

2 Minnesota 0 Nonprofit 0 Economy 2 Report

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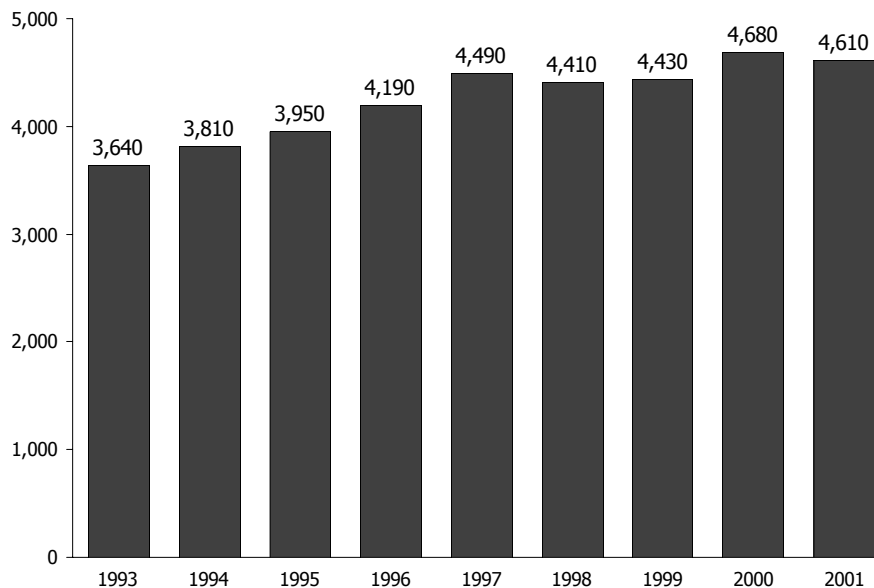


About this report...

In order to analyze the nonprofit economy in 2001, this report uses information primarily from two sources:*

- Every nonprofit in Minnesota with over \$25,000 in financial activity must register with the Minnesota Attorney General's office. Charitable financial activity includes the revenues, expenses, and assets of nonprofit organizations (incorporated charities), private foundations, and charitable trusts. Because private foundations and charitable trusts are operationally distinct from nonprofits, and their financial activity clouds issues facing charitable organizations, they are excluded from the analysis. Religious congregations, which are not required to file with the Attorney General, are also not included. The Attorney General's data is used to analyze the finances of Minnesota's nonprofits.
- The Minnesota Department of Economic Security collects employment and wage data from nearly every employer in Minnesota as part of the Covered Employment and Wages (CEW) Program. The data encompasses about 97% of nonfarm employment in Minnesota. In 2001, there were approximately 4,610 nonprofit organizations in Minnesota that employed at least one person. This number does exclude some religiously-affiliated nonprofits with employees that are not covered by the Unemployment Insurance Act. The CEW data is used to analyze nonprofit employers and employees.

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



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

In 2001, there were 4,610 nonprofits with employees in Minnesota. Although this was a slight decline from the number of nonprofit employers in 2000, over the long term the number of nonprofits with employees has grown 27% from 1993 to 2001.

About half of the nonprofits with employees, 51%, were located in the seven-county metro area in 2001. The rest of Minnesota's nonprofits with employees were distributed more evenly throughout the state. Fourteen percent of nonprofit employers were located in the Southeast, 12% in the Northwest, 8% in the Northeast, 8% in Central Minnesota, and 4% in the Southwest.

As in the past, the greatest percentage of nonprofits with employees, 35%, were involved in delivering human services. This includes employment-related services, food banks, child care, legal services, homeless shelters, and disaster relief.

Another 26% of nonprofits with employees were in the health care industry. This includes general hospitals, speciality hospitals, mental health facilities, residential treatment centers, and family planning centers.

And 12% of nonprofits with employees were involved in delivering services that are of public or societal benefit. This includes human rights organizations, research institutions, and grantmaking foundations.

From 2000 to 2001, even though the

Nonprofit Organizations by Activity Area in 2001 (with at least one employee)

Type of Organization	Percent
Human Services	35%
Health	26%
Public, Societal Benefit	12%
Education	10%
Arts, Culture, and Humanities	6%
Religion-Related, Spiritual Development	4%
Environment and Animals	2%
Mutual/Membership Benefit	2%
International, Foreign Affairs	1%
Other	3%

Source: Minnesota Department of Economic Security, Covered Employment and Wage Program
Note: Nonprofit organizations are grouped according to the NTEE-CC classification system. For more information, please see the Appendix on page 8.

* For more information about the Attorney General data and the Covered Employment and Wage data, please see the Appendix on page 18.

number of nonprofit employers declined slightly in Minnesota, the **nonprofit workforce grew from 231,284 to 237,388, an increase of about 6,110 employees, or 3%.** In fact, the increase in nonprofit employment may account for much of the job growth in the state between 2000 and 2001 - between 2000 and 2001, the total state workforce grew by only 506 employees.*

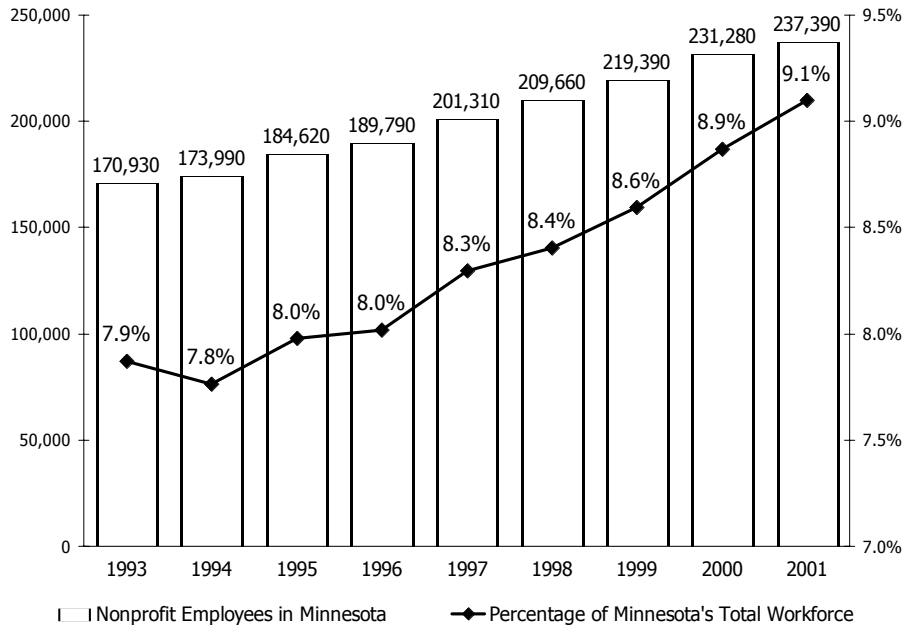
Since 1994, percentage growth in the nonprofit workforce has consistently outpaced both for-profit and government employment growth. Between 1993 and 2001, Minnesota's nonprofit workforce grew 39%, while average statewide employment grew by just 20%.

In 2001, nonprofit employees accounted for just over 9% of the state's total workforce. This means the nonprofit sector employed more people than the entire construction industry (4.7% of state employment), financial services industry (6.4%), or the leisure and hospitality industry (8.7%). Nonprofit organizations in Minnesota also employed more people than the federal government (1.3%) and state government (2.6%), but slightly less than local government (10.2%).

In 2001, nonprofit employment was concentrated in the seven-county metro area, where 53% of the nonprofit workforce was found, whereas 61% of total state employment was in the metro. Hennepin County alone accounted for 29% of the state's nonprofit employment, followed by Ramsey with 16%, Olmsted with 12%, St. Louis with 6%, and Stearns with 3%.

From 2000 to 2001, growth in nonprofit employment was strongest in Central Minnesota, where nonprofit employment increased nearly 8%. Southeast and Southwest Minnesota also experienced higher-than-average job growth at 5% and 4%, respectively. Northern Minnesota, however, saw a decline in the number of nonprofit employees in 2001.

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

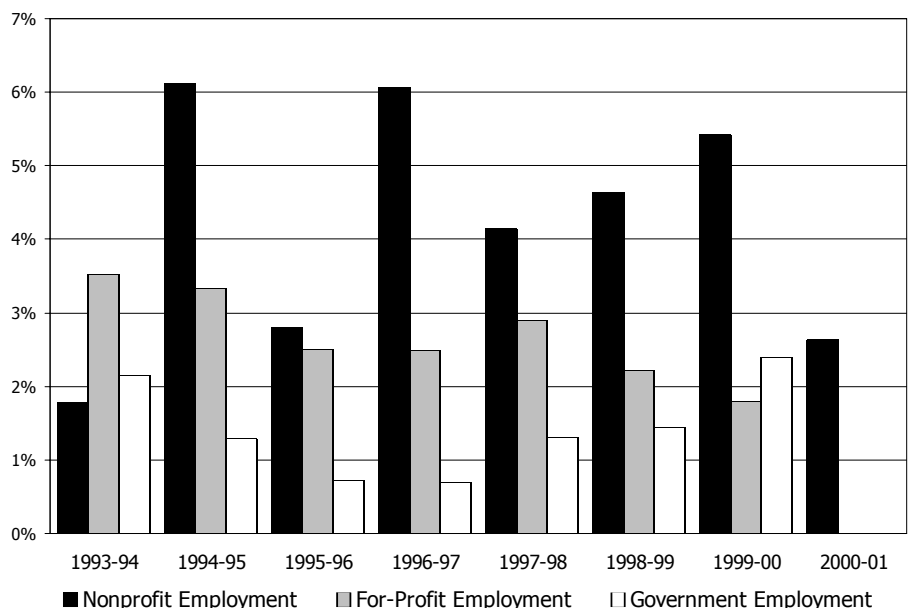


Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

FOUNDATION FACT: In 2000, there were 1,196 foundations and corporate grantmakers in Minnesota. Together they had assets totaling \$12.1 billion and awarded over \$810 million in charitable grants.

Source: Minnesota Council on Foundations

Percentage Growth in Employment by Sector



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program
 Note: For-profit and government employment growth is not shown for the 2000-01 time period because a mandated coding change caused government and for-profit data for 2001 to be incomparable to data from prior years.

* For-profit and government job growth cannot be analyzed separately for the period from 2000 to 2001 because of a change in coding methodology.



Nonprofit Employment by Activity Area in 2001

Type of Organization	Percent
Health	64%
Human Services	14%
Education	10%
Public, Societal Benefit	4%
Arts, Culture, and Humanities	3%
Mutual/Membership Benefit	2%
Religion-Related, Spiritual Development	1%
Environment and Animals	1%
International, Foreign Affairs	< 1%
Other	2%

Source: Minnesota Department of Economic Security, Covered Employment and Wage Program
 Note: Nonprofit organizations are grouped according to the NTEE-CC classification system. For more information, please see the Appendix on page 8.

In 2001, the majority of nonprofit employees, 64%, were employed in the health care industry. For example, 31% of all nonprofit employees in Minnesota worked in hospitals, 18% in nursing and residential care facilities, and another 11% in the offices of physicians.

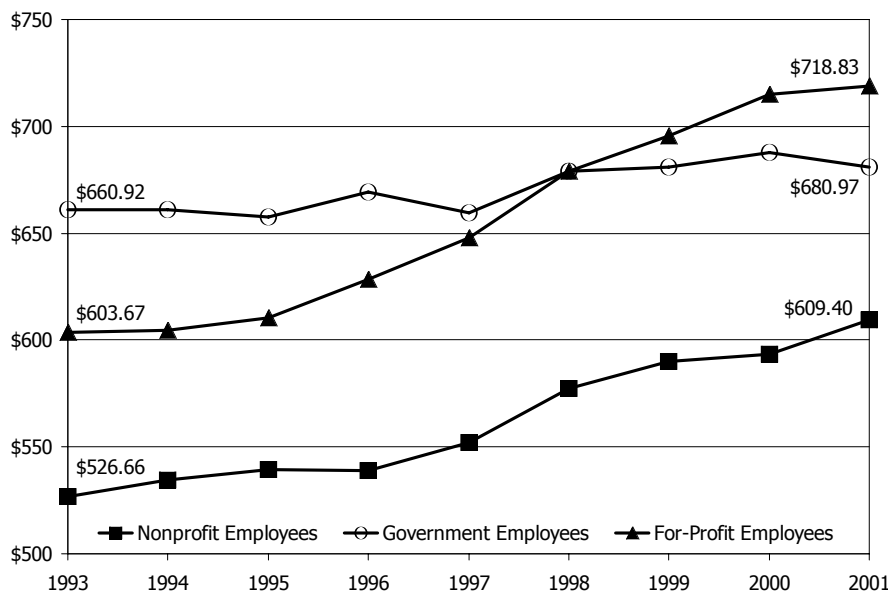
Another 14% of nonprofit employees delivered human services. For example, 4.3% of all nonprofit employees in Minnesota delivered services to youth, the elderly and the disabled, while another 3.5% were involved in vocational rehabilitation.

The third largest employment sector was education, accounting for 10% of nonprofit employment.

Approximately 5.4% of all nonprofit employees worked at private colleges and universities, and another 3.0% worked in private elementary and secondary schools in Minnesota.

In 2001, nonprofit organizations in Minnesota paid over \$7.5 billion in wages to their employees. After adjusting for inflation, this represents a 5% increase in total payroll from 2000.

Average Weekly Wages in Minnesota by Sector (in constant 2001 dollars)



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

While average government weekly wages have remained relatively flat over the last nine years, nonprofit and for-profit wages have risen very steadily, even after accounting for inflation.

From 1993 to 2000, after adjusting for inflation, nonprofit average weekly wages grew at an average annual rate of 1.7%, while for-profit wages increased an average of 2.4% per year, and government wages by less than 1% per year.*

Nevertheless, the average weekly wage for nonprofit employees in 2001 was only \$609, which was 15% lower than the average weekly wage for for-profit employees and 11% lower than average weekly government wages.

* Due to a change in coding methodology, wage data for the for-profit and government sectors for 2001 are not directly comparable to previous years, so only the time period from 1993 to 2000 was analyzed.

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, charitable organizations in Minnesota received 73% of their revenue from program services, 14% from charitable contributions, 7% from government grants, and 5% from investments and sales.*

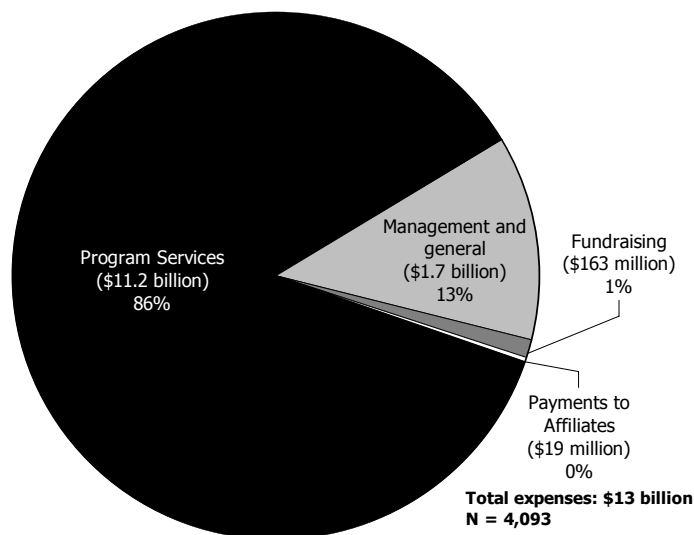
However, the mix of revenue sources varies based on organization size, with small organizations more reliant on contributions (which includes public support and government grants) and larger organizations reporting a higher percentage of earned income.

Standards issued by the Charities Review Council of Minnesota recommend that charities spend at least 70% of their revenues on program services and no more than 30% on management and fundraising. **In 2001, 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 2001, 38% of nonprofits reported a deficit for the fiscal year, meaning their expenses exceeded revenues. However, 93% of nonprofits reported positive net assets or fund balances at the end of the year. **Charitable organizations in Minnesota reported a total of \$24.5 billion in assets in 2001.**

* Financial information for charitable trusts and private foundations is excluded from all analysis of nonprofit finances. The number of charitable organizations included in the analysis was 4,123.

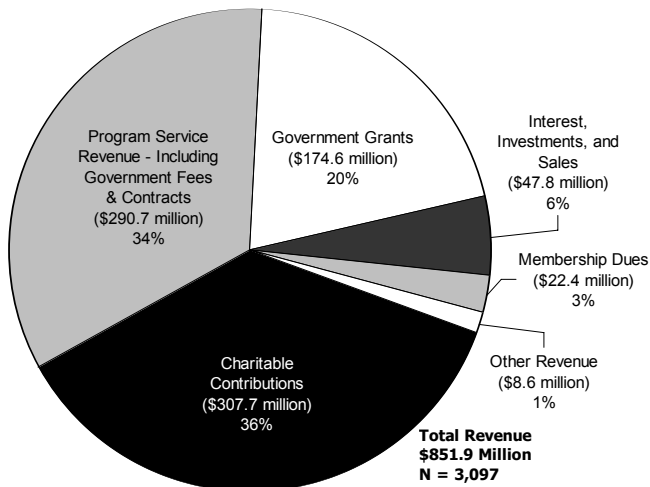
Expenditures by Nonprofit Organizations



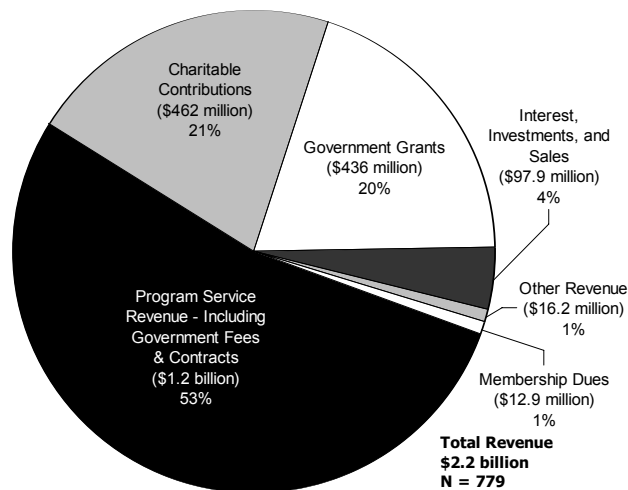
Source: Minnesota Attorney General's Office, Charities Division
 Note: These figures include charities that filed Form 990 or 990EZ, but do not include charitable trusts and private foundations.

Revenue Sources for Nonprofits by Size of Organization

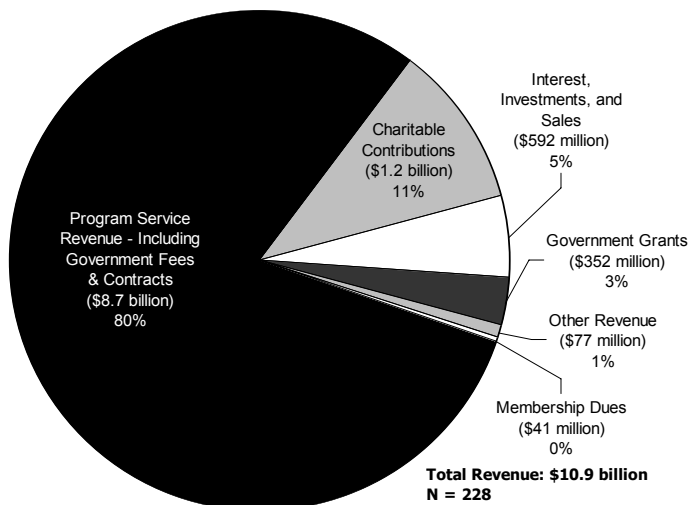
Small Organizations (assets under \$1 million)



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



Large Organizations (assets over \$10 million)

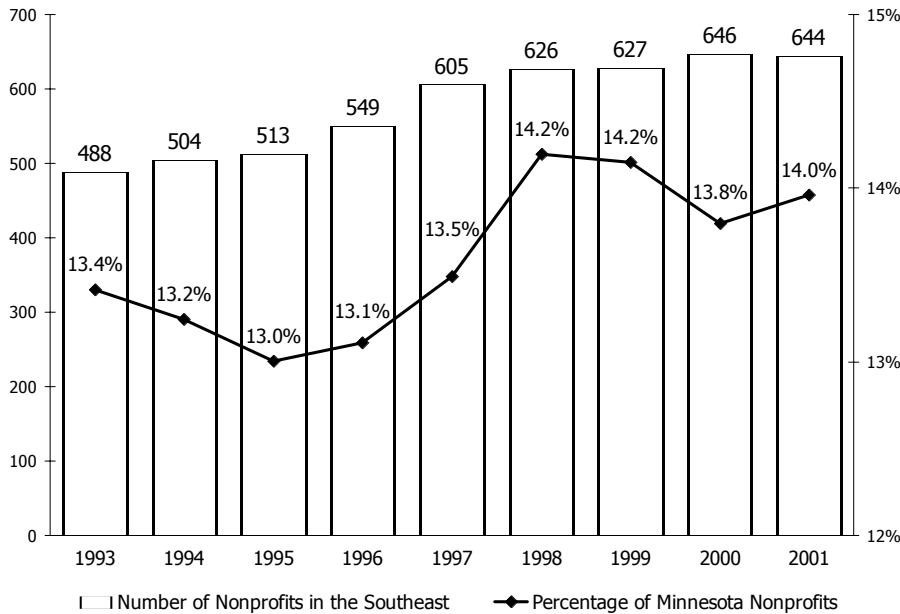


Source: Minnesota Attorney General's Office, Charities Division
 Note: These figures include charities that filed Form 990 or 990EZ, but do not include charitable trusts and private foundations.



Nonprofit Economy in Southeast Minnesota

Number of Nonprofit Organizations in the Southeast and Percentage of Nonprofits Located in the Southeast (with at least one employee)



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

Counties included in the Southeast region:
 Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmsted, Rice, Sibley, Steele, Wabasha, Waseca, Watonwan, Winona

In 2001, there were over 640 nonprofit organizations with employees in Southeast Minnesota. This was a very slight decline in the number of nonprofit employers from 2000.

Up until this year, however, the Southeast region has seen consistent growth in the number of nonprofit employers, experiencing a 32% increase between 1993 and 2001.

The region's greatest concentration of nonprofits with employees, 20%, was in Olmsted County, where Rochester is located. An additional 10% of nonprofit employers in the Southeast were in Blue Earth County, where another major population center, Mankato, is located. The rest of the nonprofits with employees in the Southeast were distributed throughout the remaining counties.

Although growth in the number nonprofits with employees was stagnant in 2001, nonprofits in Southeast Minnesota experienced yet another year of strong growth in nonprofit employment. The nonprofit workforce grew from 47,879 to 50,329 between 2000 and 2001, an increase of 5%. During the same period of time, total employment in the Southeast grew by less than 1%.

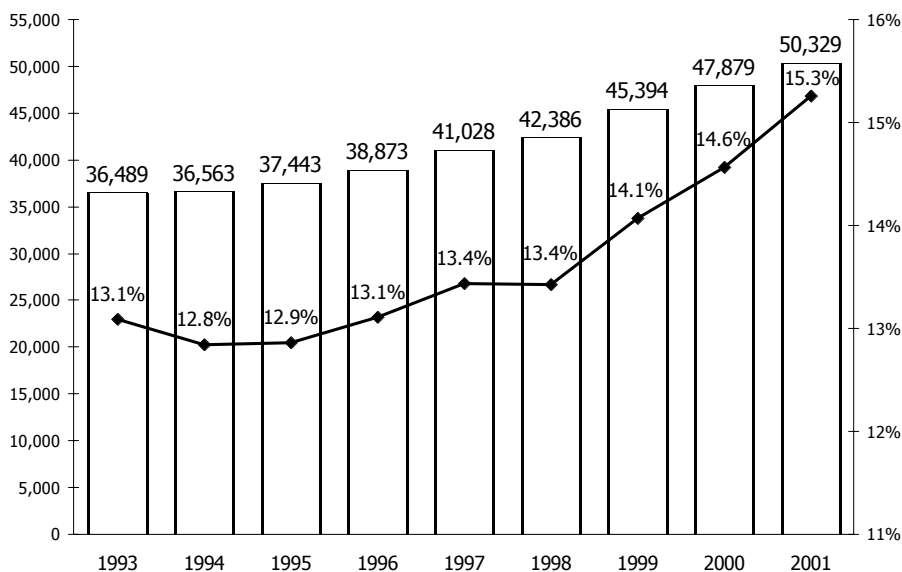
Growth in nonprofit employment was strongest in Blue Earth County, where the nonprofit workforce grew by about 560 employees between 2000 and 2001, an increase of 22%.

Over the long term, nonprofit employment in the Southeast has grown by 38% between 1993 and 2001, while total employment in the Southeast grew by just 18%.

In 2001, nonprofit organizations employed over 15% of the Southeast region's total workforce, more than the entire government sector, which employed less than 14% of the region's workforce.

A majority of nonprofit employment in 2001, 55%, was located in Olmsted County. This is not surprising considering Rochester is home to the Mayo Clinic.

Number of Nonprofit Employees in the Southeast and Nonprofit Percentage of All Southeast Employees



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

Nonprofit Economy in Southeast Minnesota

Blue Earth County and Winona County each hosted another 6% of the nonprofit workforce in Southeast Minnesota.

In 2001, nonprofit organizations in Southeast Minnesota paid over \$1.8 billion in wages to their employees. After adjusting for inflation, this represents a 6.5% increase in payroll from 2000.

Nonprofit average weekly wages in the Southeast in 2001 were actually higher than both for-profit and government wages. In fact, this was the only region where nonprofit wages matched the statewide average weekly wage.

Nonprofit wages have also grown more rapidly than wages in the other two sectors. From 1993 to 2000, after adjusting for inflation, nonprofit average weekly wages increased at an average annual rate of 1.7%, while for-profit wages increase at a rate of 1.3% per year, and government wages at a rate of less than 1% per year.*

Unfortunately, there was not sufficient data available to investigate why nonprofit average weekly wages in this region are higher than both for-profit and government wages. However, the concentration of medical research facilities in this region is likely to be a contributing factor.

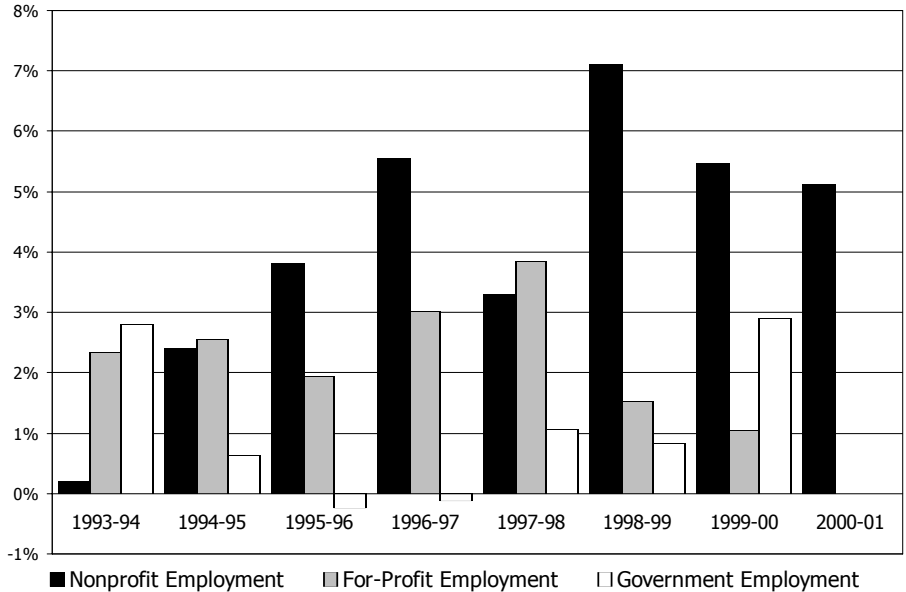
Nonprofits in the Southeast, excluding charitable trusts and private foundations, reported \$7.4 billion in assets, \$3.1 billion in revenues, and \$2.9 billion in expenditures in 2001 (N = 531).

These nonprofits reported receiving 78% of their revenues from program services, 9% from charitable contributions, 5% from government grants, 7% from investments and sales, and less than 1% from membership dues.

When it comes to expenses, program services accounted for 92% of expenditures by nonprofits, management and general for 7%, and fundraising for about 1%.

* Due to a change in coding methodology, wage data for the for-profit and government sectors for 2001 are not directly comparable to previous years, so only the time period from 1993 to 2000 was analyzed.

Percentage Growth in Employment in the Southeast

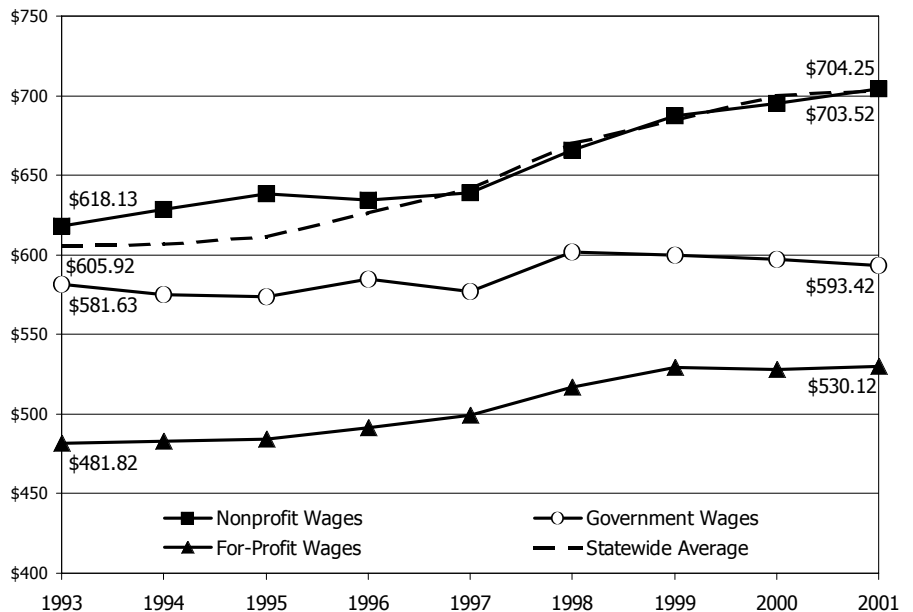


Source: Minnesota Department of Economic Security, Covered Employment and Wage Program
Note: For-profit and government employment growth is not shown for the 2000-01 time period because a mandated coding change caused government and for-profit data for 2001 to be incomparable to data from prior years.

FOUNDATION FACT: In 2000, there were 85 foundations and corporate grantmakers in the Southeast region. Together they had assets totaling \$241 million and awarded over \$35.6 million in charitable grants.

Source: Minnesota Council on Foundations
Note: Grants awarded reflects grants paid *from* this region, not necessarily *to* this region.

Average Weekly Wages in the Southeast by Sector (in constant 2001 dollars)



Source: Minnesota Department of Economic Security, Covered Employment and Wage Program

Covered Employment and Wage Program

The Covered Employment and Wages (CEW) Program is a cooperative endeavor between the U.S. Department of Labor's Bureau of Labor Statistics (BLS) and the Minnesota Department of Economic Security (DES). The CEW Program is a virtual census of nonagricultural employment and wage data in Minnesota, by industry, at the state, regional, and county levels. "Covered" employment refers broadly to private sector employees, as well as state, county, and municipal government employees insured under the Unemployment Insurance (UI) Act (and federal employees who are insured under separate laws). Religious congregations, however, are exempt from the UI Act and are not included in this data. Total wages include gross wages and salaries, pay for vacation and other paid leave, tips and other gratuities that are reported to the employer, bonuses (including severance pay), stock options, some sickness and disability payments, and the cash value of meals and lodging. In Minnesota, only currently taxable income is reported. For more information on the CEW data, please visit the DES website at <http://www.mnwfc.org/lmi/es/202fct1.htm>.

The CEW data classifies employers using the North American Industry Classification System (NAICS). In order to classify nonprofit organizations by activity areas, the NAICS codes were converted into a coding system better suited for understanding the nonprofit sector, the National Taxonomy of Exempt Entities - Core Codes (NTEE-CC), using guides available from the National Center on Charitable Statistics. For more information on the NTEE-CC classification system, please visit <http://nccs.urban.org/ntee-cc/index.htm>.

It is important to note that the CEW data does not include nonprofit organizations that have no employees. One other caution is that the data includes wage information for both full-time and part-time employees, but divides total wages by all employees, without regard to full-time or part-time employment, to arrive at the average weekly wage. This may artificially lower average wages for sectors that employ a large share of part-time employees.

Attorney General's Office

This report used information for nonprofit organizations based in Minnesota provided by the Minnesota Attorney General's Office. The Attorney General's Office has the primary responsibility for regulating, enforcing, and supervising charitable organizations and charitable trusts. Charitable organizations must register with the Charities Division of the Attorney General's Office before they can solicit contributions in Minnesota and must file an annual report each year. Data provided by the Attorney General's Office includes information on charitable organizations exempted under subsection 501(c)(3) that filed a Form 990 or 990EZ and private foundations exempt under subsection 501(c)(3) that filed Form 990PF. A small number of organizations exempted under subsections 501(c)(4) thru (c)(19) that filed Form 990 or 990EZ are also included. The most current information for each nonprofit organization was used. In most cases, the most current information for an organization was for the fiscal year that ended in 2001 (71%). However, for a smaller percentage, 28%, data filed in 2000 was the most current available, and for less than 1%, year 2002 data was used.

Certain organizations, however, are exempt from filing with the Attorney General's Office and thus are not reflected in the data. These include organizations that do not employ paid staff and do not plan to receive more than \$25,000 in total contributions; religious organizations that do not file a Form 990 federal return; certain educational institutions; organizations that limit solicitations to persons who have a right to vote as a member; organizations that solicit contributions for a single person specified by name; and private foundations that did not solicit contributions from more than 100 persons during the year.

Established in 1987, the Minnesota Council of Nonprofits (MCN) is a statewide membership association of nonprofit organizations sharing information, services and research to educate its members and the community. MCN has over 1,300 members representing all activity areas, budget ranges, and geographic regions of Minnesota. MCN's mission is to work to continually inform, involve, strengthen and increase the capacity and effectiveness of nonprofits and the non-profit sector in Minnesota.

MCN would like to thank the Minnesota Department of Economic Security, the Minnesota Attorney General's Office, and the Minnesota Council on Foundations 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 whose support of MCN in 2002 has made the Minnesota Nonprofit Economy Report possible: ADC Foundation, Blandin Foundation, Blue Cross Blue Shield Foundation, The Cargill Foundation, The Ford Foundation, Jay & Rose Phillips Family Foundation, The McKnight Foundation, The Minneapolis Foundation, Minnesota Bar Foundation, Ordean Foundation, Otto Bremer Foundation, The Saint Paul Companies Foundation, and Target Foundation.

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