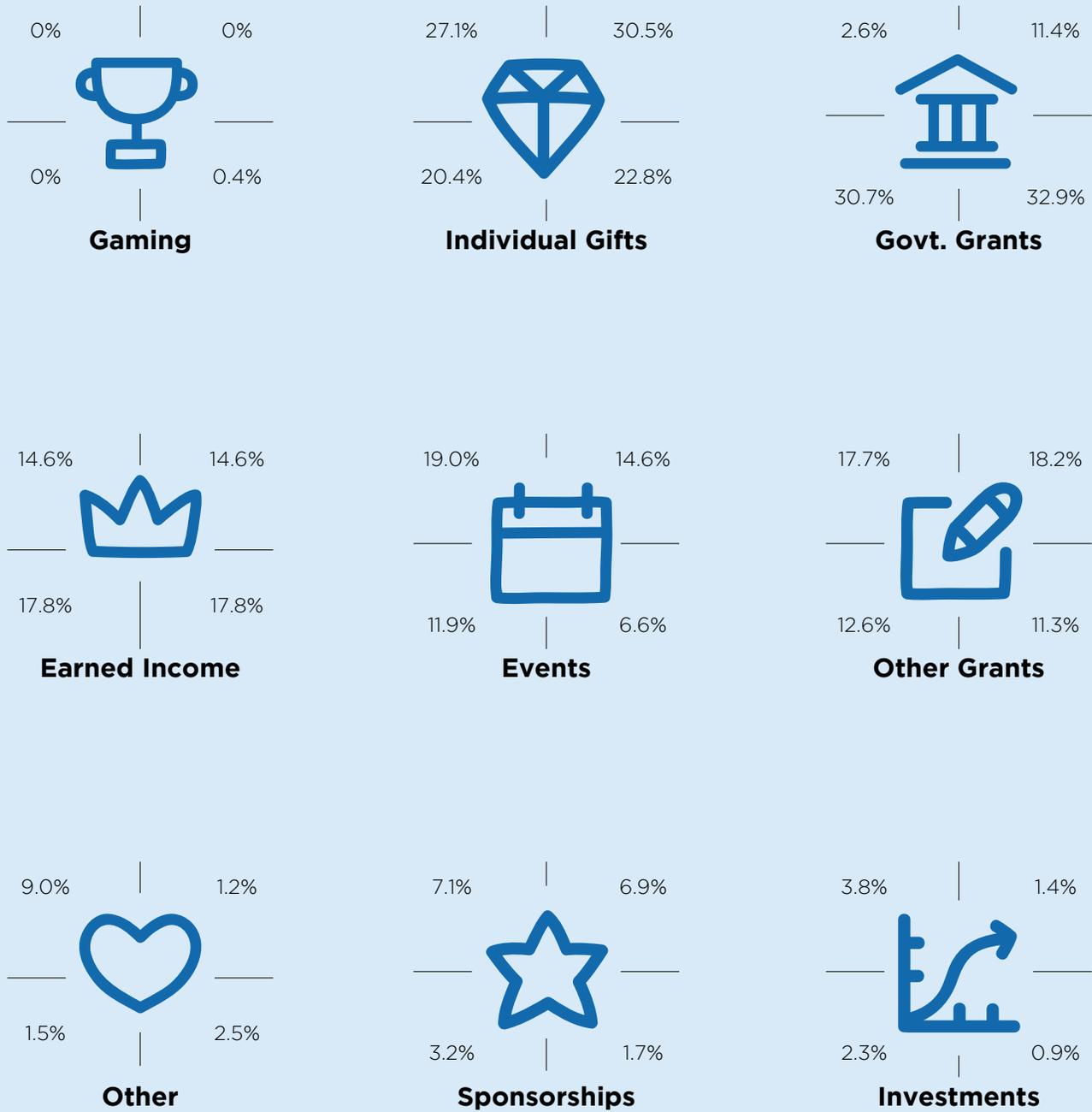
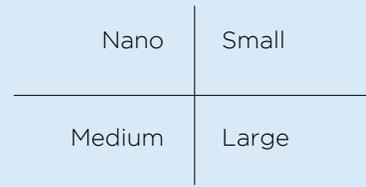
Large nonprofits are significantly more likely to rely on earned revenue than smaller nonprofits. These organizations also rely more heavily on government grants - likely due to larger staff capacities enabling easier administrative processes.

Mid-size nonprofits rely more heavily on corporate and foundation grants which tend to carry less of an administrative burden. Nano nonprofits rely heavily on event revenue.

Nonprofit size and reliance on events revenue are inversely correlated (e.g. the larger the nonprofit, the less reliance on events revenue).

FIGURE 14

Average Income Sources by Nonprofit Budget Size



Nonprofit Capacity

- Nano
- Small
- Medium
- Large

Tools for Success

In general, the larger the nonprofit, the more sophisticated their operational plan, staffing structure, and utilization of the tools in the chart below.

Nearly every nonprofit that has employees has an annual budget and a strategic plan. Most respondents across all budget sizes use a fundraising plan.

Mission and Services

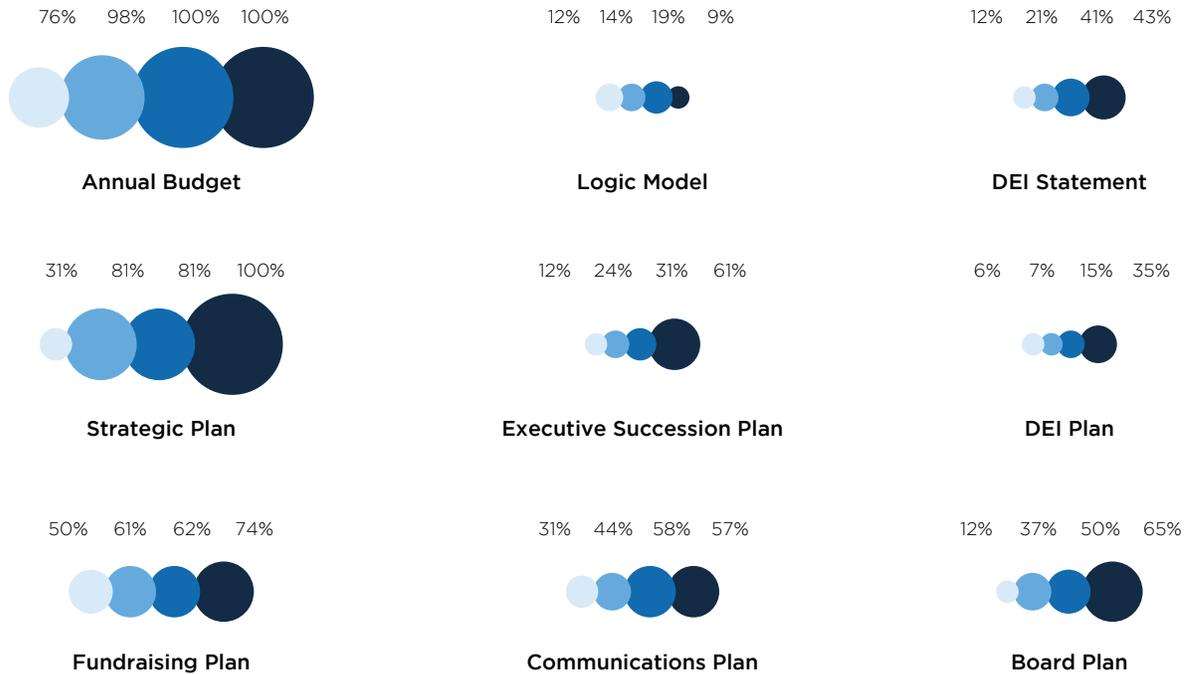
More than a quarter of respondents indicated that they did not have sufficient capacity to implement their current plans for services.

When asked another way, only half of these nonprofits reported that they were able to meet the demand for their organization's services. The Gem State runs on nonprofits and it's clear from both anecdotal and survey data that nonprofits are asked

Continued on page 19

FIGURE 15

Use of Operational Tools by Nonprofit Budget Size



The **most** effective investments donors can make are in **staffing and professional** capacity of nonprofits to deliver high-quality programs and services.

to carry a heavy burden in our state in providing nearly all social service supports, with limited public funding available.

The demand for nonprofit services far exceeds the supply. Investing more time, attention, and capital in the capacity of Idaho's nonprofits will help meet the urgent needs of our communities.

Collaboration

84% of respondents report that they are effective or highly effective at collaborating with other nonprofits. However, that amount drops to 64% and 49% when asked to consider

their ability to collaborate with for-profit businesses and the public sector, respectively.

It is a widely held belief that government organizations are too complex for nonprofits to work with. Legislators change based on term limits and community priorities, and with that change comes new policies and funding areas. In extreme cases, officials could turn their back on nonprofits entirely. Substantial sector-wide effort must go toward building bridges and maintaining continuity, fairness, and equity to manage these multi-faceted relationships.

- Yes
- Sometimes
- No

FIGURE 16

Do you have the Capacity to Implement our Current Plans?

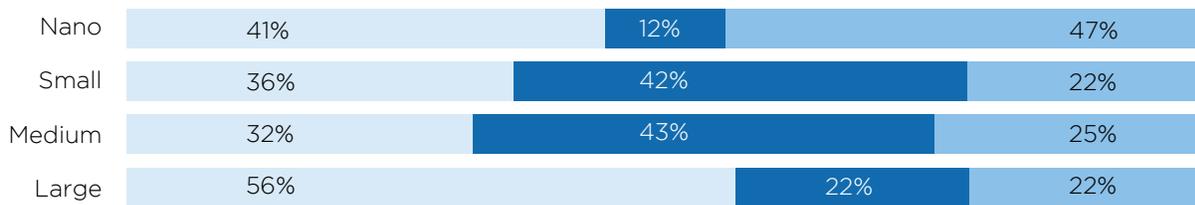


FIGURE 17

Can you Meet the Community's Demand for your Services?

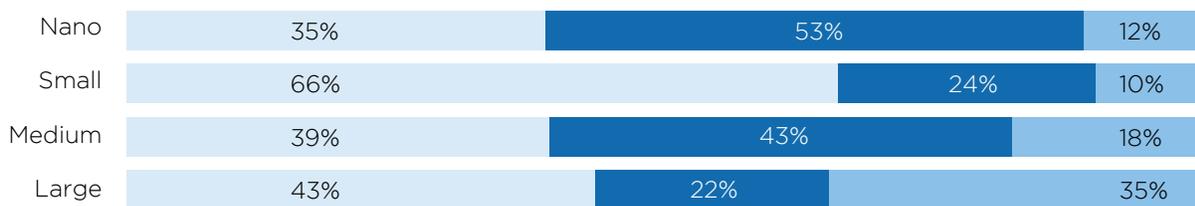
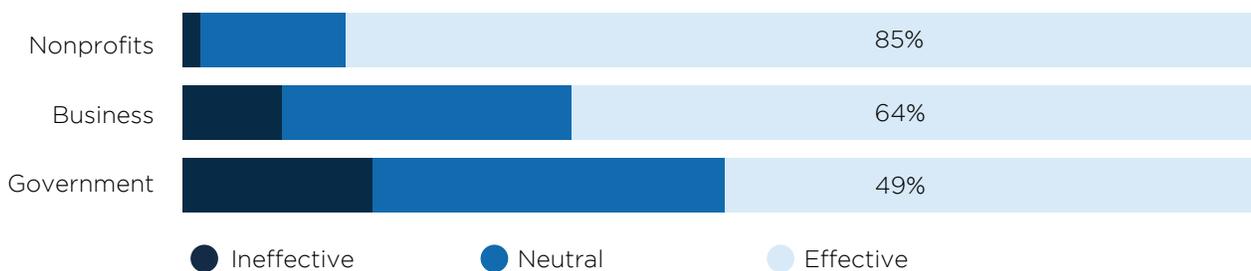


FIGURE 18

Collaboration Efficiency



Advocacy

Public trust is the currency that fuels the growth and effectiveness of nonprofits. With this in mind, building public trust and accountability in the nonprofit community is understandably considered the most important issue to advocate for sector wide.

There is a tricky cycle at play: when the public trusts that a nonprofit

organization will fulfill its mission, the organization is more likely to be awarded funding and resources. More funding and resources increase the capacity of the organization, which, in turn, furthers the mission -- and inspires trust.

For a deeper analysis of public trust in nonprofits, see the section starting on page 27.

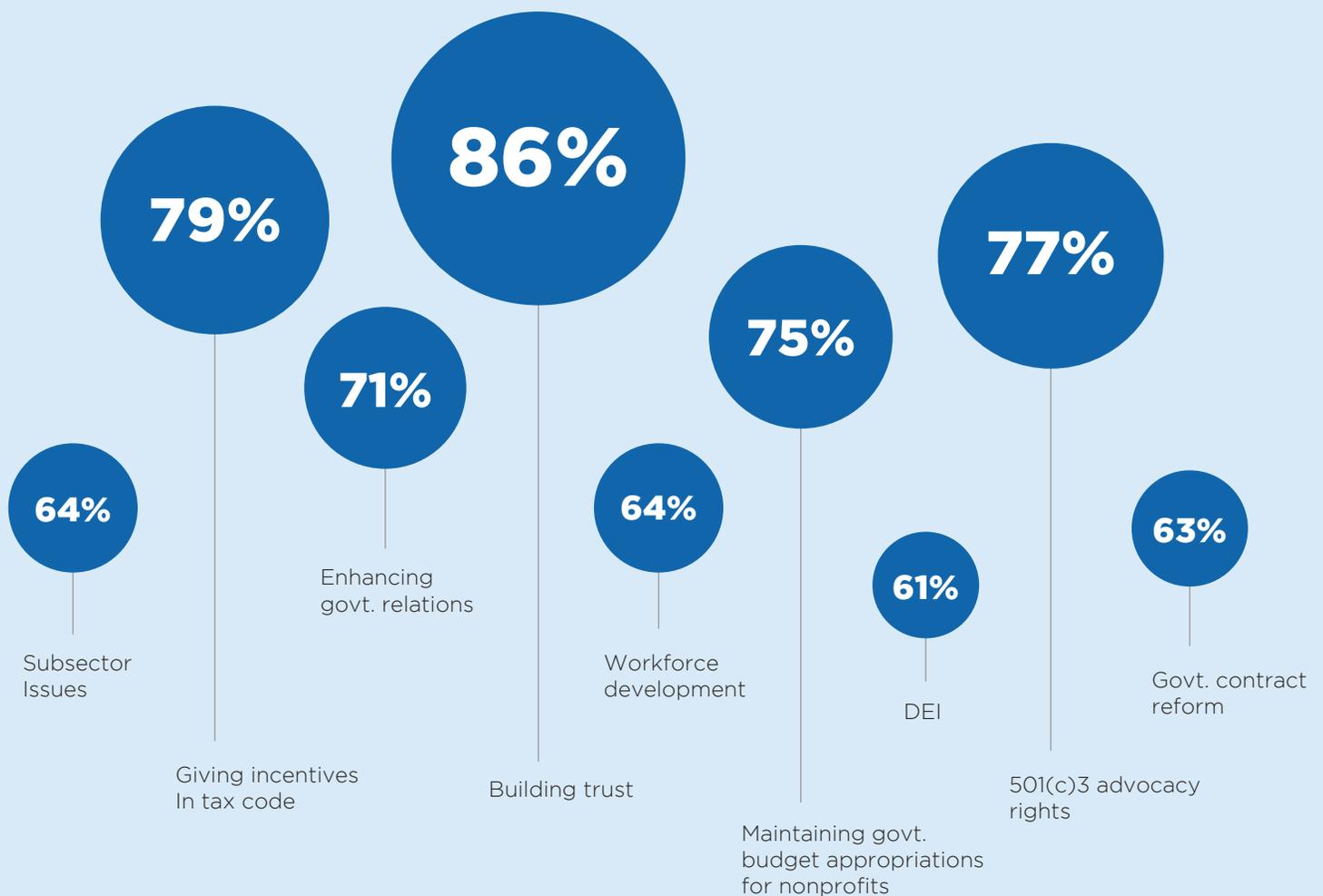


FIGURE 19

Advocacy Priorities of Nonprofit Professionals

Percentage by importance

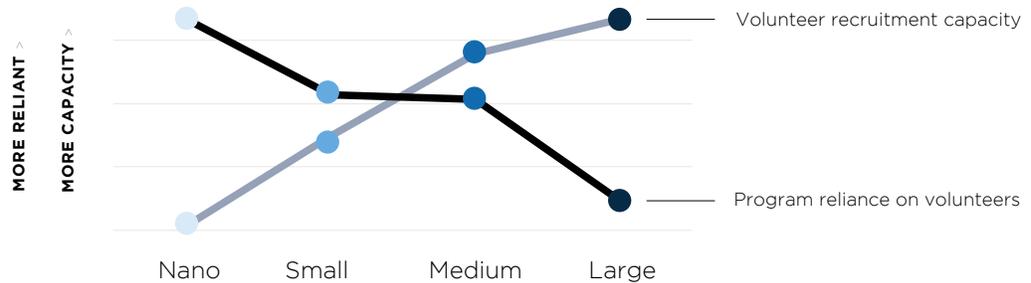
Volunteerism

Volunteers are crucial to the success of Idaho’s nonprofit sector. Volunteers create extra capacity to deliver services and programs while utilizing the perspective of community members and providing significant cost savings.

The smaller the nonprofit, the more likely it is to rely on volunteer labor as a key part of delivering its programs and services. Unfortunately, these smaller organizations are the least likely to have the knowledge and the capacity to recruit and manage volunteers.

An important note: Nonprofits cannot, and in most cases, should not be expected to operate solely on volunteer labor as a cost saving replacement for trained, professional staff. Volunteers are not replacements for highly trained, competent, and fairly compensated staff members.*

FIGURE 20
Volunteer Recruitment Capacity vs. Program Volunteer



*In healthcare, it would be negligent and illegal for a patient to be treated by an under-qualified volunteer. The same holds true for a victim of domestic violence, person experiencing homelessness, or crisis management.

CHARITABLE GIVING & VOLUNTEERISM

Introduction & Methodology

The data in the following section relies in large part on the Giving USA Foundation's report entitled ***Giving USA 2022: The Annual Report on Philanthropy for the Year 2021***, published July 2022. This report tracks trends in giving at a national level for the most recent complete calendar year (2021). For more information on the full report, visit givingusa.org.

It is important to note that the data provided in this section is largely

national data; giving data at the state level is not available -- except anecdotally or in other limited fashions. However, the national trends highlighted in this report apply equally to Idaho's philanthropic landscape.

Nevertheless, the Idaho Community Foundation and Serve Idaho (the Governor's Commission on Service and Volunteerism) has provided insight on charitable giving and volunteerism in our state.

Idaho Trends



**IDAHO
COMMUNITY
FOUNDATION**

*A note from the Idaho
Community Foundation*

Idaho continues to be strong and resilient as we navigate the ongoing strain of the COVID-19 pandemic and work together to meet the unprecedented challenges of our time.

Across Idaho, many generous donors have increased their giving in response to critical needs and to

support vulnerable people across the state, yet there are still opportunities to encourage additional philanthropic investment.

Philanthropic trends in Idaho are keeping pace with national trends as recently reported in the Annual Report by Giving USA:

☆ **Total giving in Idaho** is continuing to climb year-over-year but is not keeping pace with inflation, causing strain on nonprofit budgets

☆ **Religious giving** still tops the charts but is a smaller portion of the overall pie compared to 20 years ago

☆ **Individual giving** is still the largest segment of giving in Idaho and nationally, followed by foundations

☆ **Corporate giving** continues to rise but at a slower pace than corporate earnings

To inspire future philanthropic support, it will be crucial for nonprofits to articulate the impact of their work by sharing quantitative information and qualitative stories to help demonstrate the full value of the sector.

Generational Transfer of Wealth Imminent

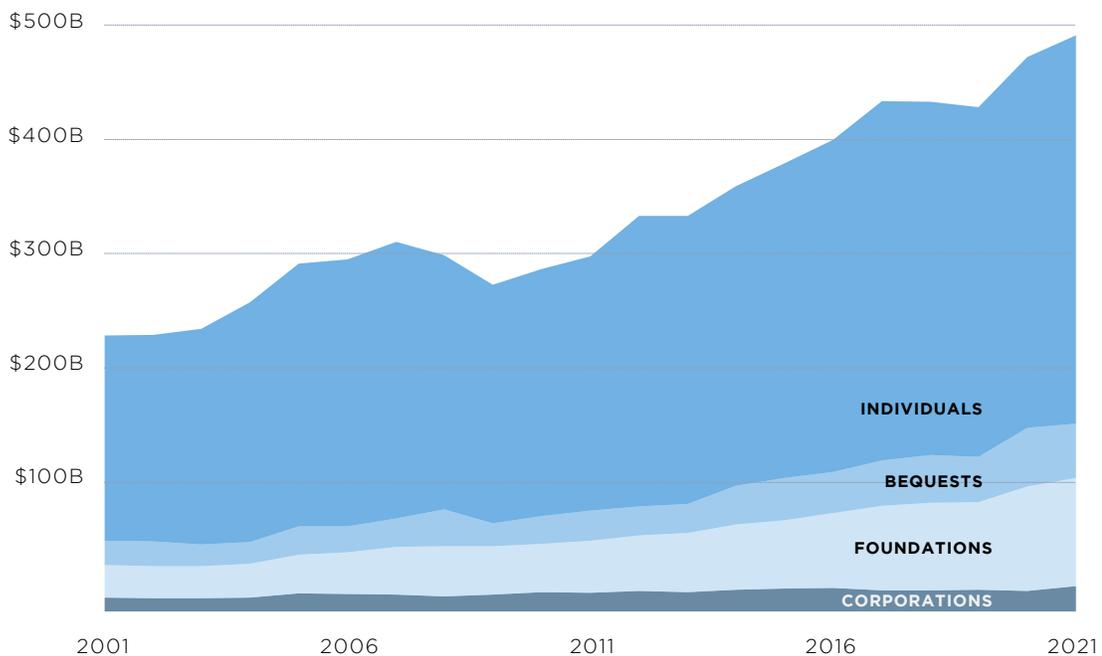
Future philanthropic trends include engaging with new, younger donors as the generational transfer of wealth begins. It is anticipated there will be an unprecedented passage of capital and values from one generation to the next, with approximately \$30 trillion passing from baby boomers to 90 million millennials over the next decade. Diversifying fundraising

strategies to educate and welcome new philanthropists into the sector will be critical for future success.

Value of Collaboration Between Nonprofits

Another philanthropic trend to explore is the value of collaboration between nonprofits that are working together to address large, complex community challenges. Funders will be looking to invest in cross-sectional collaboratives. As the philanthropic sector in Idaho continues to provide support to community organizations across the state, these opportunities will be critical in creating and maintaining a robust and reliable nonprofit and philanthropic sector.

FIGURE 21
Charitable Dollars Given by Source Nationally, 2001 - 2021
 In billions of current dollars



National Trends
Data from Giving USA

Overall, charitable giving from all sources increased by 4.0% nationally. However, when adjusted for inflation, giving remained flat. Individual giving is still reigning king with a 4.9% increase between 2020 and 2021.

The nonprofits that saw the largest giving increases landed in the public/

societal benefit and arts, culture, and humanities categories. These two nonprofit sub-sectors saw increases of 23.5% and 27.5%, respectively, over their 2020 giving totals.

Grant making by independent, community, and operating foundations increased by 3.4%.

AREAS OF CONCERN

☆ Although charitable giving has increased, high inflation may continue to eat away at these gains.

☆ COVID-19 specific funding opportunities are decreasing while service needs are increasing (e.g., our affordable housing crisis). It is imperative that individuals, foundations, and corporate donors step up to make nonprofit budgets whole in 2022, 2023, and beyond so that organizations can keep up with the demand for their services.

☆ Nonprofits need general operating support from their partners. It is imperative that funders recognize this and work with nonprofits to make gifts as unrestricted as possible. It feels good to fund lifesaving water, but somebody must build the pipes and connect the hose to accomplish the goal. Programs are the people that run them.

☆ Unfortunately, individual giving as a share of the total giving pie has been declining year after year over past decades. With a large, generational transfer of wealth taking place between the baby boomer generation and millennials, nonprofits in Idaho must quickly adapt and learn how to engage millennial donors.

Research reveals that as the S&P 500 stock index rises and falls, so do giving levels. The correlation between these economic measures forms a cloud over fundraising in coming months: the current prolonged downturn of the stock market is likely to signal a similar downturn in charitable giving.

Many donors are now motivated to give to a cause rather than an organization (see the trust in nonprofits section starting on page 27). Positioning your nonprofit's brand and mission as a cause is a smart strategy to continue fundraising at a high level.

1.8%: represents individual giving as a percentage of disposable (after tax) personal income. In other words, a household with after tax income of \$100,000 is likely to donate around \$1,800 annually to charitable nonprofits on average.

0.7%: represents corporate giving as a percentage of corporate pre-tax profit (this includes grants from corporate foundations, for example).

Online and mobile giving continues to grow and is especially necessary for capturing donations from Gen Z and Millennials. Mobile giving represents about 28% of all online giving.

Volunteers



A note from Serve Idaho, the Governor's Commission on Service & Volunteerism

48.6 million hours of service are contributed by 493,161 Idahoans*

Idaho ranks tenth nationally for number of residents who volunteer - 37.9% of Idahoans volunteer.

Idaho volunteers save community - based organizations about \$1.26 billion in annual wages.

The total labor hours contributed annually by volunteers is equivalent to 23,965 full-time jobs - or a 35% boost in nonprofit capacity by labor force.

964 members and volunteers participated in Idaho AmeriCorps projects in 2021 at 216 service locations.

A total investment of \$6.5 million was made in local Idaho communities for various AmeriCorps projects.

About AmeriCorps and Serve Idaho:

AmeriCorps members serve at schools, food banks, shelters clinics, veterans facilities, and other nonprofit and faith-based organizations. To learn more about the different AmeriCorp programs available in Idaho (for both nonprofit organizations and individuals, **visit serve.idaho.gov**)

TRUST

IN NONPROFITS

Introduction & Methodology

The Idaho Nonprofit Center worked with the Idaho Policy Institute (IPI) at Boise State University to develop a survey to measure the general perception of nonprofit organizations in Idaho.

The survey received 582 responses from Idahoans in every county. The survey respondents generally resemble a cross-section of

Idaho's population with only a few exceptions. Women respondents are slightly overrepresented and Hispanic respondents are slightly underrepresented. Idahoans from every age demographic are fairly represented in this survey from 'Generation Z' to the 'Silent Generation' and everyone in between.

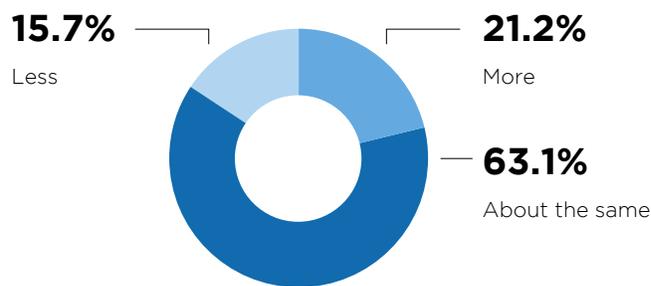
Now vs. Then

More people trust nonprofits than they did three years ago. It is likely that the public has noticed the ways that nonprofits filled gaps in essential services to help lessen the effects of

the pandemic. A supporting theme emerges from the data: the pandemic was an opportunity for nonprofits to step up and, in the public's eye, the sector delivered.

FIGURE 22

Compared to three years ago, do you trust the nonprofit sector to help address community challenges more, less, or about the same?



Comparisons

Trust in charitable nonprofits outpaces trust levels in foundations, corporate philanthropy, and individual philanthropy from high-net worth individuals. This is consistent across all age groups, but trust is noticeably higher among millennials

as well as among women compared to men. Educational attainment also plays a role in the level of trust as those with a bachelor's degree or higher are much more likely to trust in nonprofits.

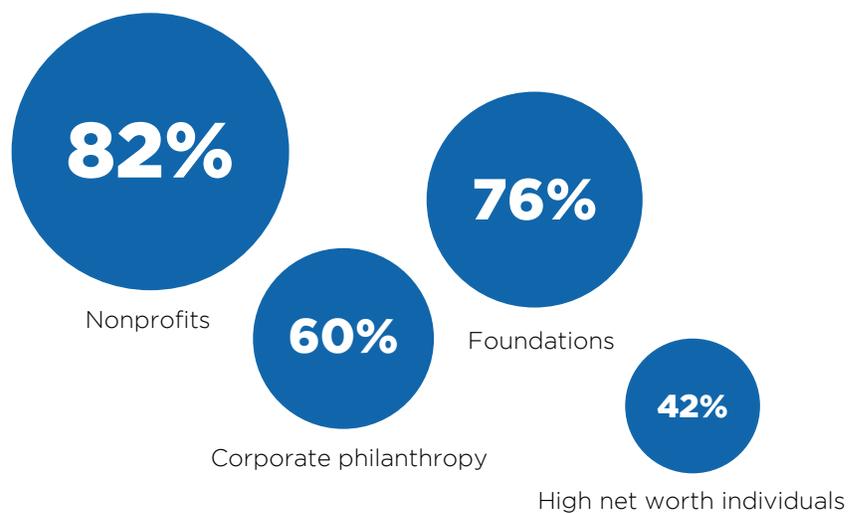


FIGURE 23

Trust In Nonprofits Compared To Peer Institutions

FIGURE 24

Trust in Nonprofits by Demographic

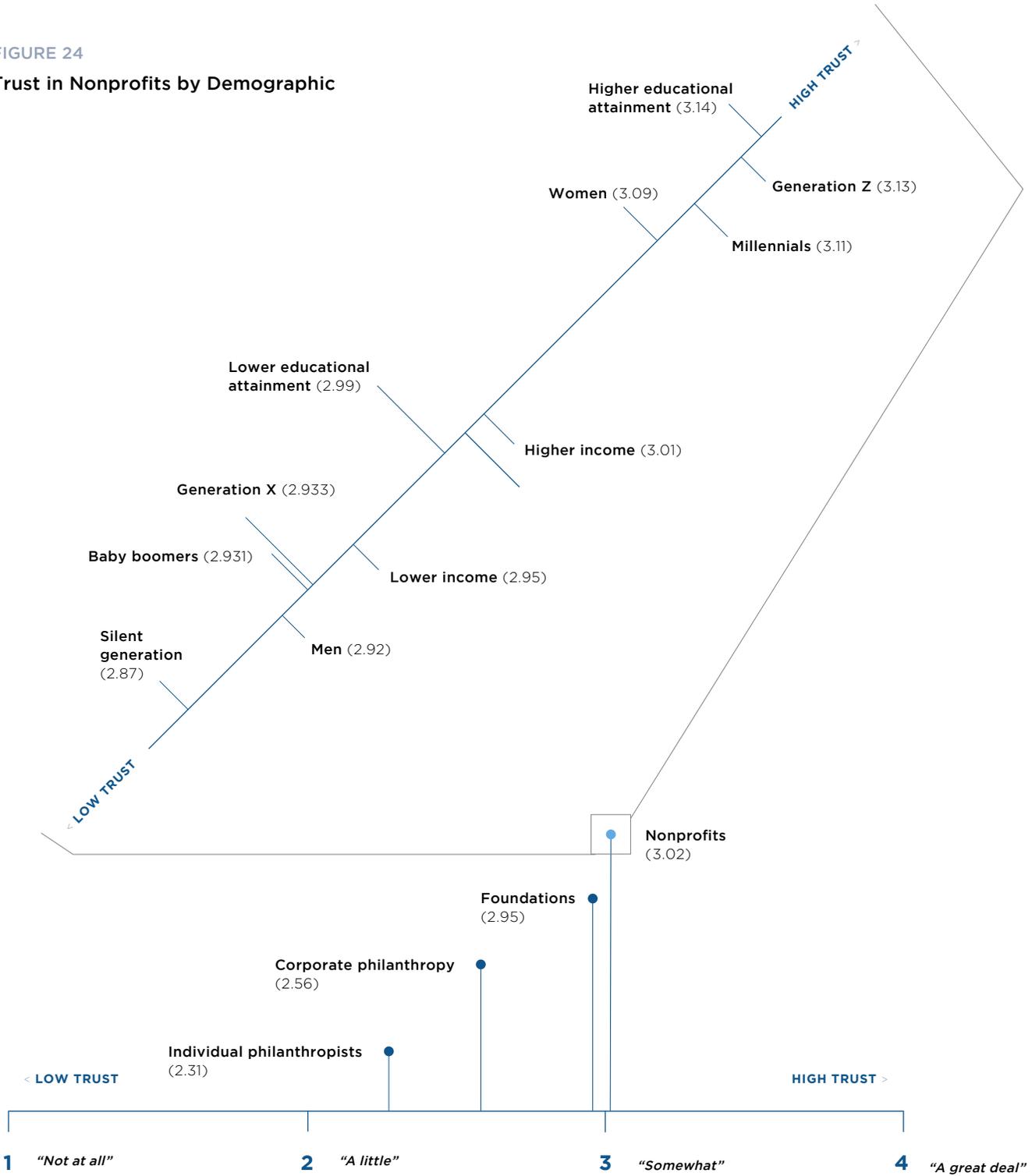


FIGURE 25

Trust in Philanthropic Institutions

Respondents were asked how much they trust each institution to do what is right.

Confidence

The public is most likely to donate because of an organization's particular mission or cause. Although seemingly straightforward, there is a high correlation between brand awareness and converting supporters into donors. Nonprofits in Idaho must take the time to invest in mission-based, story-first marketing.

investments that build familiarity which, in turn, builds trust.

Celebrity or public figure endorsements are the least motivating factors for winning the public's support. Similarly, simply contacting individuals and asking them to give will not likely win support. This data largely suggests that nonprofits in Idaho consider increased investments in marketing their message and more effectively telling their story to generate brand awareness and trust long-term.

'Trust' comes in as the second ranking factor - familiarity breeds trust. Spending time tabling at events, strengthening your social media presence, and getting your message out into the public are all

FIGURE 26

In general, how effective do you feel Idaho nonprofits are at meeting their intended mission and goals?

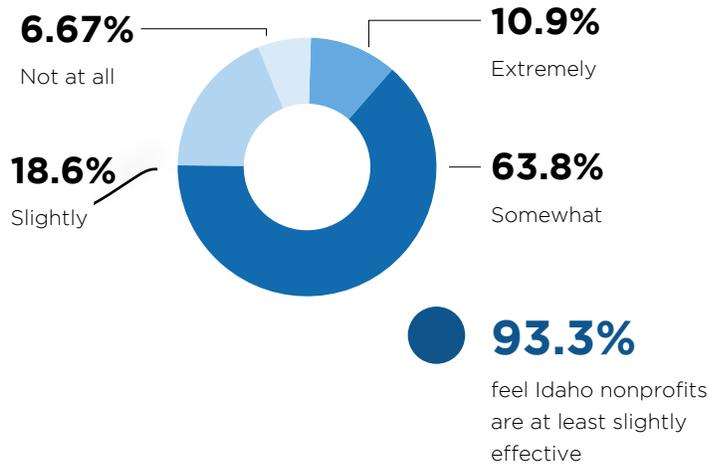
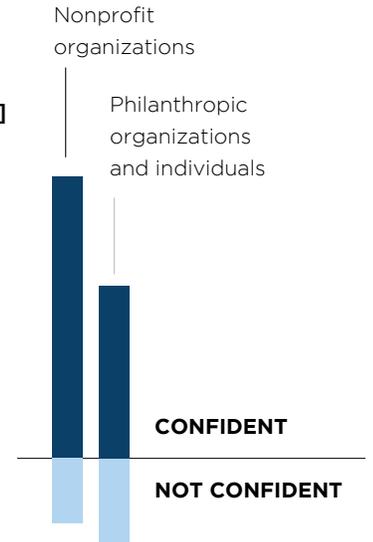


FIGURE 27

How confident are you in the ability of [these organizations] to help strengthen your community?



57.4%
Long-term change

7.23%
Both

28.3%
Short-term needs

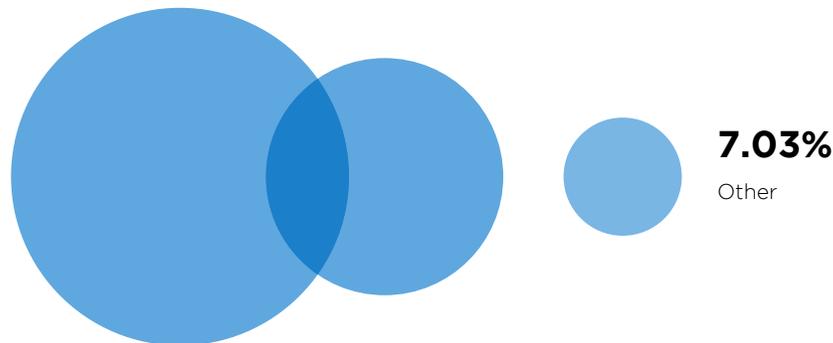


FIGURE 28

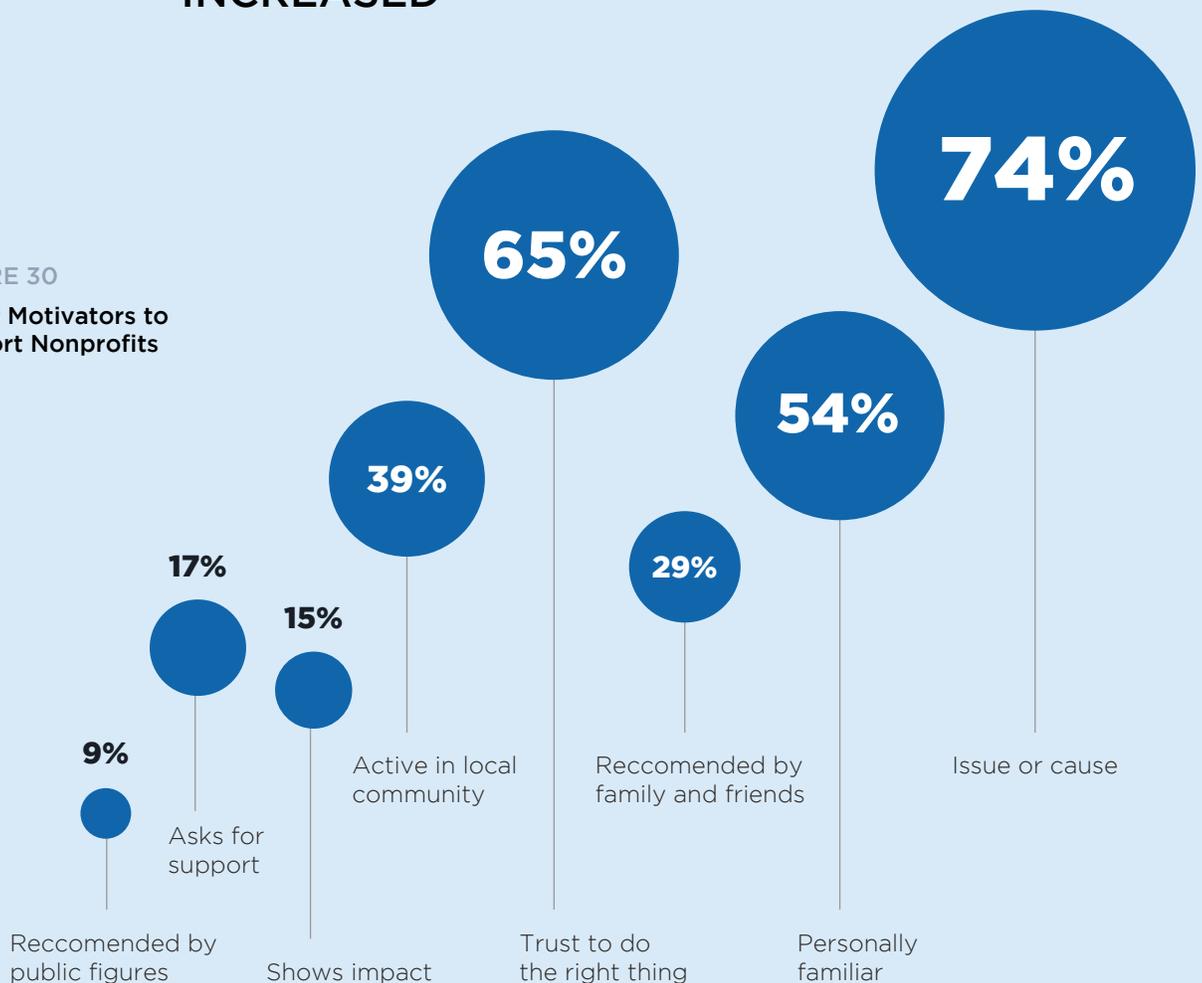
When you donate to a nonprofit, is your motivation to address short-term needs, or long-term change?

TRUST



FIGURE 29
Trust Cycle for a Nonprofit

FIGURE 30
Donor Motivators to Support Nonprofits



Drivers of Trust

Accountability and transparency show up as key drivers of trust.

For those most likely to distrust nonprofits, their beliefs are impacted by negative stories in the media or

prominent cases of fraud. These unfortunate examples seem to influence the perception of the sector at large (e.g. one bad nonprofit creates PR that taints the many high-performing nonprofits).

FIGURE 31

Ranking Factors for Trust and Distrust

I **TRUST** a nonprofit because...

1. ... they are service-driven and support a good cause.
2. ... of the structure of the overall system.
3. ... I have researched them.
4. ... I believe that people are inherently good.
5. ... of the oversight and accountability system.

I **DISTRUST** a nonprofit because...

1. ... they are a scam, dishonest, or greedy.
2. ... they misuse funds and don't support their cause.
3. ... too much money goes to leadership or administration.
4. ... of the lack of oversight and accountability.
5. ... I believe that tax breaks are their main motivations.

To combat less than favorable opinions and to better serve the community, nonprofits need to be more outwardly transparent and accountable. The sector should make every effort to widely share the impact they have on the local community.

Nonprofits should also not shy away from paying their employees and leaders competitive wages. However, more needs to be done to

educate the public on how the sector operates and the obstacles that come up.

However, most respondents discussing accountability and oversight trust that it exists and that it works. Some had knowledge of ways in which organizations are held accountable, specifically mentioning standards required to keep 501(c)3 status or Charity Navigator ratings.

BUILD TRANSPARENCY & ACCOUNTABILITY

☆ Create and publish annual reports on your website to share your impact.

☆ Market your stories or videos of impact through many avenues.

☆ Publish your latest audit report and IRS 990 filing on your website (don't make the donor search for it in other publicly available databases).

☆ Share contact info for the public to send general questions about your organization (and respond in a timely fashion).

☆ Publish the names of your organization's leadership, including key staff and all governing board members, including their connection (e.g., primary role) in the community.

☆ Invite your board chair or executive director to regularly publish insights and reflections on your organization. Building familiarity builds trust.

CONCLUSION

Call to Action

Idaho runs on nonprofits. Now that the vast impact of the Idaho nonprofit community has been

illustrated, we invite you to help the Idaho Nonprofit Center in strengthening the sector.

☆ **If you are a nonprofit:** Focus on your ‘cause’ and self-audit your marketing and website to increase trust through maximum transparency and clear messaging about the impact you are making.

Also, **join the Center as a member** to build strength in numbers with over 800 peer organizations in Idaho.

☆ **If you are a donor:** Support the causes you believe in and be an advocate for nonprofits by reminding your friends, colleagues, and neighbors that Idaho Runs on Nonprofits and they need our support.

Participate in **Idaho Gives** every May to support your favorite nonprofits.

Support the work of the Idaho Nonprofit Center through donation or advocacy and join us in strengthening nonprofit effectiveness and voice in every corner of the state.

☆ **If you are a policy maker or elected official:** Partner with nonprofits through public channels to get things done in your community. Nonprofits are highly trusted in Idaho and are solution oriented on issues from housing to the arts to conservation.

Glossary

Capacity could refer to staffing, expertise, technology, training, or other barriers that prevent an organization from running at full capacity

Regional economic analyses have a specific language and terminology and are defined below:

Direct effects (spending): This represents the actual observed sales, income, and jobs from nonprofit operations.

Economic Contributions: Economic contributions measure the magnitude or importance of the expenditures of base (export) industries. Our economic model estimates multipliers for each industry. If you have a multiplier of 1.61, for example, every dollar of expenditures creates \$1.61 dollars of new spending in the community. The total multiplier has three components: direct effects, indirect effects, and induced effects.

Indirect effects: These are the downstream economic effects on sales, payroll, jobs, and indirect taxes that result from direct spending in the regional economy. For example, a nonprofit purchases community goods and services which supports other area businesses. These firms, in turn, purchase even more goods and services as the effects ripple throughout the economy. They are part of the overall multiplier effects.

Indirect taxes: All taxes generated from economic activity excluding personal and corporate income taxes. These consist of mostly sales taxes and property taxes. These are adjusted (i.e. reduced) for the tax exemption of nonprofit organizations. The economic activity including the downstream effects will generate

considerable tax revenues despite the fact that these organizations are tax-exempt.

Induced effects: These are downstream economic effects of employee and consumer spending on the economy. They are part of the multiplier effects.

Jobs: Total employment resulting from economic activity. The economic model reports these as full-time and part-time jobs.

Sales: Total dollar transactions from an increase in direct expenditures including the multiplier effects (i.e., direct, indirect, and induced economic activity).

Total compensation: Wage, salary, and other income payments including fringe benefits to individuals.

Value-added (value-output): Value added is a measure of total net production and activity. This is a measure of gross domestic product at the local or regional level

Appendix

Economic Contributions Methodology: This study captures the economic contributions and impact of Idaho’s nonprofit (exempt) organizations as defined by the Internal Revenue Service (IRS). While the vast majority of exempt organizations are classified as 501(c)3 charitable nonprofits, this study includes all other “501c’s” such as 501(c)4s (civic clubs) and 501(c)6s (chambers of commerce).

All nonprofit organizations, regardless of their classification, are exempt from federal income tax. However, only those classified as 501(c) (3) permit donors to make tax-deductible contributions to the organization.

An IMPLAN input-output model was used to estimate the direct employment and total compensation of Idaho’s nonprofits. The National

Taxonomy of Exempt Entities (NTEE) system is used by the Internal Revenue Service (IRS) to classify nonprofit organizations. Each nonprofit has a designation based on its function and activities. These entities were mapped to the North American Industrial Classification System (NAICS) code and entered into the IMPLAN model to estimate direct employment and total compensation.

The IMPLAN model was also utilized to estimate the economic contributions of Idaho nonprofits arising from federal and private donations originating outside Idaho (i.e., new monies to Idaho).