The Economic Impact of Non-Profits in Mesa County

Colorado Mesa University
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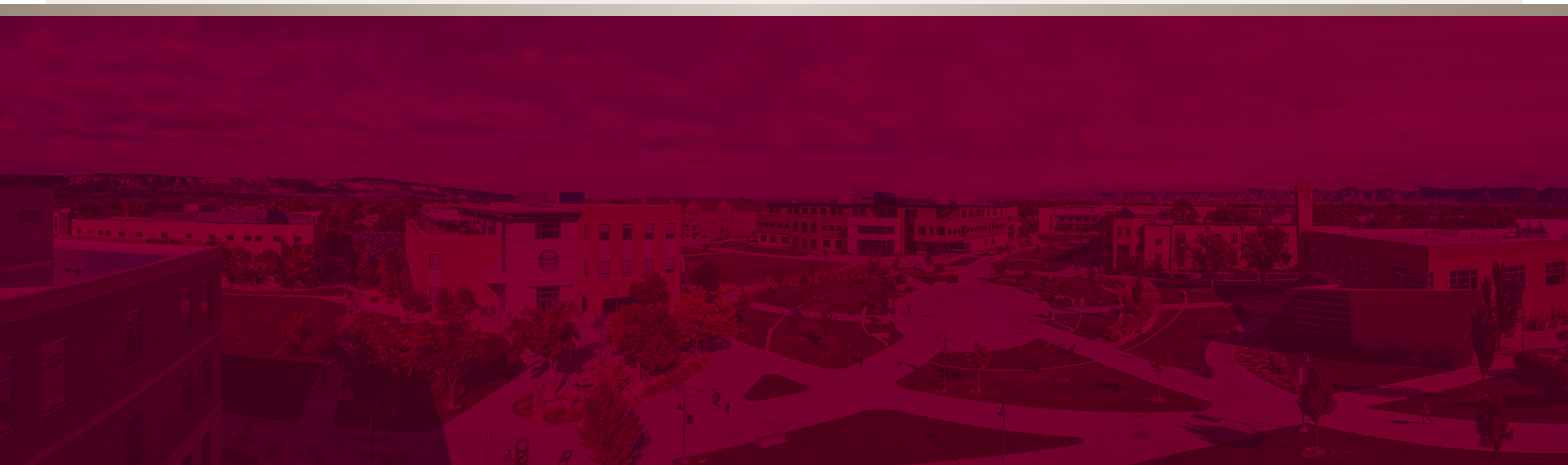

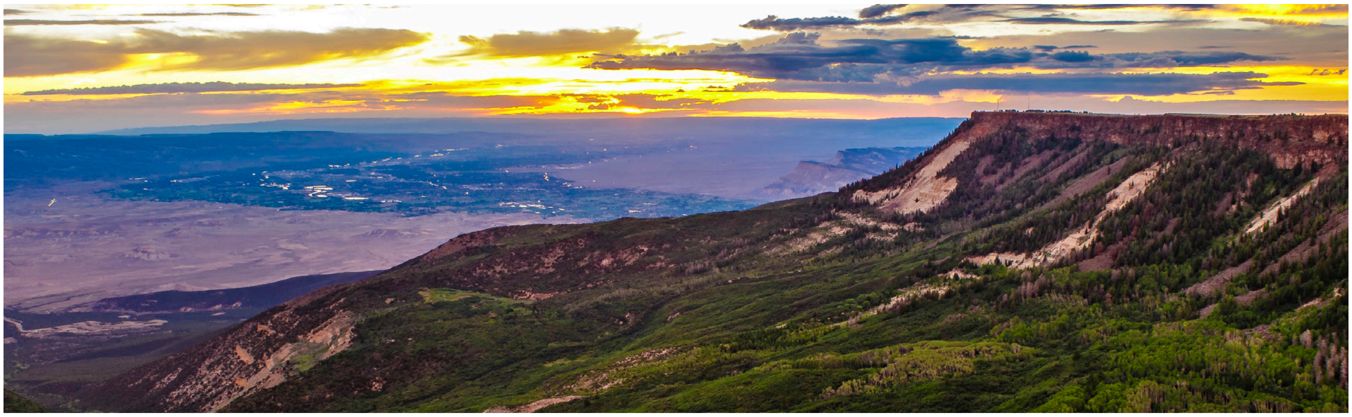

EXECUTIVE SUMMARY – PART 1

- Part 1 of this study investigates the economic impact of 501(c)(3)s in Mesa County.
- Non-profits employ 3,535 full-time, part-time, and seasonal employees. 59% of these jobs are full-time, with 41% part-time or seasonal. Adding supply chain and induced effects, the total employment created by the non-profit sector is 4,705.
- The total labor income created is $191,740,384, which equates to 4.7% of total Mesa County wages.
- The contribution to regional GDP is $224,010,826, which equates to 3% of Mesa County GDP.
- Total output includes value added (regional GDP) plus the cost of intermediate goods. The total output value of $409,185,608 represents the gross total value of all sales and production due to the non-profit sector.

EXECUTIVE SUMMARY – PART 2

- Part 2 of this study summarizes questions to non-profits about their expectations for the future, as well as challenges such as revenue and costs, and hiring issues pertaining to the non-profit sector.
- 81.3% of non-profits experienced an increase in demand for primary/core services from 2021 to 2022.
- 87.5% of non-profits predicted their expenses would increase from 2022 to 2023, 9.4% predicted no change, while 3.1% predicted their expenses would decrease.
- 21.9% of respondents expected a contraction of revenues, 59.4% expected an increase in revenues, while 18.8% expected no change.
- 50% of non-profits did not expect to have workforce reductions, 34.4% anticipated expanding their workforce, while 15.6% expected to reduce workforce.
- 56.3% of non-profits reported no problems retaining employees, while 43.8% reported having problems retaining employees.
- 53.1% of non-profits responded that they have a difficult time recruiting new employees, while 46.9% said they do not have a difficult time recruiting.

ACKNOWLEDGEMENTS

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Participating Non-Profits	
Ariel Clinical Services	HomewardBound of the Grand Valley
Art Center of Western Colorado	HopeWest
Business Incubator Center	KAFM | Community Radio
Counseling & Education Center	Mesa County Partners
Colorado National Monument Association	STRIVE
Doors 2 Success	Quality Health Network
Dyslexia Foundation of Western Colorado	RiversEdge West
Food Bank of the Rockies	Riverside Educational Center
Foster Alumni Mentors	Rocky Mountain Health Foundation
Good Samaritan Clinic of Western Colorado	Roice-Hurst Humane Society
Grand Junction Economic Partnership	School District 51 Foundation
Grand Junction Orchestra	The Cycle Effect
Grand Valley Catholic Outreach	United Way of Mesa County
Greater Grand Junction Sports Commission	Western Colorado Alliance
Harmony Acres Equestrian Center	Western Slope Center for Children
Hilltop Community Resources	

PART 1

INTRODUCTION

Non-profit organizations play an important role in the Mesa County economy, and represent a diverse array of industries that contribute locally. The goal of this study is to determine the economic impact of non-profit 501(c)(3)s in Mesa County. The non-profit sector represents several types of industries, including healthcare and human services, arts ,entertainment, and recreation, and other industries as detailed later in this report. This study consists of two sections:

1) Economic impact of non-profits in Mesa County

2) Survey results for non-profits

The first section details the economic impact of 501(c)(3)s in Mesa County. The second part of the report analyzes a questionnaire sent to non-profits about their challenges, opportunities, and expectations for the future.

LITERATURE REVIEW

A study by the National Council of Non-Profits shows that non-profits throughout the nation pay $826 billion in wages annually, with the top industries being hospitals, human services, healthcare and mental health.[1] Non-profits employ 12.3 million people, and have expenditures nearing $1 trillion each year.

A previous study on non-profits in Mesa County showed an economic impact of $133,809,871 (Perry, 2017). Note that this was a less comprehensive study and surveyed only the members of the Community Impact Council, a local non-profit coalition. The job numbers were estimated at 2,161, while labor income was estimated at $77,553,013.

In a study based on non-profit responses to the 2008 recession, the authors found that non-profits face particular challenges in tough economic times, with higher demand for services, but lower resources with which to meet the demand.[12] This was the trend from 2009-2011. Corporate donations, government grants, and investment income all decreased, while individual donations increased. The decrease in government grants was the most important factor for meeting demand and fell during the study period. In response to bad economic times, non-profits had to make tough decisions, such as hiring freezes, layoffs, and reduced programming. The second portion of this report asks similar questions that relate to the challenges that face non-profits moving forward.

ECONOMIC IMPACT METHODOLOGY

A comprehensive survey was sent to 102 non-profit organizations in Mesa County that fit the 501(c)(3) classification, and 31 responses were received. Hospitals and religious organizations were not included in the study. Data on the number of employees, wages, revenues, and expenditures was collected to determine the economic impact of non-profits in Mesa County, as well as other useful information about the non-profit industry (presented in part 2 of this report). Data from the sample of 31 was extrapolated to the tax records of the 102 non-profits by total expenditures reported in the 501(c)(3) tax records.[3] Total expenditures were used for the extrapolation instead of the number of non-profits because expenditures drive economic impact, and there is a lot of variance non-profit to non-profit. Scaling by expenditures made the extrapolation process very accurate. Fortunately, with 501(c)(3)s this information is available, which allowed for the use of the spending and industry profile from the survey to be extrapolated to the exact expenditure amount of non-profits in the region. The total expenditures for the 102 non-profits was $235,260,902 according to 2021 tax data. Survey respondents represented $163,653,848 of total expenditures. In the survey, respondents were asked to determine what percentage of expenditures were inside of the county vs. outside of the county, and only in-county spending was included in the model. Survey respondents were asked to provide 2022 data.

Table 1 shows the geographic region served from the non-profit survey, with 13 non-profits serving the Western Slope[4], 12

1 National Council of Non-Profits. Nonprofit Impact Matters: How America's Charitable Non-profits Strengthen Communities and Improve Lives. Retrieved from: https://www.nonprofitimpactmatters.org/site/assets/files/1/nonprofit-impact-matters-sept-2019-1.pdf

2 Gassman, J., Dolch, N., Kinnell, A., & Schaffer, R. (2012). A Three Year Study of the Nonprofit Sector's Response to the Economic Challenges in Six Cities Across the Nation. https://marxe.baruch.cuny.edu/wp-content/uploads/sites/7/2020/04/GassmanetAl_AThreeYearStudyoftheNonprofitSectorsResponstotheEconomicChallengesinSixCitiesAcr.pdf

3 The data was retrieved from taxexemptworld.com.

4 The Western Slope is generally defined as the western part of Colorado.

serving Mesa County, 1 the Western U.S., 4 the Greater Grand Junction Area, and 1 the state of Colorado. Table 2 shows the industry classification that non-profits thought best fit their institution. Human services was the top response, with education second. Figure 1 illustrates Mesa County non-profit revenues and expenditures over time, reported from tax filings. Non-profits have had a distinctive positive trend of increasing revenues and expenditures since 2013. This is important because the economic impact of non-profits, or any institutions, comes from their expenditures.

Table 1: **Geographic Region Served**

Geographic Region Served	Number
Western Slope	13
Mesa County	12
Greater Grand Junction Area	4
Western U.S.	1
Colorado	1

Table 2: **Non-profit Category**

Non-profit Category	Frequency
Human Services	10
Education	5
Other (health information technology, civic engagement, housing services, youth)	4
Arts and Culture	3
Healthcare	3
Community/Economic Development	3
Philanthropy	2
Animal Welfare	1

Figure 1: **Non-Profit Revenues and Expenditures Over Time**

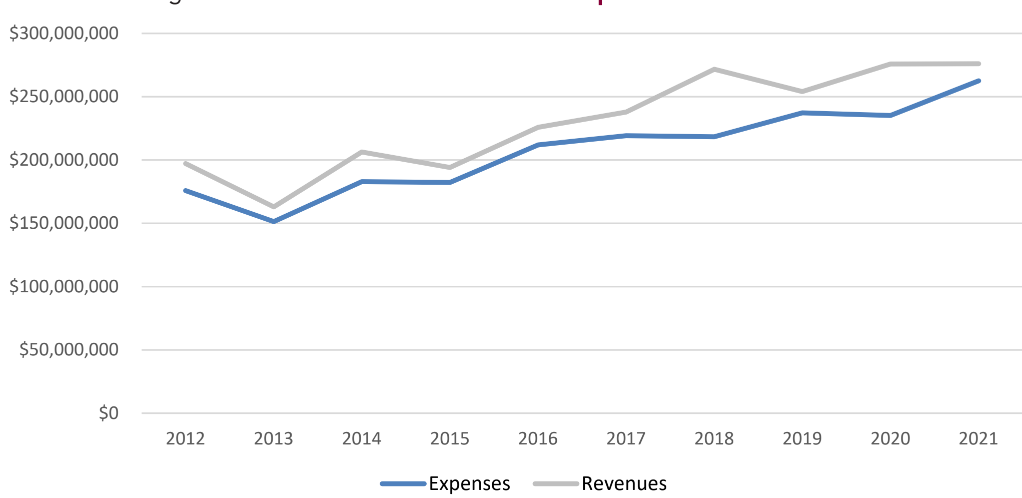

Table 3 illustrates the jobs, wages, and total operating budget for the sample non-profits as well as the extrapolated estimate. 59% of jobs were full time vs. 41% part time. When scaled to the full level of expenditures, the estimate is 2,361 full-time jobs and 1,621 part-time and seasonal jobs, for a total of 3,982 jobs. Respondents reported paying $89,167,336 in wages and benefits, which adjusted for employees inside of Mesa County equates to $76,259,083. Extrapolating to the full expenditure amount estimates $143,098,064 in wages for the non-profit sector. Table 4 shows revenues and expenditures, with the total revenue and total expenditures coming in at $276 million and $262 million, respectively. Note that jobs, wages, and output numbers reported in table 3 and 4 are not adjusted for the percentage inside of Mesa County.

Table 3: **Jobs, Wages, and Total Operating Budget**

	Sample	Extrapolated (2022)
Full-Time Jobs	1,471	2,361
Part-Time Jobs	1,010	1,621
Total Jobs	2,481	3,982
Wages	$89,167,336	$143,098,036
Total Operating Budget	**$166,435,555**	**$267,100,064**

Table 4: **Total Revenue, Total Expenditures**

	Sample	Total (from tax info, 2021)
Total Revenue	$172,149,743	$276,270,339
Total Expenditures	$163,653,848	$262,635,908

ECONOMIC IMPACT MODELING[5]

This report used a data and software program called IMPLAN to conduct the economic contribution and impact analysis.[6] IMPLAN is an Input-Output model that accounts for all flows of economic activity between different sectors in an economy, including government and households. The model uses a Social Accounting Matrix (SAM) which accounts for the relationships between different industries, households, and government, as well as other elements like savings, commuting, and trade.

The direct effect from jobs, wages, and expenditures is the starting point for the economic impact story. After the direct industry contribution is calculated, these numbers need to be adjusted for leakages from the economy, supply chain effects, and multiplier effects, all of which IMPLAN estimates.

Leakages are important to consider because not every dollar spent in the county stays in the region. Leakages include taxes, commuting (a leakage of employee compensation), savings, and imports from other areas (as imported goods do not drive further local effects). IMPLAN also calculates supply chain effects for each spending category and industry. Supply chain effects, or indirect effects, are the effects of local spending on suppliers. For instance, a business that supplies office supplies locally as a result of the large non-profit sector in Mesa County is a supply chain effect. The office supply company in turn spends money on other local suppliers, buying inputs into their production or sales process, which also affects the supply chain. However, there may be instances where office supplies are not produced or sold in the region, and IMPLAN estimates how much of this supply chain effect is spent locally vs. non-locally.

5 Some wording and phrasing explaining economic impact concepts are taken from previous economic impact studies conducted by Nathan Perry.

6 IMPLAN Group LLC. IMPLAN 2023. Huntersville, NC. IMPLAN.com.

Induced effects are also calculated by IMPLAN. Every dollar spent by non-profit sector employees and employees in the office supply chain businesses in the area becomes income to someone else, such as a local business, hotel employee, gas station attendee, or waiter/waitress. Each of these businesses and their employees spend this new income, creating income for someone else. The cumulative impact of these rounds of spending is known as the multiplier effect. The multiplier effect is the total economic effect divided by the direct effect.

ECONOMIC IMPACT RESULTS

Direct effects are the direct data from the non-profits and their employment, labor income, and GDP just from non-profit entities. Indirect effects are supply chain effects, and induced effects are the wage spending effects from the direct and indirect effects. The total effects are the combination of direct, indirect, and induced effects. It's generally not enough just to look at the direct effects to accurately measure economic impact, because if we completely removed non-profits from the economy, the impact would be felt further than the direct effects. The supply chain that feeds into the non-profit sector would experience major losses, and the induced spending resulting from the direct and indirect effects would go away. Hence, the total impact is the more accurate measure to analyze the impact of any business or sector in an economic impact report.

Table 5 illustrates economic impact results. The direct impact of non-profits is 3,535 full-time, part-time, and seasonal employees. As stated above, 59% of these jobs are full-time with 41% part-time or seasonal. The non-profit sector has a core of full-time employment and many part-time and seasonal employees, and the variance of the quantity of part-time/seasonal employment is extreme non-profit to non-profit. Adding indirect and induced employment effects, the total employment number is 4,705. A total of 457 jobs were created through supply chain effects, while the wages from the direct and indirect employment created 712 additional jobs as each of these employees spent their money over the year. This equates to 5% of Mesa County jobs. The total labor income created through the combination of direct, indirect, and induced effects is $191,740,384. This equates to 4.7% of total Mesa County wages.

Table 5: **Economic Impact Results**

	Employment	Labor Income	GDP	Output
Direct	3,535	$139,010,241	$133,159,367	$228,066,318
Indirect	457	$18,953,345	$28,982,758	$70,699,453
Induced	712	$33,776,798	$61,868,701	$110,419,837
Total	**4,705**	**$191,740,384**	**$224,010,826**	**$409,185,608**

The contribution to regional GDP, or Value Added, is the difference between an industry's output and the cost of intermediate inputs. Value Added is defined as the total market value of all final goods and services produced within a region in each period of time. Total GDP created from the non-profit sector is $224,010,826, which equates to 3% of Mesa County GDP.

Total output includes Value Added (regional GDP) plus the cost of intermediate goods.[7] The total output value of $409,185,608 represents the gross total value of all sales and production due to the non-profit sector. This is a broader measure than the standard gross domestic product (GDP). Output is the value of an industry's production. It counts the regional GDP and the intermediate inputs that are associated with it. This total output measure is the gross measure of local economic activity, and represents how a business would account for sales transactions from one firm to another. Value Added is a subset of Output and is a useful measure of wealth created by an economy. Therefore, Value Added (contribution to GDP) is considered a more accurate representation of economic contribution and is the emphasis of this report.

7 A good example illustrating the relationship between total output and regional GDP is car production: Regional GDP only counts the final value of the car, but total output adds the intermediate goods of steel, rubber, and other parts, plus the total value of the car. This is known as double counting in GDP calculations.

The combination of direct, indirect, and induced effects created jobs in a variety of industries. Table 6 shows the different industry codes created by the economic impact of the non-profit sector. Individual and family services represented the largest contributor due to the direct effects of non-profit employment. Mental health, educational, community and housing, and performing arts are the top industries that provide employment.

Table 6: **Jobs Created by Industry**

Industry	Total Employment
Individual and family services	1,599
Residential mental health, substance abuse, and other facilities	923
Other educational services	342
Community food, housing, and other relief services, including rehabilitation services	332
Performing arts companies	172
Other real estate	57
Grantmaking, giving, and social advocacy organizations	41
Full-service restaurants	29
Limited-service restaurants	36
Medical and diagnostic laboratories	21

Table 7 shows the tax impacts of the non-profit sector and the economic impact it creates. The IMPLAN model was adjusted to account for the tax exemptions that non-profit organizations have. This is one of the reasons for the low direct tax collection at the local level in the direct effects. Despite tax exemptions that reduce local tax contributions, the economic activity from the non-profit sector creates tax contributions through indirect and induced effects. At the state and federal level, contributions are higher because of income taxes of non-profit employees.

Table 7: **Tax Impacts**

	Sub-county General	Sub-county Special Districts	County	State	Federal	Total
Direct	$0	$0	$0	$490,962	$32,815,811	$29,188,451
Indirect	$149,997	$232,444	$138,073	$977,562	$4,262,298	$5,760,373
Induced	$1,058,702	$1,611,947	$971,192	$3,808,294	$7,063,886	$14,514,020
Total	$1,208,699	$1,844,390	$1,109,265	$5,276,817	$44,141,995	$49,462,844

PART 2:

Part 2 analyzes data from the survey regarding the expectations and issues that non-profits are currently facing, and what they expect to face in the future. The results are not extrapolated, and reflected the 31 non-profits that contributed to the survey.

Figure 2 illustrates that 81.3% of non-profits experienced a change in demand for primary/core services from 2021 to 2022, while 18.8% did not. This reflects earlier data illustrating growth in revenue. Figure 3 shows that 87.5% of non-profits predicted their expenses increasing from 2022 to 2023. 9.4% predicted no change, while 3.1% predicted their expenses would decrease. Figure 4 illustrates a similar question related to revenues. 21.9% of respondents predicted a contraction of revenues, 59.4% predicted an increase in revenues, while 18.8% predicted no change.

Considering figure 3 and 4 together, more non-profits expected increasing costs than increasing revenues, meaning non-profits expect tougher times ahead. This could be due to the high-cost inflationary environment that began in 2022 and has continued through 2023. For non-profits, this has translated to a higher cost of service delivery and a lower giving capacity from donors.

Figure 2: **Have you experienced a change in demand for primary/core services offered from 2021 to 2022?**

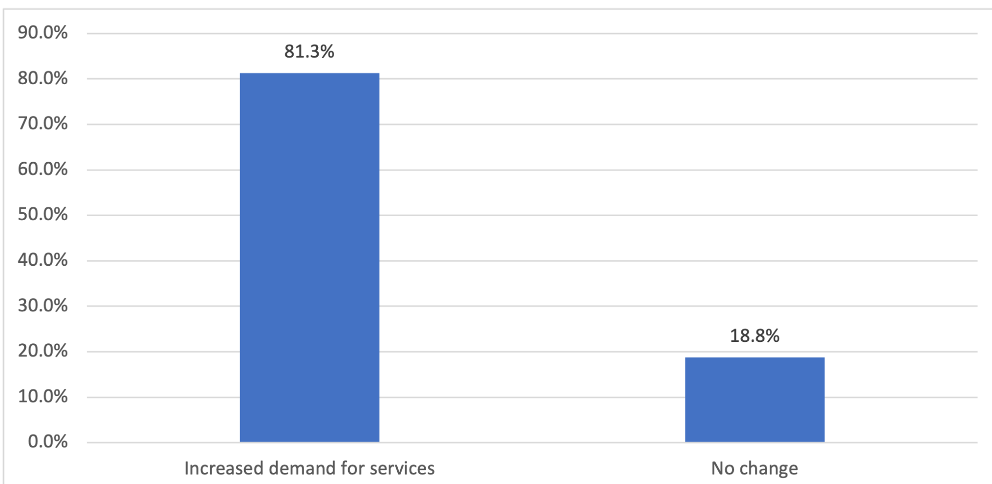

Figure 3: **Did you expect your overall budgeted expenses to expand or contract**

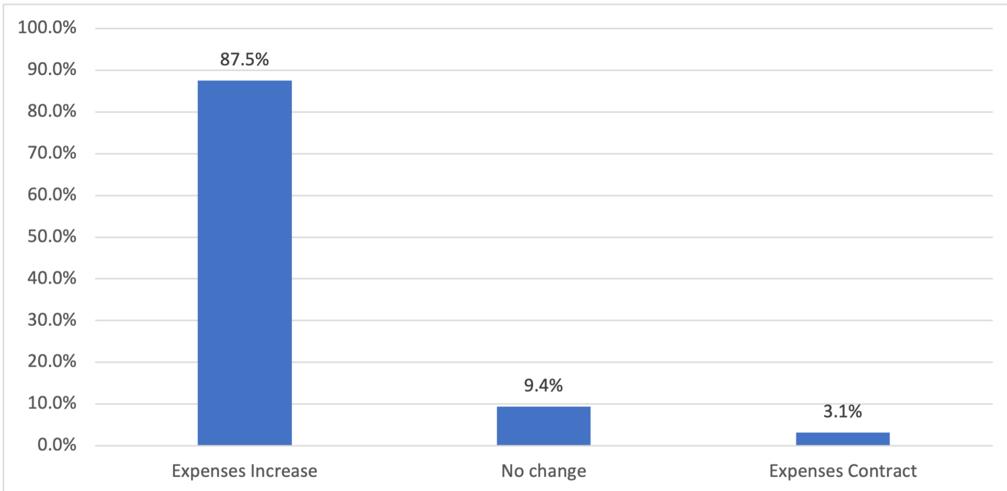

Figure 4: **Did you expect your overall budgeted revenues to expand or contract from 2022 to 2023?**

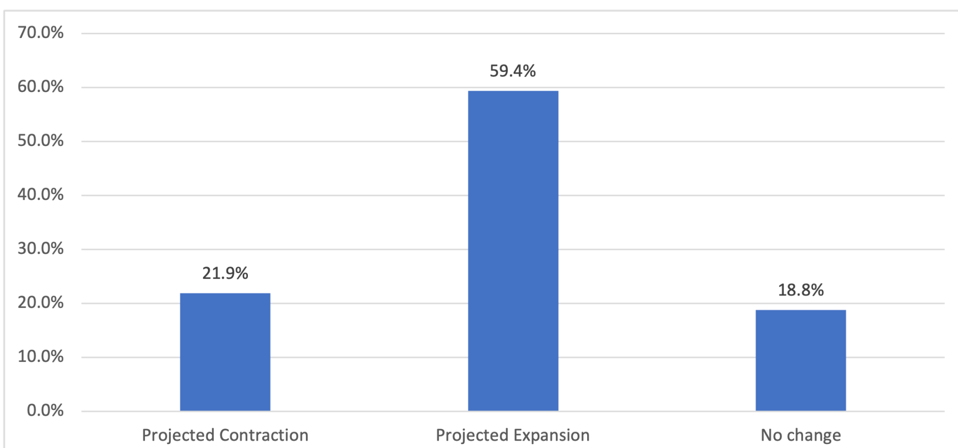

Figure 5 illustrates that 50% of non-profits did not expect to have workforce reductions, 34.4% anticipated expanding their workforce, and 15.6% expected a workforce reduction. Overall, non-profit sector employment is expected to increase. Figures 6 and 7 asked how revenue sources were expected to change over the next five years. Figure 6 asked specifically about gift size, and showed that 56.3% of respondents indicated that there was no expected change to average gift size, while 21.9% expected average gift size to decrease. Figure 7 posed the question more broadly, and provided the option for multiple answers. The top response was "increased individual giving" and "increased grants/foundation support," followed by "higher event revenues per event."

Figure 5: **Do you anticipate having or have you already had reductions in workforce between last year (2022) and this year (2023)?**

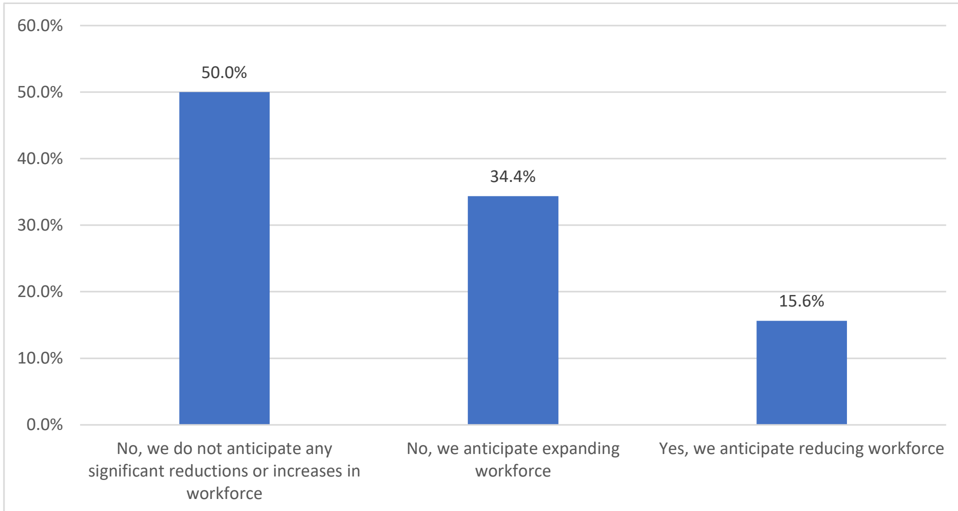

Figure 6: **Assuming no changes to your fundraising strategy or staffing, in what ways would you anticipate your revenue sources changing in the next 5 years?**

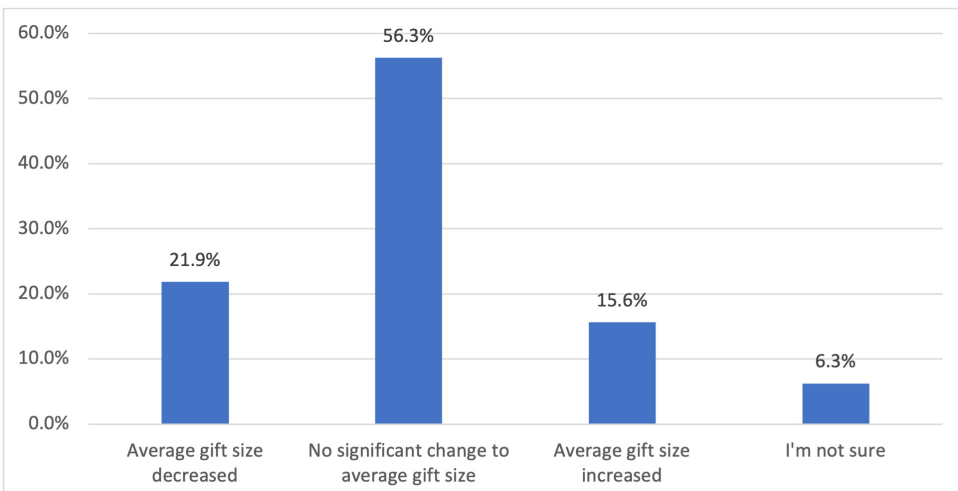

Figure 7: **Assuming no changes to your fundraising strategy or staffing, in what ways would you anticipate your revenue sources changing in the next five years?**

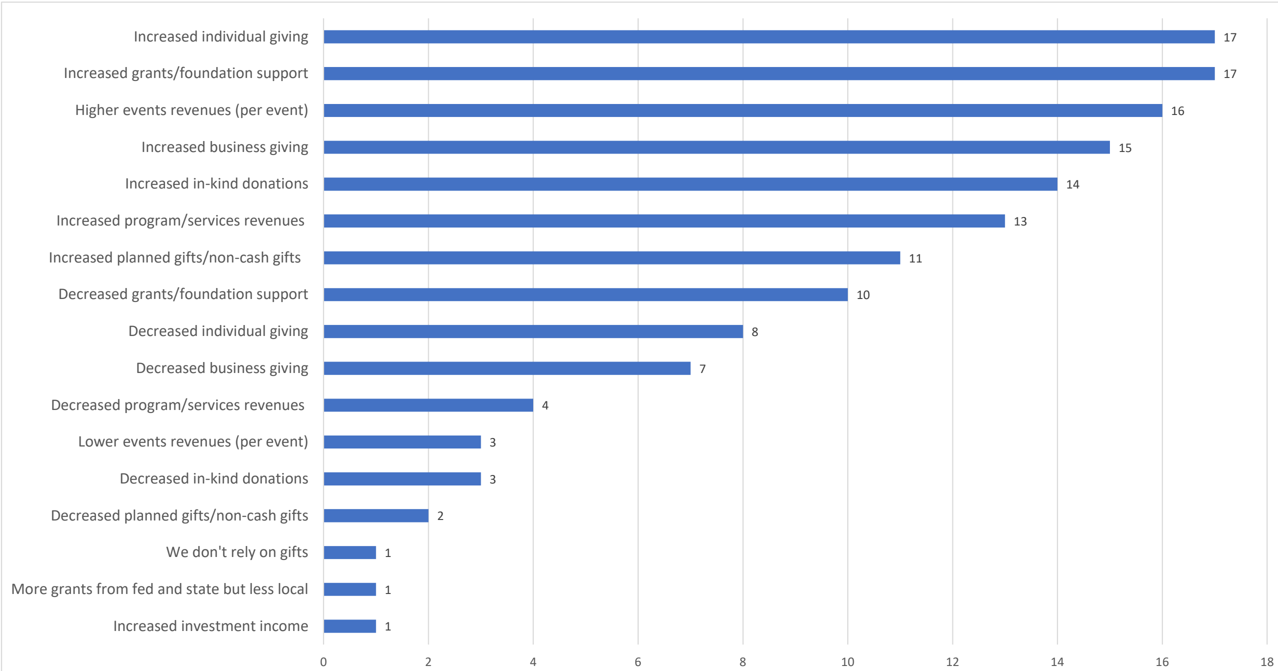

Table 8 lists the top three perceived threats to non-profit organizations for the next five years. The answers were open text responses, so each organization could provide any answer for the top three threats. Some common responses included the economy and inflation, high interest rates and the potential for recession, staff retention and recruitment, as well as organization-specific issues.

Table 8: **What do you see as the top two to three threats to your organization in the next five years?**

Threat 1	Threat 2	Threat 3
If we don't find more funding, we can't continue our programs	State strategy changes	Inflation
Lack of staff	Capacity - hard to do all that we would like to do with a limited budget.	Increased pressure/demands on foundations finances
Economy/inflation, potential recession	Economic downturn	
Relevance in the community	Ability to stop evictions	Increased costs
Shortage of volunteers	Government changes to regulations and increasing audits	Financial health of our customers
Facility and performance space	Rising inflation (inability to keep up with increases for quality staff)	
Competing destinations/events	Volunteers aging out	Rising staff costs
Economy	Having the community (especially donors) understand what we do	Payment reform
Significant grant cuts	Volunteer recruitment	Lack of local qualified workforce
Funding	Reduced overall government funding and support	

Lack of sustainable funding opportunities	(Lack of) Housing availability	
Ability to provide sufficient housing for the homeless	Federal law/rule changes that make certain service provision more challenging	Reporting regulatons
Conflict-free case management	High interest rates	Work ethic and engagement, adapting to new generations and related changes
Workforce challenges - difficulties in hiring	Reliance on Medicaid for most of revenue	Private sector competition
Challenges in replacing foundation/ grant sources with individual/business contributions	Inability to increase wages to remain competitive and retain workers	Potential recession
Industry changes	Uncertainty and with Federal, State and Local Government funding	Further economic hardships
Significant decline in the stock market	Competitive pay with other companies	Board turnover
Rising costs of supplies and labor	Apathy towards homelessness	Increased need for our services
Loss of existing grant funders	Cost of maintenance of old buildings and capital funding	Accessibility
Needed change in the structure of fundraising model	Quality Staff	Not being able to pay employees what they deserve
Economic downturn	Economy	Benefits
Continued inflation	Staffing, keeping up with competitive staffing rates, being able to hire the staff needed	Staff morale (they enjoy working here but get discouraged with results)
High/inflated living expenses makes it hard to retain employees	Donor fatigue	Lack of daycares and after-school activities that pick up children, makes employees hesitant/unable to work full-time. Lack of amenities for families means less families want to stay in our region.
Increasing competition for philanthropic dollars	Rising cost of living and ability to pay competitive wages to hire and retain staff and reduce turn over	Changes in the demographics of user
Finding qualified employees	Increasing competition	Increased costs
Instability of federal budget	Workforce quality and shortage	Increased cost of housing/rentals
Recession impacting the philanthropic sector and decreased foundation giving	Legislative changes	Unstable political environment nationally and locally
Changing revenue streams	Political climate/elections	Leadership turnover
Staff recruitment & retention	Inability to afford salaries needed to retain staff	Seen as a hobby rather than a career
Demographic shifts	Nonprofits going out of business	Increased demand leading to accelerated growth
Recession	Facility expenses	

Figure 8: **Threats Word Cloud**

Figure 9 illustrates that 56.3% of non-profits reported no problems in retaining employees, while 43.8% experienced problems retaining employees. Table 9 lists the open-ended responses that each non-profit listed as more detail to their employee retainment question. Open-ended responses were mixed, but show that employee losses during COVID-19 were a challenge that some organizations have not recovered from. Employees getting higher pay from other jobs is also a large issue. Figure 10 confirms that wages are the top reason for employees leaving (34.4%), with "better benefits" at 9.4%. "Other" was the second highest response (28.1%), and open-ended responses indicate that retirement was a large reason for loss of non-profit employees. 53.1% of non-profits reported difficulties recruiting new employees, while 46.9% say they have not had a difficult time recruiting (figure 11). Table 11 lists the open ended responses that provide more detail on the challenges involved in employee recruitment.

Figure 9: **Have you had challenges retaining employees in the past two years?**

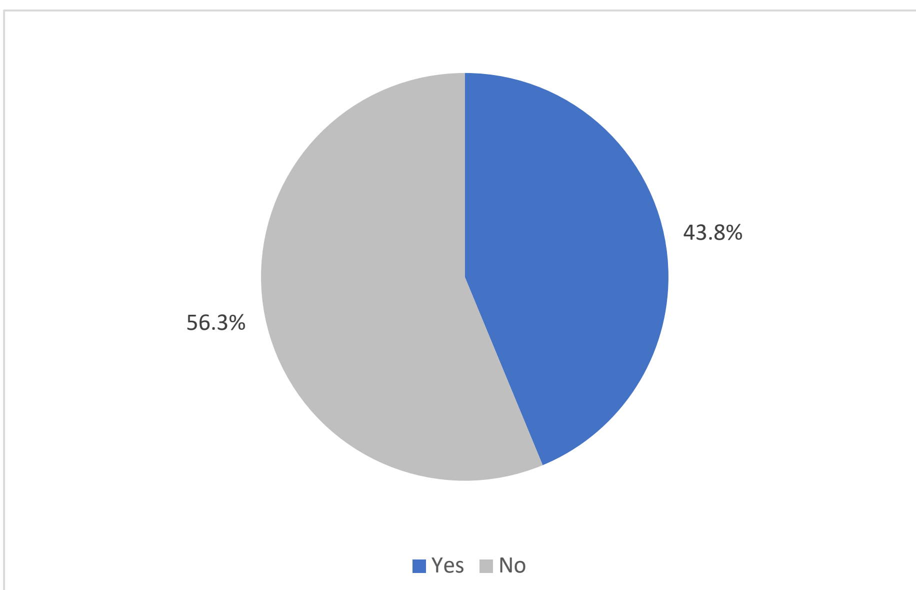

Table 9: **Employee Retention Open-Ended Responses**

Yes Explanations	No Explanations
Long time employees seeking other positions.	Some positions retained all employees, other positions high turnover. Many want to job-hop to leverage knowledge from short-term working in organizations for a higher wage elsewhere.
Lower wages; hard to retain employees when cannot compete wage-wise.	Attribute to comparable pay, benefit expansion, culture, and passion for non-profit work.
We lost a significant portion of our staff during the pandemic and had trouble replacing them due to increased competition for remaining workers driving up salary expectations. We were able to give a significant pay raise and develop a training program which has helped stabilize staff in the past year.	This has not been an issue.
The majority of our positions appeal to college students. With changes in class schedule, graduation, and/or student teaching, students move on fairly rapidly.	We've had a couple people leave, but this was expected.
Healthcare opportunities are endless. Strategic focus on Retention underway.	We are finally able to pay our first part-time employee.
It's been hard to keep staff at our wages considering the dramatic growth leading to many changes.	People have left the organization, but we have been able to hire at the same level or higher. We are changing/growing so who was the right person a couple of years ago may/may not be the right person now.
Overall we have had good retention, we have lost a staff member due to pay rates.	
I have managed to keep most of my employees but am definitely getting more pressure about providing higher wages and lack of promotion opportunities in a small organization.	
Turnover of 75% of workforce in 16 months.	
Lost employees to hirer paying professional positions.	
In lower positions - line staff	
Some left for better pay, some left to be in a community more attractive to them.	
It has gotten better in the last 6-8 months, but it has been challenging to find and retain entry level employees.	
Competitive wages, COVID, challenging clientele.	

Figure 10: **What is the primary reason given for employees leaving?**

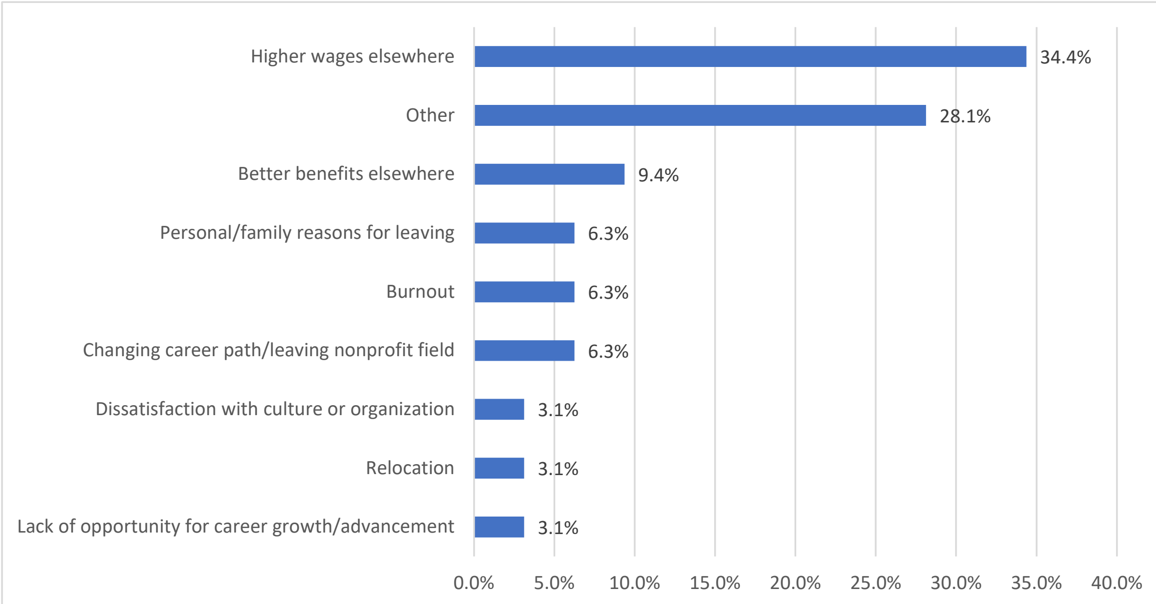

Table 10: **Text for primary reasons given for employees leaving**

Retirement
Higher wages, better benefits
Equal mix of retirement, relocation, benefits, wages, and personal/family reasons
We haven’t lost any employees.
Retirement

Figure 11: **Have you had challenges recruiting employees?**

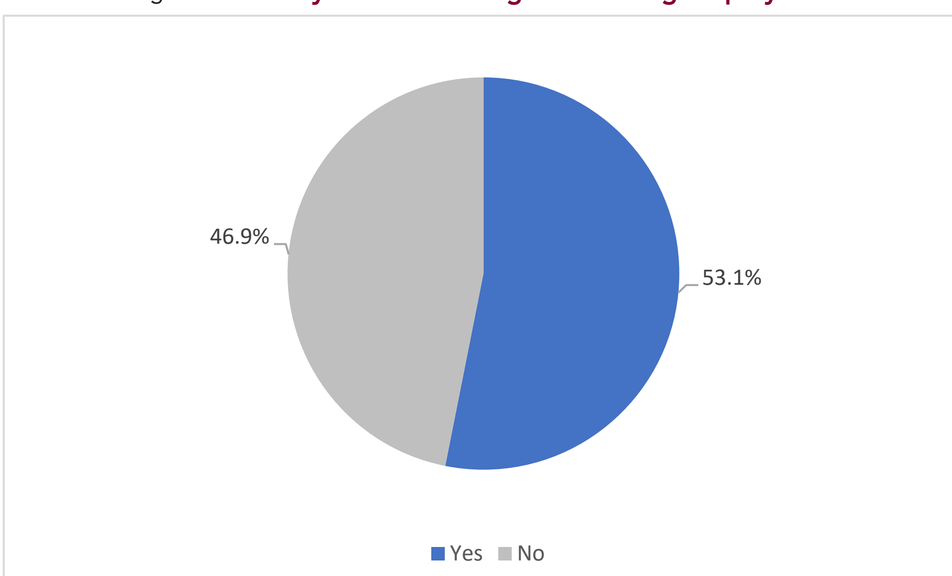

Table 11: **Open Response to "Have you had challenges recruiting employees?"**

Yes	No
Retirement	No as a general rule, very specific challenges for certain positions - therapies (PT, OT), medical social work, medical providers.
Higher wages, better benefits	No, we haven't had any issues.
Equal mix of retirement, relocation, benefits, wages, and personal/family reasons	We've always found employees pretty easily.
We haven't lost any employees.	Have always had a large pool of applicants but not always qualified for positions.
One relocated and one took a job outside of the nonprofit field.	