The graphic features a stylized map of Arizona on the left side, filled with a gradient from dark red at the top to teal at the bottom. The right side of the image is dominated by a sunburst pattern of overlapping, semi-transparent rays in shades of orange, red, and teal, radiating from the top right towards the center. The background is a mix of white and light gray geometric shapes, including squares and rectangles, some of which are slightly offset or layered.

ARIZONA NONPROFITS: ECONOMIC POWER, POSITIVE IMPACT

BEYOND DOLLARS:

THE ECONOMIC AND SOCIAL VALUE OF ARIZONA NONPROFITS

It is with great enthusiasm that we embrace the release of this report, *Arizona Nonprofits: Economic Power, Positive Impact* as it reveals important information to help us all understand the substantial contributions of this significant sector to the economic well-being of our state. It is our hope that this report will encourage collaboration and dialogue between government, business, and nonprofit leaders, as no one sector has all the answers to the challenges and opportunities facing our state. In fact, history shows that it is the nonprofit sector, fueled in part by volunteerism and philanthropy, where innovative ideas and solutions are often born, incubated, and implemented, that holds promise for communities to reach their highest aspirations.

Though an understanding of the nonprofit sector's contributions to our economy is important, we know too that the story of impact and influence is learned when also considering the social value that occurs at the individual level of transformation. This is where true stories of change occur as the lacing of a community's social fabric is woven together into a tapestry of hope and opportunity. The late David Mason, noted scholar and historian, said it best through his remarks when he received a lifetime achievement award nearly two decades ago from the Association for Research on Nonprofit Organizations and Voluntary Action (a nonprofit). He said,

"My values, attitudes, and behaviors, like most of yours, have been profoundly influenced by nonprofits. My parents met when they were students in a nonprofit. I was born in one. I learned about God in one, my ABC's in another, how to play ball and be a team player in another, and met my first girlfriend in another. I prepared for my career at a nonprofit university, met my wife in a nonprofit church, went on to several nonprofit graduate schools, joined numerous nonprofit professional groups, brought two newly born sons home from nonprofit hospitals, and on and on it goes, including what I read, how I vote, and my avocations. It weaves its way like a golden thread through the tapestry of my life."

As you consider how this report may be used to strengthen Arizona, we urge those so inspired to engage collaboratively in ways that honor diverse perspectives while striving for that which we can all agree upon. A vibrant, robust Arizona that advances its social, economic, cultural, educational, environmental goals for all, not just some, is within reach.

Robert F. Ashcraft, Ph.D., Executive Director and Professor of Nonprofit Studies, Lodestar Center for Philanthropy and Nonprofit Innovation, Arizona State University and **Kristen Wilson Merrifield**, CAE, Chief Executive Officer, Alliance of Arizona Nonprofits

**“ARIZONA’S NONPROFITS
ARE A SIGNIFICANT ECONOMIC
FORCE AND A MAJOR
EMPLOYER IN THE STATE.”**

Steve Seleznow
Arizona Community Foundation
President and CEO



Dear Fellow Arizonans,

This report, *Arizona Nonprofits: Economic Power, Positive Impact*, sheds a new light on Arizona’s nonprofit sector. Gone are the days of viewing nonprofits as simple charities operating on shoestring budgets, heavily reliant on volunteers and donations to stay afloat. This first-ever report shows that Arizona’s nonprofit sector—some 21,000 organizations strong—is a thriving network of social-purpose corporations and a powerful economic driver in our state which employs thousands of people and contributes significantly to the Gross State Product.

In partnership with foundations like the Arizona Community Foundation and generous corporations, Arizona’s diverse nonprofits are tackling some of our state’s most intractable problems with innovative programs and services. In profiles throughout this report, nonprofit leaders describe some of the ways their organizations are accomplishing their goals and advancing solutions that serve us all.

At key points in Arizona’s history, nonprofits have given voice to our vision and values—by advocating for women’s and Native Americans’ voting rights, protecting Arizona’s natural beauty with city and state parks, advancing the rights of farmworkers, founding hospitals, caring for children, and managing our water. At this critical point in our state’s history, we are challenged to—among other matters—improve conditions for Arizona’s children, enlarge and better prepare our work force, and steward our natural resources in responsible, sustainable ways.

At the Arizona Community Foundation, we believe reliable data leads to better decisions. That is why we have been enthusiastic about this economic impact study since The Phoenix Philanthropy Group first undertook this work. We are proud to join with Maricopa County IDA and APS in supporting the research conducted by ASU’s Seidman Institute, and we are pleased that ASU Lodestar Center for Philanthropy and Nonprofit Innovation and the Alliance of Arizona Nonprofits joined this partnership to advance this research and communicate its findings.

These data reveal a huge opportunity for business leaders, policymakers, and public officials to look to nonprofits as powerful, strategic economic development partners in achieving the Arizona we all want.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Seleznow'. The signature is fluid and cursive, with a long horizontal line extending to the right.

L. WILLIAM SEIDMAN RESEARCH INSTITUTE

seidmaninstitute.com

The L. William Seidman Research Institute is the consulting arm of W. P. Carey School of Business at Arizona State University, offering a diverse range of business and economics services to public and private sector clients throughout North America. Recent clients: APS, the Arizona Department of Health Services, Blue Cross Blue Shield of Arizona, Freeport-McMoRan, Intel, and Super Bowl XLIX.

Dr. Dennis Hoffman, Center Director

Dr. Anthony Evans, Senior Research Fellow

Eva Madly, Research Economist

Melissa Gamez, Researcher



ALLIANCE OF ARIZONA NONPROFITS

arizonanonprofits.org

The Alliance of Arizona Nonprofits is a unifying association formed in 2004 to advance common interests of Arizona's nonprofit community. It is a statewide organization of, by, and for all Arizona's nonprofits. The Alliance is an action-oriented group of partners across the state, made up of both nonprofits and those in the community who support them. The Alliance does this by serving, supporting, protecting, and promoting the nonprofit sector.

Kristen Wilson Merrifield, CAE, Chief Executive Officer



PARTNERS IN RESEARCH

ASU LODESTAR CENTER FOR PHILANTHROPY AND NONPROFIT INNOVATION

lodestar.asu.edu

The ASU Lodestar Center for Philanthropy and Nonprofit Innovation exists to build the capacity of the social sector by enhancing the effectiveness of those who lead, manage, and support nonprofit organizations. Through research, education, and outreach activities, the ASU Lodestar Center enhances the effectiveness of those who govern, manage, provide programs and services, volunteer for, and support nonprofit organizations. Founded in 1999, the Center has emerged as a leading capacity building resource through its several interdisciplinary areas of focus.

Robert F. Ashcraft, Ph.D., Executive Director



THE PHOENIX PHILANTHROPY GROUP

phoenixphilanthropy.com

The Phoenix Philanthropy Group partners with organizations to build the strategies and resources to optimize their impact on our global society. Since its founding in 2004, the firm has grown to become the premiere nonprofit consulting firm in the Southwestern United States, having served more than 130 clients around the world, while retaining a special focus on and commitment to Arizona and its local communities.

Richard Tollefson, President

Marc Kellenberger, Founding Principal

Laurel Kimball, Founding Principal and Economic Vitality Study Coordinator and Editor



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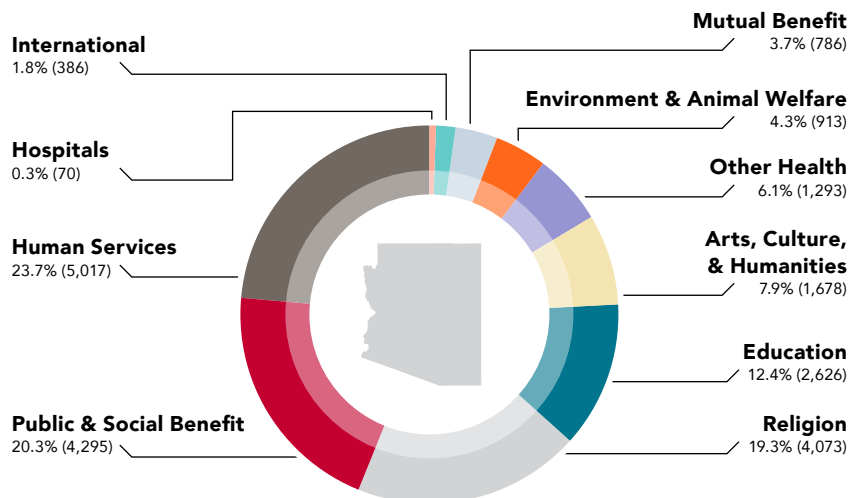
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ARIZONA NONPROFITS:

ECONOMIC POWER, POSITIVE IMPACT

describes the economic impact and leadership of Arizona nonprofit organizations that fall into these categories:



Sources: National Center for Charitable Statistics (NCCS) and the Internal Revenue Service (IRS)

Chart shows percent of Arizona nonprofit community and number of registered organizations in each category.

OVERVIEW AND KEY FINDINGS

“Thinking differently, with an eye toward innovation, about Arizona nonprofit organizations is essential. Nonprofits’ contributions to our community spirit and welfare remain very significant. And the results of this study highlight another important dimension to their impact: as vital partners in Arizona’s economic growth and development.”

Neil G. Giuliano
President and CEO
Greater Phoenix Leadership



PURPOSE OF THIS RESEARCH

Arizona's nonprofit sector is an abstract and remote concept for many.

We often think instead of the particular groups we know: the Scout troop our child attends, the local theatre company, our church or synagogue or mosque, the group leading the charge to protect Arizona's forests and water supply, the organization we admire for its effective service to the homeless, or the nearby nonprofit hospital where a neighbor got emergency care. The interactions are personal, so we may not think in business terms about the organizations providing these services.

Our research stepped back to examine the overall impact of all these familiar organizations when they are grouped together as a sector. We began with a simple question:

WHAT IS THE ECONOMIC IMPACT OF ARIZONA'S NONPROFIT SECTOR?

This report, *Arizona Nonprofits: Economic Power, Positive Impact*, describes the results of the research which sought to answer that simple question. The research estimates in economic terms the incredible contribution that Arizona's large and diverse nonprofit sector makes to everyday life and to the continuing prosperity of our state. The research was conducted by the L. William Seidman Research Institute of the W. P. Carey School of Business at Arizona State University, in partnership with and on behalf of the Alliance of Arizona Nonprofits, ASU Lodestar Center for Philanthropy and Nonprofit Innovation, and The Phoenix Philanthropy Group with support from the Arizona Community Foundation, Maricopa County Industrial Development Authority, and Arizona Public Service.

Drawing from multiple sources of data for 2014, including primary survey data and financial data supplied by the Arizona Department of Revenue, this research presents one of the most extensive pictures of Arizona's nonprofit sector to date.

THE REPORT INCLUDES:

- **An estimate of the financial scope and economic footprint of Arizona's nonprofits, including the sector's annual contribution to Gross State Product, employment, and labor income in the state.**
- **Insights into the way in which nonprofits demonstrate value and impact over and above dollars.**
- **Leadership profiles discussing the catalytic impact of the nonprofit sector as a whole.**

The answer to our simple question turned out to be a bit complicated. The nonprofit sector is diverse in the types of organizations it includes—healthcare, educational, human service, arts and culture, and more. It also includes organizations of all sizes, from those with multi-million dollar budgets to all-volunteer organizations. The diversity makes it difficult to generalize.

What is very clear from our research is that, as a sector, Arizona's nonprofits are a significant economic force and a major employer in the state.

KEY FINDINGS

1

Arizona's nonprofit sector generates more than 8% of the state's Gross State Product.

Learn more details in Part 2: Nonprofits Add Significant Value to Arizona's Economy

Nonprofits are Arizona's 5th largest non-government employer.

Learn more details in Part 3: Arizona Nonprofits Are Major Employers

2

3

More than 72% of nonprofit revenue is generated by earned revenue, fees for services, and government contracts—not from philanthropic contributions.

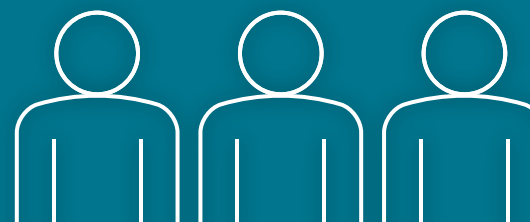
Learn more details in Part 4: Nonprofits' Services Generate Most Revenue

- In 2014, the **nonprofit sector contributed more than \$22.4 billion to Arizona's Gross State Product (GSP)**, positioning its contribution on a par with the state's entire retail trade.
- Arizona's **21,137 registered nonprofits** collectively generated approximately **\$28 billion in revenue**, approximately on a par with the annual revenue generated by the construction sector in the state.
- Arizona nonprofits **hold assets of \$48.7 billion**.
- Despite being exempt from corporate income tax, nonprofits directly and indirectly generated approximately **\$2.1 billion in state and local taxation in 2014** – that is, 9.5% of all state and local sales tax revenue.



ECONOMIC STRENGTH

- Arizona nonprofits are responsible for 325,000 jobs. They directly employ **167,000 paid staff** and are also responsible for an additional 158,000 indirect/induced jobs through their presence and operations in Arizona.
- Nonprofits in Arizona represent **7.7% of total direct non-government employment**.
- Arizona **nonprofit employment grew** by 12% during the 2009-2014 five-year time horizon, and total **nonprofit wages in Arizona grew** by 12.7% during the same period.



MAJOR EMPLOYER

- Program service funds and contracts, investment income, special events income, members' dues, and net sales are estimated to account for **\$4 out of every \$10 nonprofit revenue dollars**.
- **Contributions, gifts, and grants** from individuals, foundations, trusts, and private companies account for **merely 27.3% of nonprofit sector revenue**.
- **40%** of nonprofits **generated an increase in their non-government revenue** in 2014, compared to 2013.



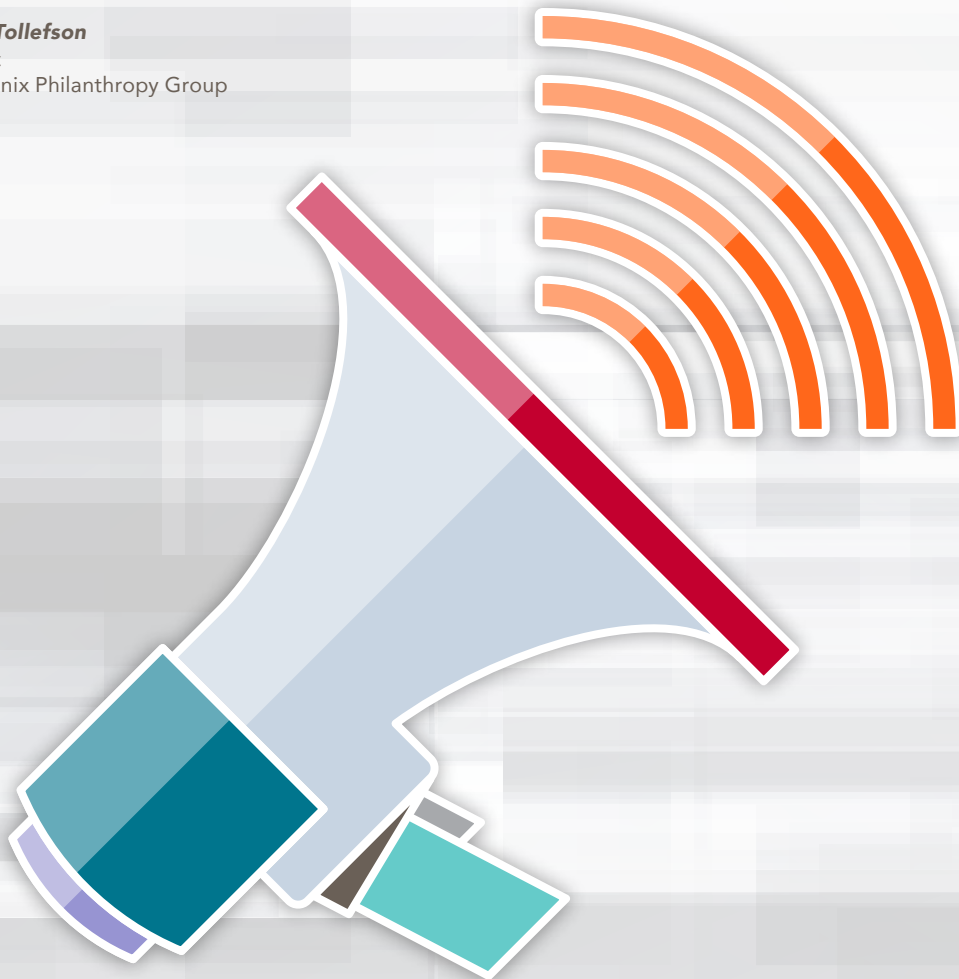
REVENUE GENERATORS

PART 1

THE VOICE AND VALUE OF ARIZONA NONPROFIT LEADERS

“International leadership expert Jim Collins said, ‘The great leaders I’ve studied are all people whose energy and drive are directed outward. It’s not about themselves. It’s about something greater than themselves.’ We have seen nonprofit leaders bring this commitment to the greater good to the table in any discussion of issues important to our communities, state, and collective life together.”

Richard Tollefson
President
The Phoenix Philanthropy Group



ARIZONA'S NONPROFIT LEADERS IN A UNIQUE POSITION TO INSPIRE

Through our work with nonprofits across Arizona and the nation, we know that citizens can indeed count on nonprofit organizations to help the neediest among us. We also know, as this research report indicates, that many Arizona nonprofits are not so small, but are, in fact, multi-million dollar operations serving all levels of society. Whether large or small, we have been amazed by the multitude of examples of Arizona nonprofit leadership relating to every issue facing our state. To mention just a few examples of such nonprofit leadership:

- Job Creation: **The Flinn Foundation** commissioned the strategic 2002 Arizona's Bioscience Roadmap, which has successfully guided progress toward the long-term goal of Arizona becoming globally competitive and a national leader in select bioscience areas.
- Education: **Expect More Arizona** has increased public awareness about educational needs in Arizona. **The Arizona Community Foundation**, a nonprofit, is Arizona's largest provider of college scholarships outside of the three state universities, awarding more than \$4 million annually to Arizona students from its family of scholarship funds.
- Retaining Young Talent: Young Arizonans stepped forward to develop **The Manifesto Project** which encourages young leaders to stay in Arizona to the mutual benefit of both.
- Environment and Water: **The Four Forest Restoration Initiative** is a unique collaboration of nonprofits, government agencies and businesses cooperating to restore ecosystems in four national forests in northern Arizona.
- Caring for Others: **Central Arizona Shelter Services (CASS)** and **Housing Solutions of Northern Arizona** have each addressed the needs of homeless people in innovative and effective ways.
- Civic Engagement: **The Center for the Future of Arizona** has determined through a statewide Gallup survey goals on which a majority of Arizonans agree and is now encouraging all Arizona citizens to commit to advancing at least one of the goals through their own activities.

Many Arizona nonprofits are nationwide models. For instance, the **Diaper Bank of Southern Arizona** addressed a pressing community need with a model which has now been replicated all over the country. **Experience Matters** is recognized nationally as a groundbreaking initiative for matching older adults' desire to serve with nonprofits' needs for experienced help.

These examples of strong, successful leadership from the nonprofit community are reason for optimism. In fact, we believe the nonprofit sector is in a unique position to lead positive social and economic change in Arizona.

Leadership profiles of five outstanding Arizona nonprofits are featured throughout this report. These Phoenix Philanthropy Leadership profiles are a small sample of the many ways that nonprofits and their leaders drive economic development, create positive social change, and enhance the quality of life for all Arizonans.

May these profiles inspire the inclusion of nonprofits in community and state discussions!

Laurel Kimball, Founding Principal, The Phoenix Philanthropy Group
Richard Tollefson, President, The Phoenix Philanthropy Group

PART 2

NONPROFITS ADD SIGNIFICANT VALUE TO ARIZONA'S ECONOMY

"Nonprofit organizations in Arizona are an important part of our growing economy. They contribute to our state's economic growth with the services they provide and the people they employ."

Jonathan Rothschild

Mayor
City of Tucson



**THE
NONPROFIT
SECTOR
CONTRIBUTES
8%
OF THE
STATE'S
GROSS STATE
PRODUCT -
OVER
\$22 BILLION.**

The nonprofit sector in Arizona directly contributes more than \$10.4 billion to the state's Gross State Product. Arizona's nonprofit sector is directly and indirectly responsible for an estimated \$22.4 billion GSP in Arizona. This total amount accounts for 8% of Arizona's GSP—positioning nonprofits on a par with the state's retail trade.

- **The impact of the nonprofit sector on the state economy is far greater than its total direct spending on payroll and program and service delivery.**
- **Its direct spending starts a chain reaction of indirect and induced spending, when workers either directly or indirectly associated with the nonprofit's program or service delivery spend their incomes in the local economy, when suppliers place upstream demands on other producers, and when state and local governments spend new tax revenues.**
- **The figure below demonstrates the ripple effect of nonprofit employment and wages on the larger economy, as economists understand it and use it in their calculations.**

In this report, the direct, indirect, and induced economic impacts of the sector are estimated using the IMPLAN input-output model. This model is widely used to estimate the inter-industry relationships in the United States economy. The chart on the following page provides an overview of the actual direct and indirect/induced economic effects of Arizona nonprofits through employment, wages, and Gross State Product.

**ECONOMIC IMPACT OF A
NONPROFIT ORGANIZATION**

Source: Adapted from *Causes*
Count by CalNonprofits

DIRECT EFFECT

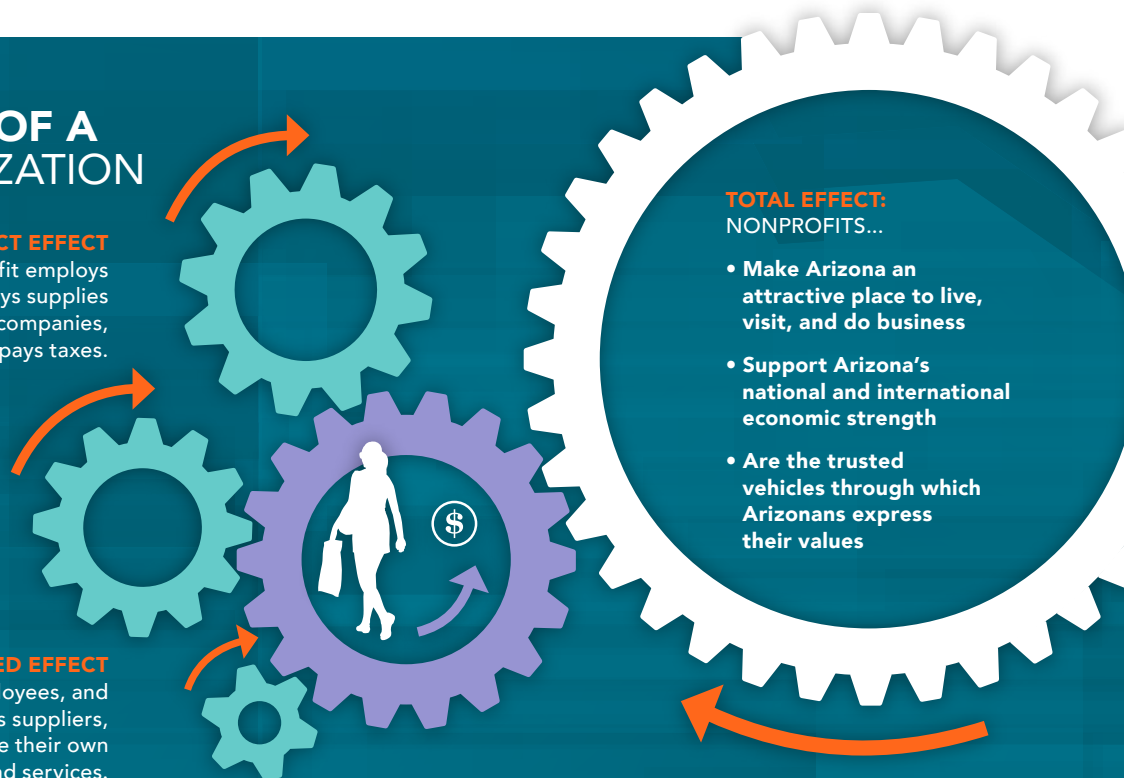
A nonprofit employs people, buys supplies from local companies, and pays taxes.

INDIRECT EFFECT

Local firms hire workers to supply the nonprofit and also place upstream demand on other suppliers.

INDUCED EFFECT

The nonprofit's employees, and the employees of its suppliers, locally purchase their own goods and services.



DIRECT WAGES PAID BY NONPROFITS REPRESENT **6.1%** OF ARIZONA'S TOTAL - OVER **\$7.7 BILLION**

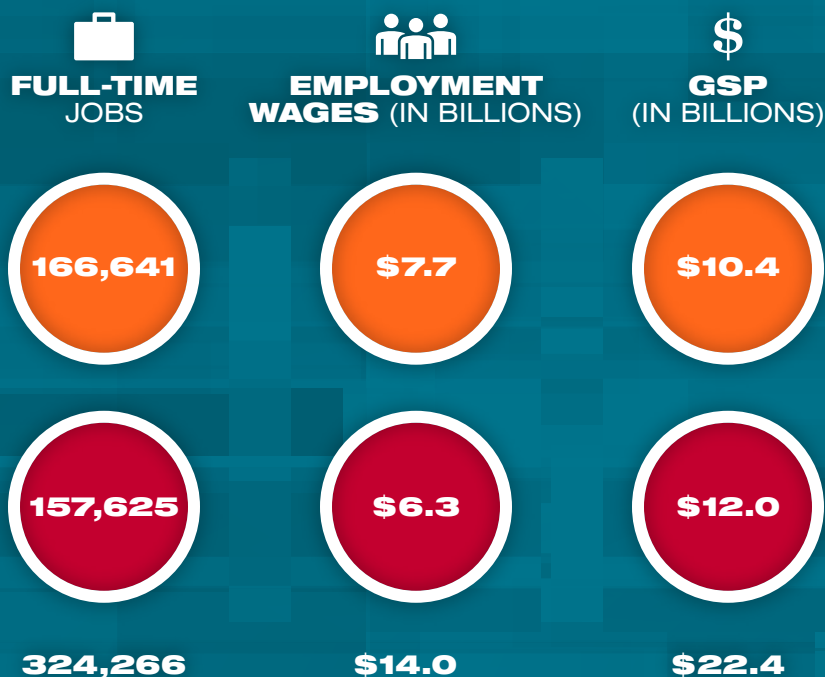
Arizona nonprofits themselves employ **167,000 paid staff** and directly pay more than \$7.7 billion in wages. This figure represents 6.1% of Arizona's total wages.

A chain reaction results when wages are added from the indirect and induced jobs Arizona nonprofits also create through their presence and operations in Arizona.

The combined effect of all this nonprofit activity creates **\$22.4 billion for Arizona's economy** as shown below.



\$22.4 BILLION IN GOODS AND SERVICES



ARIZONA'S NONPROFITS ARE SIGNIFICANT REVENUE PRODUCERS

Arizona's 21,137 nonprofits generate approximately \$28 billion in annual revenue and hold assets of \$48.7 billion. This financial picture reveals a diverse group of organizations with diverse revenue sources which vary by type and size of organization.

Nonprofits providing human services account for almost a quarter of Arizona nonprofits, but less than 14% of the total revenue. Likewise, nonprofits with a public or social benefit make up an additional 20% of nonprofits by number, but generate just over 9% of the total revenue. Hospitals and other nonprofit health organizations, on the other hand, number just over 6% of the total organizations, but account for 62% of revenue and 43% of assets.

The table below illustrates the distribution of revenue and assets organized by type of organization. It reflects data from all Arizona nonprofits who filed IRS Forms 990, 990-EZ, 990-PF and 990-N.

ORGANIZATION TYPE	NUMBER OF REGISTERED ORGANIZATIONS	TOTAL REVENUE 2014 (BILLIONS)	TOTAL ASSETS 2014 (BILLIONS)
Arts, Culture & Humanities	1,678	0.3	0.7
Education	2,626	1.9	5.9
Environment & Animal Welfare	913	0.3	0.6
Hospitals	70	11.9	16.5
Other Health	1,293	5.5	4.3
Human Services	5,017	3.9	5.2
International	386	0.2	0.07
Mutual Benefit	786	1.2	0.5
Public & Social Benefit	4,295	2.6	14.5
Religion	4,073	0.3	0.5
TOTAL	21,137	28.0	48.7

Sources: National Center for Charitable Statistics (NCCS) and the Internal Revenue Service (IRS)

LEADERSHIP PROFILE

David Adame
Chicanos Por La Causa
President and CEO



Chicanos Por La Causa (CPLC), a 48-year-old regional community development corporation, created an innovative economic development model. The income generated by CPLC's community development projects enables CPLC to provide essential community services and encourage self-sufficiency across Arizona.

Affordable quality housing has always been one of the four pillars of CPLC's comprehensive service system. CPLC established an extensive for-profit housing system. Its revenue helps support our nonprofit programs.

For example, we established Tiempo, Inc. as a for-profit subsidiary. Through the construction, renovation, and management of buildings, job creation, and expanded economic development ventures, CPLC's Tiempo has become an economic engine. Profits from these economic activities enable CPLC to promote a senior housing agenda that offers advocacy and case management services. Also, CPLC's self-help housing program provides opportunities for rural Arizona families to cash in on "sweat equity" by providing their own labor. CPLC's affordable housing programs have assisted families all over the state in achieving their dream of home ownership.

Such successful experiences and our reputation for diligent management led CPLC to become the lead applicant for a national consortium of high-capacity, affordable housing developers.

NONPROFITS GENERATE **9.5%** OF ALL STATE AND LOCAL TAX INCOME

Arizona's nonprofit sector generated approximately \$2.1 billion in state and local taxes. This equates to 9.5% of all state and local tax revenue in Arizona and includes direct and indirect sales, property, individual income, and other taxes. If federal taxes were included, the total amount would be significantly larger.

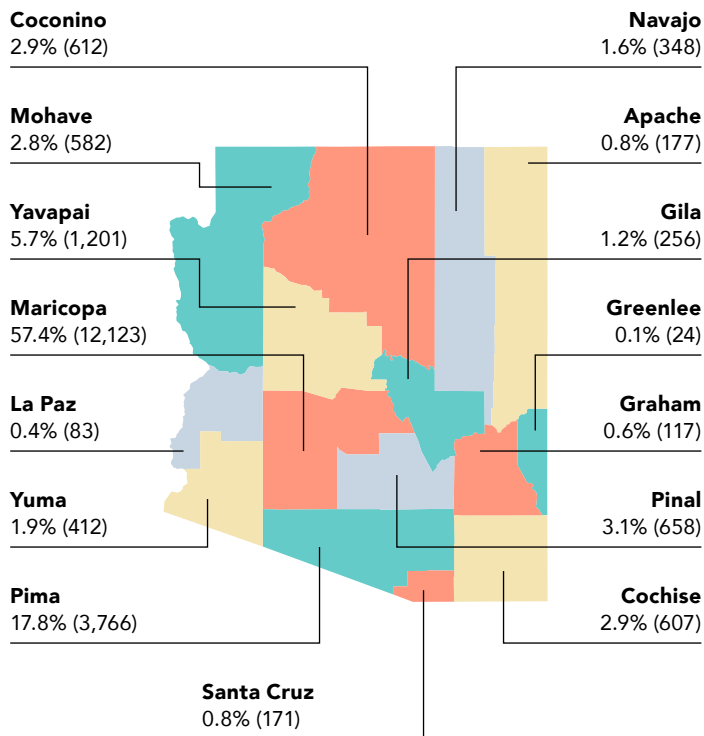
Nonprofits also receive government grants and contracts, because government at all levels is increasingly looking to nonprofits to pick up more and more services. Given these facts and figures, it only makes sense for nonprofits to actively participate in policy discussions.



THE NUMBER OF NONPROFITS HAS AVERAGED ABOUT 21,000 IN THE PAST FIVE YEARS, BUT ASSETS FOR THE SECTOR HAVE GROWN BY 25% TO \$48 BILLION

The number of Arizona nonprofit organizations registered with the IRS has varied from 23,717 to 19,898 over the last 5 years, but assets for the sector have grown from \$38 billion to \$48 billion.

REGISTERED NONPROFITS BY COUNTY TOTAL IN ARIZONA IN 2014: 21,137



Sources: National Center for Charitable Statistics (NCCS) and the Internal Revenue Service (IRS)

LEADERSHIP PROFILE

Dr. June Webb-Vignery Ph.D.
Metropolitan Education
Commission
Executive Director



The Metropolitan Education Commission (MEC) was the first in the United States to bring city and county government entities together with leaders from public and private schools, businesses, government, social services, the Hispanic-Native-African-Asian-American communities, and youth to address all areas affecting the educational welfare of Tucson and Pima County citizens.

For 25 years, members of the commission have left territoriality at the door. Their main motivation has been to support education and the community's youth. Through their work, the MEC has achieved success in moving Tucson and Pima County forward on:

- Pima County's high school graduation rates through the Goal One: Graduate! Initiative. The community came together to work towards raising rates to their current levels of 71% (4 year rate) and 77% (5 year rate).
- Higher education access and success through the MEC's Regional College Access Center—Arizona's first—which has experienced a large increase in post-secondary referrals and website users. Those high schools funded by our Helios Education Foundation grant have also shown significant increases in FAFSA completions, scholarship totals, and matriculation to the University of Arizona.
- Youth leadership and citizenship with the YAC/TTC program which, since it began in 1994, has involved thousands of youth in activities and enabled them to interact with local and state leaders.

PART 3

ARIZONA NONPROFITS ARE MAJOR EMPLOYERS

“As an organization that is deeply committed to supporting business growth, diversity and the creation of meaningful, well-paying jobs, we know first-hand that nonprofits, whether large or small, provide substantive career opportunities that stimulate our state’s economic health and prosperity.”

Gonzalo de la Melena, Jr.
President and CEO
Arizona Hispanic Chamber of Commerce

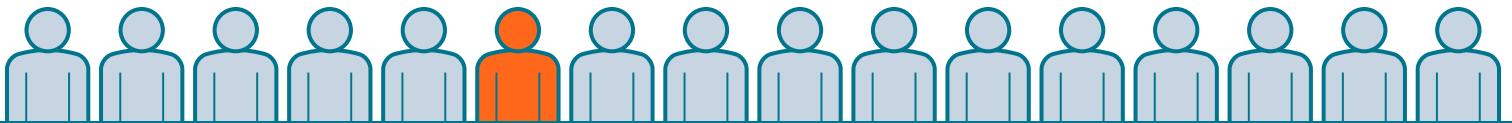


NONPROFITS CREATE JOBS

The Center for the Future of Arizona tells us that Arizonans agree job creation is one of Arizona’s top goals. This research confirms that the nonprofit sector makes a valuable contribution toward this goal. Nonprofits in 2014 contributed \$7.7 billion in direct wages.

Nonprofits are Arizona’s 5th largest employer, excluding state and local government. Arizona nonprofits account for 325,000 jobs. They employ 167,000 paid staff directly and are also responsible for an additional 158,000 indirect/induced jobs.

- **1 in every 16 jobs in Arizona is in a nonprofit.**
- **The table below shows the four sectors with a larger employment presence in the state are retail trade, accommodation and food services, health care and social assistance, and administrative and waste management.**
- **166,641 Arizonans work for a nonprofit, accounting for 7.7% of total direct non-government employment.**



COMPARISON OF NONPROFIT EMPLOYMENT TO SELECT ARIZONA NON-GOVERNMENT SECTORS, 2014

Retail Trade	311,992
Accommodation & Food Services	247,694
Healthcare & Social Assistance (excludes nonprofits)	236,999
Administrative & Waste Management Services	223,951
Nonprofits (includes healthcare and education nonprofits)	166,641
Manufacturing	156,074
Finance & Insurance	134,682
Construction	124,742
Wholesale Trade	93,463
Transportation, Warehousing, & Utilities	83,691
Education (excludes nonprofits)	49,278
Real Estate, Rental & Leasing	47,720
Management of Companies & Enterprises	29,598
Agriculture, Forestry, Fishing, & Hunting	24,830
Mining, Quarrying, Oil & Gas Extraction	13,008

Source: QCEW, 2014 annual average employment for private industries

NONPROFITS ARE RESPONSIBLE FOR \$14 BILLION IN LABOR INCOME

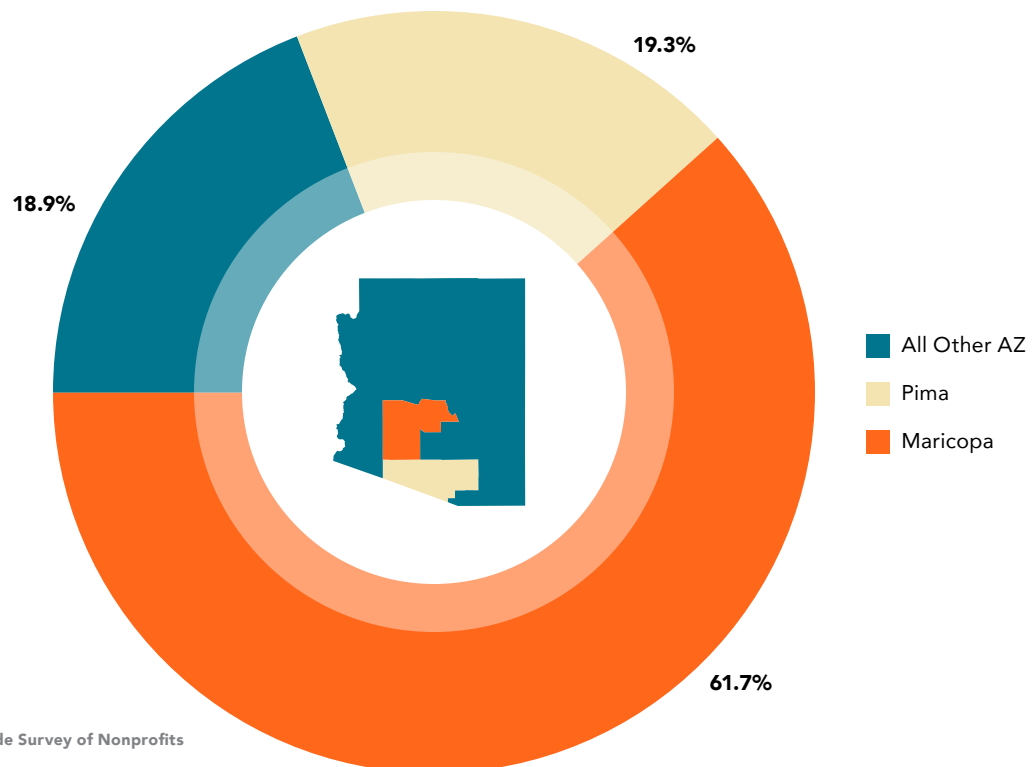
Arizona's nonprofit sector as a whole paid \$7.7 billion in direct wages in 2014, representing 6.1% of Arizona's total wages and salaries.

When the direct, indirect, and induced labor income impacts are added, nonprofits are responsible for an estimated 11% of Arizona's total wages and salaries.

Regionally, nonprofit job creation reflects the statewide population distribution. Based on location of nonprofit headquarters:

- **Maricopa County nonprofits create 199,509 jobs and generate \$10.1 billion in wages and salaries.**
- **Pima County nonprofits create 63,319 jobs and generate \$3.2 billion in wages and salaries.**
- **Nonprofits outside Maricopa and Pima Counties create 61,437 jobs and generate \$3.1 billion in wages and salaries.**

REGIONAL CONTRIBUTIONS TO THE NONPROFIT SECTOR'S TOTAL ESTIMATED STATEWIDE ECONOMIC IMPACTS, 2014



Source: Seidman's Statewide Survey of Nonprofits

EMPLOYMENT AT ARIZONA NONPROFITS IS GROWING

Direct employment at nonprofits grew by **12%** during the 2009-2014 five-year time horizon.

The **largest** five-year nonprofit employment **growth rates** are in the educational, environment and animal welfare, and other health sectors.

Nonprofits show **growth in employment in 8 of 10 categories** over the 5-year time horizon.



ARIZONA NONPROFIT EMPLOYMENT GROWTH RATES

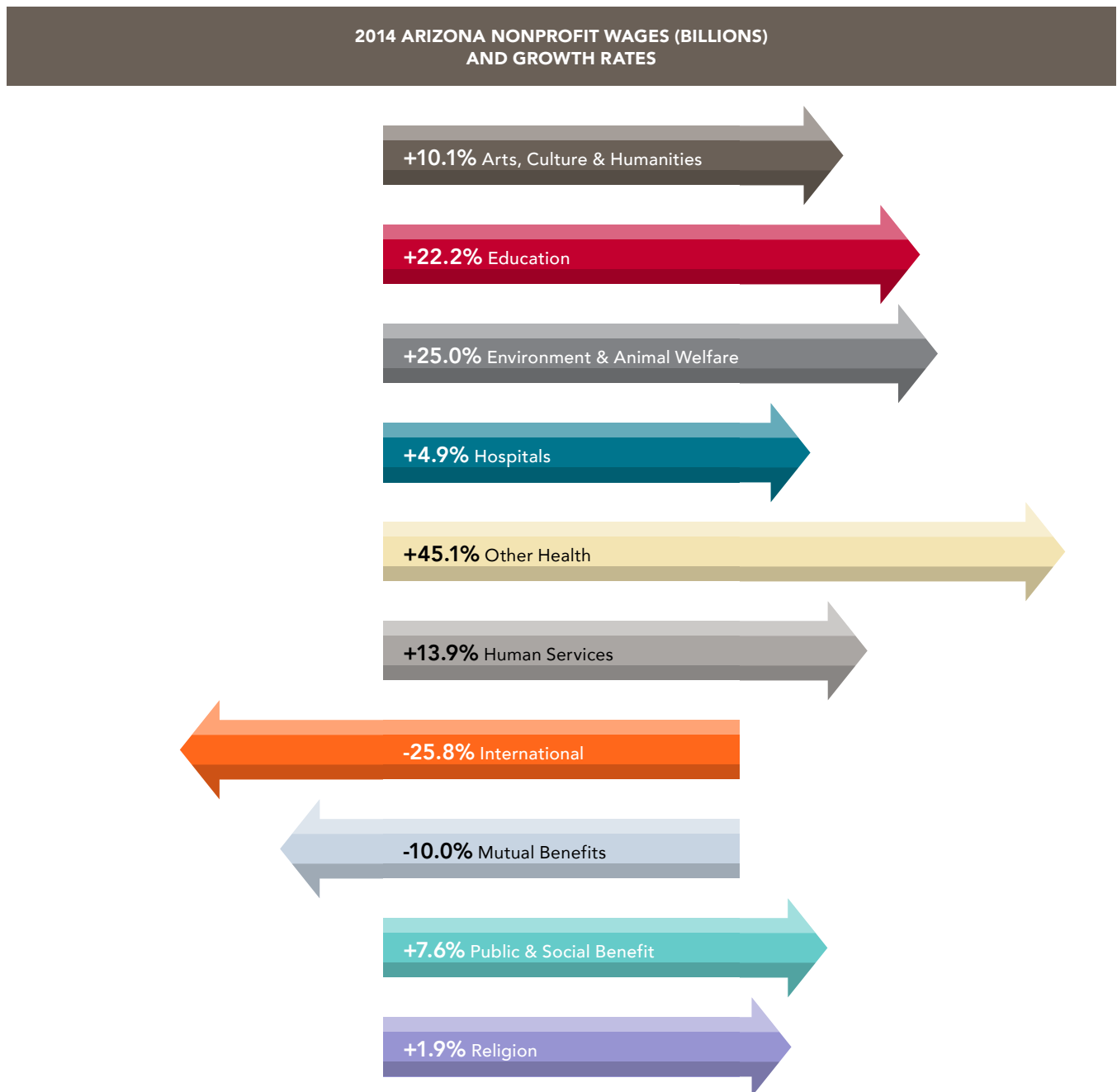
ORGANIZATION TYPE	JOBS IN 2009	JOBS IN 2014	5 YEAR GROWTH RATE
Arts, Culture & Humanities	2,559	2,832	10.7%
Education	13,510	16,505	22.2%
Environment & Animal Welfare	1,743	2,081	19.3%
Hospitals	66,102	71,117	7.6%
Other Health	19,090	22,582	18.3%
Human Services	36,408	42,022	15.4%
International	233	198	-14.8%
Mutual Benefit	784	758	-3.3%
Public & Social Benefit	6,983	7,129	2.1%
Religion	1,456	1,568	7.7%
TOTAL	148,868	166,792	12.0%

Source: AZ Department of Administration

NONPROFIT WAGES ARE INCREASING, TOO

Direct wages and salaries in Arizona nonprofits grew by 12.7% during the 2009-2014 five-year time horizon.

They fell only in the two smallest nonprofit subsectors which together account for less than 0.3% of total nonprofit wages. The other nonprofit subsectors saw robust growth.

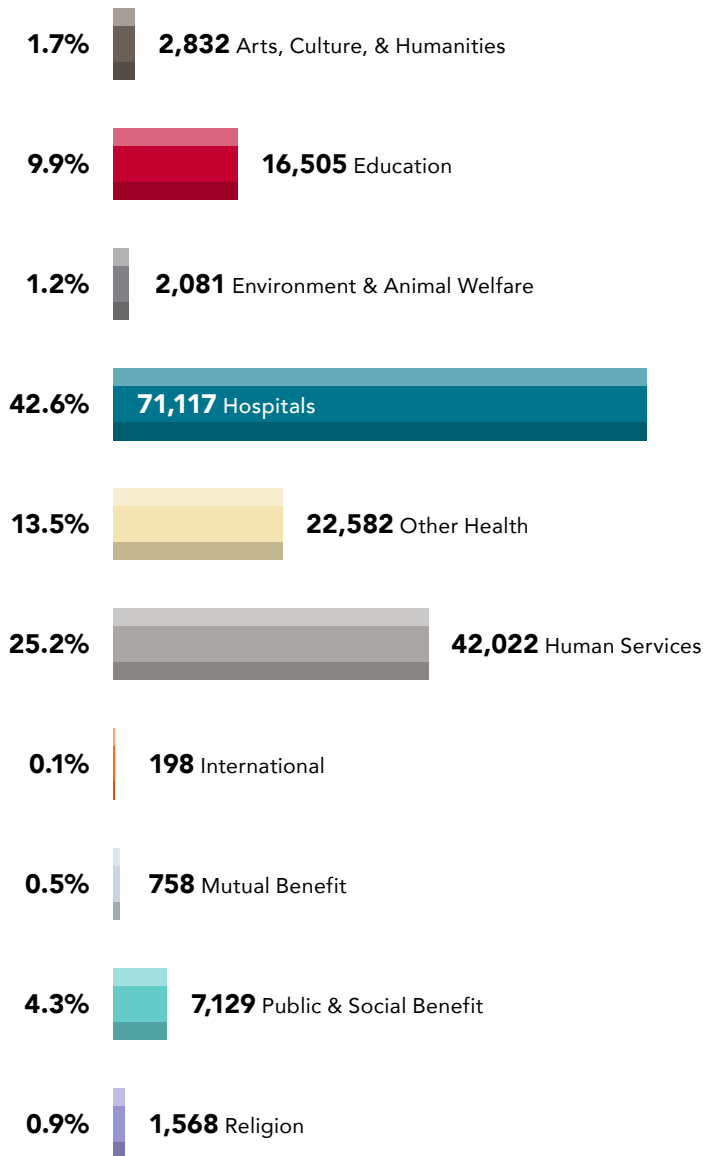


Source: AZ Department of Administration

TOP EMPLOYERS IN NONPROFIT SECTOR

Reflecting the sector’s diversity in size, healthcare and hospitals account for the largest number of employees with more than half (56%) of direct nonprofit employment in the hospitals and other health categories. Other major categories include human services (25%) and education (10%).

NUMBER AND PERCENT OF NONPROFIT JOBS BY ORGANIZATION TYPE



Source: AZ Department of Administration

LEADERSHIP PROFILE

Darlene Newsom
UMOM New Day Centers
Chief Executive Officer



I believe the strongest and most sustainable leadership asset of UMOM New Day Centers (UMOM) is its large number of committed volunteers. With their long-term engagement in UMOM, these volunteers become ambassadors for UMOM and knowledgeable advocates for service to homeless families and individuals.

When I look for long-lasting impact for our organization, I realize that a successful campaign or a building or program or one good budget year will not sustain us for the long-term. Keeping individuals and groups engaged is what will sustain our organization.

Most people are involved with three to five charities at a time. To keep UMOM’s volunteers involved, we have different levels of engagement and we communicate with them regularly. For example, our Patrons’ Circle, a group of CEOs—some retired—meet three times a year. This is an important group for us, and we make sure to use their time wisely. We ask strategic questions about our business operations, and they are also helpful in the political arena.

Volunteers are the core of what we do. We are proud that some groups have been committed to us for 25 years or more. Their long-term engagement gives credit that we have stayed true to our mission.

PART 4

NONPROFITS' SERVICES GENERATE MOST REVENUE

"Our statewide survey of nonprofits gave additional insights into the financial scope and economic footprint of the nonprofit community. Responses were received from nonprofits of all sizes, and from every corner of the state, reinforcing previous findings that the community as a whole is only just starting to appreciate its true economic power."

Dr. Anthony Evans

Senior Research Fellow

L. William Seidman Research Institute W. P. Carey School of Business

Arizona State University

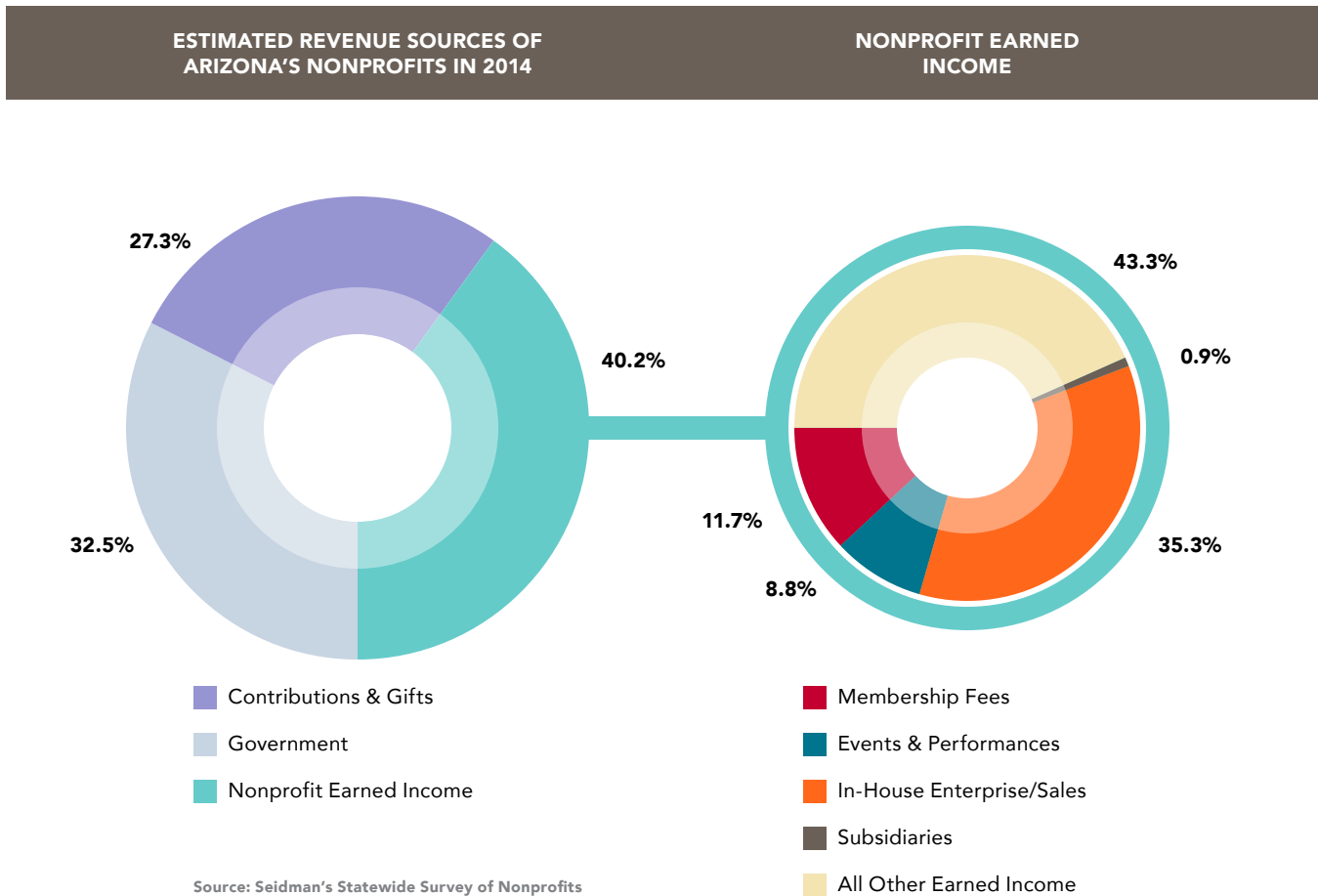


NONPROFITS PRODUCE REVENUE

Many Arizonans may assume that most nonprofits rely entirely on philanthropic contributions, so they may be surprised to learn from the figure below that more than 72% of nonprofit revenue is, in fact, generated by earned revenue, fees for services, and government contracts. Many nonprofits generate earned income through activities related to their mission, such as Goodwill’s sale of donated clothing or Girl Scout cookie sales; increasingly, innovative organizations are expanding into other income-generating social enterprises.

Program service funds and contracts, investment income, special events income, members’ dues, and net sales are estimated to account for \$4 out of every \$10 dollars of revenue generated by Arizona’s nonprofits. In addition, the statewide survey estimates that federal, state, and local government contribute nearly one-third of Arizona nonprofits’ annual revenue. Together, these two revenue sources account for more than 72% of nonprofit revenue.

Contributions and gifts from individuals, foundations, trusts, and private companies are estimated to generate only 27% of Arizona nonprofits’ annual revenue.



THE TYPE AND SIZE OF A NONPROFIT INFLUENCE ITS REVENUE SOURCES

BY TYPE

Hospitals and other health-related nonprofits rely the most on program/service revenue.

Environmental, public and social benefit, and religious nonprofits rely mostly on contributions, gifts and grants.

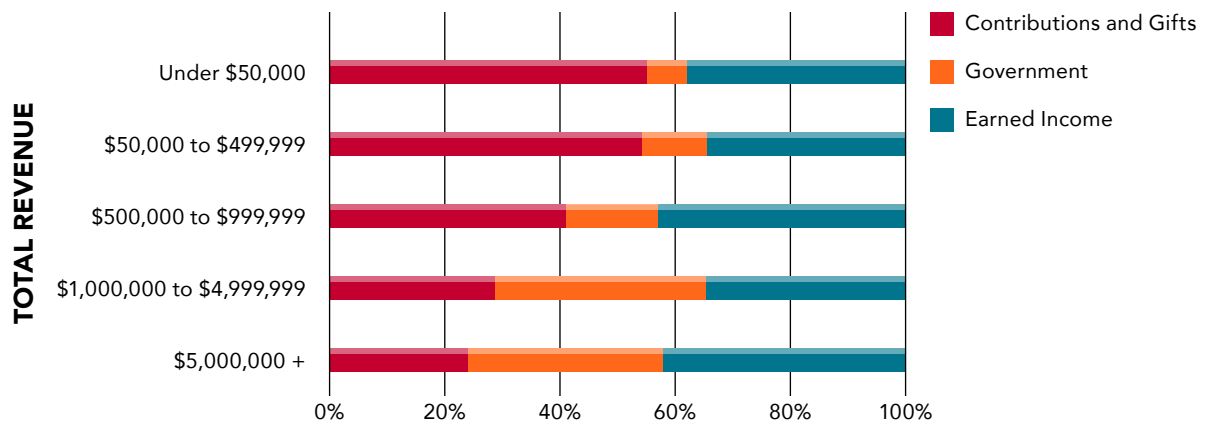
BY SIZE

The size of a nonprofit impacts its revenue sources.

The statewide survey suggests that nonprofits generating less than \$500,000 in revenue per year receive the largest percentage of their total annual revenue from contributions and gifts.

Nonprofits generating \$1 million or more in revenue per year generate the largest percentage of their total annual revenue from government grants and contracts.

PRIMARY REVENUE SOURCES AS A PERCENTAGE OF TOTAL REVENUE



Source: Seidman's Statewide Survey of Nonprofits

NONPROFITS ARE GOOD STEWARDS

Survey responses and leadership profiles indicate that rather than cutting back on services, Arizona's nonprofits first look for efficiencies in their operations. Many are developing innovative business practices to meet the increased demand for social services which has resulted from reductions in government funding. In fact, the overwhelming majority of nonprofits are operating on the same budget as the previous year and yet served a greater number of clients.

- **Based on our statewide survey, 55.7% of nonprofits were able to maintain previously established efficiencies.**
- **15.3% of Arizona's nonprofits in receipt of government grants and contracts experienced a year-on-year decline in the value of this revenue source compared to 23.2% who experienced a year-on-year increase.**
- **40% of nonprofits received an increase in the value of their non-government revenue in 2014, compared to 2013.**

Percent of overhead is not the single, or often even the best, measure of a nonprofit's effectiveness and efficiency. However, when nonprofits do have to reduce expenses, the top three cost-saving strategies implemented by respondents are:



LEADERSHIP PROFILE

Diane Brossart
Arizona Forward
President and CEO



Members and staff of Arizona Forward, a 46-year-old statewide environmental organization, have shown leadership by developing and disseminating a series of educational primers on complex sustainability issues. These factual publications are designed to provide objective information in an easy-to-read format that encourages readers to get involved and become more vested in Arizona. Primers we have released to date include: *Arizona's Guide to Electric Energy Choices*; *Why Parks and Open Space Matter: The Economics of Arizona's Natural Assets*; *Valuing Arizona's Water: The Cost of Water and the Price You Pay*.

Primers are distributed to legislative and community leaders, media, and others to enhance awareness of complicated, controversial issues related to growth. While they do not take positions on issues, the publications often form the basis for advocacy and outreach that translates into actionable measures designed to solve environmental challenges in the Grand Canyon State. The content in our primers is reinforced by public forums and programming around these issues, including monthly lunches, our Stewardship Summit on Designing Healthy Communities, and a statewide mayoral panel.

PART 5

CONCLUSION: ECONOMIC POWER, POSITIVE IMPACT

“The substantial boost that the nonprofit sector gives to our state in terms of civic leadership, revenue generation, and business best practices makes it a sector to take seriously.”

Cathy Ryan

Supply Chain Operations Leader
W.L. Gore & Associates, Inc.



WHAT DOES THIS DATA TELL US?

After reviewing the data from our research, it is clear that Arizona's nonprofits are a force to be reckoned with. The sector has a significant economic presence and is a major employer in the state.

This report has shown that the nonprofit sector adds significant value to Arizona's economy by paying taxes, meeting payrolls, buying supplies, and defraying other business expenses. Any sector which contributes 8% of the state's Gross State Product and is the fifth largest non-government employer in the state must be taken seriously.

The striking information in this report will inform anyone with an interest in Arizona's future. How can this increased understanding be translated into action?

IMAGINE WHAT POWERFUL RESULTS THERE WOULD BE:

- ***If elected officials and candidates for public office solicited input from nonprofits in achieving common goals.***
- ***If business leaders sought nonprofit partnerships to add value to local and regional economic development.***
- ***If grant makers identified ways of maximizing their investments in the community.***
- ***If leaders in all sectors looked for ways to collaborate.***

Although there is more to learn about Arizona's nonprofit sector, we already see its economic power and positive impact. It is up to all of us to more fully realize its potential by engaging the nonprofit sector in all discussion about Arizona's social and economic future.

LEADERSHIP PROFILE

Carrie Gustavson
Bisbee Mining
& Historical Museum
Director



When the 110-year-old Copper Queen Plaza Park, where our Bisbee Mining & Historical Museum is located, deteriorated so badly that families and kids no longer used it, we began talks with other citizens about its revitalization.

The City of Bisbee owns the Park. In early 2014, we met with city officials about revitalizing the public commons. Their enthusiastic response led us to talk with Freeport Minerals Company and the Bisbee Soils Program, who are undertaking extensive soil reclamation work in our historic mining town. With a preservation architect, we laid out a design to restore the Park to its 1930's beauty. Our project budget was \$350,000. More than \$70,000 in community support was an extraordinary amount to raise in our small community in two months. It was added to \$34,000 from Freeport-McMoRan Foundation and \$200,000 from the Bisbee Soils Program. The Museum received an additional \$50,000 donation for the 'Grassy Park Public Art Initiative' to bring art by local artists to our historic park.

The actual work took place over the summer of 2014. Now 'Grassy Park' is once again a green, urban 'pocket' park for play, picnicking, and relaxation and is enjoyed by residents and visitors alike!

RESEARCH METHODOLOGY AND SOURCES

The Arizona Nonprofit Economic Vitality Study is the most comprehensive research to date on the economic impact of Arizona's nonprofit sector. It gathers data from many sources. For the first time, data supplied by the Arizona Department of Administration Office of Employment and Population Statistics (AZ DOA) is used with an IMPLAN input-output model to calculate the economic impact of the nonprofit sector in Arizona.

To source the data, Seidman initially supplied AZ DOA with a list of more than 20,000 registered nonprofits in the state, including employment identification numbers (EIN). AZ DOA matched the EIN numbers with unemployment insurance records, to calculate the number of employees working at an Arizona-based nonprofit each quarter, and their annual wages. The employment numbers include both full-time and part-time employees, and exclude proprietors. AZ DOA then summarized and supplied Seidman with quarterly employment and annual wages data for 10 National Taxonomy of Exempt Entities (NTEE) categories for 2009, 2013, and 2014.

An Arizona-specific IMPLAN economic model was used by Seidman to estimate the total economic impact of the nonprofit sector for Arizona in 2014. IMPLAN is a commercially-licensed input-output model developed and maintained by the Minnesota IMPLAN Group, Inc. (MIG). An input-output model is a system of linear equations describing the inter-industry relationships in an economy.

The IMPLAN model organizes the economy into 440 separate industries and has comprehensive data on every area of the United States. It is widely used for economic assessments and can provide detailed estimates of secondary expenditures and income generated as a result of a business investment or operation for a finite period of time (typically one full calendar or fiscal year).

The IMPLAN model requires all data inputs to be entered according to a proprietary industry classification. IMPLAN provides a crosswalk to The North American Industry Classification System (NAICS), which is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. The National Center for Charitable Statistics also has a crosswalk of NTEE codes to NAICS codes.

To input AZ DOA's 2014 nonprofit data, Seidman implemented a two-step process, initially translating the NTEE coded data to NAICS codes, prior to final translation into IMPLAN codes.

The study's economic impacts are measured in terms of four variables: Gross State Product (GSP), Employment, Labor income, and State and local tax impacts. Seidman estimates three types of impact – total, direct, and indirect/induced – for each of the above measures.

Estimates of revenues received by the State of Arizona and local governments directly and indirectly induced by the nonprofit sector are based on ratios of collections per dollar of GSP, calculated from data obtained from the U.S. Census Bureau's State and Local Government Finances database.

Regional contributions to statewide economic impact are calculated using the same set of AZ DOA data, re-categorized by geography on the basis of the primary address listed on each FY2014 990 submission.

During spring and summer of 2015, a statewide survey of nonprofits was conducted. Available for completion online or via a mailed hard copy, the areas examined by this survey included: mission; programs and services; staff and volunteers; total revenue sources; and total expenditure sources.

Additional sources of information used as part of this study include:

Arizona Department of Administration: Nonprofit employment and wages data, by major National Taxonomy of Exempt Entities for 2009, 2013, and 2014.

ASU Lodestar Center for Philanthropy and Nonprofit Innovation: Scope of the Arizona Nonprofit Sector.

The Bureau of Labor Statistics: Quarterly Census of Employment and Wages, 2014.

The Urban Institute's National Center for Charitable Statistics (NCCS): IRS Business Master File 2014; NCCS Core Public Charity Files; 2014 Revenue Transaction File; and IRS 990-N archives.

The U.S. Census Bureau: 2014 American Community Survey 1-Year and 5-Year Estimates.

ACKNOWLEDGEMENTS

Lattie Coor and the Center for the Future of Arizona planted the seed for this study. The Center's 2009 Gallup poll identified leadership as an Arizonan need upon which all residents agreed. Lattie has been an inspiration and advisor throughout the study. Three Arizona Leadership Forums, conceived as part of the Arizona Nonprofit Leadership Initiative and co-sponsored by Freeport-McMoRan Foundation, National Bank of Arizona, and The Phoenix Philanthropy Group, highlighted examples of outstanding and effective Arizona leadership but uncovered the need for convincing data about the nonprofit sector's important role in Arizona's economy.

At the second Forum, Jim Collins, renowned author and international leadership expert, inspired us further by identifying Arizona's willingness to face facts and to focus on what is working.

The research study outline was developed at the Flinn Foundation by Patrick McWhortor, then President and CEO of the Alliance of Arizona Nonprofits; Nancy Welch, Vice President, Arizona Center for Civic Leadership; Dennis Hoffman, Director, L. William Seidman Research Institute; and Richard Tollefson, President, The Phoenix Philanthropy Group.

Steve Seleznow and Jacky Alling at the Arizona Community Foundation have been proponents of the study from the start. David Adame, President and CEO of Chicanos Por La Causa, immediately saw the study's potential to encourage collaboration between sectors and championed it with potential funders.

We gratefully acknowledge that two previous studies' reports—CalNonprofits' *Causes Count* and The Nonprofit Roundtable of Greater Washington's *Beyond Charity*—inspired our report format. Jan Matsuoka, CalNonprofits' CEO, was kind enough to meet with us and provide advice.

Stephanie LaLoggia, formerly with ASU Lodestar, and Russ Haan from After Hours Creative both stepped in to offer guidance at crucial stages of the study. Stephanie's experience as a nonprofit researcher was invaluable. Robert F. Ashcraft, ASU Lodestar Center's Executive Director, and Kristen Wilson Merrifield, the new Alliance of Arizona Nonprofits President and CEO, have offered valuable advice during the report-writing stage.

Anthony Evans and the Seidman research team have been professional, patient, and a joy to work with. We are grateful to Frank Curtis, Ph.D., Director of Labor Statistics, Arizona Department of Administration for his assistance in providing data.

Marc Kellenberger, Richard Tollefson, and the entire Phoenix Philanthropy team have been supportive and patient, with special mention due to Kellie Teskey and David Hume.

The more we all know about the sector, the better we all can work together. This study is only a start in understanding the economic impact and value of Arizona's nonprofit sector. It is our hope that this study will be replicated in the future and that the proposed Phases 2 and 3 can be conducted.

Project Coordinator and Editor: Laurel Kimball

Design by: Trevor Hill

Special thanks to survey respondents who took the time to complete the survey.

Many thanks to the funders who made this report possible:



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The full report is available online at **AZNonprofitImpact.org**. Reach out to any of the research partners or the Arizona Community Foundation for a speaker to discuss the research findings, for additional copies of the report, or to provide comments. Contacts at each organization are:

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FIND YOUR OWN WAY TO BE A QUIET – OR NOT SO QUIET! – LEADER. HERE ARE SOME WAYS YOU CAN STRENGTHEN THE IMPACT OF ARIZONA'S NONPROFIT SECTOR.

- *Join the Alliance of Arizona Nonprofits.*
- *Support further research on the sector.*
- *Tell others about this report.*
- *Identify effective nonprofits that add value in areas you are passionate about. Then, support them—with your time, talent, and treasure.*
- *Encourage collaboration and dialogue between government, business, and nonprofits.*