

The Nonprofit's Guide to Increasing Fundraising Results with Economic Impact Analysis

Nonprofit organizations rely heavily on the support of the government, foundations, and individuals. In 2021, The Annual Report on Philanthropy¹ reported total donations over \$484 billion. But when donors have so many organizations to choose from, how do you make your nonprofit stand out?

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The Impact of Nonprofits

Nonprofit organizations hold a special place in society. They fill the space between industry and government by offering services ranging from empowering youth, to feeding the hungry, to sheltering those without homes, and working to alleviate burdens across the population. Trees are planted. People with disabilities are included. Kittens find forever homes. Public art is installed.

According to the Urban Institute, there are an estimated 1.5 million nonprofits in the United States.² These nonprofits engage over 64 million people as volunteers – about one quarter of the population. They have donated almost 9 billion volunteer hours in roles from docent to builder to cultural performer. Volunteer roles span from spending episodic days at a food bank to working every week delivering meals to homebound community members.

Almost every human is touched by nonprofit organizations. For starters, over half of the world population was born in a nonprofit hospital!³ We have avoided diseases from funded research and have cleaner parks from volunteer cleanups and conservation. We can gain a better appreciation of history and culture through nonprofit organizations and many have learned valuable skills from recreation centers or youth groups.⁴ It's easy to lose count of the number of nonprofits that have touched each of our lives: scouting, religious organizations, scholarship funds, public art installations, museums, and so many more.



1 [https://philanthropy.iupui.edu/news-events/news-item/giving-usa--total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-\\$484.85-billion.html?id=392#:~:text=Giving%20USA%202022%3A%20The%20Annual,%24466.23%20billion%20contributed%20in%202020.](https://philanthropy.iupui.edu/news-events/news-item/giving-usa--total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-$484.85-billion.html?id=392#:~:text=Giving%20USA%202022%3A%20The%20Annual,%24466.23%20billion%20contributed%20in%202020.)

2 <https://nccs.urban.org/publication/nonprofit-sector-brief-2019#the-nonprofit-sector-in-brief-2019>

3 <https://www.nonprofitimpactmatters.org/site/assets/files/1/nonprofit-impact-matters-sept-2019-1.pdf>

4 <https://www.nonprofitimpactmatters.org/site/assets/files/1/nonprofit-impact-matters-sept-2019-1/pdf>

Beyond the Social Impact

The impact of nonprofits isn't just limited to their good works, however. In addition to their social, cultural, environmental, and other benefits, nonprofit organizations employ over 12 million Americans⁵ and add over \$1 trillion dollars to the economy every year.⁶ That's 2% of the national economy!

Nonprofit organizations rely heavily on support from the government, foundations, and individuals. In 2021, The Annual Report on Philanthropy reported total donations over \$484 billion.⁷ But when donors have so many organizations to choose from, how do you make your nonprofit stand out? Adding an economic impact using IMPLAN to your reporting can help you distinguish yourself from the crowd by illustrating how funds donated to your nonprofit not only help the community, but also support the economy through employment and spending.

Performing an economic impact analysis at a granular, firm-based level will allow you to isolate your own organization and measure how much local economic activity can be attributed to you specifically. Using economic impact analysis to quantify your organization's contributions to the local economy, and having the objective data on hand to back up your claims, is sure to deliver an effective one-two punch to those who may not realize the full importance of your efforts.



5 <https://www.nonprofitimpactmatters.org/site/assets/files/1/nonprofit-impact-matters-sept-2019-1/pdf>

6 <https://nccs.urban.org/publication/nonprofit-sector-brief-2019#the-nonprofit-sector-in-brief-2019>

7 [https://philanthropy.iupui.edu/news-events/news-item/giving-usa--total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-\\$484.85-billion.html?id=392#:~:text=Giving%20USA%202022%3A%20The%20Annual,%24466.23%20billion%20contributed%20in%202020.](https://philanthropy.iupui.edu/news-events/news-item/giving-usa--total-u.s.-charitable-giving-remained-strong-in-2021,-reaching-$484.85-billion.html?id=392#:~:text=Giving%20USA%202022%3A%20The%20Annual,%24466.23%20billion%20contributed%20in%202020.)

How it Works

IMPLAN utilizes an economic modeling technique called Input-Output analysis, which is a type of applied economic analysis that tracks interdependence among various producing and consuming industries of an economy. It measures the relationship between a given set of demands for final goods and services and the inputs required to satisfy those demands. An IMPLAN analysis allows you to show the multiplier, or ripple effect, of the direct spending of your organization and how it continues to support businesses in your region.

Only a few key data points are needed to show the economic impact of your nonprofit. Knowing the total employment, employee compensation (fully-loaded payroll), and total spending is more than enough to run your first analysis. Utilizing the Industry Impact Analysis Event with the correct industry representing the work of your organization, you can enter the values you have and enter zeros for proprietor employment, proprietor income, taxes on production and imports, and other property income. After you select your region of study, maybe the county or the state or even the congressional district, you can sit back and let IMPLAN do the rest.

Your results will show you the direct, indirect, induced, and total impacts from the operations of your nonprofit. The direct effect is what is attributable to your organization. The indirect effect represents the supply chain, or business-to-business spending as your organization spends money in the region on all the goods and services they require. The induced effect shows the household spending of all the folks supported in the direct and indirect effects. The total impact is simply the summation of these three effects.

Looking at the multiplier is an easy way to show the value of your organization. Calculated simply as the total effect divided by the direct effect, it shows the ripple of the initial investment. For example, you may have a direct employment of 10, indirect employment of 2, and induced employment of 3, for a total of 15. The employment multiplier is then $15/10$ or 1.5. This means that for every direct job at the organization, an additional .5 jobs are supported in the regional economy.

IMPLAN will calculate the direct, indirect, induced, and total effects for employment, labor income, value added (contribution to GDP), and output. As there are different relationships between each of these indicators, they will each have a unique multiplier.

You can also create multiple regions in IMPLAN. Perhaps you want to report to your county and your state. In this case, you can link these two regions using a technique called Multi-Regional Input-Output (MRIO) with just the click of a button. This will allow you to maintain the economic integrity of your local region while being able to report results easily to different geographic audiences.

Reporting Economic Impact to Stakeholders

Current and potential donors likely don't need to know every detail about your services and your economic impact, but some high-level key points can be very poignant. Headlines might include something like “Our organization supported 10 direct jobs and 15 total jobs as well as a total contribution to GDP of almost \$1M which included businesses in healthcare, manufacturing, and transportation.”

Using the occupation data in IMPLAN, you can even isolate the top jobs associated with your economic impact. Perhaps your work supports jobs that are entry-level or maybe they are in industries that pay above the minimum wage.

Now let's take a look at a couple of nonprofit organizations that found success in using IMPLAN to support the fundraising efforts and so much more!



Case #1: The National Cherry Festival

The National Cherry Festival in Traverse City, Michigan has a mission “To celebrate and promote cherries, community involvement and the Grand Traverse region.”⁸ Using IMPLAN, their operations budget, and a survey of attendees, they created a report on their economic impact. They asked visitors for their spending on meals, lodging, entertainment, transportation, and shopping. Each of these categories was then paired with the appropriate industry in IMPLAN and total estimated visitor spending in each category was analyzed for the county. They reported their results for operations and visitors separately and even dove into the associated tax results.

“Using the IMPLAN model, we estimate the total economic impact of ALL (local and nonlocal) primary visitors at \$30 million in output, \$9.9 million in earnings, \$16.3 million in value-added (GDP), and support for 306 jobs”⁹



⁸ <https://www.cherryfestival.org/p/about/304>

⁹ Glupker, C. & Isely, P. (2022). The Economic Assessment of the 2022 National Cherry Festival. Economics Department. https://scholarworks.gvsu.edu/eco_otherpubs/10/

Case #2: Ohio Craft Brewers Association

The Ohio Craft Brewers Association (OCBA) serves as the unified voice and advocate for craft breweries across the state of Ohio. There are more than 420 Ohio craft breweries in operation, including 44 which opened in 2022 and more than 70 which are currently in planning across the state.¹⁰

Silverlode Consulting was engaged by OCBA to estimate the economic and fiscal impacts of Ohio's craft breweries on the state, as well as on each of its seven geographic regions. In 2020, despite the COVID-19 pandemic, Ohio's craft brewing industry generated an estimated \$881 million of economic activity in the state.

The information generated by several years of economic impact studies which illustrated the stark impact the pandemic had on small and independent local breweries was critical in the efforts to pass beneficial legislation to aid in their recovery.

Silverlode used an OCBA member survey and other industry sources to develop customized IMPLAN models. The report also included information about the growth of Ohio's craft beer industry and qualitative ways the craft brewers contribute to economic and community development. The impact report, published on OCBA's website, helps OCBA communicate with the legislature, its members, and the public.¹¹



¹⁰ <https://ohiocraftbeer.org/>

¹¹ <https://silverlodeconsulting.com>

Telling Your Story

Telling the story of all of the great things your nonprofit does is vitally important to secure funding and public support. The process is simple with foresight, data, and IMPLAN. For more information about how economic impact analysis can benefit your organization or to inquire about IMPLAN's host of exciting products, visit implan.com.



IMPLAN has been redefining the field of economics for over 40 years. Created by academics to serve the needs of the United States Forest Service, it has been transformed today to serve as a solution-provider for anyone interested in understanding their economy.

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