

12th Annual Nonprofit 100 Report

After a sluggish 2005, Minnesota's largest nonprofit organizations gathered momentum in 2006. Revenue grew across all four major categories of nonprofit organizations -- health care, education, social services, and arts and culture organizations -- according to the Star Tribune's annual Nonprofit 100 survey.



Glen Stubbe, Star Tribune

Gene Holden, left, and Dick Ashland, right, are retired Unisys programmers who now volunteer their time to repair wheelchairs and walkers at Goodwill-Easter Seals in St. Paul.

They're on a roll

By JOHN J. OSLUND and PATRICK KENNEDY, Star Tribune staff writers

Last update: December 22, 2007

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Altogether, there are more than 3,600 nonprofit employers in the state, according to the Minnesota Council of Nonprofits. They employed nearly 270,000 workers in 2006, one in every 10 in the state. The national average is about 7 percent. Nonprofits' jobs -- which include many health care-related occupations -- have been growing at about 3 percent annually since 1997, the council said. That compares with a 1 percent overall job growth rate for the Minnesota economy.

While private-sector hiring has slowed, especially in the manufacturing, housing and construction sectors, "hiring remains very active in the nonprofit sector," said Jon Pratt, executive director of the nonprofits council. "The nonprofit economy doesn't feel a recession until a year after the general economy" because of the year-ahead funding cycle at most nonprofits.

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Health care

As private-sector and government employers struggle to contain health care costs, revenue growth has slowed at hospitals, clinics and health insurance providers. In 2006, the average revenue increase for a health care nonprofit was 8.4 percent. Although that's up from the 7.6 percent growth rate in 2005, it's moderate by recent standards. For example, revenue grew 8.7 percent for this group in 2004 and 11.2 percent in 2003.

Expenses, which rose 9.2 percent in 2006, once again outpaced revenue growth in the sector.

At health insurance provider Blue Cross and Blue Shield of Minnesota, the largest nonprofit on the list, revenue grew 10.5 percent to \$7.9 billion. Although Blue Cross had an operating loss of \$45.4 million, the company's net income, including investment gains, was \$4.9 million.

At the Mayo Foundation, which operates the largest health care services provider on our list, revenue jumped 9.7 percent to \$6.7 billion.

Nine health care nonprofits spent more in 2006 than they generated in revenue, including Blue Cross and Medica; in 2005 the figure was 10.

Just two of the health care organizations surveyed had revenue declines in 2006, compared with seven the year before.

At Medica, revenue dropped 16.4 percent to \$1 billion. HMOs such as Medica have struggled in recent years as employers trying to curb health care costs turn away from HMOs and toward less-expensive insurance.

Social services

Minnesota's social services organizations got some relief in 2006 after a tough 2005 that saw revenue drop more than 3 percent. Revenue in 2006 rose an average 4.5 percent among the 29 social services nonprofits surveyed while expenses rose an average 2.9 percent.

Jay Kiedrowski, a senior fellow with the Public and Nonprofit Leadership Center at the University of Minnesota's Humphrey Institute of Public Affairs, said that with the "Katrina effect" behind them, and a strong 2006 economy, "those two factors set the nonprofits up pretty well for the year."

Overwhelming public response to the victims of Hurricane Katrina in 2005 influenced giving patterns at some nonprofits in 2005.

Revenue fell year-over-year at 10 organizations in 2006 compared with 12 in 2005. Meanwhile, 10 social services nonprofits spent more than they generated in revenue last year, compared with 11 in 2005.

At the Greater Twin Cities United Way, the largest social services nonprofit on the list and a key provider of grants to smaller nonprofits, revenue dropped 1.4 percent to \$88.6 million. The decline came after a record fund drive in

2005. The 2006 fund drive fell slightly short. CEO Lauren Segal said last week that the United Way is on track to meet its 2007 goal of \$87.8 million.

Eight social services nonprofits recorded double-digit revenue gains, led by Catholic Charities of the Archdiocese of St. Paul and Minneapolis -- where revenue grew 59 percent to \$31.3 million. The Rev. John Estrem, executive director of Catholic Charities, said the big revenue gain actually reflected an accounting write-off in 2005 for a discontinued program. Without the accounting changes, the organization had revenue of about \$30 million in both years.

At the YMCA of Metropolitan Minneapolis, revenue rose 6.9 percent to \$54.7 million while across the river in St. Paul, YMCA revenue jumped 13 percent to \$42.3 million.

Revenue at Second Harvest dipped about 8.4 percent. The food shelf organization collected about the same volume of food donations in 2006 as in 2005, said controller Ray Ahlgren, but the cost per pound dropped slightly, depressing revenue. For the 2007 fiscal year, ended in September, both volume and prices per pound rose sharply, Ahlgren said.

That's good, he said, because "there are still hungry people to feed. With these foreclosures, our lines are getting longer."

Education

Northstar Education Finance Inc., a hybrid nonprofit that specializes in loans for graduate students including doctors and lawyers, joins the list this year as the largest organization in the education category.

St. Paul-based Northstar, with revenue of \$316.7 million for the year ended in December 2006, has about \$6 billion in its loan portfolio. The nonprofit entity makes the loans while a for-profit subsidiary of Northstar services the loans and pays employees. CEO Taige Thornton's total compensation of \$739,733

makes him the highest-paid top officer in the education category and the 13th highest-paid CEO among the Nonprofit 100.

The University of St. Thomas remains the state's largest private college with \$284 million in revenue, up nearly 24 percent.

Investment gains and losses typically skew results in the education category. Nonprofits must record their nonrealized investment gains and losses on the Form 990. For organizations with large endowments, which include many of the large education nonprofits, market trends and investment styles can lead to large year-to-year swings. Also, capital campaigns can affect the comparisons. For example, Minnehaha Academy is in the middle of a \$12 million multiyear campaign for campus renovations.

Of 31 colleges, universities or preparatory schools in the education category, 14 recorded double-digit revenue gains. Seven posted revenue declines. Among the biggest revenue gainers in 2006 were Macalester (up 44.7 percent); Minnehaha Academy (up 36.1 percent), and St. John's University (up 29.2 percent).

Four education nonprofits had expenses greater than revenue in 2006, down from five in 2005. Average revenue increased 19.5 percent, while expenses rose 13.8 percent.

Arts & culture

Names, not numbers, made news in the arts and culture sector. The year saw an extraordinary turnover among the leading officers of the biggest institutions. Kathy Halbreich announced in March that she would leave the Walker Art Center after 16 years in the top job. Halbreich oversaw a \$135 million project that doubled the size of the Walker in 2005. She left in November and Olga Viso of the Hirshhorn Museum and Sculpture Garden in Washington, D.C., comes on board in January.

William Griswold surprised the arts world in May when 18 months into his tenure at the Minneapolis Institute of Arts, he said he'd leave at year's end for a position in New York. Kaywin Feldman of Memphis takes over the venerable institution.

At the Minnesota Orchestra, President and CEO Anthony Woodcock left for Boston last February. Woodcock was replaced by another Brit, Michael Henson, who was introduced at the orchestra's annual meeting three weeks ago. He'll assume the administrative challenge at the end of January with a \$90 million building project in his sights.

Teresa Eyring left the Twin Cities early in the year after stepping down as managing director at Children's Theatre Company. Eyring, who was critical in shaping the theater's expansion, took the top job at the Theater Communications Group in New York. Gabriella Calicchio of the Marin Theatre Company in Mill Valley, Calif., was hired in August.

And Patricia Mitchell, head of Los Angeles-based Literacy Network, was named president of the Ordway Center for the Performing Arts. She succeeded interim president Jeff Bakken, who had taken over when David Galligan resigned in 2006.

Revenue for the arts and culture group rose an average 10.5 percent while expenses rose 6.6 percent. Two nonprofits in that category -- Public Radio International and the Walker -- had expenses greater than revenue in 2006.

Staff writer Graydon Royce contributed to this report.

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[Goodwill uses its retail stores to meet its mission of helping people get back into society.](#)

At the well-lit, spacious Goodwill/Easter Seals store in St. Paul's Midway area, the working poor arrive from the bus stop while bargain hunters in late-model SUVs pull in to shop for lightly worn \$6 pants, \$1.99 belts and \$20 suits. **Updated 3:09 PM**

By **NEAL ST. ANTHONY**, Star Tribune

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At the well-lit, spacious Goodwill/Easter Seals store in St. Paul's Midway area, the working poor arrive from the bus stop while bargain hunters in late-model SUVs pull in to shop for lightly worn \$6 pants, \$1.99 belts and \$20 suits.

Retail sales from 17 Goodwill stores rose an impressive 11 percent for the fiscal year ended Sept. 30. The brass at Target and Macy's can only dream about that kind growth during this tepid holiday season.

Just don't call Goodwill another retailer in front of CEO Michael Wirth-Davis. His nonprofit outfit also provides \$16 million worth of counseling, training, life skills and job searches annually to the developmentally disabled, ex-convicts and the chronically unemployed.

Every year, more than 100 clients intern as minimum-wage trainees in the Goodwill operation while about 800 clients are placed in permanent jobs outside Goodwill that range from \$8-an-hour retail work to \$12-an-hour customer service positions and \$23-per-hour construction jobs.

"We are mission-driven and retail is the way we have been able to support that mission," Wirth-Davis said in an interview this month from his modest office in the St. Paul retail and training center complex. "We are first and foremost about helping people prepare for work and become self-sufficient."

"We believe that people want to be self-sufficient. And we also work with hundreds who are employed to advance to a better job."

Goodwill reuses goods, fixes, recycles and sells wheelchairs, medical equipment and other items.

"But everything is built around the mission," Wirth-Davis said. "The stores support mission. Retail is just the vehicle we use."

In fiscal 2007, Goodwill/Easter Seals generated \$25 million from sales of clothing and equipment and about \$6 million from philanthropic contributions and training contracts with local governments, businesses and nonprofits. (The figures in the accompanying chart are for fiscal 2006, which are most recent audited figures reported on the organization's Form 990.)

"We earn about 80 percent of our revenue from operations and we get 20 percent from contributions and contracts," said board member Joe Barsky, a retired investment manager and an instructor at the University of Minnesota business school. "It's just the opposite for most nonprofits. I'm also on the board of the St. Paul Chamber Orchestra and we earn about 20 percent from revenue and get 80 percent from giving."

Barsky calls Goodwill/Easter Seals "the ultimate recycler. I don't know all the intricacies but I've become passionate about it over the last four years."

Staff and volunteers collect inventory, repair it, distribute and stock the 17-store network that's considered one of the best-run Goodwill operations in the nation, said Mike Howe, a director of Goodwill/Easter Seals Minnesota since 1995 and a financial adviser at Robert W. Baird.

Clothing not good enough for re-sale is baled into five-ton bundles and sold to recyclers for overseas shipment or industrial uses.

Meanwhile, in offices and training rooms around the St. Paul complex, dozens of Goodwill/Easter Seals counselors develop personalized training and career plans with hundreds of clients annually. Some of these folks spend up to 16 months completing a high school equivalency degree, interning, taking a construction-management or computer-related program and otherwise preparing for employment.

Focus on the basics

Goodwill collaborates with other nonprofits, such as Project for Pride in Living, Common Bond, Catholic Charities, health care agencies and community colleges to help individual and client families secure low-cost rental housing, health care, a high school degree or technical education.

"We spend an enormous amount of time on where the person wants to go and helping him get there," Wirth-Davis said. "You also have to do a reality check. Somebody without a high school degree may want to be an airline pilot. We'll say, 'Let's first earn a GED, and then get you off the street and into an apartment and maybe a job at the airport and training in aircraft mechanics.'"

Three years ago, Margaret Campbell was behind bars, completing a drug-related felony sentence. She had found a Goodwill counselor's card in prison. When she got out, she contacted the organization.

"I went in for orientation and somebody mentioned a construction class. I raised my hand and I was the only female," Campbell recalled. "Goodwill really supports you and works with you, but you also have to really want it and be willing to work hard."

She attended a job fair in March 2006 and was hired by John Farrington, an executive with Building Restoration of Roseville.

"He asked me if I was afraid of heights and if I knew what to do with my tools," Campbell said. "I told him I could do the [tuckpointing] work, but that I had a felony. He said lots of guys in construction have had their troubles. He gave me a job and a chance."

Today, Campbell, 39, makes \$23 an hour, plus bonuses on the most-profitable jobs.

She recently was laid off because of cold weather and less work, but she expects to be recalled soon. She's using her time off to work with her kids on school projects and enjoy the holidays.

"The pay is good," Campbell said. "Goodwill and my foreman, Dave Drevahl, believed in me. It's hard work, but I like the work. And Dave has gotten me raises and bonuses and says some of my jobs look like a veteran did them."

CEO Wirth-Davis, 56, has a good job, too, for which he received \$214,141 in total compensation in 2006.

Wirth-Davis, who holds a doctorate in public administration, started out 30-some years ago as a vocational counselor at Courage Center. He joined Goodwill/Easter Seals in 1990. He has good range and is equally adept at mingling with disadvantaged clients and overpaid CEOs.

"Michael is worth more in the private sector and he's worth more to us," board member Howe said. "We pay him a fair salary. He's good and he loves what he's doing."

"My biggest fear when I took over as chair of the board in 2005 was that he was going to leave to run one of the national parent organizations, Goodwill or Easter Seals," Howe said. "He could do that."

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