

Economic Benefits of Michigan's Nonprofit Sector

Part I: Statewide Report

2004

Prepared for
Michigan Nonprofit Research Program

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About the Sponsor

The Michigan Nonprofit Research Program supports research to improve the understanding of Michigan's nonprofit sector. The program

- encourages research that will inform and improve the efficiency and effectiveness of Michigan nonprofits,
- funds high-quality research vital to the development of the sector in Michigan,
- disseminates the results of research back to the sector through publications and meetings, and
- seeks to inform public policy related to Michigan's nonprofit sector.

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Executive Summary

State economies are driven by three sectors: public, private, and nonprofit. Enormous amounts of data and information are collected about the private and public sectors. Various governmental bodies, private organizations, and trade associations attempting to promote these sectors collect data regarding their employment and economic impact. Few data are collected about the nonprofit sector, placing this sector at a comparative disadvantage during discussions concerning economic activity, output, and most importantly, impact. This disadvantage becomes crucial during the government appropriations process. Nonprofit organizations are often commended for their contribution as a “safety net” providing valuable services to a state’s residents, but rarely are these organizations cited for the contributions they make to a state’s overall economic vitality and success. The general failure to recognize the economic benefits of nonprofits means that key decisions regarding the growth and support of this sector are being made without complete information. By commissioning this report, the Michigan Nonprofit Research Program seeks a basis upon which to document the economic contribution of Michigan’s nonprofit organizations. This information will allow these organizations to identify and promote the significant economic benefits that they generate.

This report documents that Michigan’s nonprofit organizations:

- Number over 41,000
- Employ directly more than 315,000 people
- Generate an additional 135,000 jobs as a result of spending by the organizations and their employees
- Hold assets of over \$80 billion
- Receive more than \$44 billion in revenue
- Generate more than \$35 billion in personal income
- Generate nearly \$69 billion in total economic activity
- Have grown faster than the state’s overall economy (an increase in reported 501(c)(3) expenditures of almost 39 percent from 1995 to 2001, compared to a 26 percent increase in gross state product)

Michigan’s nonprofit sector generates significant economic benefits for state residents. It is both geographically diverse, with organizations in every county of the state, and operationally diverse. Michigan’s nonprofits can be found in every subsector of the service economy, including a strong presence in health care, human services, education, and the arts.

Public Sector Consultants conducted an analysis of the economic benefits of Michigan’s nonprofit sector in April 1999, using the most recent available data (which was for 1997). Since then, Michigan’s nonprofit sector has grown considerably. In the four years between the studies, Michigan’s nonprofit sector has recorded an addition of 6,000 nonprofit organizations and increased its assets by almost \$20 billion. The trend on employment is not as clear, as the latest economic census—which would yield the most accurate comparison—is not yet available.

It should be noted that this report is based on the most recent data available from the IRS and NCCS at the time of writing, which was from 2001. Since then the national economy and Michigan's state economy have faced the effects of recession, the subsequent lag in growth, and—most recently—the early stages of an economic recovery. Thus, Michigan's nonprofit community may currently be facing tougher financial times than the numbers in this report reflect.

The data and results gathered as part of this project are contained in two documents: Part I, the statewide report, and Part II, which contains regional detail and maps. Both documents are available at www.mnaonline.org.

Overview

The following report details the economic impact of nonprofit organizations in Michigan, including a discussion of their combined assets, revenue, expenditures, and employees. This economic information is used to estimate the direct, indirect, and induced economic benefits generated by this sector. The data demonstrate that Michigan's nonprofit sector generates significant economic benefit for the residents of Michigan.

This overview:

- Defines the nonprofit sector
- Describes sources of information and methodologies used to establish economic conclusions
- Discusses the economic impact of Michigan's nonprofit sector
- Discusses the employment impact of Michigan's nonprofit sector
- Summarizes major findings of the report

DEFINING THE NONPROFIT SECTOR

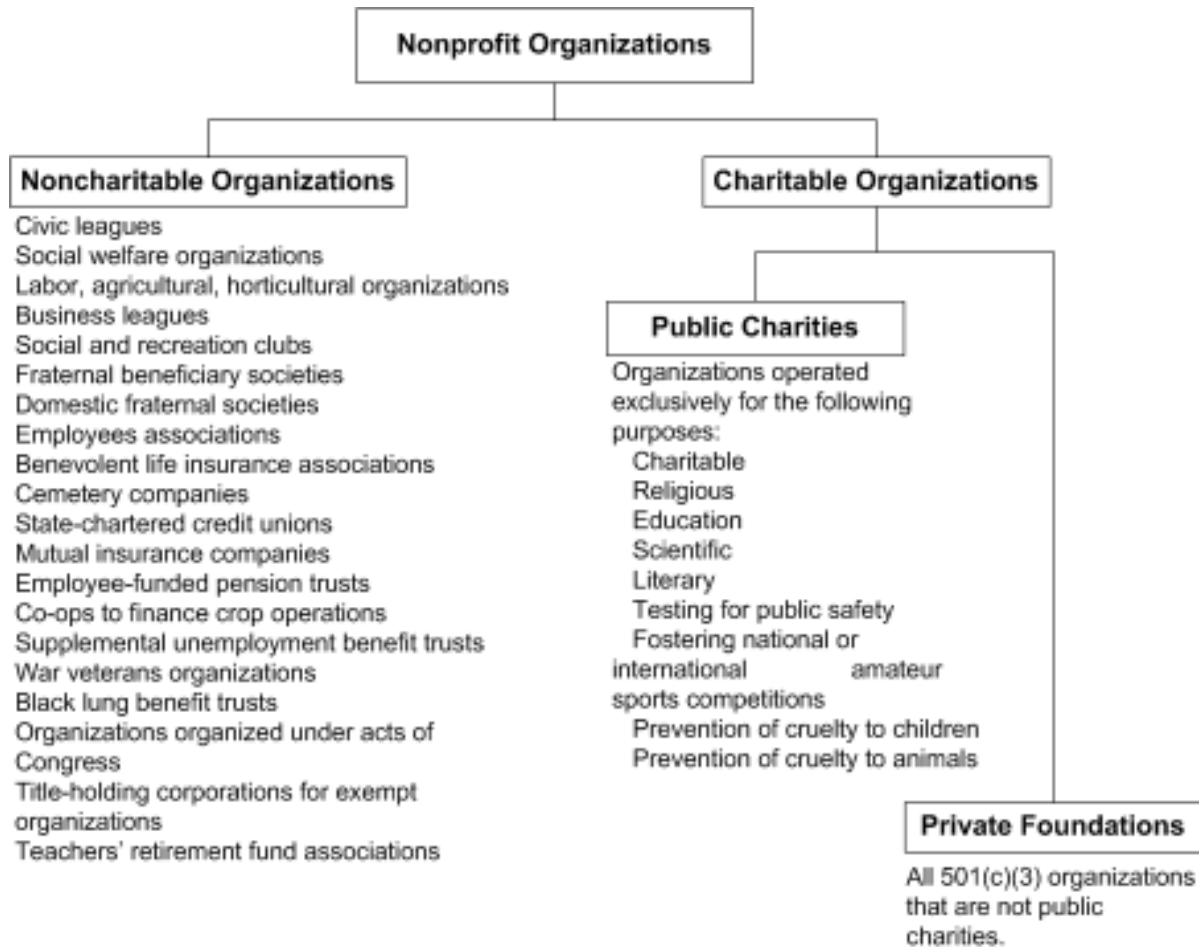
Section 501(c) of the federal tax code specifies the requirements for classification as a nonprofit organization. Groups that have obtained nonprofit status are exempt from corporate income taxes. Several kinds of groups are included under the nonprofit rubric. There are two major divisions: charitable nonprofit organizations (to which donations are tax deductible) and noncharitable nonprofit organizations.

Charitable organizations (clustered under section 501(c)(3) of the tax code) are further divided into two categories: public charities and private foundations. According to the Internal Revenue Service (IRS), the express purpose of a 501(c)(3) organization must be to benefit the community or society. Furthermore, a group's articles of organization must limit the organization to one or more exempt purposes, must not empower the organization to engage in activities not directly related to its exempt purpose, and must provide that the organization, upon its dissolution, distribute its assets to another 501(c)(3) organization.

The largest category of noncharitable nonprofit entities can be found in section 501(c)(4). These noncharitable entities are also exempt from federal taxation, but because they receive much of their funding from members as opposed to the general public, are allowed to serve a focused community, and may engage in substantial lobbying, their donors are *not* permitted to deduct contributions to these groups from their federal taxes.

Exhibit A1 illustrates the categories of 501(c) nonprofit entities and Exhibit A2 shows how many of each type existed in Michigan in 2001.

EXHIBIT A1
 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. 1998. *The Economic Impact of Utah's Nonprofit Sector: Characteristics of a Resource for the Public Good*. Salt Lake City, Utah: University of Utah.

EXHIBIT A2

Tax-Exempt Organizations Registered with the IRS, Michigan, 2001

Subsection	Description	Number	Assets	Income
(2)	Title-holding corporations	432	\$274,260,188	\$52,127,080
(3)	Charitable and religious organizations	23,690	41,219,651,832	25,820,463,184
(4)	Social welfare	4,127	1,308,611,788	3,492,776,928
(5)	Labor, agricultural, and horticultural	2,757	1,984,594,062	1,256,170,319
(6)	Business leagues	2,092	6,670,990,663	13,724,207,063
(7)	Social and recreational clubs	1,852	536,611,157	351,053,349
(8)	Fraternal beneficiary societies	3,333	1,047,754,467	286,700,601
(9)	Voluntary employees' beneficiary associations	384	12,885,217,837	8,877,249,539
(10)	Domestic fraternal beneficiary associations	589	64,023,691	42,666,587
(12)	Benevolent life insurance associations	18	734,100,770	330,431,225
(13)	Cemetery companies	99	358,294,263	167,193,513
(14)	State-chartered credit unions	272	14,379,200,512	996,902,976
(15)	Mutual insurance companies	9	14,378,151	1,157,125
(17)	Supplemental unemployment benefit trusts	69	90,154,770	99,808,577
(19)	War veterans organizations	1,549	60,123,945	60,210,579
Other	Not specified	141	495,589,973	434,823,197
TOTAL		41,413	\$82,123,558,069	\$55,993,941,842

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

■ **Charitable Nonprofit Organizations—501(c)(3).**

- **Public Charities**—Examples include groups with arts, charitable, educational, health care, religious, and scientific missions. Michigan's largest public charities include Trinity Health-Michigan, Cranbrook Educational Community, the Michigan State University Foundation, and the Detroit Institute of Arts. The category encompasses art museums, community theatres, childcare centers, religious groups and institutions, United Way, and the American Red Cross.
- **Private Foundations**—Typically, these entities receive assets from families, individuals, or corporations and devote a portion of their assets and investment earnings to support charitable causes. Among Michigan's largest private foundations are the W. K. Kellogg Foundation, the Charles Stewart Mott Foundation, and the Kresge Foundation. Because a large percentage of private foundation grants are made to public charities, their expenditures are not factored into our analysis of overall economic impact. To do so would double count their contributions and overstate the nonprofit sector's scale.

- **Noncharitable Nonprofit Organizations**—There are 23 other categories of nonprofit organizations in Michigan. Examples include civic associations and business leagues, such as chambers of commerce; fraternal societies like The Benevolent and Protective Order of Elks and The Knights of Columbus; and state-chartered credit unions and mutual insurance companies.

SOURCES OF INFORMATION AND METHODOLOGIES

Public Sector Consultants compiled the most recent data available on nonprofit organizations in Michigan. Sources for the data were

- the Internal Revenue Service—the Business Master File for Exempt Organizations for 1995, 1997, and 2001 (obtained through the National Center for Charitable Statistics), which list 41,400 nonprofit organizations in Michigan, and the 1995, 1997, and 2001 IRS 990 forms that are required to be filed by 501(c) organizations with gross receipts of more than \$25,000 in a year;
- the National Center for Charitable Statistics—the 1995, 1997, and 2001 Core Files, which report the assets of public charities, private foundations, and noncharitable nonprofit organizations with gross receipts over \$25,000;
- the Michigan Office of Labor Market Information—official source of the state employment figures;
- the U.S. Census Bureau—population figures; and
- the Foundation Center—further foundation research.

To establish the full impact of nonprofit organizations on the overall state economy, PSC used IMPLAN, an input-output model of the state economy. In this model, an organization's purchases from vendors in other sectors are multiplied, along with the earnings of its employees, based on assumptions about the goods and services that they purchase from sources beyond their employer. (An explanation of this model is provided in Appendix B.)

PSC draws attention to several shortcomings in the data. The IRS Business Master File excludes financial information about organizations with annual revenues less than \$25,000, and about religious groups, which are exempt from disclosing financial data. The Michigan Office of Labor Market Information gathers employment data from employers who file ES202 data; this resource is limited because some nonprofit organizations have no regular employees and are not required to file information with the state. (See Appendix C for a more detailed discussion of data sources and limitations.)

Therefore, the reader should know that the size of the nonprofit sector in Michigan is underestimated with respect to virtually all data and findings in this report. Among Michigan's 41,400 tax-exempt organizations, many are not required to report financial and other information with federal and state agencies. Only 7,257 of the state's 21,109 public charities reported financial information to the IRS in 2001. Religious groups, as noted above, are not required to disclose financial data to the IRS. Finally, although government bodies (including public colleges and universities) are tax exempt, their expenditures, revenues, and employment are not included in this report. To include government bodies would greatly distort the picture of the nonprofit sector, which is very much separate from the public sector.

ECONOMIC EFFECTS OF MICHIGAN NONPROFITS

In addition to direct employment and income, the nonprofit sector generates economic activity known as *indirect* and *induced* effects.

- *Indirect effects* are the result of 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 businesses other than their employer, such as grocery stores and dry cleaners.

The purpose of the estimates presented here is to compare the size of the nonprofit sector to other economic sectors. 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 service; retail trade; finance; transportation, communications, and utilities; and government sectors.

The nonprofit sector is not a base sector; it exists to serve people who have been attracted by base-industry jobs and the spin-off jobs they create. Nonprofits create base activity only when they attract monies from out of state, usually in the form of federal or out-of-state foundation grants. This means that if the nonprofit sector ceased operations and government or the private sector did not pick up its activities, some of its jobs would not be replaced and overall state employment would be negatively affected. Some additional jobs would be created in other sectors, however, as contributions to the nonprofit sector would be diverted to other purposes, such as increased consumer spending or increased business investment.

ECONOMIC MODELING

Public Sector Consultants developed estimates of the direct expenditures for charitable and noncharitable organizations using information available from IRS data.

- Private foundations were excluded because many of their expenditures are in the form of grants to public charities, which would result in double counting if they were included.
- Public charity and noncharitable nonprofit expenditures were estimated at \$38.8 billion annually, with 69.7 percent of spending in the charitable sector and 30.3 percent in the noncharitable sector.

Based on previous surveys of nonprofit organizations, PSC assumed that the overall effect of out-of-state spending by nonprofit organizations was minimal and therefore made no adjustments for expenditures outside of Michigan.

RESULTS

The expenditure estimates for the various categories were entered into the IMPLAN input-output model for the state of Michigan. On the basis of estimates that take into account direct, indirect, and induced economic effects, the model calculates that the nonprofit sector generates total economic activity (output) of \$68.1 billion and total personal income of \$35.7 billion (see Exhibit B)

EXHIBIT B

Calculation of Economic Activity Generated by Michigan Nonprofit Sector, by Industry Code, 2001

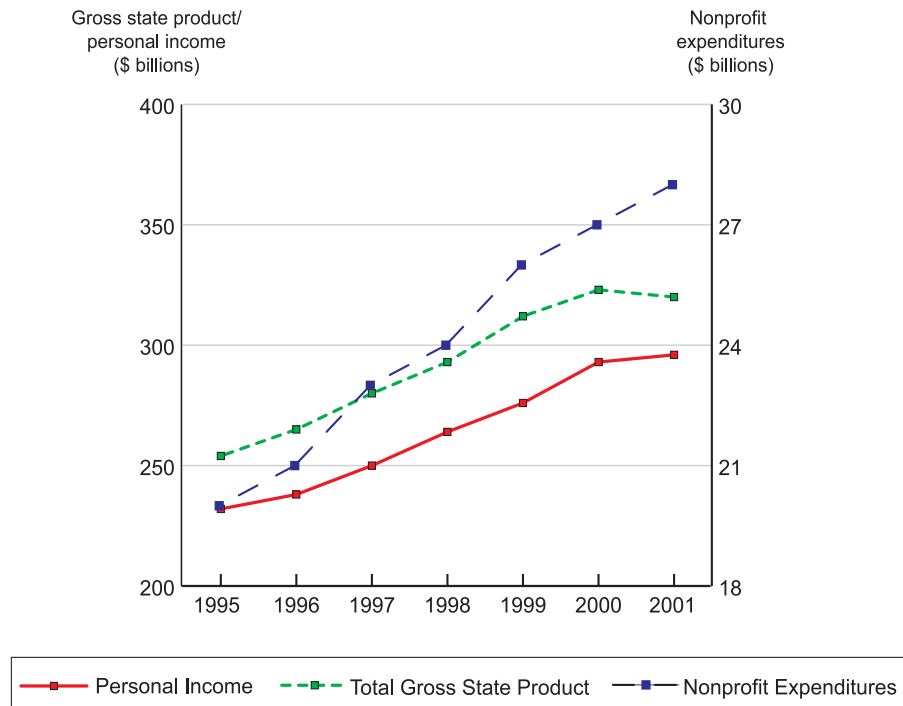
Industry	Total economic activity	Total personal income
Agriculture	\$211,802,583	\$49,700,778
Mining	65,811,567	9,313,518
Construction	756,291,493	445,809,924
Manufacturing	3,890,497,439	1,046,337,502
Transportation, communication, and utilities	2,436,932,248	621,397,083
Trade	4,788,075,440	2,127,979,232
Finance, insurance, and real estate	6,237,013,720	1,060,694,964
Services	49,048,134,669	30,043,828,364
Government	695,292,671	294,000,684
Total	\$68,129,851,830	\$35,699,062,049

SOURCE: National Center for Charitable Statistics; IMPLAN; Public Sector Consultants Inc.

The economic activity generated by the nonprofit sector in Michigan is concentrated in five sectors: manufacturing; transportation, communications, and utilities; trade; finance, insurance, and real estate; and services. The services sector, where almost all nonprofit organizations are located, accounts for the largest share of this economic activity with almost 72 percent of the output and 84.2 percent of the income.

From 1995 to 2001, Michigan's personal income increased 28 percent and its gross state product increased 26 percent. During the same period, according to IRS estimates, the combined expenditures of Michigan's reporting 501(c)(3) organizations increased by 39 percent (see Exhibit C).

EXHIBIT C
Michigan Growth Rates, Gross State Product, Personal Income, and
501(c)(3) Nonprofit Expenditures, 1995–2002



SOURCES: National Center for Charitable Statistics; U.S. Bureau of Economic Analysis; and Public Sector Consultants Inc.

EMPLOYMENT DATA

Public Sector Consultants received firm-level data about nonprofit organizations in Michigan from the National Center for Charitable Statistics (NCCS) as a research firm conducting a study on the economic impact of the nonprofit sector on behalf of the Michigan Nonprofit Research Program (MNRP). PSC then sent firm-level employer identification number (EIN) data to Michigan’s Office of Labor Market Information (OLMI) and received in return aggregate information that detailed ES202 employment data for nonprofit organizations in Michigan. At no time did the OLMI reveal firm-level information to PSC.

Because of the data limitations presented by the NCCS database, only 37 percent of listed nonprofit organizations were matched to state data. Of those organizations matched, state data reveal that in the second quarter of 2003 they employed an average—across the three months of the quarter—of 315,551 people, just over 8.5 percent of the Michigan labor force. The largest portion of these workers, over 59 percent, was employed in health-related organizations. Additionally, the IMPLAN model indicates that the nonprofit sector creates 134,725 indirect

and induced jobs, for total employment of 450,276 Michigan residents, over 12 percent of the labor force.

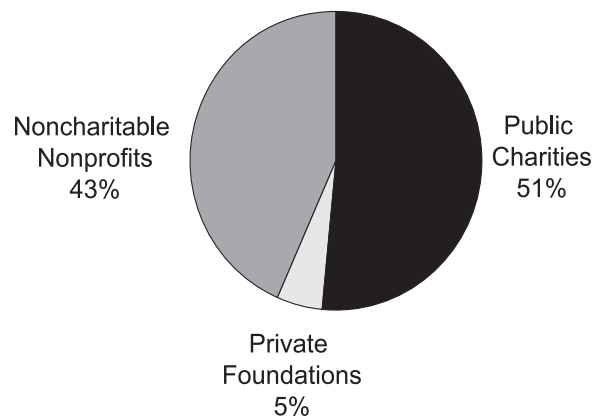
Regardless of the match rate, PSC was able to determine that the *majority* of organizational revenue, expenditures, and assets were matched—in other words, we were very likely to match active organizations of any size, so this is the most conservative estimate as some organizations may not yet have reported.

FINDINGS

■ **Michigan’s nonprofit organizations number over 41,000.**

The IRS reported 41,400 nonprofit organizations had registered for nonprofit status in 2001, the most recent year for which complete data was available. Approximately 51 percent of these (21,109) are public charities. Private foundations number 2,019* and noncharitable nonprofit organizations number 17,729 (see Exhibit D).

EXHIBIT D
Michigan Nonprofits, 2001



SOURCES: U.S. Internal Revenue Service, Business Master Files, 2003; Foundation Center; and Public Sector Consultants Inc.

In 2001, 13,478 nonprofit organizations from Michigan filed IRS Form 990, providing one of the bases for economic analysis in this report.

■ **Michigan’s nonprofit organizations directly employ more than 315,000 people.**

In the second quarter of 2003, Michigan’s Office of Labor Market Information found that Michigan nonprofit organizations employed 315,551 people. Approximately 59 percent of these paid employees worked in the health care industry.

*The IRS reported 2,562 private foundations, while the Foundation Center reported 2,019. Given the data limitations noted in Appendix C, PSC and the MNRP have elected to use the more accurate Foundation Center data when discussing foundations in this report.

■ **Michigan’s nonprofit organizations generate an additional 135,000 jobs in other sectors.**

Using the ES202 employment total for Michigan, the IMPLAN model calculates the extended economic effects of the nonprofit sector, which include stimulating other jobs in the economy. In addition to 315,551 direct jobs, Michigan’s nonprofit sector also generates 134,725 indirect and induced jobs in other industries, creating total employment of 450,276. It should be noted that this is a conservative estimate.

■ **Michigan’s nonprofit organizations hold assets of over \$80 billion.**

In 2001, Michigan nonprofits reported total assets of approximately \$81.4 billion. Public charities accounted for over \$39.9 billion, private foundations accounted for \$18.9 billion, and noncharitable nonprofits accounted for \$22.5 billion. This is an increase of almost \$20 billion since the last report on Michigan nonprofit organizations in 1999.

■ **Michigan’s nonprofit organizations receive more than \$44.2 billion in annual revenue.**

Public charities accounted for the majority of revenue, with \$28.7 billion. Private foundations accounted for \$1.5 billion, and noncharitable nonprofits accounted for \$14.0 billion.

■ **Michigan’s nonprofit organizations generate more than \$35 billion in total personal income.**

Money spent by nonprofit organizations generates personal income for both nonprofit employees and for employees of organizations that provide goods and services to nonprofit organizations. Overall, the nonprofit sector generates \$35.7 billion in total personal income for Michigan residents.

■ **Michigan’s nonprofit organizations generate more than \$68 billion in total economic activity.**

The IMPLAN input-output model calculates the extended economic effects of the nonprofit sector. In addition to direct employment and income, nonprofit organizations generate other economic activity known as *indirect effects* (such as goods and services the organization buys) and *induced effects* (employees spending their income on goods and services provided by other businesses). Taking into account direct, indirect, and induced economic effects, the model calculates that Michigan’s nonprofit sector produces total economic activity of \$68.1 billion. Direct nonprofit expenditures account for \$38.8 billion in economic activity, while indirect and induced economic activity account for an additional \$29.3 billion.

■ **Michigan’s nonprofit sector has grown faster than the state’s overall economy.**

From 1995 to 2001, Michigan’s personal income increased 28 percent and its gross state product increased 26 percent. During the same period, according to IRS estimates, the combined expenditures of Michigan’s reporting 501(c)(3) organizations increased by 39 percent.

■ **Michigan’s nonprofit sector generates significant noneconomic benefits for Michigan residents.**

In addition to its economic impact, Michigan’s nonprofit organizations also improve the quality of life for Michigan residents. Without nonprofit organizations, communities would be unable to provide many critical services and protect vital resources. While this report examines the quantifiable economic impact of nonprofits, it would be a disservice to ignore the qualitative contributions that nonprofits make to strengthen communities across the state.

Nonprofit Detail

According to the IRS Business Master File 2001, Michigan hosts 41,400 nonprofit organizations. Of those, 13,478 were required to report their financial information to the Internal Revenue Service because they realized annual revenues totaling more than \$25,000 (see Exhibit 1).

EXHIBIT 1

Distribution of Reporting Nonprofit Assets and Expenditures, by Type of Organization, 2001

	Number of organizations	Assets	Expenditures	% Total assets	% Total expend.
Public charities	7,257	\$39,927,218,215	\$27,036,235,944	57.3%	68.1%
Private foundations	1,817*	18,916,951,806	1,282,795,126	10.4	3.2
Noncharitable nonprofits	4,404	22,549,930,087	11,766,249,446	32.3	29.4
Total	13,478	\$81,394,100,108	\$40,085,280,516		

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

*Includes the three large foundations that are not included in the Business Master File.

PUBLIC CHARITIES

Exhibit 2 shows the assets and revenue of Michigan's top ten reporting charities and Exhibit 3 shows the distribution of assets and expenditures of all Michigan reporting public charities.

EXHIBIT 2**Top Ten Michigan Reporting Public Charities, Assets and Revenue, 2001**

Charity	Assets
Trinity Health-Michigan	\$2,452,636,286
William Beaumont Hospital	1,359,127,200
Henry Ford Health System	1,274,127,235
Trinity Health System	988,891,400
Oakwood Healthcare	712,085,461
St. John Health System	616,345,823
St. John Hospital & Medical Center	590,541,406
Detroit Medical Center	551,762,678
Providence Hospital	503,260,804
Spectrum Health Hospitals	502,314,497

	Revenue
Trinity Health-Michigan	\$1,394,461,397
Henry Ford Health System	1,113,898,852
William Beaumont Hospital	998,904,744
Health Alliance Plan of Michigan	986,915,907
St. John Hospital & Medical Center	934,912,066
Oakwood Healthcare	574,720,011
Detroit-Macomb Hospital Corporation	523,195,827
Genesys Regional Medical Center	509,985,582
Harper Hospital	478,456,440
Mercy Health Services Iowa Corporation	416,816,597

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Trinity Health-Michigan is a health care system that supports many hospitals both within and outside the state of Michigan. Trinity files an omnibus filing for its subsidiaries, and therefore, assets and expenditures outside of Michigan may be included. Trinity's tax information may be duplicated if its subsidiaries have also filed separately. This may also be the case with any other organizations that file omnibus records within Michigan. However, the scope of this report does not include an individual assessment of Michigan's 41,400 nonprofit organizations.

- All of the top ten reporting public charities in Michigan, ranked by either assets or revenue, are health services organizations.
- The largest organization in terms of both assets and revenue is Trinity Health-Michigan, with nearly \$2.5 billion in assets and revenue of almost \$1.4 billion.

EXHIBIT 3
Michigan Reporting Public Charities,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	34	0.5%	-\$600,070	0.0%
0-50,000	2,075	29.1	42,368,106	0.1
50,001-250,000	1,869	54.8	230,888,119	0.7
250,001-1,000,000	1,486	75.3	803,204,130	2.7
1,000,001-5,000,000	1,118	90.7	2,612,822,067	9.2
5,000,001-10,000,000	286	94.6	2,022,538,767	14.3
10,000,001-25,000,000	177	97.1	2,864,771,619	21.5
25,000,001-100,000,000	135	98.9	6,531,782,896	37.8
100,000,001-500,000,000	67	99.9	15,268,349,791	76.1
500,000,001+	10	100.0%	9,551,092,790	100.0%
Total	7,257		\$39,927,218,215	
Expenditures category				
\$0-50,000	1,905	26.3%	\$53,264,639	0.2%
50,001-250,000	2,366	58.9	282,913,986	1.2
250,001-1,000,000	1,492	79.4	751,246,494	4.0
1,000,001-5,000,000	931	92.2	2,067,955,419	11.7
5,000,001-10,000,000	245	95.6	1,697,890,585	18.0
10,000,001-25,000,000	173	98.0	2,671,751,922	27.8
25,000,001-100,000,000	97	99.3	4,351,881,150	43.9
100,000,001-500,000,000	39	99.9	7,691,158,495	72.4
500,000,001+	9	100.0%	7,468,173,254	100.0%
Total	7,257		\$27,036,235,944	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

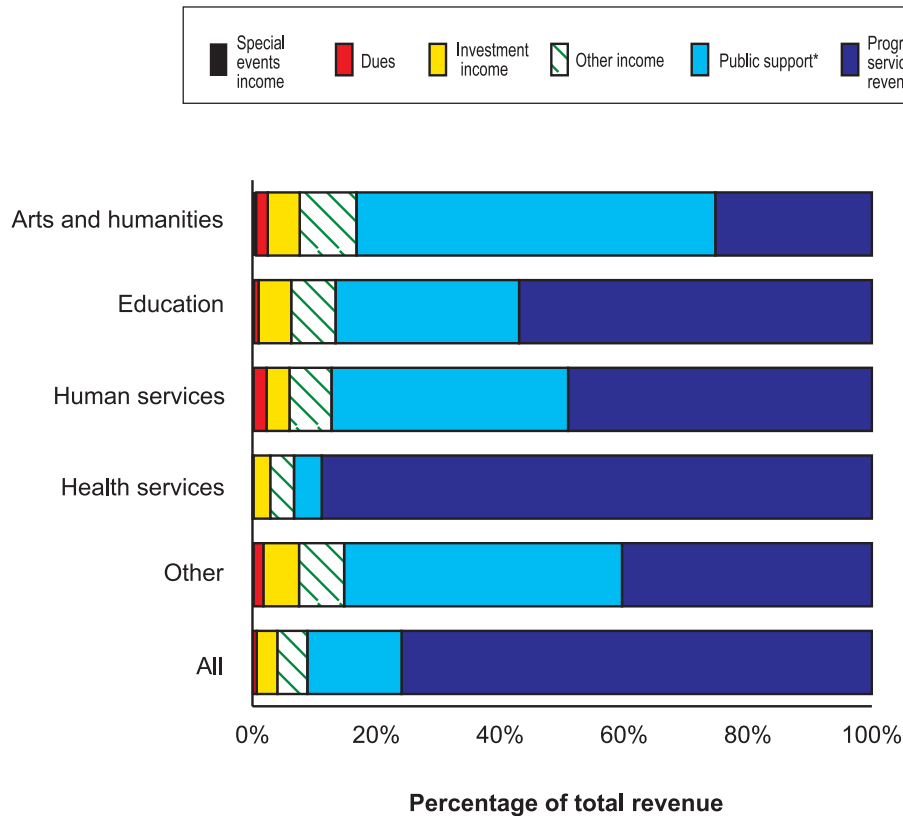
NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

- The distribution of assets and expenditures for all reporting public charities combined shows a very few organizations dominating assets and expenditures.
- Ten organizations, representing 0.1 percent of the total, account for nearly one quarter of total assets. Together, these ten organizations hold nearly \$10 billion out of the total \$39.9 billion in reporting public charity assets. More than 60 percent of assets are held by only 1.1 percent of these organizations.
- Nine organizations, 0.1 percent of total, account for 27.6 percent of expenditures. These organizations spend approximately \$7.5 billion of the \$27.0 billion in total reporting public charity expenditures. Less than 1 percent of these organizations account for more than half of total expenditures.

SOURCES OF REVENUE OF PUBLIC CHARITIES

The 2001 revenue sources for Michigan charitable organizations are shown below.

EXHIBIT 4 Michigan Reporting Public Charities, Sources of Revenue, 2001



SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

*Public support includes all direct and indirect contributions and all government support.

- Overall, reporting public charities in Michigan receive three-quarters of their revenue from program services—payment for services performed by the organizations. Only 15.2 percent of revenue comes from public support, which includes direct and indirect contributions and government support.
- Health services organizations, in comparison, receive a greater share of their revenue from program services (88.8 percent) and a smaller proportion from public support (4.5 percent).
- Arts and humanities organizations receive only one-fourth of their revenue from program services, while receiving more than half from public support.

PUBLIC CHARITIES BY SOCIAL FUNCTION

The following exhibit details the distribution of nonprofit organizations by social function.

EXHIBIT 5

Michigan Reporting Public Charities, by Social Function, 2001

	% of organizations	% of income	% of expenditures	% of assets
Human Services	23.0%	12.3%	11.6%	8.8%
Health Services	15.0	68.6	69.7	61.2
Education	14.9	7.6	6.5	12.2
Arts and humanities	8.4	1.9	1.3	3.3
Recreation and leisure	6.7	0.6	0.6	0.6
Philanthropic organizations	6.0	2.3	3.5	6.6
Housing and shelter	5.7	1.1	1.1	2.9
Religion	4.7	0.6	0.6	0.6
Other	4.6	3.3	3.5	1.6
Community improvement	4.2	0.8	0.8	1.0
Environment and animals	3.3	0.6	0.5	1.0
Public safety and disaster preparedness	0.4	0.1	0.1	0.0

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- The four largest categories of reporting public charities in Michigan in terms of number of organizations are: human services, health services, education-related organizations, and arts and humanities organizations. These four categories comprise 61.2 percent of all reporting public charities in the state.
- The human services category contains the greatest number of organizations, representing nearly one quarter of reporting public charities, but only 8.8 percent of assets.
- The health services category controls the bulk of financial resources, accounting for 61.2 percent of assets and 69.7 percent of expenditures of reporting public charities.

More detailed information about the ten largest organizations, assets, and expenditures within each of each of the four largest categories of social function follows in Exhibits 6–13.

EXHIBIT 6
Top Ten Michigan Human Services Reporting Public Charities,
Assets and Expenditures, 2001

Charity	Assets	Expenditures
Cranbrook Educational Community	\$434,192,012	\$51,714,395
Henry Ford Village	161,442,915	24,077,047
Michigan Masonic Home	157,710,758	24,578,945
W. E. Upjohn Unemployment Trustee Corporation	154,179,989	12,290,334
Michigan Masonic Home Charitable Foundation	124,448,271	10,803,978
Starr Commonwealth	113,548,635	35,498,914
Leader Dogs for the Blind	79,594,891	7,258,572
Oakwood Health Promotions	73,448,902	22,808,836
Focus Hope	66,716,953	52,703,853
Porter Hills Presbyterian Village	66,457,576	11,924,025

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

EXHIBIT 7
Michigan Reporting Human Services Public Charities,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	18	0.7%	-\$183,583	0.0%
0-50,000	695	27.4	14,165,910	0.3
50,001-250,000	664	53.0	80,147,420	1.9
250,001-1,000,000	596	75.9	325,952,926	8.5
1,000,001-5,000,000	466	93.8	1,069,352,117	30.3
5,000,001-10,000,000	91	97.3	628,386,479	43.1
10,000,001-25,000,000	41	98.9	639,532,229	56.1
25,000,001-100,000,000	23	99.8	1,010,453,209	76.7
100,000,001+	6	100.0%	1,145,522,580	100.0%
Total	2,600		\$4,913,329,287	

Expenditures category	Number	Cumulative percentage	Amount	Cumulative percentage
\$0-50,000	506	19.5%	\$14,934,049	0.4%
50,001-250,000	856	52.4	106,823,193	3.3
250,001-1,000,000	652	77.5	332,160,248	12.4
1,000,001-5,000,000	429	94.0	919,209,983	37.4
5,000,001-10,000,000	81	97.1	551,569,498	52.5
10,000,001-25,000,000	58	99.3	861,307,491	66.9
25,000,001-100,000,000	16	99.9	601,464,059	92.3
100,000,001+	2	100.0%	281,184,583	100.0%
Total	2,600		\$3,668,653,104	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

EXHIBIT 8
Top Ten Michigan Health Services Reporting Public Charities,
Assets and Expenditures, 2001

Charity	Assets	Expenditures
Trinity Health-Michigan	\$2,452,636,286	\$1,396,644,336
William Beaumont Hospital	1,359,127,200	929,587,123
Henry Ford Health System	1,274,127,235	1,158,611,854
Trinity Health System	988,891,400	31,650,391
Oakwood Healthcare	712,085,461	600,840,703
St. John Health System	616,345,823	26,760,059
St. John Hospital & Medical Center	590,541,406	888,219,229
Detroit Medical Center	551,762,678	324,935,379
Providence Hospital	503,260,804	389,317,950
Spectrum Health Hospitals	502,314,497	370,784,981

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

EXHIBIT 9
Michigan Reporting Health Services Public Charities,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	2	0.2%	-\$146,175	0.0%
0-50,000	184	17.1	3,665,115	0.0
50,001-250,000	220	37.4	29,381,717	0.1
250,001-1,000,000	222	57.8	121,081,793	0.6
1,000,001-5,000,000	211	77.3	521,325,670	2.8
5,000,001-10,000,000	83	84.9	596,232,504	5.2
10,000,001-25,000,000	58	90.2	938,241,497	9.0
25,000,001-100,000,000	55	95.3	2,719,395,533	20.2
100,000,001-500,000,000	41	99.1	9,937,995,875	60.9
500,000,001+	10	100.0%	9,551,092,790	100.0%
Total	1,086		\$24,418,266,319	

Expenditures category	Number	Cumulative percentage	Amount	Cumulative percentage
\$0-50,000	139	12.8%	\$3,924,276	0.0%
50,001-250,000	250	35.8	30,117,293	0.2
250,001-1,000,000	215	55.6	110,296,123	0.8
1,000,001-5,000,000	217	75.6	522,669,209	3.5
5,000,001-10,000,000	94	84.3	671,103,446	7.0
10,000,001-25,000,000	77	91.3	1,228,224,079	13.4
25,000,001-100,000,000	50	95.9	2,390,572,491	25.8
100,000,001-500,000,000	36	99.3	7,278,838,327	63.8
500,000,001+	8	100.0%	6,949,402,027	100.0%
Total	1,086		\$19,185,147,271	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

EXHIBIT 10
Top Ten Michigan Education Reporting Public Charities,
Assets and Expenditures, 2001

Charity	Assets	Expenditures
Hillsdale College	\$391,399,184	\$47,501,954
Michigan State University Foundation	289,688,890	20,050,352
Albion College	260,144,386	35,321,373
Hope College	259,254,524	79,731,709
Calvin College	223,476,227	82,951,734
Kalamazoo College	182,880,522	42,794,054
Alma College	180,204,984	36,665,201
University of Detroit Mercy	138,959,048	92,876,091
Kettering University	132,711,845	48,136,367
Northwood University	121,143,306	60,284,149

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

EXHIBIT 11
Michigan Reporting Education Public Charities,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	4	0.4%	-\$14,607	0.0%
0-50,000	396	37.0	7,928,657	0.2
50,001-250,000	246	59.7	30,737,418	0.8
250,001-1,000,000	189	77.2	104,291,220	2.9
1,000,001-5,000,000	141	90.2	337,730,021	9.9
5,000,001-10,000,000	38	93.7	274,179,100	15.6
10,000,001-25,000,000	31	96.6	512,666,794	26.1
25,000,001+	37	100.0%	3,585,694,201	100.0%
Total	1,082		\$4,853,212,804	

Expenditures category	Number	Cumulative percentage	Amount	Cumulative percentage
\$0-50,000	426	39.4%	\$11,049,817	0.6%
50,001-250,000	301	67.2	33,942,857	2.5
250,001-1,000,000	168	82.7	87,906,452	7.4
1,000,001-5,000,000	115	93.3	266,167,223	22.2
5,000,001-10,000,000	35	96.6	248,489,138	36.0
10,000,001-25,000,000	19	98.3	310,610,955	53.2
25,000,001+	18	100.0%	842,792,161	100.0%
Total	1,082		\$1,800,958,603	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

EXHIBIT 12
Top Ten Michigan Arts and Humanities Reporting Public Charities,
Assets and Expenditures, 2001

Charity	Assets	Expenditures
The Edison Institute	\$296,242,837	\$35,721,054
The Detroit Institute of Arts	203,379,103	35,514,688
Detroit Symphony Orchestra Hall	90,667,836	26,855,160
Midland Center for the Arts	80,201,309	6,997,593
Interlochen Center for the Arts	63,908,909	29,406,564
Michigan Opera Theatre	50,835,706	11,356,131
Detroit Science Center	32,778,651	1,744,617
Kalamazoo Institute of Arts	28,156,893	2,543,214
Grosse Pointe War Memorial Association	27,767,793	3,594,304
Heritage Center Foundation	19,945,721	2,371,176

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

EXHIBIT 13
Michigan Reporting Arts and Humanities Public Charities,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	3	0.5%	-\$181,565	0.0%
0-50,000	202	33.8	4,220,758	0.3
50,001-250,000	176	62.9	22,148,292	2.0
250,001-1,000,000	130	84.3	68,807,310	7.2
1,000,001-5,000,000	63	94.7	137,338,434	17.5
5,000,001-10,000,000	17	97.5	124,772,488	26.9
10,000,001-25,000,000	6	98.5	96,659,948	34.2
25,000,001+	9	100.0%	873,939,037	100.0%
Total	606		\$1,327,704,702	

Expenditures category	Number	Cumulative percentage	Amount	Cumulative percentage
\$0-50,000	196	32.3%	\$5,930,911	1.7%
50,001-250,000	236	71.3	25,750,535	8.9
250,001-1,000,000	125	91.9	58,918,218	25.3
1,000,001-5,000,000	35	97.7	63,200,485	43.0
5,000,001-10,000,000	8	99.0	50,399,547	57.1
10,000,001-25,000,000	2	99.3	25,875,287	64.3
25,000,001+	4	100.0%	127,497,466	100.0%
Total	606		\$357,572,449	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

COMMUNITY FOUNDATIONS

Community foundations are a subsection of human services public charities. They are included in the public charity classification because they receive a significant portion of their income from the general public rather than a single person or corporation. Michigan is home to 65 certified community foundations.* Assets of the largest reporting community foundations are shown in Exhibit 14.

EXHIBIT 14
Top Ten Michigan Reporting Community Foundations,
by Assets, 2001

Foundation name	Assets
Community Foundation for Southeastern Michigan	\$350,000,000
Kalamazoo Community Foundation	251,684,000
The Fremont Area Community Foundation	173,158,000
Grand Rapids Community Foundation	167,949,000
Community Foundation of Greater Flint	106,488,000
Community Foundation for Muskegon County	79,688,000
Battle Creek Community Foundation	54,742,000
Midland Area Community Foundation	36,634,000
Capital Region Community Foundation	34,512,000
Ann Arbor Area Community Foundation	22,963,000

SOURCES: Foundation Center Data, 2001 Tax Data; Public Sector Consultants Inc.

- The largest community foundation in Michigan is the Community Foundation for Southeastern Michigan, with \$350 million in assets.
- The Kalamazoo Community Foundation is the second largest community foundation, with more than \$251 million in assets.

*NCCS data reported that Michigan was home to 436 community foundations using the broader definition in federal statute. Three examples of large foundations that NCCS identified as community foundations that would appear in the table above—but that are **not** community foundations under Michigan law—are the United Jewish Fund (\$295 million in 2001 assets), United Way Community Services-Detroit (\$99 million in 2001 assets), and the Robert H. Tannahill Foundation (\$55 million in 2001 assets).

COMPARISONS WITH NEIGHBORING STATES

The following data from the National Center for Charitable Statistics, extracted from returns filed with the IRS, provide comparisons to other Great Lakes states and larger states around the country. The number of organizations per state is adjusted for population differences.

EXHIBIT 15

Total Number of 501(c)(3) Organizations per 10,000 Population, 2001

	Total organizations	Rank among states	Number per 10,000 population	Rank among states	Percentage change in number of organizations 1995–2001
California	87,807	1	25.92	35	28.5%
Florida	35,633	4	22.30	43	57.1
Illinois	31,184	7	25.11	37	28.0
Indiana	16,939	16	27.86	29	30.1
Massachusetts	21,647	10	34.09	13	31.4
Michigan	23,719	8	23.87	40	33.7
Minnesota	16,758	17	34.06	14	35.6
New Jersey	21,716	9	25.81	36	40.6
New York	58,227	2	30.68	24	32.9
Ohio	32,506	5	28.63	28	27.5
Pennsylvania	32,402	6	26.38	34	34.6
Texas	49,852	3	23.91	39	42.0
Wisconsin	15,796	20	29.45	26	29.9
United States	766,354		27.23		35.5

SOURCES: National Center for Charitable Statistics, Public Sector Consultants Inc.

- In 2001, there were 766,354 organizations with 501(c)(3) status in the United States, including both public charities and private foundations.
- Michigan ranked eighth overall in total number of 501(c)(3) organizations. However, in terms of number of nonprofits per 10,000 residents, Michigan ranked below the national average of 27.23.
- Michigan's percentage increase in the number of 501(c)(3) organizations also fell below the national average of 35.5 percent.

EXHIBIT 16Reporting Public Charities per 10,000 Population, 2001

	Number of charitable organizations	Rank among states	Number per 10,000 population	Rank among states	Percentage change in number of organizations 1995–2001
California	28,403	1	8.39	31	29.0%
Florida	10,506	6	6.57	44	42.9
Illinois	10,177	7	8.19	34	27.8
Indiana	5,564	15	9.15	28	34.0
Massachusetts	8,459	8	13.32	8	25.8
Michigan	7,574	9	7.62	37	27.6
Minnesota	5,929	14	12.05	12	33.0
New Jersey	6,968	10	8.28	33	33.9
New York	18,515	2	9.76	23	21.3
Ohio	11,010	5	9.70	26	28.0
Pennsylvania	11,886	4	9.68	27	21.2
Texas	14,038	3	6.73	42	39.2
Wisconsin	5,509	16	10.27	19	32.0
United States	245,936		8.74		31.5

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- In 2001, 245,330 public charities in the United States reported more than \$25,000 in annual revenues and filed financial information with the IRS.
- With 7.62 reporting nonprofits per 10,000 residents, Michigan again ranked below the national average (8.74).
- Michigan lags the national average percentage increase in the number of reporting public charities.

EXHIBIT 17

Assets and Expenditures of Reporting Public Charities, per Capita, 2001

	Expenditures 2001 (millions)	Percentage of U.S.	Rank among states	Total assets, 2001 (millions)	Rank among states	Percentage of U.S.
California	71,884	9.0%	2	82,663	2	8.2%
Florida	31,890	4.0	8	35,216	9	3.5
Illinois	39,405	5.0	5	52,268	5	5.2
Indiana	17,214	2.2	18	26,452	14	2.6
Massachusetts	43,413	5.5	4	82,101	3	8.2
Michigan	27,929	3.5	10	23,556	17	2.3
Minnesota	17,615	2.2	17	19,926	18	2.0
New Jersey	23,371	2.9	11	26,312	15	2.6
New York	92,236	11.6	1	98,770	1	9.8
Ohio	35,791	4.5	6	49,274	6	4.9
Pennsylvania	49,276	6.2	3	59,078	4	5.9
Texas	35,246	4.4	7	48,456	8	4.8
Wisconsin	16,369	2.1	19	16,754	19	1.7
United States	795,279			1,006,904		

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- Michigan ranks tenth in the nation for public charity expenditures and seventeenth in the nation for public charity assets. This indicates that Michigan public charities spend more on activities than public charities regionally and nationally.

PRIVATE FOUNDATIONS

Of the 2,562 private foundations listed in the IRS Business Master File for 2001, 1,814 generated more than \$25,000 in revenue and filed an IRS Form 990 that detailed their financial information. Additional information from three large Michigan foundations that were not included in IRS data was collected from the Foundation Center and added to the IRS data to capture a more accurate representation. This collection of Michigan private foundations retains almost \$19 billion in assets and provide \$1.3 billion in expenditures. Overall they account for 10.4 percent of assets of reporting nonprofits in the state, but only 2.2 percent of spending. Private foundations differ from other 501(c)(3) organizations in several ways. In general, they hire fewer employees, spend a smaller portion of their income on operating expenses, and use fewer sources of financial income to fund their activities. Foundations primarily fund the activities of other nonprofit organizations.

More detailed information about Michigan's reporting foundations is provided in Exhibits 18–22.

ASSETS AND EXPENDITURES OF PRIVATE FOUNDATIONS

EXHIBIT 18

Top Ten Michigan Reporting Private Foundations, Assets and Expenditures, 2001

Charity	Assets
W. K. Kellogg Foundation	\$5,719,735,520
Charles Stewart Mott Foundation	2,881,802,805
Kresge Foundation	2,770,530,893
Skillman Foundation	563,302,206
Herbert H. & Grace A. Dow Foundation	500,159,393
John E. Fetzer Institute	372,922,000
Ave Maria Foundation	259,900,000
Irving S. Gilmore Foundation	250,938,500
Ford Motor Company Fund	246,008,771
Herrick Foundation	235,555,981

	Expenditures
W. K. Kellogg Foundation	\$265,409,000
Kresge Foundation	123,592,090
Charles Stewart Mott Foundation	85,943,970
Skillman Foundation	57,442,000
Edward Lowe Foundation	52,521,800
General Motors Foundation	51,628,400
McGregor Fund	50,424,600
Herbert H. & Grace A. Dow Foundation	45,505,700
John E. Fetzer Institute	39,395,100
Ruth Mott Foundation	36,300,500

SOURCES: National Center for Charitable Statistics; The Foundation Center; Public Sector Consultants Inc.

- The largest private foundation in Michigan is the W. K. Kellogg Foundation, with \$5.7 billion in assets and more than \$265 million in expenditures.
- The second largest foundation is the Charles Stewart Mott Foundation, holding \$2.9 billion in assets and spending nearly \$86 million in 2001.

EXHIBIT 19
Michigan Reporting Private Foundations,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	2	0.1%	-\$4,917	0.0%
0-50,000	436	24.1	5,728,872	0.0
50,001-250,000	412	46.8	55,248,213	0.3
250,001-1,000,000	446	71.3	239,568,770	1.6
1,000,001-5,000,000	352	90.7	788,858,000	5.8
5,000,001-10,000,000	67	94.4	465,918,400	8.2
10,000,001-25,000,000	56	97.5	833,945,500	12.6
25,000,001-100,000,000	25	98.8	1,269,699,400	19.3
100,000,001+	21*	100.0%	15,257,989,568	100.0%
Total	1,817		\$18,916,951,806	
Expenditures category				
\$0-50,000	1,052	57.9%	\$15,501,485	1.2%
50,001-250,000	457	83.0	52,978,426	5.3
250,001-1,000,000	201	94.1	96,871,223	12.9
1,000,001-5,000,000	72	98.1	138,944,160	23.7
5,000,001-10,000,000	17	99.0	121,542,120	33.2
10,000,001-25,000,000	10	99.6	142,489,700	44.3
25,000,001-100,000,000	4	99.8	121,617,100	53.8
100,000,001+	4*	100.0%	592,850,914	100.0%
Total	1,817		\$1,282,795,126	

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

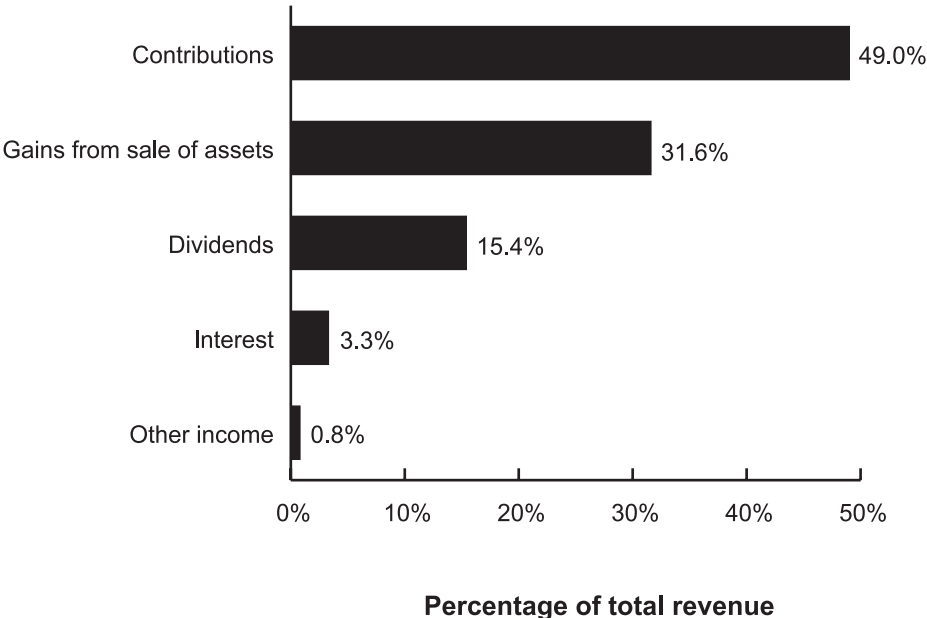
NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

*Includes the three large foundations that are not counted in the Business Master File.

- Nearly half of reporting private foundations in Michigan (850 organizations) report \$250,000 or less in assets. They account for only 0.3 percent of total assets of reporting private foundations.
- Twenty-one private foundations, 1.2 percent, report assets of more than \$100 million; they account for 80.7 percent of total assets.
- There are 1,509 organizations that spend \$250,000 or less, representing 83.0 percent of reporting private foundations but only 5.3 percent of total expenditures.
- Organizations in the four mid-range expenditure categories from one million dollars to \$100 million account for \$121-\$143 million in expenditures, or about 10 percent of total expenditures for each category.
- Four organizations, 0.2 percent of the total, account for almost half of total expenditures.

SOURCES OF REVENUE

EXHIBIT 20
Michigan Reporting Private Foundations,
Sources of Revenue, 2001

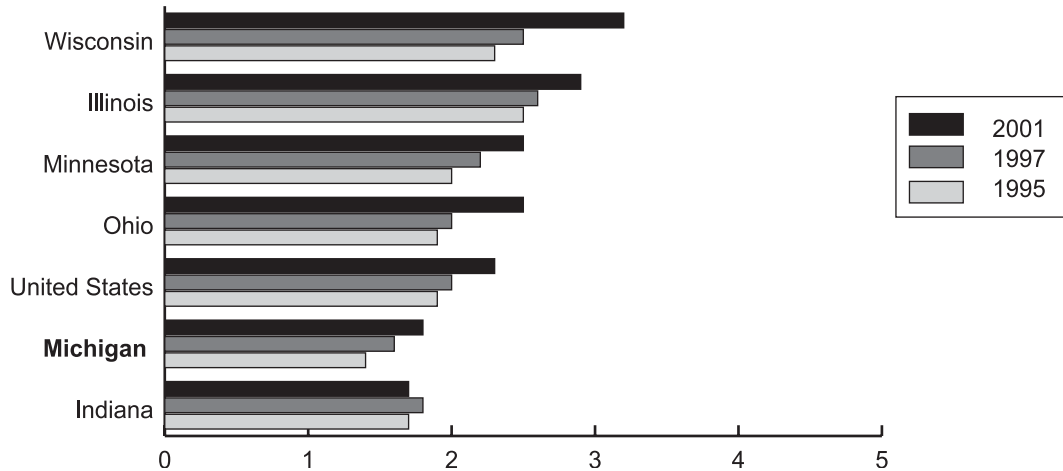


SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- Reporting private foundations in Michigan receive the bulk of their revenue from contributions. Nearly half of all private foundation revenue came from contributions in 2001.
- The second largest source of revenue for private foundations is gains from sale of assets, at 31.6 percent of total revenue. Dividends rank third as a source of revenue at 15.4 percent.

COMPARISON WITH NEIGHBORING STATES

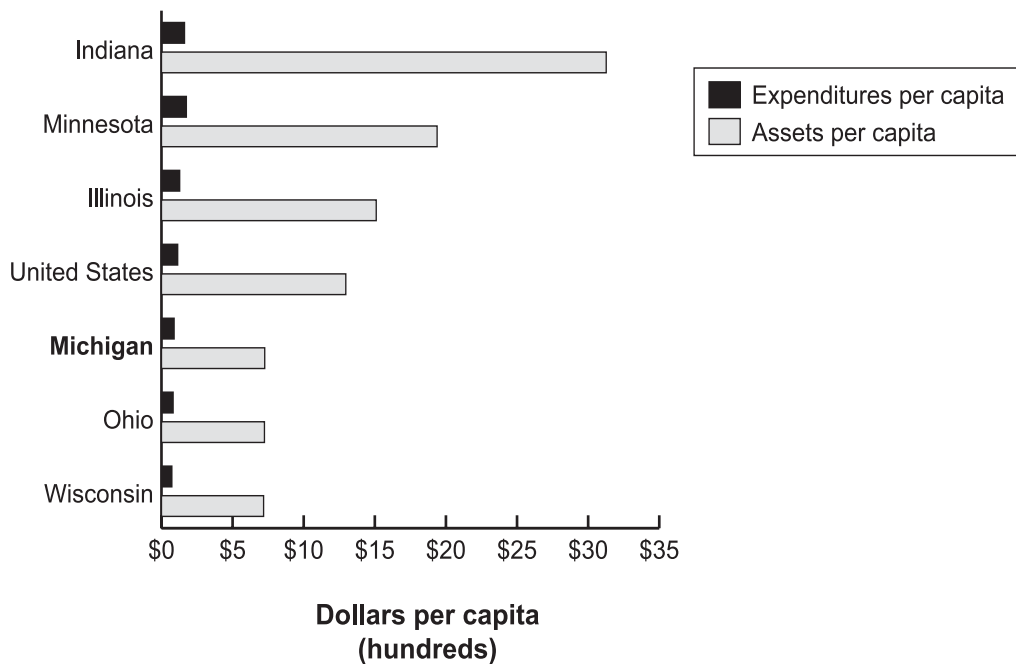
EXHIBIT 21
Reporting Private Foundations per 10,000 Population, 2001



SOURCES: National Center for Charitable Statistics; U.S. Internal Revenue Service, Business Master Files, 2001; U.S. Census Bureau, 2000 United States Census; and Public Sector Consultants Inc.

- In terms of reporting private foundations per 10,000 people, Michigan ranks fifth in the Great Lakes region at 1.8, just over Indiana's average of 1.7.
- Michigan ranks under the national average of 2.3 private foundations per 10,000.
- Michigan ranked lowest in the Great Lakes region in 1997 and 1995.

EXHIBIT 22
**Assets and Expenditures of Reporting Private Foundations, Per Capita,
 by Expenditures, 2001**



SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- Michigan’s per capita spending of \$89 ranks fourth in the region, below the national average (\$114).
- At \$726, Michigan also ranks fourth in the Great Lakes region in terms of assets per capita. This amount is quite a bit below the national average of \$1,296.
- In terms of total assets and expenditures of reporting private foundations, Michigan ranks fifth and fourth in the Great Lakes region, respectively.

NONCHARITABLE NONPROFITS

Of the 17,729 noncharitable nonprofit organizations reported by the IRS Business Master File in 2001, 4,404 reported \$25,000 or more in annual revenue and filed IRS Form 990 detailing their financial information. Michigan’s reporting noncharitable nonprofits provide the state with almost \$11.8 billion in expenditures while maintaining \$22.5 billion in assets. They represent 32.3 percent of the assets of reporting nonprofit organizations and 29.3 percent of expenditures.

More detailed information about these organizations is provided in Exhibits 23–26.

ASSETS AND EXPENDITURES OF NONCHARITABLE NONPROFITS

EXHIBIT 23

Top Ten Michigan Reporting Noncharitable Nonprofit Organizations, Assets and Revenue, 2001

Organization	Assets
Michigan Dept. of Commerce Financial Institute Bureau Chartered Credit Union	\$14,069,288,644
Ford-UAW Benefits Trust	2,643,450,000
Michigan Catastrophic Claims Association	754,136,668
UAW Chrysler Skill Development & Training Program	264,371,015
Michigan Conference of Teamsters Welfare Fund	261,454,699
Kellogg Company Retiree Welfare Benefit Trust	219,632,914
Detroit Edison Represented Employee Welfare Benefit Trust	206,364,639
Mount Elliott Cemetery	202,126,352
Delta Dental Plan of Michigan	155,174,573
Detroit Edison Nonrepresented Employee Health Benefits Trust	141,429,638
	Revenue
Ford-UAW Benefits Trust	\$3,490,100,000
Michigan Dept. of Commerce Financial Institute Bureau Chartered Credit Union	996,902,811
BCN of Michigan	979,214,265
Delta Dental Plan of Michigan	715,227,970
Michigan Education Special Services Association	612,289,176
General Motors Salaried Health Care Benefit Trust	528,726,774
Physicians Health Plan	381,397,727
M-Care	365,199,937
Michigan Catastrophic Claims Association	335,273,820
Care Choices HMO	270,269,470

SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- The largest noncharitable nonprofit in Michigan, ranked by assets, is the Michigan Department of Commerce Financial Institute Bureau Chartered Credit Union, with more than \$14 billion in assets and approximately \$997 million in revenue.
- Ford-UAW Benefits Trust is the second largest noncharitable nonprofit in terms of assets, with \$2.6 billion in assets and nearly \$3.5 billion in revenue.

EXHIBIT 24
Michigan Reporting Noncharitable Nonprofit Organizations,
Distribution of Assets and Expenditures, 2001

Assets category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	135	3.07%	-\$158,168,902	0.0%
0-50,000	1,473	36.5	33,144,885	0.0
50,001-250,000	1,528	71.2	189,488,660	0.3
250,001-1,000,000	793	89.2	388,134,502	2.0
1,000,001-5,000,000	323	96.5	693,035,710	5.1
5,000,001-10,000,000	65	98.0	463,809,333	7.1
10,000,001-25,000,000	54	99.3	817,126,460	10.8
25,000,001-100,000,000	20	99.7	889,457,985	14.7
100,000,001-500,000,000	10	99.9	1,767,026,142	22.5
500,000,001+	3	100.0	17,466,875,312	100.0
Total	4,404		\$22,549,930,087	

Expenditures category	Number	Cumulative percentage	Amount	Cumulative percentage
\$<0	1	0.0%	-\$1,496,421	0.0%
0-50,000	1,357	30.8	38,105,870	0.3
50,001-250,000	1,842	72.7	209,091,606	2.1
250,001-1,000,000	673	87.9	326,904,012	4.9
1,000,001-5,000,000	384	96.7	852,031,557	12.1
5,000,001-10,000,000	51	97.8	352,706,741	15.1
10,000,001-25,000,000	49	98.9	773,811,319	21.7
25,000,001-100,000,000	30	99.6	1,390,855,396	33.5
100,000,001-500,000,000	10	99.8	2,059,186,037	51.0
500,000,001+	7	100.0%	5,765,053,329	100.0%
Total	4,404		\$11,766,249,446	

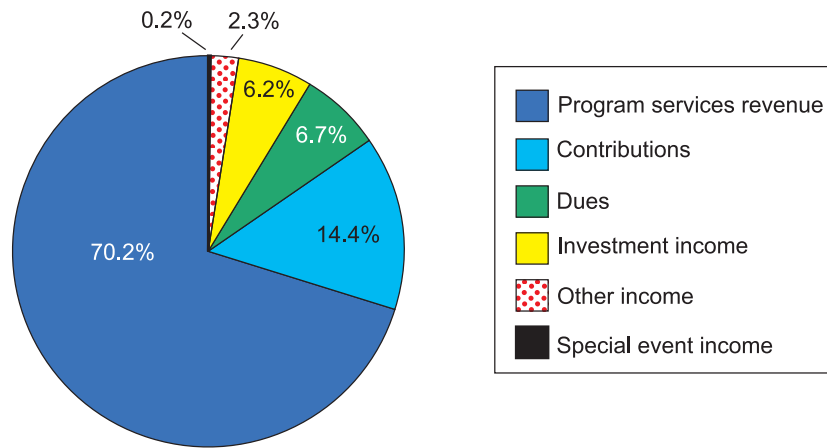
SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

NOTE: Negative assets can occur when the cost of financing an asset costs more than the asset's yield.

- 71 percent of reporting noncharitable nonprofits in Michigan show \$250,000 or less in assets, comprising under 1 percent of total assets of these organizations.
- The three organizations that report over \$500 million in assets represent only 0.1 percent of organizations in this category but almost 80 percent of assets.
- Approximately three-quarters of reporting noncharitable nonprofits (3,200 organizations) spend \$250,000 or less and account for only 2.1 percent of expenditures.
- Seven organizations, 0.2 percent of the total number, spend more than \$500 million and account for nearly half of expenditures.

SOURCES OF REVENUE

EXHIBIT 25 Michigan Reporting Noncharitable Nonprofit Organizations, Sources of Revenue, 2001



Percentage of total revenue

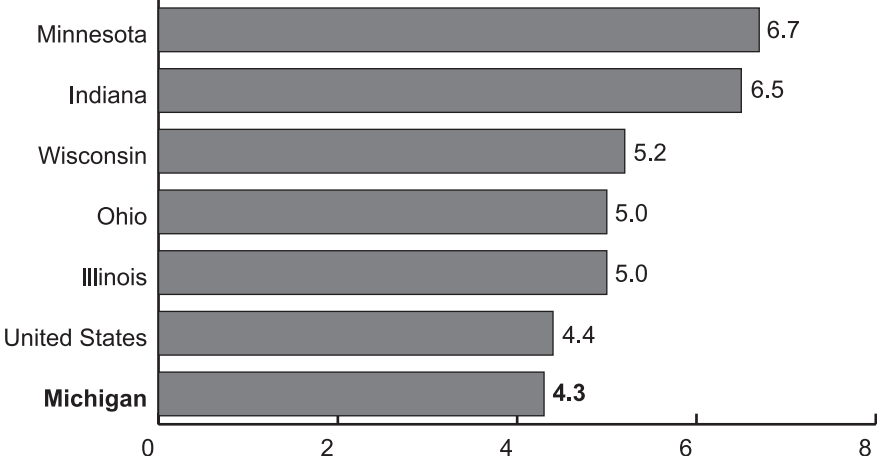
SOURCES: National Center for Charitable Statistics; Public Sector Consultants Inc.

- Reporting noncharitable nonprofit organizations in Michigan receive 70.2 percent of their revenue from program services revenue.
- The second largest revenue category is contributions, which account for 14.4 percent of total revenue.
- Because noncharitable nonprofits are allowed to serve a more narrowly focused community than 501(c)(3) organizations and are allowed to receive more revenue from their members than from the general public, dues—at 6.7 percent—comprise the third largest revenue source.

COMPARISON WITH NEIGHBORING STATES

EXHIBIT 26

Reporting Noncharitable Nonprofit Organizations per 10,000 Population, 2001



SOURCES: National Center for Charitable Statistics; U.S. Internal Revenue Service, Business Master Files, 2001; U.S. Census Bureau, 2000 United States Census; and Public Sector Consultants Inc.

- In terms of the number of reporting noncharitable nonprofit organizations per 10,000 people, Michigan ranks last in the Great Lakes region at 4.3.
- Michigan ranks just below the national average of 4.4 organizations.

Appendix A:
Public Charities by County

Michigan Reporting Public Charities, Number, Assets, Expenditures, and Revenue, 2001

County	Region	Number of organizations	Organizations per 10,000	Assets	Assets per capita	Expenditures	Expenditures per capita	Total Revenue	Revenue per capita	Population (census 2000)
Alcona	Northern	6	5	2,376,861	203	4,050,107	346	4,234,763	361	11,719
Alger	Upper Peninsula	4	4	7,822,825	793	4,962,367	503	5,278,486	535	9,862
Allegan	Western	54	5	60,223,303	570	39,768,941	376	43,420,373	411	105,665
Alpena	Northern	33	11	43,741,225	1,397	40,442,094	1,292	42,103,918	1,345	31,314
Antrim	Northern	14	6	6,720,607	291	3,164,925	137	3,484,536	151	23,110
Arenac	Thumb	8	5	10,252,722	594	23,192,358	1,343	24,379,566	1,412	17,269
Baraga	Upper Peninsula	3	3	921,660	105	546,519	62	649,270	74	8,746
Barry	Western	25	4	87,498,057	1,542	57,062,080	1,005	64,702,157	1,140	56,755
Bay	Thumb	74	7	261,178,432	2,371	240,948,544	2,187	260,466,664	2,365	110,157
Benzie	Northern	17	11	14,638,340	915	10,475,106	655	14,345,990	897	15,998
Berrien	Western	162	10	529,734,945	3,261	363,636,502	2,238	393,224,000	2,421	162,453
Branch	Western	22	5	16,622,907	363	17,298,596	378	18,164,368	397	45,787
Calhoun	Western	112	8	834,301,489	6,046	376,092,140	2,726	395,636,231	2,867	137,985
Cass	Western	24	5	17,703,557	346	27,313,002	534	26,221,027	513	51,104
Charlevoix	Northern	38	15	38,590,753	1,479	34,400,864	1,319	37,023,702	1,419	26,090
Cheboygan	Northern	22	8	28,881,582	1,092	36,323,378	1,373	37,797,903	1,429	26,448
Chippewa	Upper Peninsula	29	8	54,314,946	1,409	60,790,860	1,577	63,114,330	1,638	38,543
Clare	Northern	13	4	31,782,624	1,017	32,975,866	1,055	34,415,101	1,101	31,252
Clinton	Central	22	3	37,641,197	581	32,185,599	497	31,561,835	487	64,753
Crawford	Northern	7	5	1,088,240	76	1,205,536	84	1,427,768	100	14,273
Delta	Upper Peninsula	35	9	31,495,663	818	34,990,187	908	35,200,792	914	38,520
Dickinson	Upper Peninsula	29	11	15,852,441	577	9,715,904	354	12,401,705	451	27,472
Eaton	Central	71	7	145,158,824	1,400	83,334,115	804	88,265,486	852	103,655
Emmet	Northern	54	17	193,141,459	6,144	145,055,004	4,614	150,614,029	4,791	31,437
Genesee	Thumb	258	6	1,837,969,100	4,214	1,237,001,482	2,836	1,335,520,633	3,062	436,141
Gladwin	Northern	11	4	5,591,201	215	5,856,600	225	6,027,894	232	26,023
Gogebic	Upper Peninsula	14	8	29,237,317	1,683	24,605,552	1,417	26,280,635	1,513	17,370
Grand Traverse	Northern	135	17	573,243,658	7,382	370,326,539	4,769	414,692,612	5,340	77,654
Gratiot	Central	25	6	531,308,128	12,565	138,781,488	3,282	261,829,901	6,192	42,285
Hillsdale	Southern	31	7	454,440,261	9,767	91,243,803	1,961	143,051,942	3,075	46,527
Houghton	Upper Peninsula	53	15	199,580,889	5,541	70,258,862	1,951	108,272,846	3,006	36,016
Huron	Thumb	17	5	48,352,751	1,340	56,032,505	1,553	56,756,345	1,573	36,079
Ingham	Central	417	15	1,863,901,393	6,673	1,192,864,960	4,271	1,253,941,495	4,489	279,320

(continued page 37)

County	Region	Number of organizations	Organizations per 10,000	Assets	Assets per capita	Expenditures	Expenditures per capita	Total Revenue	Revenue per capita	Population (census 2000)
Ionia	Central	20	3	5,863,052	95	2,558,335	42	2,694,216	44	61,518
Iosco	Northern	16	6	38,929,185	1,424	55,249,925	2,021	55,399,827	2,026	27,339
Iron	Upper Peninsula	15	11	13,915,617	1,059	20,910,638	1,592	21,554,963	1,641	13,138
Isabella	Central	45	7	94,160,261	1,486	85,246,827	1,346	85,166,244	1,344	63,351
Jackson	Southern	108	7	568,046,329	3,586	326,906,774	2,064	347,901,906	2,196	158,422
Kalamazoo	Western	280	12	2,165,407,798	9,075	859,335,101	3,602	1,003,724,284	4,207	238,603
Kalkaska	Northern	4	2	1,209,837	73	522,764	32	570,745	34	16,571
Kent	Northern	654	11	3,026,085,048	5,269	1,805,244,261	3,143	1,951,505,890	3,398	574,335
Keweenaw	Upper Peninsula	4	17	2,318,871	1,008	431,893	188	484,410	211	2,301
Lake	Northern	6	5	5,794,300	511	7,770,494	686	7,886,112	696	11,333
Lapeer	Thumb	33	4	73,138,221	832	54,193,544	617	58,471,763	665	87,904
Leelanau	Northern	21	10	23,849,099	1,129	12,355,376	585	16,342,530	774	21,119
Lenawee	Southern	77	8	302,189,182	3,056	170,606,957	1,725	176,071,984	1,780	98,890
Livingston	Central	62	4	41,344,925	263	32,316,984	206	35,286,907	225	156,951
Luce	Upper Peninsula	3	4	657,888	94	230,372	33	432,193	62	7,024
Mackinac	Upper Peninsula	9	8	3,396,892	284	1,165,458	98	2,024,512	170	11,943
Macomb	Metro Detroit	221	3	2,155,168,690	2,734	2,302,711,077	2,922	2,399,603,259	3,045	788,149
Manistee	Northern	19	8	6,165,957	251	2,754,688	112	3,134,463	128	24,527
Marquette	Upper Peninsula	69	11	295,785,027	4,576	238,764,263	3,694	258,603,417	4,001	64,634
Mason	Northern	18	6	53,399,516	1,889	37,356,686	1,321	40,110,016	1,419	28,274
Mecosta	Northern	21	5	56,912,936	1,403	30,133,221	743	33,314,490	822	40,553
Menominee	Upper Peninsula	11	4	7,758,828	306	2,678,714	106	2,916,023	115	25,326
Midland	Central	91	11	727,488,952	8,778	315,543,973	3,808	369,424,496	4,458	82,874
Missaukee	Northern	5	3	3,604,140	249	1,978,069	137	2,034,913	141	14,478
Monroe	Southern	65	4	167,090,582	1,145	114,476,763	784	122,697,649	841	145,945
Montcalm	Central	20	3	93,475,916	1,526	95,594,724	1,560	99,144,970	1,618	61,266
Montmorency	Northern	8	8	1,905,712	185	3,017,367	293	3,052,605	296	10,315
Muskegon	Western	120	7	306,849,958	1,803	243,072,753	1,428	246,874,335	1,450	170,200
Newaygo	Northern	26	5	229,721,316	4,798	47,322,530	988	56,380,583	1,178	47,874
Oakland	Metro Detroit	1,027	9	9,332,401,500	7,815	5,307,441,148	4,445	5,481,181,362	4,590	1,194,156
Oceana	Northern	12	4	10,530,209	392	8,558,393	318	9,285,539	346	26,873
Ogemaw	Northern	10	5	2,623,763	121	1,957,922	90	2,609,582	121	21,645
Ontonagon	Upper Peninsula	4	5	295,192	38	349,319	45	375,563	48	7,818
Osceola	Northern	10	4	38,194,192	1,647	35,805,352	1,544	37,636,695	1,622	23,197
Oscoda	Northern	6	6	4,030,835	428	4,220,869	448	4,200,580	446	9,418
Otsego	Northern	33	14	32,439,575	1,392	43,722,583	1,876	44,415,634	1,906	23,301
Ottawa	Western	200	8	811,729,620	3,406	488,941,018	2,052	550,484,423	2,310	238,314

(continued page 38)

County	Region	Number of organizations	Organizations per 10,000	Assets	Assets per capita	Expenditures	Expenditures per capita	Total Revenue	Revenue per capita	Population (census 2000)
Presque Isle	Northern	8	6	2,684,082	186	1,327,128	92	1,358,059	94	14,411
Roscommon	Northern	11	4	9,849,914	387	5,996,183	235	6,391,040	251	25,469
Saginaw	Thumb	141	7	819,894,234	3,904	614,041,150	2,923	648,367,521	3,087	210,039
Saint Clair	Thumb	108	7	214,166,226	1,304	253,390,740	1,543	266,196,123	1,621	164,235
Saint Joseph	Western	39	6	61,247,204	981	45,189,803	724	47,098,594	755	62,422
Sanilac	Thumb	20	4	39,646,521	890	51,973,963	1,167	53,313,605	1,197	44,547
Schoolcraft	Upper Peninsula	7	8	1,735,316	195	390,176	44	638,102	72	8,903
Shiawassee	Central	32	4	121,158,235	1,690	88,636,902	1,236	83,195,073	1,161	71,687
Tuscola	Thumb	26	4	27,558,315	473	32,015,685	549	33,893,118	582	58,266
Van Buren	Western	34	4	54,655,692	717	62,296,785	817	64,575,584	847	76,263
Washtenaw	Southern	419	13	991,706,174	3,071	575,987,706	1,784	604,598,401	1,872	322,895
Wayne	Metro Detroit	1,198	6	8,856,840,237	4,297	8,163,931,303	3,961	7,912,681,958	3,839	2,061,162
Wexford	Northern	22	7	6,887,781	226	4,239,446	139	4,534,481	149	30,484
Total		7,257	39,927,218,209	27,527,766,490	28,654,349,045					

SOURCE: National Center for Charitable Statistics; U.S. Census Bureau, 2000 United States Census; and Public Sector Consultants Inc.

Appendix B:

Stimulating the Economy: Multiplier Effects

The benefits of an industry for any geographic region—specifically jobs and income—are not limited to those working in that industry. Additional employment and earnings are stimulated by these 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 target industry and by those employed in industries stimulated by the target 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 is commonly referred to as the multiplier effect.

The Minnesota IMPLAN Group has developed an input-output database model of each state and county in the United States, known as IMPLAN. This model is used to derive output, personal income, and employment multipliers for various sectors of state, regional, or local 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 an increase of one dollar in personal income 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 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 any particular sector. 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 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 employees of the target industry and by employees of input suppliers.

Appendix C: *Data Sources and Limitations*

The data used in this report are based on information from four primary sources:

- Internal Revenue Service (IRS)
- National Center for Charitable Statistics (NCCS)
- Michigan Office of Labor Market Information
- The Foundation Center

To the greatest extent possible, the report focuses on research from 2001. This appendix explains these data sources in greater detail and discusses 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 entitled 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, 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 the number of organizations and assets. These nonprofits may file for an individual tax exemption, or they may file an omnibus return for their entire congregation and affiliated organizations 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.

Second, there is a lack of information on small organizations. Organizations with annual revenue 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 must 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 (according to the IRS) and account for less than 1 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 prior to releasing the Business Master File to the research community.

Fourth, the Business Master File is cumulative. While it includes all of the relatively recent financial data available, 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. A previous year's data is carried forward until a new Form 990 is received.

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 organizations' national headquarters are located, although the names of the affiliates in each state are included in the file.

Finally, 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. At the same time, the Business Master File can understate the number of nonprofits because nonprofits that have filed but have not yet received their tax-exempt status are excluded.

NATIONAL CENTER FOR CHARITABLE STATISTICS

The National Center for Charitable Statistics (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 File and financial variables from the IRS Return Transaction Files after they have been verified and cleaned up by the NCCS. The NCCS produces three versions of the Core Files, one each for public charities, private foundations, and noncharitable nonprofits that are required to file Form 990.
- The Business Master File 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. This file is created by the IRS and verified and updated by the NCCS.

THE FOUNDATION CENTER

The Foundation Center collects, organizes, and communicates information on private and community foundations in the United States. FC Stats is a resource managed by the Foundation Center that provides state-level, annually updated information on the largest foundations by total giving and by assets. This information is gathered from an annual survey of mid-sized and large foundations administered by the Foundation Center, from Form 990 information, and from the annual reports and other publications of foundations.

MICHIGAN OFFICE OF LABOR MARKET INFORMATION

This state agency administers Michigan's unemployment insurance program and collects employment data—such as number of staff, hours worked, and earnings—from Michigan employers. This resource is limited by the fact that some nonprofit organizations have no regular employees and thus are not covered by unemployment insurance. There is no specific classification for nonprofit organizations. For the purpose of this study, Public Sector Consultants presented the Office of Labor Market Information with a list of Michigan organizations included in the NCCS Core Files. The Office of Labor Market Information subsequently reported back aggregate employment numbers bereft of all firm-identifying information. This method was further limited because nonprofit organizations with receipts of less than \$25,000 are not required to file IRS Form 990, but may have employees.

501(c)(3) Categories

There are two kinds of 501(c)(3) organizations, public charities and private foundations.

- **Public charities**

Public charities must either receive significant public support or fall into another category that entitles them to automatic public charity status. The primary advantage of public charity status is that gifts are fully deductible by the donor under the federal income tax code. Most are operating organizations.

- **Private foundations**

Private foundation status is the catchall category for 501(c)(3) organizations that fail to qualify for public charity status. Most, but not all of them, are supporting organizations and give grants to public charities.

Direct Economic Activity (or Effects)

The actual number of jobs and income provided by an industry.

Indirect Economic Activity (or Effects)

The jobs and income created when an industry buys goods and services from other industries.

Induced Economic Activity (or Effects)

The jobs and income created when employees of a particular industry spend their income in other sectors of the economy, such as dry cleaners and grocery stores; and when employees of companies who supply the target industry, such as medical equipment firms, spend their income.

Noncharitable Nonprofits

These are 501(c) organizations [other than 501(c)(3)] that exist mainly for the benefit of their members. Most noncharitable nonprofit organizations are grouped in section 501(c)(4) of the tax code.

Operating Categories

- **Operating charitable organizations**

These organizations engage in a variety of activities ranging from research and education to health care and antipoverty work and are deemed to serve the general public good.

- **Supporting charitable organizations**

Supporting charitable organizations, such as the United Way organizations or grant-making private foundations, distribute funds to operating public charities and are deemed to serve the general public good.

Program Services Revenues

Program services revenues are derived from activities that the nonprofit organization was created to conduct and which, along with any activities commenced subsequently, form the basis for the organization's current exemption from tax. Examples include the fees a hospital charges for its medical services, tuition charged by a school, revenue from admissions to a concert or other performing arts event or to a museum, or interest income on loans a credit union makes to its members. Program services revenue can also include the organization's unrelated trade or business activity.

Reporting/Filing Categories

- **Non-reporting**
Organizations that do not file IRS Form 990.
- **Reporting without financial information (“zero-filers”)**
Organizations that file IRS Form 990 but have less than \$25,000 in gross income. These organizations are not required to file. The IRS enters organizational information but enters “zeros” for the financial variables in its database.
- **Reporting with financial data**
Organizations that are required to file IRS Form 990 because they have more than \$25,000 in gross income, and that do so.

Total 501(c)(3) Charitable Organizations

The total number of 501(c)(3) organizations, active and inactive (but legally still in existence), that have obtained recognition of tax-exempt status from the IRS. (Fewer than 20 percent of religious congregations, which are not required to obtain recognition, are included in the IRS files.)

Total Economic Output

Economic output consists of the total of direct, indirect, and induced economic activity. In the context of this analysis, this includes the expenditures of nonprofit organizations plus the sales of businesses to nonprofit organizations, to employees of nonprofit organizations (food, clothing, etc.), and to employees of businesses providing good and services to nonprofit organizations.