

The Economic Benefits of Nonprofits

Michigan's Nonprofit Sector

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Table of Contents

EXECUTIVE SUMMARY	4
DEFINITIONS	5
Michigan's 39,037 Charitable Nonprofits—501(c)(3) Organizations	5
Michigan's 11,723 Noncharitable Nonprofits	5
PREVIOUS STUDIES	7
MICHIGAN'S NONPROFIT SECTOR	7
Number of Nonprofits	7
Revenues and Assets	10
NONPROFITS BY SOCIAL FUNCTION	12
MICHIGAN'S LARGEST CHARITABLE NONPROFITS	12
EMPLOYMENT DATA	13
REFERENCES	16
APPENDIX A: DATA SOURCES	17

Executive Summary

By most measures, Michigan is in the middle of an economic turnaround, following an exceptionally severe economic downturn in the early 2000s caused by a combination of Michigan's lost decade¹ and the national Great Recession. Nonprofits have both contributed to and benefited from this comeback, playing an integral role as the state settles into the economy of the twenty-first century. The nonprofit sector represents an often-overlooked driver of economic activity, not only as large employers, but also as contributors to the health, education, and equity of the state. It is important to understand these contributions and how they will continue to drive Michigan's growth.

- The number of nonprofit entities rose to a record high of more than 50,000 after nearly a decade of decline. Nearly all of this growth has been driven by charitable nonprofit 501(c)3s, which now number just over 39,000 in Michigan.
- Nonprofits employed nearly 470,000 people in the third quarter of 2018. This number represents just over one in ten of Michigan's total nonfarm jobs and is larger than Michigan's leisure and hospitality industry.²
- In 2018, Michigan's nonprofits held more than \$268 billion in assets, an increase of approximately 13 percent from \$234 billion in 2013 (adjusted for inflation). This growth is equivalent to adding an organization the size of a major automotive company to Michigan's nonprofit sector.³ Notably, the assets of charitable nonprofits specifically make up 44 percent of these assets.
- Revenues rose more than 17 percent, from \$75 billion (2013) to more than \$87 billion (2018), adjusted for inflation.

These and other datapoints show that Michigan's nonprofit sector has stabilized following the tumult of the recession and is now demonstrating growth. More importantly, the nonprofit sector has helped fuel Michigan's turnaround by adding wages and sustaining jobs.

Ensuring the health and growth of Michigan's nonprofit sector will serve to further anchor Michigan's communities, further the health and education of Michigan's citizens, and drive Michigan's economy.

¹ The lost decade refers to Michigan's economic downturn tied to the decline in the auto industry, which occurred leading up to the Great Recession.

² Michigan's leisure and hospitality industry employed 443,100 people in the third quarter of 2018 according to the Bureau of Labor Statistics.

³ According to the New York Stock Exchange, Ford's market capitalization was \$33.4 billion as of February 15, 2019.

Definitions

Under Section 501(c) of the U.S. Internal Revenue Code (IRC), 29 different types of organizations are classified as nonprofits. There are two major nonprofit groupings: **charitable** nonprofit organizations (to which donations are tax deductible) and **noncharitable** nonprofit organizations.

Michigan's 39,037 Charitable Nonprofits—501(c)(3) Organizations

Charitable organizations are clustered under IRC section 501(c)(3) and are further divided into two categories: public charities and private foundations. According to the Internal Revenue Service (IRS), to be exempt under section 501(c)(3), an organization must be organized and operated exclusively for the exempt purposes outlined in the section; none of its earnings can be for the private benefit of shareholders or individuals. The exempt purposes in section 501(c)(3) include charitable, religious, scientific, and literary activities. The organization's assets must be permanently dedicated to an exempt purpose. If the organization is dissolved, its assets must be distributed for an exempt purpose to another 501(c)(3) organization.

- **Public charities:** These organizations would include groups with arts, educational, healthcare, religious, and scientific missions. Michigan's largest public charities include Trinity Health Corporation, William Beaumont Hospitals, Spectrum Health System, and the Henry Ford Health System. Other examples include Rural India Supporting Trust, the Van Andel Institute, Hillsdale College, the Community Foundation for Southeast Michigan, and the Kalamazoo Community Foundation.
- **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 Kresge Foundation, and the Charles Stewart Mott Foundation.

Michigan's 11,723 Noncharitable Nonprofits

The largest number of noncharitable nonprofit entities can be found in IRC sections 501(c)(4) and (8). These noncharitable entities are exempt from federal taxation. Because they receive much of their funding from members as opposed to the general public, they are allowed to serve a focused community and may engage in substantial lobbying. Their donors are *not* permitted, however, to deduct contributions to these groups from their federal taxes.

Examples of noncharitable nonprofits in Michigan include civic associations and business leagues, such as chambers of commerce, fraternal societies such as The Benevolent and Protective Order of Elks and The Knights of Columbus, federal- and state-chartered credit unions, and mutual insurance companies.

EXHIBIT 1. Breakdown of Tax-Exempt Organizations Classified under Section 501(c) of the U.S. Internal Revenue Code

Nonprofit Organizations

Noncharitable Organizations	Charitable Organizations 501(c)(3)s
<ul style="list-style-type: none"> • Congressionally Organized Corporations • Title-holding Corporation for Exempt Organizations • Civic Leagues and Social Welfare Organizations • Labor, Agricultural, and Horticultural Organizations • Business Leagues etc. • Social and Recreation Clubs • Fraternal Beneficiary Societies and Associations • Voluntary Employee Beneficiary Associations • Domestic Fraternal Societies and Associations • Teachers' Retirement Fund Associations • Local Benevolent Life Insurance Associations, Mutual Irrigation and Telephone Companies, and Like Organizations • Cemetery Companies • State-chartered Credit Unions, Mutual Reserve Funds • Mutual Insurance Companies or Associations • Cooperative Organizations to Finance Crop Operations • Supplemental Unemployment Benefit Trusts • Employee-funded Pension Trusts • Post or Organization of Past or Present Members of the Armed Forces • Black Lung Benefit Trusts • Withdrawal Liability Payment Fund • Veterans Organizations • Title-holding Corporations or Trusts with Multiple Parent Corporations • State-sponsored Organizations Providing Health Coverage for High-risk Individuals • State-sponsored Workers' Compensation Reinsurance Organizations • National Railroad Retirement Investment Trusts • CO-OP Health Insurance Issuers 	<p>Private Foundations (e.g., Kellogg, Mott, etc.)</p> <hr/> <p>Public Charities</p> <ul style="list-style-type: none"> • Religious • Educational • Charitable • Scientific • Literary • Testing for Public Safety • National or International Amateur Sports Organizations • Prevention of Cruelty to Children • Prevention of Cruelty to Animals

Source: Graphic created by Public Sector Consultants using information found in the following source: Internal Revenue Service. January 2019. *Tax Exempt Status for Your Organization*. Accessed February 20, 2019. www.irs.gov/pub/irs-pdf/p557.pdf

Previous Studies

In 1999, PSC conducted an analysis of the economic benefits of Michigan's nonprofit sector (using the most recent available data, which was for 1997), in 2004 (using data from 2001), in 2009 (using data from 2006–2008), and in 2014 (using data from 2011–2013). This current analysis incorporates data from 2015 through 2018 (where 2018 data is available).

Michigan's Nonprofit Sector

This analysis section:

- Describes the nonprofit sector overall, comparing all public charities, private foundations, and noncharitable nonprofits in Michigan.
- Discusses the employment impact of Michigan's nonprofit sector.

Number of Nonprofits

Nonprofits in Michigan serve a wide range of purposes. Exhibit 2 details Michigan's nonprofit sector during the last 21 years by IRS classification. According to the IRS, in 2018, Michigan had 50,654 nonprofits. This amount represents a 19.5 percent increase since 2013, but only a 3.1 percent increase in total organizations since 2009 (the previous high).

The vast majority of Michigan's nonprofits are charitable and religious organizations, and these categories of nonprofits have grown in both size and share of total nonprofit organizations since this data was collected.

EXHIBIT 2. Michigan Nonprofits, by Tax Status

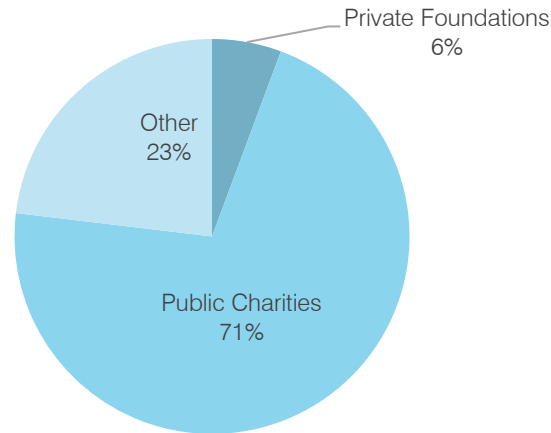
Tax Status	1997	2001	2006	2009	2011	2013	2016	2018
(02) Title holding corporations for exempt org.	450	432	411	393	304	267	259	242
(03) Charitable and religious org.	19,522	23,690	30,396	33,505	32,201	30,412	35,405	38,991
(04) Social welfare org.	4,431	4,127	3,992	3,796	2,882	2,595	2,660	2,579
(05) Labor, agricultural, and horticultural org.	2,813	2,757	2,548	2,460	2,090	1,864	1,885	1,916
(06) Business leagues	2,118	2,092	2,161	2,131	1,820	1,709	1,731	1,663
(07) Social and recreational clubs	2,012	1,852	1,759	1,662	1,347	1,264	1,332	1,360
(08) Fraternal beneficiary societies	3,508	3,333	2,504	2,333	2,361	2,151	1,977	1,861
(09) Voluntary employees' beneficiary assoc.	441	384	358	336	252	233	239	218
(10) Domestic fraternal societies and assoc.	539	589	482	479	181	191	211	210
(12) Benevolent life insurance assoc.	23	18	23	23	22	22	24	26
(13) Cemetery companies	98	99	95	95	74	76	74	81
(14) State-chartered credit unions	320	272	243	233	199	186	160	143
(15) Mutual insurance companies or assoc.	11	9	21	16	11	7	7	6
(17) Supplemental unemployment benefit trusts	90	69	55	56	27	22	12	0
(19) War veterans' org.	1,475	1,549	1,526	1,519	1,340	1,203	1,221	1,191
Total	37,890	41,413	46,685	49,153	48,642	42,393	47,340	50,654

Source: IRS Business Master Files – collated by NCCS and updated with most recent IRS file.

Note: Categories where organizations appeared in some, but not all, of the years have been excluded from the detail, but are included in the total. Therefore, the totals will not exactly reflect the sum of the subcategories.

The distribution of private foundations, public charities, and other organizations has remained fairly consistent during the years, with 501(c)(3) organizations making up 77 percent of all nonprofits. The vast majority of nonprofit entities, however, are not the very large foundations that are typically thought of when discussing the nonprofit sector. In fact, most entities are located very close to home; these comprise the vast numbers of churches, social clubs, and high school sports boosters. Exhibit 3 shows the distribution of nonprofit entities in Michigan.

EXHIBIT 3. Distribution of Michigan Nonprofits, by Type, 2018



As of 2015 (the most recently available expenditure data), the largest category of nonprofits by expenditures was 501(c)(3) organizations. By dollar value, in 2015, social welfare organizations were the second-largest category. This finding, and the growth of expenditures of this category, indicate the growing use of this type of nonprofit at a time of economic trouble for many Michigan residents. Exhibit 4 displays the expenditures of reporting nonprofits by tax status for 2006, 2009, 2011, and 2015 (that is, information for organizations that receive more than \$25,000 in revenue during the year). The increase in activity amongst charitable and religious nonprofits is again evident in the expenditure data, highlighting these organizations' growing importance and contribution to the state's economy.

EXHIBIT 4. Michigan Nonprofit Expenditures by Tax Status, Reporting Nonprofits, 2006, 2009, 2011, and 2015

Tax Status	2006	2009	2011	2015
(02) Title holding corporations for exempt org.	\$20,281,804	\$27,702,652	\$30,862,210	\$25,919,565
(03) Charitable and religious org.	38,093,004,219	42,888,099,713	46,558,042,138	53,042,971,266
(04) Social welfare org.	7,512,819,758	9,649,216,012	10,063,880,278	12,699,863,538
(05) Labor, agricultural, and horticultural org.	967,126,038	875,203,543	783,730,594	913,903,889
(06) Business leagues	1,542,968,159	2,471,680,888	1,759,965,664	2,638,566,191
(07) Social and recreational clubs	341,173,584	331,585,819	319,592,479	322,266,713
(08) Fraternal beneficiary societies	264,839,112	244,495,020	303,830,620	176,757,600
(09) Voluntary employees' beneficiary assoc.	11,073,463,857	7,657,433,670	20,801,284,992	8,426,005,405
(10) Domestic fraternal societies and assoc.	26,935,771	16,035,554	14,346,481	13,538,210
(12) Benevolent life insurance assoc.	527,653,420	691,398,526	956,010,872	1,013,186,386
(13) Cemetery companies	31,779,466	27,508,867	25,914,718	28,033,091
(14) State-chartered credit unions	1,260,411,052	1,804,506,120	1,409,616,848	1,601,730,776
(15) Mutual insurance companies or assoc.	3,246,560	1,439,907	322,695	72,289
(17) Supplemental unemployment benefit trusts	346,241,617	345,669,393	63,393,697	39,795,996
(19) War veterans' org.	36,095,809	55,710,418	52,407,025	51,169,165
Total	\$62,126,328,993	\$67,153,363,776	\$83,251,159,085	\$81,026,785,316
Adjusted for inflation to 2015	\$73,033,259,360	\$74,182,435,390	\$84,695,310,386	\$81,026,785,316

Source: National Center for Charitable Statistics Core Files.

Note: Categories where organizations appeared in some, but not all, of the years have been excluded from the detail, but are included in the total. Totals will not exactly reflect, therefore, the sum of the subcategories.

Revenues and Assets

In 2018, the nonprofit sector held more than \$268 billion in assets and took in more than \$87 billion in revenue. Over the last decade, revenues have increased by 16 percent in inflation-adjusted dollars, with most of the growth coming from public charities (see Exhibit 5). Assets increased from \$233 billion to \$268 billion between 2013 and 2018, adjusted for inflation (see Exhibit 6).

EXHIBIT 5. Michigan Nonprofit Revenues, 2008, 2011, 2013, 2016 and 2018⁴

Type of Nonprofit	2008 Revenue	2011 Revenues ⁵	2013 Revenue	2016 Revenue	2018 Revenue
Noncharitable nonprofits	\$22,886,896,849	\$75,478,071,761	\$21,788,560,556	\$32,977,034,494	\$29,803,665,457
Public charities	38,567,088,823	44,027,000,931	45,436,548,765	48,072,166,342	54,013,363,200
Private foundations	3,109,313,340	673,287,219	1,948,769,795	2,811,896,726	3,680,506,057
Total	\$64,563,299,012	\$120,178,359,911	\$69,173,879,116	\$83,861,097,562	\$87,497,534,714
Adjusted for inflation to 2018	\$75,316,350,206	\$141,364,632,732	\$74,562,832,884	\$87,737,114,325	\$87,497,534,714

Source: IRS Business Master Files. Inflation adjustment done using the U.S. CPI-U.

EXHIBIT 6. Michigan Nonprofit Assets, 2008, 2011, 2013, 2016 and 2018²

Type of Nonprofit	2008 Assets	2011 Assets	2013 Assets	2016 Assets	2018 Assets
Noncharitable nonprofits	\$74,914,127,092	\$123,414,199,748	\$119,890,462,043	\$139,710,070,321	\$151,174,519,339
Public charities	62,838,002,744	69,634,026,739	77,176,881,444	77,629,497,991	87,126,705,025
Private foundations	20,285,380,679	18,989,055,000	19,818,538,104	20,556,768,966	29,758,981,243
Total	\$158,037,510,515	\$212,037,281,487	\$216,885,881,591	\$237,896,337,278	\$268,060,205,607
Adjusted for inflation to 2018	\$184,355,314,607	\$236,714,615,141	\$233,782,259,296	\$248,891,783,533	\$268,060,205,607

Source: IRS Business Master Files. Inflation adjustment done using the U.S. CPI-U.

⁴ Totals for 2008 and 2011 have been adjusted from prior year reports to remove a consolidated 990 return for state credit unions, preventing the double counting of assets and liabilities. This report uses the F990REV field. Revenues for private foundations were not reported in the BMF Files, so the IRS Core Files were used. Because of the lag in reporting between the BMF and Core Files for the revenues for private foundations, the 2018 total is from the 2015 Core file, the 2015 total is from the 2013 Core file, the 2013 revenue total is from the 2011 Core File, the 2011 revenue total is from the 2009 core file, and the 2008 revenue total is from the 2006 Core.

⁵ The sudden rise and subsequent fall in revenues in 2011 is due to the creation of a special-purpose nonprofit: the UAW Retiree Medical Benefits Trust. The trust was set up with over \$50 billion in initial capital following a 2007 collective bargaining agreement. Following this capital influx, trust operations transitioned to maintenance, which by design does not require additional revenues. Therefore, the spike in 2011 should be viewed as an anomaly and not as reflective of an overall trend in the sector.

Nonprofits by Social Function

In addition to the various types of nonprofits (private foundations, public charities, and noncharitable nonprofits) and their tax status, nonprofits are classified by their primary social function (see Exhibit 7). There are significant differences between entities in each social function. For example, nonprofits classified as health related represented less than 6 percent of nonprofits in 2018, but accounted for nearly two-thirds of revenues and expenditures. Human service organizations made up 28 percent of nonprofits and accounted for less than 10 percent of revenues and spending. Education groups made up approximately 11 percent of organizations, and less than 5 percent of revenue and spending.

EXHIBIT 7. Reporting Michigan Public Charities by Social Function, 2018

Social Function	Count	Assets	Revenues	Expenditures
Art	3,196	\$4,033,032,174	\$959,776,203	\$1,210,961,567
Education	5,198	12,249,348,000	4,099,638,369	3,984,014,071
Environment	1,578	1,638,222,410	545,848,346	354,229,329
Health	2,700	121,902,389,200	56,260,996,611	53,861,687,376
Human Services	12,677	14,355,151,200	8,329,969,431	7,777,501,434
International	405	614,822,335	353,479,128	341,960,133
Mutual Benefit	2,114	28,819,455,521	6,461,864,791	5,750,307,509
Public and Societal Benefit	9,063	80,579,058,676	9,264,092,121	7,128,031,521
Religion	8,045	822,354,074	569,335,810	614,981,987
Unknown	185	484,494,843	146,684,449	3,110,389

Source: 2018 NCCS and IRS Business Master Files. 2015 NCCS Core file for private foundation revenue only.

Michigan's Largest Charitable Nonprofits

Health systems and large private foundations make up the majority of Michigan's largest charitable nonprofit entities, in terms of total assets. Hillsdale College, a private college, is partly funded through its endowment and is the only charitable nonprofit in the top 15 in terms of assets that is not a health system or private foundation.

EXHIBIT 8. Assets of Largest Michigan Nonprofits, Public Charities and Private Foundations, 2018

Organization	Assets
Trinity Health Corporation	\$9,360,629,660
W.K. Kellogg Foundation Trust	8,246,538,192
Trinity Health-Michigan	4,246,227,933
William Beaumont Hospital	4,043,698,061
Kresge Foundation	3,651,957,275
Charles Stewart Mott Foundation	3,098,258,647
Spectrum Health System	2,434,924,975
Henry Ford Health System	2,189,794,979
Rural India Supporting Trust	1,742,122,807
Van Andel Institute	1,658,963,358
Edward W. Sparrow Hospital Association	1,430,381,114

Organization	Assets
Ralph C. Wilson Jr Foundation	1,136,720,800
Oakwood Healthcare, Inc.	1,107,861,470
Hillsdale College	1,026,808,807
Bronson Methodist Hospital	977,842,382

Source: 2018 NCCS and IRS Business Master Files. Annual reports were used to update assets and revenues for the largest entities.

Employment Data

The National Center for Charitable Statistics (NCCS) provided firm-level data on nonprofits for use in this analysis. Employer Identification Numbers (EINs) received from the NCCS were then given to the Michigan Bureau of Labor Market Information and Strategic Initiatives (LMI) in order to obtain aggregate employment data for a variety of different geographic and National Taxonomy of Exempt Entities (NTEE) categories of nonprofit levels. At no time was organization-level employment information transmitted to PSC.

Nonprofits in Michigan employed 469,522 people in the third quarter of 2018, representing over 10 percent of Michigan nonfarm employment.

As shown in Exhibit 9, and similar to the analysis in previous years, public charities account for the vast majority (92 percent) of direct nonprofit employment in 2018. Noncharitable nonprofits account for approximately 8 percent, with private foundations accounting for the remainder (less than 1 percent).

As with previous reports on the employment numbers of Michigan's nonprofits, there are two limitations to this method of obtaining employment data. First, firms that have no regular employees are not covered by unemployment insurance and thus are not required to supply the LMI with information on employees.

As a result of these data limitations, PSC was only able to match approximately 13 percent of the firms in the BMF files. Despite this, however, those matched represent the largest organizations and account for the majority of economic activity. In total, these matches account for 80.2 percent of assets and 70.4 percent of revenue. In addition:

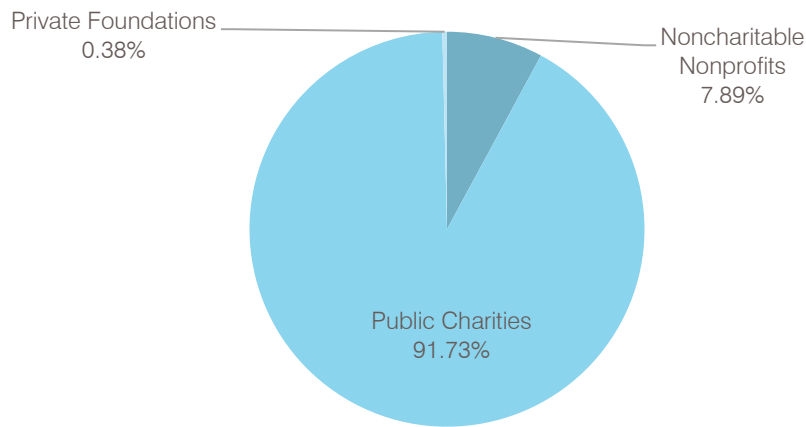
Among public charities, we matched 13 percent of firms, but these accounted for approximately 75 percent of assets and 75 percent of revenues.

The matches were less successful for private foundations, where only 6 percent of firms were matched, but these accounted for 75 percent of assets and 61 percent of revenues.

Among noncharitable nonprofits, we matched 17 percent of firms, but these accounted for approximately 89 percent of assets and 63 percent of revenues.

Taken together, these statistics ensure the employment statistics in this report account for the majority of economic activity generated in the nonprofit sector.

EXHIBIT 9. Third-quarter 2018 Employment in Michigan Nonprofits, by Nonprofit Status



Source: Michigan Office of Labor Market Information and Public Sector Consultants Inc.

It is important to note that these direct employment numbers may not reflect the true employment effects of private foundations. A large percentage of the expenditures made by these foundations are given to public charities. As a result, a portion of the jobs in the public charities sector should be attributed to private foundations.

Exhibit 10 contains the breakdown of employment by major NTEE category from 2007 to 2018 for the third quarter (July–September) of each year. The total employment over this time was relatively constant until recently. Since 2008, employment in nonprofit entities has increased 7 percent from 438,845 in 2007 to 469,522 in 2018. During this time, total employment in the state rose by only 4 percent.

EXHIBIT 10. Employment in Michigan Nonprofits, 2007–2018

	2007 (3Q)	2009 (3Q)	2010 (3Q)	2011 (3Q)	2012 (3Q)	2013 (3Q)	2018 (3Q)
Arts, culture, and humanities	6,854	6,441	6,395	6,794	6,407	6,713	8,138
Education	58,471	57,514	58,991	60,501	61,555	62,819	60,652
Environment	2,952	2,683	2,853	3,030	3,037	3,054	3,716
Health	232,104	231,174	233,529	226,563	230,637	229,142	246,479
Human services	93,067	93,847	95,445	96,817	95,955	96,748	98,116
International	698	699	702	744	771	721	884
Mutual benefit	4,099	2,224	2,144	2,077	2,616	2,489	4,755
Public and societal benefit	18,894	20,588	20,844	20,708	20,414	20,624	27,291
Religion	17,579	17,685	17,350	16,181	15,938	16,058	11,272
Unknown	4,127	601	466	409	17	19	56
Total	438,845	433,455	438,719	433,822	437,347	438,387	469,522
State nonfarm employment	4,261,100	3,831,400	3,872,267	3,967,333	4,038,833	4,109,433	4,434,700

Source: ES-202 data from the Michigan Office of Labor Market Information and Public Sector Consultants. State nonfarm employment numbers from the Bureau of Labor Statistics, www.bls.gov, extracted February 2019.

Note: Rows do not sum to total due to some entities having a blank classification. The “Unknown” classification is a specific coded classification in the BMF and is not the same as having a blank classification.

Employment comparisons between the nonprofit and other sectors in Michigan are difficult because standard labor force numbers do not take into account the organization type (for profit versus nonprofit). As such, the majority of Michigan’s 469,522 nonprofit employees are already included in the state’s 3,801,003 total private-sector jobs (BLS 2018).

For comparison, sectors of Michigan’s economy where few nonprofit employees would likely reside were examined. For example, in the third quarter of 2018, employment in the nonprofit sector (about 470,000) was approximately equal to the average 2018 employment in the retail trade sector (471,400) and the durable goods sector (468,600) (BLS 2018). Overall:

- Health services organizations continue to be the largest source of employment in the nonprofit sector, as was shown in previous reports. Health services organizations’ share of total employment remained relatively constant from 2007 to 2018, ranging from 52 percent to 53 percent of nonprofit employment.
- The second-largest category is human services, which has remained relatively steady, ranging from 21 percent to 22 percent during this time.
- Education is the third-largest category, representing 13 percent of employment in 2018.

References

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- Coalition Protecting Auto No-Fault (CPAN). 2011. *Supplemental Analysis by Birny Birnbaum on the Financial Condition of the MCCA and the 2012-13 Increase in Assessment*. Lansing, MI: CPAN. Accessed February 11, 2019. <http://www.cpan.us/docs/Supplemental%20Analysis%20by%20Birny%20Birnbaum%20on%20MCCA%203.22.12.pdf>
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Appendix A: Data Sources

PSC compiled the nonprofit data from a variety of data sources. Sources for the data were:

- The Internal Revenue Service (IRS) Business Master Files (BMF) for Exempt Organizations for 1997, 2001, 2006, 2007, 2008, 2010, and 2013, and 2018 (which contained mostly 2017 data). The National Center for Charitable Statistics (NCCS) compiles and cleans the BMF several times a year. The most NCCS dataset was posted in December 2018. This data was then supplemented with the most current IRS data that was posted on December 10, 2018.
- The National Center for Charitable Statistics (NCCS) Core Files for 1995, 2001, 2006, 2007, 2009, and 2011, 2014, and 2015, which report the assets of tax-exempt organizations who are required to file a Form 990, 990-EZ or 990-PF. The Core Files contain more data than the BMF, but only include data for those entities required to report to the IRS. Currently, the Core Files exclude any entities with annual revenues less than \$50,000; prior to 2010, they excluded any entities with annual revenues less than \$25,000.
- The Michigan Bureau of Labor Market Information and Strategic Initiatives (LMI), the official source of state employment figures.
- Individual annual reports for the 15 largest private foundations.

The U.S. Census Bureau, the U.S. Bureau of Labor Statistics, and the U.S. Bureau of Economic Analysis.

This study prioritizes data from the NCCS December 2018 BMF file as the primary data nonprofit data source. Where the NCCS-cleaned BMF file lacked information, such as the type or county code of a particular entity, it was supplemented with the most recent update from the IRS. In addition, nonprofits available only through the most recent IRS data were added to the total nonprofit database. If categorical information (such as a type code or county code) was still missing, it was further supplemented with data from the 2015 Core files. This supplementation resulted in the addition of about 8,000 entities. This situation is likely the result of new entities being created since NCCS last cleaned the data. These entities were much smaller and younger than those contained in the NCCS-cleaned BMF. Revenue data from the 2015 Core file was used in place of revenue data for the BMF for private foundations only. This was a direct replacement of total revenue and not a match to specific nonprofits.

Throughout this analysis, revenue data for public charities is considered only for those organizations with gross receipts of more than \$25,000 prior to 2010 and more than \$50,000 from 2010 onward who are required to file a Form 990, 990-EZ or 990-PF. Reporting organizations account for only a small share of all nonprofits. While those organizations that do not report financial information are, by definition, small, the large total of nonreporters creates an explicit downward bias in all of our estimates. Furthermore, this report excludes government bodies (including public universities and colleges). To include government bodies would greatly distort the picture of the nonprofit sector, which is very much separate from the public sector.

A similar downward bias also exists with respect to any employment figures included in this report. Due to federal guidelines, a large number of nonprofits (those reporting \$50,000 or less in revenues) are not required to submit employment information to the Office of Labor Market Information. While PSC is confident that the employment figures below represent the vast majority of economic activity in the nonprofit sector, it is important to note that a nontrivial number of small nonprofits are not included in the employment figures.



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