



2003 Minnesota Nonprofit Economy Report

This is an excerpt from the complete 20-page 2003 Minnesota Nonprofit Economy Report

Executive Summary

The Minnesota Nonprofit Economy Report is an annual study that describes the role of nonprofit organizations in Minnesota's economy by analyzing nonprofit employment, wage, and financial data. This year's report uses data from 2002, the most current information available.

2002 was a year of growth for the nonprofit economy in Minnesota.

The number of nonprofit organizations with employees grew slightly from 4,610 in 2001 to 4,656 in 2002, a 1% increase. The real growth, however, came in nonprofit employment. **From 2001 to 2002, the nonprofit workforce grew by over 8,300 employees, a 3.5% increase.** During the same period of time, total employment in the state actually declined by 1%.

Between 1993 and 2002, nonprofit employment grew at an average annual rate of 4%, outpacing growth in total employment in the state, which grew an average of 2% per year. **Fueled by the above-average growth in employment, nonprofit employees accounted for 9.5% of the state's total workforce in 2002.**

The size of the nonprofit workforce expanded in every region of the state between 2001 and 2002, even as total employment in many regions experienced a decline.

Although the greatest number of nonprofit employers were engaged in delivering human services in 2002, the majority of nonprofit employment was in health care.

As employers, nonprofit organizations paid over \$8.2 billion in wages to their employees in 2002, or 8.5% of all wages paid in the state. After adjusting for inflation, this represents a 7% increase in total nonprofit payroll from 2001.

In 2002, the average weekly wage for a nonprofit

employee in the state still lagged behind both for-profit and government wages. However, this may be due to the large number of part-time employees in the nonprofit workforce.

A closer look revealed that wages for full-time employees were more comparable. **Median hourly wages for**

full-time nonprofit employees were generally competitive with for-profit wages in the same industry. In every industry examined, except for child care services, nonprofit employers paid workers a wage sufficient to support a family of four (two adults working full-time, two children).

In 2002, nonprofit organizations employed a significant portion of the workforce in Minnesota, paid livable wages, and contributed to the quality of life in their communities.

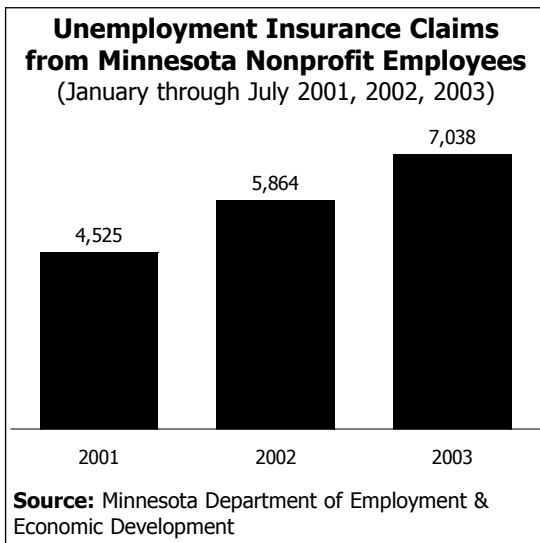
Unfortunately, the story for

2003 and beyond is likely to be different. Nonprofit organizations often do not immediately feel the full financial impact of a recession. The pressures build as state and local governments cut nonprofit funding in response to deficits, foundations reduce or eliminate grants in response to shrinking assets, and individual contributions fall as the recession hits family budgets.

Although nonprofit organizations find innovative cost-saving measures in response to economic pressures, such as mergers or space-sharing, eventually many find it necessary to lay-off staff, cut back hours, or reduce salaries. **During the first seven months of 2003, over 7,000**

Unemployment Insurance claims were filed by nonprofit workers, up by 20% from the same period one year ago. As the financial fallout from the recession continues to hit nonprofits in 2003 and beyond, future Nonprofit Economy Reports are likely to show a changing nonprofit sector.

- September 2003



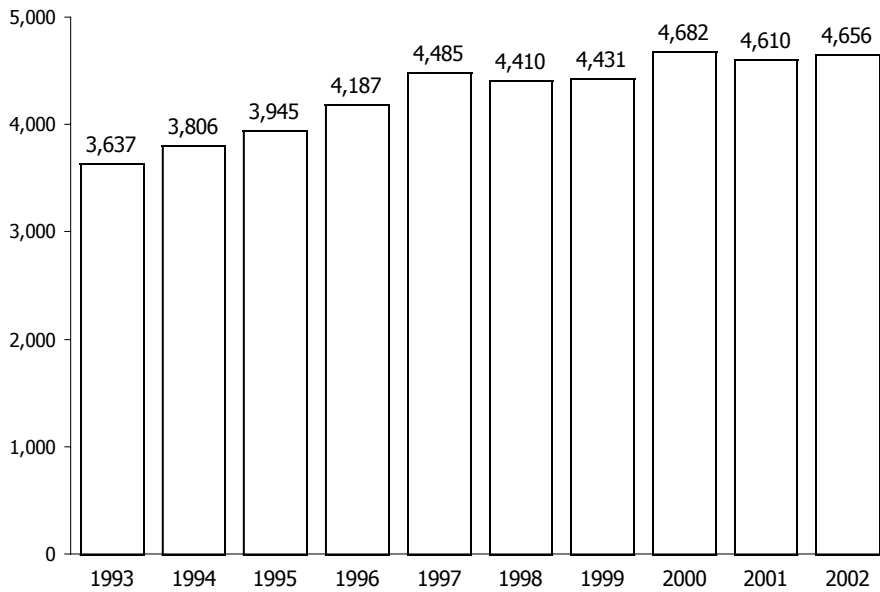
Established in 1987, the Minnesota Council of Nonprofits (MCN) is a statewide membership association of nonprofit organizations which shares information, provides services, and conducts research to educate its members and the community. MCN has over 1,400 members representing all activity areas, budget ranges, and geographic regions of Minnesota. MCN's mission is to continually inform, involve, strengthen, and increase the capacity and effectiveness of nonprofits and the nonprofit sector in Minnesota.

MCN would like to thank the Minnesota Department of Employment and Economic Development and the Minnesota Attorney General's Office, who provided data used in this report. MCN would also like to thank the foundations and corporations that understand the need for a strong nonprofit sector and have supported MCN: 3M Foundation, ADC Foundation, Blandin Foundation, Otto Bremer Foundation, The Cargill Foundation, The Ford Foundation, The McKnight Foundation, The Minneapolis Foundation, Nash Foundation, Ordean Foundation, Park Nicollet Foundation, Phillips Family Foundation, Qwest Foundation, The Saint Paul Companies Foundation, and Target Foundation.



Nonprofit Economy in Minnesota

Number of Nonprofit Organizations in Minnesota (with at least one employee)

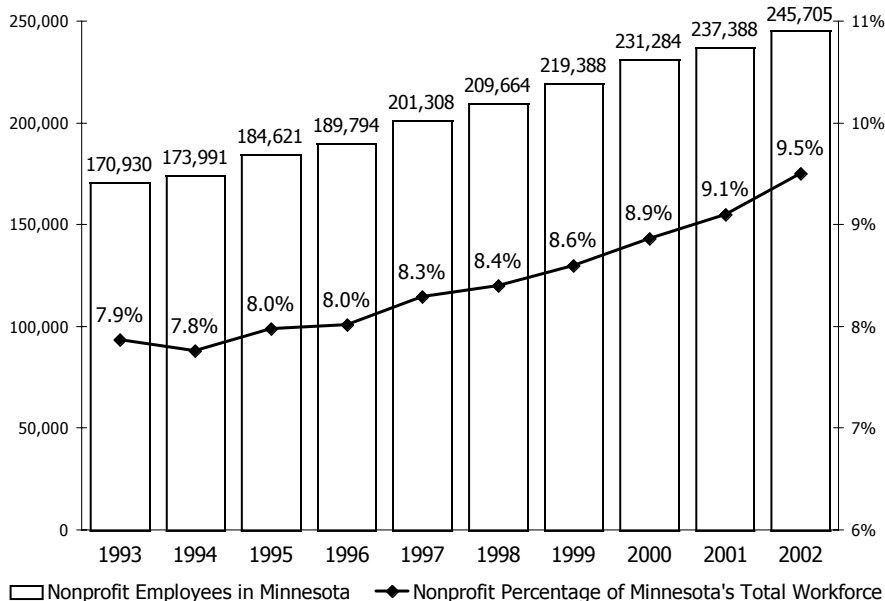


Source: MN Department of Employment & Economic Development, Covered Employment and Wage Program

2002 Distribution of Nonprofit Employers and Employees by Region

Region	Nonprofit Employers	Nonprofit Employees
Twin Cities	2,356	128,959
Northeast	372	17,888
Northwest	583	20,445
Central	390	20,032
Southeast	437	43,198
Southwest	422	14,617

Number of Nonprofit Employees in Minnesota and Percentage of the State's Total Workforce



Source: MN Department of Employment & Economic Development, Covered Employment and Wage Program

In 2002, there were nearly 4,660 nonprofits with employees in Minnesota. This was only a 1% increase from 2001, however, and the number of nonprofit employers still falls short of the high of 4,682 in 2000.

Just over half (51%) of Minnesota's nonprofits with employees were located in the seven-county Twin Cities metro area in 2002. The rest were distributed evenly throughout the state. Thirteen percent of nonprofit employers were located in the Northwest, 9% in the Southeast, 9% in the Southwest, 8% in Central Minnesota, and 8% in the Northeast.*

The Twin Cities was the only region to see a decline in the number of nonprofit employers from 2001 to 2002. Every other region saw growth, with the largest increase in Central Minnesota, where the number of nonprofits with employees increased by 4% between 2001 and 2002.

Although the overall number of nonprofit employers in the state did not increase much, nonprofit employment experienced another year of strong growth. From 2001 to 2002, the nonprofit workforce grew from 237,388 to 245,705, an increase of over 8,300 employees, or 3.5%. During the same period of time, for-profit employment in Minnesota declined by 1.8%.

Most of the growth in nonprofit employment between 2001 and 2002 came in the health care industry, specifically in hospitals and nursing and residential care facilities, which together saw an increase of over 5,000 employees.

Between 1993 and 2002, nonprofit employment grew at an average annual rate of 4%, outpacing growth in total employment in the state, which grew by an average of 2% per year.

Fueled by this above-average growth in employment, in 2002, nonprofit employees accounted for 9.5% of the state's total workforce. Government employees (local, state, and

* For a definition of the counties included in each region, please see the complete report available on MCN's website at www.mcn.org/nper.htm.

federal) accounted for 14.4% of the workforce, and for-profit employees made up the remaining 76.1% of the state's workforce.

In 2002, nonprofit employment was concentrated in the Twin Cities metro, where 53% of the nonprofit workforce was found, whereas 61% of total state employment was in the metro area. Another 18% of nonprofit employees were located in Southeast Minnesota, 8% in the Northwest, 8% in Central Minnesota, 7% in the Northeast, and 6% in the Southwest.

As in the past, the greatest percentage of nonprofits with employees, 38%, were involved in delivering human services. Another 24% of nonprofit employers were in the health care industry. And 15% were involved in delivering services that were of public or societal benefit, including human rights organizations, research institutions, and grantmaking foundations.

While human services accounted for the largest segment of nonprofit employers, **nearly two-thirds of nonprofit employees, 65%, worked in the health care industry.** Human services was a distant second, employing 15% of nonprofit workers. The third largest activity area was education, accounting for 9% of nonprofit employment.

In 2002, nonprofit employers in Minnesota paid \$8.2 billion in wages to their employees, or 8.5% of all wages paid. After adjusting for inflation, this represents a 7% increase in total nonprofit payroll from 2001.

From 1993 to 2002, after adjusting for inflation, average weekly wages for nonprofit employees grew at an average annual rate of 2.0%, while overall average weekly wages grew an average of 1.8% per year.

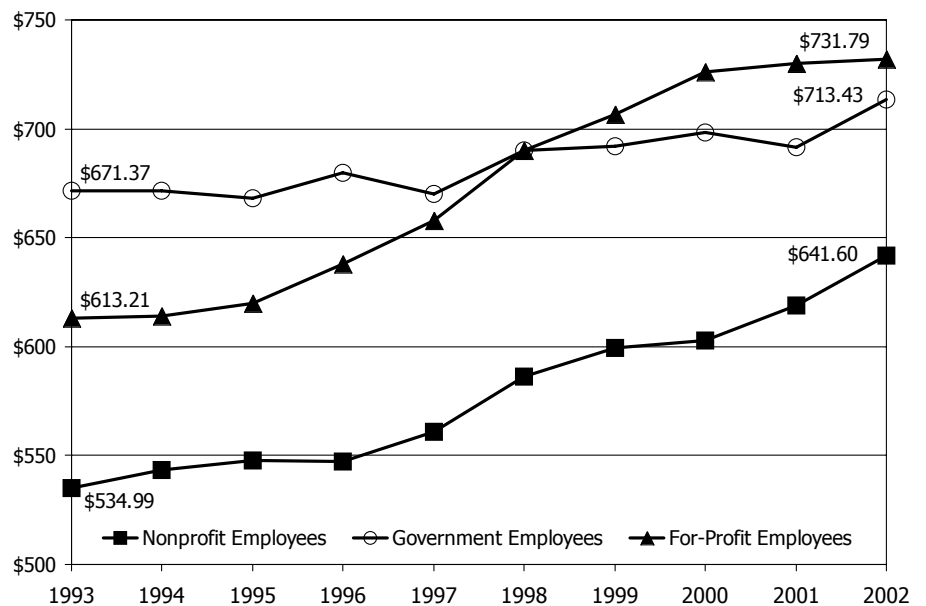
Nonprofit average weekly wages, however, continue to lag behind both government for-profit wages. In 2002, the average weekly wage for a nonprofit employee was \$642 per week, while the average wage for a for-profit employee was \$732, and \$713 for a government employee.

Nonprofit Organizations and Employment by Activity Area in 2002

Activity Area	% of Employers	% of Employees
Human Services	38%	15%
Health	24%	65%
Public, Societal Benefit	15%	6%
Education	9%	9%
Arts, Culture, and Humanities	6%	2%
Religion-Related, Spiritual Development	3%	1%
Environment and Animals	2%	1%
International, Foreign Affairs	2%	1%
Mutual/Membership Benefit	1%	1%
Other	1%	<1%

Source: MN Department of Employment & Economic Development, Covered Employment and Wage Program
 Note: Nonprofit organizations are grouped according to the NTEE-CC classification system. For more information, please see Appendix B.

Average Weekly Wages in Minnesota by Sector (in constant 2002 dollars)



Source: MN Department of Employment & Economic Development, Covered Employment and Wage Program

The complete 20-page version of this report includes regional profiles for the Twin Cities Metro, Northeast, Northwest, Central, Southeast, and Southwest Minnesota. It also includes more information about the data sources used in this report.
The 2003 Minnesota Nonprofit Economy Report can be downloaded for free at www.mncn.org/nper.htm



Nonprofit Finances in Minnesota

Nonprofits in Minnesota receive their revenues from four main sources: charitable contributions, government grants, program service revenue (which includes government fees and contracts), and returns from investments, sales, and special events.

Overall, in 2002, charitable organizations in Minnesota received 79% of their revenues from program services (including government fees and contracts), 12% from charitable contributions, 6% from government grants, and 1% from investments and sales.*

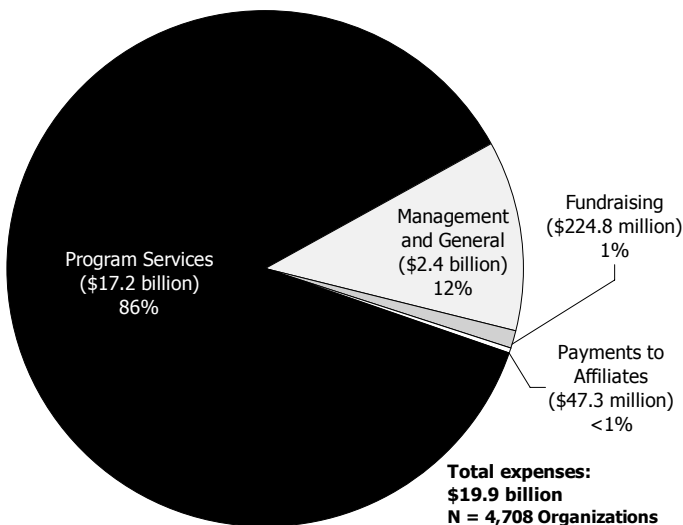
However, the mix of revenue sources varies based on organization size, with small organizations more reliant on contributions (which includes public support and government grants) and larger organizations reporting a higher percentage of earned income (which includes government contracts).

Standards issued by the Charities Review Council of Minnesota recommend that charities spend at least 70% of their total annual expenses on program services and no more than 30% on management and fundraising. **In 2002, Minnesota nonprofits spent 86% of their revenues on program services and only 14% on management and fundraising.** These percentages did not vary by the size of the organization.

In 2002, 41% of nonprofits reported a deficit for the fiscal year, meaning their expenses for the year exceeded revenues. However, 92% reported positive net assets or fund balances at the end of the year. **Charitable organizations in Minnesota reported a total of \$34.0 billion in assets.**

* Financial information for charitable trusts and private foundations that filed form 990PF are excluded from our analysis of nonprofit finances.

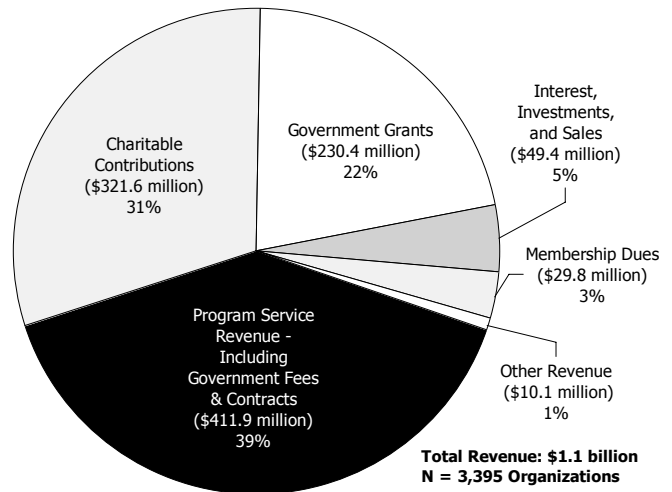
Expenditures by Nonprofit Organizations



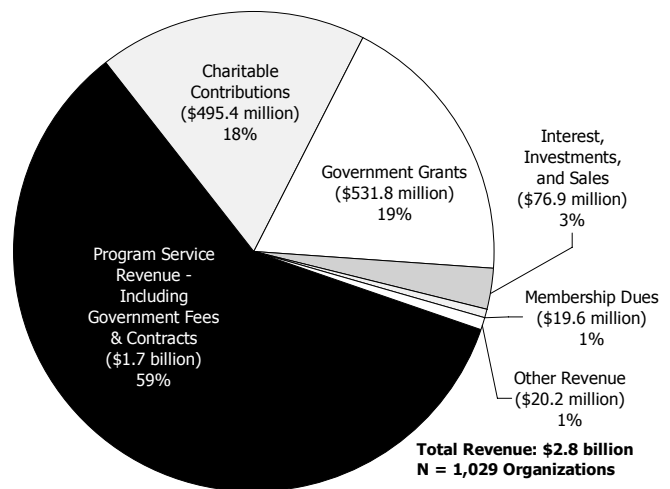
Source: Minnesota Attorney General's Office, Charities Division
 Note: These figures include nonprofits that filed Form 990 or 990EZ, but do not include charitable trusts and private foundations that filed form 990PF.

Revenue Sources for Nonprofits by Size of Organization

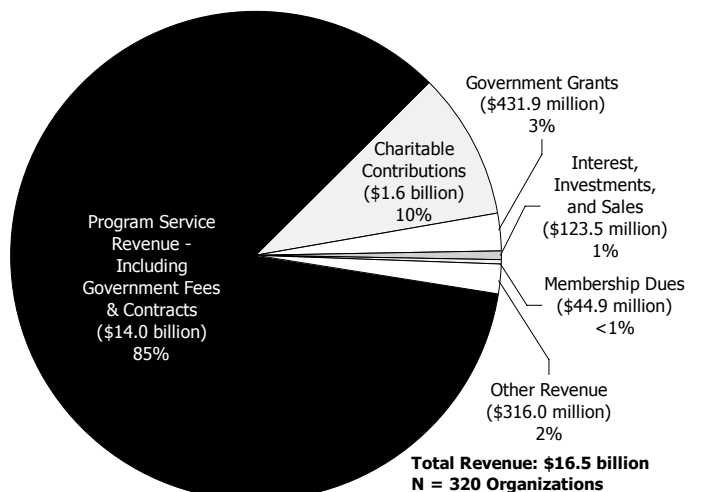
Small Organizations (assets under \$1 million)



Medium Organizations (assets from \$1 - \$10 million)



Large Organizations (assets over \$10 million)



Source: Minnesota Attorney General's Office, Charities Division
 Note: These figures include nonprofits that filed Form 990 or 990EZ, but do not include charitable trusts and private foundations that filed form 990PF.