

Berkshire County Non-profits: Recession and Recovery

Prepared for the Berkshire County Chamber of Commerce

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Berkshire County Non-profits: Recession and Recovery

Executive Summary

This report presents an analysis of the impact of recession and the present state of recovery of non-profit public charities in Berkshire County. We present data on revenues, expenditures, and assets of Berkshire County non-profits and discuss ways in which different non-profit groups were impacted by the 2008 recession. We calculate the economic and employment impact of non-profit expenditures on the local economy. We discuss the role of arts and culture non-profits in attracting visitors to Berkshire County and the additional economic impact generated by visitor spending.

We compare five types of non-profits – arts and culture; education; health; human services; and other – during the period 2002 to 2012. In 2012 there were 373 non-profit organizations in Berkshire County: 73 arts and culture, 58 education, 62 health, 106 human services, and 74 ‘other’ non-profits. The 2012 counts are higher than in 2010, and in spite of some declines in some time periods they are also higher than what they were in 2002.

Total non-profit revenue in 2012 was \$1.52 billion compared to \$1.11 billion in 2002 (in 2012 dollars, adjusting for inflation). Health non-profits had the greatest total revenue in 2012 with \$870 million. Education had revenues of \$354.1 million; human services \$147.5 million; arts and culture \$83.6 million; and ‘other’ non-profits had total revenue of \$60.1 million.

Non-profit expenditures in 2012 totaled \$1.39 billion, up from \$1.09 billion in 2002. Health non-profits accounted for \$801.8 million of expenditures in 2012; education \$322.2 million; human services \$139.8 million; arts and culture \$73.8 million; and ‘other’ non-profits had expenditures of \$52.1 million.

In 2012 non-profits in Berkshire County held \$4.86 billion in assets. This is an increase from \$3.55 billion in 2002. Education non-profits have the bulk of non-profit assets, \$2.7 billion in 2012; health \$926.6 million; arts and culture \$701 million; ‘other’ non-profits \$337.6 million and human services \$190.8 million. Human service non-profits are the only group whose assets, in real terms, have seriously declined since 2002: assets have gone from \$221.5 million to \$190.8 million.

As part of examining the impact of the recession on non-profits we calculate the ratio between non-profit assets and their expenditures in 2012. Arts and culture and education non-profits have, as a whole, between 7.8 and 9.5 times their annual expenditures in assets. The benefit of asset to expenditure ratios in the 9.0 range is that an organization can draw upon assets to smooth out economic cycles. Assets do not protect an organization from serious losses during periods of economic downturn, but they can provide it more options during crises. By comparison, health non-profits have asset to expenditure ratios of only 1.1 to 1.2. Human services non-profits have ratios of between 1.2 and 1.5. These figures reflect a fee-for-service structure, greater reliance on government grants and small or no endowment. Health non-profits, with an overall asset to expenditure ratio of 1.2, have very little cushion in a time of economic crisis.

We provide comparison data for ten communities nationwide: Auburn ME, Barnstable MA, Boone NC, Burlington VT, Edwards CO, Portland ME, Providence RI, Santa Fe NM, St George UT, and Taos NM. On each financial measure Berkshire County shows trends in line with a large subset of the comparison communities. In terms of revenues and expenditures per capita, Berkshire County is solidly in a group with five of the comparison communities – Auburn, Boone, Burlington, Portland and Providence. Berkshire County looks particularly strong in terms of assets per capita. Given the presence of a well-endowed college in a small community, the relatively high level of per capita assets in Berkshire County is expected.

Non-profits in Berkshire County spent \$1.44 billion in 2012. These expenditures increased economic activity in Berkshire County by \$2.3 billion. Non-profit expenditures supported tax revenues for local, state and federal governments of almost \$316 million, including \$100 million in state and local tax revenues along with \$216 million in federal tax revenues. Non-profit expenditures supported 26,349 jobs in Berkshire County. Health non-profits generate 54% of non-profit economic impact and education non-profits produce 25% of economic impact. Arts and culture non-profits attract large numbers of visitors from outside Berkshire County which generates additional economic impact.

There were approximately 922,400 visitors from outside Berkshire County to the 14 largest arts and culture non-profits. These visitors generated \$97.51 million dollars in increased economic activity and supported an additional 1,091 jobs in Berkshire County. If we add visitor impact to the impact generated by non-profit expenditures, the total economic impact of non-profits in 2012 was \$2.4 billion and supported 27,439 jobs. Additionally, non-profits add to quality of life and social stability throughout Berkshire County. Non-profits play an important role in the Berkshire County economy and will continue to do so in the future as the local economy continues to evolve.

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Berkshire County Non-profits: Recession and Recovery

I. Introduction

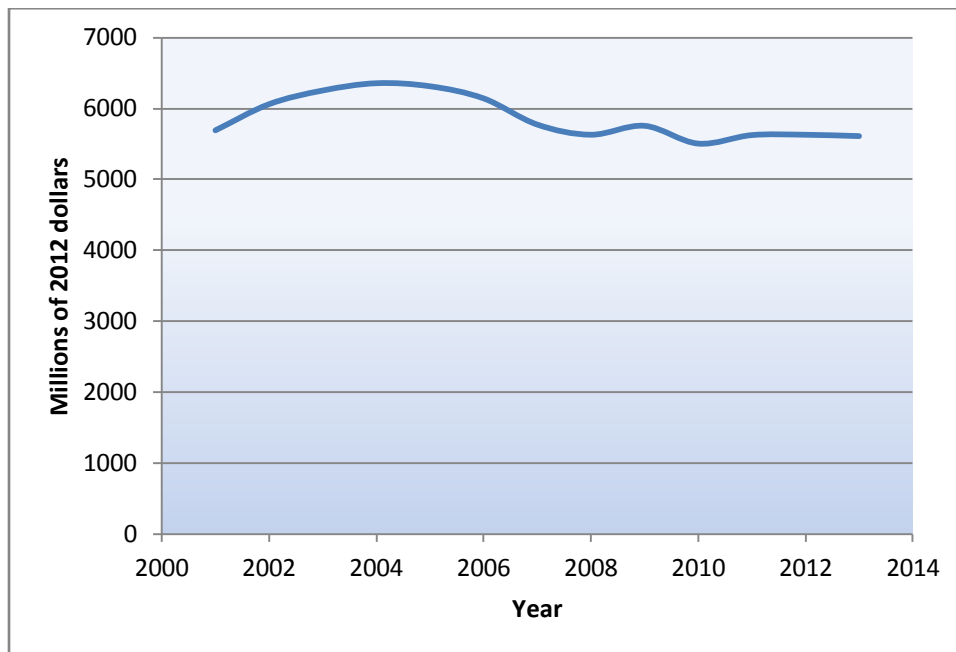
This is our third report on the state of non-profit public charities in Berkshire County. We are excited that complete data are now available for the year 2012. Using a timeframe of 2002 to 2012 allows us to address questions that extend the previous reports and also examine the impact of the 2008 recession on non-profits and extent of recovery.¹

We have discussed in a previous edition of this report that the social contract surrounding non-profit status includes financial transparency. Non-profit organizations must file financials annually on IRS Form 990. These filings are publicly available for scrutiny and analysis. The data are invaluable for researchers who work with and study non-profits, especially where non-profits are a significant part of the economy. We utilize Form 990 filings of almost 375,000 non-profit public charities in the US. Because we have organization-specific data on each non-profit we can group and re-group them to address many different types of questions. We can group them by geographic location, type of non-profit, and industrial sector in which they operate. Non-profits produce newspapers, movies, leisure events, and services in the same economic sectors as their for-profit counterparts. An inquiry into the impact of recession and the present state of recovery will help us better understand the economic role of non-profit public charities and inform us as to the general state of the Berkshire County economy.

Figure 1 presents the recent history of total economic output in the Berkshire County economy, adjusted for the effects of inflation by presenting figures in constant (2012) dollars. In real terms, the economy of Berkshire County peaked in 2004. There was a very slight decline of 0.7% from 2004 to 2005, followed by declines of 2.7%, 6.2% and 2.5% in 2006, 2007 and 2008. As the entire US continued to be stuck in the unforgiving grip of the 'Great Recession' the Berkshire County economy managed a modest 2.2% increase in real output from 2008 to 2009, but then suffered a 4.4% decline from 2009 to 2010. Modest growth of 2.2% came with the economic recovery in 2011 but the local economy has been basically flat since 2011.

¹ The data used in this report were obtained from the annual IRS Form 990 tax filings of non-profit charitable organizations. We made use of all returns that were available as of the end of 2014. As with individual personal income tax filings, 990 forms are filed reporting financial data for the preceding year. Unlike individual tax returns, though, nonprofit file deadlines are based on the end of their fiscal year, which may be as late as December 31st. Nonprofits may ask for and receive an extension totaling up to 6 months. Thus 990 Forms for fiscal years ending December 31, 2012 are not officially due until December 31, 2013; with a 6 month extension some forms will not be filed with the IRS until June 30, 2014. They must then be examined, potentially audited, and accepted by the IRS before they are incorporated into a public database. Work on this report began in November 2014, as soon Form 990 filings for FY2012 were complete and processed.

Figure 1 GDP in Berkshire County



The economic context of Berkshire County therefore continues to pose real challenges for the residents and organizations that are located here. The local economy entered into recession 3 or 4 years ahead of the US as a whole, and from peak to trough sustained more than a 14% decline in real output.

Recovery of the Berkshire economy after 2010 has been anemic. We will see in what follows that this limits the resources available to non-profit organizations at the same time that the demand for services from some non-profits, such as human services, are increasing due to the poor economy. How have they managed? How do their operations compare with those observed in earlier years? How do they compare with similar organizations in comparable cities around the US? We will see that while the recession negatively impacted and challenged non-profits, it also opened opportunities for non-profits to help support the local economy. We address these and other questions in the report below.

II. Non-profits: Berkshire County, Massachusetts, and the US

While the focus of this report is the state of non-profit public charities in Berkshire County, a natural question when looking at trends over time is: “how does that compare with other areas?” We answer this question in two ways. In this section we look at data for Berkshire County public charities and compare the results with those for Massachusetts and the US. Later in this report we compare public charities in Berkshire County with ten comparison communities across the US. We will refer to 501(c)(3) non-profit public charities as simply “non-profits.” As we discuss later, there are other types of 501(c) non-profits such as private foundations and credit unions, but they are not the focus of this report.

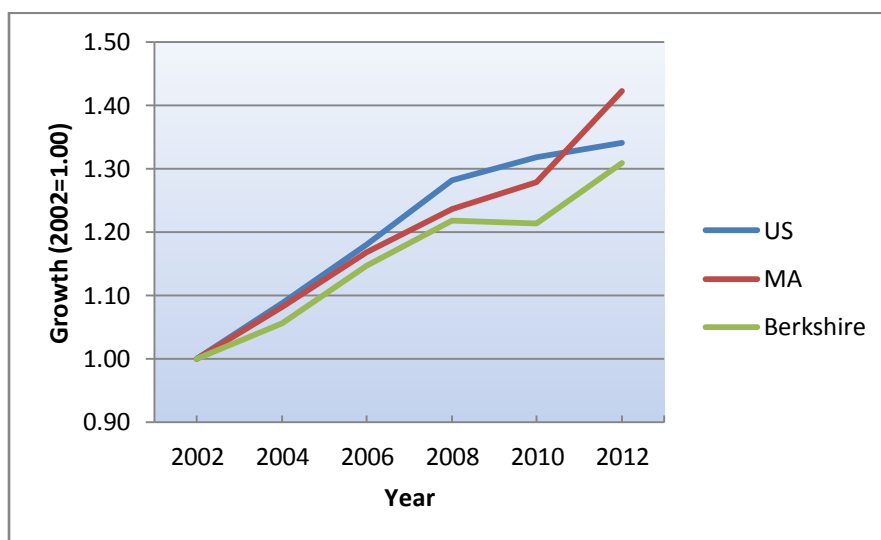
We begin with basic counts of non-profits over time. Table 1 presents the number of non-profits from 2002 to 2012. We see that the number of non-profits has increased in each time period in all three geographical areas: Berkshire County, Massachusetts and the US, with the exception that in 2010 the number of non-profits in Berkshire County decreased by 1.

Table 1 Number of Non-profits

	2002	2004	2006	2008	2010	2012
US	278,491	303,077	328,689	356,730	367,146	373,358
Massachusetts	8,983	9,714	10,488	11,107	11,481	12,778
Berkshire County	285	301	327	347	346	373

The numbers in Table 1 are difficult to compare because the regions are so disparate in size. In order to get a better sense of trend of the number of non-profits we look at the percentage change in the number of non-profits since 2002. Figure 2 shows the growth of the number of non-profits.

Figure 2 Growth of Number of Non-profits



We see in Figure 2 that the increase in the number of non-profits from 2002 to 2008 is very similar in Berkshire County, Massachusetts and the US. Until 2008 the rate of increase in Massachusetts is slightly higher than that for Berkshire County, and the rate of increase in the US is slightly higher than that for Massachusetts. In the US growth slowed overall, but in a smooth manner. In Massachusetts growth slowed in 2010 but then increased steeply. In Berkshire County growth declined in 2010 and then increased in 2012. In 2012 the number of non-profits in Berkshire County was 1.31 times the number in 2002; that is, there were 31% more non-profits in 2012 than in 2002. The figure for Massachusetts is 1.42 or 42% more non-profits; and for the US is 1.34 or 34% more non-profits in 2012.

Another way to compare the number of non-profits in the three regions is to look at the number of non-profits per 10,000 individuals. These results are presented in Table 2. The trend is similar to above. In each time period except 2012 in the US and 2010 in Berkshire County there is an increase in the number of non-profits per 10,000 individuals. In the most recent period there are 29 non-profits for every 10,000 individuals in Berkshire County; 19 in Massachusetts; and 12 in the US.

Table 2 Non-profits per 10,000 Individuals

	2002	2004	2006	2008	2010	2012
US	9.7	10.4	11.0	11.8	11.9	11.9
MA	14.0	15.2	16.4	17.2	17.5	19.2
Berkshire County	21.4	22.8	25.1	26.8	26.4	28.7

In Table 3 we present the same data with the focus on the number of individuals per non-profit in a region. In the most recent period there are 349 individuals per non-profit in Berkshire County; 520 individuals per non-profit in Massachusetts; and 839 individuals per non-profit in the US.

Table 3 Individuals per Non-profit

	2002	2004	2006	2008	2010	2012
US	1030	964	906	850	841	839
MA	714	660	611	582	570	520
Berkshire County	467	438	399	373	379	349

The results indicate that Berkshire County has significantly more non-profits for its population than Massachusetts and the US overall. When we examine the financial characteristics of non-profits in ten comparison cities we will see that the non-profit environment in Berkshire County is similar to that in several comparison cities.

Revenues

There is a relationship between revenues and expenditures, but it is not a perfect correlation. A portion of revenues can be accumulated for capital projects or to increase endowment. When there is an economic shock such as a recession, expenditures may exceed revenues by taking on debt, drawing down assets, or adjusting budgets as quickly as possible.

Table 4 presents total non-profit revenues² from 2002 to 2012 in Berkshire County, Massachusetts, and the US. We see clear impact of the 2008 recession on non-profit revenues with real declines in 2010 and 2012 in Massachusetts and in 2010 in Berkshire County. In Massachusetts 2012 non-profit revenues were \$89.81 billion which was significantly less than the \$98.51 billion in revenues in 2008. In Berkshire County 2012 revenues of \$1.52 billion had not recovered to the 2006 level of \$1.57 billion.³ In the US as a whole, however, there was an increase in non-profit revenues in each period.

Table 4 Total Non-profit Revenues (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
US	\$1,189,104	\$1,339,853	\$1,509,248	\$1,585,884	\$1,643,923	\$1,705,527
MA	\$59,249	\$71,442	\$84,941	\$98,505	\$95,038	\$89,806
Berkshire County	\$1,113	\$1,351	\$1,574	\$1,638	\$1,400	\$1,515

It may be more useful to look at ‘average’ non-profit revenue. Typically we present median revenue because even a few organizations with extremely high revenues can skew the mean, thus providing us with little meaningful information. In Table 5 we present both mean and median revenue numbers because the very high means combined with more modest medians indicate that some non-profits have extremely large revenues while half of nonprofits in the US have revenues less than \$131,015.

Mean revenues in Massachusetts are significantly higher in every time period than mean revenues in Berkshire County or the US. In the most recent period mean revenues in the US, state, and county are \$4.6 million, \$7.0 million and \$4.1 million, respectively. Median non-profit revenues are \$131,015, \$114,687 and \$156,192 respectively. In Berkshire County half of all non-profits have revenue less than \$156,192.

Table 5 Mean and Median Revenues of Non-profits (2012 dollars)

	2002	2004	2006	2008	2010	2012
	Mean (millions \$)					
US	\$4.27	\$4.42	\$4.59	\$4.45	\$4.48	\$4.57
MA	\$6.60	\$7.35	\$8.10	\$8.87	\$8.28	\$7.03
Berkshire County	\$3.90	\$4.49	\$4.81	\$4.72	\$4.05	\$4.06
	Median (actual \$)					
US	\$186,159	\$175,521	\$164,278	\$144,221	\$136,884	\$131,015
MA	\$235,957	\$211,611	\$185,321	\$165,922	\$158,750	\$114,687
Berkshire County	\$331,295	\$349,393	\$260,603	\$219,153	\$222,654	\$156,192

² Total revenue consists of three categories: contributions, gifts and grants; program service revenue; and other revenue (investment income, rental income, and gain from sale of assets). Capital gains dividends are reported as ‘other revenue’, as are gains or losses resulting from the sale of securities. Unrealized gains or losses on securities (for instance growth or decline in an endowment) are not reported until the securities are actually sold. (See IRS Instructions for Form 990, p39).

³ All dollar figures in this report are presented in constant 2012 dollars.

We see in all three geographic areas a significant decrease in median revenues from 2002 to 2012. The decline occurs in every period for the US and MA data. In Berkshire County the decline is still noticeable although there is more fluctuation from period to period. We know from Table 1 that each time period has more non-profits than the previous period. The fact that mean revenues remain high while median revenues drop by more than half in MA and Berkshire County from 2002 to 2012 reflects that new non-profits tend to be modest in size and that the largest non-profits are relatively stable.⁴

Expenditures

Table 6 provides data on the expenditures of non-profits in Berkshire County, Massachusetts, and the US. We see that total non-profit expenditures increased in all three geographic areas in each period to 2010. Expenditures continue to increase in 2012 in the US as a whole, although they decline in Berkshire County and Massachusetts in 2012. In each period from 2002 to 2012 non-profits in Berkshire County spent over \$1 billion. In 2012 non-profit expenditures in Berkshire County totaled \$1.39 billion.

Table 6 Total Non-profit Expenditures (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
US	\$1,152,274	\$1,248,355	\$1,370,557	\$1,477,238	\$1,581,406	\$1,613,953
MA	\$57,553	\$63,364	\$71,889	\$81,244	\$93,440	\$83,248
Berkshire County	\$1,095	\$1,179	\$1,257	\$1,386	\$1,425	\$1,390

Table 7 shows that median expenditures halved in Massachusetts from \$216,911 in 2002 to \$107,404 in 2012. The same is true in Berkshire County where median expenditures went from \$318,552 in 2002 to \$159,749 in 2012.

Table 7 Mean and Median Expenditures of Non-profits (2012 dollars)

	2002	2004	2006	2008	2010	2012
	Mean (millions \$)					
US	\$4.14	\$4.12	\$4.17	\$4.14	\$4.31	\$4.32
MA	\$6.41	\$6.52	\$6.85	\$7.31	\$8.14	\$6.51
Berkshire County	\$3.84	\$3.92	\$3.84	\$3.99	\$4.12	\$3.73
	Median (actual \$)					
US	\$174,795	\$159,518	\$144,792	\$133,667	\$130,350	\$124,048
MA	\$216,911	\$189,452	\$166,285	\$157,608	\$144,398	\$107,404
Berkshire County	\$318,552	\$304,024	\$244,892	\$199,802	\$199,770	\$159,749

⁴ Northern Berkshire Healthcare (NBH) filed for Chapter 7 bankruptcy in 2014, closing North Adams Regional Hospital (NARH). Total revenues of NBH in 2012 were \$95.4 million.

In the most recent period median non-profit expenditures in Berkshire County are \$159,749, significantly higher than the median in both Massachusetts (\$107,404) and the US (\$124,048).

Assets

Table 8 presents data on total non-profit assets in Berkshire County, Massachusetts, and the US. Total assets dropped in 2010 in Berkshire County and Massachusetts. By 2012 total assets had recovered in Berkshire County to slightly higher than the 2008 level. Total non-profit assets in Massachusetts grew in 2012. Massachusetts revenues did not reach 2008 levels but do indicate signs of recovery. Total level of non-profit assets in Berkshire County in 2012 was \$4.86 billion; in Massachusetts it was \$235.81 billion; and in the US non-profit assets totaled \$3.13 trillion.

Table 8 Total Non-profit Assets (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
US	\$2,153,123	\$2,365,075	\$2,670,847	\$2,876,195	\$2,932,812	\$3,130,842
MA	\$165,007	\$196,268	\$196,721	\$241,241	\$224,810	\$235,807
Berkshire County	\$3,545	\$4,193	\$4,679	\$4,831	\$4,576	\$4,857

Trends at the county and state levels suggest that total expenditures increased in 2010 (Table 6) although total revenues (Table 4) and assets (Table 8) declined. The trend in Berkshire County and Massachusetts differs from that of the US as a whole. In the US total non-profit revenues increased in every period (Table 4) as did total expenditures (Table 6) and total assets (Table 8). It is premature to conclude, however, that the recession was harder on Massachusetts non-profits than other areas of the US. Later in this report we compare Berkshire County with ten other communities. We also break non-profit organizations into five major groups of arts and culture, education, health, human services, and 'other' and look at trends within these groups.

Table 9 Mean and Median Assets of Non-profits (2012 dollars)

	2002	2004	2006	2008	2010	2012
	Mean (millions \$)					
US	\$7.73	\$7.80	\$8.13	\$8.06	\$7.99	\$8.39
MA	\$18.37	\$20.18	\$18.76	\$21.72	\$19.58	\$18.45
Berkshire County	\$12.44	\$13.93	\$14.31	\$13.92	\$13.22	\$13.02
	Median (actual \$)					
US	\$209,269	\$186,292	\$170,297	\$152,085	\$142,653	\$141,918
MA	\$278,686	\$239,662	\$237,104	\$205,608	\$191,310	\$140,640
Berkshire County	\$599,939	\$435,790	\$378,870	\$334,927	\$394,339	\$313,317

Table 9 presents data on mean and median non-profit assets. Comparing only 2012 with 2002 we see that mean assets are higher in all three geographic areas, but the percentage increase is not large. Median assets are dramatically lower, however, in all three areas. In Massachusetts median assets in

2012 are 50% of their 2002 value; in Berkshire County they are 52% of the 2002 level. Median assets in the US in 2012 are 68% of their level in 2002.

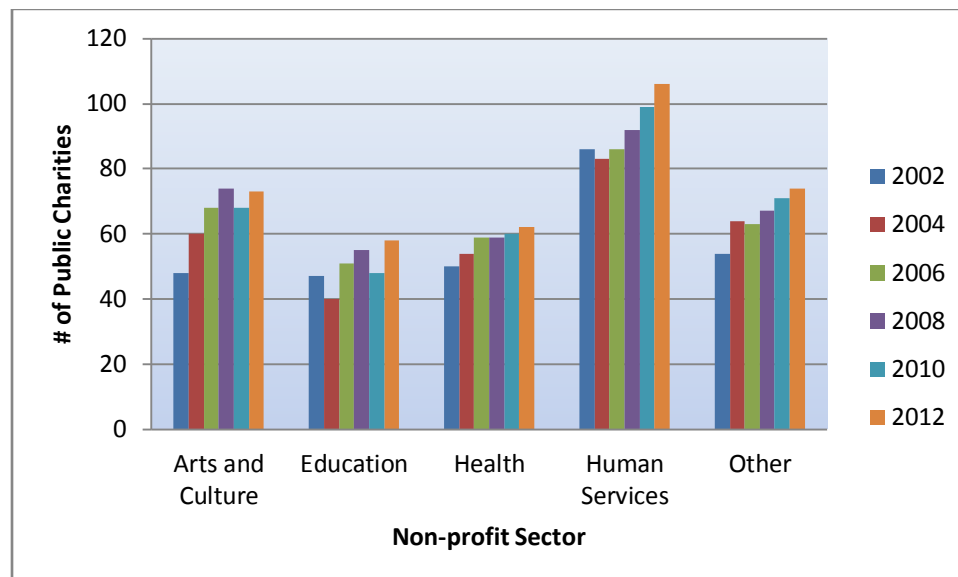
III. Exploring Berkshire County Non-profits, by Sector

In this section we examine the same major variables as above – revenues, expenditures, and assets. We focus exclusively on Berkshire County but compare five types of non-profits as classified by the National Taxonomy of Exempt Entities (NTEE). These five types are arts and culture; education; health; human services; and other. Table 10 and Figure 3 present data on the number of non-profits in Berkshire County by type from 2002 to 2012. They are based on the same data; Figure 3 simply presents the data in a more visual form.

Table 10 Number of Non-profits: Berkshire County

	2002	2004	2006	2008	2010	2012
Arts and Culture	48	60	68	74	68	73
Education	47	40	51	55	48	58
Health	50	54	59	59	60	62
Human Services	86	83	86	92	99	106
Other	54	64	63	67	71	74
Total	285	301	327	347	346	373

Figure 3 Number of Non-profits: Berkshire County



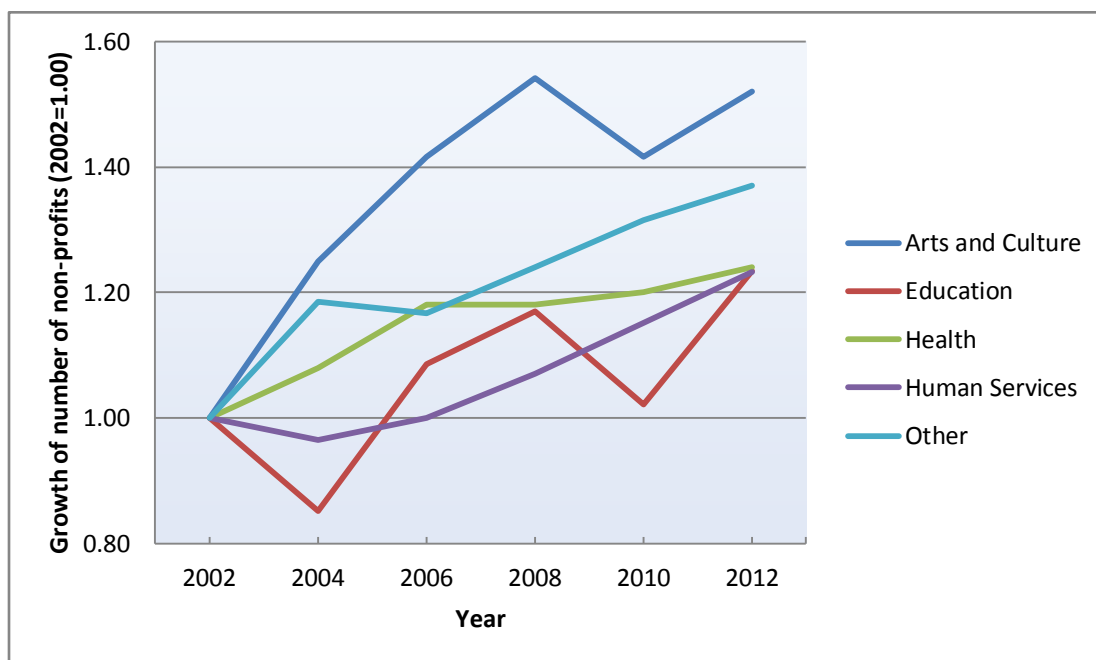
There are 373 non-profit organizations in Berkshire County. The human services group has the greatest number of organizations with 106. The smallest group is education with 58 non-profits. While the general trend in all groups is an increase in the number of non-profits over time, each group except

health experiences at least one period where there is a decrease in the number of organizations. The number of arts and culture non-profits declines in 2010. The number of education non-profits declines in 2004 and 2010, human services in 2004, and 'other' in 2006. The total number of non-profits increases in every period except 2010 where it drops by 1.

Figure 4 shows the relative growth in each group relative to the number of its non-profits in 2002. Education, health, and human services experience similar growth from 2002 to 2012, each having 1.2 times the number of non-profits in 2012 that they had in 2002, or a 20% increase. We can see from Figure 4 that they reached that rate through very different paths. After 2004 human services grew at a relatively smooth rate. Health increased rather steeply in 2004 and 2006 and then flattened out for slow growth in 2008, 2010 and 2012. The number of education non-profits fluctuated dramatically over the period by comparison. The steep increase in arts and culture from 2002 to 2008 was interrupted by a steep decline in 2010 but then resumed growth.

Arts and culture grew the most quickly in terms of number of non-profits. Arts and culture, like education, seems to receive a heavy shock during the 2008 recession resulting in a significant decline in 2010 before resuming increasing numbers of non-profits in 2012. In 2012 there are 1.5 times as many arts and culture organizations as there were in 2002.

Figure 4 Growth in Number of Non-profits: Berkshire County



Questions that might arise when looking at the growth in the number of non-profits include: what drives this growth; what are the consequences for the economy; and what are the characteristics of the new non-profits?

The new organizations are located throughout Berkshire County. An examination of the 27 new non-profits in the county in 2012 reveals that only 19 of them are actually 'new', with IRS ruling dates granting 501(c)(3) status after January 1, 2010. The other eight non-profits existed as organizations before 2012 but were not in the 2010 Berkshire County data for different reasons – they may have changed location from outside the county, or they may have revenues near the IRS cutoff (\$50,000) that requires the filing of Form 990. The 19 new non-profits are active in arts and culture (4), education (2), human services (9), and 'other' (4). During the period of 2010 through 2012 there were no new health care non-profits authorized by the IRS and located within the county.

What factors brought the 19 new non-profits into existence? The reasons vary, of course, but at least 7 of them are easily recognizable as either spin-offs of well-established Berkshire County organizations (i.e., an educational foundation set up by an existing non-profit), or small but recognizable Berkshire County organizations that simply had not sought formal 501(c)(3) status from the IRS before. Of the other 12 new non-profits, some arose to meet community needs stemming from special circumstances such as Tropical Storm Irene in 2011; others such as one Friends of the Library group and one Volunteer Fire Department were formalizations of existing volunteer groups. As we examine Berkshire County non-profits in more detail we will see that without growth in the non-profit arena post-2008, growth in the Berkshire County economy would be even more uncertain than it has been.

Revenues

Revenues are of particular interest in addressing the question of the impact of the recession on non-profits. We saw in Table 4 that total non-profit revenues declined in 2010 in both Berkshire County and Massachusetts, although they continued to increase in the US as a whole. In Table 11 and Figure 5 we look at revenues by non-profit group.

Table 11 Total Revenues of Non-profits: Berkshire County (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
Arts & Culture	\$43.8	\$87.2	\$100.0	\$109.6	\$88.0	\$83.6
Education	\$247.7	\$393.3	\$500.9	\$513.5	\$293.8	\$354.1
Health	\$576.7	\$656.6	\$727.5	\$797.9	\$803.9	\$870.0
Human Services	\$175.4	\$160.6	\$195.4	\$162.0	\$157.1	\$147.5
Other	\$69.4	\$53.5	\$49.7	\$55.2	\$57.2	\$60.1
Total	\$1,112.9	\$1,351.1	\$1,573.6	\$1,638.1	\$1,399.9	\$1,515.3

The first thing to notice in Table 11 is that revenues of health non-profits increase in every period, in contrast to other groups. The 2010 increase in health revenues was modest, however. Healthcare revenues are more reliant on a fee-for-services model than non-profits in other groups. Arts and culture and education non-profits in particular also receive significant portions of their revenues from gifts, grants, and earned income on their assets.

We see in Table 11 that revenues of arts and culture as well as education non-profits were seriously impacted by the 2008 recession. Total education non-profit revenues in Berkshire County dropped from

\$514 million in 2008 to \$294 million in 2010. By 2012 revenues had increased to \$354 million but that is still less than 2004 revenues of \$393 million.

Arts and culture non-profits experienced a steep decline in revenues in 2010 that was followed by further decline in 2012. Arts and culture revenues dropped from \$110 million in 2008 to \$88 million in 2010. Revenues dropped further to \$84 million in 2012, which is lower than 2004 levels of \$87 million.

Revenues in human services and 'other' non-profits appear to be influenced by factors beyond the current state of the economy. Revenues of 'other' non-profits dropped in 2004 and again in 2006 before beginning to rise in 2008, 2010 and 2012. This goes against the trend we see in the other groups. Even with these increases, revenues of \$60 million in 2012 had not yet reached the 2002 level of \$69 million. Revenues in human services fluctuated over the period, with a high of \$195 million in 2006. In 2012 human services revenues were \$148 million, significantly below the \$175 in revenues in 2002.

Thus, while all groups felt the pressure of the recession, human services and 'other' non-profits were impacted by additional social and economic trends during the broader 2002 to 2012 period that resulted in a real decline in their revenues over this period. These trends would have made human services non-profits particularly vulnerable during the recession when they were being called on to provide more services with the declining resources available to them.

Figure 5 Total Revenues of Non-profits: Berkshire County

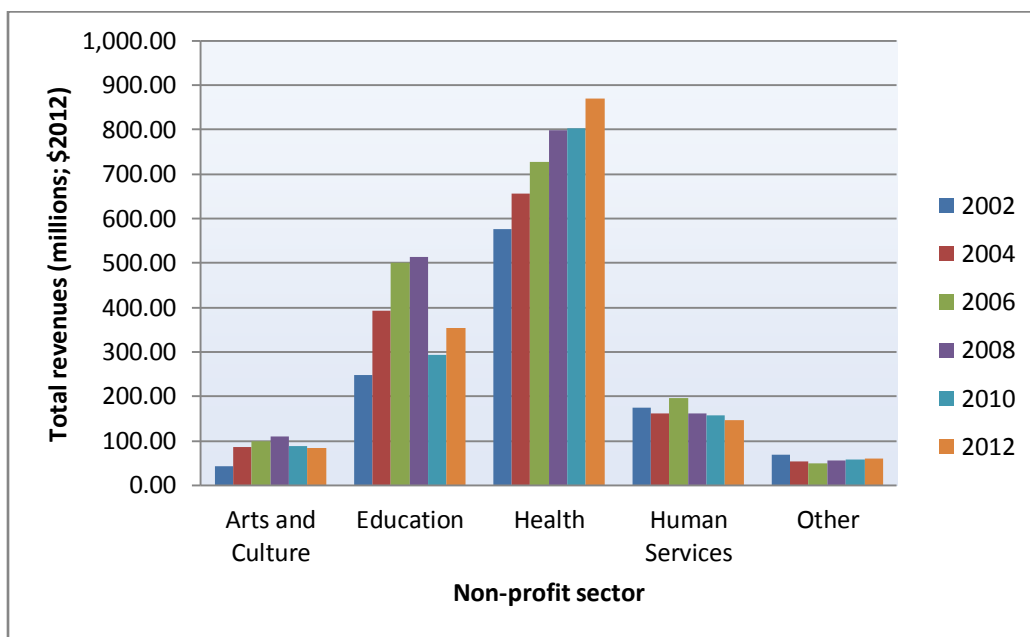
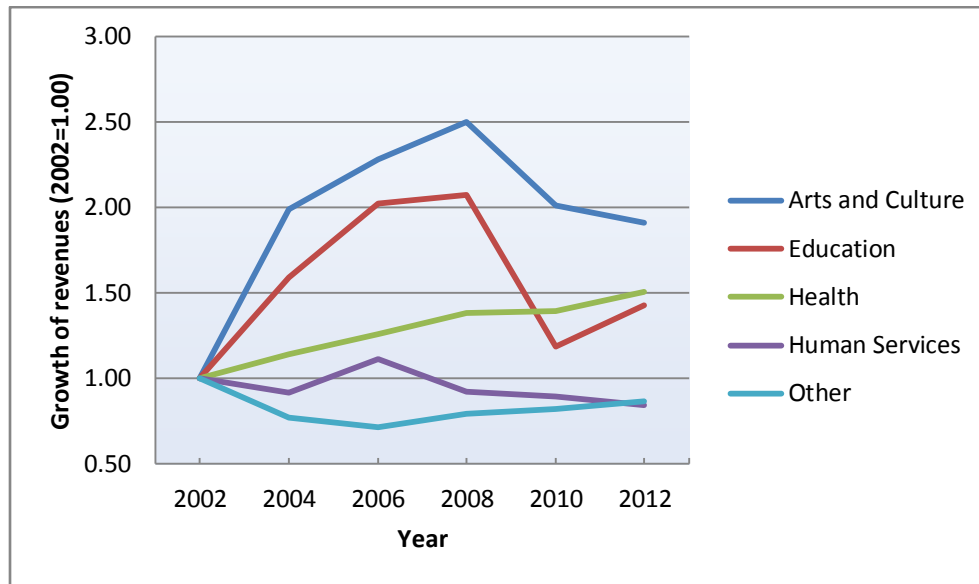


Figure 6 shows relative growth of total non-profit revenues, setting 2002 levels to 1.0. Revenues in arts and culture and education grew rapidly until 2008 and then declined dramatically in 2010, particularly in education. Growth of health revenues remained positive after 2008 but slowed noticeably. Human services and 'other' revenues declined over the period, but with fewer dramatic fluctuations.

Figure 6 Growth of Total Revenues: Berkshire County



Expenditures

Table 12 and Figure 7 present total non-profit expenditures. There was significant growth in expenditures from 2002 to 2012 in arts and culture, education, and health non-profits. In 2012 non-profits had total expenditures of \$1.39 billion, of which just over \$800 million came from the health group. Health expenditures continued their steady increase in 2010 but declined in 2012.

Arts and culture non-profits have lower total expenditures than education, health, and human services non-profits in every time frame. Arts and culture expenditures declined 12.7% in 2010. They increased 2% in 2012 to \$73.8 million. Education non-profit expenditures declined in 2010 by only \$100,000. Education expenditures remained relatively flat in 2012, increasing by \$3.1 million or almost 1% to \$322.2 million. As with revenues above, expenditures of human services and 'other' non-profits fluctuate, are out of cycle with the other groups, and out of cycle with each other. In 2012 total expenditures were \$139.8 million for human services non-profits and \$52.1 million for 'other' non-profits.

Table 12 Total Expenditures of Non-profits: Berkshire County (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
Arts and Culture	\$48.6	\$63.3	\$70.5	\$82.8	\$72.3	\$73.8
Education	\$253.1	\$279.0	\$290.4	\$319.2	\$319.1	\$322.2
Health	\$566.7	\$632.6	\$680.3	\$766.7	\$818.7	\$801.8
Human Services	\$169.1	\$159.2	\$174.2	\$163.7	\$157.2	\$139.8
Other	\$57.3	\$45.5	\$41.2	\$53.6	\$57.5	\$52.1
Total	\$1,094.7	\$1,179.5	\$1,256.5	\$1,385.9	\$1,424.8	\$1,389.7

Figure 7 Total Expenditures of Non-profits: Berkshire County

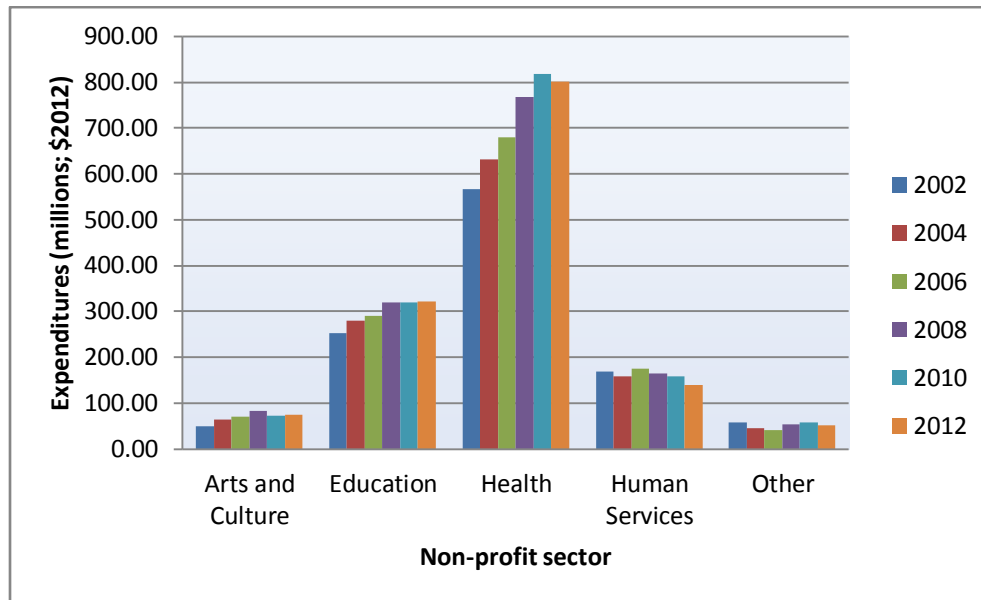
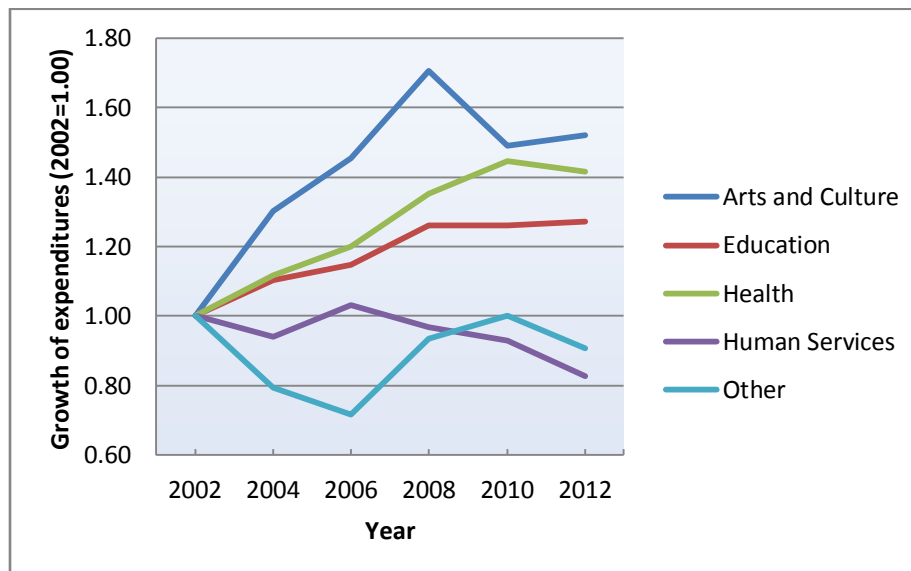


Figure 8 shows relative growth of total expenditures, setting 2002 levels to 1.0. Changes in expenditures in human services and 'other' non-profits fluctuate differently than expenditures in arts and culture, education, and health non-profits. In 2012 'other' non-profit expenditures are 91% of what they were in 2002; human services expenditures are 83% of their 2002 level. While growth of expenditures virtually stopped in education in 2010 and 2012, and dropped in health only in 2012, there was a steep drop in expenditures of arts and culture in 2010.

Figure 8 Growth of Total Expenditures: Berkshire County



Assets

Health organizations may make up the bulk of non-profit expenditures (Table 12), but education non-profits have the bulk of non-profit assets, as shown in Table 13 and Figure 9. In 2012 non-profits in Berkshire County held \$4.86 billion in assets. Education non-profits had \$2.7 billion in assets, and arts and culture non-profits had \$701 million in assets. Health non-profit assets of \$927 million seem low given their high level of expenditures (\$802 million; Table 12), a point we will pursue shortly. Human services assets totaled \$190.8 million and 'other' non-profits had total assets of \$337.6 million.

Table 13 Total Assets of Non-profits: Berkshire County (millions, 2012 dollars)

	2002	2004	2006	2008	2010	2012
Arts& Culture	\$432.7	\$556.0	\$577.2	\$647.9	\$617.7	\$701.0
Education	\$2,085.1	\$2,384.4	\$2,713.8	\$2,889.1	\$2,530.6	\$2,700.5
Health	\$648.2	\$722.3	\$792.2	\$821.0	\$912.9	\$926.6
Human Services	\$221.5	\$229.5	\$268.5	\$201.8	\$184.1	\$190.8
Other	\$157.8	\$301.0	\$327.3	\$270.6	\$330.4	\$337.6
Total	\$3,545.3	\$4,193.1	\$4,678.9	\$4,830.5	\$4,575.8	\$4,856.5

Figure 9 Total Assets of Non-profits: Berkshire County

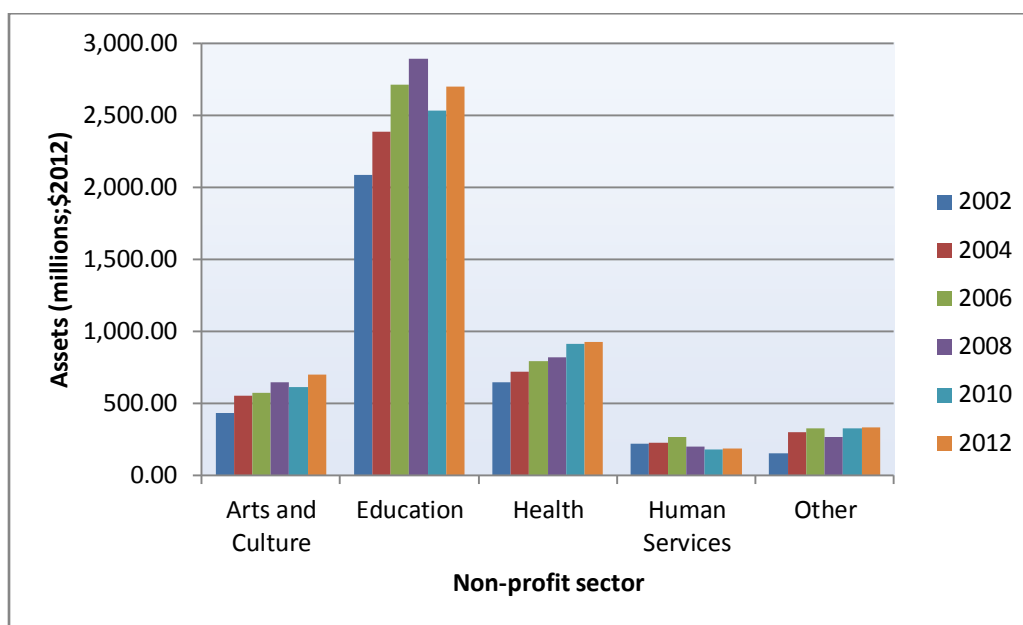
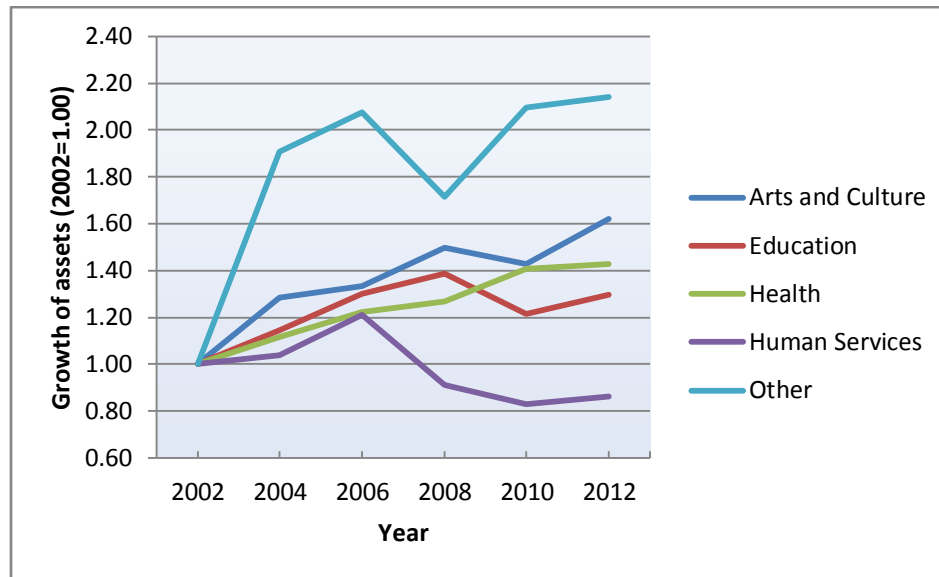


Figure 10 presents the growth of total assets, setting 2002 levels to 1.0. Figure 10 reinforces our understanding that not only do human services and 'other' non-profits follow a different trend from arts and culture, education, and health non-profits, but also from each other.

Figure 10 Growth of Total Assets: Berkshire County



We have presented data on revenues, expenditures, and assets of Berkshire County non-profits and discussed ways in which different non-profit groups were impacted by the 2008 recession. We will now briefly examine the relationship *between* revenues, expenditures, and assets. Table 14 presents expenditures as a proportion of revenue. When the ratio of expenditures to revenue is greater than 1.0 it means the organization is going into debt or using assets to fill the revenue gap. We expect to see expenditure/revenue ratios greater than 1.0 in 2010 due to the unexpected depth of the recession.

Table 14 provides some interesting and useful results on the ratio of expenditures to revenues. In 2010, the period following the recession, expenditures equal or exceed revenues in all of the non-profit groups except for arts and culture. Looking at the years 2004 and 2006 we see that health and human services non-profits seem to spend almost the same amount as their revenue for the year – the ratio varies between 0.99 and 0.89. The ratio for ‘other’ non-profits is 0.85 and 0.83. The ratio of expenditures to revenue for art and culture non-profits is 0.73 and 0.71. The ratio for education fluctuates more than the other groups, with education non-profits spending 71% and 58% of their revenue. Finally, looking at the figures for 2002 we are reminded that there was a mild recession in 2001. In 2002 the ratio for arts and culture and for education exceeded 1.0.

Table 14 Ratio of Expenditures to Revenues: Berkshire County

	2002	2004	2006	2008	2010	2012
Arts & Culture	1.11	0.73	0.71	0.76	0.82	0.88
Education	1.02	0.71	0.58	0.62	1.09	0.91
Health	0.98	0.96	0.94	0.96	1.02	0.92
Human Services	0.96	0.99	0.89	1.01	1.00	0.95
Other	0.83	0.85	0.83	0.97	1.01	0.87
Total	0.98	0.87	0.80	0.85	1.02	0.92

Table 15 presents the ratio of assets to expenditures. These data are very important for understanding the difference between health non-profits and arts and culture and education non-profits. Table 15 is especially relevant for informing our understanding of the Chapter 7 bankruptcy of Northern Berkshire Healthcare in 2014 that resulted in closure of North Adams Regional Hospital in spite of growing revenue and expenditures in the non-profit Health group.

We see in Table 15 that arts and culture and education non-profits have, as a whole, between 7.8 and 9.5 times their annual expenditures in assets. Arts and culture and education non-profits, especially in Berkshire County, have endowments. Relative to annual expenditures they are large endowments. The benefit of asset to expenditure ratios in the 9.0 range is that an organization can draw upon assets to smooth out economic cycles. Assets do not protect organizations from serious losses during periods of economic downturn, but they do provide an organization more options during crises.

Health non-profits have only 1.1 to 1.2 times expenditures in assets. Human services non-profits have only between 1.2 and 1.5 times expenditures in assets. These figures suggest a fee-for-service structure, greater reliance on government grants and the lack of an endowment.⁵ While this situation can be difficult for human services non-profits during economic shocks, human services are personnel intensive and technology light. In a significant downturn service providers are cut and target populations such as the homeless suffer, but the non-profits can respond relatively quickly to changing economic conditions.

Health non-profits, however, are capital and technology intensive operations with annual expenditures in Berkshire County over \$800 million per year (Table 12). With only 1.2 times expenditures in assets, and much of those assets tied to buildings and technology, health non-profits have very little cushion to cope with economic crises. Even though health nonprofits' revenues rose throughout the period 2002 to 2012 (Table 11) they are seriously limited by their fee-for-services structure and less-liquid assets in their response to economic recession that lasts more than a year.

Table 15 Ratio of Assets to Expenditures: Berkshire County

	2002	2004	2006	2008	2010	2012
Arts and Culture	8.91	8.79	8.18	7.83	8.54	9.50
Education	8.24	8.55	9.35	9.05	7.93	8.38
Health	1.14	1.14	1.16	1.07	1.12	1.16
Human Services	1.31	1.44	1.54	1.23	1.17	1.37
Other	2.75	6.62	7.95	5.05	5.75	6.48
Total	3.24	3.56	3.72	3.49	3.21	3.49

⁵ Research hospitals are more likely to have endowments and be affiliated with at least one education non-profit but there are no research hospitals in Berkshire County.

IV. Berkshire County Non-profits Relative to Ten Comparison Communities

In this report we use the same ten comparison communities as in our two previous reports. Examining data from other communities allows us to look for similar trends and striking differences compared with Berkshire County. Table 16 lists the comparison communities. They are Auburn ME, Barnstable MA, Boone NC, Burlington VT, Edwards CO, Portland ME, Providence RI, Santa Fe NM, St George UT, and Taos NM.

Table 16 provides the various aliases a community goes by as data are collected by different government agencies on different variables. The first column, comparison communities, provides the common geographic name of the community. The FIPS code in column 2 is a standardized code for each county in the US that is a useful identifier for working with NCCS non-profit data. Population data are readily available at the county level (column 3) while data on GDP (gross domestic product) are calculated for MSAs (metropolitan statistical areas).

The ten comparison communities demonstrate a wide range in terms of population size and GDP. Berkshire County has a population of 130,120 in 2012 and GDP of \$5.63 billion. The largest community in the comparison group is Providence with a population of 1.60 million and GDP of \$71.21 billion. The smallest community in the group is Taos, population 32,800. The three communities with the most similarity to Berkshire County in terms of population and GDP are Auburn, Santa Fe, and St George.

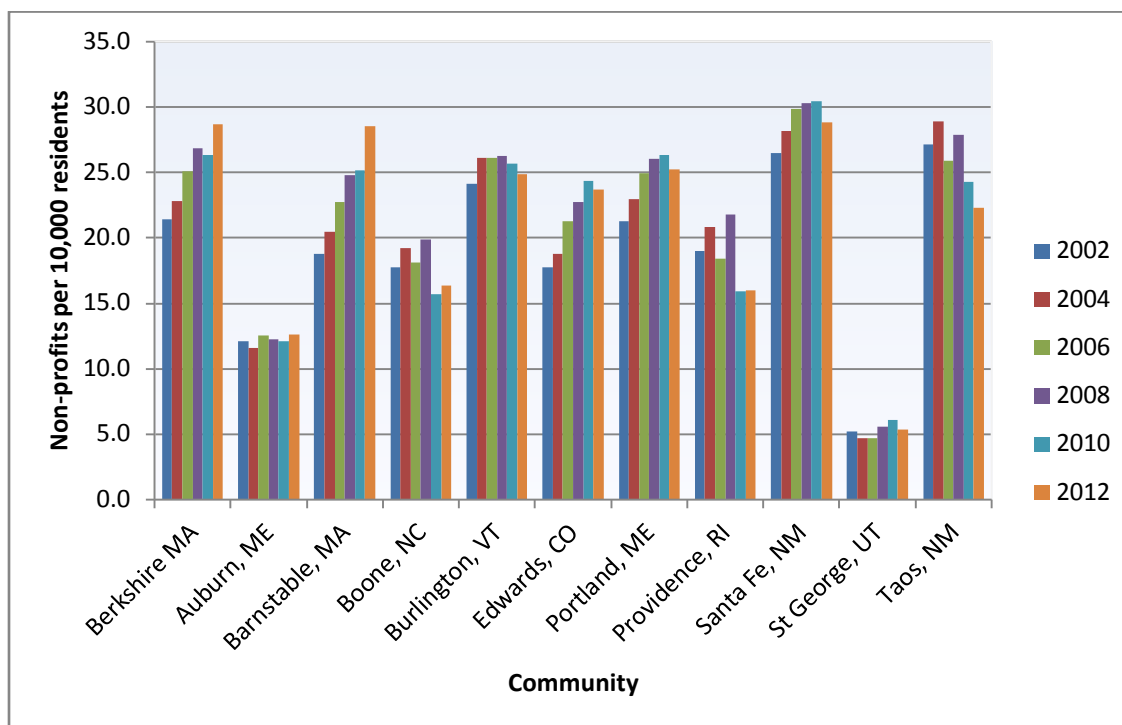
Table 16 Comparison Communities

Comparison Communities	FIPS	County	MSA	2012 Population	MSA GDP 2012(millions\$)
Berkshire County	25003	Berkshire	Pittsfield, MA	130,120	5,631
Auburn ME	23001	Androscoggin	Lewiston-Auburn, ME	107,632	3,969
Barnstable MA	25001	Barnstable	Barnstable Town, MA	214,947	9,756
Boone NC	37189	Watauga	Boone NC (micro area)	52,106	NA
Burlington VT	50007	Chittenden	Burlington-South Burlington, VT	213,721	12,231
Edwards CO	08037	Eagle	Edwards, CO (micro area)	51,921	NA
Portland ME	23005	Cumberland	Portland-South Portland, ME	517,974	26,859
Providence RI	44007	Providence	Providence-Warwick, RI-MA	1,601,160	71,207
Santa Fe NM	35049	Santa Fe	Santa Fe, NM	146,456	6,765
St. George UT	49053	Washington	St. George, UT	144,656	3,910
Taos NM	35055	Taos	Taos, NM (micro area)	32,800	NA

Figure 11 presents data on the number of non-profits per 10,000 county residents. We saw in Table 2 that the number of non-profits per 10,000 residents increased in Berkshire County, Massachusetts, and the US throughout the period 2002 to 2012 with only a small decline in Berkshire County in 2010. It is

mildly surprising, then, to see that in Boone, Providence, and Taos the number of non-profits per 10,000 residents declined between 2002 and 2012. In those 3 cities there was a significant decline in the number of non-profits from 2008 to 2010, which was not recovered by 2012. In the most recent period St George has 5.6 non-profits per 10,000 residents while Santa Fe has 30.3. Berkshire County has 26.8 non-profits per 10,000 residents.

Figure 11 Non-profits per 10,000 Residents



Revenues

Figure 12 presents total non-profit revenues per capita for the ten comparison communities and Berkshire County. Again we see that St George has an under-developed non-profit sector compared to the other communities. In the recent period non-profit revenue per capita is only \$509 compared with Burlington where non-profit revenue per capita is \$14,178. St George is an interesting contrast to Berkshire County in that it is a tourism-based economy, with 3 National Parks in proximity and year round golf, but relatively few non-profits.

Berkshire County non-profit revenue per capita is \$11,655. It is worth noting that while per capita revenue dropped significantly in Berkshire County in 2010, this is not the case in most of the comparison communities. Burlington in particular experienced a large increase in revenues per capita and in 2012 was \$14,178.

Figure 12 Total Revenues of Non-profits per capita (2012 dollars)

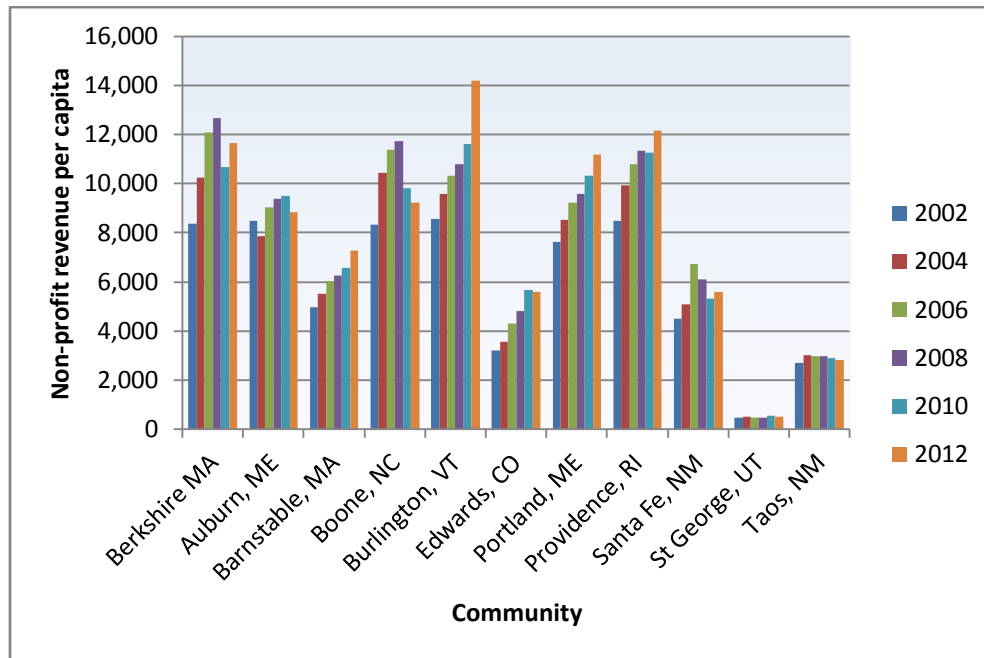
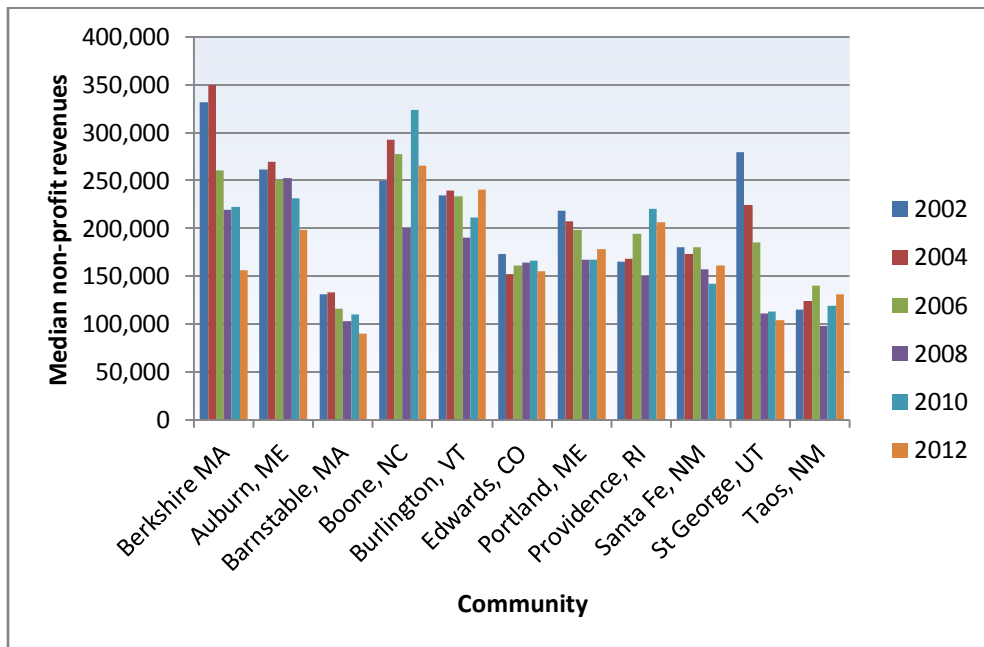


Figure 13 shows median non-profit revenue. We saw in Table 5 that median non-profit revenue in Berkshire County in 2012 was less than half of what it was in 2002. In Figure 12 we see that the only comparison community that experienced such a dramatic decrease in median revenue is St George where median revenue in 2002 was \$279,964 but in 2012 had dropped to \$103,976.

Figure 13 Median Revenues of Non-profits (2012 dollars)



Expenditures

Figure 14 presents non-profit expenditures per capita. We see once again that this amount is very low in St George (\$518) compared with \$12,952 in Burlington. While expenditures are mostly trending upwards there was a serious decline in Boone in 2010.

Figure 14 Total Expenditures of Non-profit Organizations per capita (2012 dollars)

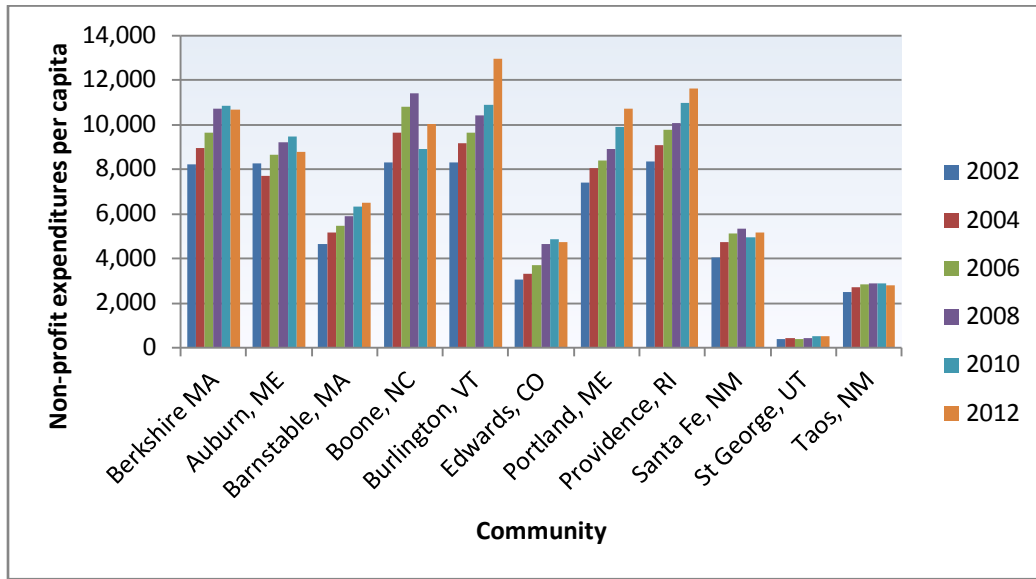
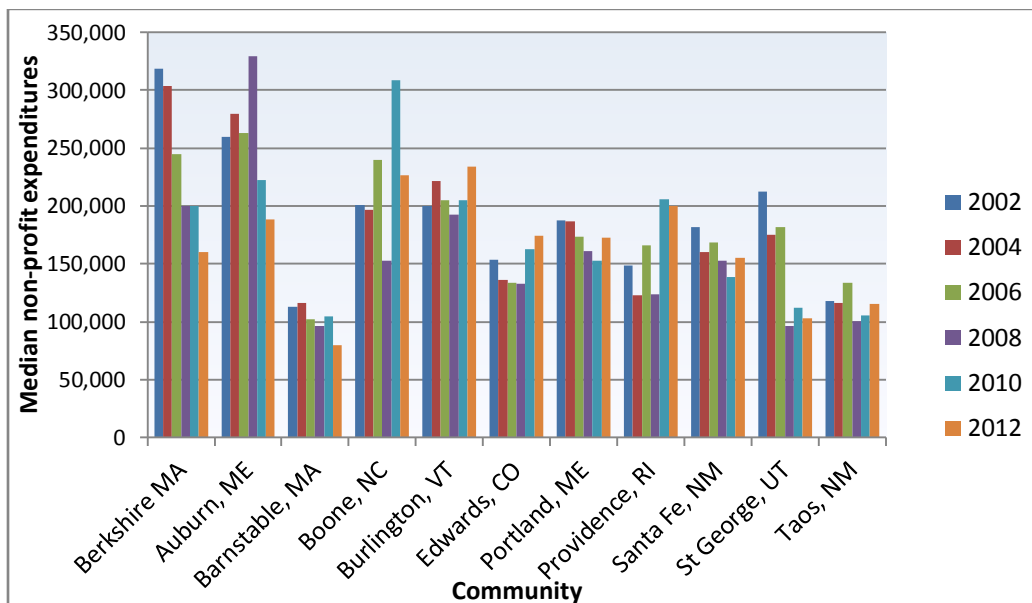


Figure 15 shows median non-profit expenditures. Between 2002 and 2012 median expenditures dropped in Berkshire County and 6 comparison communities.

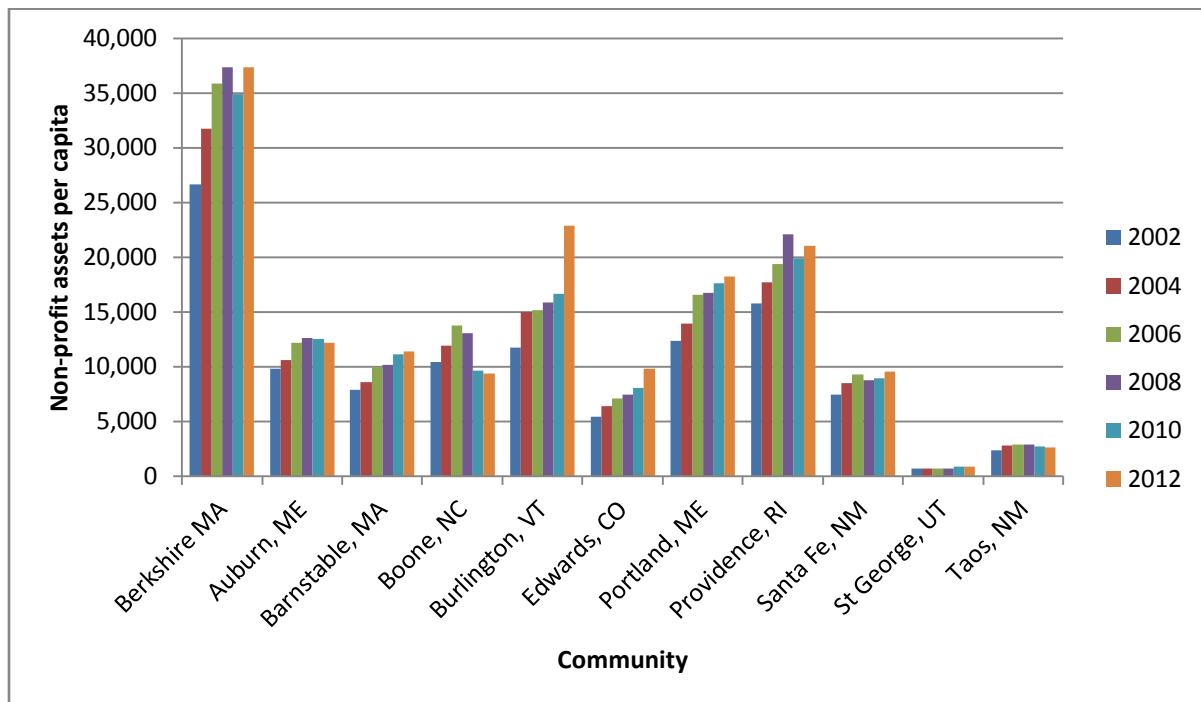
Figure 15 Median Expenditures of Non-profits (2012 dollars)



Assets

Figure 16 presents total non-profit assets per capita in the ten comparison communities. We see in Figure 16 that Berkshire County is a stand-out in the group in terms of non-profit assets per capita, which were \$37,353 in 2012. St George had per capita non-profit assets of \$880; Burlington \$22,899; and Providence \$21,030.

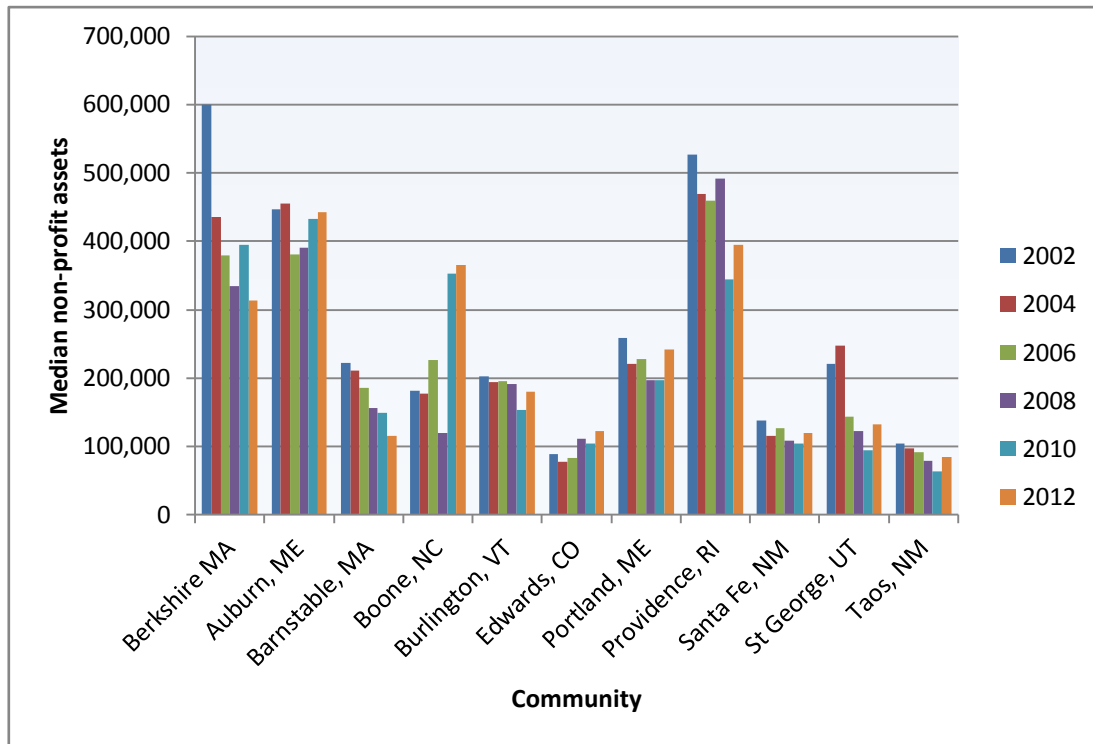
Figure 16 Total Assets of Non-profit Organizations per Capita (2012 dollars)



We have already mentioned the dramatic decline in median non-profit assets in Massachusetts and Berkshire County during the 2002 to 2012 period. We see in Figure 17 that Barnstable MA follows the state trend, with median assets in 2012 at 52% of the 2002 level. This is not a national trend, however. Median assets have grown significantly in Boone. In Auburn and Portland 2012 median assets are down from 2002 but they are in the same general range.

Figures 11 through 17 reveal that six comparison communities and Berkshire County have between 22 and 29 non-profits per 10,000 residents. Berkshire County, Barnstable, and Santa Fe all have 29. On each financial measure Berkshire County shows trends in line with a large subset of the comparison communities. In terms of revenues and expenditures per capita (Figures 12 and 14), Berkshire County is solidly in a group with 5 of the comparison communities – Auburn, Boone, Burlington, Portland and Providence. Berkshire County looks particularly strong in terms of assets per capita. Given the presence of a well-endowed college in a small community, the relatively high level of per capita assets in Berkshire County is expected.

Figure 17 Median Assets of Non-profits (2012 dollars)



V. The Economic Impact of Berkshire County Non-profits

While non-profits clearly provide benefits to their customers (whether these come in the form of visitors, audience members, patients, students or clients) and also to their employees, what is the wider benefit provided to the communities in which they are located? Most non-profits can discuss the social benefits they provide as part of their mission, but it is difficult for them to speak with confidence about the economic contribution they make to their community. In this section we estimate the economic impact of non-profits in Berkshire County.

Economic impact analysis utilizes a model of the regional economy and the interconnections among all the industrial sectors that exist in that economy. The region analyzed can range from a zip code to the entire US. The interconnections are the flows of money among organizations as they spend their annual budgets to pursue their missions or goals. Manufacturing firms spend money to buy raw materials and labor to produce their output; schools and colleges spend money to educate their students; hospitals spend money to diagnose and treat patients; and so forth. In the US each organization is categorized based on the type of output they produce. They are categorized using the North American Industry Classification System (NAICS). Government agencies that collect and analyze economic data use NAICS codes in order to consistently assign organizations to the appropriate industrial sector.⁶ Many types of economic data are collected each year that are used to build inter-industry models of the flow of goods and services among industrial sectors. Most of the data are publicly available and so are the inter-industry models created from these data. In the analysis that follows we use IMPLAN software to estimate economic impact. IMPLAN annually brings together local, state and federal data to build standardized models of regional economies. In the present report the region of interest is Berkshire County.

While we are interested in the economic impact of the five major NTEE groupings of non-profits, such as arts and culture, there is no single NAICS code for arts and culture. In order to estimate economic impact for the group we must assign the expenditures of each non-profit to the appropriate NAICS industrial sector. In the case of arts and culture the two industrial sectors that immediately come to mind are museums and performing arts companies. We see in Table 17 that arts and culture non-profits in Berkshire County also operate as newspaper publishers, video producers, and television broadcasters. The data collected by the National Center for Charitable Statistics (NCCS) includes for each non-profit both its NTEE code and NAICS code making it possible to group non-profits in each system. In the tables that follow it is possible to see for each major non-profit category such as arts and culture the economic sectors in which Berkshire County non-profits operate as well as the economic and employment impact they have in those sectors.

Economic impact analysis studies the changes that occur in the economy as expenditures flow through it. We calculate economic impact for 2012 based on 2012 expenditures using the most recent data available from both NCCS and IMPLAN.

⁶ See <http://www.census.gov/eos/www/naics/> for background and the history of the NAICS system.

Note on Tanglewood and Simon's Rock College

In calculating the economic impact of non-profits in Berkshire County we need to estimate the expenditures of Tanglewood (a unit of the Boston Symphony Orchestra, located in Boston) and Simon's Rock College (a unit of Bard College in Annandale-on-Hudson, NY). Both Tanglewood and Simon's Rock College appear to casual observers to be independent or free-standing organizations when in fact they are legally and financially sub-units of larger organizations.

Detailed separate financial figures for Tanglewood and Simon's Rock are not publicly available. In order to calculate economic impact the most important piece of data we need is 2012 expenditures. In the case of Tanglewood we will also want to know the number of visitors in 2012.

Simon's Rock College provides its current year budget on its web site⁷. We have its budgets for 2008 and 2014. By applying the appropriate adjustments for inflation to these amounts we estimate Simon's Rock College expenditures in 2012 and add it to the expenditures of the private college sector (Table 18) when calculating the economic impact of the education group.

We previously worked with the Boston Symphony Orchestra to identify the level of expenditures for Tanglewood and their economic impact on Berkshire County. Applying results from the previous analysis we estimate 2012 expenditures for Tanglewood and add them to the expenditures of performing arts companies (Table 17) when calculating the economic impact of the arts and culture group.

Arts and culture

There are 74 arts and culture non-profits in Berkshire County⁸. While the majority of these non-profits are museums and performing arts companies, arts and culture non-profits operate in 8 different economic sectors. Table 17 shows the distribution of arts and culture non-profits across economic sectors.

We see from Table 17 that the 74 arts and culture non-profits have total expenditures of \$97.3 million. Economic activity in Berkshire County is increased by \$164 million annually and 2,932 jobs are supported locally as a result of those expenditures. The majority of expenditures and impact come from performing arts companies and museums.

⁷ <http://simons-rock.edu/newsroom/media-toolkit/quick-facts>

⁸ Includes Tanglewood.

Table 17 Economic Impact of Arts and Culture Non-profits (2012)

Economic Sector	# of Non-profits	Expenditures (millions)	Economic Impact (millions)	Employment Impact
Newspaper publishers	4	\$0.33	\$0.48	4.5
Motion picture & video industries	2	\$0.71	\$1.08	9.0
Radio & television broadcasting	4	\$1.12	\$1.74	12.0
Other educational services	3	\$2.82	\$4.49	70.6
Performing arts companies ⁹	37	\$53.69	\$94.64	2,238.8
Museums & historical sites	12	\$28.59	\$42.93	332.5
Grantmaking & social advocacy	2	\$7.56	\$13.79	168.9
Civic, social & professional	10	\$2.51	\$4.91	95.9
Total	74	\$97.33	\$164.05	2932.2

Education

When we think of education non-profits we are most likely to think of private schools, whether elementary and secondary schools or colleges and universities. There are 59 education non-profits in Berkshire County, of which 18 are private schools and colleges.

Table 18 Economic Impact of Education Non-profits (2012)

Economic Sector	# of Non-profits	Expenditures (millions)	Economic Impact (millions)	Employment Impact
Management, scientific & technical consulting services	2	\$0.71	\$1.17	10.6
Scientific research & development services	1	\$1.69	\$2.71	19.8
Private elementary & secondary schools	16	\$63.95	\$97.94	1355.5
Private colleges ¹⁰	2	\$252.21	\$416.80	4298.9
Other educational services	5	\$25.27	\$40.28	632.9
Grantmaking & social advocacy	12	\$2.37	\$4.31	52.8
Civic, social & professional	21	\$1.84	\$3.60	70.3
Total	59	\$348.04	\$566.82	6,440.8

⁹ Includes Tanglewood.

¹⁰ These figures include Simon's Rock College.

Education non-profits operate in 7 different sectors in the local economy. The majority of education non-profit organizations can be found in two sectors: civic, social and professional organizations (21 non-profits); and grant-making and social advocacy (12 non-profits).

We see in Table 18 that education non-profits have total expenditures of \$348 million. Economic activity in Berkshire County is increased by \$566.8 million annually and 6,441 jobs are supported as a result of these expenditures. Most of the expenditures and impact come from private schools and colleges.

Health

Table 19 presents data on Berkshire County non-profits working in the health group. There are 62 non-profits operating in 7 industrial sectors. There are 24 nursing and residential care facilities, which is the economic sector with the greatest number of health non-profits. The greatest economic impact generated in the health group is the \$718 million impact of private hospitals.

Table 19 Economic Impact of Health Non-profits (2012)

Economic Sector	# of Non-profits	Expenditures (millions)	Economic Impact (millions)	Employment Impact
Mgt, scientific & tech consulting	2	\$0.84	\$1.38	12.5
Scientific R&D services	1	\$0.03	\$0.05	0.3
Home health care services	4	\$10.16	\$15.79	258.9
Med & diagnost labs and services	14	\$75.37	\$106.30	1,000.0
Private hospitals	7	\$459.28	\$717.98	5,397.3
Nursing & residential care facilities	24	\$200.71	\$311.39	4,262.0
Grantmaking & social advocacy	10	\$55.39	\$100.96	1,236.9
Total	62	\$801.78	\$1,253.82	12,167.9

Health non-profits had total expenditures of \$802 million in 2012. Total economic impact of health non-profits was \$1.25 billion dollars. Expenditures of health non-profits supported 12,168 jobs in 2012.

Human services

The economic impact data for human services non-profits are presented in Table 20. There are 106 human services non-profits operating in 11 sectors of the economy. There are 36 human services non-profits in the individual and family services sector generating an economic impact of \$161 million in 2012. This is both the largest number of human services non-profits in a sector and it also generates the largest portion of the total impact. In 2012 human services non-profits had expenditures of \$140 million, increasing economic activity in the Berkshire County economy by \$224 million. Human services non-profits supported 3,508 jobs.

Table 20 Economic Impact of Human Services Non-profits (2012)

Economic Sector	# of Non-profits	Expenditures (millions)	Economic Impact (millions)	Employment Impact
Legal Services	2	\$0.01	\$0.01	0.1
Mgt, scientific & tech consulting	1	\$0.02	\$0.03	0.2
Nursing & residential care facilities	14	\$22.38	\$34.73	475.3
Child day care services	3	\$5.66	\$8.55	141.2
Individual and family services	36	\$99.75	\$160.97	2,609.0
Community food, housing & relief	24	\$7.94	\$12.90	178.2
Spectator sports companies	1	\$0.06	\$0.12	2.3
Fitness & recreational sports centers	2	\$0.90	\$1.48	33.3
Other amusements & recreation	14	\$0.77	\$1.17	19.4
Other accommodations	1	\$0.42	\$0.68	7.2
Grantmaking & social advocacy	8	\$1.86	\$3.38	41.5
Total	106	\$139.77	\$224.03	3,507.7

'Other' non-profits

There are 74 non-profits in the 'other' group in Berkshire County. They operate in 8 economic sectors. There are 38 non-profits in 'grantmaking and social advocacy' and 22 non-profits in the 'civic, social and professional' sector.

Table 21 Economic Impact of 'Other' Non-profits (2012)

Economic Sector	# of Non-profits	Expenditures (millions)	Economic Impact (millions)	Employment Impact
Newspaper publishers	1	\$1.10	\$1.62	15.0
Motion picture & video indust	1	\$0.26	\$0.40	3.3
Scientific R&D services	3	\$3.60	\$5.80	42.2
Other educational services	2	\$1.89	\$3.01	47.3
Museums & historical sites	2	\$1.24	\$1.85	14.4
Religious organizations	5	\$2.66	\$3.32	11.4
Grantmaking & social advocacy	38	\$26.04	\$47.46	581.5
Civic, social & professional	22	\$15.31	\$29.94	585.2
Total	74	\$52.10	\$93.40	1,300.3

In 2012 'other' non-profits had expenditures of \$52.1 million. These expenditures generated an economic impact of \$93.4 million and supported 1,300 jobs in Berkshire County.

Summary of non-profit economic impact

Table 22 summarizes the economic impact of non-profits in Berkshire County. In 2012 non-profits spent \$1.44 billion. These expenditures generated a total of \$2.3 billion in economic output in Berkshire County. Non-profit expenditures supported tax revenues for local, state and federal governments of almost \$316 million, including \$100 million in state and local tax revenues along with \$216 million in federal taxes. 26,349 jobs were supported in Berkshire County by non-profit expenditures. The difference between an organization's total output and the cost of its intermediate inputs is called the value added. The total value added in the county arising because of the activities of non-profits was nearly \$1.46 billion.

Table 22 Total Economic Impact of Non-profits in Berkshire County (2012)

	Expenditures (millions)	Economic Impact (millions)	Employment Impact	Value Added (millions)	State/Local Tax (millions)	Federal Tax (millions)
Arts & Culture	\$97.33	\$164.05	2932.2	\$93.10	\$5.76	\$12.66
Education	\$348.04	\$566.82	6,440.8	\$357.20	\$27.30	\$52.29
Health	\$801.78	\$1,253.82	12,167.9	\$798.30	\$53.79	\$118.14
Human Services	\$139.77	\$224.03	3,507.7	\$155.94	\$9.38	\$24.34
Other	\$52.10	\$93.40	1,300.3	\$52.03	3.48	\$8.79
Total	\$1,439.02	\$2,302.12	26,348.9	\$1,456.56	\$99.71	\$216.23

Table 22 also provides summary data for the economic impact of the five major groups of non-profits: arts and culture, education, health, human services, and other. The figures for expenditures, economic impact, and employment are gathered from Tables 17 to 21 above. We have also included figures on value added and tax revenues from our analysis.

Figures 12 and 13 display the percentage of total non-profit impact contributed by each major group. We see that health non-profits generate 54% of all non-profit economic impact and 46% of all non-profit employment impact. The economic and employment impacts of education non-profits make up 25% of all impacts generated by non-profits in Berkshire County. Human services non-profits create 10% of economic impact and 13% of employment impact. Arts and culture nonprofits create 7% of economic impact and 11% of employment impact. 'Other' non-profits generate 4% of the total economic impact of non-profits and 5% of the total employment impact of non-profits in Berkshire County.

Figure 18 Distribution of Non-profit Economic Impact: Berkshire County (2012)

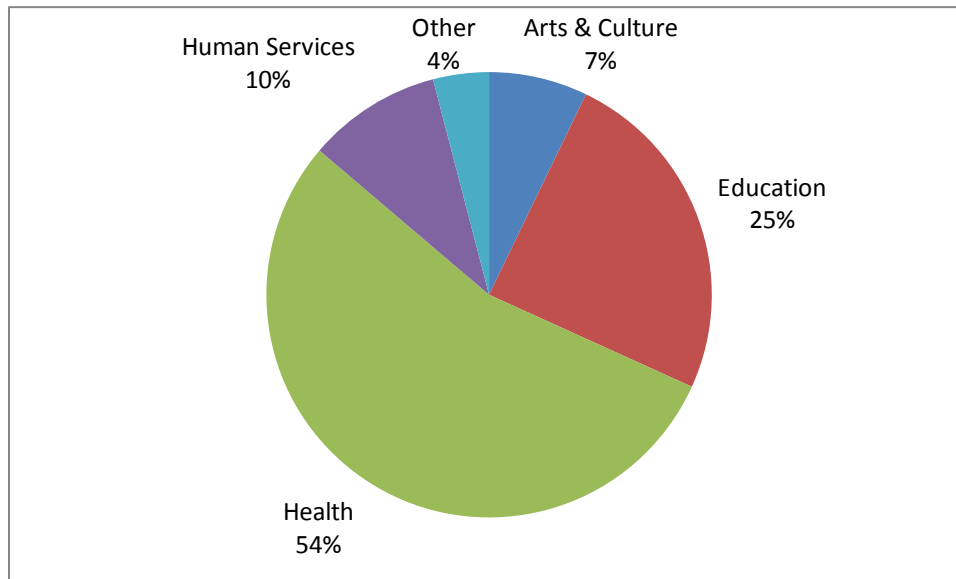
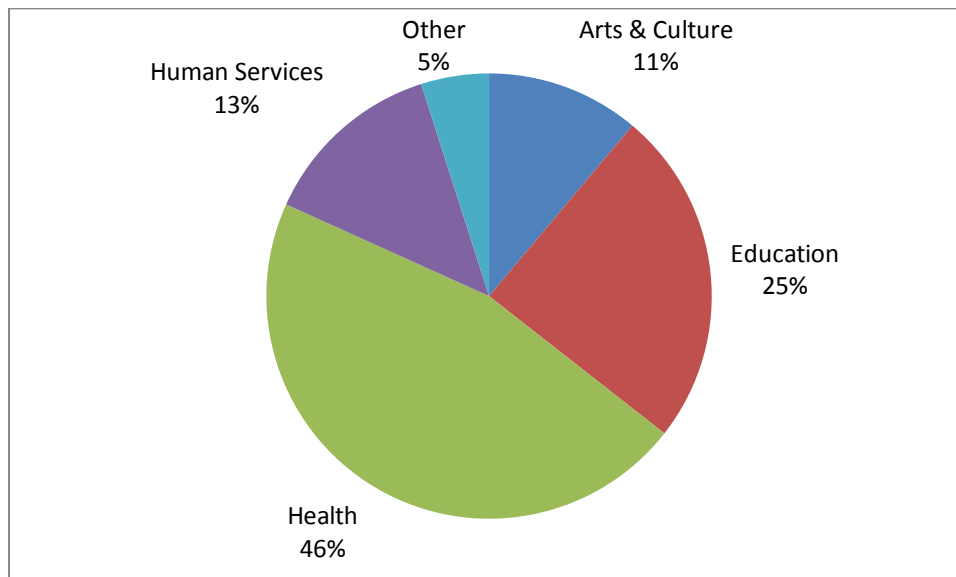


Figure 19 Distribution of Non-profit Employment Impact: Berkshire County (2012)



In Tables 17 to 21 above we examined the impact of each of the 5 major groups of non-profits and presented figures for the economic sectors in which they operated. An examination of those tables reveals some overlap of economic sectors between the major groups. Thus, the health group includes 21 non-profits classified as nursing and residential care facilities and the human services group has 14 non-profits similarly classified. Table 23 presents the economic impacts of non-profits according to the industrial sector in which they operate. Put another way, Table 22 presents non-profit impact by NTEE

(National Taxonomy of Exempt Entities) group and Table 23 presents non-profit impact by NAICS (North American Industry Classification System) group.

Table 23 Economic Impact by Industrial Sector, 2012

Economic Sector	Economic Impact (millions)	Employment Impact	Total Value Added (millions)	State & Local Tax (millions)	Federal Tax (millions)
Child Day Care Services	\$8.55	141.2	\$6.07	\$0.33	\$0.86
Civic, Social & Professional	\$38.45	751.4	\$21.50	\$1.65	\$3.96
Food, Housing & Relief Services	\$12.90	178.2	\$8.51	\$0.52	\$1.31
Fitness & Recreational Sports	\$1.48	33.3	\$0.87	\$0.07	\$0.12
Grantmaking & Social Advoc	\$169.90	2,081.6	\$90.93	\$6.08	\$16.09
Home Health Care Services	\$15.79	258.9	\$11.19	\$0.62	\$1.62
Individual & Family Services	\$160.97	2,609.0	\$113.73	\$6.36	\$17.97
Legal Services	0.01	0.1	\$0.01	\$0.00	\$0.00
Mgt, Scientific, Tech Consult	\$2.59	23.3	\$1.70	\$0.10	\$0.25
Med & Diagnost Labs and Serv.	\$106.27	1,000.0	\$75.40	\$3.71	\$9.00
Motion Picture & Video Indust	\$1.47	12.2	\$0.65	\$0.05	\$0.07
Museums, Historical & Parks	\$44.78	346.8	\$28.60	\$1.58	\$3.42
Newspaper Publishers	\$2.10	19.5	\$1.03	\$0.06	\$0.13
Nursing & Resid Care Facilities	\$346.12	4,737.3	\$236.22	\$18.73	\$35.63
Other Accommodations	\$0.68	7.2	\$0.39	\$0.03	\$0.06
Other Amusements & Rec	\$1.17	19.4	\$0.77	\$0.06	\$0.11
Other Educational Services	\$47.79	750.7	\$30.70	\$1.83	\$4.31
Performing Arts Companies	\$94.64	2,238.8	\$51.41	\$3.28	\$7.01
Private Colleges	\$416.80	4,298.9	\$251.47	\$20.31	\$37.15
Private Elem & Sec Schools	\$97.94	1,355.5	\$73.27	\$5.01	\$10.42
Private Hospitals	\$717.98	5,397.5	\$444.23	\$28.95	\$65.77
Radio & TV Broadcasting	\$1.74	12.0	\$0.55	\$0.03	\$0.08
Religious Organizations	\$3.32	11.4	\$2.61	\$0.08	\$0.25
Science R&D Services	\$8.56	62.3	\$4.71	\$0.26	\$0.64
Spectator Sports Companies	\$0.12	2.3	\$0.06	\$0.01	\$0.01
Total	\$2,302.12	26,348.8	\$1,456.56	\$99.71	\$216.23

The economic analysis presented in this report parallels the analyses done in our first two reports on the state of non-profits in Berkshire County. In those reports we used 2006 and 2008 data, respectively, to calculate the economic impact of non-profit public charities in Berkshire County. Table 24 presents the results from the three separate analyses in constant 2012 dollars.

In 2006 non-profit expenditures were \$1.31 billion; in 2008 expenditures were \$1.44 billion; and in 2012 non-profit expenditures were \$1.44 billion. We see that in real terms (2012 dollars) expenditures in 2012 had regained 2008 levels. In 2006 non-profits had an economic impact of \$2.18 billion; in 2008 non-profit economic impact was \$2.37 billion; in 2012 the economic impact of non-profits was \$2.30 billion.

We see that 2012 expenditures are slightly above 2008 expenditures, and 2012 economic impact is close to 2008 levels.

Table 24 Non-profit Economic Impact over Time (millions, 2012 dollars)

	2006 Expenditures	2006 Impact	2008 Expenditures	2008 Impact	2012 Expenditures	2012 Impact
Arts & Culture	\$93.55	\$165.09	\$104.54	\$173.38	\$97.33	\$164.05
Education	\$316.60	\$535.37	\$345.35	\$580.53	\$348.04	\$566.82
Health	\$680.80	\$1,112.32	\$743.89	\$1,219.63	\$801.78	\$1,253.82
Human Services	\$174.16	\$285.19	\$188.37	\$308.33	\$139.77	\$224.03
Other	\$41.26	\$77.82	\$53.15	\$88.67	\$52.10	\$93.40
Total	\$1,307.39	\$2,175.79	\$1,435.30	\$2,370.52	\$1,439.02	\$2,302.12

Lastly in this section we take a look at non-profit economic impact in relation to Berkshire County GDP. We see in Table 25 that in 2012 non-profit economic impact was equal to 39% of GDP in Berkshire County. The percent in 2008 was 42% and in 2006 it was 35%. The figures indicate that in 2008 overall GDP in the county had declined more than non-profit impact, and the share of GDP from non-profits increased.

Table 25 Ratio of Non-profit Impact to GDP: Berkshire County (millions, 2012 dollars)

2006 Impact	2006 GDP	2006 Ratio	2008 Impact	2008 GDP	2008 Ratio	2012 Impact	2012 GDP	2012 Ratio
\$2,175.79	\$6,154.62	0.35	\$2,370.52	\$5,635.92	0.42	\$2,218.03	\$5,631.00	0.39

Economic impact of visitors to non-profits

In addition to generating economic impact by providing employment income and purchasing inputs from other local businesses, non-profits generate local economic impact by attracting visitors to Berkshire County. Visitors can generate significant economic impact, and it is important to acknowledge the role of non-profits in attracting visitors to the region. Arts and culture organizations, in particular, have the potential of attracting large numbers of visitors from outside Berkshire County. Cultural visitors also spend more during their visit than other types of visitors¹¹.

We use IMPLAN and figures for visitor spending in Berkshire County to calculate the economic and employment impacts per 10,000 cultural visitors on the local economy. Table 26 indicates that 10,000 cultural visitors to Berkshire County generate \$1.06 million dollars of increased economic activity and support 11.8 local jobs. An organization's impact on the local economy can be approximated using the

¹¹ Arts and Economic Prosperity III: National Report. Americans for the Arts.

http://www.americansforthearts.org/sites/default/files/pdf/information_services/research/services/economic_impact/aeiii/national_report.pdf

figures from Table 26. For example, if a museum attracts 50 thousand visitors per year, the impact of these visitors will be approximately five times the amounts listed in the table.

Table 26 Visitor Impact (2012 dollars)

Economic Impact per 10,000 Cultural Visitors	Employment Impact per 10,000 Cultural Visitors
\$1,057,101	11.822

Table 27 presents an estimate of the number of all visitors in 2012 to 14 major Berkshire County arts and culture organizations. Our estimates are drawn from press reports, organizations' web sites, annual reports, and discussions with directors of local museums and performing arts organizations. We see from Table 27 that in 2012 the 14 largest arts and culture non-profits in Berkshire County attracted 1,153,000 total visitors.

Table 27 Number of Cultural Visitors (2012)

Non-profit Organization	# Total Visitors¹²
Barrington Stage Company	40,000
Berkshire Museum	30,000
Berkshire Theatre Festival	30,000
Clark Art Institute	200,000
Colonial Theatre	9,000
Hancock Shaker Museum	50,000
Jacob's Pillow	46,000
Mahaiwe Performing Arts Ctr	39,000
MASS MoCA	120,000
Norman Rockwell Museum	125,000
Shakespeare and Company	50,000
Tanglewood	350,000
The Mount	30,000
Williamstown Theatre Festival	34,000
Total	1,153,000

"Total visitors" is an estimate of the number of individuals who purchased tickets or attended an event during the year. A certain number of those visitors live in Berkshire County and would likely have spent their money somewhere else in Berkshire County if the organization did not exist. Nonlocal visitors, however, bring money into the county that likely would have been spent outside of the county if the

¹² The figures for total visitors are estimates based on trends from past reported numbers, annual reports, and published sources. One useful article was on "Berkshires Cultural Report," Clarence Fanto, The Berkshire Eagle, 10/23/2010.

organization did not exist or was located elsewhere. Therefore, nonlocal visitor expenditures increase economic activity in the Berkshire County economy. In order to calculate the associated economic impact we must estimate the percentage of visitors from outside Berkshire County. This percentage will vary among organizations, based on the extent to which they have a national or international reputation. Using empirical data on ticket sales collected by the organization we know that 80% of MASS MoCA's visitors in 2004 came from outside Berkshire County. This was before the opening of the Sol Lewitt installation and other important expansions that will have increased MASS MoCA's national reputation and likewise the number of visitors to the museum. Also based on data collected by the organization we know that in 2012 87% of Norman Rockwell Museum's visitors live outside the county.¹³

In 2012 there were approximately 1,153,000 total visitors to the 14 largest arts and culture non-profits in Berkshire County. If we estimate that 80% of these visitors traveled from outside Berkshire County, that would suggest there were 922,400 nonlocal visitors to arts and culture non-profits in 2012. We believe this figure is likely an underestimate of the number of nonlocal visitors. If we apply the economic impact per 10,000 visitors in Table 26 to the visitor figures in Table 27 we can calculate the economic and employment impacts of arts and culture visitors.

Table 28 presents the economic impact of 922,400 visitors to arts and culture non-profits in Berkshire County in 2012. The total economic impact generated by these visitors was \$97.51 million dollars. Visitor expenditures support 1,090.5 jobs in Berkshire County. We take these figures to be a lower-bound estimate of the economic impact of visitors to Berkshire County non-profits.

If we look back at Table 17 we can see that expenditures by the 74 arts and culture non-profits in Berkshire County had an economic impact of \$164.05 million and supported 2,932.2 jobs. Table 28 demonstrates the important economic impact of arts and culture organizations by virtue of their attracting visitors to Berkshire County.

Table 28 Arts and Culture Impact with Visitors (2012)

	Economic Impact (millions)	Employment Impact
Arts and Culture Non-profits	\$164.05	2,932.2
Arts and Culture Visitors	\$ 97.51	1,090.5
Total	\$261.56	4,022.7

Table 28 shows the important way in which arts and culture non-profits increase the economic impact of their own expenditures by attracting visitors who make additional expenditures. In Berkshire County in 2012 the \$164 million impact of arts and culture was increased \$97.5 million by visitor spending for a total arts and culture impact of \$261.5 million. In addition to the 2,932 jobs supported by arts and culture non-profit expenditures, 1,091 jobs were supported by the spending of arts and culture visitors, for a total impact of 4,023 jobs.

¹³ Norman Rockwell Museum Annual Report, 2012.

While Arts and Culture non-profits attract the largest number of visitors to the county and are the focus of the analysis presented in this section, they are not the only type of non-profit to attract visitors to the county. Educational non-profits attract visitors for athletic events, campus visits and other events. Health non-profits attract visitors who come from adjacent areas to seek care or to visit those being cared for. Other non-profits can attract visitors who may come for consultation or for specialized services. These visitors certainly contribute to the Berkshire economy. Their impact is not included here for several reasons, including that the numbers are small compared to visits to arts and culture organizations, and that the data are not reliably collected in the same way that can be done through ticket sales. The visitor impacts we report are the minimum impact generated by visitors to Berkshire County non-profits.

VI. Beyond Economic Impact

The analysis presented in this report has focused on the impacts of non-profit organizations in Berkshire County that can be measured and compared with traditional economic variables. Beyond these, there are a variety of impacts that are not easily measured in terms of increased income, wealth or employment. In fact, these broader impacts can be said to be a central part of the rationale for the existence of the non-profit sector.

Certification of an organization as a non-profit is in almost all cases left up to the states, and most non-profit organizations seek this status in order to receive the tax benefits that are associated with it. All states provide some protection from property taxation for non-profit organizations. Often of greater importance is the fact that non-profit organizations can obtain from the IRS protection from federal taxation. Exemption from taxation of surplus revenues (profits) applies to all organizations identified under section 501 of the Internal Revenue Code¹⁴. For organizations identified in part (c) paragraph (3) of the code, the additional benefit of exemption from income tax that would normally be paid by donors to the organization significantly increases the ability of these non-profits to obtain the revenues needed to operate and build assets.

Why are such advantages provided to these organizations? The Elizabethan Statute of Charitable Uses, passed in 1601, provides a list of the many activities that were appropriate acts of charity and hence worthy of government overview and support. These included "... relief of aged, impotent and poor people, some for maintenance of sick and maimed soldiers and mariners, schools of learning, free schools and scholars in universities, some for repair of bridges, ports, havens, causeways, churches, sea-banks, and highways"¹⁵ Donation of property and funds for these activities were understood to provide broader benefits to society and were therefore worthy of protection and support from the Crown. With the establishment of the income tax in the US, this common law heritage became part of the structure of US taxation as well. Thus there is a long tradition of recognizing the broader impacts and benefits of charitable activities, and non-profit organizations receive designation as public charities or foundations if the IRS determines that the organizations are engaged in these activities.

In this section, we provide some observations and evidence for the existence of these beneficial impacts in Berkshire County. We focus on two broad categories of benefits. The first are impacts on the quality of life in communities that while not in themselves economic benefits, their presence has economic consequences that can be measured and used as a test for the presence of the impacts. The second broad category of benefit is related to social cohesion, and social stability that have been found to arise from the operation of non-profits.

¹⁴ See text of the law at <http://www.law.cornell.edu/uscode/text/26/501>, and further discussion of the law and its application at <http://www.irs.gov/publications/p557/ch03.html>

¹⁵ Statute of Charitable Uses, 1601, 43 Eliz. 1, C4.

Quality of life

Many of the conditions, goods and services that are important to residents' happiness are not traded in markets but are either simply present in an area as a natural feature, or are created by the combination of people who live there, the nature of the culture and other amenities, or are freely given to residents. These may include everything from the weather and environmental quality to public libraries, museums, music and other civic organizations that are accessible to all residents of an area. Economists sometimes call the combined value of these local characteristics the "quality of life" available in a city or region¹⁶.

A central insight concerning those aspects of quality of life available to residents of a region is that in order to have access to them one must reside (at least temporarily) in the region. Therefore in those areas with a higher quality of life, there will be higher demand for residential property. If there are constraints on how much housing can be built near the source of higher quality of life, we should be able to observe higher residential property values in that area due to the higher demand.

Several studies of property values have found this to be true, both for specific amenities such as performing arts centers and museums and for more general amenities such as environmental quality and good weather. We have studied property values near MASS MoCA and found that they increased significantly after the museum was built.¹⁷ These studies have been replicated in other cities around the US so that we can be confident that the cultural non-profits in Berkshire County are generating a positive impact on the quality of life in the area.

Social cohesion and social stability

Other impacts of the non-profit sector are important but more difficult to measure. Here we draw attention to two additional ways that non-profits provide benefits to their Berkshire County communities. First, non-profit organizations play an important role in establishing networks of acquaintance and collaboration in communities, a critical part of building social trust or 'social capital'.¹⁸ This has been well-understood and documented in the case of faith-based non-profits and churches. Our research shows that this is also true for performing arts centers and museums. Our 2006 research on social networks in northern Berkshire County identified cultural, social service, and educational organizations that played a significant role in building and connecting social networks in northern Berkshire County. Non-profits played an important role in building and strengthening the fabric of the

¹⁶ See Jennifer Roback, Wages, Rents and the Quality of Life, *Journal of Political Economy*, Vol. 90, (1982)

¹⁷ See *Culture and Revitalization: The Economic Effects of MASS MoCA on its Community*, Stephen C. Sheppard, Kay Oehler, Blair Benjamin, and Ari Kessler, (2006) available at:

<http://www.c-3-d.org/library/pdfs/NA%20Economic%20Impacts%2032006.pdf>

and 'Museums in the Neighborhood: the local economic impact of museums' by Stephen Sheppard, Chapter 8 in *Handbook of Economic Geography and Industry Studies*, Giarattani, F., Hewings, G., and McCann P., (eds.), Edward Elgar Press, Cheltenham, (2013).

¹⁸ See *The Potential of Social Network Analysis for Research on the Cultural Sector*, Kay Oehler and Stephen C. Sheppard (2010), available at: <http://www.c-3-d.org/library/pdfs/NetworkAnalysisAndCulture.pdf> and *Network Analysis and the Social Impact of Cultural Arts Organizations*, Kay Oehler, Stephen C. Sheppard, Blair Benjamin, and Laurence K. Dworkin, (2007), available at <http://www.c-3-d.org/library/pdfs/NA%20Network%20Paper%20010807.pdf>.

community. Extending our study of social networks to other cities demonstrated the power of non-profits to connect neighborhoods to identify and solve social problems.

Second, non-profits bring community residents together to improve their neighborhoods and residential areas. Non-profits can provide a mechanism for enhancing commitment to the community that in turn enhances social stability. In 2012 we examined non-profits throughout the US¹⁹. The study focused on non-profits classified as “community coalitions,” “neighborhood and block associations,” and “community and neighborhood development organizations.” This study clearly demonstrated that those neighborhoods and communities that had the most people moving in and out over the years were also those with the lowest expenditures per capita made by community improvement organizations. When there were more of these organizations, and when they were more active (as measured by their expenditure levels) communities were more stable. The study concludes that a large increase in housing market turnover (a clear sign, for instance, of gentrification) is associated with a 52-72% decline in community improvement expenditures in those communities. This means fewer programs for neighborhood children, fewer neighborhood cleanup programs, and fewer training opportunities for new businesses. These reductions are felt in the neighborhood by all of the remaining residents, including newcomers. Thus having more of these non-profit organizations is associated with tangible, measureable impacts on their communities.

In summary, there is clear evidence that non-profit organizations provide beneficial impacts for Berkshire County beyond increasing income and providing employment. Collectively these organizations improve the social stability of neighborhoods and bring together residents and other organizations to form social networks and improve community resilience. All of these activities contribute to improving the quality of life in Berkshire County. While non-profit organizations should not be expected to cure every challenge and problem that confronts Berkshire County, they do make the economy more robust than it otherwise would be, and they make the county a better place to live.

¹⁹ *Why is Gentrification a Problem?* Stephen Sheppard (2012), available at: <http://www.c-3-d.org/library/pdfs/WhyIsGentrificationAProbREFORM.pdf>

VII. Conclusions

The history of Berkshire County from the colonial period to the present has brought many economic transitions. As a frontier region, the forests drew settlers for logging and timber production and the land drew agricultural workers from the Connecticut River Valley and coastal towns and cities. In time, these economic activities gave way to the industrialization and growth that began in the early part of the 19th century and continued to bring growth and some measure of prosperity through the first 80 years of the 20th.

No doubt, the transition from agrarian frontier to a region of medium and light manufacturing was painful for many who came to the region and built their lives. We can easily imagine disapproval of the change from a wilderness region that could inspire Thoreau, Hawthorne and Melville to one where paper mills, leather tanneries and cloth manufacturing and printing occupied many or most of the residents. As the national and global economy changed, however, the associated economic forces brought change to Berkshire County and the region transitioned to one producing a variety of manufactured goods – some consumed locally but most transported out of the region to reach customers willing to pay for them.

The past three decades, including the decade covered by this report, have been a period of continued economic change in the Berkshires. Changes in the demand for paper and related products have idled many of the region's paper mills, and evolving patterns of global trade have made it difficult for local cloth or electronic component production to remain viable.

The resulting impacts on manufacturing in the county are clearly visible in a recent study²⁰ done by the Donahue Institute at the University of Massachusetts. Manufacturing remains an important source of employment in the county, although it is much smaller than it was in the 1970s and 1980s. From 2001 to 2011, county employment in manufacturing fell by 45%, inflation-adjusted wages in manufacturing fell by 8% and the local GDP produced in the manufacturing sector fell by 21%. During this period the number of manufacturing enterprises in Berkshire County fell from more than 225 firms employing 8400 people to fewer than 175 firms employing just over 4600.

The ongoing transition in manufacturing is both a source and a result of the economic difficulty that affected Berkshire County and is illustrated above in Figure 1. The county entered recession in late 2005, about two years ahead of the rest of the US. The Berkshire County economy declined until 2008, and since then has essentially bounced along – having arrested the decline in aggregate output but not producing sustained real growth.

While the local economy has had difficulty finding a path to growth because of continued weakness and restructuring in manufacturing and other sectors, the non-profit sector of the economy in Berkshire County has been relatively buoyant. The number of non-profit organizations in the county has continued

²⁰ *Berkshire Advanced Manufacturing Study for the Pittsfield Economic Revitalization Corporation*, prepared by UMass Donahue Institute Economic and Public Policy Research, September 2013.

to grow, and while real total revenues dipped from 2008 to 2010, they resumed growth from 2010 to 2012. Interestingly, non-profit expenditures continued to grow from 2006 through 2010, helping to stabilize the local economy and only pausing from 2010 to 2012 as revenues begin to grow again. The real value of non-profit assets has grown and now stands at the highest inflation-adjusted level observed during the past decade. This growth has helped the non-profit sector provide, directly or indirectly, more than \$2.3 billion in income generation. Employment opportunities for well over 26,000 workers can be found in the non-profit sector and in other parts of the economy that benefit from the sector.

These results demonstrate that in Berkshire County the non-profit sector is central to the local economy. Without it employment, income and economic opportunity would be greatly reduced. Is this a desirable feature of the local economy? As with the economic changes of the past, the continued evolution of Berkshire County away from traditional manufacturing has brought pain and difficulties for many families and communities. Change is never easy, and the most robust economy, like a robust ecosystem, is one that is diverse and can accommodate a wide variety of activities.

The local economy is likely to continue to change. It was once an economy that depended mostly on skilled workers and artisans to produce quality goods and send these goods to customers outside of the region. The Berkshire County economy can evolve to one where, in addition to some specialized manufacturing, skilled individuals collaborate to create environments, culture and services that are similarly in high demand outside of the region. In this new economy the products are not sent away, but instead consumers are brought here to enjoy the culture, to learn, to heal and to otherwise benefit from the offerings of the area's museums and performing arts centers, educational institutions, and other non-profit organizations.

Forthcoming changes will require that we adapt in order to fully benefit from them. We must train our workers to support and manage these activities. We must enable convenient and sustainable transport of those who come to the region, and we must figure out ways to accommodate them during their stay – and accommodate them permanently if they chose to make the region their home. With continued support and collaborative effort, the non-profit sector can continue to play an important role in revitalizing, and eventually growing, the economy of Berkshire County.

Appendix A

Note on Credit Unions and Private Foundations

Credit Unions

While the focus of this report is on 501(c)(3) public charity non-profits, there are a wide range of 501(c) organizations identified in IRS tax code: social welfare organizations 501(c)(4); labor and agricultural associations 501(c)(5); business leagues 501(c)(6); and fraternal beneficiary societies 501(c)(8). Credit unions are an example of 501(c) organizations that are covered by their own section of the tax code.

One might wonder why credit unions operate as tax exempt organizations. The reason is the same as for other non-profit organizations – because as a society we feel credit unions operate for the overall social good. As the IRS noted in 1979: “A major reason for the establishment of credit unions in this country was to provide their members with a source of personal loans, in small amounts and for a short term, which generally were difficult to obtain from other financial institutions.”²¹ Thus credit unions perform the public purpose of providing access to credit markets for segments of the business and individual population who might not otherwise have access to credit.

There is an additional layer of complexity surrounding credit unions. There are state chartered credit unions that are exempt from Federal income tax under code 501(c)(14)(A) and there are Federal credit unions “considered to be instrumentalities of the United States”²² that are covered under tax code 501(c)(1) and are also exempt from Federal income tax. Federal credit unions are not required to file IRS Form 990. They are chartered, regulated, supervised and insured by the National Credit Union Administration (NCUA), an independent federal agency. Some organization-specific data are available for Federal credit unions, but not the fine detail that is available for public charities.

Greylock Federal Credit Union, the largest credit union in Berkshire County, is visible in the Berkshire non-profit arena even if it falls outside the realm of public charity. As a credit union, it is locally based and oriented. Members must, at the time of joining: live; work; attend school; volunteer; participate in an association; or be a business/organization in Berkshire County.²³ In 2012 Greylock Federal Credit Union had \$1.13 billion in assets²⁴; 70,843 members; and 210 employees. It is the 71st largest Federally Chartered credit union in the US.²⁵ Its annual report lists 2012 income of \$39.69 million and operating expenses of \$33.62 million. If we compare these figures with the mean and median figures for Berkshire County public charities presented in the tables above we see that it is indeed a large and significant non-profit in Berkshire County. As with private foundations, it is not included in the economic impact analysis presented later because it is not a public charity, the focus of this report.

²¹ See “State Chartered Credit Unions under 501(c)(14)(A),” published by the IRS as part of the Exempt Organizations (EO) Continuing Professional Education (CPE) Technical Instruction Program for Fiscal Year 1979. <http://www.irs.gov/Charities-&-Non-Profits/CPE-for-FY-1979>

²² Ibid.

²³ https://www.greylock.org/greylock_life/about_us/membership.html

²⁴ Greylock Federal Credit Union, Annual Report 2013.

²⁵ 2012 Directory of Federal Credit Unions, p163. <http://www.ncua.gov/Legal/Documents/Reports/CUDIR2012.pdf>

Private Foundations

In estimating the economic impact of non-profits on the Berkshire County economy, we include only those 501(c)(3) non-profits that are public charities. There is one other type of 501(c)(3) organization and that is the private foundation. Private foundations often focus on broader institutional goals and serve a national or global population. To the extent that they do, local economic benefits will be small. Private foundation support of local programs often consists of grants and gifts to other local non-profits. Most of these monies will already be accounted for in our analysis of 501(c)(3) public charities. In Tables A1, A2 and A3 we provide the same data on private foundations that we have for public charities, although we will discuss them only briefly and these figures are not included in the economic impact model.

Table A1 provides data for private foundations in Berkshire County from 2002 to 2012. There were 59 private foundations in Berkshire County in 2002. After increasing to 88 foundations in 2010 the number dropped to 77 in 2012. Revenues have grown significantly during period, from \$7.6 million in 2002 to \$28 million in 2012. Revenues fluctuate widely from year to year. The increase in expenditures has not followed revenues upward at the same rate. Expenditures were \$11 million in 2002 and are \$23.5 million in 2012. Private foundation assets have risen from \$150 million in 2002 to \$245.7 million in 2012. The assets, like revenues, fluctuate from period to period.

Table A1 Private Foundations: Berkshire County (2012 dollars)

	2002	2004	2006	2008	2010	2012
Number	59	63	66	74	88	77
Revenues (millions)	\$7.57	\$13.86	\$33.88	\$13.69	\$18.92	\$28.04
Expenditures (millions)	\$11.00	\$10.72	\$15.66	\$17.22	\$25.18	\$23.49
Assets (millions)	\$149.71	\$106.33	\$185.23	\$176.89	\$192.91	\$245.65

Table A2 provides data on private foundations in Massachusetts for comparison. The number of foundations in the state declined in 2008 and 2012. There is some fluctuation in revenues, particularly in 2006, but it is not as dramatic as in Berkshire County. Assets grew throughout the period except for a decline in 2012.

Table A2 Private Foundations: Massachusetts (millions of 2012 dollars)

	2002	2004	2006	2008	2010	2012
Number	3,243	3,494	3,691	3,600	3,716	3,581
Revenues	\$1,149.59	\$2,426.85	\$3,172.66	\$2,252.97	\$2,343.3	\$2,657.01
Expenditures	\$1,147.03	\$1,190.70	\$1,319.45	\$1,696.57	\$1,502.75	\$2,463.63
Assets	\$11,432.99	\$12,544.83	\$14,920.57	\$15,243.94	\$16,733.98	\$16,492.94

Table A3 presents data on private foundations in the US for the period 2002 to 2012. We see the same trend nationally in terms of number of foundations – it increases in every period except 2012 when the

number of foundations decreases by 4,897. Revenues increased 2.2 times in US foundations from 2002 to 2012; 2.3 time in Massachusetts; and 3.7 times in Berkshire County. Expenditures of US foundations grew in each period, from \$42.95 billion in 2002 to \$58.41 billion in 2012. Foundation assets in the US were \$674 billion in 2012.

Table A3 Private Foundations: US (millions of 2012 dollars)

	2002	2004	2006	2008	2010	2012
Number	78,660	84,554	88,223	95,666	102,130	97,233
Revenues	\$42,952.61	\$79,428.34	\$105,332.48	\$64,771.14	\$75,948.40	\$95,103.71
Expenditures	\$42,949.12	\$44,447.27	\$47,750.41	\$53,450.51	\$55,301.82	\$58,406.24
Assets	\$493,925.05	\$548,566.33	\$641,039.00	\$607,527.21	\$660,434.66	\$674,103.21