

Minnesota Nonprofit Economy Report

*A Statewide and
Regional Analysis*

2
0
2
2
-
2
3





USING THIS REPORT

Like every industry in the United States, the nonprofit sector benefits from having timely information on economic performance. The Minnesota Council of Nonprofits' *Minnesota Nonprofit Economy Report*, published annually for the last nineteen years, uses the most comprehensive information available to provide the most detailed annual examination of Minnesota's Nonprofits.

The *Minnesota Nonprofit Economy Report* – when used together with the *Minnesota Salary and Benefits Survey* and other publications from the Minnesota Council of Nonprofits — has important uses for four distinct audiences:

- **Managers of nonprofit organizations:** putting their own situation in perspective in decision-making and communications with their own board, supporters, and staff
- **Nonprofit boards of directors:** developing strategic plans, informing board trainings and evaluating staffing and compensation plans
- **Government officials and donors to nonprofits:** understanding the unique role and contributions of Minnesota nonprofits and identifying partnership opportunities
- **Economic and community development planners:** incorporating nonprofit employment trends into economic development plans and understanding regional differences and local economies.

Data in this report comes from the Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages and the Internal Revenue Service exempt organizations business master file. Additional information about the nonprofit sector is available on the Minnesota Council of Nonprofits (MCN)'s website at www.minnesotanonprofits.org.

The Minnesota Council of Nonprofits (MCN) is the statewide association of more than 2,200 Minnesota nonprofit organizations. Through its website, publications, workshops and events, cost-saving programs and advocacy, MCN works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

Report Authors

Eleanor Petrin, MCN nonprofit research intern at Macalester College; Grace Hanson, MCN nonprofit research intern at Carleton College; Jon Pratt, MCN senior research fellow; and Kari Aanestad, MCN associate director

Copyright © 2022 Minnesota Council of Nonprofits All rights reserved. Short sections of text may be quoted without explicit permission, provided that full credit is given to the source. Additional copies of this report can be downloaded from MCN's website at www.minnesotanonprofits.org



TABLE OF CONTENTS

3 Executive Summary



5 Nonprofit Employer Summary



7 Nonprofit Employee Summary



11 Regional Overview

8 Twin Cities

14 Central

10 Northeast

16 Southeast

12 Northwest

18 Southwest



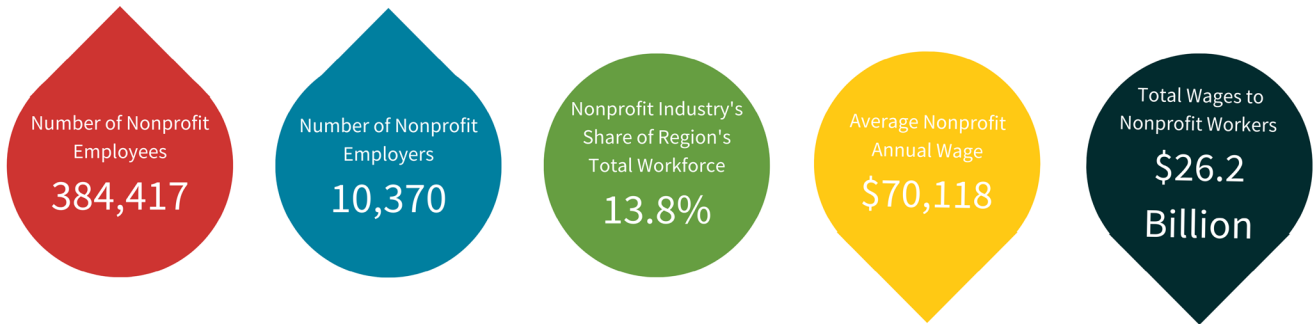
17 Appendix





EXECUTIVE SUMMARY

Nonprofit organizations play a critical role in Minnesota’s communities — providing essential services, employing local residents, and improving quality of life in areas from arts to human services to recreation and youth sports.



Minnesota Nonprofit Workforce Doubles Over 30 Years, Not Yet Returned to Pre-Pandemic Numbers

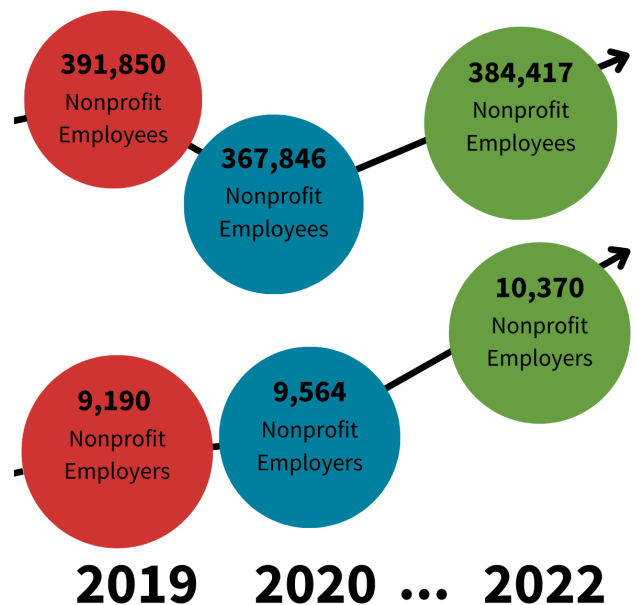


Over the past 27 years, nonprofits in Minnesota have experienced consistent growth in the number of statewide nonprofit employees. Between 1993 and 2021, nonprofits added 210,000 employees, representing a doubling of the nonprofit workforce. In comparison, Minnesota’s total workforce grew by 20 percent over the same period, meaning that the nonprofit workforce has grown over five times faster than the workforce as a whole.

While the nonprofit sector has grown steadily, the sector was not immune from the effects of the COVID-19 pandemic. Overall the Minnesota nonprofit workforce is still approximately 5,000 workers less than its pre-pandemic height in 2019. Nonetheless, throughout the pandemic, the nonprofit sector has experienced less volatility in employment compared to the government and for-profit sectors.

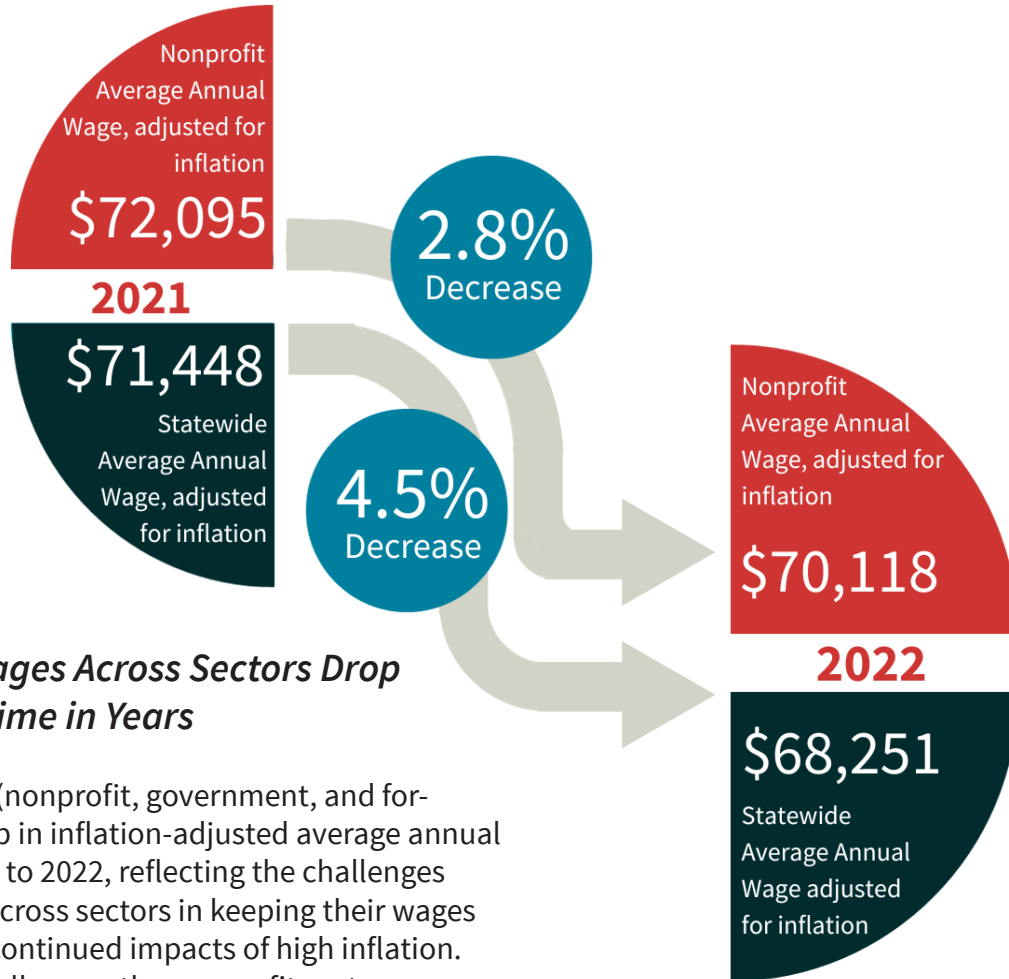
Number of Nonprofit Employers Grew, Fears of Mass Closings Unrealized

The number of nonprofit employers has continued to grow with 10,370 different nonprofit employers reporting at least one employee in 2022 and collectively employing 14 percent of the state’s workforce. While many feared the effects of the COVID-19 pandemic would lead to a high number of nonprofits closing, the data reveals a normal churn of closings and new openings with overall aggregate growth.





EXECUTIVE SUMMARY



Minnesota Wages Across Sectors Drop for the First Time in Years

All three sectors (nonprofit, government, and for-profit) saw a drop in inflation-adjusted average annual wages from 2021 to 2022, reflecting the challenges employers face across sectors in keeping their wages in step with the continued impacts of high inflation. Despite these challenges, the nonprofit sector wages dropped by less compared to wages in other sectors.

74% Of Nonprofit Employees are Female

67% Of For-Profit Employees are Female

45% Of Government Employees are Female

Gender Pay Parity Closer in Nonprofit Sector Compared to Total Workforce

The vast majority of the nonprofit workforce continues to be female, with 74 percent of employees identifying as female. Newly available data reveals insights on pay equity by gender across all three sectors. Overall female nonprofit workers are paid 94.5 percent of their male colleagues, which is a smaller gap than Minnesota's total workforce (where females earn 85.6 percent of their male colleagues).



NONPROFIT EMPLOYERS

The nonprofit sector is a strong contributor to Minnesota’s economy — supporting nearly 385,000 jobs and providing essential services to Minnesota’s communities. From food banks to charter schools to theaters and hospitals, nonprofits touch the lives of almost every Minnesotan. In 2022, the number of financially active statewide nonprofit organizations was 10,072, up slightly from the previous year. While there is natural churn in the nonprofit sector with some organizations dissolving and others forming every year, the overall number of nonprofit employers has remained stable over the past five years.

This raises a common question about the nonprofit sector— how many nonprofits are in Minnesota? There are several ways to answer this question, which show the different types of organizations and levels of activity. In 2022, the activity totaled:

How many nonprofits are there in Minnesota?

ALL 501(c)s

All tax-exempt entities from firefighter associations to youth hockey leagues
From the 2022 IRS Exempt Organizations Masterfile, 8/21/2023

38,577

ALL 501(c)(3)s

Nonprofits with charitable, religious, scientific, literary, or other purposes
From the 2022 IRS Exempt Organizations Masterfile, 8/21/2023

30,082

ESTABLISHMENTS WITH AT LEAST ONE PAID EMPLOYEE

From the Minnesota Department of Employment and Economic Development

10,370

FINANCIALLY ACTIVE NONPROFITS

All 501(c)(3) organizations with a reported annual income of more than \$25,000
From the 2022 IRS Exempt Organizations Masterfile, 8/21/2023

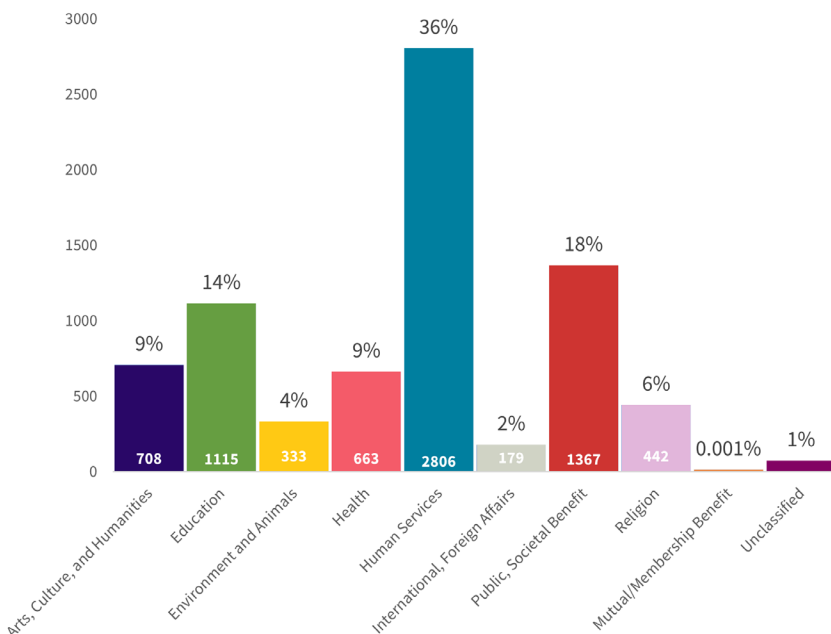
10,072

NUMBER OF NEW NONPROFIT CORPORATIONS

The number of new Minnesota Nonprofit Corporate filings in 2022 reported by the Secretary of State under the Minnesota Nonprofit Corporation Act

2,632

Financially Active Nonprofits by Activity Area



Over 50% of financially active nonprofits are either human services organizations or public and societal benefit organizations

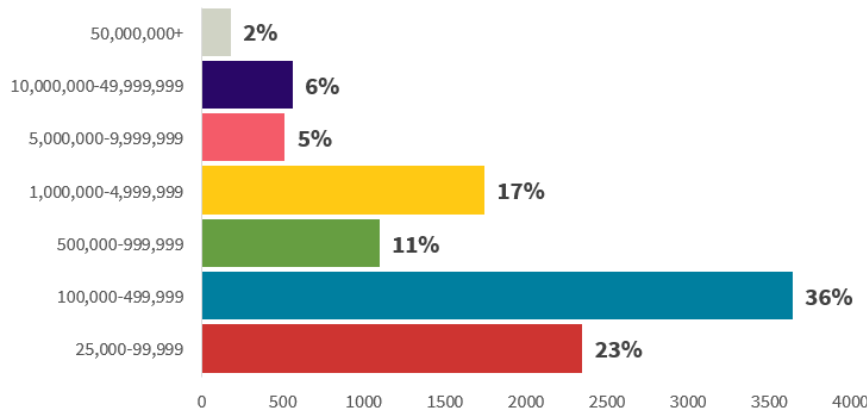
Minnesota nonprofits operate across multiple activity areas, each of these categories benefits the public in a different way. While the health care field (including hospitals, clinics and nursing homes) employs the largest number of nonprofit workers, it only constitutes 9 percent of employers. Human services (including legal, employment, food and housing, public safety, recreation and youth services) include the most individual establishments. Public and societal benefit has the second largest number of establishments at 18 percent, while education and the arts have 14 percent and 9 percent respectively.

Note: NTEE is the categorization scheme used to describe nonprofit activities, for national taxonomy of exempt entities. A significant percentage of older nonprofits are currently not classified under any NTEE code, accounting for about 18% of all financially active nonprofits. NTEE codes were first adopted by the IRS for its master file of exempt organizations in 1980, and currently the majority of nonprofits who still don't have an NTEE code were established prior to that date.



NONPROFIT EMPLOYERS

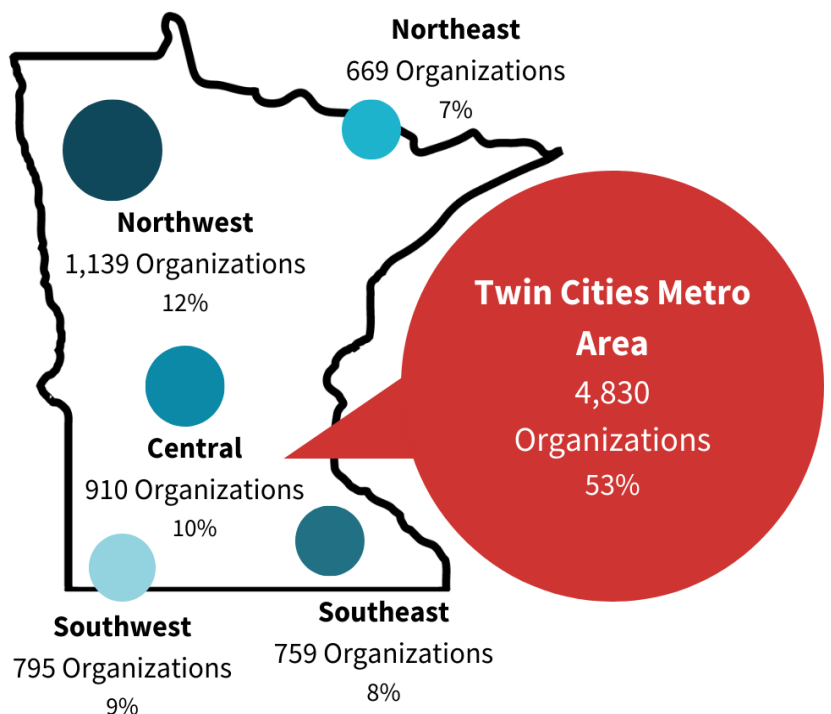
Financially Active Nonprofits by Budget Size



70% of financially active nonprofits report annual revenues of less than 1 million dollars.

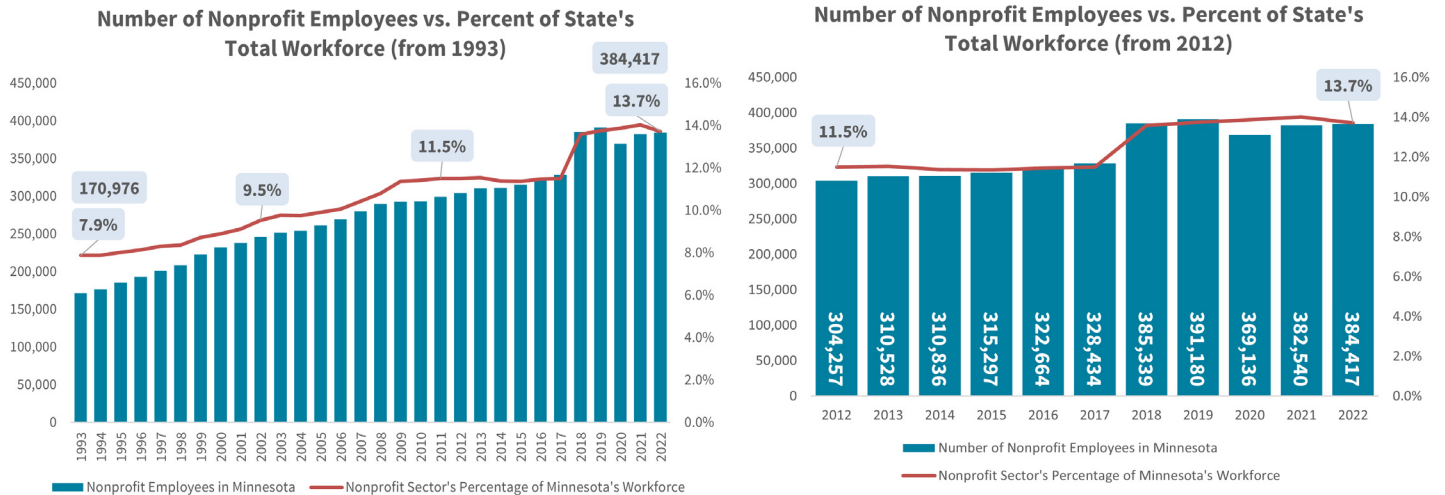
A more nuanced view of Minnesota’s nonprofit sector is offered by disaggregating organizations based on their annual revenue reported in the IRS Master File. Among financially active nonprofits, 70 percent report annual revenues of less than \$1,000,000. Organizations with smaller operating budgets are most likely to be found among the arts, religion, environment, and international issues. Organizations with larger annual operating budgets (\$5 million+) tend to be in health and human services. For example, the largest nonprofit in Minnesota is the Mayo Clinic based in Rochester, MN, reporting over \$12.6 billion in income in 2021. Both small and large nonprofits occupy pivotal roles in Minnesota’s economy, providing essential services across the state.

Nonprofit activity and growth rates vary across the six regions of Minnesota. The Twin Cities Metro area is home to over half of Minnesota’s nonprofit employers – along with about 60 percent of Minnesota’s population. The number of nonprofit employers roughly corresponds to each region’s population, with the Twin Cities being the region of largest growth, gaining 51 organizations in 2022. The Northeast retained about the same number of organizations in 2022, while all other regions gained about 15 organizations. In the last ten years, while the total number of nonprofit employers has increased by approximately 60 percent, the distribution of nonprofit activity by region has stayed relatively unchanged.



NONPROFIT EMPLOYEES

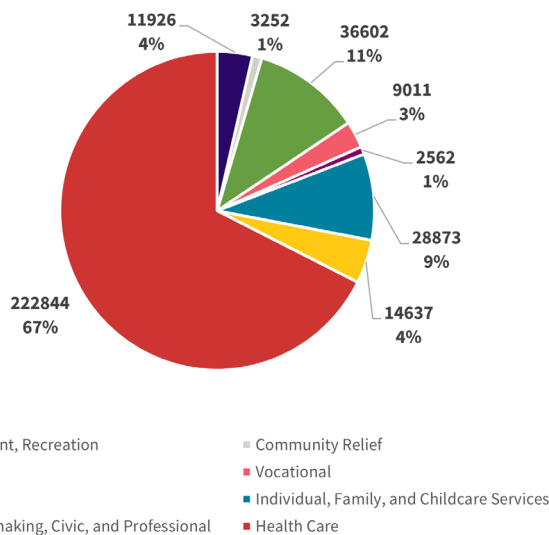
Number of Minnesota nonprofit employees doubles over 30 years, Nearly returned to pre-pandemic numbers



Since MCN began tracking employment data in 1993, the number of statewide nonprofit employees has doubled. From 1993 to 2022, Minnesota nonprofit employers added 210,000 employees, over 100% growth. In comparison, Minnesota's total workforce grew by 20% over the same period, meaning that the nonprofit workforce has grown 5 times faster over the last 30 years, reflecting the increasing wellness, culture, information and overall service economy

While the Minnesota nonprofit workforce grew from approximately 382,000 employees in 2021 to 384,000 in 2022, it is still recovering from a COVID-era drop in employment (total nonprofit employees in 2019 was approximately 391,000). Throughout the pandemic, nonprofit employment continued to represent 13.5-14 percent of the total Minnesota workforce, indicating that the drop in number of workers is true across all sectors. The nonprofit recovery has proven to be somewhat greater than governmental entities and about equal to the business sector; in 2022, the nonprofit sector was 3 percent below the 2019 numbers, while governmental and for-profit sectors were 8 percent and 2 percent below their 2019 numbers.

Minnesota Nonprofit Employees by Activity Area



68% of nonprofit workers are health care employees.

A very large share of nonprofit employees works in the healthcare and education areas -- sometimes called the "eds and the meds." These large nonprofit industries make up 50 percent of nonprofit organizations, employ 79 percent of the nonprofit workforce and pay 73 percent of total nonprofit wages

Health care employs 68 percent of Minnesota's nonprofit workforce. Educational services employ a third of the remaining workforce. Individual, family, and childcare services, including social assistance for children (such as foster care, drug prevention, and life skills training), employ just under 30 percent of non-health care nonprofit employees.

Note: The employee charts above are based on data from the Department of Employment and Economic Development, while the employer charts utilize IRS data. This creates differences in activity area categories and employers counted—the IRS data provides a means to filter for financially active nonprofits, while the DEED data reports on organizations with at least one employee, which often overlap, but not exactly. See Appendices 1 and 2 for more information.



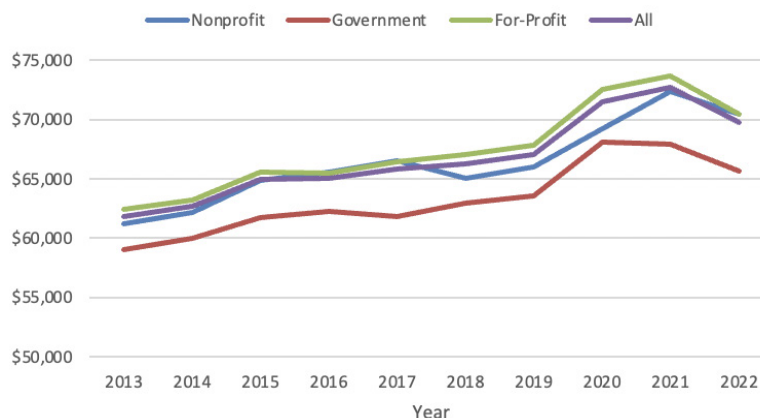
NONPROFIT EMPLOYEES

Minnesota Wages Across Sectors Drop For the First Time in Years

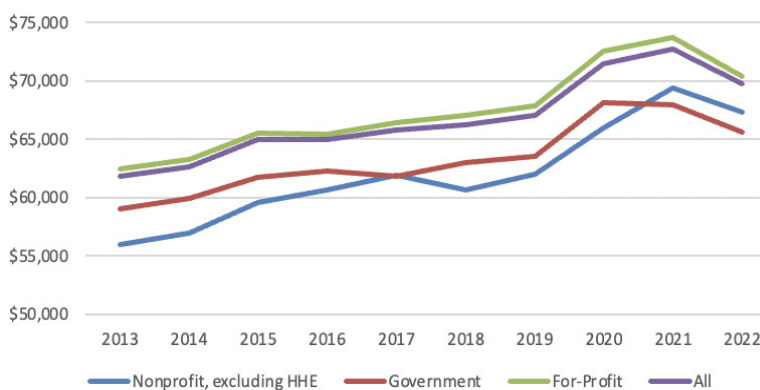
All three sectors (nonprofit, government, and for-profit) saw a drop in inflation-adjusted average annual wages from 2021 to 2022, reflecting the challenges employers face across sectors in keeping their wages in step with the continued impacts of high inflation. In total, nonprofits paid \$26.6 billion in wages during the year of 2022, a slight decrease from last year, where they paid \$27.4 billion in wages.

When comparing across sectors, nonprofit wages have historically been substantially less than for-profit wages, however the wage gap has been shrinking over the last 30 years until, in 2017, nonprofit wages (including healthcare) grew to average \$900 more annually than for-profit wages. In 2022 nonprofit wages were on average \$1,600 greater than for-profit wages. When hospital and higher education employees are excluded, the average annual wages earned by the nonprofit sector is reduced by an average of \$3,741 year over year, so that business wages remain steadily above nonprofit wages. In either case, nonprofit wages in the past two years have surpassed average government wages.

MN Average Annual Wages by Sector (2022 USD)

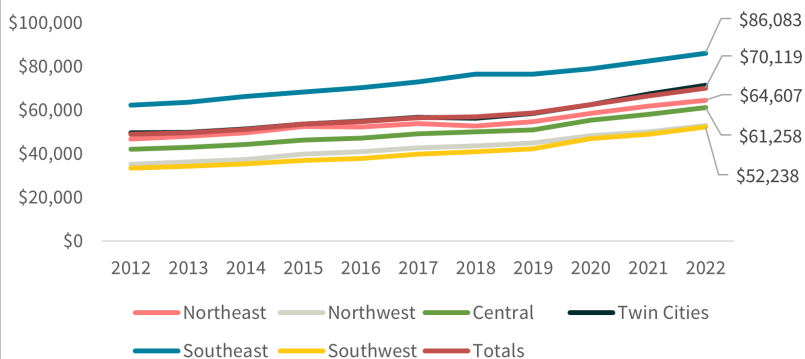


MN Average Annual Wages by Sector, Excluding Hospitals & Higher Education (2022 USD)



Including hospitals and higher education employees increases the average annual wages for the nonprofit sector. When those industries are excluded, the average annual wages earned by the nonprofit sector is reduced by an average of \$3,741 year over year, showing business wages remain steadily above nonprofit wages. In any case, nonprofit wages in the past two years have surpassed average government wages.

Minnesota Nonprofit Average Annual Wages by Region (2022 USD)*



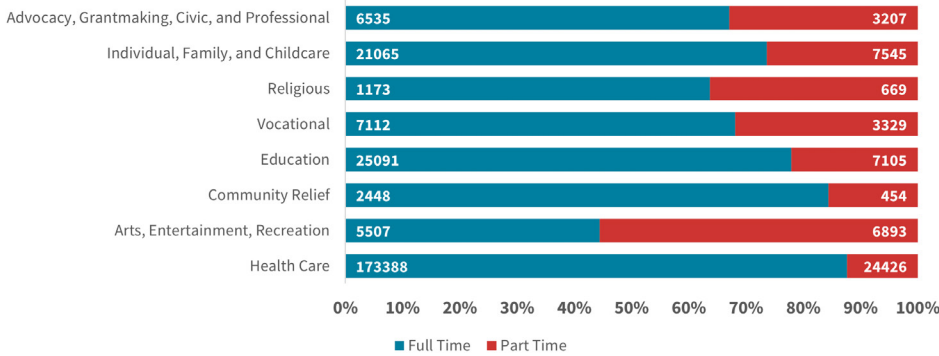
Comparing average annual wages for nonprofit employees across regions of Minnesota reveals that nonprofit average annual wages in the Southeast region of MN are the highest due to the effect of Mayo Clinic on the regional nonprofit economy. Average annual wages in the Twin Cities are the second highest, where the average cost of living is 12 percent higher than the state average. Average annual wages can vary significantly across regions along with the cost of living.

*Wages have not been adjusted for inflation



NONPROFIT EMPLOYEES

Part Time and Full Time Nonprofit Workers by Activity Area (2022)



82% of nonprofit workers work full time

Full-time versus part-time status can be an important factor in explaining average wages. 82% of the Minnesota nonprofit employees work full-time – at least 30 hours per week. A similar share of employees works full-time in the government sector. However, only 71% of the for-profit sector works full-time -- meaning that there can be a much more substantial hourly wage gap between nonprofit and for-profit employees than is implied in the average annual wage.

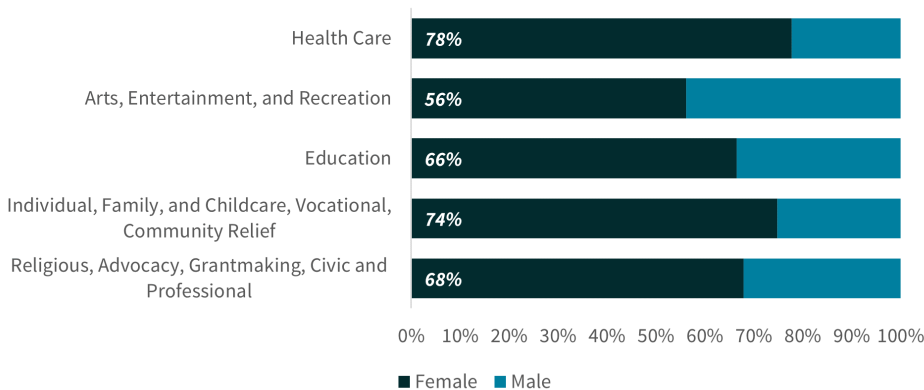
74% of the nonprofit workforce is female

Minnesota has a long history of high female participation in its workforce, with female Minnesotans now comprising 51 percent of all employees in the state-- ranking Minnesota second in the nation for female workforce participation. Comparing the three employer types, the nonprofit sector employs a higher percentage (74%) of females than both the for-profit (45%) and government sectors (67%).



Compared to demographic data collected in 2019, gender distributions in the nonprofit and for-profit sectors have remained roughly the same, while the government sector grew from 60 percent female to 67

Gender Distribution of Nonprofit Sector by Activity Area (2022)*



Among employees in Minnesota’s nonprofit sector, females outnumber males in each of these five activity areas.

Note: Sex data is provided by the Minnesota Department of Employment and Economic Development based on QCEW reporting. MCN recognizes the broad spectrum of sexual and gender identities that transcend the binary of male and female. However, until a change is made at the federal or state agency level, this report series is limited to existing data reporting categories.

9 *Activity Areas are adapted from NAICs Codes, rather than NTEE codes, so totals and categories may be slightly different than in other sections.



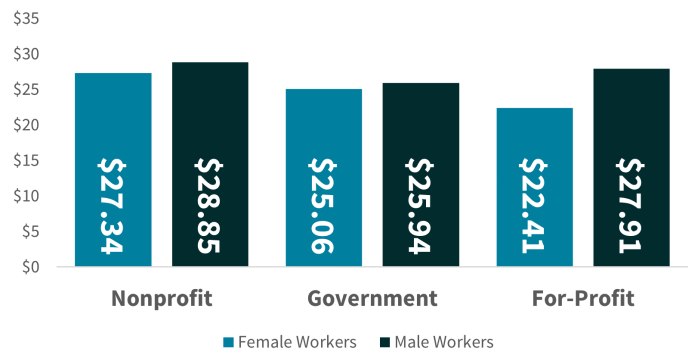
NONPROFIT EMPLOYEES

While the historic wage penalty of paying female employees less than males is well-established, for the first time it is possible to report on the wage differential between females and males by sector of the economy. Throughout the total Minnesota workforce, female workers' weighted median annual wages* are 85.5 percent of their male colleagues'. In comparison, in the rest of the United States females' median annual wages are 82 percent of their male colleagues'.

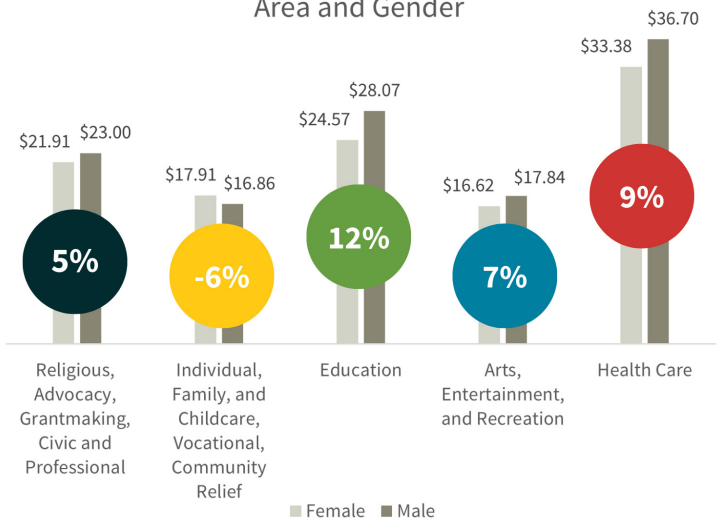
Regular quarterly reports filed with DEED show that females workers in the nonprofit sector have median annual wages that are 94.8 percent of their male colleagues'. This wage gap is slightly greater than in the governmental sector, where females' median annual wages are 97.6 percent of their male colleagues', but a much smaller gap than in the for-profit sector, where females' median annual wages are 80.3 percent of their male colleagues'.

Minnesota's median annual wages across sectors tends to be higher than other states, and Minnesota ranks 20th overall in gender wage equity [National Women's Law Center, "Lifetime Wage Gap Losses for Women: 2021 State Rankings"]. Most of the pay gap by gender in Minnesota is attributed to compensation of for-profit employees.

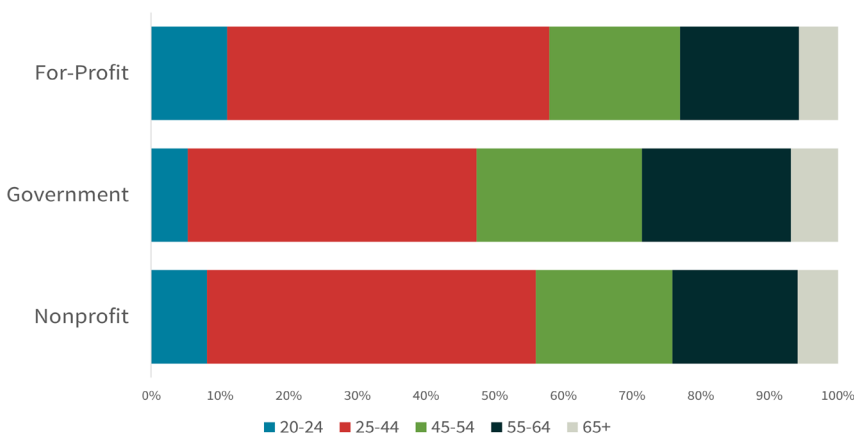
MN Nonprofit Median Annual Wages by Gender



MN Nonprofit Median Annual Wages by Activity Area and Gender



Percent of MN Workers Per Age Group by Sector (2022)



While the nonprofit and for-profit sectors are similar in age distribution, the governmental sector skews slightly older than both. The majority of nonprofit workers are between 25-44.

A note on data limitations: The dataset used to analyze pay differentials by gender in Minnesota contains only information on hours worked, average annual wage, gender, activity area, sector, and geography; the dataset does not include information about other variables that can impact pay, such as length of tenure, educational attainment, professional background, and more.



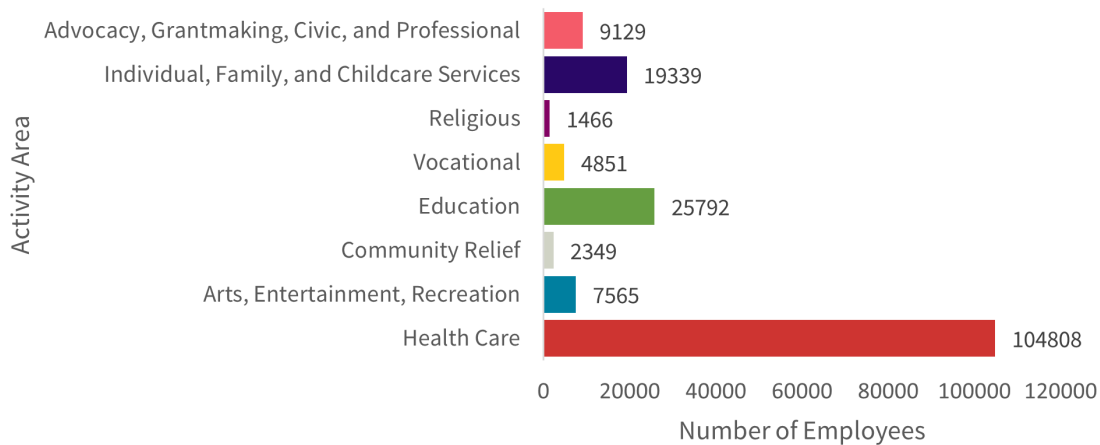
TWIN CITIES REGION

Counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, Washington



With 4,830 organizations, the Twin Cities Metro Area is home to over half of Minnesota's nonprofits. The Metro Area is also the most densely populated region of Minnesota, with diverse communities and needs. The Twin Cities has 214,920 employees across its organizations, 57% of the statewide nonprofit workforce.

Twin Cities Nonprofit Employees by Activity Area (2022)



A little less than half of the state's nonprofit health care employees work in the Twin Cities. The Twin Cities is also home to large education and individual, family, and childcare sectors, employing about 70% of the total workforce for each sector.

Nonprofit: 74% Female

Government: 60% Female

For-Profit: 46% Female

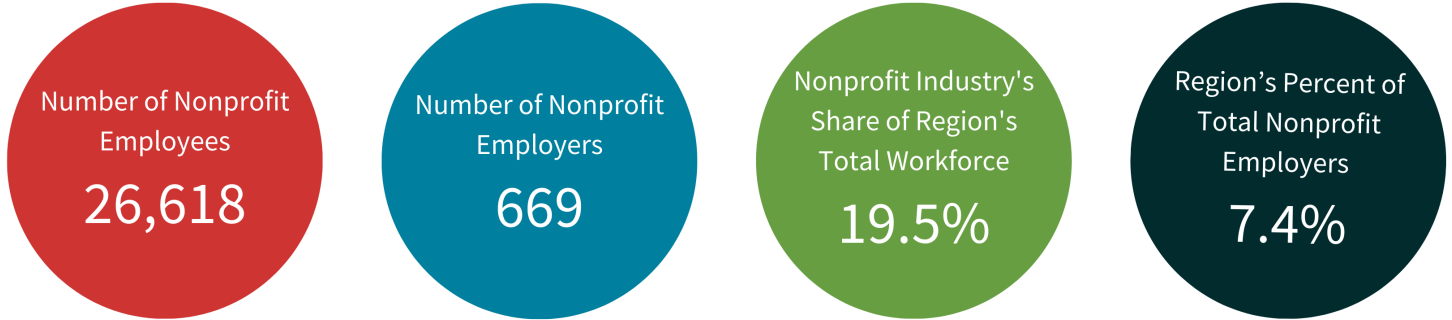
Total Workforce: 51% Female

74% of nonprofit workers in the Twin Cities are female, compared to 51% of the total workforce and 74% statewide. Additionally, the Twin Cities area has a lower nonprofit wage gap than the rest of Minnesota. In the Twin Cities, female workers make .7% more than males, compared to 5.2% less statewide.



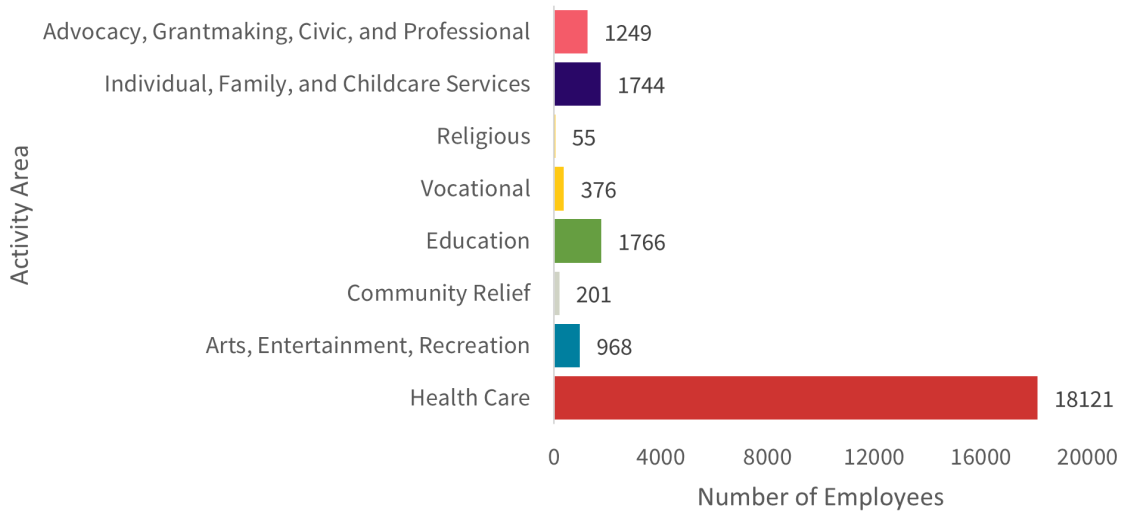
NORTHEAST REGION

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, St. Louis



The seven-county Northeast Region is the second largest region in Minnesota in terms of geographic size, with most of its nonprofit activity located in its largest county - Saint Louis. The Northeast is the least densely populated region and has the lowest number of nonprofit establishments in Minnesota. Despite this, the region has the highest share of its total workforce at 19.5%, and the 26,618 nonprofit workers make up 7 percent of total Minnesota nonprofit employees.

Northeast Nonprofit Employees by Activity Area (2022)



Nonprofit: 75% Female

Government: 56% Female

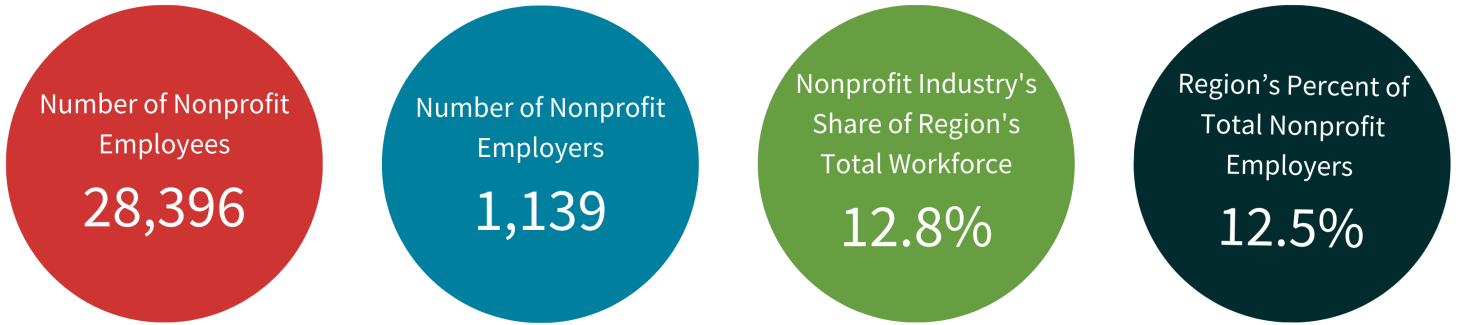
For-Profit: 41% Female

Total Workforce: 50% Female

75% of nonprofit workers in the Northeast are female, compared to 51% of the total workforce and 74% statewide. Notably, while the nonprofit sector reports a slightly higher percentage of female workers than the rest of Minnesota, both government and for-profit sectors have a lower percentage of female workers than the rest of Minnesota.

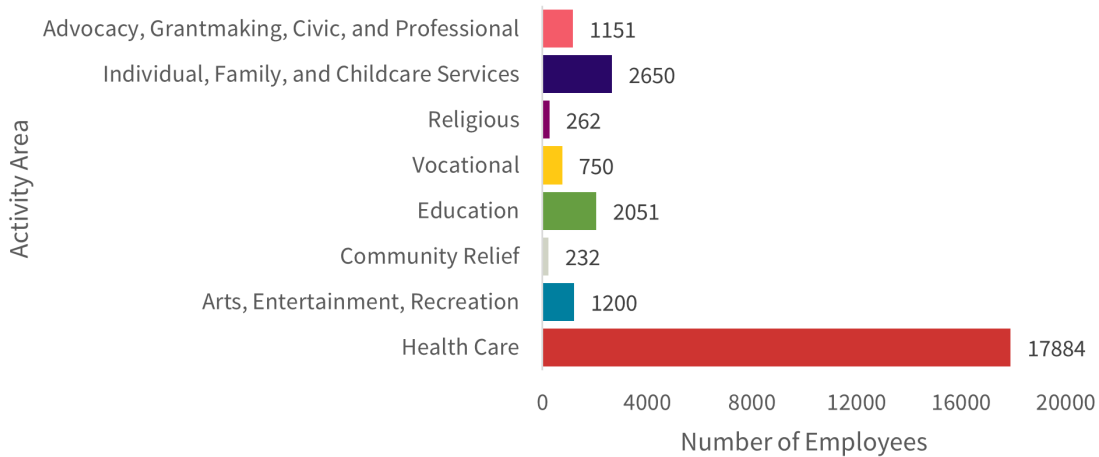
NORTHWEST REGION

Becker, Beltrami, Cass, Clay, Clearwater, Crow Wing, Douglas, Grant, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Morrison, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, Wadena, Wilkin



The Northwest Region is the largest geographic region in Minnesota and has the second highest number of nonprofit organizations at 1,139, 12.5 percent of Minnesota’s total nonprofits. The Northwest is home to 7.5 percent of Minnesota’s nonprofit employees, just above the number of employees in the Northeast.

Northwest Nonprofit Employees by Activity Area (2022)



The Northwest region employs more religious nonprofit employees than community relief nonprofit employees, a trait seemingly indicative of a lesser-populated region.

Nonprofit: 78% Female

Government: 61% Female

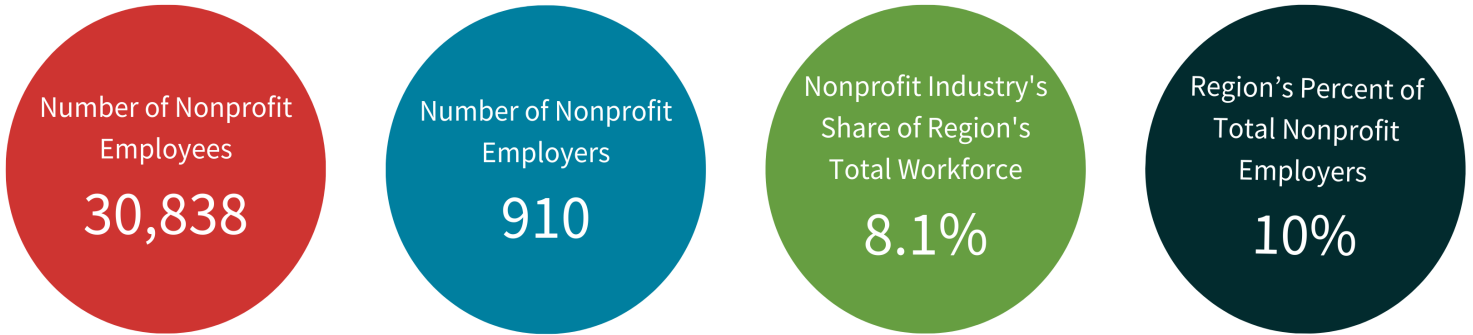
For-Profit: 44% Female

Total Workforce: 51% Female

While female workers in the Northwest region as a whole make up the same share of female workers as Minnesota as a whole (51%), the nonprofit sector has a higher percentage. While 74% of nonprofit workers in Minnesota are female, 78% are female in the Northwest region.

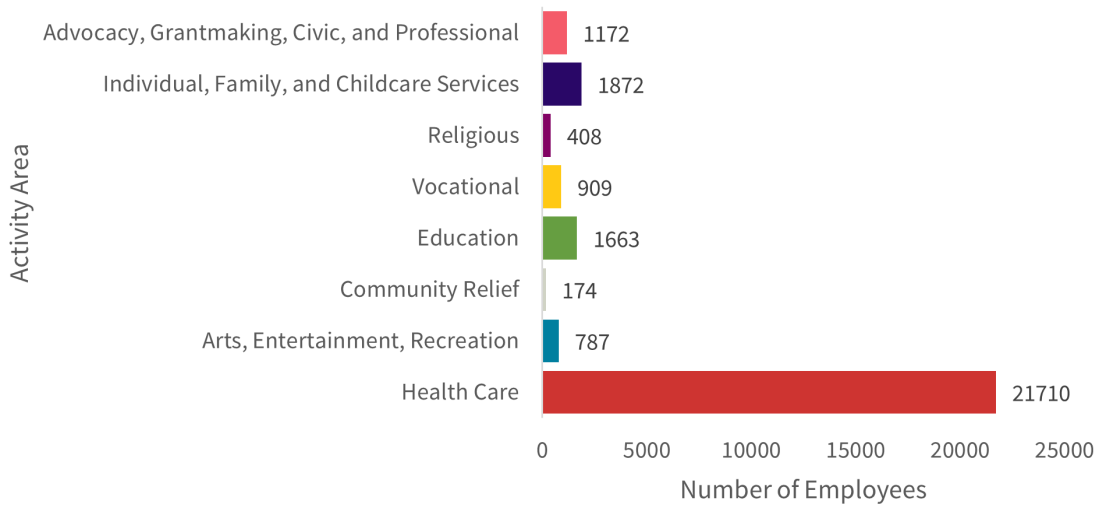
CENTRAL REGION

Benton, Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Mille Lacs, Pine, Renville, Sherburne, Stearns, Wright



The Central region of Minnesota has the third highest number of nonprofits in the state, and also employs the third highest number of nonprofit workers, after the Twin Cities region and the Southeast.

Central Nonprofit Employees by Activity Area (2022)



The Central region has a notable wage gap between for-profit workers and nonprofit workers. For-profit workers make \$993 compared to nonprofit workers making on average \$1,178 per week (19% more). Statewide, nonprofit workers make 2% more than for-profit workers.

Nonprofit: 80% Female

Government: 63% Female

For-Profit: 43% Female

Total Workforce: 51% Female

Compared to other regions, the Central region of Minnesota has the highest percentage of female employees in the nonprofit sector (80% compared to 74% statewide) and the lowest percentage of female workers (43% compared to 45% statewide average).

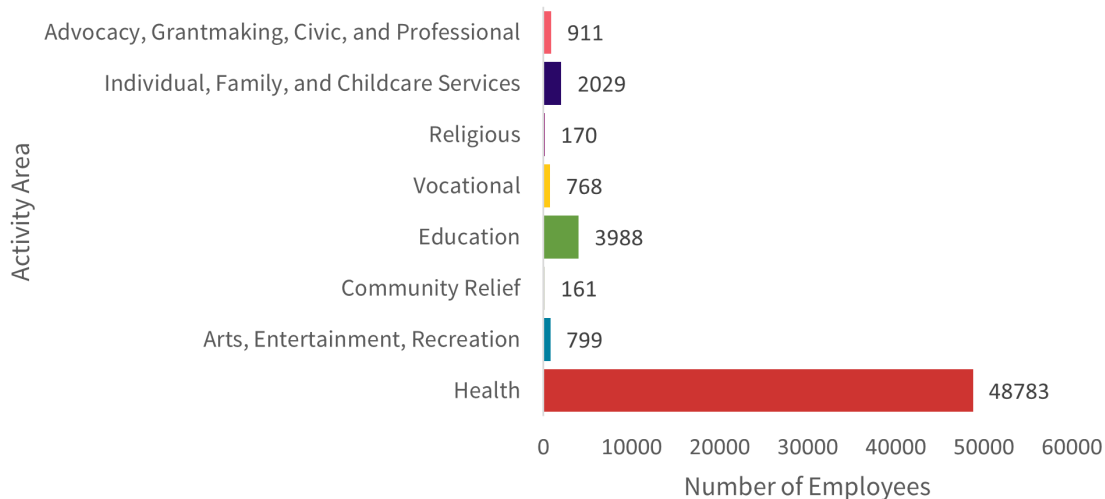
SOUTHEAST REGION

Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, Winona



The Southeast region of Minnesota is home to the Mayo Clinic, which employs 41,000 of the Southeast's 60,000 nonprofit employees. The Southeast has the second-highest number of employees per region because of this, and 16 percent of all MN nonprofit employees. However, the Southeast has the second-lowest number of organizations per region.

Southeast Nonprofit Employees by Activity Area (2022)



The Southeast employs 22 percent of Minnesota's health care workers. Without health care, the highest activity area is education.

Nonprofit: 69% Female

Government: 60% Female

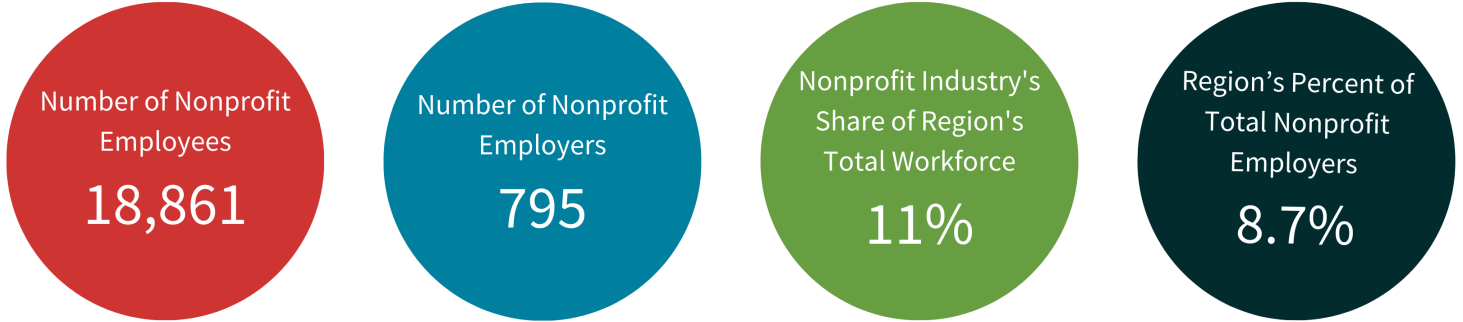
For-Profit: 44% Female

Total Workforce: 51% Female

In the Southeast, the percentage of female nonprofit employees is 5% lower than Minnesota as a whole, while government and for-profit sectors are similar to other regions.

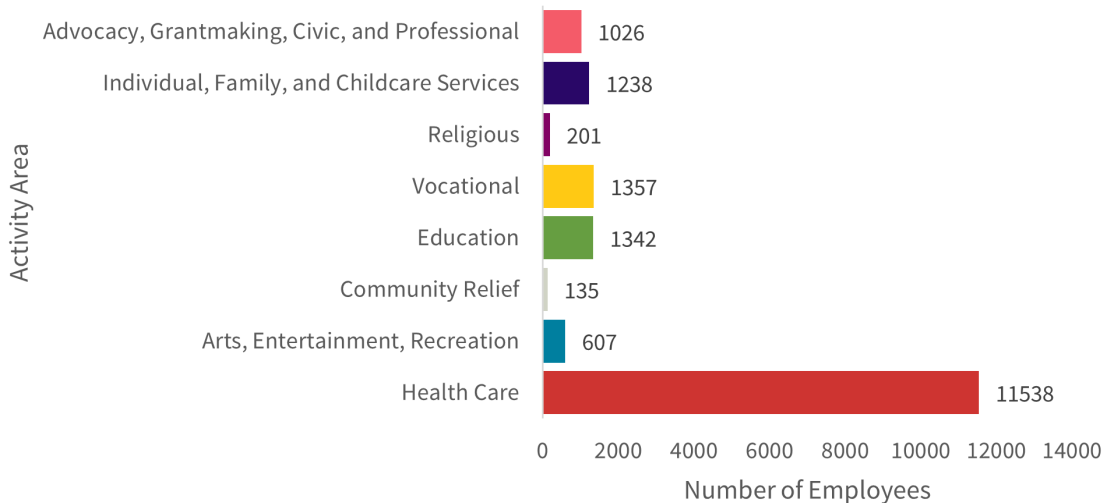
SOUTHWEST REGION

Big Stone, Blue Earth, Brown, Chippewa, Cottonwood, Fairbault, Jackson, Lac Qui Parle, Le Sueur, Lincoln, Lyon, Martin, Murray, Nicollet, Nobles, Pipestone, Redwood, Rock, Sibley, Swift, Waseca, Watonwan, Yellow Medicine



The Southwest has the smallest number of nonprofit employees across all regions, and consistently has average annual nonprofit wages below other regions. However, the Southwest has caught up to the Northwest over the past couple of years, and, along with the Southeast, has seen the biggest increase in number of employers over the past year.

Southwest Nonprofit Employees by Activity Area (2022)



The Southwest employs fewer educational workers than other sectors, and instead has a larger sector of vocational work.

Nonprofit: 79% Female

Government: 62% Female

For-Profit: 45% Female

Total Workforce: 51% Female

The Southwest has higher rates of female employees across sectors than other regions; in particular, they have the second highest rate of female nonprofit workers, after the Central region of Minnesota.



APPENDIX A: North American Industry Classification System (NAICS)

This report uses the NAICS for the analysis of nonprofit employers, employees and wages.

Ambulatory Health Care Services (NAICS 621) – Provide health care services to ambulatory patients, and include physicians’ offices, mental health practitioners, dentists, optometrists, physical, occupational and speech therapists, family planning centers, outpatient mental health and substance abuse centers, medical and diagnostic laboratories and home health care services.

Arts, Entertainment & Recreation (NAICS 71) – Establishments that are involved in producing, promoting or participating in live performances, events or exhibits intended for public viewing; establishments that preserve and exhibit objects and sites of historical, cultural or educational interest; and establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby and leisure-time interests.

Child Day Care Services (NAICS 6244) – Establishments primarily engaged in providing day care of infants or children.

Civic & Social Organizations (NAICS 8134) – Establishments engaged in promoting the civic and social interests of their members, including alumni associations, ethnic associations, scouting organizations, student clubs and social senior citizens’ associations.

Community Food, Housing, Emergency & Other Relief Services (NAICS 6242) – Community food service establishments primarily collect and deliver food for the needy. Community housing service establishments provide short-term emergency shelter, transitional housing for low-income people, volunteer construction of low-cost housing, or repair of homes for elderly or disabled homeowners. Emergency and other relief service establishments primarily provide food, shelter, clothing, medical relief, resettlement and counseling to victims of domestic or international disasters or conflicts.

Educational Services (NAICS 611) – Establishments that provide instruction and training through specialized establishments, such as schools, colleges, universities and training centers.

Grantmaking & Giving Services (NAICS 8132) – Grantmaking foundations and charitable trusts, as well as establishments primarily engaged in raising funds for a range of social welfare activities.

Hospitals (NAICS 622) – Provide medical, diagnostic and treatment services that include physician, nursing and other health services to inpatients. Hospitals may provide outpatient services as a secondary activity.

Individual & Family Services (NAICS 6241) – Establishments primarily engaged in providing nonresidential social assistance services for children and youth, such as adoption and fostercare, drug prevention, life skills training and positive social development.

Nursing & Residential Care Facilities (NAICS 623) – Provide residential care combined with nursing or other types of care as required by the residents. Examples include nursing care facilities, residential mental health facilities and community care facilities for the elderly.

Religious Organizations (NAICS 8131) – Churches, religious temples, monasteries and establishments primarily engaged in administering an organized religion or promoting religious activities.

Social Advocacy Organizations (NAICS 8133) – Establishments primarily engaged in promoting a particular cause or working for the realization of a specific social or political goal to benefit a broad or specific constituency. These organizations may solicit contributions or offer memberships to support these goals.

Vocational Rehabilitation Services (NAICS 6243) – Establishments engaged in providing services such as job counseling, job training and work experience to unemployed and underemployed persons, persons with disabilities and persons who have a job market disadvantage because of lack of education, job skills or experience.

Simplified categories used in this report include:

Health Care: NAICS 621, 622, and 623

Arts, Entertainment, Recreation: NAICS 71

Community Relief: NAICS 6242

Education: NAICS 611

Vocational: NAICS 6243

Religious: NAICS 8131

Individual, Family, and Childcare: NAICS 6241 and 6244

Social Advocacy, Grantmaking, Civic, Professional: NAICS 8132, 8133, and 8134



APPENDIX A: North American Industry Classification System (NAICS)

This report also uses NTEE codes for the analysis of the distribution of nonprofits by industry across geography and by population. The Internal Revenue Service (IRS) began using the NTEE system to support analysis of data by types of nonprofit organizations and their activities. The NTEE code is a four-digit code used to classify an exempt organization in terms of its primary exempt activity. The NTEE classification system was developed by the National Center for Charitable Statistics and divides the universe of nonprofit organizations into 26 major groups under the following 10 broad categories:

Arts, Culture, and Humanities - A

Educational Institutions and Related Activities - B

Environment and Animals - C, D

C - Environmental Quality, Protection and Beautification

D - Animal-Related Health

Health - E, F, G, H

E - General and Rehabilitative

F - Mental Health, Crisis Intervention

G - Diseases, Disorders, Medical Disciplines

H - Medical Research

Human Services - I, J, K, L, M, N, O, P

I - Crime, Legal-Related

J - Employment, Job-Related

K - Food, Agriculture and Nutrition

L - Housing, Shelter

M - Public Safety, Disaster Preparedness and Relief

N - Recreation, Sports, Leisure, Athletics

O - Youth Development

P - Human Services- Multipurpose and Other

International, Foreign Affairs and National Security - Q

Public, Societal Benefit - R, S, T, U, V, W

R - Civil Rights, Social Action, Advocacy

S - Community Improvement, Capacity Building

T - Philanthropy, Voluntarism and Grantmaking Foundations

U - Science and Technology Research Institutes, Services

V - Social Science Research Institutes, Services

W - Public, Society Benefit-Multipurpose and Other

Religion-Related, Spiritual Development - X

Mutual/Membership Benefit Organizations, Other - Y

Unknown, Unclassified - Z



APPENDIX B: Data Sources

Quarterly Census of Employment and Wages

The Quarterly Census of Employment and Wages (QCEW), a cooperative endeavor between the U.S. Department of Labor's Bureau of Labor Statistics (BLS) and the Minnesota Department of Employment and Economic Development (DEED), is a virtual census of Minnesota employers, covering 97 percent of nonagricultural employment and wage data in Minnesota. Total wages include gross wages and salaries, pay for vacation and other paid leave, tips and other gratuities that are reported to the employer, bonuses (including severance pay), stock options, some sickness and disability payments, and the cash value of meals and lodging. This report uses QCEW data to analyze 501(c)(3) nonprofit employers, employment locations, employees and wages. Each year, DEED provides new data for the most current year and revised data for the previous year. Therefore, data for 2021/2022 in this report may differ slightly from what was reported in the 2021/2022 Minnesota Nonprofit Economy Report. Information on the number of nonprofit employers is only available at the state level, so regional analysis focuses on the number of nonprofit employment locations. This report uses the Consumer Price Index (CPI-U) to adjust total payroll and average weekly wages for inflation. For the first time in an MNER report, the QCEW is used to analyze demographic data. The gendered data is limited; many survey respondents instead have annual salaries that must be converted to some measure of hourly wage for the data, and there are limited sample sizes of male and female workers. Additionally, regional workers are counted by employer location, so workers who are employed by statewide employers are not counted in regional breakdowns.

Enhanced Wage Records

The median wage data used in this report is from the Minnesota Department of Employment and Economic Development (DEED). DEED merges data from the QCEW program (described above) from the 4th quarter of 2022 with Unemployment Insurance (UI) Wage Records for the same quarter. UI records contain individual level employment and wage data on all employees and employers covered under the UI program. Merging these data sets enables DEED to determine an individual employee's wages as paid by a unique employer during that quarter. In order to be included in the analysis, each employee needed to have earnings in the 3rd and the following 1st quarter with the same employer as in the 4th quarter. This report uses the data to examine median annual wages, or the mid-point in the range of wages, by region for employees in selected industries.

Changes to the Data Set Between 2017 and 2018

Between 2017 and 2018, the Minnesota Department of Employment and Economic Development (DEED) altered the method used to collect data on the number of nonprofit organizations that report having at least one employee. Before 2018, DEED only collected data from self-reported employers in the state. In 2018, DEED started collecting data from all nonprofits that have unemployment insurance reimbursable status. DEED has found that this number is likely much closer to the actual number of nonprofit organizations in the state because 1) this method is more consistent with Bureau of Labor Statistics (BLS) methods and 2) it is a stronger reflection of the nonprofit status of a business. Because the new indicator DEED uses to collect data on the number of nonprofits includes all organizations that failed to self-report in years prior, the 2018 dataset includes a much larger number of nonprofit organizations with a small number of employees. Therefore, the change in the dataset has had a substantial effect on the number of reported nonprofit employment locations since 2018, but less of an effect on the number of nonprofit employees.

Nonprofit Organizations' Financial Information

The financial information used for this report was compiled from data obtained from the Internal Revenue Service (IRS) exempt organizations business Masterfile extract. The report uses Form 990 financial reports filed by charitable organizations exempted under IRS subsection 501(c)(3). The report excludes financial information from nonprofit organizations exempted under IRS subsection 501(c)(4) through (c)(19), nonprofits filing Form 990EZ, private foundations filing Form 990PF, and certain charitable trusts. Some organizations with physical operations in Minnesota, but with headquarters outside of the state, may not be captured in this analysis. Certain other organizations that are exempt from filing with the Attorney General's Office are also not reflected in the data, including organizations that do not employ paid staff and have less than \$25,000 in gross receipts, and churches and other religious organizations that are not required to file a Form 990 federal return. This report analyzes the financial data for 10,072 organizations filing from an address located in Minnesota. Only nonprofits that reported an income were included in the dataset.



**2314 University Avenue West, Suite #20 St.
Paul, Minnesota 55114**

www.minnesotanonprofits.org

Phone: 651-642-1904 Fax: 651-642-1517