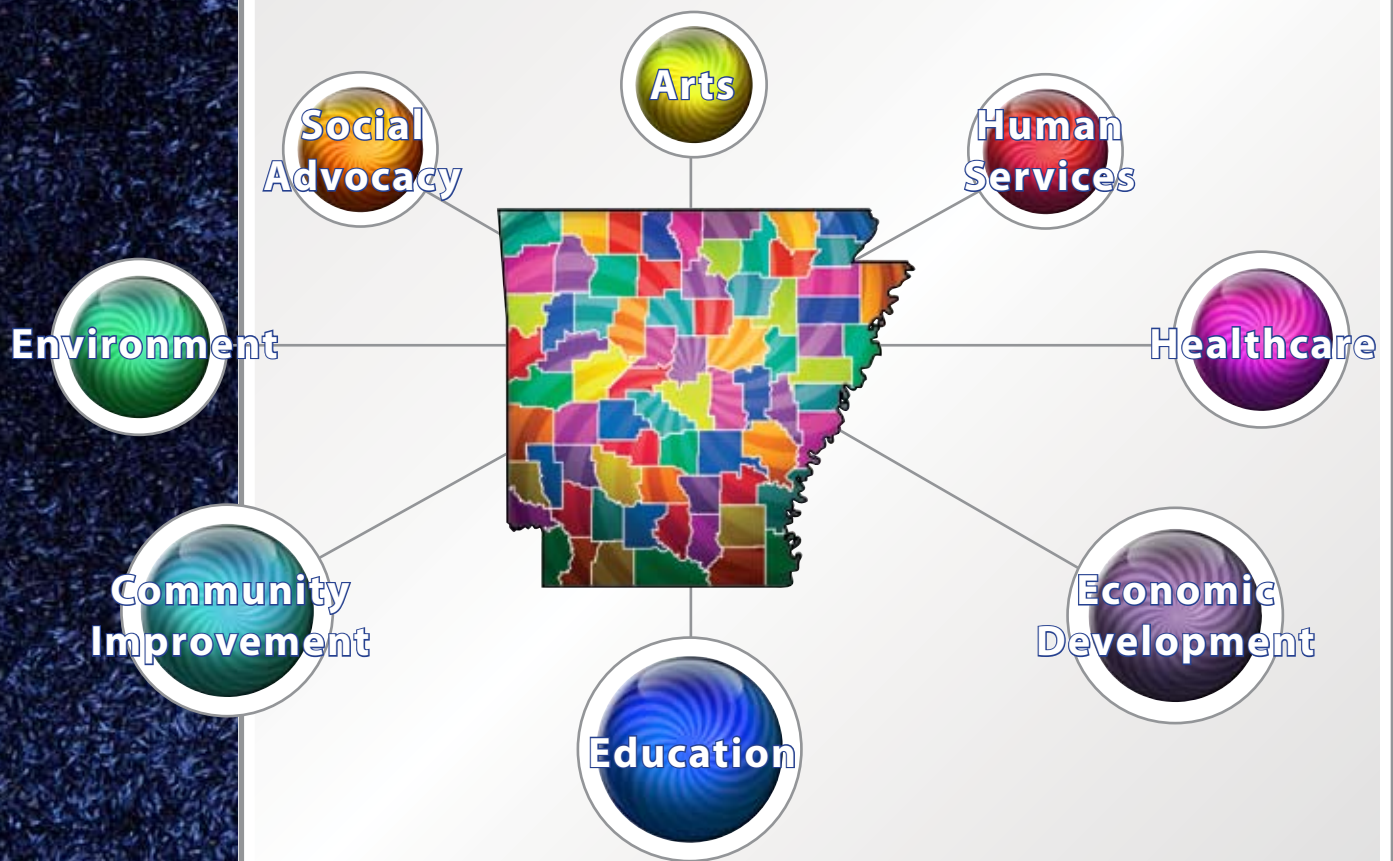


THE BENEFIT OF DOING GOOD: The Structure, Contribution, and Impact of Arkansas Nonprofits on the State's Economy



The Benefit of Doing Good:

*The Structure, Contribution, and Impact of Arkansas Nonprofits
on the State's Economy 2008*

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Alfred L. Williams and Elaine Eubank

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EXECUTIVE SUMMARY

THE BENEFIT OF DOING GOOD

*The Structure, Contribution, and Impact of Arkansas
Nonprofits on the State's Economy 2008*

N **Nonprofit Organizations**

are legal organizations engaging in activities without a monetary profit, although they may earn excess revenues. Nonprofits generally are formed to provide services and programs, and their revenues in excess of cost are untaxed and may be retained for future use. This report describes the Arkansas nonprofit sector in terms of its activities, its composition, employment levels, and the earnings of its employees. The report then assesses the economic impact of the nonprofit organizations on the economy of Arkansas.

A close-up photograph of a blue folder with a white tab labeled "NONPROFITS". The folder is part of a set of blue folders, and the background is a blurred blue and white pattern.

NONPROFITS

“ From 1995 to 2008, Arkansas had 13,456 organizations registered with the Internal Revenue Service as charitable nonprofit organizations... ”

Data for this study were provided by the National Center for Charitable Statistics (NCCS) and GuideStar USA, Inc. This report's analysis is based on two samples constructed from the universe of Arkansas nonprofit organizations that have filed a single Internal Revenue Service Form 990 during the 2005-2008 period. As such the study analyzed running aggregates of responses taken from one time observations of nonprofits over this period of time.

From 1995 to 2008, the National Center for Charitable Statistics indicated that Arkansas had 13,456 organizations registered with

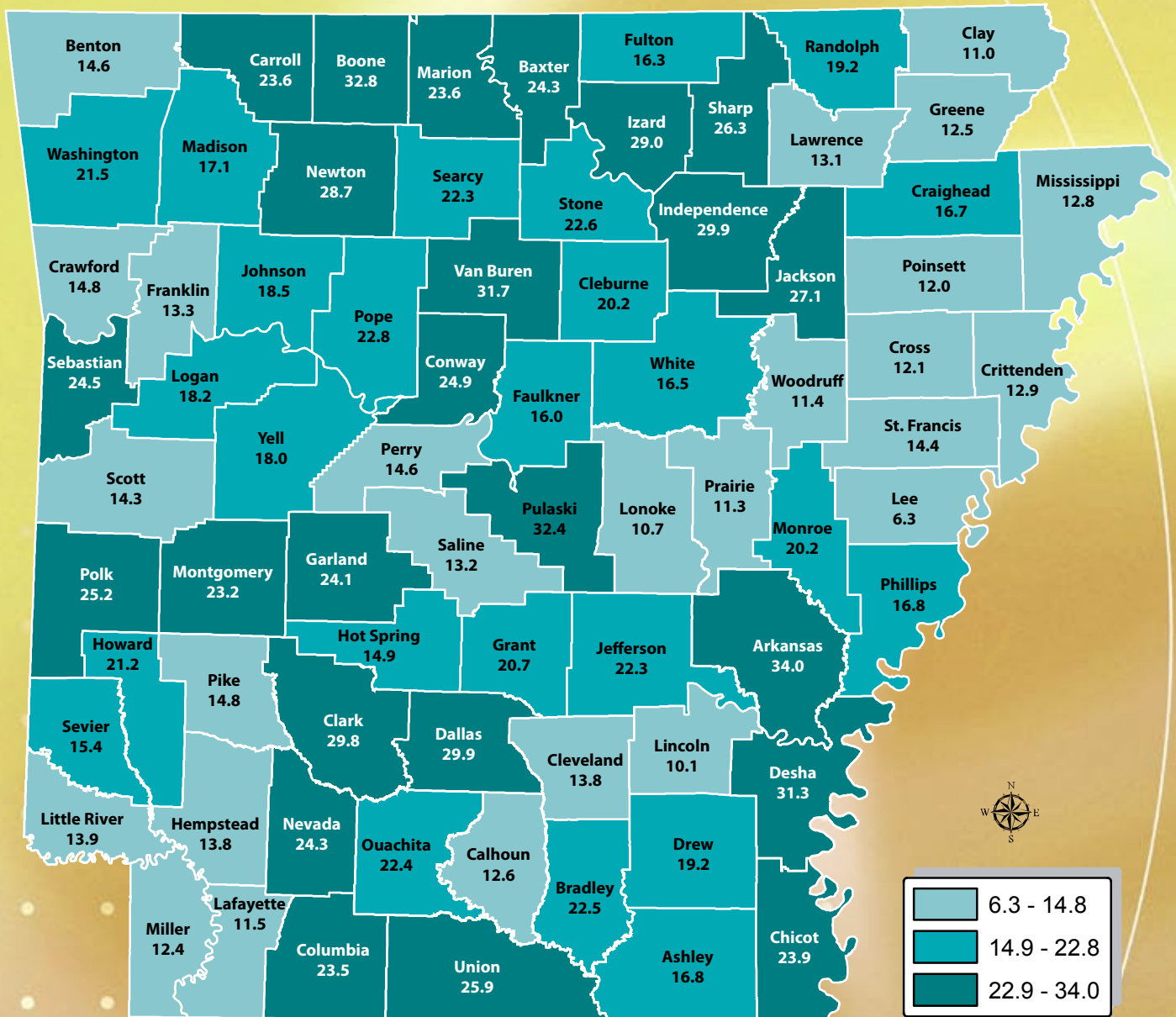
the Internal Revenue Service as charitable nonprofit organizations which ranked 33rd among all states. Over the January 2006 to June 2008 period, Arkansas ranked 34th among all states with 5,839 nonprofit organizations, compared to 709,957 organizations in the U.S. During this period, public charities made up 63% of the registered organizations. "Other nonprofits" were the second major type of nonprofit organization and represented 33% of the registered organizations. Nonprofits in this category include churches, religious organizations, grantmaking, and advocacy groups. Private foundations compose

TABLE 1 **ARKANSAS NONPROFIT EMPLOYMENT BY INDUSTRY SECTOR A STATE COMPARISON 2006**

NAICS AGGREGATION	EMPLOYMENT NONPROFITS	PERCENTAGE OF NONPROFITS BY SECTOR	NONPROFIT PERCENTAGE OF TOTAL STATE INDUSTRY	NUMBER OF NONPROFITS	PERCENTAGE OF NONPROFITS BY INDUSTRY
Agriculture, Forestry, Fishing, & Hunting	0	0.0%	-	4	0.2%
Transportation	4	0.0%	0%	2	0.1%
Information	108	0.2%	0%	30	1.5%
Finance & Insurance	64	0.1%	0%	2	0.1%
Professional, Scientific, & Technical Services	130	0.2%	0%	35	1.8%
Administrative/Support & Waste/Remediation Mgmt.	114	0.2%	0%	7	0.4%
Educational Services	5,942	8.7%	34%	187	9.6%
Health Care & Social Assistance	56,551	82.9%	35%	829	42.5%
Arts, Entertainment, & Recreation	681	1.0%	4%	173	8.9%
Accommodation & Food Services	57	0.1%	0%	8	0.4%
Other Services (except Public Administration)	4,606	6.7%	5%	672	34.5%
TOTAL	68,257	100.0%	4%	1,949	100.0%

Sources: National Center for Charitable Statistics (NCCS) and Bureau Economic Analysis, U.S. Department of Commerce.

“ Arkansas’ nonprofits paid their workers wages totaling \$2,273,808,660... ”



Source: National Center for Charitable Statistics

*per 10,000 persons using 2006 population estimates

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4% of nonprofit organizations. Overall, nonprofits in Arkansas reported \$14.4 billion in revenues on the Form 990 and \$15.9 billion in reported assets as of June 2008.

Nonprofits employed 69,405 workers in the 2005-2007 period. Of these workers, 68,257 were classified into North American Industrial Classification System (NAICS) industries which amounted to 4% of the private employment in the state. The majority of nonprofit employment was found in the health care and social assistance sector, followed by employment in the educational services sector, “other services,” and the fourth

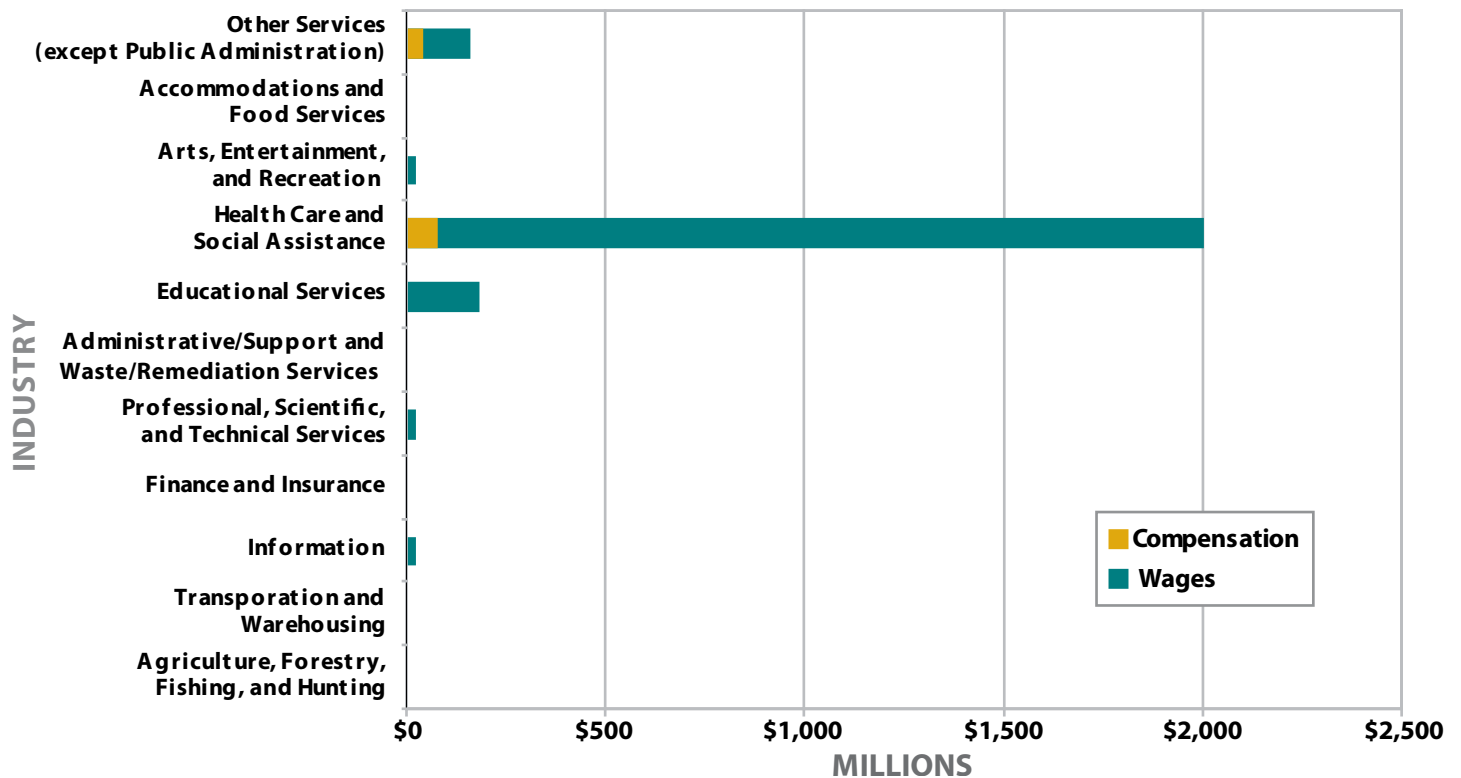
major employment sector was the arts, entertainment, and recreation.

Arkansas’ nonprofits paid their workers wages totaling \$2,273,808,660 over the 2005-2007. Nonprofits in Arkansas paid to nonvoluntary officers, directors, and key employees compensation of \$75,219,117.

For NAICS classified nonprofits, the Arkansas nonprofit revenues totaled \$9,904,879,743 over the 2005-2008 period. Service revenues were the chief revenue source generating 83.4% of the revenues. Income earning activities (e.g. interest, dividends, and net rents) added

CHART 1

DISTRIBUTION OF WAGES AND COMPENSATION BY INDUSTRY



“ 56% of grant dollars received comes from in-state funders while 44% is from out-of-state sources. ”

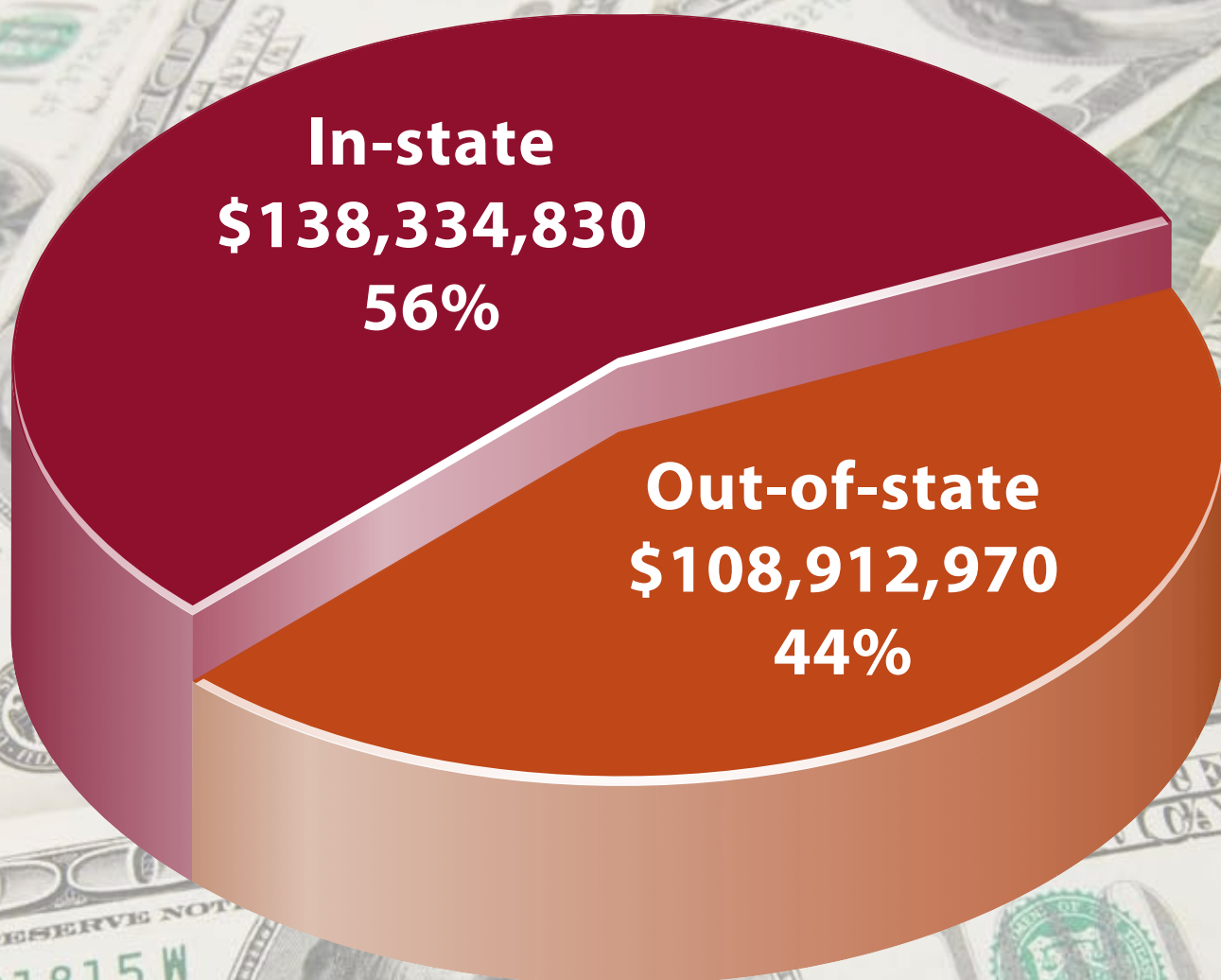


CHART 2

DISTRIBUTION OF GRANTS BY FUNDING SOURCE, 2005-2008

Data Source: GuideStar USA, Inc.

1.5% to nonprofit revenues, and the sale of assets contributed 1.4% to revenues. Contributions from all sources made up 13% of total revenues by nonprofits. Revenues were concentrated in health care and social assistance, and that industrial sector reported 83% of the revenues received by nonprofit organizations.

Out-of-state funds attracted by Arkansas nonprofits are an important measure of nonprofit's contribution to economic activity within the state. For the 2005-2006 period, nonprofits reported receiving approximately \$247 million in grant funds. Of this amount, \$108,095,270 (44%) were funded by out-of-state grantors. The distribution of out-of-state grants was concentrated in the information industries,

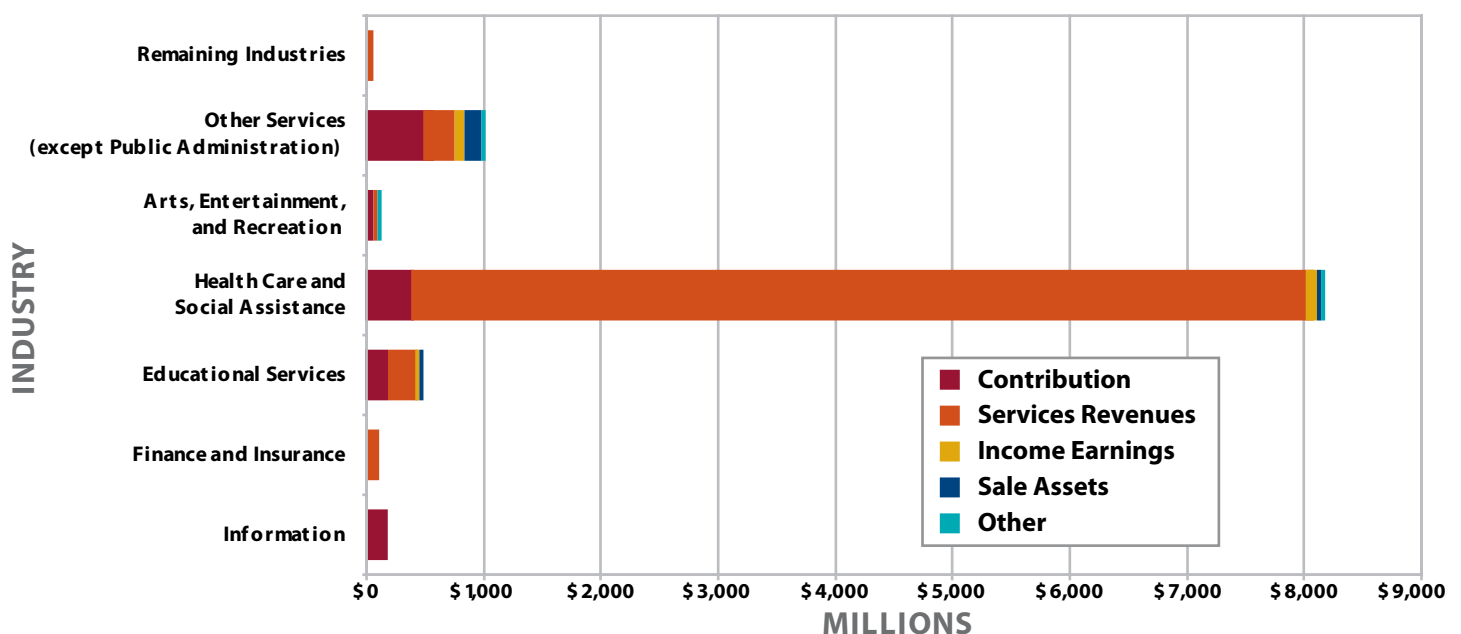
TABLE 2

REVENUE BY SOURCE

CONTRIBUTIONS	TOTAL BY SOURCE	% BY SOURCE
Contributions to Donor	\$49,792,049	3.8%
Direct Public Support	\$734,278,157	56.2%
Indirect Public Support	\$50,519,764	3.9%
Government Grants	\$471,188,687	36.1%
TOTAL CONTRIBUTIONS	\$1,305,778,658	13.2%
Service Revenue	\$8,262,382,358	83.4%
Membership Dues	\$14,291,080	0.1%
Interest	\$40,116,599	0.4%
Dividends	\$92,750,594	0.9%
Net Rental Income	\$19,601,223	0.2%
Other Investment Income	\$14,787,758	0.1%
Net Sales of Assets	\$129,234,336	1.3%
Net Income Special Events	\$6,130,979	0.1%
Gross Profits Sales of Inventories	\$7,761,393	0.1%
Other Revenue	\$12,044,766	0.1%
TOTAL REVENUE	\$9,904,879,743	100.0%

CHART 3

NONPROFITS DISTRIBUTION OF REVENUE BY INDUSTRY, ARKANSAS 2005-2008



**“ ... nonprofits provide \$8.3 billion
in goods and services... ”**



industries providing educational services, and the “other services” industries with each industry group receiving about a quarter of the total amount.

The health care and social assistance sector received 14% of the funds.

Out-of-state grants to nonprofits supported 1,732 jobs directly. The economic impact analysis found that the \$108 million of out-of-state grants supported \$90 billion in indirect and induced expenditures, and thus, added \$198 million to the total level of economic activity in Arkansas’ economy. Out-of-state grant funded expenditures added \$103 million to the state’s value added, that is, to the gross state product. In terms of employment, the out-of state grants to nonprofits supported interindustry purchases that added 901 jobs throughout the state, and thus, the out-of-

state grants total job creation was 2,363 jobs overall. In the process, nonprofits contributed \$72 million to labor incomes.

The overall contribution of the nonprofit sector was also analyzed in terms of its service revenues of approximately \$8.3 billion received over the 2005-2008 period. These revenues are derived from fundamental activities of nonprofits which give the organizations their nonprofit status. The impact analysis found that these activities support a \$15.5 billion level of economic activity, adding \$8.6 billion to the gross state product of which \$6.5 billion is for payrolls that supports 189,007 jobs.

TABLE 3

ECONOMIC IMPACTS OF NONPROFITS

	OUT-OF-STATE FUNDED GRANTS 2005-2008	SERVICE REVENUES AND THEIR DIRECT IMPACT 2005-2008
Direct Impact	\$108,095,270	\$8,262,382,358
Direct Employment	1,732	114,212
Indirect and Induced	\$90,212,801	\$7,262,984,035
Total Output	\$198,308,071	\$15,525,366,393
Value Added	\$103,099,493	\$8,625,270,838
Labor Income	\$72,269,623	\$6,563,114,026
Jobs	2,636	189,077



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