

Economic Benefits of Michigan's Nonprofit Sector: Description and Analysis

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Economic Benefits of Michigan's Nonprofit Sector: Description and Analysis

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Executive Summary

The purpose of this report is to describe the dimensions of Michigan's nonprofit sector in terms of number of organizations and type of activities, as well as the scope of its combined assets, revenues, expenditures, and other financial data. Based on these financial data, the report estimates the direct and indirect economic effects of the nonprofit sector on the state's economy.

The nonprofit sector's contribution to the Michigan economy has not previously been documented because there are little regularly published data on the subject, making it difficult for analysts to access dependable, up-to-date information. The research for this report establishes a reliable base of information about the nonprofit sector and produces credible estimates of the economic activity generated by nonprofit organizations.

As a means of achieving this goal, Public Sector Consultants, Inc., (PSC) consolidated extensive data on nonprofit organizations from the Internal Revenue Service (IRS), National Center for Charitable Statistics (NCCS), Michigan Jobs Commission (MJC)¹, and U.S. Census of Service Industries into the most complete information base of the Michigan nonprofit sector possible given the resources available.

For the most part, the report focuses on data from 1997, the most recent year for which there is a full year's data. Three types of nonprofit entities are represented: charitable organizations [501(c)(3)], noncharitable organizations, and private foundations. The analysis of noncharitable organizations is limited to the categories of 501(c)(4-8, 10, and 19).

To supplement these data, PSC conducted a comprehensive survey of Michigan's nonprofit organizations, with an emphasis on charitable [501(c)(3)] organizations. The results yielded previously unavailable information on the extent to which organizations rely on volunteers, the number of part-time workers in the field, the amount of in-state versus out-of-state nonprofit expenditures, and other aspects of Michigan nonprofits.

Finally, PSC input nonprofit financial data into an economic model known as the IMPLAN model, which estimates the overall extended contribution of a given industry to the economy.

What does this report tell us? First, the nonprofit sector is large and diverse, reaches into every corner of the state, and covers almost every form of activity, including education, health, recreation, social welfare, recreation, environment, arts and culture, housing, criminal justice, and fraternal activities. Second, although the nonprofit sector does not create base economic activity, it does provide a significant number of jobs, some of which are funded with resources from outside the state and would not be replaced if the sector did not exist. Third, the sector makes a major contribution to the quality of life in Michigan. It provides support for cultural, recreational, environmental, and educational activities, and it fosters a fairer distribution of income by funding support to the needy through housing, food, health, child care, and family services programs.

¹As this report was being finalized, the governor issued an executive order reconfiguring the job-creation and economic-development functions of Michigan state government. Effective April 1, 1998, the Michigan Jobs Commission was dissolved and its employment and jobs services assigned to the new Michigan Department of Career Development.

Some highlights of the report are summarized below.

FINANCIAL DATA

- According to IRS data, an estimated 37,890 nonprofit organizations were operating in Michigan in 1997, retaining assets of more than \$60 billion and earning a combined income of over \$64 billion. Almost half of these were charitable organizations, which accounted for 56 percent of the total assets and 52 percent of the combined income of all Michigan nonprofits.
- The IRS Business Master File (BMF) for Michigan for 1997 lists more than 19,500 noncharitable organizations (including about 1,800 private foundations and 3,269 church organizations). Only about 7,500 reported assets (totaling \$41.3 billion) or income (totaling \$39.2 billion).
- Much of this report focuses specifically on the charitable organizations—as identified by the NCCS—that are required to file the IRS Form 990. This file includes more than 6,000 organizations with assets of roughly \$27 billion and expenditures of about \$22 billion (not included are private foundations, which are treated separately in this report, and fewer than 100 churches are included). Most of these are relatively small organizations, although all had to meet the IRS filing requirement of realizing gross receipts of \$25,000 or more. Even so, the 65 organizations with assets of \$100 million or more together held cumulative assets of over \$16 billion, 58 percent of the total assets. Conversely, the majority (about 77 percent) of the organizations controlled assets of less than \$1 million, accounting for only 3 percent of the total assets of public charities. A smaller majority (57 percent) held assets of less than \$50,000, accounting for less than one percent of the total assets.
- The four largest categories of charitable organizations—education, arts and humanities, health, and human services—account for two-thirds of the total number of charitable organizations and 78 percent of the assets. The largest category in terms of assets is health services, with 991 organizations retaining nearly \$17 billion. The human services category encompasses the largest number of organizations (2,200, with assets close to \$2.8 billion).
- The largest revenue source for charitable organizations is program revenue (payments for services provided by the organization), which accounts for 76 percent of total income. However, there is a wide variation in the degree to which the various types of charitable organizations depend on different revenue sources. Health services organizations receive almost 92 percent of their total income from program revenue (largely payments for medical services provided by hospitals). Arts and humanities organizations receive only 31 percent from program revenue, with nearly half of their revenue provided by public support.
- The Business Master File for 1997 also lists almost 1,800 foundations. However, a small number of private foundations account for a large share of the total assets and income in this subsector. The 50 largest foundations hold assets of \$6.3 billion (more than 80 percent of the total assets of all private foundations) and income of \$5.6 billion (over 90 percent of the income of all foundations). Conversely, 361 of these organizations reported no assets, and 655 reported assets of less than \$25,000.
- Research finds that nonprofits (and nonprofit employment and spending) are distributed unevenly across the various regions of the state. The five counties with the largest number of charitable organizations are Wayne (which has 1,006), Oakland (834), Kent (508), Ingham (357), and Washtenaw (335). Cumulatively, they account for nearly 50 percent of all charitable organizations in Michigan. The five counties with the fewest nonprofits

have three or fewer each. The average annual expenditure per nonprofit organization in Michigan is \$3.5 million, but the two counties with the highest expenditures per organization—Wayne and Oakland—average \$6.5 million and \$6.4 million, respectively. The average amount of assets per organization in Michigan is \$4.4 million. The two counties with the highest average assets per organization are Gratiot (with \$14.7 million) and Hillsdale (\$11.1 million).

EMPLOYMENT AND VOLUNTEERS

There are two sources of employment data for Michigan nonprofit organizations: the MJC, which is the official source of state employment figures, and the U.S. Census of Service Industries (1992 report). The latter is considered more reliable and was used for the employment information for this report.

- The average annual wage paid in 1997 by reporting nonprofit organizations was \$26,625, roughly 80 percent of the statewide average annual nonagricultural wage (MJC data).
- According to U.S. Census of Service Industries data (updated from 1992), the nonprofit sector employs about 380,000 workers (8.6 percent of total nonagricultural employment) and annually generates \$9.6 billion in personal income (about 4 percent of Michigan personal income).
- Health care organizations account for over 70 percent of total nonprofit employment and almost 80 percent of wages paid by the nonprofit sector, offering an average wage of \$29,639. Other categories of nonprofits paid below average wages, averaging only \$19,384, about 40 percent below the statewide average.
- On the basis of the estimates generated for this report, the IMPLAN model calculates that the Michigan nonprofit sector annually produces a total economic output of \$29 billion, total personal income of \$19.4 billion, and employment for 753,532 workers.
- Almost 90 percent of all the charitable organizations surveyed by PSC rely on some kind of volunteer staff, and many do so extensively. Charitable organizations average 180 volunteers and 9,481 volunteer hours annually, which translates to 4.6 full-time equivalents (FTEs) per organization. This represents over 12 percent of the number of paid employees in the charitable sector, as reported in the PSC survey. We estimate that more than one million volunteers contributed over 58 million hours to Michigan charitable organizations in 1997, an equivalent of 28,077 full-time employees. Multiplying the average wage for paid employees of nonprofit organizations (\$26,625) by the number of volunteers translates into \$747.6 million in donated labor. In other words, the direct value of volunteers to the Michigan noncharitable sector is roughly \$750 million per year.

Introduction

Nonprofit organizations in Michigan often are recognized and valued for the important services that they provide the community. But in addition to providing important charitable and social functions, the nonprofit sector also contributes heavily to the state's economic activity. By one measure, the nonprofit sector provides about 380,000 direct jobs, constituting a larger employment sector than the mining; construction; non-durable manufacturing; transportation, communication, and utilities; wholesale trade; and fire, insurance, and real estate sectors (see Exhibit 1). Only the services, durable manufacturing, retail trade, and government sectors provide more jobs.

EXHIBIT 1
Employment, Nonprofit and Major Industry Sectors, Michigan, 1997

Industry	Wage and Salary Employment (000)
Services, excluding nonprofits	838.7
Durable goods manufacturing	724.4
Retail trade	816.9
Government	649.1
NONPROFIT ^a	380.0
Nondurable goods manufacturing	242.8
Wholesale trade	226.8
Finance, insurance, and real estate	206.3
Construction	180.3
Transportation, communication, and utilities	173.1
Mining	7.6
TOTAL	4,446.0

SOURCES: Michigan Jobs Commission (now Michigan Department of Career Development) and Public Sector Consultants, Inc.

^aEstimated employment based on 1992 Census of Service Industries for Michigan.

In recognition of the economic value of the nonprofit sector, The Aspen Institute's Nonprofit Sector Research Fund, based in Washington, D.C., funded this study, which was conducted by Public Sector Consultants (PSC) of Lansing, Michigan. The study's function is to examine in greater detail the social and economic functions of charitable organizations [501(c)(3)s], noncharitable organizations,² and private foundations. (See Exhibit 2 for a detailed breakdown of these categories.)

DEFINING THE NONPROFIT SECTOR

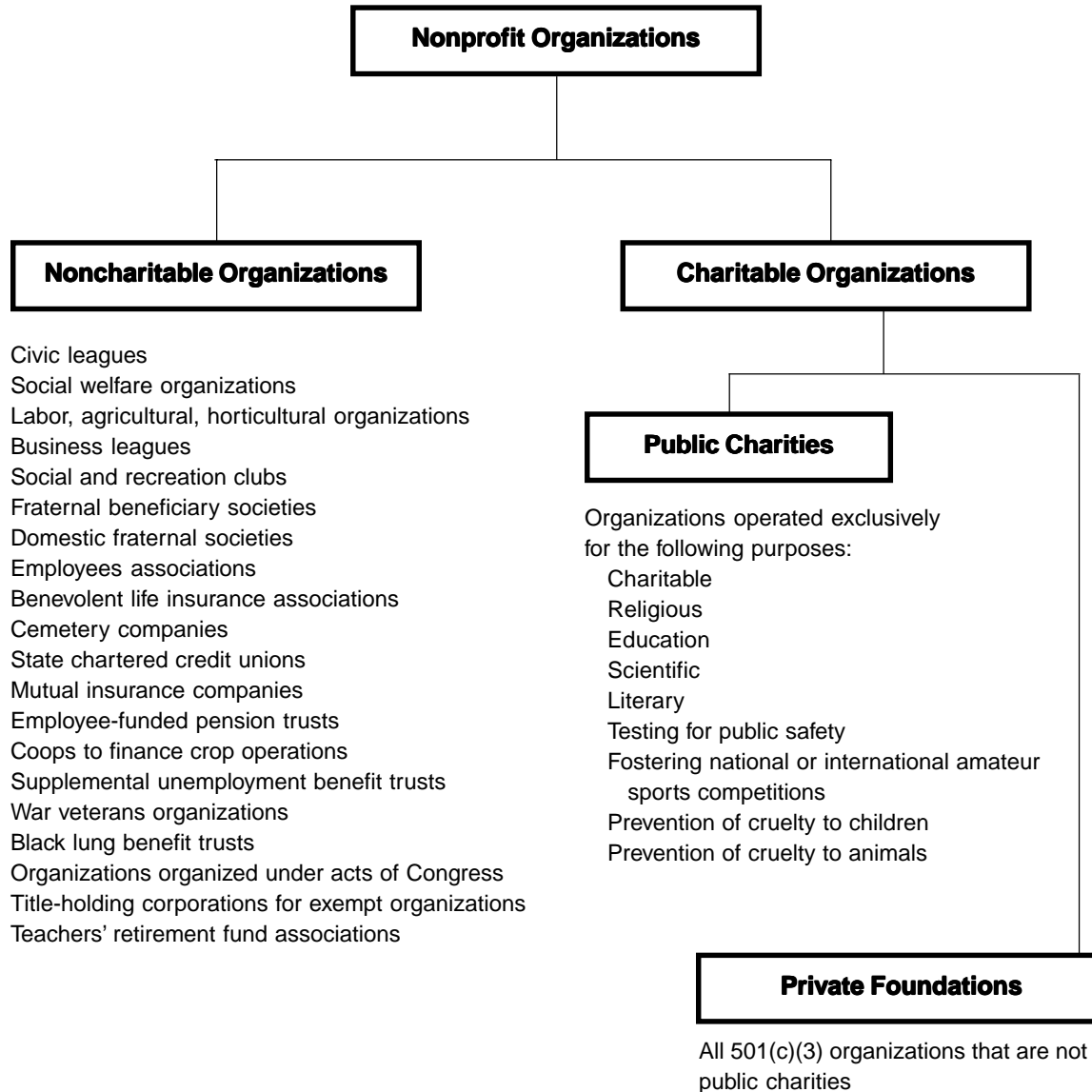
The nonprofit sector encompasses a wide range of organizations. Examples include colleges, daycare centers, theaters, art galleries, and museums. There are nonprofit consulting organizations (such as Citizens Research Council), retail stores (selling donated merchandise, for example), and commuter clubs. Most trade and professional associations are

nonprofit organizations, as are many community landmarks such as the United Way and Red Cross. For purposes of this report we are using a comprehensive definition to include all organizations not established for the purpose of making a profit for its owners or shareholders, with the exception of churches and government agencies. Private colleges are included, but public universities and colleges are not, because they receive a significant share of their funds from state government.

The federal tax code provides the most specific definition for nonprofit organizations. According to the IRS, qualifying organizations are exempt from corporate income taxes, and donations to

²The analysis of noncharitable organizations is limited to those that fall under the categories of 501(c)(4-8, 10 and 19), or the subsectors of social welfare, labor, agriculture, and horticulture, as well as business leagues, social and recreational clubs, fraternal beneficiary societies, domestic fraternal beneficiary societies, and war veterans organizations. (See Appendix B for a more detailed description.)

EXHIBIT 2
Conceptual Breakdown of Tax-Exempt Organizations
Classified under Section 501(c) of U.S. Tax Code



SOURCE: Bureau of Economic and Business Research, The University of Utah, "The Economic Impact of Utah's Nonprofit Sector: Characteristics of a Resource for the Public Good," 1998, Salt Lake City, UT.

these tax-exempt organizations may, subject to certain limits, be deducted from an individual's federal income tax return. Organizations that qualify for both are referred to as "501(c)(3)s," indicating the appropriate section of the tax code.

Section 501(c)(3) provides special tax treatment for organizations serving "religious, charitable, scientific, or educational purposes." However, many other sections of the federal tax laws allow

exemptions from corporate income taxes for organizations serving other purposes. For practical purposes, only organizations that qualify under section 501(c)(3) may receive donations, which the donors in turn may deduct from their federal income tax. Organizations classified under section 501(c)(4) are generally described as civic associations and organizations devoted to promoting social welfare; they are permitted to raise funds and engage in lobbying, but donations to these groups are not deductible for federal income tax purposes.

The IRS separates 501(c)(3) organizations into two broad categories: public charities and private foundations. In general, public charities are organizations that receive significant public support. Most private foundations, however, have substantial (individual or corporate-sponsored) investments that are used to fund their distribution of money to public charities or individuals. Private grant-making foundations must file Form 990-PF with the IRS and conform to strict guidelines requiring them to distribute five percent of their assets each year.

Nearly 70 percent of the 501(c)(3) organizations listed with the IRS are required to meet the public support test. The remaining organizations have obtained public charity status because they are medical care providers, religious organizations, educational institutions, or fundraising auxiliaries that support other public charities.

Data Sources and Limitations

The data used in this report are based on information from five primary sources: the Internal Revenue Service (IRS), the National Center for Charitable Statistics (NCCS), the MJC, the 1992 Census of Service Industries (U.S. Bureau of the Census), and statistics from a survey of nonprofit organizations conducted by Public Sector Consultants. To the greatest extent possible, the report focuses on research from 1997. This section explains these data sources in greater detail as well as discussing the limitations attributable to the data.

INTERNAL REVENUE SERVICE

The IRS is the primary source of data on tax-exempt organizations. Using the returns filed by tax-exempt organizations, the IRS produces databases known as the Business Master File for Exempt Organizations and the IRS Return Transactions file. The former data file (the one used in this study) is derived from IRS records of organizations that file an annual information return titled Form 990 and also organizations that have applied for and received tax-exempt status but are not required to file Form 990.

Although the IRS database is the most complete source of information about the nonprofit sector available, it has several limitations. First, little information is available about religious organizations, which as a group may constitute the largest segment of the nonprofit sector in terms of both numbers and assets. These nonprofits may file for an individual tax exemption, or they may file an omnibus return for their entire congregation and affiliated organization or denomination. They are not required to file Form 990 returns, although some do so voluntarily. Thus it is difficult to get complete information regarding this nonprofit subsector from the IRS.

Second, there is a lack of information on small organizations. Organizations with annual revenues of less than \$5,000 are not required to apply for tax-exempt status or to file a Form 990 tax return. Also, the IRS does not require organizations with gross receipts of more than \$5,000 but less than \$25,000 to file a Form 990 tax return, although these organizations are required to file for tax-exempt status. Some of these organizations may complete Form 990, but the IRS does not report the information. The lack of information on small organizations does not materially affect the results of this study, as most of these organizations have no employees and account for less than one percent of the total assets in the nonprofit sector.

Third, the IRS does not verify the correctness of the Form 990 information submitted by nonprofit organizations.

Fourth, the Business Master File is cumulative and includes all of the relatively recent financial data available. However, some of the information in the file may be several years old. For example, if an organization meets the \$25,000 revenue threshold one year and subsequently files a Form 990, that information is entered in the database and is not changed if the organization never meets the filing threshold again. It is unlikely, however, that these errors are serious enough to materially affect the results of this study.

Fifth, the IRS allows national organizations to file either an omnibus return for all affiliates or separate returns for each incorporated affiliate. If an omnibus return is filed, the organization's activities and financial data will show up in the state where the organization's national headquarter-

ters are located, although the name of the affiliates in each state are included in the file.

Finally, as already mentioned, the IRS Business Master File is cumulative. Once an organization receives tax-exempt status, that status is retained even if the organization never commences doing business or goes out of business, unless the organization notifies the IRS of its change in status. Consequently, the number of nonprofit organizations reported by the IRS is overstated by an unknown factor.

NATIONAL CENTER FOR CHARITABLE STATISTICS

The NCCS, which is part of the Urban Institute in Washington, D.C., derives its data files primarily from information that tax-exempt organizations file with the IRS. The NCCS employs a range of data-checking procedures. Although unable to verify every record, the NCCS, using IRS data, has created several updated files, two of which were used for this study.

- The *Core Files*, produced annually, combine descriptive information from the IRS Business Master Files and financial variables from the IRS Return Transaction Files after they have been verified and cleaned up by the NCCS. Only 501(c)(3)s required to file Form 990 are included. The 1997 Core File contains 83 variables for 6,157 Michigan organizations filing for the years of 1994, 1995 and 1996.³
- The *IRS Business Master File* (May 1998) is a cumulative list of 501(c) organizations; these files contain all active nonprofit organizations that have obtained IRS recognition of their tax-exempt status.

The NCCS also provided us with a file containing financial data for 1,432 private foundations and 18,368 noncharitable 501(c) organizations [other than 501(c)(3)s] located in Michigan.

MICHIGAN JOBS COMMISSION

This state agency administers the state's unemployment insurance program and collects employment data—such as number of staff, hours worked, and earnings—from Michigan employers. However, this resource is limited by the fact that some nonprofit organizations have no regular employees and thus are not covered by unemployment insurance. Furthermore, there is no specific classification for nonprofit organizations, making it impossible to isolate such data. The MJC identifies nonprofit employers on the basis of their method of paying unemployment insurance taxes, but not all nonprofit organizations are covered by the state system, which likely results in this sector's employment being undercounted. Finally, the Michigan Jobs Commission's calculation of employment figures in the nonprofit sector in Michigan conflicts with the figure provided by the U.S. Bureau of Census (see below), and IRS and PSC data tend to support the Census results. The agency provides a useful analysis of employment and wages for a number of nonprofit organizations (data used in this report are for the second quarter of 1997), although it clearly cannot guarantee that the analysis covers all nonprofit agencies that have employees.

CENSUS OF SERVICE INDUSTRIES

The U.S. Bureau of the Census releases the Census of Service Industries every five years, creating a separate publication for each state. The latest report is for 1992. The data are collected from a

³There were 290 organizations that filed based on 1994 data, representing about 2 percent of charitable expenditures, 2,466 organizations filed based on 1995 data, representing about 66 percent of expenditures, and 3,401 organizations filed based on 1996 data, representing roughly 31 percent of expenditures.

questionnaire that is sent to all service establishments that have some payroll during the year. All data in the report originate from the questionnaire or from administrative records of other federal agencies and therefore are not subject to sampling errors. However, the data are subject to nonsampling errors, which may be attributed to several sources: inability to identify all cases in the actual universe; definition and classification problems; differences in the interpretation of questions; errors in recording or coding the data obtained; and other errors of collection, response coverage, processing, and estimation for missing or misreported data.

PUBLIC SECTOR CONSULTANTS' SURVEY

The 1998 survey of nonprofit organizations sampled organizations drawn from three separate databases—private foundations, charitable organizations, and noncharitable organizations—maintained by the National Center for Charitable Statistics.

The survey sought information on the number and types of employees and volunteers, expense and expenditure categories, revenue sources, and the organization's classification. Respondents were asked to use information from 1997, the most recent year for which a full year of data was available. Much of the information requested could be obtained by referring to the IRS Form 990 or 990-PF filed by the organization for 1997. (Many items on the questionnaire referred directly to the line number from the 1997 IRS Form 990.)

Questionnaires with postage-paid return envelopes subsequently were mailed to 1,800 nonprofit organizations in Michigan, drawn at random from the database. To increase the number of responses, a short version of the questionnaire, requiring only 14 responses, was mailed to nonprofit organizations that failed to respond to the initial mailing. The second mailing nearly doubled the return rate among charitable organizations, from 17 to 33 percent, a customary rate of response for mailed surveys. The return rates for private foundations (12 percent) and noncharitable organizations (8 percent) were less successful. (See Appendix A for complete survey methodology.) To test for bias, the responses to questions common to both surveys were analyzed; the results were found to be consistent.

PSC ultimately decided to conduct a primary analysis of the responses that focused on charitable nonprofits, in light of the fact that charitable organizations returned the survey at a much higher rate than private and noncharitable organizations and also that more than two-thirds of the surveys were targeted at charitable organizations in the first place. (See Appendix A for more detail.)

Nonprofits in Michigan

Although we have discussed the limitations of the IRS Business Master File in terms of retaining outdated information, it nevertheless is significant that 37,890 nonprofit organizations are registered as having conducted business in Michigan. This section presents information about nonprofit organizations active in Michigan, based on the IRS 990 forms for 1997 (which actually cover tax years 1994–1996). (See Exhibit 3.)

NONPROFITS ACCORDING TO TAX STATUS

Noncharitable Organizations in Michigan

Noncharitable nonprofit organizations pursue activities that primarily benefit their own members. Organizations that serve the public benefit according to guidelines developed for 501(c)(3) organizations but engage in substantial lobbying also are classified as noncharitable nonprofit organizations and have a 501(c)(4) designation. Other noncharitable organizations are classified under other subsections of 501(c). The 1997 Business Master File for Michigan lists 18,368 of these organizations, although only 4,955 report income and assets.⁴ The reported income and assets amounted to \$26.4 billion and \$30.6 billion, respectively. These funds are irregularly dispersed, as two large organizations account for 65 percent of the assets reported, and one organization accounts for roughly 61 percent of the total income.⁵ Furthermore, the 20 largest organizations account for 77 percent of the total assets and 82 percent of the income. A more detailed analysis, using Business Master File statistics, of each category of noncharitable organizations may be found in Appendix B.

Private Foundations in Michigan

The IRS Business Master File for 1997 lists 1,793 foundations, an increase of more than 40 percent from the 1,276 listed in 1992. However, 361 of the organizations reporting for 1997 list no assets and 655 have assets of less than \$25,000, indicating that a number of these foundations probably no longer are active. Nonetheless, the following and more detailed analysis of private foundations necessarily relies on the 1997 Business Master File.

Most of Michigan's foundations are private organizations of the nonoperating type; in other words, they provide grants to other organizations and individuals to conduct programs or provide services as defined under 501(c)(3) of the tax code. These grant-making organizations are further divided into two broad categories: (1) independent foundations and (2) company-sponsored foundations. The assets and revenues of independent foundations are derived mainly from the wealth of one individual or family, whereas company-sponsored foundations derive funds from a profit-making firm.

According to the 1997 Business Master File, operating foundations make up a very small number (about 3.5 percent) of all foundations. They devote most of their earnings and assets to directly supporting their own tax-exempt endeavors—for example, operating a museum or conducting research—rather than making grants to other organizations for these purposes.

⁴Assets include land, buildings, investments (stocks and bonds), equipment, and receivables.

⁵The Michigan Catastrophic Claims Association (MCCA) accounts for 61 percent of the income, and credit unions (reported through the Financial Institutions Bureau of the Michigan Department of Commerce) account for 65 percent of the assets.

EXHIBIT 3
Tax-Exempt Organizations Registered with the IRS, Michigan, 1997
(tax years 1994–1996)

Subsection	Description	Number	Assets	Income	Number With No Assets
501(c)(2)	Title holding corporations	450	\$237,024,904	\$38,863,727	268
501(c)(3)	Charitable and religious organizations	19,522	34,137,759,923	33,470,752,853	12,056
501(c)(4)	Social welfare	4,431	1,431,400,480	3,439,382,864	3,564
501(c)(5)	Labor, agricultural, and horticultural	2,813	2,336,244,873	1,263,007,733	1,733
501(c)(6)	Business leagues	2,118	6,216,100,858	19,164,772,688	1,277
501(c)(7)	Social and recreational clubs	2,012	455,865,326	341,997,949	1,450
501(c)(8)	Fraternal beneficiary societies	3,508	939,969,036	279,844,892	3,094
501(c)(9)	Voluntary employees' beneficiary associations	441	1,836,867,257	4,512,193,714	119
501(c)(10)	Domestic fraternal beneficiary associations	539	56,271,256	45,116,965	395
501(c)(12)	Benevolent life insurance associations	23	664,277,523	262,408,056	7
501(c)(13)	Cemetery companies	98	237,426,912	101,293,256	63
501(c)(14)	State chartered credit unions	320	11,531,719,130	915,683,822	318
501(c)(15)	Mutual insurance companies	11	9,121,527	1,380,396	4
501(c)(16)	Corporations organized to finance crop operations	2	175,851,842	122,797,283	1
501(c)(17)	Supplemental unemployment benefit trusts	90	53,391,440	42,391,172	45
501(c)(19)	War veterans organizations	1,475	61,607,012	63,082,727	1,072
Other	Not specified	37	265,918,124	91,116,606	10
TOTAL		37,890	\$60,646,817,423	\$64,156,086,703	25,476

SOURCE: U.S. Internal Revenue Service.

NOTE: Appendix B of this report presents a more detailed description of the noncharitable categories as well as further analysis based on IRS Business Master File statistics.

Although private foundations are a component of the charitable sector, they function quite differently from other public charities. Apart from the obvious focus on grant-making activities, the 1997 Business Master File indicates considerable differences between public charities and private foundations: private foundations hire fewer people, commit a smaller portion of their income to current operating expenses, and use fewer sources of financial support to fund their activities. Private foundations also receive less favorable tax treatment than do public charities, and the IRS examines their activities more closely.

A small number of private foundations account for a large share of the total assets (\$7.6 billion) and income (\$6.2 billion) of all private foundations filing a 1997 IRS Form 990. The 50 largest foundations reported assets of \$6.2 billion (almost 87 percent of the total assets of all private foundations), and an income of \$5.4 billion (nearly 96 percent of the income of all foundations). Two foundations account for nearly 45 percent of all reported assets, and one foundation accounts for about 34 percent of all reported income. Exhibit 4 illustrates that about 74 percent of all foundations reported assets of less than \$1 million, accounting for only about 3 percent of the total figure for assets, and about 86 percent of the private foundations reported income of less than \$1 million, accounting for less than 3 percent of the total income figure. The IRS Business Master File does not provide data on expenditures for private foundations. These data *are* available from an NCCS file, which originally was extracted from the 1997 IRS Returns Transactions File. The NCCS file includes data for 1,535 private foundations with total expenditures of \$991.2 million.

Michigan private foundations receive their revenue, which totaled about \$1.65 billion in 1992, from two principal sources: investment income (56.4 percent of the total) and contributions from individuals and business (41.7 percent).

Public Charities in Michigan

The analysis in this section is based on the NCCS Core File for Michigan, which indicates a significant range in financial resources among Michigan charities. In 1997 about 57 percent (6,157) of these nonprofit organizations reported assets of less than \$250,000, accounting for only 0.9 percent of total assets (see Exhibit 5). About 77 percent of the organizations reported assets of less than \$1 million, accounting for only 3 percent of the total assets of public charities. However, there are 65 organizations that reported assets of \$100 million or more, and these organizations reported combined assets of \$16.1 billion in 1997, or about 58 percent of total charitable assets for the year. Exactly 45 charities reported \$100 million or more in expenditures, accounting for about 57 percent of all charitable expenditures, which added up to \$22.2 billion.⁶ (See Exhibit 6 for a listing of assets, revenues, and expenses by type of organization.)

The total number of active charitable organizations filing with the IRS in 1997 was 19,522, up 24.7 percent from 1992. The number of organizations reporting optional financial data increased more than 20 percent, from 5,130 in 1992 to 6,157 in 1997.

The 1997 revenue sources for Michigan charitable organizations are shown in Exhibit 7. The largest is program revenue (payments for services provided by the organization), which accounts for 76 percent of total revenue. There is, however, wide variation in revenue sources among the various types of charitable organizations. Health services organizations receive almost 92 percent of their total revenue from program revenue (largely payments for medical services provided by hospitals).

⁶Expenditures include compensation paid to employees and officers, grants paid, professional fees, travel and conferences, utilities, printing and publications, rent, interest, taxes, depreciation, and supplies.

EXHIBIT 4

Private Foundations (with assets), Distribution of Assets and Income, Michigan, 1997 (tax years 1994–1996)

Asset/Expenditure Category	Assets				Income			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0–50,000	346	24.2%	\$5,571	0.1%	578	40.4%	\$8,509	0.1%
\$50,001–250,000	356	49.0	47,136	0.7	406	68.7	48,277	0.9
\$250,001–1,000,000	361	74.2	190,640	3.2	246	85.9	124,457	2.9
\$1,000,001–5,000,000	254	92.0	558,218	10.5	138	95.5	283,422	7.6
\$5,000,001–10,000,000	51	95.5	364,737	15.3	21	97.0	149,037	10.0
\$10,000,001–20,000,000	24	97.2	346,818	19.9	15	98.0	230,004	13.7
\$20,000,01–50,000,000	22	98.7	659,156	28.5	16	99.2	465,601	21.3
\$50,000,001–100,000,000	7	99.2	474,861	34.7	3	99.4	231,573	25.1
\$100,000,001–500,000,000	9	99.9	1,604,091	55.8	7	99.9	1,820,887	54.7
\$500,000,001+	2	100.0	3,370,783	100.0	2	100.0	2,788,838	100.0
TOTAL	1,432	100.0%	\$7,622,011	100.0%	1,432	100.0%	\$6,150,605	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

EXHIBIT 5

Charitable Organizations, Distribution of Assets and Expenditures, Michigan, 1997 (tax years 1994–1996)

Asset/Income Category	Assets				Expenditures			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0–50,000	1,876	30.5%	\$35,774	0.1%	1,568	25.5%	\$42,247	0.2%
\$50,001–250,000	1,614	56.7	199,305	0.9	2,038	58.6	250,793	1.3
\$250,001–1,000,000	1,259	77.1	680,754	3.3	1,271	79.2	649,532	4.3
\$1,000,001–5,000,000	907	91.9	2,083,317	10.8	855	93.1	1,943,558	13.0
\$5,000,001–10,000,000	212	95.3	1,490,535	16.2	168	95.8	1,146,795	18.2
\$10,000,001–20,000,000	102	97.0	1,516,185	21.7	113	97.6	1,533,945	25.1
\$20,000,001–100,000,000	125	99.0	5,508,623	41.7	100	99.3	4,049,788	43.4
\$100,000,001–500,000,000	62	100.0	12,441,772	86.7	38	99.9	6,922,397	74.7
\$500,000,001+	3	100.0	3,687,057	100.0	7	100.0	5,613,705	100.0
TOTAL	6,157	100.0%	\$27,643,322	100.0%	6,157	100.0%	\$22,152,760	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

EXHIBIT 6
Charitable Tax-Exempt Organizations [501(c)(3)], Michigan, 1997
(tax years 1994–1996) (gross receipts of \$25,000 or more)

	Assets	Revenues	Expenses	Number
Arts, culture and humanities	\$681,954,185	\$356,880,590	\$289,824,326	489
Education	2,870,826,979	1,576,239,712	1,354,219,598	729
Environment	137,933,726	59,139,651	49,691,734	100
Animal related	72,273,798	43,365,095	37,553,561	67
Health—general and rehabilitative	16,389,156,949	15,905,995,835	15,127,891,536	588
Mental health	298,102,491	416,856,065	412,450,088	255
Disease, disorders	159,224,828	155,688,190	128,461,211	109
Medical research	36,767,085	45,963,526	43,672,113	39
Crime, legal	26,622,766	61,272,821	59,483,701	92
Employment	124,471,425	179,414,550	171,959,310	98
Food and nutrition	29,235,733	52,055,100	50,748,568	47
Housing	757,216,112	232,627,571	213,332,091	323
Public safety, disaster relief	6,498,297	9,166,051	8,558,208	19
Recreation	166,932,671	123,216,545	103,348,120	380
Youth development	116,240,043	84,388,460	76,375,966	180
Human services—multipurpose	1,568,951,616	1,916,981,303	1,823,934,917	1,061
International, foreign affairs	88,899,595	143,434,075	140,560,759	38
Civil rights	5,333,967	8,102,615	7,209,185	36
Community improvement	234,273,410	177,636,483	161,469,525	241
Philanthropy, foundation	89,378,597	21,441,032	18,447,275	29
Science and technology	47,418,140	45,743,603	45,994,366	25
Social science research	9,419,367	7,316,059	5,435,017	18
Public, societal benefit	17,462,540	30,222,962	30,066,009	39
Religion	130,602,572	124,633,270	122,644,554	272
Unknown	105,237,151	117,567,447	123,627,021	149
Other mutual benefit	175,256,222	35,294,481	32,484,922	18
Single organization support	1,157,892,006	362,786,895	243,184,023	323
Fundraising	401,532,927	892,613,653	866,505,884	82
Private grant-making foundation	151,625,490	31,143,619	22,714,337	47
Public foundation	860,295,728	197,964,121	73,977,941	76
General fundraising	535,491,898	307,277,831	285,356,688	115
Other supporting public benefit	188,894,741	37,055,824	16,617,663	73
TOTAL	\$27,641,423,055	\$23,759,485,035	\$22,147,800,217	6,157
Addendum				
Hospitals	\$15,094,436,127	\$14,869,294,790	\$14,117,783,854	
Private colleges and business colleges	\$32,404,778	\$24,787,458	\$23,135,990	

SOURCE: National Center for Charitable Statistics, Washington, D.C.

Education organizations also receive a large share of their revenue, 63.1 percent, from program revenue (largely student tuition), but they also receive 25 percent from public support (government grants and private donations). Human services organizations depend on two main revenue sources, program revenue (48.6 percent) and public support (43.1 percent). Arts and humanities organizations receive nearly half their revenue from public support and 31 percent from program revenue.

EXHIBIT 7
Sources of Revenue, Michigan Charitable Organizations, 1997

Source	Amount					
	All Organizations (000)	Human Services (000)	Arts and Humanities (000)	Education (000)	Health Services (000)	Other (000)
Program revenue ^a	\$18,059,464	\$1,281,094	\$109,176	\$996,346	\$15,158,278	\$514,570
Public support	3,379,593	1,135,446	175,491	394,974	718,368	955,314
Dues and assessments	961,853	52,682	7,060	18,792	28,268	855,051
Investment income	647,791	41,571	15,525	104,843	333,675	152,177
Fundraising income	56,835	22,631	5,154	7,432	9,021	12,597
Other income	659,032	102,696	43,362	55,435	278,419	179,120
TOTAL REVENUE	\$23,764,568	\$2,636,120	\$355,768	\$1,577,822	\$16,526,029	\$2,668,829

Source	Distribution					
	All Organizations	Human Services	Arts and Humanities	Education	Health Services	Other
Program revenue ^a	76.0%	48.6%	30.7%	63.1%	91.7%	19.3%
Public support	14.2	43.1	49.3	25.0	4.3	35.8
Dues and assessments	4.0	2.0	2.0	1.2	0.2	32.0
Investment income	2.7	1.6	4.4	6.6	2.0	5.7
Fundraising income	0.2	0.9	1.4	0.5	0.1	0.5
Other income	2.8	3.9	12.2	3.5	1.7	6.7
TOTAL REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

^aFor many nonprofit organizations, the biggest source of revenue is government grants. However, organizations such as hospitals, which are the largest nonprofit organizations, receive the biggest share of their revenue from payments for services provided, which includes Medicaid and Medicare payments. These sources are classified as "program service revenue."

NONPROFITS ACCORDING TO SOCIAL FUNCTION

There are four major functional categories of charitable organizations accounting for about 77 percent of all such organizations in Michigan: education, arts and humanities, health services, and human services. (See Exhibit 8.) This section discusses the dimensions and composition of each of these categories.

Education Organizations

The education subsector includes private colleges and universities, private primary and secondary schools, vocational schools, libraries, PTAs and PTOs, and other education groups. Michigan organizations in this sector include Calvin College, Hope College, Cooley Law School, and University of Detroit-Mercy.

According to NCCS data (refer to Exhibit 6), 729 education service organizations in Michigan (with gross receipts over \$25,000) filed IRS 990 forms in 1997. Education is the second largest subsector in the public charities sector, whether measured by number of organizations, assets, or amount of revenue. The education subsector maintains assets of \$2.9 billion, or \$3.9 million per organization, and accounts for almost 11 percent of the assets of all public charities in the file. Education revenues and expenditures account for about 6 percent of the total revenue and expenditures for all public charities.

The majority of the organizations in this subsector are small. About 72 percent have assets of less than \$250,000, accounting for only 1.1 percent of total assets in this category (see Exhibit 9).

EXHIBIT 8
Public Charities, Michigan, Distribution by Primary Activity, 1997
(tax years 1994–1996)

Primary Activity	Percentage of Public Charities	Number of Organizations
Arts and humanities	8.4%	517
Education	14.4	889
Environment, animals	2.8	172
Health services	17.6	1,086
Human services	36.6	2,256
International, foreign affairs	0.6	38
Public, societal benefit	6.8	416
Religious	4.7	288
Philanthropy, volunteerism	5.3	325
Unclassified	2.7	169
TOTAL	100.0%	6,157

SOURCE: Public Sector Consultants, Inc., using data from the National Center for Charitable Statistics, Washington, D.C.

NOTE: The numbers in this table may differ from other numbers in the report because PSC classified more than 700 organizations in specific categories that were not classified by the NCCS. For example, there were 729 organizations classified by the NCCS as education organizations, but there were another 160 that were unclassified but clearly were education organizations. The analysis of charitable organizations by social function in this report includes only those organizations classified by the NCCS.

Conversely, there are 44 organizations that have assets exceeding \$10 million, and they account for 86.6 percent of all assets in this subsector. About one-third of the organizations with assets of less than \$50,000 are one of the 112 PTA or PTO groups, which retain total assets of only \$1.8 million, or \$16,000 per organization (only two had assets of \$50,000 or more).

Colleges and universities, in conjunction with vocational and trade schools, constitute 34 of the 729 organizations in this category and claim over 60 percent of the total assets (\$2.9 billion) of the subsector. Colleges and universities also account for 58 percent of all revenues and expenses in the education sector.

Arts and Humanities Organizations

The arts and humanities subsector consists of three major components: (1) radio and television broadcasting, (2) orchestras and theatres, and (3) museums, botanical gardens, and zoological gardens. Public charities in the arts and humanities in Michigan include such organizations as the Detroit Symphony, Detroit Institute of Art, Edison Institute, local community and ballet groups, small community theaters, and local public radio and television stations.

According to NCCS data (again, refer to Exhibit 6), 489 arts and humanities organizations (with gross receipts over \$25,000) filed for public charity status in 1996. Measured by the number of organizations, this is the fourth largest subsector within the public charities sector.

The majority of the organizations in this category are quite small. In terms of assets, arts and humanities constitutes a modest subsector, accounting for only 2.5 percent of all public charities. About two-thirds of the 489 arts nonprofits have assets of \$250,000 or less, accounting for only 3.5 percent of the total assets in this category (see Exhibit 10). There are only 14 organizations with assets of \$5 million or more, and they account for 75 percent of all the arts and humanities assets (\$682 million, or \$1.4 million per organization). As the largest nonprofit in this category, Edison Institute alone accounts for more than 27 percent of assets. Measured by annual expenditures, the

EXHIBIT 9**Education Organizations, Michigan, Distribution of Assets and Expenditures, 1997 (tax years 1994–1996)**

Asset/Expenditure Category	Assets				Expenditures			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0–50,000	307	42.1%	\$5,420	0.2%	304	41.7%	\$7,024	0.5%
\$50,001–250,000	221	72.4	20,233	0.9	186	67.2	22,424	2.2
\$250,001–1,000,000	64	81.2	64,991	3.2	106	81.8	54,958	6.2
\$1,000,001–5,000,000	79	92.0	188,938	9.7	84	93.3	194,679	20.6
\$5,000,001–10,000,000	14	94.0	104,926	13.4	16	95.5	109,090	28.6
\$10,000,001–20,000,000	17	96.3	243,132	21.9	14	97.4	186,164	42.4
\$20,000,001+	27	100.0	2,242,636	100.0	19	100.0	781,466	100.0
TOTAL	729	100.0%	\$2,870,276	100.0%	729	100.0%	\$1,355,805	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

EXHIBIT 10**Arts and Humanities Organizations, Michigan, Distribution of Assets and Expenditures, 1997 (tax years 1994–1996)**

Asset/Expenditure Category	Assets				Expenditures			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0-50,000	167	34.2%	\$3,447	0.5%	145	29.7%	\$4,329	1.5%
\$50,001–250,000	163	67.5	20,525	3.5	224	75.5	25,890	10.5
\$250,001–1,000,000	101	88.1	50,777	11.0	90	93.9	43,290	25.5
\$1,000,001–5,000,000	44	97.1	95,768	25.0	24	98.8	57,775	45.5
\$5,000,001–10,000,000	6	98.4	49,893	32.3	0	98.8	—	45.5
\$10,000,001+	8	100.0	461,610	100.0	6	100.0	157,460	100.0
TOTAL	489	100.0%	\$682,020	100.0%	489	100.0%	\$288,744	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

subsector is even smaller (\$288 million), accounting for only 1.3 percent of all public charity expenditures. According to the figures, only 30 organizations generate expenditures of \$1 million or more for the year. The six organizations that generate expenditures of \$10 million or more account for about 55 percent of the monies expended by the arts and humanities sector in 1997.

Health Services Organizations

The health services subsector includes organizations that provide health-related services to the public. Nursing and personal care facilities, hospitals, medical and dental laboratories, home health care services, and other health and allied services are included in this subsector.

Based on NCCS data, there were 991 health services organizations in 1996 (with gross receipts of more than \$25,000). Measured by number of organizations, this is the second largest subsector in the public charities sector.

Assets of the health services subsector are equal to \$16.9 billion, or \$17 million per organization. Measured by assets, health services is easily the largest subsector, accounting for over 60 percent of all assets held by public charities. Measured by annual expenditures, this subsector is even larger, accounting for over 70 percent of all public charity expenditures.

The 208 organizations classified as community health systems, general hospitals, related primary medical-care facilities, and specialty hospitals comprise the largest component of the health services subsector in Michigan. Total reported assets of hospitals are \$15.1 billion—almost 90 percent of all assets in the health services subsector, and, moreover, almost 55 percent of all public charities assets. The total revenue of hospitals is \$14.9 billion, about 90 percent of total revenue in this subsector and almost 63 percent of the total revenue of all public charities. The three largest hospitals—Mercy Health Systems, William Beaumont Hospital, and Henry Ford Health System—account for nearly one-fourth of the assets of all hospitals and about 21 percent of the revenue.

The distribution of assets and expenditures among health services organizations is shown in Exhibit 11. About 41 percent of the organizations have assets of \$250,000 or less, and 35 percent have expenditures of \$250,000 or less. The 135 organizations with assets exceeding \$10 million account for about 94 percent of total assets, and the 152 organizations with expenditures over \$10 million account for about 93 percent of total expenditures. There are three organizations, all hospitals, with assets over \$500 million, accounting for about 22 percent of total health services assets. There are six organizations, also hospitals, with expenditures of over \$500 million, accounting for about 30 percent of total health services expenditures.

Human Services Organizations

Human services organizations provide a wide range of social support—for example, individual and family social services, job training and vocational rehabilitation, child daycare, and residential care. The human services subsector includes such large, well-known agencies as Lutheran Social Services of Michigan, YMCA, Focus Hope, Goodwill Industries, Big Brothers and Big Sisters, and Detroit Area Agency on Aging.

According to NCCS data, 2,200 human services organizations (with gross receipts of \$25,000 or more) qualify as public charities in Michigan. These organizations reported assets of \$2.8 billion (more than 10 percent of the total reported assets of all charitable organizations) and expenditures of \$2.5 billion (11 percent of all charitable expenditures). The distribution of these assets and expenditures is shown in Exhibit 12. The table shows that about 58 percent of the organizations

EXHIBIT 11

Health Services Organizations, Michigan, Distribution of Assets and Expenditures, 1997 (tax years 1994–1996)

Asset/Expenditure Category	Assets				Expenditures			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0–50,000	195	19.7%	\$2,807	0.0%	110	11.1%	\$3,249	0.0
\$50,001–250,000	215	41.4	27,568	0.2	235	34.8	30,268	0.2
\$250,001–1,000,000	191	60.6	104,235	0.8	190	54.0	98,570	0.8
\$1,000,001–5,000,000	186	79.4	439,980	3.4	236	77.8	581,892	4.5
\$5,000,001–10,000,000	69	86.4	474,074	6.2	68	84.7	456,339	7.4
\$10,000,001–20,000,000	38	90.2	579,322	9.6	54	90.1	720,382	12.0
\$20,000,01–50,000,000	30	93.2	880,833	14.9	45	94.7	1,458,220	21.3
\$50,000,001–100,000,000	22	95.5	1,545,310	24.0	11	95.8	883,610	26.9
\$100,000,001–500,000,000	42	99.7	9,142,443	78.2	36	99.4	6,711,466	69.6
\$500,000,001+	3	100.0	3,687,058	100.0	6	100.0	4,769,996	100.0
TOTAL	991	100.0%	\$16,883,630	100.0%	991	100.0%	\$15,713,992	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

EXHIBIT 12

Human Services Organizations, Michigan, Distribution of Assets and Expenditures, 1997 (tax years 1994–1996)

Asset/Expenditure Category	Assets				Expenditures			
	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage	Number	Cumulative Percentage	Amount (000)	Cumulative Percentage
\$0–50,000	667	30.3%	\$12,637	0.5%	420	19.1%	\$12,131	0.5%
\$50,001–250,000	598	57.5	72,964	3.1	745	53.0	96,723	4.4
\$250,001–1,000,000	498	80.1	275,661	13.0	564	78.6	297,449	16.3
\$1,000,001–5,000,000	334	95.3	753,775	40.1	370	95.4	782,416	47.8
\$5,000,001–10,000,000	61	98.1	417,246	55.2	60	98.1	413,593	64.5
\$10,000,001–20,000,000	21	99.0	306,551	66.2	29	99.5	406,637	80.8
\$20,000,001–30,000,000	8	99.4	190,855	73.1	4	99.6	95,547	84.7
\$30,000,001+	13	100.0	748,391	100.0	8	100.0	381,124	100.0
TOTAL	2,200	100.0%	\$2,778,080	100.0%	2,200	100.0%	\$2,485,620	100.0%

SOURCE: National Center for Charitable Statistics, Washington, D.C. Calculations by Public Sector Consultants, Inc.

have assets of \$250,000 or less, and 53 percent have expenditures of \$250,000 or less. The 103 organizations with assets exceeding \$5 million account for about 60 percent of the subsector's total assets, and the 101 organizations with expenditures over \$5 million account for about 52 percent of total expenditures. Six Michigan human services organizations list assets of over \$50 million: Methodist Children's Home Society, Oakwood Health Promotions, Michigan Nonprofit Housing Corporation, Starr Commonwealth, Focus Hope, and Michigan Masonic Home Charitable Foundation. Three organizations report expenditures over \$50 million: Hospice of Michigan, Lutheran Social Services of Michigan, and Wayne Community Living Services.

COMPARISONS WITH OTHER STATES

The only state comparison data reasonably available are for 1992 and 1994 and only for charitable organizations. The data are from the National Center for Charitable Statistics and extracted from returns filed with the IRS. The NCCS database covered 180,665 public charities nationwide in 1994, about 16 percent of all tax-exempt organizations registered with the IRS. These data are presented in Exhibit 13.

There were 5,656 reporting public charities in Michigan, just over 3 percent of the national total. Michigan ranked ninth among the 50 states and third among the six Great Lakes states.

Another way to compare differences among states is to adjust for population differences, for example, the number of organizations per 10,000 residents. On this basis, Michigan ranks only 37th among the 50 states and last among the Great Lakes states. In general, the highest densities of reporting charities are found among the states having a relatively small population. The highest ranking Great Lakes state is Minnesota, which ranks 20th and has the smallest population in the region.

The number of public charities in Michigan increased 33.4 percent from 1989 to 1994 (nationwide, the increase was 35.8 percent), ranking Michigan fourth among the Great Lakes states.

In 1992 Michigan's reporting public charities had expenses of \$15.2 billion and assets of \$17.1 billion, 3.6 percent and 2.9 percent of the U.S. total, respectively. Michigan ranked 8th in total expenses and 11th in total assets. Among the Great Lakes states, Michigan ranked 3d in both total expenses and total assets.

The 1992 data show little variation among the states in the distribution of the various types of public charities. Michigan had an above-average number of health services organizations (20.2 percent, compared with 17.5 percent nationwide) and human services organizations (39.9 percent, compared with 36.9 percent nationwide) and a below-average number of education organizations (10.9 percent, compared with 14.4 percent nationally).

EXHIBIT 13

Data for Reporting Public Charities, Michigan and Selected States, 1992 and 1994

	Number of Charitable Organizations	Rank among States	Number per 10,000 Population	Rank among States	Percentage Change in Number of Organizations 1989-94	Expenses 1992 (millions)	Percentage of U.S.	Rank	Total Assets, 1992	Percentage of U.S.	Rank
California	21,485	1	6.8	30	31.9%	\$48,246	11.4%	2	\$56,091	9.5 %	2
Florida	6,991	7	5.0	44	42.7	14,873	3.5	9	22,535	3.8	8
Illinois	7,593	6	6.5	30	30.9	22,217	5.3	5	31,730	5.3	5
Indiana	3,913	16	6.5	30	34.9	9,062	2.1	14	13,686	2.3	14
Massachusetts	6,424	8	10.6	8	25.7	22,784	5.4	4	41,250	7.0	3
MICHIGAN	5,656	9	6.0	37	33.4	15,209	3.6	8	17,144	2.9	11
Minnesota	4,219	13	7.9	20	36.4	8,178	1.9	18	11,933	2.0	17
New Jersey	4,908	10	6.2	35	38.2	13,877	3.3	10	17,413	2.9	10
New York	14,614	2	8.1	19	26.2	48,677	11.5	1	63,924	10.8	1
Ohio	8,174	5	7.4	27	31.0	18,205	4.3	6	26,823	4.5	6
Pennsylvania	9,279	4	7.7	21	35.8	30,659	7.3	3	41,024	6.9	4
Texas	9,626	3	5.2	43	39.0	17,104	4.0	7	26,760	4.5	7
Wisconsin	3,934	15	7.7	21	39.2	7,187	1.7	21	9,332	1.6	22
United States	180,665		6.8		35.8%	\$422,358			\$593,132		

SOURCE: *State Nonprofit Almanac 1997: Profiles of Charitable Organizations*, David Stevenson, Thomas Pollak, Linda Lampkin, et al., Urban Institute Press, Washington, D.C., 1997.

VOLUNTEERS AND CHARITABLE ORGANIZATIONS

Data for volunteers were estimated based on information collected in PSC's survey of nonprofit organizations. The survey asked for the number of volunteers in 1997 and the average number of hours volunteers worked on a monthly or annual basis. Estimates of time contributed by volunteers have been converted to full-time equivalent (FTE) employment, using the figure of 2,080 hours per work year.

Volunteer efforts in the charitable sector provide critical assistance for many organizations that do not have the financial support to hire sufficient part-time or full-time employees. In 1997 almost 89 percent of all the charitable organizations surveyed used at least one volunteer; the average number of volunteers was 180, and the average number of volunteer hours was 9,481, which translates to 4.6 FTEs.⁷ This represents 12.4 percent of the number of paid employees in the charitable sector, as reported in the survey (part-time employees were converted to a full-time equivalent).⁸

On the assumption that the PSC random sample of charitable organizations (drawn from the NCCS Core File) is representative of the universe,⁹ our estimate is that 1.1 million volunteers contributed 58.4 million hours to Michigan charitable organizations in 1997. This figure is equivalent to 28,077 full-time employees. Using the average wage for paid employees of nonprofit organizations (\$26,625) this translates into \$747.6 million in income. This means that without volunteers, charitable organizations would have needed to hire another 28,077 employees (FTEs) at a cost of almost \$750 million in order to provide their current level of services. In other words, the direct value of volunteers to the charitable sector was \$750 million.

In addition to the more than 6,000 charitable organizations included in this analysis, there are thousands of other charitable organizations that use volunteers. However, we do not have sufficient data to generate a reasonable estimate of the hours of volunteer time devoted to these organizations. The charitable organizations in the Core File account for about 58 percent of the income of those organizations in the larger Master File, but they likely account for a much higher share of volunteer hours, as volunteers are used more by charitable than noncharitable organizations. This suggests that there is volunteer time not accounted for by this estimate.

EMPLOYMENT AND EARNINGS

Employment data presented in this section include information on part-time and full-time wage and salary workers.

The most reliable source of employment data for nonprofit organizations is the Census of Service Industries for Michigan, released every five years by the U.S. Census Bureau. While the latest data available are from 1992, the report nevertheless suggests (as discussed in "Data Sources and Limi-

⁷The median number of volunteers was only 28, as the results were skewed by 14 organizations that reported over 1,000 volunteers.

⁸The results may be biased upward, as two scouting organizations accounted for about 43 percent of the volunteer hours reported in the survey. If these two organizations are excluded, the number of volunteer hours per organization drops to 5,412, which translates to only 2.6 FTEs per organization. This would substantially reduce the estimated value of volunteer time.

⁹The distribution of the random sample by size and type of organization was compared with the same distribution for all charitable organizations, and they were found to be closely matched.

tations,” above) that the 1997 data provided by the Michigan Jobs Commission may understate employment and earnings in the nonprofit sector. Using data from almost 7,500 service establishments that were exempt from the federal income tax, the Census Bureau estimates the 1992 nonprofit employment and payroll figures at 306,486 and \$7.2 billion, respectively. (See Exhibit 14.) Assuming that nonprofit employment and payroll increase at the same rate as total Michigan employment and payroll in the services sector, the 1997 estimates would be 384,300 and \$9.6 billion, respectively. A second estimating method yields a similar result. The 1992 Census of Service Industries data suggest that the MJC estimates for amusement and recreation services, social services, and nonprofit membership organizations are considerably low. Using the 1992 MJC nonprofit employment share for these three categories would increase the 1997 employment estimate by about 97,000, to almost 375,000.

EXHIBIT 14
Employment, Michigan Nonprofit Organizations, 1992

Sector	Number of Establishments	Number of Paid Employees	Payroll (000)
Camps and membership lodging	147	802	\$9,980
Amusement, recreation, and related services	435	7,428	133,640
Health services	1,015	224,457	5,927,125
Hospitals	209	187,209	5,157,089
Legal aid societies and other legal services	88	848	24,215
Educational services	125	18,398	1,016
Social services	3,233	52,028	706,441
Selected membership organizations	2,278	17,221	238,813
Research, testing, and consulting services	148	2,686	94,946
TOTAL	7,469	306,486	\$7,153,558

SOURCE: U.S. Department of Commerce, Bureau of the Census, *1992 Census of Service Industries: Michigan*, December 1994.

On the basis of these data, our best estimate is that the Michigan nonprofit sector directly employed about 380,000 workers in 1997, accounting for about 8.6 percent of Michigan wage and salary employment.

The only current data available for employment in the nonprofit sector in Michigan are from the Michigan Jobs Commission. As mentioned in the previous discussion of the MJC, its method of collecting data limits efforts to estimate employment in the nonprofit sector precisely. As a result, the following data understate employment and earnings in the nonprofit sector. These data are discussed in detail below because they provide more detail than the employment data from the Census of Service Industries.

MJC employment and wage data cover 2,768 organizations. While this figure represents only about 7.4 percent of the total reporting nonprofit organizations in Michigan, it does reflect a respectable portion (22.6 percent) of the more well-established nonprofit organizations that report assets. The data cover all major nonprofit organizations in the state, including some larger religious organizations that provide social and educational services. Not included are (1) organizations established as sole proprietorships, (2) organizations not subject to state and federal reporting requirements, and

(3) organizations that fail to report for whatever reason. Despite these exclusions, these data manage to encompass a large share of the workers and the wages paid in the nonprofit sector in 1997 (second quarter data).

The federal standard industrial classification (SIC) system also is used to classify employment data on nonprofits. In this analysis, 20 two-digit SIC industry code groups are identified to classify nonprofit sector workers into various industries. However, nonprofit organizations are not active in most industries defined in the federal SIC. There are eight industries in which nonprofit workers were employed, but since these data came from only a small number, employment numbers were not disclosed.

In 1997 the 2,807 organizations for which the MJC disclosed data employed 277,270 persons, or 6.2 percent of the state's nonagricultural workforce. These organizations paid wages and salaries totaling \$1.8 billion in the second quarter, or 5.1 percent of all nonagricultural wages in Michigan in 1997. (As this figure is an estimate for the second quarter, on an annualized basis, wages and salaries total more than \$7 billion). The average annual wage paid by reporting nonprofit organizations was \$26,625, or about 81 percent of the statewide annual average nonagricultural wage paid in 1997. (See Exhibit 15.)

EXHIBIT 15
Employment and Wage Data, Nonprofit Sector, Michigan,
2nd Quarter 1997

Industry Group	Employment	Total 2nd-Quarter Wages	Annual Average Wage	Number of Establishments
Construction	34	\$172,559	\$20,301	4
Printing, publishing	124	881,465	28,434	9
Local, suburban passenger transportation	942	4,222,998	17,932	16
Communication	54	253,995	18,814	8
Retail eating and drinking places	36	87,443	9,716	3
Miscellaneous retail stores	143	768,330	21,492	10
Credit agencies other than banks	8	40,001	20,001	3
Real estate, cemetery associations	735	3,702,653	20,150	41
Holding and other investment companies	413	5,521,044	53,473	30
Hotels, rooming houses, and other lodging places	404	1,003,722	9,938	22
Miscellaneous business services	87	549,816	25,279	8
Amusement and recreation services	998	2,722,542	10,912	43
Medical and other health services	195,830	1,451,032,068	29,639	538
Legal services	334	2,819,815	33,770	26
Educational services	24,087	142,250,906	23,623	330
Social services	33,886	159,712,700	18,853	808
Museums, art galleries, botanical/zoological gardens	1,380	5,047,765	14,631	17
Nonprofit membership organizations	15,146	52,848,396	13,957	790
Engineering and management services	2,426	11,052,513	18,223	45
Miscellaneous services	38	206,643	21,752	5
Undisclosed	165	701,403	17,004	12
TOTAL	277,270	\$1,845,598,777	\$26,625	2,768

SOURCE: Michigan Jobs Commission, special tabulation.

A 1996 study of nonprofit sector employment nationwide found that in 1994, this sector accounted for 9.1 percent of U.S. wage and salary employment. However, this estimate included the secondary and elementary education subsector and religious organizations, which are not included in our analysis. Excluding these categories, the nationwide nonprofit sector provided 7.5 percent of total U.S. wage and salary employment.¹⁰ As discussed below, this suggests that the MJC numbers may underestimate Michigan nonprofit employment.

Employment in the nonprofit sector was concentrated in three subsectors: education, social services, and health services. In 1997, organizations in SIC 80 (health services), SIC 82 (education services), and SIC 83 (social services) employed 253,803 workers, about 92 percent of all employment in the nonprofit sector. The combined wages of these three SIC classifications were \$1.8 billion, or 95 percent of all wages paid in the nonprofit sector (refer to Exhibit 15).

Health services includes medical offices and clinics, nursing facilities, hospitals, and medical and dental laboratories. The analysis indicates that this field is the largest component of the nonprofit sector with respect to employment and earnings, although it accounts for slightly less than 20 percent of the number of all nonprofit organizations. The number of people employed in medical services was 195,830, or almost 71 percent of all employment in the nonprofit sector in 1997. Earnings paid by medical organizations amounted to almost \$1.5 billion, or nearly 80 percent of all wages paid in the nonprofit sector in 1997. Hospitals account for most of the employment and earning in this industry, with 163,928 employees and \$1.3 billion in earnings.

The definition of social service organizations is similar to the NCCS definition of human services and includes individual and family social services such as adoption, job training and vocational rehabilitation, child daycare, and various kinds of residential care (e.g., drug rehabilitation centers). The social services subsector is the second largest component of the nonprofit sector, although it is the largest in number of organizations, comprising 808, or roughly 30 percent of all reporting nonprofits. Employment figures in social services are 33,886, or about 12 percent of all employment in the nonprofit sector in 1997. Earnings paid by these organizations were nearly \$160 million, or 7 percent of all wages paid in the nonprofit sector. The average annual wage paid by social services organizations is relatively low (only \$18,853), about 70 percent of the average annual wage of all nonprofits. This low wage is due in part to the large number of part-time workers in this industry.

The third largest industry group is educational services, with more than 24,000 employees (nearly 9 percent of all nonprofit employment) working in private colleges, universities, and business and vocational schools. Wages paid by these organizations amounted to more than \$142 million, or nearly 8 percent of all wages paid in the nonprofit sector in 1997.

Employment in the nonprofit sector accounts for 6.2 percent of all nonagricultural employment in the state. However, the relative share of nonprofit employment in each industry group ranges from about 55 percent to less than 0.1 percent. Exhibit 16 demonstrates that employment in the nonprofit sector represents a significant share of employment in some major industry groups and a very minor share in others. The nonprofit sector is responsible for more than half the total employment in the fields of medical/health services and educational services. The nonprofit sector also provides a significant share of the total employment in social services (nearly 38 percent) and nonprofit

¹⁰Virginia Ann Hodgkinson et al., eds., *Nonprofit Almanac 1996-7: Dimensions of the Independent Sector* (San Francisco: Josey-Bass Publishers, 1996).

EXHIBIT 16
Nonprofit-Sector Employment Share, by Nonprofit Industry Group, Michigan,
2nd Quarter 1997

Industry Group	Nonprofit Sector Employment	Total Nonagricultural Employment	Nonprofit as Percentage of Total
Construction	34	181,666	0.02%
Printing, publishing	124	43,700	0.28
Local, suburban passenger transportation	942	7,966	11.83
Communication	54	31,233	0.17
Retail eating and drinking places	36	290,167	0.01
Miscellaneous retail stores	143	94,467	0.15
Credit agencies other than banks	8	14,433	0.06
Real estate, cemetery associations	735	39,100	1.88
Holding and other investment companies	413	NA	NA
Hotels, rooming houses, and other lodging places	404	35,833	1.13
Miscellaneous business services	87	285,633	0.03
Amusement and recreation services	998	49,633	2.01
Medical and other health services	195,830	365,666	53.55
Legal services	334	26,233	1.27
Educational services	24,087	44,167	54.54
Social services	33,886	89,400	37.90
Museums, art galleries, botanical/zoological gardens	1,380	NA	NA
Nonprofit membership organizations	15,146	70,033	21.63
Engineering and management services	2,426	111,367	2.18
Miscellaneous services	38	NA	NA
Undisclosed	165	NA	NA
TOTAL	277,270	4,460,300	6.21%

SOURCE: Michigan Jobs Commission. Calculations by Public Sector Consultants, Inc.
 NA = Not available.

membership organizations (about 21 percent). Nonprofit employment even plays a moderate part in the local suburban and inter-urban passenger transportation industry, accounting for about 12 percent of employment in that field. In the remaining industry groups, however, nonprofit employment equals less than 3 percent of total nonagricultural employment reported in 1997.

ECONOMIC EFFECTS OF THE MICHIGAN NONPROFIT SECTOR

In addition to direct employment and income, the nonprofit sector generates other economic activity known as *indirect* and *induced* effects. Indirect effects are the result of the purchases by the nonprofit sector from other sectors of the economy—for example, transportation, communications, and utilities services—that generate income and employment in these other sectors. Induced effects are the result of nonprofit employees spending their income on goods and services provided by other businesses, such as grocery stores and dry cleaners. See Appendix C for a description of the IMPLAN economic model used to calculate the extended economic effects of the nonprofit sector.

The purpose of the estimates presented in this part of the report is to compare the size of the nonprofit sector to other economic sectors, not just to estimate the economic activity generated by dollars the nonprofit sector attracts from outside Michigan. The *base economic activity* in a state is generated largely by manufacturing, mining, regional financial services, agriculture, and tourism;

the multiplier effects of these sectors generate additional economic activity in the services, retail trade, finance, transportation, communications and utilities, and government sectors. The nonprofit sector is not a base sector; it exists to serve populations that have been attracted by base-industry jobs and the spin-off jobs they create, which is the case with most businesses in the services and retail trade sectors. For example, if the dry cleaning industry were to go out of business because new technologies had eliminated the need to dry clean clothing, consumers would spend less on dry cleaning and more in other industries (restaurants, for example), creating new jobs in those industries that would replace the lost dry cleaning jobs. However, if an automobile plant were to close because of less demand for cars, most of the jobs would *not* be replaced, because most of the plant's production is sold outside Michigan (about 5 percent of U.S. motor vehicle sales are in Michigan), and even if Michigan consumers were to spend less on autos and more on other goods and services, only a small share of the amount spent on automobiles produced by the plant would be replaced.

The nonprofit sector creates base economic activity only when it attracts monies from out of state, usually in the form of federal or out-of-state foundation grants. If the nonprofit sector disappeared, and its activities were not picked up by government or the private sector, some of its jobs would not be replaced, and overall state employment would be negatively affected. However, some additional jobs would be created in other sectors as contributions to the nonprofit sector were diverted to other purposes, such as increased consumer spending or increased business investment.

Developing estimates of the economic effects of the nonprofit sector involved four steps. First, PSC calculated estimates of the direct expenditures of the three types of nonprofit organizations: charitable, noncharitable, and private foundations. The estimates for charitable organizations and private foundations were available from IRS data. However, IRS data on expenditures are not available by state for noncharitable organizations. An estimate for Michigan was developed using national data and a small sample of Michigan noncharitable organizations provided by the IRS. The estimate for Michigan assumes that the average expenditure per organization is the same in Michigan as nationwide. This assumption was tested using the limited Michigan sample, and it was found to be valid. Total expenditures were estimated at \$27.5 billion, with 80.5 percent of spending in the charitable sector, 15.9 percent in the noncharitable sector, and 3.6 percent by private foundations.

Second, an estimate of the percentage of total nonprofit expenditures in Michigan (as opposed to out of state) was developed on the basis of the PSC nonprofit survey described above. Nonprofit organizations were asked to estimate the percentage of their expenditures, excluding wages and salaries, spent on the purchase of goods and services from Michigan firms. The mean response for nonprofits that answered the question was 77.4 percent. While the reliability of the estimate remains open to question, it is nevertheless the only information available. (See "Summary of Survey Results," below, for further discussion.) The overall effect of out-of-state spending on the analysis turned out to be relatively small, as the categories of "wages and salaries," "grants and allocations," "interest," and "rent and utilities" are assumed to be paid to Michigan individuals and businesses, and these categories account for about two-thirds of total expenditures. Therefore, the adjustment for expenditures outside Michigan is applied to only one-third of expenditures, resulting in a reduction of about 13 percent in total expenditures.

The third step was to estimate the share of expenditures spent on the various categories such as "wages and salaries," "grants," "rent and utilities," and so on, using the PSC survey of nonprofit organizations. Each organization was asked to provide a detailed breakdown of its expenditures. (See Exhibit 17.) Using these data, PSC developed percentage shares for each expenditure category, and these percentages, as adjusted, and IRS national data for noncharitable organizations and private foundations subsequently were applied to total expenditures for the nonprofit sector.

EXHIBIT 17

Expenditures of Michigan Nonprofit Organizations Reported in PSC Survey and Projected Expenditures for All Nonprofit Organizations, by Category, 1997

Expenditure Category	Expenditures as Reported in PSC Survey (000)	Percentage Distribution	Adjusted Distribution	Projected Expenditures,^a All Nonprofit Organizations (000)
Grants and allocations	\$84,670	15.5	7.0%	\$1,925,570
Special assistance to individuals	2,940	0.5	0.6	165,049
Benefits paid to/for members	13	0.0	13.5	3,713,599
Officer compensation	9,338	1.7	1.3	357,606
Other salaries and wages	160,883	29.4	29.0	7,977,360
Pension plans	5,347	1.0	1.1	302,590
Other benefits	22,147	4.0	3.9	1,072,817
Payroll taxes	11,436	2.1	2.1	577,671
Professional fundraising/other fees	1,204	0.2	0.2	55,016
Accounting fees	1,656	0.3	0.2	55,016
Legal fees	836	0.2	0.3	82,524
Supplies	36,453	6.7	6.4	1,760,521
Telephone	2,886	0.5	0.5	137,541
Postage and shipping	1,934	0.4	0.5	137,541
Rent and utilities	111,489	20.4	20.4	5,611,660
Equipment rental and maintenance	3,628	0.7	1.1	302,590
Printing and publications	4,636	0.8	0.8	220,065
Travel	5,459	1.0	0.8	220,065
Conferences and meetings	3,879	0.7	0.5	137,541
Interest	3,415	0.6	1.8	495,147
Other	73,170	13.4	8.0	2,200,651
TOTAL	\$547,419	100.0%	100.0%	\$27,508,139
Addendum				
Charitable organizations	\$22,146,708	80.5%		
Noncharitable organizations	4,370,274	15.9		
Private foundations	991,157	3.6		
TOTAL	\$27,508,139	100.0%		

SOURCE: Public Sector Consultants, Inc.

^aThe distribution of expenditures is adjusted to reflect the share of expenditures in each of the three nonprofit categories. Also, because the survey return rate for noncharitable organizations was so low, national IRS data was used to calculate their distribution of expenditures.

The fourth step was to input the expenditure estimates for the various categories into the IMPLAN model. The results are shown in Exhibit 18. On the basis of estimates generated that take into account direct, indirect, and induced economic effects, the model calculates that the nonprofit sector generates total economic activity (output) of \$29.7 billion, total personal income of \$19.4 billion, and provides employment for 753,532 workers.¹

¹One caveat is that no estimates were available of the amounts nonprofits paid to other nonprofits. This could result in double counting of economic activity. As a result, these numbers could be slightly overstated. However, available data do suggest that charitable organizations receive less than 10 percent of revenue from other nonprofit organizations and noncharitable organizations receive less than 1.5 percent of their revenue from other nonprofit organizations.

EXHIBIT 18
Calculation of Economic Activity Generated by Michigan Nonprofit Sector
(Multiplier Effects) (based on data from tax years 1994–1996)

	Line # from Form 990	Final Demand (000)	IMPLAN Code	IMPLAN Industry Name	Output Total	Personal Income Total	Employment Total	Direct, Indirect, and Induced Output (000)	Direct, Indirect, and Induced Income (000)	Direct, Indirect, and Induced Employment
Grants and allocations	22	\$1,925,570	500	Social Services, N.E.C.	1.91	0.94	39.25	\$3,678,757	\$1,800,649	75,581
Specific assistance to individuals	23	165,049	500	Social Services, N.E.C.	1.91	0.94	39.25	315,322	154,341	6,478
Benefits paid to or for members	24	3,713,599	500	Social Services, N.E.C.	1.91	0.94	39.25	7,094,745	3,472,679	145,763
Salaries and wages		8,334,966	500	Social Services, N.E.C.	NA	0.94	39.25	NA	7,794,236	327,158
Compensation of officers	25	357,606								
Other salaries and wages	26	7,977,360								
Employee benefits										
Pension plan	27	302,590	458	Security and Commodity Brokers	1.69	0.92	20.41	510,912	278,172	6,176
Other benefits	28	1,072,817	459	Insurance Carriers	1.70	0.66	18.46	1,825,277	703,019	19,805
Payroll taxes	29	0	515	Other Federal Government Enterprises	1.35	0.42	17.31	—	—	—
Professional fundraising	30	55,016	508	Management and Consulting and other fees	1.85	0.82	26.18	101,674	44,982	1,440
Accounting and legal fees										
Accounting fees	231	55,016	507	Accounting, Auditing and Bookkeeping	1.88	0.98	32.92	103,613	53,735	1,811
Legal fees	322	82,524	494	Legal Services	1.87	1.07	24.31	154,259	88,321	2,006
Supplies, telephone, postage/shipping										
Supplies	33	1,362,643	173	Converted Paper Products, N.E.C	1.52	0.41	12.06	2,074,774	563,997	16,437
Telephone	34	137,541	372	Telephone and Telegraph Apparatus	1.55	0.43	12.11	212,944	59,256	1,666
Postage and shipping	35	137,541	513	U.S. Postal Service	1.96	1.16	28.99	270,111	159,365	3,987
Rent and utilities	36	5,611,660	511	State and Local Electric Utilities	1.49	0.38	10.43	8,350,558	2,105,294	58,550
Equipment rental and maintenance	37	302,590	473	Equipment Rental and Leasing	1.81	0.62	20.51	547,082	188,749	6,207
Printing and publications	38	170,330	179	Commercial Printing	1.63	0.62	17.26	278,483	105,821	2,940
Travel, conf., conv. & meetings										
Travel	39	170,330	463	Hotels and Lodging Places	1.81	0.64	34.44	308,974	109,107	5,866
Conf., conventions & meetings	40	106,457	463	Hotels and Lodging Places	1.81	0.64	34.44	193,110	681,925	3,667
Interest	41	495,147	456	Banking	1.44	0.44	13.95	711,077	215,872	6,908
Other	43a-e	1,556,270	500	Social Services, N.E.C.	1.91	0.94	39.25	2,973,218	1,455,307	61,086
TOTAL		\$25,757,656						\$29,704,840	\$19,421,094	753,532

SOURCE: Public Sector Consultants, Inc.
NA = Not available.

EXHIBIT 19
Economic Effects of Nonprofit Sector, Michigan, by Major Industry, 1997

Industry	Output (000)	Income (000)	Employment
Services	\$15,470,765	15,230,304	637,063
Transportation, communications, and utilities	8,563,502	2,164,550	60,216
Finance, insurance, and real estate	3,047,216	1,197,063	32,889
Manufacturing	2,353,257	669,818	19,377
Government	270,111	159,365	3,987
TOTAL	\$29,704,851	\$19,421,100	753,532

SOURCE: Public Sector Consultants, Inc.

The economic activity generated by nonprofit organizations is concentrated in five major economic sectors, as shown in Exhibit 19. The largest share of the activity is in the services sector, which accounts for about 53 percent of the output, 79 percent of the income, and 85 percent of the total employment. This is to be expected, as the majority of nonprofit organizations are classified in the services category.

The economic effects of the various types of nonprofit organizations were not calculated directly for this report, but these effects can be estimated on the basis of the expenditures in each category. As revealed in Exhibit 20, the hospital sector produces over half the output, income, and employment in the nonprofit sector. Noncharitable organizations, charitable human services organizations, and other charitable organizations also produce a significant level of economic activity.

EXHIBIT 20
Economic Effects (direct, indirect, and induced) of Nonprofit Sector, Michigan, by Type of Organization (000), 1997

Organization Type	Expenditures (000)	Output (000)	Income (000)	Employment
Charitable organizations	\$22,147,708	\$23,915,273	\$15,635,861	606,666
Health services	15,713,991	16,968,860	11,094,280	430,454
Hospitals	14,117,784	15,245,185	9,967,337	386,729
Human services	2,485,621	2,684,115	1,754,880	68,089
Education	1,355,805	1,464,075	957,216	37,140
Colleges and universities	716,572	773,795	505,909	19,629
Arts and Humanities	288,743	311,801	203,856	7,910
Other charitable organizations	2,302,548	2,486,422	1,625,629	63,074
Noncharitable organizations	4,370,274	4,719,270	3,085,470	119,715
Private foundations	991,157	1,070,308	699,770	27,151
TOTAL	\$27,508,139	\$29,704,851	\$19,421,100	753,532

SOURCE: Public Sector Consultants, Inc.

GROWTH OF THE NONPROFIT SECTOR

Historical data for Michigan nonprofit organizations are limited. The data we do have suggest that the nonprofit sector has been growing at a rapid rate. For example, the number of charitable organizations reporting financial data increased more than 45 percent from 1989 to 1997. As

EXHIBIT 21
Estimated Expenditures, Employment, and Income (direct, indirect, and induced),
for Michigan Nonprofit Organizations (in current dollars), 1986–1995

Year	Nonprofit Charities	Private Foundations	Total	Estimated Employment	Estimated Income (000)
1986	\$9,552,432,459	\$381,202,565	\$9,933,635,024	293,219	\$7,521,000
1987	10,611,814,660	330,632,749	10,942,447,409	322,997	8,284,797
1988	11,163,423,546	481,754,746	11,645,178,292	343,740	8,816,852
1989	12,276,168,924	538,109,101	12,814,278,025	378,249	9,702,006
1990	13,614,071,028	606,268,308	14,220,339,336	419,753	10,766,570
1991	14,977,166,018	643,505,790	15,620,671,808	461,088	11,826,796
1992	19,511,347,295	781,671,660	20,293,018,955	599,005	15,364,345
1993	18,106,903,366	801,523,228	18,908,426,594	558,135	14,316,036
1994	19,255,114,106	887,415,676	20,142,529,782	594,563	15,250,406
1995	24,623,681,622	904,394,925	25,528,076,547	753,533	19,327,936
Percentage change, 1986–95	157.8%	137.2%	157.0%	157.0%	157.0%

illustrated in Exhibit 21, there also has been substantial growth in the expenditures of Michigan public charities and private foundations (expenditure data are not available for noncharitable organizations): According to IRS estimates, the expenditures of Michigan charitable organizations increased 158 percent from 1986 to 1995, while the expenditures of private foundations increased 137 percent. Over the same time period, Michigan personal income increased only 66 percent.

It is possible to make a rough estimate of the increase in the nonprofit share of both personal income *and* wage and salary employment from 1986 to 1996. (This report uses the most current data, which are from the IRS Form 990 for 1997, covering tax years 1994 to 1996. For purpose of this analysis we assume that 1996 is the most representative year.) As mentioned earlier, this report estimates, based on nonprofit expenditures in the state, that the Michigan nonprofit sector generates a combined direct, indirect, and induced employment of 753,532, and a direct, indirect, and induced income of \$19.3 billion. Assuming that employment and personal income increased at the same rate as expenditures from 1986 to 1995 (and that noncharitable expenditures increased at the same rate as the combined expenditures of charitable organizations and private foundations), it is possible to produce expenditure and income estimates for 1986 and subsequent years (refer to Exhibit 21). These estimates show that nonprofit income (direct, indirect, and induced) increased from 5.4 percent of Michigan personal income in 1986 to about 8.5 percent in 1995, and that employment (direct, indirect, and induced) generated by nonprofits more than doubled from 1986 to 1995. While these are rough estimates and could be overstated, they do provide evidence that the nonprofit sector in Michigan has been growing much faster than the overall economy.

NONPROFIT DATA BY COUNTY

County data are available for charitable organizations that are required to file a Form 990 return with the IRS.¹² (See Exhibit 22.) The five counties with the largest number of charitable organizations are Wayne (1,006), Oakland (834), Kent (508), Ingham (357), and Washtenaw (335). These

¹²There is a small discrepancy in total expenditures between the file containing county data and the Core 97 file, which contains the data for each charitable organization filing with the IRS, but the difference is not large enough to materially affect the county estimates.

EXHIBIT 22

**Michigan Charitable Organizations, Number, Expenditures, Assets, and Economic Effects (direct, indirect, and induced),
by County, circa 1996**

	Number	Assets (000)	Assets per Organization (000)	Expenditures (000)	Percentage of Total	Employment	Expenditures per Organization (000)	Income (000)	Employment, All Nonprofit Organizations	Income (000)
Alcona	4	\$1,408	\$352	\$2,889	0.01%	81	\$722	\$2,086	101	\$2,592
Alger	7	4,527	647	3,832	0.02	108	547	2,767	134	3,438
Allegan	46	39,409	857	34,649	0.16	976	753	25,022	1212	31,083
Alpena	27	28,679	1,062	26,225	0.12	738	971	18,938	917	23,526
Antrim	7	5,107	730	1,904	0.01	54	272	1,375	67	1,708
Arenac	7	8,842	1,263	18,901	0.09	532	2,700	13,649	661	16,956
Baraga	4	407	4,310	639	0.00	18	160	461	22	573
Barry	22	11,401	518	3,217	0.01	91	146	2,323	113	2,886
Bay	50	193,279	3,866	264,807	1.23	7,456	5,296	191,231	9262	237,554
Benzie	10	7,988	799	6,736	0.03	190	674	4,864	236	6,043
Berrien	133	327,713	2,464	313,755	1.46	8,834	2,359	226,579	10974	281,464
Branch	15	7,372	491	7,321	0.03	206	488	5,287	256	6,568
Calhoun	105	572,830	5,456	308,376	1.43	8,683	2,937	222,694	10786	276,639
Cass	19	8,245	434	7,466	0.03	210	393	5,392	261	6,698
Charlevoix	31	24,158	779	22,139	0.10	623	714	15,988	774	19,860
Cheboygan	17	18,743	1,103	28,859	0.13	813	1,698	20,841	1009	25,889
Chippewa	21	41,219	1,963	39,313	0.18	1,107	1,872	28,390	1375	35,267
Clare	8	22,996	2,875	27,540	0.13	775	3,443	19,888	963	24,706
Clinton	16	25,692	1,606	24,935	0.12	702	1,558	18,007	872	22,369
Crawford	7	747	107	1,088	0.01	31	155	786	38	976
Delta	28	18,112	647	24,806	0.12	698	886	17,914	868	22,253
Dickinson	23	8,807	383	8,038	0.04	226	349	5,805	281	7,211
Eaton	53	87,481	1,651	54,404	0.25	1,532	1,026	39,288	1903	48,805
Emmett	46	145,703	3,167	109,042	0.51	3,070	2,370	78,745	3814	97,820
Genesee	227	1,501,804	6,616	778,758	3.61	21,927	3,431	562,381	27239	698,610
Gladwin	5	5,303	1,061	4,123	0.02	116	825	2,977	144	3,699
Gogebic	10	24,020	2,402	27,733	0.13	781	2,773	20,027	970	24,879
Grand Traverse	104	346,169	3,329	242,802	1.13	6,836	2,335	175,340	8492	217,813
Graiot	20	294,524	14,726	99,246	0.46	2,794	4,962	71,671	3471	89,032
Hillsdale	26	289,545	11,136	88,099	0.41	2,481	3,388	63,621	3081	79,032
Houghton	45	104,806	2,329	48,757	0.23	1,373	1,083	35,210	1705	43,739
Huron	15	33,358	2,224	41,209	0.19	1,160	2,747	29,759	1441	36,968
Ingham	357	1,154,521	3,234	752,870	3.49	21,198	2,109	543,686	26333	675,386
Ionia	15	10,512	701	15,524	0.07	437	1,035	11,211	543	13,926
Iosco	13	29,305	2,254	36,361	0.17	1,024	2,797	26,258	1272	32,619
Iron	11	7,672	697	13,955	0.06	393	1,269	10,078	488	12,519
Isabella	38	81,451	2,143	49,453	0.23	1,392	1,301	35,713	1730	44,363
Jackson	79	363,987	4,607	226,605	1.05	6,380	2,868	163,643	7926	203,283
Kalamazoo	246	1,491,852	6,064	651,603	3.02	18,347	2,649	470,556	22791	584,541
Kalkaska	3	237	79	567	0.00	16	189	409	20	509
Kent	508	1,885,961	3,713	1,292,601	6.00	36,395	2,544	933,453	45211	1,159,569
Keweenaw	3	1,765	588	326	0.00	9	109	235	11	292
Lake	4	4,310	1,078	4,660	0.02	131	1,165	3,365	163	4,180
Lapeer	23	74,871	3,255	112,467	0.52	3,167	4,890	81,218	3934	100,892

	Number	Assets (000)	Assets per Organization (000)	Expenditures (000)	Percentage of Total	Employment	Expenditures per Organization (000)	Income (000)	Employment, All Nonprofit Organizations	Income (000)
Leelanau	17	\$15,743	\$926	\$9,929	0.05%	280	\$584	\$7,170	347	\$8,907
Lenawee	68	220,421	3,241	169,422	0.79	4,770	2,492	122,348	5926	151,985
Livingston	42	28,157	670	20,725	0.10	584	493	14,967	725	18,592
Luce	2	321	161	78	0.00	2	39	56	3	70
Mackinac	6	777	130	655	0.00	18	109	473	23	588
Macomb	177	421,871	2,383	458,971	2.13	12,923	2,593	331,446	16053	411,735
Manistee	14	4,956	354	2,008	0.01	57	143	1,450	70	1,801
Marquette	62	224,124	3,615	192,326	0.89	5,415	3,102	138,888	6727	172,532
Mason	14	35,567	2,541	29,292	0.14	825	2,092	21,153	1025	26,277
Mecosta	18	28,689	1,594	25,645	0.12	722	1,425	18,520	897	23,006
Menominee	9	4,450	494	1,944	0.01	55	216	1,404	68	1,744
Midland	79	499,167	6,319	234,891	1.09	6,614	2,973	169,627	8216	210,717
Missaukee	3	3,343	1,114	1,862	0.01	52	621	1,345	65	1,670
Monroe	64	119,987	1,875	101,169	0.47	2,849	1,581	73,059	3539	90,757
Montcalm	21	56,564	2,694	84,767	0.39	2,387	4,037	61,215	2965	76,043
Montmorency	4	919	230	1,997	0.01	56	499	1,442	70	1,791
Muskegon	111	246,584	2,221	195,923	0.91	5,516	1,765	141,486	6853	175,759
Newaygo	22	176,108	8,005	40,912	0.19	1,152	1,860	29,545	1431	36,701
Oakland	834	7,115,505	8,532	5,305,180	24.63	149,375	6,361	3,831,141	185559	4,759,182
Oceana	8	5,450	681	6,170	0.03	174	771	4,456	216	5,535
Ogemaw	6	1,380	230	1,013	0.00	29	169	732	35	909
Ontonagon	3	248	83	182	0.00	5	61	131	6	163
Osceola	8	19,684	2,461	27,909	0.13	786	3,489	20,155	976	25,037
Oscoda	6	3,614	602	3,321	0.02	94	554	2,398	116	2,979
Otsego	23	23,541	1,024	27,385	0.13	771	1,191	19,776	958	24,567
Ottawa	156	577,705	3,703	334,722	1.55	9,425	2,146	241,720	11708	300,273
Presque Isle	5	2,357	471	1,052	0.00	30	210	760	37	944
Roscommon	10	7,887	789	5,328	0.02	150	533	3,848	186	4,780
Saginaw	130	556,456	4,280	470,264	2.18	13,241	3,617	339,602	16448	421,865
St. Clair	83	167,969	2,024	211,630	0.98	5,959	2,550	152,829	7402	189,849
St. Joseph	37	35,179	951	35,142	0.16	989	950	25,378	1229	31,525
Sanilac	15	30,005	2,000	42,980	0.20	1,210	2,865	31,038	1503	38,557
Schoolcraft	6	1,383	231	395	0.00	11	66	285	14	354
Shiawassee	27	93,829	3,475	63,309	0.29	1,783	2,345	45,719	2214	56,793
Tuscola	19	12,558	661	17,039	0.08	480	897	12,305	596	15,285
Van Buren	27	34,053	1,261	39,816	0.18	1,121	1,475	28,753	1393	35,718
Washtenaw	335	690,591	2,061	509,020	2.36	14,332	1,519	367,589	17804	456,633
Wayne	1,006	5,967,753	5,932	6,593,601	30.61	185,652	6,554	4,761,576	230624	5,915,001
Wexford	20	4,759	238	3,025	0.01	85	151	2,185	106	2,714
No county	202	428,006	2,119	447,032	2.08	12,587	2,213	322,825	15636	401,024
STATE	6,157	\$27,229,516	\$4,423	\$21,543,653	100.00%	606,593	3,499	\$15,557,772	753532	\$19,421,100

SOURCE: U.S. Internal Revenue Service Form 990 Return Transaction File, 1997, as adjusted by the National Center for Charitable Statistics and Public Sector Consultants, Inc.

five counties account for nearly 50 percent of the charitable organizations in Michigan. On the basis of assets, Oakland County ranks first, with \$7.1 billion, and Wayne County ranks second, with \$5.3 billion. The five counties with the largest number of nonprofit organizations account for more than 60 percent of the total assets in the state. Surprisingly, Macomb County, which has the third largest population in the state accounts for only 177 charitable organizations and 1.5 percent of the total assets, ranking 13th among the 83 counties in terms of assets. On the basis of expenditures, Wayne County ranks first, with \$6.6 billion, and Oakland County ranks second, with \$5.3 billion. The five counties with the largest number of organizations account for about 67 percent of total expenditures.

Average assets per organization in Michigan are \$4.4 million. The counties averaging the most assets per organization are Gratiot (\$14.7 million) and Hillsdale (\$11.1 million). The average expenditure in Michigan is \$3.4 million; the counties with the largest average expenditures per organization are Wayne (\$6.5 million) and Oakland (\$6.3 million).

It is beyond the scope of this report to estimate the economic effects of the nonprofit sector directly for each county. However, it is possible to approximate the economic effects by allocating the statewide effects on the basis of expenditures by county. These estimates are biased to the extent that the nonprofit organizations spend money outside their home county. For example, nonprofit organizations in Wayne County account for 30.6 percent of all nonprofit expenditures in Michigan. However, it is unlikely that exactly 30.6 percent of all nonprofit expenditures are made in Wayne County; the figure could be more or less. We expect that counties with the largest population and the most economic activity would attract more than a proportionate share of nonprofit spending and smaller counties would attract less. For example, Kalamazoo County accounts for about 3 percent of spending by charitable organizations but only 2.4 of the state's population. The discrepancy in proportion occurs because two of the state's largest nonprofit organizations, both hospitals, are located in this county. If spending by nonprofits in Kalamazoo County is less than 3 percent of the total, the economic effects estimated in this report and presented in Exhibit 22 are overstated for the county.

The estimates of income and employment generated by charitable organizations in each county also are presented in Exhibit 22; they are based on each county's share of total expenditures. This type of information is not available for other nonprofit organizations or for the nonprofit sector as a whole. However, we do have data on total expenditures for all nonprofit organizations in Michigan, and charitable organizations account for an estimated 80 percent of these. Assuming this same ratio holds for each county, we can make estimates that reflect the economic effects for all nonprofit organizations: For example, the charitable sector generates 185,632 jobs in Wayne County; assuming that charitable organizations in Wayne County account for 80 percent of total nonprofit expenditures, we can estimate that nonprofit organizations generate about 231,000 jobs in that county. These figures should be viewed as rough estimates, however, as we know that the charitable share of total nonprofit expenditures is not the same in every county.

NONPROFIT DATA BY REGION

Another useful way to analyze the nonprofit data is by region. For this purpose, the county data described above have been grouped into seven regions listed below. (The regional totals do not add to the county totals, as some data were not allocated to a particular county.) See Appendix E for a listing of counties by region.

- Southeast
- Bay/Saginaw/Midland
- Central/south
- West
- Northern lower peninsula
- Upper Peninsula
- Flint/Thumb

Nearly two-thirds of the charitable organizations are located in the two regions in which the state's largest cities—Detroit and Grand Rapids—are located: southeast (with 42.7 percent of the organizations) and west (22.3 percent) Michigan, respectively. The regions having the fewest number of organizations are the Upper Peninsula, Bay/Saginaw/Midland, and Flint/Thumb, which together account for only 14 percent of the total charitable organizations (see Exhibit 23).

Almost 77 percent of the total assets are located in the southeast and west regions (62.6 percent and 14.2 percent, respectively). The southeast region not only has the most organizations but also the largest: the average expenditure per organization is almost \$5.2 million, 46.6 percent above the state average and 51.4 percent higher than the next highest region. The smallest organizations are found in the northern lower peninsula and the Upper Peninsula.

As explained above, for this study the employment and income numbers were allocated on an expenditure basis. Therefore, the employment and income distributions by region are the same as the expenditure distribution. For example, southeast Michigan has 62.6 percent of total charitable expenditures, and, therefore, we estimate it also to have 62.6 percent of employment and income. However, as stated above, these are rough estimates; the actual numbers are likely to be somewhat different.

SUMMARY OF SURVEY RESULTS

PSC mailed surveys to 1,800 Michigan nonprofit organizations. A total of 454 were completed and returned, at a rate of 33 percent for charitable organizations, 12 percent for private foundations, and 8 percent for noncharitable organizations. The data reported in this section are from all nonprofit organizations returning the surveys. However, for certain purposes, such as estimating numbers of volunteers, only the responses from charitable organizations were used. (See Appendix A for further survey methodology.)

The majority of the organizations responding to the survey are small, with 65.3 percent reporting gross receipts of less than \$400,000 and only 8.1 percent reporting gross receipts of over \$5 million. Nine organizations reported gross receipts exceeding \$25 million, and gross receipts per organization average \$2.8 million. Exhibit 24 illustrates that this distribution is very close to the distribution of all charitable organizations required to report financial data to the IRS.

The organizations responding to the survey reported 10,560 full-time employees, or 37 employees per organization (excluding the 36.7 percent of respondents with no employees). A single organization accounts for almost 22 percent of all employees, thus, excluding this organization causes the average number of employees to fall to 28. In addition, almost every organization reported employing part-time workers, resulting in a total figure of 8,648 part-time employees. On a full-time basis this amounts to 4,584 workers, or 10.1 workers per organization. (Volunteer statistics are reported in “Volunteers and Charitable Organizations,” above.)

EXHIBIT 23**Michigan Charitable Organizations, Number, Expenditures, Assets, and Economic Effects (direct, indirect and induced), by Region, circa 1996**

	Number	Assets (000)	Average Assets per Organization (000)	Expenditures (000)	Expenditures as Percentage of Total	Average Expenditures per Organization (000)	Employment	Income (000)	Employment All Nonprofit Organizations	Income (000)
Southeast	2,541	\$14,511,833	\$5,711	\$13,200,296	62.6%	\$5,195	371,674	\$9,532,608	461,706	\$11,841,749
Bay/Saginaw/Midland	297	1,330,353	4,479	1,019,415	4.8	3,432	28,703	736,172	35,656	914,499
Central/south	781	3,120,714	3,996	1,810,111	8.6	2,318	50,966	1,307,174	63,312	1,623,818
West	1,326	4,714,666	3,556	2,993,661	14.2	2,258	84,291	2,161,875	104,709	2,685,560
Northern lower peninsula	471	983,692	2,089	720,684	3.4	1,530	20,292	520,443	25,207	646,513
Upper Peninsula	240	442,638	1,844	362,979	1.7	1,512	10,220	262,126	12,696	325,622
Flint/Thumb	299	1,652,596	5,527	992,453	4.7	3,319	27,944	716,701	34,713	890,312
TOTAL	5,955	\$26,756,492	\$4,493	\$21,099,599	100.0%	\$3,543	594,090	\$15,237,098	738,000	\$18,928,072

SOURCE: U.S. Internal Revenue Service Form 990 Return Transaction File, 1997, as adjusted by the National Center for Charitable Statistics and Public Sector Consultants, Inc.

EXHIBIT 24**Distribution of Gross Receipts, Michigan, Nonprofit Organizations responding to PSC Survey and All Charitable Organizations, 1998**

Gross Receipts	PSC Survey		Charitable Organizations	
	Number	Percentage	Number	Percentage
\$0–100,000	175	38.5%	2,009	32.6%
\$100,001–200,000	53	11.6	978	15.9
\$200,001–400,000	69	15.2	879	14.3
\$400,001–700,000	37	8.1	542	8.8
\$700,001–1,000,000	20	4.4	307	5.0
\$1,000,001–5,000,000	64	14.1	948	15.4
\$5,000,001–10,000,000	15	3.3	195	3.2
\$10,000,001+	22	4.8	300	4.9
TOTAL	455	100.0%	6,158	100.0%

SOURCE: Public Sector Consultants, 1998 Survey.

EXHIBIT 25**Distribution of Revenues and Expenditures for Michigan Nonprofit Organizations, 1998 PSC Nonprofit Survey**

Revenues	Amount (000)	Percentage
Contributions, gifts, donations—nongovernment sources	\$170,361	28.9%
Grants or payments from government sources	77,031	13.1
Program service revenue ^a	254,061	43.1
Membership dues	5,282	0.9
Investment income	69,127	11.7
Special events and activities	4,923	0.8
Other	8,320	1.4
TOTAL	\$589,105	100.0%
Expenditures		
Wages and salaries	\$170,221	31.1%
Rent and utilities	111,489	20.4
Grants and allocations	84,670	15.5
Other labor compensation (fringe benefits)	38,930	7.1
Supplies	36,453	6.7
Other	105,656	19.3%
TOTAL	\$547,419	100.0%

SOURCE: Public Sector Consultants, 1998 Survey.

^aFor many nonprofit organizations, the biggest source of revenue is government grants. However, organizations such as hospitals, which are the largest nonprofit organizations, receive the biggest share of their revenue from payments for services provided, which includes Medicaid and Medicare payments. These sources are classified as "program service revenue." Because these organizations are so large, they skew the revenue distribution. Most nonprofit organizations receive much less than 43.1 percent of their funds from program service revenue. For example, as shown in Exhibit 7, arts and humanities organizations receive 30.7 percent of their revenue from program service revenue and 49.3 percent from public support.

In the long survey (returned by 227 organizations, of which 207 were charitable organizations), organizations were asked to estimate the percentage of their goods and services purchased in Michigan. On average, organizations reported that 77.4 percent of their funds were spent in Michigan. About 20 percent of the organizations reported 100 percent of their expenditures in Michigan. However, 55 organizations either reported no expenditures in Michigan or did not answer the question. It is not clear how many of these nonprofits actually had no in-state expenditures and how many were unable to answer the question. (For calculation purposes it was assumed that the respondents did not answer the question). Expenditures made outside the state ideally should be excluded from this analysis. Nevertheless, while the reliability of these data remains in question due to concern about the reliability of the responses, the data still are the most complete available on the subject.

Also in the long survey, organizations were asked to list their revenues and expenses as reported on the IRS 990 and 990-PF forms. The distribution of revenues and expenditures is shown in Exhibit 25. One of the largest revenue sources is program service (payments to the organization for studies and other services provided), which accounts for over 43 percent of total revenue. Donations—including contributions, gifts, and funds from private sources—are the other major source of revenue, accounting for almost 30 percent of the total.

The revenues received by charitable nonprofit organizations are spent mainly on wages, salaries, and fringe benefits, rent and utilities, and grants and allocations to individuals and other organizations. These three categories account for close to 75 percent of total expenditures.

Nonprofit organizations also were asked (in the long survey) about their capital expenditures (computers, land, and equipment). The charitable nonprofit organizations responding to the survey reported capital expenditures in 1997 of \$22.1 million, or \$97,532 per organization. This amounts to 4.7 percent of the total expenditures reported in the survey.

The complete survey and a summary of the responses are included in Appendix D.

“NON-MEASURABLE” EFFECTS OF MICHIGAN’S NONPROFIT SECTOR

In addition to the employment and income effects discussed in this report, Michigan’s nonprofit sector plays a critical role in the overall health and vitality of the state economy. However, much of this role is not directly measurable given existing data and methodologies. Nevertheless, in the long run, these non-measurable effects are as important as the directly measured interactions.

For purposes of this discussion, we group the non-measurable economic effects into three general categories: improving the state’s work force, providing needed services, and assisting the poor.

Improving the Work Force

The long-term growth of a state’s economy depends on the availability of physical capital and the quality of its workers. Both the public and private sectors spend significant resources each year upgrading the skills and work habits of the state’s workers. The nonprofit sector also plays an important role in this process.

First, many Michigan nonprofits hire underemployed or unemployed workers. In many cases, workers are able to use the job training they receive at a nonprofit organization as a building block to entering the private work force. For example, Goodwill Industries provides employment for workers who would have trouble directly entering the labor market. For many workers, the experience gained at a nonprofit organization is vital to subsequent active employment in the private or public sectors.

Second, many of Michigan’s nonprofit organizations provide an opportunity for young adults to build the skills and habits necessary to be a success in the work force. A 1996 Independent Sector survey of teenagers reveals the importance of the habits learned by volunteering for a nonprofit association. Forty-seven percent of the respondents reported that at the nonprofit organization they had learned new skills that would apply to future employment. In addition, a large number agreed that working with the nonprofit organization increased their stock of the intangibles that are necessary for successful employment; for example, 57 percent reported improving their ability to get along with others, while 67 percent reported an increase in respect for others.

Third, the nonprofit sector makes important contributions to the quality of the state workforce in the areas of health and safety. Michigan’s social services nonprofit sector concentrates on preventing disease, promoting healthier lifestyles, providing recreation activities, and reducing drug and alcohol use. These programs, which aim to improve the overall quality of life for Michigan residents, also increase the quality of the state’s workforce, and employers benefit by having an improved workforce that has lower absenteeism and higher productivity.

Fourth is the nonprofit sector's effect on education. Many of the state's nonprofit groups are involved in early and remedial education. A strong focus on education increases both the overall quality of life for students and the productivity of future workers.

Finally, nonprofit organizations often surpass private companies in providing job opportunities for women and members of racial and ethnic minorities. In this way, nonprofits provide upward mobility for their employees and reduce the inequalities of the labor force.

Providing Needed Services

Like government, Michigan's nonprofit associations specialize in providing services that cannot efficiently be provided by the private sector. Most of the goods and services offered by the nonprofit sector fit into the economists' category of "public goods," i.e., goods or services that easily may be used by very broad groups of people but for which it is difficult to collect payment from users. This difficulty in identifying and matching benefits received from an undividable good or service leads to frequent private market failure. In such cases, "free riders" take widespread advantage, since producers cannot easily collect payments directly from the beneficiaries of the services.

This theoretical argument usually ends with a call for government action. In many cases, however, the nonprofit sector can provide state residents with the needed service more effectively and efficiently than can the public sector. In such cases, nonprofits reduce the overall required state tax burden by providing services that otherwise would require government action and expenditure.

But Michigan nonprofits do more than "fill gaps" when government and private industry fail. Keith Rasey, a private housing consultant in Cleveland, suggests that nonprofit housing providers operate in a complementary relationship with the public and private sector. He concludes that nonprofit housing providers should be supported not only because they directly provide housing but also because of their flexibility and innovative approach to social problems. Nonprofit housing providers, in Rasey's view, have been major innovators in the design and implementation of housing services in the Cleveland area, and these innovations soon transfer to private developers.

The importance of the nonprofit sector to the local and state economy goes beyond directly providing services. Nonprofit cultural and education institutions play a major role in defining the character of a community. And the local support they receive is an important index of community spirit. Surveys of employers and workers repeatedly cite access to such institutions as a strong incentive to locate or remain in a given community. In addition to the usual considerations—taxes, relative wage rates, and transportation costs—the strength of a region's cultural and education institutions is an important determinate in business-location decisions. A strong local nonprofit sector can attract private business.

Finally, in many cases, local nonprofit institutions are able to provide services on a local, individualized basis. Most nonprofit organizations are community based; only a few reach beyond the geographic region in which they are located. Goods and services may be matched to local needs with less need for the bureaucracy that tends to follow the establishment of a government program.

Assisting the Poor

Following the national trend, Michigan's inequality of wealth and income has increased during the past two decades. For many complex reasons, since the early 1980s the inflation-adjusted earnings and income of the lower and middle class have stagnated, while the same measures for the upper 20 percent of families have soared.

Nonprofit organizations traditionally have acted to soften this rising inequality. Through voluntary contributions, organizations such as the United Way redistribute income from the better off to the poor and needy. One of the best examples of the effectiveness of the nonprofit sector in assisting in redistributing income is the national Center on Budget and Policy Priorities (and its Michigan counterpart, the Michigan League for Human Services). The center has emerged over the past 16 years as one of the leading organizations in the country working on public policy issues affecting low-income families and individuals. One of its key contributions has been a campaign to expand the federal earned income tax credit (EITC) and to encourage states also to adopt such a credit. In 1980 the EITC paid, nationwide, about \$2 billion to 7 million households, or \$286 per household. In 1996 the EITC amounted to \$28.8 billion and was claimed by 19.5 million households, an average of \$1,480 per household. (For Michigianians, the EITC amounted to about \$700 million and was claimed by nearly 600,000 households.) Due in part to the center's efforts, the EITC has become one of the most effective and politically popular programs for helping the working poor. Ten states have adopted an EITC similar to the federal measure.

The voluntary redistribution of income also occurs across geographical areas. Many of Michigan's nonprofit institutions are located in the state's major urban areas. As discussed above, about 43 percent of all charitable organizations and 63 percent of the assets held by these organizations are located in southeast Michigan. Traditionally, these organizations have played a major role in sustaining the state's core urban areas, through both direct assistance and employment opportunities for city residents.

APPENDIX A

Public Sector Consultants' Survey

METHODOLOGY

The 1998 Public Sector Consultants' survey of nonprofit organizations concentrated on private foundations and charitable and noncharitable organizations in the state of Michigan. The survey sought to collect more information on the number and types of employees and volunteers, the categories of expenses and expenditures, the sources of revenue, and the classification of the organization itself, among other things.

SAMPLE

The sample was drawn from three 1997 databases of Michigan nonprofit organizations compiled and maintained by the National Center for Charitable Statistics. The database for private foundations includes 998 organizations that met the nonprofit status criteria for inclusion in the survey. The database for charitable nonprofits contains 5,847 organizations, and the database for noncharitable nonprofits contains 4,313. From each of the three databases, organizations were selected at random to comprise the survey sample. The resulting sample was composed of 216 private organizations (12 percent of the sample), 1,224 charitable organizations (68 percent), and 360 noncharitable organizations (20 percent). Questionnaires were mailed to 1,800 Michigan nonprofit organizations. A postage-paid return envelope was sent with the survey.

Aside from these three major categories, it was possible to group respondents into the 26 major National Taxonomy of Exempt Entities (NTEE) categories for classifying nonprofit organizations. Examples of categories include arts, culture, and humanities; environmental quality, protection, and beautification; medical research; community improvement; and religion-related. (For the complete list of NTEE classifications, see question 22 on the survey questionnaire, shown in Appendix D.)

QUESTIONNAIRE

The questionnaire (see Appendix D) asks for a total of 72 responses, although not every question applies to every nonprofit organization. Much of the information requested could be obtained by referring to the IRS Form 990 or 990-PF filed by the organization for 1997. Many questions indicate the line number from the 1997 IRS Form 990 providing the correct information.

PROCEDURE

Surveys were mailed to 1,800 nonprofit organizations in the state of Michigan in August 1998. Respondents were asked to return their completed surveys by the mid-September. Nonprofits that had not completed and returned their surveys by the end of September were sent a reminder letter. The length of the questionnaire and the time necessary to collect the requested information may have prevented many organizations from responding. To increase the number of responses, a short version of the questionnaire, requiring only 14 responses, was mailed to nonresponding organizations. The second mailing nearly doubled the number of responses. Each question on the short version was drawn from the long version of the questionnaire.

RETURN RATE

For mail surveys, a return rate of approximately 30 percent is commonplace. Overall, 455 surveys were returned. Of these, 400 were from charitable organizations, a satisfactory return rate of 33 percent. As discussed above, the return rate was much lower for noncharitable organizations and private foundations. Completed surveys from charitable organizations include a total of 207 full questionnaires (17 percent) and 193 short version questionnaires (16 percent). The pattern of responses is comparable for both versions of the questionnaire.

A decision was made to focus the analysis on charitable organizations for two reasons. First, nearly 80 percent of returned surveys came from charitable organizations. Second, the low return rate from private and noncharitable organizations raised questions about how reliable and representative the limited data might be for these categories. Since the preponderance of the original sample (68 percent) was aimed at charitable organizations, rather than private (12 percent) or noncharitable organizations (20 percent), the pattern of returns made it reasonable to confine some of the analyses primarily to charitable organizations. Moreover, a significantly larger percentage of charitable organizations responding to one of the two surveys returned the long questionnaire (52 percent), providing more complete data. Conversely, considerably fewer private foundations (40 percent) and noncharitable organizations (31 percent) returned the long form of the questionnaire.

FINAL SAMPLE

The sample used for the primary analysis consists of the 400 questionnaires returned by charitable organizations. A total of 207 respondents (52 percent) returned the full questionnaire, and 193 (48 percent) returned the short version.

APPENDIX B

Noncharitable Organizations

501(C)(2): TITLE HOLDING COMPANIES

These are organizations—such as the Michigan State AFL-CIO Building Corporation—that hold property or other assets for nonprofit organizations (in this example, for the AFL-CIO). The 1997 IRS Business Master File (BMF) lists 450 such organizations in Michigan, 182 of which reported income and assets averaging \$214,717 and \$1.3 million, respectively. The largest income generated by any one of these companies for 1997 was \$4.1 million, and the most assets reported was \$61.8 million.

501(C)(4): CIVIC LEAGUES AND SOCIAL WELFARE ORGANIZATIONS

This is the largest, most recognizable category of noncharitable organizations and includes social groups such as the Optimists, Lions Club, League of Women Voters, Kiwanis, and American Legion, as well as some large health care plans such as Delta Dental and Blue Care Network of Southeast Michigan. There are 4,430 501(c)(4) organizations listed in the 1997 BMF, only 869 of which reported income and assets. Even so, the average 1997 income of those reporting was a considerable \$4.3 million, and the average assets were \$1.6 million. However, 24 health care organizations account for about 95 percent of reported income and 85 percent of assets; if these organizations are eliminated, the average income totals only \$171,835 and average assets equal \$255,000. The highest income for 1997 (reported by two organizations) is \$575 million, and the highest assets are \$252 million.

501(C)(5): LABOR, AGRICULTURAL, AND HORTICULTURAL ORGANIZATIONS

This category consists largely of labor unions such as the United Auto Workers and local education associations. There are 2,813 of these organizations listed in the 1997 BMF, 1,081 of which reported income and assets averaging \$1.2 million and \$2.2 million, respectively. However, three large labor unions account for 55 percent of the total income and about 80 percent of the total assets. Excluding these three unions diminishes the average income to \$526,000 and the average assets to \$405,000. The largest income reported by an organization was slightly over \$302 million. Two organizations reported assets of over \$850 million.

501(C)(6): BUSINESS LEAGUES

This category consists largely of business associations, for example the state and local chambers of commerce, Michigan Racing Association, and Michigan Nursing Association. There are 2,118 such organizations listed in the 1997 BMF, 842 of which reported income and assets. One organization, the Michigan Catastrophic Claims Association (MCCA), accounts for about 97 percent of the \$19.2 billion in income reported and 90 percent of the \$6.2 billion in assets reported. Excluding the MCCA causes the average income of the reporting organizations to drop to \$785,130 and the average assets to fall to \$710,430. The highest reported income and assets (aside from the MCCA) were \$196.1 million and \$233.5 million, respectively, held by the second largest organization in this category (an organization considerably larger than the next biggest). As the MCCA does not meet the definition of a nonprofit organization used for the report, it is not included in the analysis.

501(C)(7): SOCIAL AND RECREATIONAL CLUBS

This category consists largely of social organizations such as sororities and fraternities, sporting clubs (including hunting, fishing, and boating organizations), and country clubs (generally the largest group of this type). There are 2,012 such organizations reported in the 1997 BMF. Only 563 reported income (which averages \$607,456) and assets (which average \$809,708). Income and assets are distributed fairly evenly in this category, with no organizations dominating financially. The largest reported income was \$13.6 million and the highest asset level was \$16.6 million.

501(C)(8): FRATERNAL BENEFICIARY SOCIETIES

This category consists of membership lodges such as the Knights of Columbus, Elks, and other such organizations providing life, accident, and health insurance to members. There are 3,508 such Michigan organizations listed in the 1997 BMF, only 413 of which reported assets (averaging \$2.3 million) and income (averaging \$765,580). Two life insurance societies account for almost 60 percent of the income and 80 percent of the assets in this category. By excluding these two organizations, average income drops to only \$277,600 and average assets to \$444,525. The highest reported income was \$135.6 million and the largest amount of reported assets was \$165.2 million. Only five organizations reported income exceeding \$5 million.

501(C)(9): VOLUNTARY EMPLOYEES' BENEFICIARY SOCIETIES

This category consists largely of trust funds and employee associations providing benefits such as health and life insurance to workers. There are 441 such organizations listed in Michigan in the 1997 IRS BMF, 333 of which reported assets and income. Four organizations account for 48 percent of the income and 25 percent of the assets. Most of these organizations are associated with private, for-profit companies and are not nonprofit organizations under the definition used for this study. Therefore these organizations are excluded from the study.

501(C)(10): DOMESTIC FRATERNAL BENEFICIARY SOCIETIES

This category includes many small fraternal organizations and some large organizations, such as the Shriners and Freemasons. There are 539 such Michigan organizations listed in the 1997 IRS BMF, only 143 of which reported assets and income (averaging \$393,505 and \$315,500, respectively). The Shriners and Freemasons account for about 53 percent of the income and 26 percent of the assets. The average income for the remaining organizations was only \$150,100, and the average assets were \$293,600. The largest reported income was \$9.6 million, although only three organizations reported income of over \$1 million. The largest amount of assets held in 1997 by any one of these organizations was \$13.8 million, although only four organizations reported assets exceeding \$1 million.

501(C)(12): UTILITY COOPERATIVES

There are 23 Michigan utility cooperatives listed in the 1997 BMF, 16 reporting assets and income. The average income of the reporting organizations for 1997 was \$16.4 million, and the average assets were \$41.5 million. One large cooperative accounts for 33 percent of the income figure and 41 percent of the amount of assets. All but three of the organizations that reported financial data earned income of over \$2 million and assets of over \$7 million in 1997.

501(C)(13): CEMETERY COMPANIES

There are 98 Michigan organizations in this category, with only 35 reporting income and assets. The average reported income for 1997 was about \$2.9 million, and the average assets were about \$6.8 million. One cemetery company accounts for 66 percent of the income and 62 percent of the

assets. Excluding this company, the average income equals about \$1 million and the average assets equal about \$2.6 million. These organizations do not meet the definition of nonprofits used for this report and are not included in the analysis.

501(C)(14): STATE CHARTERED CREDIT UNIONS

The 1997 BMF lists 320 credit unions (including the State Financial Bureau, which regulates them). Virtually all the assets and income in this category are listed under the State Financial Bureau (Department of Consumer and Industry Services). Total assets amount to about \$11.5 billion and total income is \$915.7 million. These organizations do not meet the definition of nonprofits used for this report and are not included in the analysis.

501(C)(15): MUTUAL INSURANCE COMPANIES

This category includes seven insurance companies with an average income of \$197,200 and average assets of \$1.3 million. These organizations do not meet the definition of nonprofits used for this report and are not included in the analysis.

501(C)(16): AGRICULTURAL AND HORTICULTURAL ORGANIZATIONS

For Michigan this category includes only two companies, with only one reporting financial data. Total income was reported at \$5.4 million and total assets at \$78.3 million.

501(C)(17): SUPPLEMENTAL UNEMPLOYMENT BENEFIT TRUSTS

This category is similar to 501(c)(9) in that it includes company benefits for employees, in this case monies to pay additional unemployment benefits to workers temporarily unemployed. There are 44 organizations listed that reported a total income of \$76.6 million and total assets of \$52.8 million. These organizations do not meet the definition of nonprofits used for this report and are not included in the analysis.

501(C)(19): WAR VETERANS ORGANIZATIONS

This category includes such organizations as the American Legion and Vietnam Veterans of America. There are 1,475 such Michigan organizations listed in the 1997 BMF, only 401 of which reported income and assets. The average income of reporting organizations in 1997 was \$157,314, and average assets were \$153,633, the lowest in both cases of all the 501(c) subsections. Income and assets are distributed fairly evenly in this category with no dominant organizations. Only two organizations reported income of over \$1 million, and only three reported assets of over \$1 million. The largest reported income was \$2.4 million and the largest amount of reported assets was \$3.4 million.

OTHER

There are 37 other miscellaneous organizations listed under other subsections of 501(c), with 23 reporting income and assets. Two organizations account for about 52 percent of the \$91.1 million in reported income, and three organizations account for about 46 percent of the \$265.9 million in reported assets.

APPENDIX C

Stimulating the Economy: Multiplier Effects

The benefits of an industry—specifically jobs and income—on a specific geographical region are not limited to those working in that industry; additional employment and earnings are stimulated by the employees spending their earnings and by purchases made by the industry from other industries and services. Spending on goods and services by those employed in the expanding industry *and* by those employed in industries stimulated by the expanding industry will enhance the economy. Businesses will increase their production and employment to meet demand, which in turn will create more jobs and income. The degree to which output, employment, and earnings expand as the result of the existence or expansion of a given industry commonly is referred to as the *multiplier effect*.

A group of researchers from the federal government and the University of Minnesota developed IMPLAN (Impact Analyses for PLANing), an input-output database model of each state and county in the United States. IMPLAN is used to derive output, personal income, and employment multipliers for various sectors of the state and sub-state economies. The multipliers estimate the change in an industry's output, personal income (wage and sole-proprietor earnings), and employment, all based on changes in final demand, or the ultimate consumer's purchases of goods and services. For example, an output multiplier of 1.5 implies that a dollar increase in final demand for a given industry will result in an additional \$1.50 in demand for final goods and services throughout the economy.

The IMPLAN model was specifically designed to measure the effects of the expansion of an industry and to estimate the overall contribution to the economy of a given industry. The model includes multipliers that determine the various types of economic effects: *direct effects* are the additional jobs and income created within the industry being analyzed, in this case, the nonprofit sector; *indirect effects* are the jobs and income created when the industry buys more goods and services from other industries (or input suppliers); finally, *induced effects* surface in other sectors of the economy, such as retail trade and services, as a result of the expenditure of income earned by the original industry employees and by employees of input suppliers. IMPLAN calculates the direct, indirect, and induced effects of an existing or expanding industry with regard to output, income, and employment in a state or region. The result is a summary of the total economic benefits that are provided by an existing industry or may be expected when the economy is stimulated by increased economic activity in such sectors as tourism or manufacturing.

APPENDIX D

PSC Survey Questionnaire and Statistical Responses

NOTE: Questions included in the short-form survey are indicated by shaded numbers.

ASPEN INSTITUTE MICHIGAN NONPROFIT SURVEY AUGUST 1998

Public Sector Consultants, Inc., in cooperation with Aspen Institute's Michigan Nonprofit Research Program, is conducting a survey of nonprofit organizations in the state. The survey is part of a larger analysis designed to assess the importance of the nonprofit sector to the Michigan economy.

Your responses to this survey will be kept strictly confidential. If you have concerns questions about the survey, please call Robert Kleine or Laurie Cummings at Public Sector Consultants (517/484-954).

For consistency with other respondents, we ask that you provide data for your organization only for calendar year 1997 (if 1997 data are not available, please use the most recent data you have). Much of the information requested may be obtained by referring to IRS Form 990 or 990-PF that your organization filed for 1997, and we have indicated which line the information is on. For your responses to be included, the survey must be returned to Public Sector Consultants by Friday, September 11, 1998. After completing the survey, please return it in the enclosed self-addressed, postage-paid envelope.

- 1.** Name of your nonprofit organization _____
 - a. Federal Employer Identification Number _____
 - b.** Main location: City _____ County _____
 - c.** Phone number (optional) _____ (4)
2. What year's data are you using to respond to this survey? (1997 is preferred) 19_____
- 3.** Name of person completing the survey (optional) _____
- 4.** Respondent's position within the organization _____
5. Please indicate whether you are using Form 990 or Form 990-PF to fill out this survey:

a.	IRS Form 990	90%
b.	IRS Form 990-PF	3%

- | | | |
|-----|--|--|
| 6. | Number of full-time employees in 1997 | Mean: 25.7
Min: 0
Max: 2297
Sum: 10,284 |
| 7. | Number of part-time employees in 1997 | |
| | a. 3/4 time (26 to 35 hours per week): | Mean: 8.5
Min: 0
Max: 573
Sum: 3,393 |
| | b. 1/2 time (16 to 25 hours per week): | Mean: 7.0
Min: 0
Max: 390
Sum: 2,801 |
| | c. 1/4 time (15 or fewer hours per week): | Mean: 5.8
Min: 0
Max: 390
Sum: 2,305 |
| 8. | Total number of volunteers in 1997 (including Board and committee members and other volunteers) | Mean: 523.4
Min: 0
Max: 50,000
Sum: 108,346 |
| 9. | Total number of volunteer hours per month or annually in 1997 (choose one) | |
| | a. Monthly | Mean: 789.8
Min: 0
Max: 94,900
Sum: 315,931 |
| | b. Annually | Mean: 9481.9
Min: 0
Max: 1,138,800
Sum: 3,792,767 |
| 10. | Looking back, what was the approximate number of full- and part-time employees in your organization in 1992? | Mean: 76.9
Min: 0
Max: 12,000
Sum: 15,926 |

11. Was all or part of your revenue exempt under Section 501 of the IRS code in 1997?

- a. Yes 94%
- b. No 1%
- c. Unsure 4%
- No response 4%

IF YES, what year was your organization granted tax-exempt status? 19_____

IF YES, which subsection of the IRS code applies to your organization?

- a. 501 (C) (3)
 - Private foundation 28%
 - Charitable organization 62%
- b. 501 (C) (4) 2%
- c. 501 (C) (5) 1%
- d. 501 (C) (6) 0%
- e. 501 (C) (7) 0%
- f. 501 (C) (8) 1%
- g. 501 (C) (10) 0%
- h. 501 (C) (19) 0%
- i. Other: _____ 1%
- j. NO, we are not exempt under Section 501 1%

12. Types of expenses incurred by your organization in 1997 (refer to Form 990 or 990-PF for 1997).

- a. Grants and allocations
 - Mean: \$374,267.3
 - Min: \$0
 - Max: \$46,499,896
 - Sum: \$77,473,338
- b. Specific assistance to individuals
 - Mean: \$14,173.1
 - Min: \$0
 - Max: \$1,073,397
 - Sum: \$2,933,835
- c. Benefits paid to or for members
 - Mean: \$31
 - Min: \$0
 - Max: \$3533
 - Sum: \$6,416

d. Salaries and wages, including compensation of officers, directors, etc.

Mean: \$42,970.7
Min: \$0
Max: \$1,361,682
Sum: \$8,894,933

Mean: \$750,012.6
Min: \$0
Max: \$24,462,046
Sum: \$160,427,617

e. Employee benefits, including pension plan contributions

Mean: \$25,812.2
Min: \$0
Max: \$1,240,287
Sum: \$5,343,125

Mean: \$106,121.6
Min: \$0
Max: \$4,077,448
Sum: \$21,967,180

f. Payroll taxes

Mean: \$54,986.0
Min: \$0
Max: \$1,907,794
Sum: \$11,382,098

g. Professional fundraising and other fees

Mean: \$896.1
Min: \$0
Max: \$73,898
Sum: \$185,493

h. Accounting and legal fees

Mean: \$7,876.8
Min: \$0
Max: \$405,289
Sum: \$1,630,337

Mean: \$3,736.7
Min: \$0
Max: \$184,845
Sum: \$773,501

i.	Supplies, telephone, postage and shipping	Mean: \$175,870.6 Min: \$0 Max: \$12,747,457 Sum: \$36,405,213
		Mean: \$13,870.0 Min: \$0 Max: \$252,795 Sum: \$2,871,089
		Mean: \$9,277.8 Min: \$0 Max: \$281,182 Sum: \$1,920,502
j.	Occupancy (rent and utilities)	Mean: \$55,050.8 Min: \$0 Max: \$1,570,457 Sum: \$11,395,525
k.	Equipment rental and maintenance	Mean: \$17,363.7 Min: \$0 Max: \$546,798 Sum: \$3,594,283
l.	Printing and publications	Mean: \$22,191.2 Min: \$0 Max: \$955,313 Sum: \$4,593,572
m.	Travel, conferences, conventions and meetings	Mean: \$26,038.8 Min: \$0 Max: \$795,477 Sum: \$5,390,028
		Mean: \$18,689.6 Min: \$0 Max: \$627,791 Sum: \$3,868,742
n.	Interest	Mean: \$16,421.1 Min: \$0 Max: \$1,157,828 Sum: \$3,399,158
o.	Depreciation, depletion, etc.	Mean: \$72,663.2 Min: \$0 Max: \$4,147,347 Sum: \$15,041,289

p. Other (specify): Mean: \$351,460.2
Min: \$0
Max: \$11,449,254
Sum: \$72,752,256

Total expenses for QUESTION 12 Mean: \$2,184,780.3
Min: \$0
Max: \$59,149,631
Sum: \$452,249,530

13. Total expenses for your organization (line 17 on Form 990 or line 26 on Form 990-PF)

Mean: \$2,226,637.5
Min: \$0
Max: \$59,149,631
Sum: \$460,913,863

14. Please estimate the total capital expenditures (such as for computers, land, and equipment) for your organization in 1997

Mean: \$106,607.7
Min: \$0
Max: \$5,500,000
Sum: \$22,067,800

15. Looking back, what were your approximate total expenditures in 1992?

Mean: \$781,329.1
Min: \$0
Max: \$30,216,724
Sum: \$161,735,122

16. Approximate percentage of your 1997 operating expenditures (excluding wages and salaries) spent on the purchase of goods and services from Michigan businesses and organizations

Mean: 60.6%
Min: 0%
Max: 100%
Sum: 12,548%

17. Total assets of your organization (line 59 on Form 990 and line 16 on 990-PF)

Mean: \$5,678,343.3
Min: \$0
Max: \$186,134,725
Sum: \$1,175,417,069

18. Approximate amount of any endowments from which your organization drew income in 1997

Mean: \$1,404,779.8
Min: \$0
Max: \$180,000,000
Sum: \$290,789,421

19. Gross receipts for your organization (line 12 on Form 990 and 990-PF)

Mean: \$2,692,251
Min: \$0
Max: \$173,316,400
Sum: \$1,076,900,213

20. We now ask you about some of your organization's sources of revenue (refer to Form 990 or 990-PF).

a. Contributions, gifts, donations, from nongovernment sources

Mean: \$757,955.4
Min: \$0
Max: \$51,340,211
Sum: \$156,896,765

Mean: \$59,205.9
Min: \$0
Max: \$1,904,880
Sum: \$12,255,627

b. Grants or payments from government sources Mean: \$304,097.2
Min: \$0
Max: \$17,330,786
Sum: \$62,948,129

Mean: \$68,029.2
Min: \$0
Max: \$3,572,300
Sum: \$14,082,037

c. Program service revenue Mean: \$1,202,348.7
Min: \$0
Max: \$64,001,557
Sum: \$248,886,184

d. Membership dues and assessments Mean: \$24,572.8
Min: \$0
Max: \$1,505,675
Sum: \$5,086,579

e. Investment income	Mean: \$30,161.9
	Min: \$0
	Max: \$906,979
	Sum: \$6,243,518
	Mean: \$108,757.7
	Min: \$0
	Max: \$4,659,496
	Sum: \$22,512,854
	Mean: \$3,698.8
	Min: -\$1,549
	Max: \$281,318
	Sum: \$765,651
	Mean: \$98,350.1
	Min: -\$418,923
	Max: \$17,364,010
	Sum: \$20,358,463
f. Special events and activities (fund raising)	Mean: \$22,154.9
	Min: -\$1,015
	Max: \$1,009,214
	Sum: \$4,586,063
g. Other major sources (specify):	Mean: \$29,775.0
	Min: -\$36,668
	Max: \$1,260,267
	Sum: \$6,163,417

21. Total revenue for your organization in 1997 from for-profit subsidiaries

a. \$ _____	Mean: \$27,559.4
	Min: \$0
	Max: \$4,672,555
	Sum: \$5,704,586
b. Don't know / not sure	14%
c. Not applicable	56%

22. What is the primary category that best describes your nonprofit organization? (*Check one*)

a.	Animal related	2%
b.	Arts, culture, and humanities	10%
c.	Civil rights, social action, advocacy	1%
d.	Community improvement, capacity building	3%
e.	Crime, legal related	1%
f.	Disease, disorders, medical disciplines	1%
g.	Education institutions and related activities	11%
h.	Employment, job related	2%
i.	Environmental quality, protection & beautification	1%
j.	Food, agriculture, and nutrition	1%
k.	Health - General and rehabilitative	3%
l.	Housing, shelter	6%
m.	Human services - Multipurpose	13%
n.	International, foreign affairs, and national security	1%
o.	Medical research	1%
p.	Mental health, crisis intervention	4%
q.	Mutual, membership benefit organizations, other	1%
r.	Philanthropy, volunteerism, and grant-making foundations	3%
s.	Public safety, disaster preparedness, and relief	1%
t.	Public, society benefit - multipurpose and other	1%
u.	Recreation, sports, leisure, athletics	3%
v.	Religion related, spiritual development	6%
w.	Science and technology research institutes, services	<0%
x.	Social science research institutes, services	0%
y.	Youth development	7%
z.	Not sure / Other (specify): _____	18%

23. How many employees do you plan to add or eliminate in the next 5 years?

Add

Full time	Mean: 2.1
	Min: 0
	Max: 40
	Sum: 429

Part time	Mean: 2.3
	Min: 0
	Max: 100
	Sum: 482

Eliminate

Full time	Mean: 0.0
	Min: 0
	Max: 3
	Sum: 9

Part time	Mean: 0.0
	Min: 0
	Max: 5
	Sum: 7

24. In your own words, please describe the kind of services provided by your organization.

25. Again, in your own words, what do you believe is the primary benefit your organization provides to the community that it serves?

26. In the future, do you think your organization will serve more clients, fewer clients, or about the same number of clients as now?

- | | | |
|----|-----------------------|-----|
| a. | More clients | 70% |
| b. | About the same as now | 19% |
| c. | Fewer clients | 2% |
| d. | Not sure | 5% |

27. Geographical area served by your organization:

- | | | |
|----|--------------------|-----|
| a. | City | 12% |
| b. | County | 24% |
| c. | Multiple counties | 36% |
| d. | State | 10% |
| e. | Multi-state region | 4% |
| f. | Nation | 3% |
| g. | International | 9% |

APPENDIX E

Michigan Counties, by Region

Michigan Counties, by Region

County	Region	County	Region
Livingston	Southeast	Emmett	Northern lower peninsula
Macomb	Southeast	Gladwin	Northern lower peninsula
Monroe	Southeast	Grand Traverse	Northern lower peninsula
Oakland	Southeast	Iosco	Northern lower peninsula
St. Clair	Southeast	Kalkaska	Northern lower peninsula
Washtenaw	Southeast	Lake	Northern lower peninsula
Wayne	Southeast	Leelanau	Northern lower peninsula
Bay	Bay/Saginaw/Midland	Manistee	Northern lower peninsula
Isabella	Bay/Saginaw/Midland	Mason	Northern lower peninsula
Midland	Bay/Saginaw/Midland	Mecosta	Northern lower peninsula
Saginaw	Bay/Saginaw/Midland	Missaukee	Northern lower peninsula
Branch	Central/south	Montmorency	Northern lower peninsula
Calhoun	Central/south	Newaygo	Northern lower peninsula
Clinton	Central/south	Oceana	Northern lower peninsula
Eaton	Central/south	Ogemaw	Northern lower peninsula
Gratiot	Central/south	Osceola	Northern lower peninsula
Hillsdale	Central/south	Oscoda	Northern lower peninsula
Ingham	Central/south	Otsego	Northern lower peninsula
Ionia	Central/south	Presque Isle	Northern lower peninsula
Jackson	Central/south	Roscommon	Northern lower peninsula
Lenawee	Central/south	Wexford	Northern lower peninsula
Shiawassee	Central/south	Alger	Upper Peninsula
Allegan	West	Baraga	Upper Peninsula
Barry	West	Chippewa	Upper Peninsula
Berrien	West	Delta	Upper Peninsula
Cass	West	Dickinson	Upper Peninsula
Kalamazoo	West	Gogebic	Upper Peninsula
Kent	West	Houghton	Upper Peninsula
Montcalm	West	Iron	Upper Peninsula
Muskegon	West	Keweenaw	Upper Peninsula
Ottawa	West	Luce	Upper Peninsula
St. Joseph	West	Mackinac	Upper Peninsula
Van Buren	West	Marquette	Upper Peninsula
Alcona	Northern lower peninsula	Menominee	Upper Peninsula
Alpena	Northern lower peninsula	Ontonagon	Upper Peninsula
Antrim	Northern lower peninsula	Schoolcraft	Upper Peninsula
Arenac	Northern lower peninsula	Lapeer	Flint/Thumb
Benzie	Northern lower peninsula	Sanilac	Flint/Thumb
Charlevoix	Northern lower peninsula	Tuscola	Flint/Thumb
Cheboygan	Northern lower peninsula	Genesee	Flint/Thumb
Clare	Northern lower peninsula	Huron	Flint/Thumb
Crawford	Northern lower peninsula		
