# Minnesota Nonprofit Sector Study

An Analysis of the Minnesota Nonprofit Sector: Challenges and Opportunities

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# Foreword

The charitable nonprofit sector in Minnesota is a sizeable collection of diverse organizations that are both growing and greatly influencing the lives of people within the state through their support of numerous activities, programs, and initiatives. However, the extent and investment of these activities is relatively unknown. The purpose of this project is to raise awareness of the impact of the nonprofit sector in the state of Minnesota, to investigate where scarce resources are being dedicated throughout the charitable sphere, and to determine if that investment is effectively and efficiently delivered. Moreover, by informing nonprofit organizations, through the use of data, we hope to inspire action. Specifically, this action involves leaders taking positive steps toward making a difference in both Minnesota's nonprofit community and in the lives of its residents. This project also serves to guide future efforts aimed at nonprofit sector performance improvement and to help the nonprofit sector achieve the greatest possible societal impact within the state.

This study was based around the nonprofit sector study, *An Analysis of the Impact of the Nonprofit Sector in North Dakota: Challenges and Opportunities,* released in March 2009. This study is a vast change in analysis from the former study, as the former study utilized factor analysis primarily while this study primarily uses financial analysis, and factor analysis is used in order to further define and understand the differences between the unique properties existing in each public charity category and private foundation.


## ACKNOWLEDGMENTS

This report is a study of Minnesota's nonprofit sector commissioned by the Dakota Medical Foundation. The study is centered largely on data that were obtained from the tax returns filed by nonprofit organizations. It involved collecting and analyzing quantitative data via IRS tax Form 990/990-PF (Return of Organization Exempt from Income Tax/Return of Private Foundation) obtained from the IRS Business Master File from the National Center for Charitable Statistics at the Urban Institute. The study focuses on the most recent reported data which in most cases are from 2007 and 2008, however, the years range from 1997 to 2009.



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# Executive Summary

## PROJECT PURPOSE AND BACKGROUND

The charitable nonprofit sector in Minnesota is sizeable, diverse, and one that greatly influences the lives of this state's residents. The sector's impact is not well understood nor is the extent to which investments within this sector are effectively and efficiently delivered. This study examines financial characteristics of a sample of Minnesota's nonprofit organizations, including public charities and private foundations, in an attempt to derive objective measures of performance. Public charities are organizations which derive revenue from multiple sources and actively pursue mission goals, while private foundations generally derive contributions from one major source and do not actively pursue mission goals.

Our work was guided by the research literature that suggests a good starting point is to examine financial efficiencies within the money flow of organizations. Therefore, we used Internal Revenue Service (IRS) records to examine trends in the relationship between financial inputs such as revenue and assets relative to expenses, specifically those dedicated to direct services.

We began our study by finding the number of Form 990s and 990-PFs from which we could gather the information we would need. These numbers were large, so we refined our sample by only analyzing public charities and private foundations with $100,000 or more in assets. In Minnesota there were 4,544 public charities (Form 990) and 1,168 private foundations (Form 990-PF) which met our criteria and were used. The Minnesota public charities had eight definable categories which were based upon the mission goals of the organizations. For example, charities such as technological institutes would fall under the education category while research and public policy institutions would fall under the public and societal benefit category. In order to further filter our sample to a more manageable number, we formed a weighted sample by category. To form our category weights we took the number of organizations per category and divided this by the total number of organizations with assets of $100,000 or more within the total public charities sector. These weighted proportions were then further organized so that our end sampling would not only have a proportional weight of public charities by category but also a proportional weight of public charities by assets. Our proportional sample of Minnesota public charities, therefore, was twofold. First, it consisted of 100 public charities based on a two-stage proportional sample of a) type of organization and b) assets. Second, 100 Minnesota private foundations were proportionally sampled based on assets. These two samples served as our data from which we analyzed the nonprofit sector in Minnesota and formulated recommendations based on our findings.

## FINDINGS

### Public Charities

1. **Resources among the public charities in Minnesota are highly concentrated.**
   The IRS Business Master File from the National Center for Charitable Statistics provided data for 4,544 public charities in Minnesota with $100,000 or more in assets. In most cases the data were from 2007, with some from 2008 and 2006. The resource base within this nonprofit sector is heavily concentrated within the top 10 public charities which consist primarily of health and medical charitable organizations.
   - In 2007, the 4,544 public charities in Minnesota represented nearly $62 billion in assets.
   - Our sampling of 100 public charities held 3 percent of total assets within the public charities sector in the state.
   - The top 10 public charities accounted for 42 percent of the Minnesota public charities total assets and 28 percent of the total revenue.
   - The concentration of public charitable resources is largely centered within the health and medical field. Of the top 10 public charities, six represent health and medical organizations, two represent public and societal benefit organizations, and two represent education organizations.
   - Health and medical public charities accounted for only 15 percent of the total number of public charities but contained 48 percent of the total assets held by the public charity nonprofit sector.

   ***Revenue streams among public charities are highly concentrated.***
   - The majority of total revenue within our sample was received as payment for program services such as admissions to museums, tuition received by schools, government fees or contracts, and payment to hospitals for medical services.
   - Almost 12 percent of revenue was generated from private contributions and government grants.

   ***The distribution of private contributions to public charities is heavily concentrated.***
   - Nearly 42 percent of the private contributions in our sample were donated to arts organizations and almost 26 percent of the private contributions in our sample were donated to education. This leaves only 33 percent of the private contributions in our sample being donated to the other six categories combined (i.e., environment and animal, health and medical, human services, public and societal benefit, religion, and other).

2. **Management and general expenses among public charities are low.**
   Following program services, the second largest expense category among public charities is management fees and general expenses. Management fees and general expenses accounted for 14.28 percent of total expenses within our sample. When combined with fundraising expenses, these percentages make up the administrative cost ratio which is 15.49 percent; this is significantly lower than 25 percent, which is the baseline used by the federal government to represent an efficient organization.

3. **Financial performance among Minnesota's public charities is mixed.**

### *Financial Analysis – Survivability*

The survivability of our sample of public charities was measured by using 4 of 17 financial ratios on which our study was based: a) total revenue divided by total expenses, b) (total revenue minus total expenses) divided by total revenue, c) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, and d) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue. These ratios served as a means of analyzing public charity categories for short-term survivability and reliance upon uncontrollable revenue for that survival.

- Only two of the categories, human services and other, failed to meet the short-term survivability test.
- Religion as well as public and societal benefit organizations had the largest protection against fluctuations in their revenue stream.
- Health and medical was the only public charity category where contributions were an insignificant factor in the survivability of the organization.

### *Financial Analysis – Efficiency*

Efficiency was composed of three ratios that allowed us to measure the efficiency of attaining revenue from contributions, directly and indirectly, and the efficiency of achieving revenue using already purchased assets. The ratios used were: a) direct public support divided by fundraising expenses, b) total revenue divided by fundraising expenses, and c) (total revenue minus total expenses) divided by total assets.

- There exists a wide variance in the efficiency of attaining contributions in the public charities. Those categories most dependent upon contributions as a source of revenue have the lowest efficiency for attaining those contributions.

### *Financial Analysis – Mission*

Mission is an assessment of an organization's ability to place funding toward accomplishing mission goals while controlling non-mission related costs. The two ratios used in this measure were: a) (management and general expenses plus fundraising expenses) divided by total expenses and b) total revenue available for programs divided by total revenue.

- All public charity categories, except for the arts and human services, have administrative cost ratios under the baseline and would be considered efficient in controlling these costs.
- Regardless of the type of charity, they all place the majority of their revenue toward the mission goal. The lowest amount of revenue available for programs among the different public charity categories was human services with 70.58 percent.

### *Factor Analysis*

Factor analysis was conducted to identify ratios that were consistent when grouped together. These ratios when combined serve as a composite index of performance. Two indexes were identified in our analysis as meaningful composites for public charities.

Index 1 – Survivability Measure was composed of four ratios, three of which were previously used in our financial analysis. Two came from the survivability analysis, one from efficiency analysis, and an additional ratio (net assets divided by total assets) was previously not used in our analysis. The ratios used in this measure were: a) total revenue divided by total expenses, b) (total revenue minus total expenses) divided by total revenue, c) (total revenue minus total expenses) divided by total assets, and d) net assets divided by total assets. This index is a measurement of an organization's ability to meet expenses and obligations.

- Health and medical and public and societal benefit organizations have a higher than average score indicating that they have stable revenue sources and should not have difficulties with long-term survivability.

Index 2 – Measure of Uncontrolled Revenue was composed of three ratios, two of which were previously used in our financial analysis. Both of these came from the survivability analysis and an additional ratio [total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets] was previously not used in our analysis. The ratios used in this measure were: a) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, b) total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets, and c) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue. This index is a measurement of an organization's uncontrolled revenue.

- Arts, education, and environment and animal organizations have a higher score than the public charities sector's average, indicating that they have a large portion of their revenue sources from uncontrolled sources and could have difficulties with revenue streams during economically difficult times.

## Private Foundations

### 1. Foundation resources are highly concentrated and revenue and expense streams differ markedly from public charities in both source and magnitude.

- The top 10 private foundations held 54 percent of total foundation assets and 30 percent of the revenue.
- Our sample of 100 private foundations contained 14 percent of total foundation assets and 7 percent of the revenue.
- In contrast to public charities, the majority of assets within foundations were from securities (i.e., corporate stocks, bonds, and government obligations).
- Nearly 63 percent of the revenue generated by foundations was from securities, whereas the primary source of revenue among public charities was from program services.
- Foundations also rely on revenue from contributions. Contributions were the second leading source of revenue in our sample at nearly 27 percent.
- Eighty-three percent of foundation expenses were for charitable contributions, gifts, and grants.

### 2. Management and general expenses among private foundations are low.

- Operating and administrative expenses accounted for 17 percent of our sample of foundations' expenses. This is significantly lower than 25 percent, the baseline used by the federal government to represent an efficient organization.

### 3. Financial performance among Minnesota's sample of 100 private foundations is currently low.

Note: Due to the differences between Form 990 and Form 990-PF, not all of the same financial ratios were used and the calculations were based on different but equivalent lines to the Form 990. With the private foundations, two ratios were changed for measuring survivability, two ratios were removed from the efficiency measurement, and one ratio was changed to measure these organizations' pursuit of supporting their mission goals.

### *Financial Analysis – Survivability*

The survivability of our sample of private foundations was measured by using four financial ratios: a) total revenue divided by total expenses, b) (total revenue minus total expenses) divided by total revenue, c) cash and savings divided by total assets, and d) total securities divided by total assets. These ratios served as a means of analyzing private foundations for short-term survivability and reliance upon uncontrollable revenue for that survival.

- Overall, private foundations failed to meet the short-term survivability test.
- Private foundations had limited protection against fluctuations in their revenue stream.
- The lack of protection against fluctuations in their revenue stream and heavy reliance upon securities for the majority of their revenue makes private foundations heavily tied to systematic changes in the market. As a result, private foundations will be strained to meet expense obligations during extended recessionary periods.

### *Financial Analysis – Efficiency*

Efficiency was composed of one ratio which allowed us to measure the efficiency of achieving revenue using already purchased assets. The ratio used was: (total revenue minus total expenses) divided by total assets.

- Private foundations achieved a return on asset ratio of -.083 which means our sample was currently losing 8 cents on every dollar of assets.

### *Financial Analysis – Mission*

Mission is an assessment of an organization's ability to place funding toward accomplishing mission goals while controlling non-mission related costs. The ratios used in this measure were: a) total operating and administrative expenses divided by total expenses and b) contributions, gifts, and grants paid divided by total assets.

- Private foundations have administrative cost ratios under the baseline and would be considered efficient in controlling these costs.
- Minnesota private foundations contribute more of their assets toward their mission goals than the average private foundation nationally.

### *Factor Analysis*

Factor analysis conducted on our sample of private foundations in Minnesota resulted in one meaningful composite index: Index 3 – Measure of Uncontrolled Revenue to Expenses. It was composed of six ratios, two of which were previously used in our financial analysis. One of these ratios came from the survivability analysis and one came from the efficiency analysis. The additional ratios dealing primarily with contributions were previously not used in our analysis. The ratios used in this measure were: a) total revenue divided by total assets, b) total revenue divided by total expenses, c) (total revenue minus total expenses) divided by total assets, d) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, e) total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets, and f) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue. This index is a measurement of an organization's ability to meet expenses and obligations and a measurement of uncontrollable revenue.

- Private foundations were low on the scale, meaning that they were likely to be unable to meet expense obligations and had a low portion of uncontrollable revenue derived from contributions. This suggests a similar conclusion as that derived from our financial analysis of survivability, efficiency, and mission.

## Recommendations

Based on the findings from our analysis, we offer the following recommendations for consideration.

1. Efforts should be made to leverage resources and experience within the nonprofit sector, especially since resources in the nonprofit sector are highly concentrated.
   - A collaborative dialogue should be developed among nonprofit organizations.
   - A formal collaborative structure should be considered which allows charities and foundations to work collectively in order to improve visibility and efficiencies.

2. A research effort should be undertaken to explore the implications of public charities relying heavily upon contributions, especially those with low efficiency ratios. This will help determine whether long-term survivability or mission goals are likely to be attained when revenue streams fluctuate greatly.
   - Inquiries should be made both within the charities and with the public itself to ascertain whether public interest in specific categories makes a difference in efficiency ratings for contributions.

3. Support systems should be considered to offer technical assistance to nonprofit organizations that are struggling, especially those with low survivability.

4. Nonprofit organizations should be individually analyzed to find in which categories their weaknesses lie (i.e., survivability, efficiency, or mission) and then find a means of addressing these weaknesses so that they can forecast a means of accomplishing their mission goals over an extended period of time without short-term survivability issues driving long-term mission goals.

# Introduction

## PROJECT PURPOSE AND BACKGROUND

The charitable nonprofit sector in Minnesota is a sizeable collection of diverse organizations that are both growing and greatly influencing the lives of people within the state through their support of numerous activities, programs, and initiatives. The impact of the caring society created by nonprofit organizations is far reaching and touches the lives of those in the state through the arts, cultural activities, enhanced health and education, and a host of programs and initiatives. However, the impact of the nonprofit sector is not well understood. Moreover, the extent to which the investment of scarce resources dedicated through charitable means is effectively and efficiently delivered also is not well known. The purpose of this project is to explore ways in which the nonprofit community in Minnesota can be more productive with the same resources. In the research literature, it is suggested that a good starting point is to examine efficiencies within the operating practices of nonprofit organizations. The intent of this study is to analyze data from a sample of nonprofit organizations and foundations in Minnesota to determine what patterns exist with regard to operating efficiencies.

## METHODOLOGY

The data for this study are centered primarily on tax returns. Information was abstracted from nonprofit organizations in Minnesota that submitted tax returns to the Internal Revenue Service (IRS). Data were collected from Form 990 (Return of Organization Exempt From Income Tax) and from Form 990-PF (Return of Private Foundation) available from the IRS Business Master File from the National Center for Charitable Statistics at the Urban Institute. In most cases, the latest year for which data were available are from 2007 and 2008, however, the years range from 1997 to 2009.

The specific information abstracted from the IRS forms was based upon an extensive review of the literature on nonprofit performance and efficiency. Nearly all current research publications on the nonprofit sector utilizing IRS tax forms focus their attention on analysis of the Form 990 used by public charities. Private foundations, which also comprise a notable portion of the nonprofit sector, rely upon Form 990-PF for their IRS filing and reporting. Both public charities and private foundations are discussed in this report; however, the methods of performance analysis had to be altered slightly between the two groups as a result of the differences between the tax forms.

As of September 2009, the National Center for Charitable Statistics provided detailed Form 990 data for 4,544 public charities and 1,168 private foundations in Minnesota with assets of $100,000 or more. The sample used for this study included 100 public charities with assets of $100,000 or more and 100 private foundations with assets of $100,000 or more. The Minnesota public charities were then separated into eight definable categories which were based upon the mission goals of the organizations. For example, charities such as technological institutes would fall under the education category and research and public policy institutions would fall under the public and societal benefit category. Charities for our sample were chosen at random in proportion to the number of organizations in each category out of the 4,544 public Minnesota charities with $100,000 or more in assets. For example, the category of arts had 433 total organizations of $100,000 or more in assets. We determined the proportion that arts represented of the total nonprofit public charities by dividing the total number of arts organizations by the total number of nonprofit organizations (433 divided by 4,544), which was 10 percent. Thus, we determined we would want 10 out of our sample of 100 to come from the arts category. Those 10 organizations were then selected from asset categories using the proportional weight of each asset category. For example, within the arts public charities category, 34 percent of charities have $100,000-249,999 in assets. When you take .34 (percentage of arts charities with $100,000-249,999 in assets) and multiple that by 10 (proportional level of arts charities to all nonprofit public charities) we get three (after rounding). Thus, we randomly selected three charities from the arts category within the range of $100,000-249,999 in assets. We repeated this process with each category until a sampling of 100 total charities was formed which represented a proportional sample of the total Minnesota nonprofit public sector. This sampling process was simpler for the Minnesota private foundations which only took proportional assets into account, since there was less diversity among categories and fewer organizations (1,168 total organizations as the divisor).

Research efforts were guided largely by findings from Bill Bradley and his colleagues who published “The Nonprofit Sector’s $100 Billion Opportunity” in the *Harvard Business Review* in 2003, William Ritchie and colleagues who published “Nonprofit Organization Financial Performance Measurement” in the *Journal of Nonprofit Management and Leadership* in 2003, and Kate Barr who published “Analyzing Financial Information Using Ratios” from the *Nonprofits Assistance Fund* in 2008. Their focus was on examining effectiveness and efficiencies in money flow. Specifically, they examined various ratios such as: a) funds raised to total contributions (i.e., gifts, grants, and similar amounts received), b) percentage of expenses that go to direct services or grants, and c) proportion of expenses spent on fundraising or administrative costs. In brief, they used these ratios to generate financial performance measures.

## FINANCIAL RATIOS

### Public Charities

Ritchie’s design was used to develop 16 financial performance measures for the Minnesota sample of nonprofit organizations. Ratio 1 through Ratio 16 were suggested by Ritchie and colleagues and were calculated using the following line items from IRS tax Form 990: 1b, 1e, 5, 8c (A), 12, 14, 15, 16, 17, 21, 45 (B), 46 (B), 54a (B), 54b (B), and 59 (B). An additional ratio that we included in our analysis, which came from Barr’s article, was the administrative cost ratio (Ratio 17). The 17 ratios are as follows:

**Form 990 - 2007 version**

1. Total revenue available for programs divided by total revenue
   [line 12 – (line 14 + line 15 + line 16)] ÷ line 12
2. Total revenue divided by total assets
   line 12 ÷ line 59 (B)
3. Total revenue divided by total expenses
   line 12 ÷ line 17
4. (Total revenue minus total expenses) divided by total revenue
   (line 12 – line 17) ÷ line 12
5. (Total revenue minus total expenses) divided by total assets
   (line 12 – line 17) ÷ line 59 (B)
6. Net assets (i.e., fund balances) divided by total assets
   line 21 ÷ line 59 (B)
7. Direct public support divided by fundraising expenses
   line 1b ÷ line 15

8. Total revenue divided by fundraising expenses
   line 12 ÷ line 15
9. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
   line 1e ÷ line 17
10. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
    line 1e ÷ line 59 (B)
11. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue
    line 1e ÷ line 12
12. Direct public support divided by total assets
    line 1b ÷ line 59 (B)
13. Return on securities divided by total securities
    line 5 ÷ [line 54a (B) + line 54b (B)]
14. Net gain or loss on sale of securities divided by total securities
    line 8c (A) ÷ [line 54a (B) + line 54b (B)]
15. Cash and savings divided by total assets
    [line 45 (B) + line 46 (B)] ÷ line 59 (B)
16. Total securities divided by total assets
    [line 54a (B) + line 54b (B)] ÷ line 59 (B)
17. (Management and general expenses plus fundraising expenses) divided by total expenses
    (line 14 + line 15) ÷ line 17

In order to do our financial analysis of the ratios, we chose eight ratios from Ritchie's list along with Barr's additional ratio, the administrative cost ratio.

These ratios were chosen because they held the most value in analyzing survivability (Ratios 3, 4, 9, and 11), efficiency (Ratios 7, 8, and 5), and meeting mission goals (Ratios 17 and 1) in the public charities nonprofit sector.

## Private Foundations

Due to the differences between Form 990 and Form 990-PF, not all of the same financial ratios were used in our private foundation analysis (i.e., 10 rather than 16), and the calculations were based on different but equivalent lines to the Form 990. With the private foundations, one additional ratio was added to further measure these organizations' pursuit of supporting their mission goals (Ratio 18). The new lines and corresponding ratios used were:

**Form 990-PF - 2007 version**

2. Total revenue divided by total assets
   line 12 (a) ÷ Part II-line 16 (b)
3. Total revenue divided by total expenses
   line 12 (a) ÷ line 26 (a)
4. (Total revenue minus total expenses) divided by total revenue
   [line 12 (a) – line 26 (a)] ÷ line 12 (a)
5. (Total revenue minus total expenses) divided by total assets
   [line 12 (a) – line 26 (a)] ÷ Part II-line 16 (b)
6. Net assets (i.e., fund balances) divided by total assets
   Part II-line 30 (b) ÷ Part II-line 16 (b)

9. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
   line 1 (a) ÷ line 26 (a)
10. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
    line 1 (a) ÷ Part II-line 16 (b)
11. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue
    line 1 (a) ÷ line 12 (a)
15. Cash and savings divided by total assets
    [Part II-line 1 (b) + Part II-line 2 (b)] ÷ Part II-line 16 (b)
16. Total securities divided by total assets
    [Part II-line 10a (b) + Part II-line 10b (b) + Part II-line 10c (b)] ÷ Part II-line 16 (b)
17. Total operating and administrative expenses divided by total expenses
    line 24 (a) ÷ line 26 (a)
18. Contributions, gifts, and grants paid divided by total assets
    line 25 (a) ÷ Part II-line 16 (b)

In order to do our financial analysis of the ratios, we chose five ratios from Ritchie's list along with Barr's additional ratio, the administrative cost ratio, and Ratio 18.

These ratios were chosen because they held the most value in analyzing survivability (Ratios 3, 4, 15, and 16), efficiency (Ratio 5), and meeting mission goals in the private foundations nonprofit sector (Ratios 17 and 18).

## FACTOR ANALYSIS

### Public Charities

Factor analysis was conducted to identify ratios that were consistent when grouped together. These ratios were combined to create composite measures of performance. In analysis of the sample of Minnesota's public charities, 7 of the original 17 ratios were well suited for groupings. These seven ratios clustered into two basic themes that we labeled: Index 1 – Survivability Measure and Index 2 – Measure of Uncontrolled Revenue. We then assessed the reliability of each of the composite measures using Cronbach's Alpha. Alpha scores range from 0 to 1; the higher the Alpha score, the greater the consistency between our ratios. Scores that reach .70 or higher typically are viewed as stable and reliable indices (i.e., composite measures). To create each composite measure suggested through factor analysis and Cronbach's Alpha, we added the ratios together to develop a composite score that we used as an indicator for the corresponding theme. The indicators that comprised the indexes and their associated Alpha scores for public charities were:

**Index 1 – Survivability Measure** (Ratios 3, 4, 5, and 6); Alpha=.706
- Total revenue divided by total expenses
- (Total revenue minus total expenses) divided by total revenue
- (Total revenue minus total expenses) divided by total assets
- Net assets (i.e., fund balances) divided by total assets

**Index 2 – Measure of Uncontrolled Revenue** (Ratios 9, 10, and 11); Alpha=.792

- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue

The factor analysis process increases the validity of the two measures because the scores are a composite of various indicators rather than a single variable. The two themes we identified serve as the study's performance measures among public charities. We used these performance measures to analyze nonprofit organizations by type, total assets, total revenue, and total expenses. The mean and median values of performance in each category (i.e., type, assets, revenue, and expenses) served as the measures of central tendency for analysis. These measures were used in addition to the financial analysis to determine which characteristics best predict nonprofit performance.

## Private Foundations

In analysis of the sample of Minnesota's private foundations, 6 of the original 18 ratios were well suited for groupings. These six ratios clustered into one basic theme that we labeled: Index 3 – Measure of Uncontrolled Revenue to Expenses. The indicators that comprised the index and its associated Alpha score were:

**Index 3 – Measure of Uncontrolled Revenue to Expenses** (Ratios 2, 3, 5, 9, 10, and 11); Alpha=.686

- Total revenue divided by total assets
- Total revenue divided by total expenses
- (Total revenue minus total expenses) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue

The relatively low Alpha score of .686 means that our overall performance measure for private foundations is not as strong of an index as those which we used for public charities.

# Overview of the Nonprofit Sector in Minnesota

The nonprofit sector in Minnesota is a sizeable collection of diverse organizations that both impacts the state's economy and influences the lives of Minnesota residents. Through ongoing support of numerous programs and initiatives in the arts, community development, health care, education, environment and animal protection, religious services, and retirement trusts, nonprofit organizations continually touch the lives of those in the state. These organizations are commonly categorized into distinct types beginning with whether they are public charity organizations or private foundations. The distinction between whether a charitable organization is considered a public charity or a private foundation comes from how it attains its primary source or sources of funding. The other major distinction is whether the organization actively conducts activity in furtherance of their mission goals or if they financially support other organizations which conduct activity related to their mission goals.

Public charities will generally have active programs for fundraising, contributions from many sources, and actively conduct activities in pursuit of their mission goals. Private foundations will generally have only one major source of funding, primarily one large family or corporate donation. Private foundations provide grants to other charitable organizations and to individuals which meet the desired goal of the private foundation, rather than actively performing activities in pursuit of their mission goal. After separating public charities from private foundations (see http://www.irs.gov/charities/charitable/article/0,,id=137894,00.html), organizations in the nonprofit sector can be even further categorized into a specific type of charity category such as arts, education, or health and medical. The categories used in this study consist of the following eight types of organizations and mission goals (see http://activecause.com/browse/nonprofit/category):

- **Arts:** These nonprofits are dedicated to artistic and cultural excellence and the preservation of accompanying heritage. They include libraries, historical societies, landmark preservation organizations, museums, performing arts, and public broadcasting and media.

- **Education:** These nonprofits help ensure that students have access to educational services and opportunities. They include organizations focused on private elementary and secondary schools, private liberal arts colleges and universities, graduate schools, technological institutes, and other education programs and services.

- **Environment and Animal:** Environmental nonprofits and animal nonprofits would generally be defined as two separate nonprofit categories; however, in Minnesota these two categories are combined. Thus, our sample in Minnesota was composed of both environment and animal public nonprofits. Environmental nonprofits include organizations focused on environmental protection and conservation, as well as botanical gardens, parks, and nature centers. Included in this category then are environmental nonprofits which aim to preserve the environment, promote environmental research, and support conservation efforts. Animal nonprofits include organizations related to domestic and wild animals including animal rights; animal welfare; and animal services, wildlife conservation, non-profit zoos, and aquariums.

- **Health and Medical:** Nonprofits related to health and medical include those actively working to cure diseases; treat the sick and disabled; and promote public awareness of health risks, diseases, and disabilities. They include organizations dealing primarily with diseases and other disorders, medical research, treatment and prevention, and family and patient support.

- **Human Services:** These are nonprofits that offer crucial services to needy people – the hungry, the homeless, children, and the aged. They include children's and family services, youth development, shelters and crisis services, food banks, pantries and soup kitchens, and other social "safety net" services.

- **Public and Societal Benefit:** These nonprofits are dedicated to the defense of civil rights and the promotion of philanthropy and social action. They include organizations focused on advocacy and civil rights, fundraising, research and public policy institutions, community foundations, and housing development.

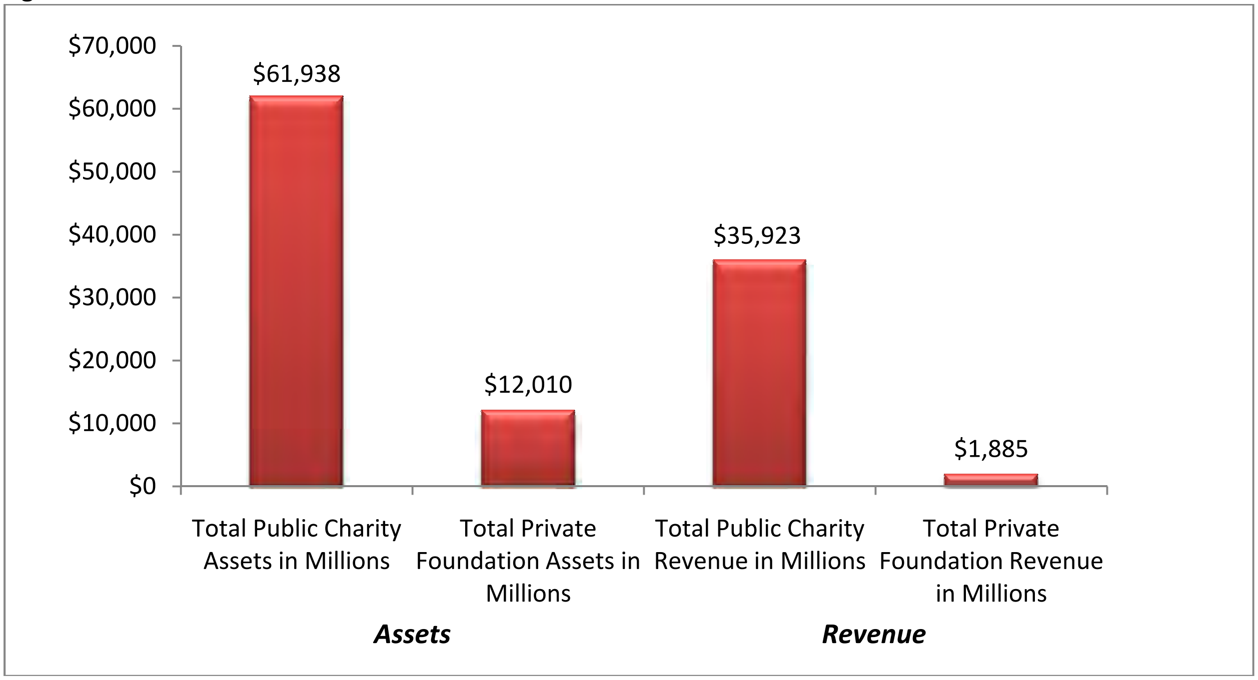
- **Religion:** Religious nonprofits include those that promote religious activity and worship, as well as those that support religious media and broadcasting.

- **Other:** Our "other" category for Minnesota is composed of international, mutual and membership benefit, and unclassified public nonprofits. International organizations work around the world to deliver relief where it is most needed. They include development and relief services, international peace and security, humanitarian relief, and single-country support organizations. Mutual and membership benefit organizations include benefit goals such as retirement funds, self-insurance trusts, and compensation trusts.

Figure 1 is a comparison of the total assets and total revenue from the public charities and private foundations in the nonprofit sector who filed Form 990 or Form 990-PF in Minnesota.

- According to data obtained from the National Center for Charitable Statistics in September 2009, public charities (N=21,167) comprised 63.2 percent of the nonprofit sector in Minnesota. Of these public charities, 8,131 filed Form 990. In contrast, private foundations (N=1,968) comprised 5.9 percent of the nonprofit sector in Minnesota. Of these private foundations, 1,565 filed Form 990-PF (see Figure 1). An additional 10,350 organizations, referred to as "other 501 (c)," comprised 30.9 percent of the nonprofit organizations in Minnesota. The 8,131 public charity and 1,565 private foundation filers were the organizations from which we based our study of nonprofits in Minnesota. In order to further filter our sampling, we chose organizations with assets of $100,000 or more. As of September 2009, the National Center for Charitable Statistics provided detailed Form 990 and Form 990-PF data for 4,544 public charities and 1,168 private foundations in Minnesota with assets of $100,000 or more.
- The value of assets per organization is very similar for public and private organizations, with a mean value of $7,617,459 for public charities and $7,674,439 for private foundations.
- Public charities account for nearly 95 percent of the total revenue generated by the nonprofit sector in Minnesota.

Figure 1. Total Assets and Revenue for Minnesota Public Charities and Minnesota Private Foundations




N=8,131 Public Charities; N=1,565 Private Foundations
Note: Data were obtained through the National Center for Charitable Statistics.

# Public Nonprofits in Minnesota

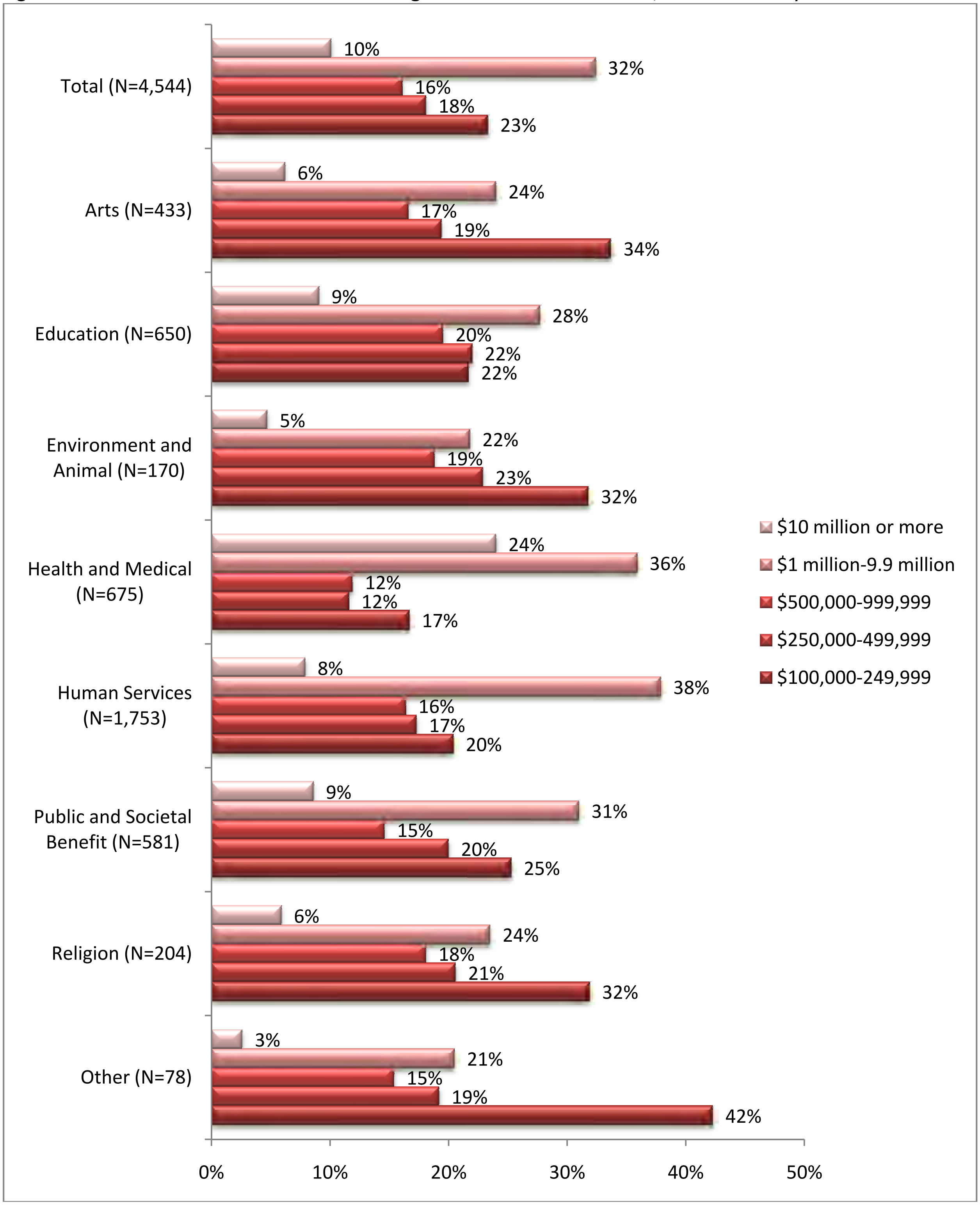
In accordance with the IRS definition of the difference between nonprofit organizations, a charity is determined to be a public charity or a private foundation by where its primary source or sources of funding are attained. If an organization actively performs activities in pursuit of its mission goals, attains funding from multiple sources, and actively conducts activity in furtherance of its mission goals, it is defined as a public charity. In contrast, private foundations generally have only one major source of funding, primarily one large family or corporate donation. Private foundations also provide grants to other charitable organizations and to individuals which meet the desired goal of the private foundation, rather than actively conducting activities in furtherance of its mission goals.

As of September 2009, the National Center for Charitable Statistics provided detailed Form 990 data for 4,544 public charities and 1,168 private foundations in Minnesota with assets of $100,000 or more. The Minnesota public charities were separated into eight definable categories which were based upon the mission goals of the organizations. For example, charities such as technological institutes would fall under the education category and research and public policy institutions would fall under the public and societal benefit category. Charities for our sample were chosen at random in proportion to the number of organizations in each category out of the 4,544 public Minnesota charities with $100,000 or more in assets. For example, the category of arts had 433 total organizations of $100,000 or more in assets. We determined the proportion that arts represented of the total nonprofit public charities by dividing the total number of arts organizations by the total number of nonprofit organizations (433 divided by 4,544), which was 10 percent. Thus, we determined we would want 10 out of our sample of 100 to come from the arts category. Those 10 organizations were then selected from asset categories using the proportional weight of each asset category. For example, within the arts public charities category, 34 percent of charities have $100,000-249,999 in assets. When you take .34 (percentage of arts charities with $100,000-249,999 in assets) and multiple that by 10 (proportional level of arts charities to all nonprofit public charities), we get three (after rounding). Thus, we randomly selected three charities from the arts category within the range of $100,000-249,999 in assets. We repeated this process with each category until a sampling of 100 total charities was formed which represented a proportional sample of the total Minnesota nonprofit public sector.

Figure 2 is a chart of the percentage of organizations lying in each asset class by charity category.

- Ten percent of all public charities have assets of $10 million or more. That proportion is notably higher for health and medical, in which 24 percent have assets of $10 million or more.
- Twenty-three percent of all public charities have assets of $100,000 to $249,999. Public charities in categories such as other, arts, religion, and environment and animal have a higher proportion of charities in this category.
- The largest percentage of public charity organizations are within a range of $1 million to $9.9 million in assets.

Figure 2. All Minnesota Public Charities Categories with Assets of $100,000 or More by Asset Levels

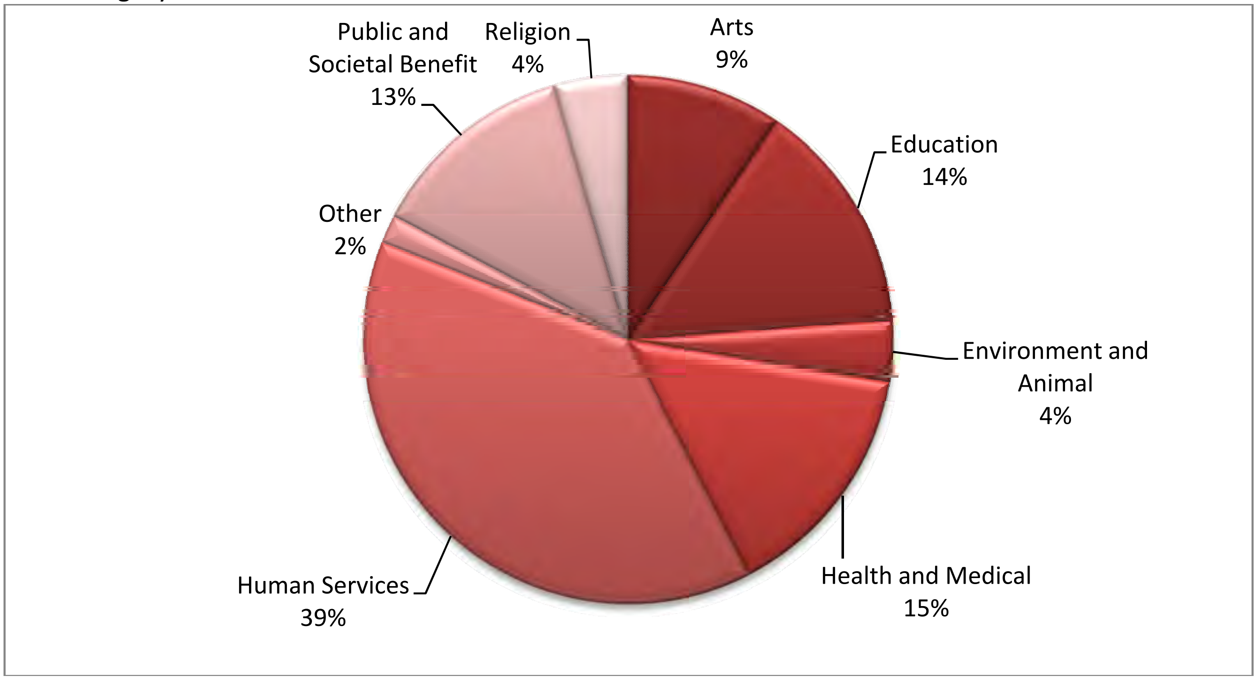



N=4,544

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

Figure 3 is a representation of the proportionate size of each public charity category type. Figure 3 was calculated by taking the number of organizations in each category with assets of $100,000 or more and dividing them by the total number of public charities with assets of $100,000 or more.

Figure 3. All Minnesota Public Charities with Assets of $100,000 or More by Percent of Organizations in Each Category

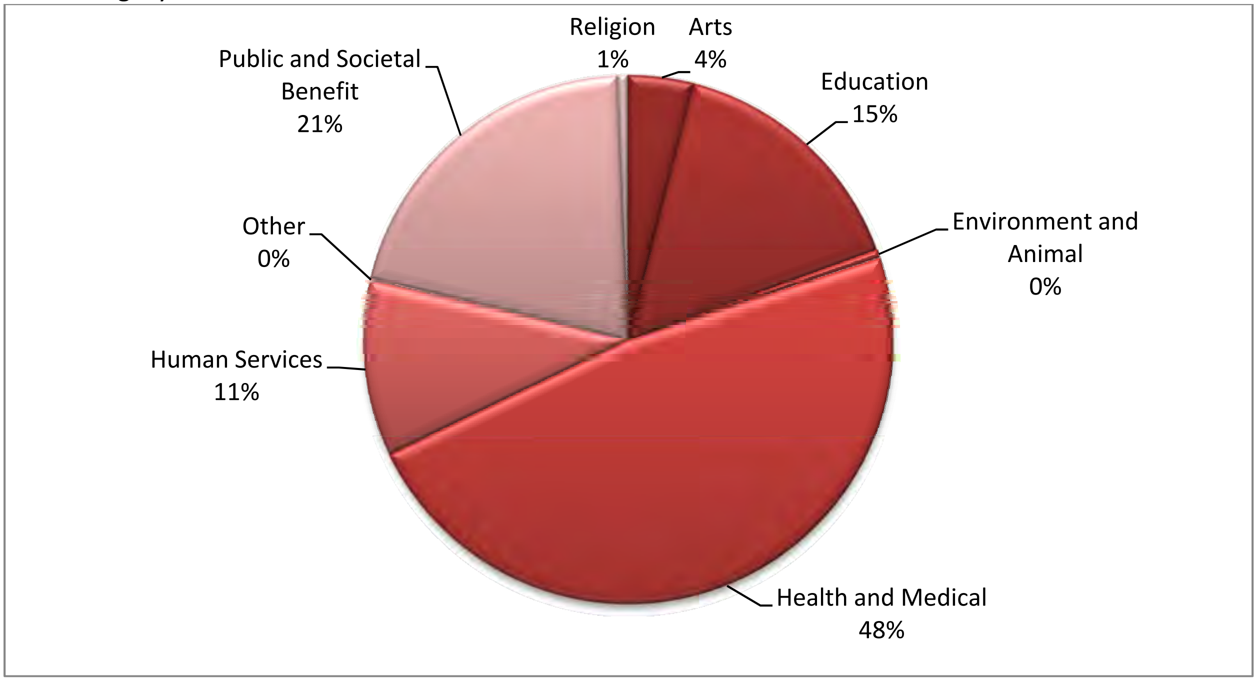



N=4,544

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

The information in Figure 3, the proportionate size of each category type according to number of organizations, can be compared with the proportional level of each category according to assets held as represented in Figure 4 to find the disparities between the numerical size of the public charity category and the amount of assets they hold. After comparing the proportional number of organizations by category to the amount of assets each category holds, we find that large discrepancies exist between the type of charitable organization and the amount of assets they hold. The largest discrepancy lies within the health and medical category, which consists of only 15 percent of the number of public charities but contains 48 percent of the total assets held within the public charity nonprofit sector. These data suggest that the best analysis of the public charities nonprofit sector would be accomplished by analyzing each category individually. This allows for nonprofit organizations within each category to have an accurate baseline for comparison purposes.

Figure 4. All Minnesota Public Charities with Assets of $100,000 or More by Percent of Assets Held in Each Category



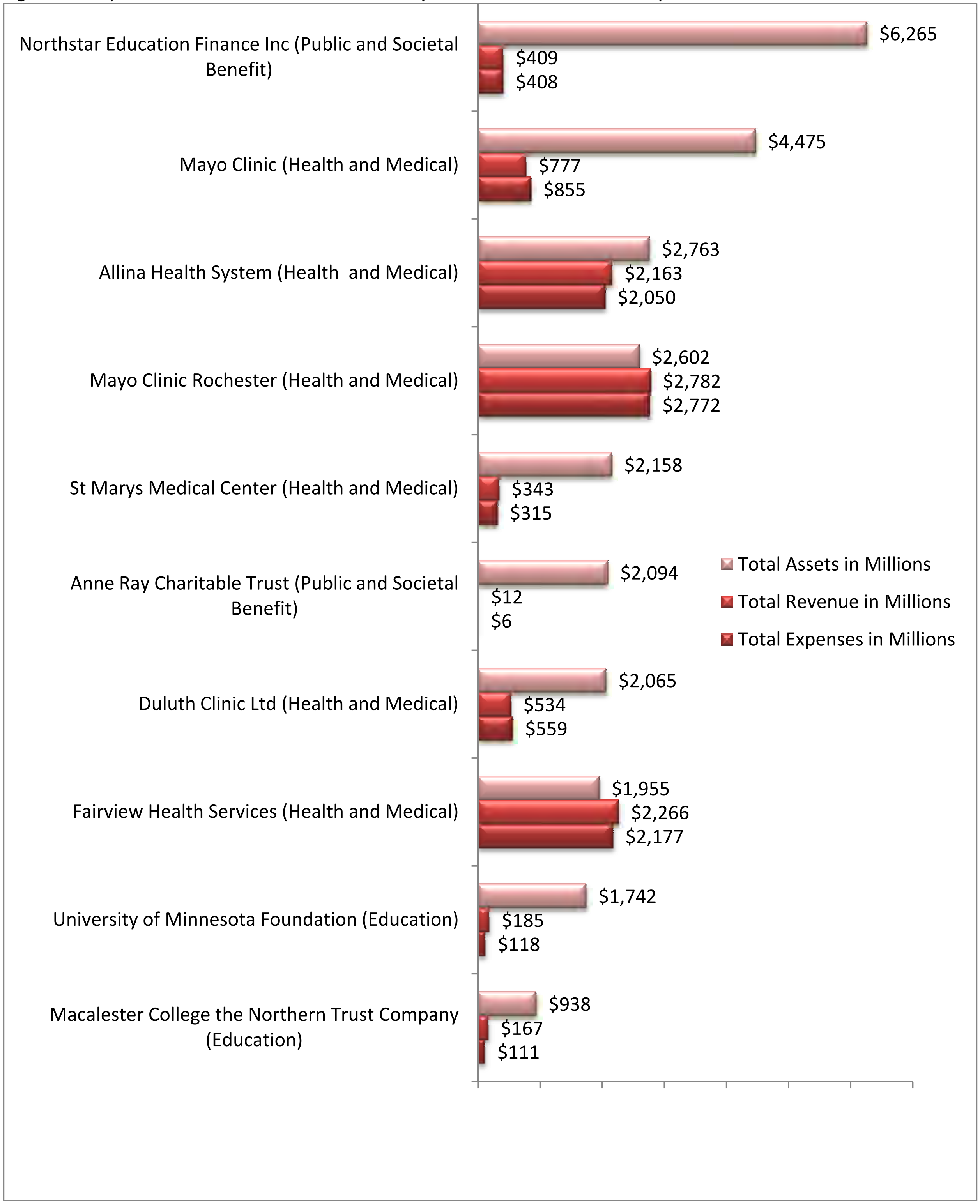

N=4,544

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

Figure 5 provides the total assets, revenue, and expenses of Minnesota's top 10 public charities by asset size.

- Collectively, the top 10 public charities in Minnesota have just over $27 billion in assets or 42 percent of the total assets held by the public nonprofit sector.
- Minnesota's top 10 public charities have collective revenue of $9.6 billion or 28 percent of the total revenue received by the public nonprofit sector.
- The total expenses of the top 10 Minnesota public charities amounts to nearly $9.4 billion.
- The top 10 public charities do not represent a broad cross-section of organizational types. Six of them represent health and medical, two represent public and societal benefit, and two represent education.

Figure 5. Top 10 Minnesota Public Charities by Assets, Revenue, and Expenses




N=10

Note: Data were obtained through the National Center for Charitable Statistics.

## FINANCIAL CHARACTERISTICS OF SAMPLE OF MINNESOTA'S PUBLIC CHARITIES

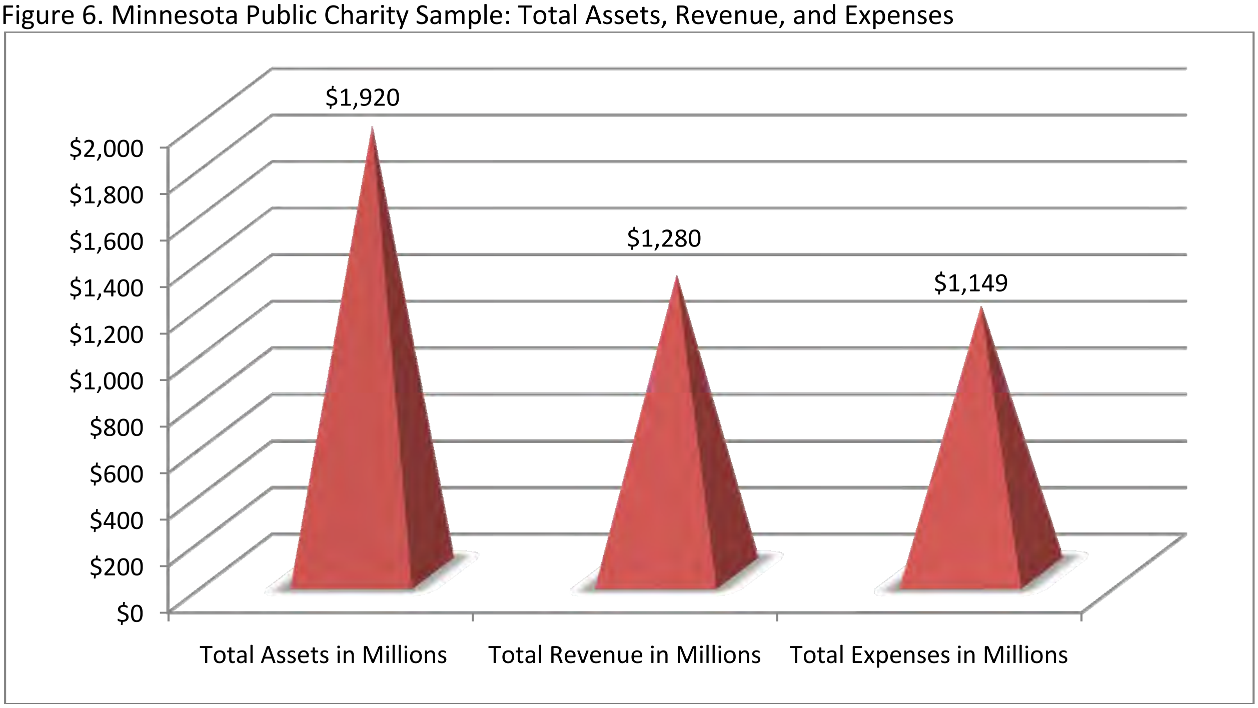
As expressed previously in this study, our research consists of a proportional sampling, by category, of 100 public charities in Minnesota. We chose this method because of the statistical skewing that would have occurred by using only the top public charities by asset size.

By using our sampling of 100 Minnesota public charities, we were able to achieve an accurate portrayal of the Minnesota nonprofit sector without using all 4,544 Form 990s from the public charity sector.

Figure 6 shows the total amounts of assets, revenue, and expenses held by the sample of 100 Minnesota public charities.

- In October 2009, the National Center for Charitable Statistics at the Urban Institute provided 2006-2008 data for 4,544 public charities with assets of $100,000 or more in Minnesota. Collectively, these charities held nearly $62 billion in assets. The sample used in this study includes 100 of these charitable organizations, which combined, hold $1.9 billion of total assets held by all Minnesota public charities.
- The sample used in this study represents 3 percent of the total assets and 4 percent of the total revenue of all Minnesota public charities. They also represent an accurate proportional representation of the public nonprofit sector of Minnesota, both by charity type and asset weights.

Figure 6. Minnesota Public Charity Sample: Total Assets, Revenue, and Expenses




N=100

Note: Data were obtained through the National Center for Charitable Statistics.

## OVERVIEW AND RESULTS OF FINANCIAL RATIOS USED TO ASSESS PUBLIC NONPROFITS

The financial ratios used in the analysis of public nonprofits can be categorized as ratios measuring survivability, efficiency, and mission. These ratios are initially itemized in the Financial Ratios section of the Introduction and the lines listed correspond to the 2007 Form 990.

### Survivability Ratios

The primary concern in the survivability category, as measured by these ratios, is lack of meeting short-term obligations due to revenue fluctuations, and then organizational failure in the long-term due to failure to have greater control of a short-term revenue stream. These ratios should be utilized by the nonprofit sector in finding if they are safe from fluctuations in their revenue stream, and if they are not, where the greatest danger lies. For example, will fluctuations cause a failure in meeting short-term expenses? Will they cause a failure in having excess revenue to place toward mission goals?

3. Total revenue divided by total expenses
   (line 12 ÷ line 17)

   This ratio is utilized for a current survivability check on the organization. In order for an organization to thrive over time, this ratio must be greater than 1. If this number is less than 1, then the organization is unable to meet its expense obligations through its sources of revenue and will inevitably need to sell assets in order to meet expense obligations. If this were to occur over an extended period of time, the organization would not be able to survive. This is an excellent starting point for any financial analysis because it is a great check on the current success or failure of the organization to survive.
4. (Total revenue minus total expenses) divided by total revenue
   (line 12 – line 17) ÷ line 12

   In the for-profit sector, this ratio would be used to find the profit margin the company either has on a specific product line or the entire company. The for-profit companies' benchmark for this ratio depends upon the industry and the products sold, so organizations should compare their ratio in this category to another organization performing the same tasks or selling similar products. If a company were to maintain a higher level than their competition over an extended period of time, this indicates that a company may have a competitive advantage. In the context of the nonprofit sector, this ratio tells us the margin for fluctuations in revenue. The smaller the margin, the more likely fluctuations in uncontrollable revenue sources (such as contributions) are to affect the organization's ability to meet mission goals and expenses.
9. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
   (line 1e ÷ line 17)

   This ratio tells us the percentage of our total expenses covered by contributions (i.e., the percentage of fluctuating revenue necessary to cover short-term obligations). The higher this percentage is, the more likely fluctuations in contributions will negatively affect the organization's ability to meet mission goals and expenses.

11. Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue (line 1e ÷ line 12)

    This ratio tells us the percentage of total revenue derived from uncontrollable sources which may fluctuate from year to year. Thus, the higher the percentage for this ratio, the higher the reliance of the organization upon external sources for revenue and the higher the chance the revenue may not always be available to meet their mission goals or expenses due to fluctuations in the revenue stream.

## Results

On average, public charities overall are self-sustaining, with 75 percent of all charity categories meeting their short-term expense obligations. The human services category is very close to meeting its short-term obligations (Table 1).

On average, public charities overall have a healthy tolerance for fluctuations with a 10.2 percent margin. However, charities in the arts, environment and animal, and human services have a small margin for fluctuations or no margin at all, placing them at high risk for not meeting mission goals during economically difficult times (Table 1).

On average, public charities overall are fairly sustainable, in that a relatively small proportion of their expenses are covered by non-controllable resources. In actuality, this shows how the immense proportion of revenue from program services in the health and medical category can skew the entire public charities sample average. The average for the entire sample is 13.31 percent. The second lowest category for reliance upon contributions is the human services category, with 32.33 percent reliance upon contributions. This is nearly 20 percentage points higher than the entire public charity average. This is a primary example of why organizations must compare themselves to their counterparts within the same charity category for accurate comparison purposes, rather than using the entire nonprofit sector (Table 1).

Public charities also appear to be fairly sustainable, in that a relatively small proportion of their revenue comes from non-controllable resources. Again, this represents the immense proportion of revenue from program services coming from the health and medical category. Once again, human services are the second least reliant category on contributions for revenue. Yet, human services are still 22 percentage points more highly reliant upon contributions for their revenue at 33.77 percent than the entire public charities sample average of 11.95 percent (Table 1).

Table 1. Survivability Ratio Scores for Entire Public Charities Sample by Category

| Type of Charity | Ratio | | | |
|---|---|---|---|---|
| | 3. Total revenue ÷ total expenses | 4. (Total revenue – total expenses) ÷ total revenue | 9. Total contributions ÷ total expenses | 11. Total contributions ÷ total revenue |
| Entire Public Charities Sample (N=100) | 1.11 | .1020 | .1331 | .1195 |
| Arts Public Charities (N=10) | 1.07 | .0645 | .7935 | .7423 |
| Education (N=14) | 1.29 | .2248 | .9551 | .7404 |
| Environment and Animal (N=4) | 1.01 | .0069 | .5085 | .5050 |
| Health and Medical (N=16) | 1.12 | .1045 | .0220 | .0197 |
| Human Services (N=38) | 0.96 | -.0444 | .3233 | .3377 |
| Other (N=1)* | 0.70 | -.4197 | .6537 | .9280 |
| Public and Societal Benefit (N=13) | 1.53 | .3455 | .6492 | .4249 |
| Religion (N=4) | 1.45 | .3117 | .7636 | .5255 |

*Due to the small representation of this category in the sample, caution should be used when broadly interpreting these data. The Other category only represents one single charity so is not an accurate representation of the Other category as a whole but was included for proportional weighting purposes.

## Efficiency Ratios

The primary concern in the efficiency category is concern related to either receiving a return on every dollar spent or receiving a return on assets the organization already possesses. Thus, we see that efficiencies primarily deal with efficiencies in bringing in a revenue stream to support an organization's mission.

7. Direct public support divided by fundraising expenses
   (line 1b ÷ line 15)
   
   This ratio tells us the efficiency of an organization by comparing the funding from direct public support to the amount spent on fundraising. Thus, the ratio can be used as a dollar amount gained per dollar used. For example, if an organization raised $1,000,000 in direct public support through $20,000 in fundraising expenses, they would be considered highly efficient because for every $1 spent, they gained $50.
8. Total revenue divided by fundraising expenses
   (line 12 ÷ line 15)
   
   This ratio is a less focused measurement of the success of fundraising dollars than the direct public support ratio (Ratio 7) because it measures revenue derived from all sources, making it more of a measurement of the awareness of the organization based on fundraising efforts. If one were to think of fundraising dollars as means of raising awareness in general for an organization, and can then attribute revenue raised for the organization to awareness of the organization, we can then measure the efficiency of the awareness per dollar spent for fundraising through this ratio.

5. (Total revenue minus total expenses) divided by total assets
   (line 12 – line 17) ÷ line 59

   This is another measurement frequently used by for-profit businesses and is typically referred to as the "return on assets" ratio. This ratio is utilized to find the percentage return an organization receives per dollar of assets. The ratio's importance lies in telling an organization how efficiently they are using their existing assets. Thus, the higher this ratio, the more efficient the organization is in raising revenue with existing assets. The benchmark for return on assets should be determined by the industry in which the organization lies. However, one should remember the closer this ratio gets to 1 the more efficient their organization is at using existing assets.

## Results

On average, public charities overall are efficient at raising public support through their fundraising efforts, with $7.49 raised for every $1 spent on the fundraising effort. Categories such as the arts, religion, and human services experience a lower than average return on their fundraising dollars, which may reflect levels of public interest. During the period of 2006-2008, an important sector of public interest was in the "green movement" and becoming environmentally friendly; this category had a higher than average fundraising ratio among nonprofit organizations ($23.73). If public interest were to change to arts, such as an increased desire to preserve the past for future generations or a renewed interest in artistic representation, we would likely find a larger fundraising ratio for the arts category and a smaller ratio for the environment and animal category. Further analysis needs to be conducted in order to fully understand the relationship between public interest and fundraising ratios (Table 2).

Public charities, on average, are highly efficient at raising revenue through fundraising efforts, raising $91.96 per $1 spent in fundraising. As expressed previously, this ratio is an abstract measurement, more of revenue raised via public awareness rather than direct effort. Thus, we find health and medical organizations to be highly efficient since every dollar spent increases public awareness of what a health care facility is capable of and thus more likely to be chosen for medical procedures when the time is necessary. The average ratio for all public charities is once again skewed by the large portion of revenue coming from the health and medical field and thus we find only two categories (i.e., health and medical and public and societal benefit) which exceed the average while the remaining categories are significantly lower (Table 2).

Public charities have an average "return on assets" of .068 which lets us know that they utilize their assets fairly efficiently in the pursuit of revenue. It is noteworthy that half of the charitable categories are very low or even negative in this ratio which means that either their assets are not being efficiently utilized or that assets are not being used in the pursuit of revenue. Once again this measurement is best used to understand efficiency when comparing an organization to its categorical counterparts for efficiency (Table 2).

Table 2. Efficiency Ratio Scores for Entire Public Charities Sample by Category

| Type of Charity | Ratio | | |
|---|---|---|---|
| | 7. Direct public support ÷ fundraising expenses | 8. Total revenue ÷ fundraising expenses | 5. (Total revenue – total expenses) ÷ total assets |
| Entire Public Charities Sample (N=100) | 7.49 | 91.96 | 0.068 |
| Arts Public Charities (N=10) | 5.71 | 8.77 | 0.030 |
| Education (N=14) | 12.82 | 25.29 | 0.082 |
| Environment and Animal (N=4) | 23.73 | 75.46 | 0.004 |
| Health and Medical (N=16) | 29.08 | 4,648.31 | 0.081 |
| Human Services (N=38) | 9.07 | 39.64 | -0.017 |
| Other (N=1)* | 0.00 | 0.00 | -0.005 |
| Public and Societal Benefit (N=13) | 44.12 | 119.46 | 0.086 |
| Religion (N=4) | 8.52 | 16.21 | 0.065 |

*Due to the small representation of this category in the sample, caution should be used when broadly interpreting these data. The Other category only represents one single charity so is not an accurate representation of the Other category as a whole but was included for proportional weighting purposes.

## Mission Ratios

Mission ratios are primarily concerned with applying the revenue the organization receives to the proper end goal which is the organization's mission. These ratios generally come under the most scrutiny since they are utilized more by external sources as tests of whether or not a nonprofit organization is meeting its mission. Thus, they should be measured by nonprofit organizations on an annual basis to assess where they fall in comparison to the baseline range for their type of organization.

17. (Management and general expenses plus fundraising expenses) divided by total expenses
    (line 14 + line 15) ÷ line 17

    This ratio is one of the most significant for the nonprofit sector and is referred to as the "administrative cost" ratio. This ratio is a measurement of the cost of an organization's human capital as a percentage of its total expenses. The ratio is highly scrutinized by donors for it tells others how much of an organization's actual expenses are going toward the employees' salaries or revenue raising efforts. Many donors use this ratio as a measure of how much of their contributions actually go toward the intended purpose. Nonprofit organizations with high administrative cost ratios may come under attack by donors who feel the organization spends too much money compensating their employees rather than meeting mission goals. The benchmark of organizations for this ratio would be .25, as used by the federal government for participation in their Combined Federal Campaign in 2003. Thus, 25 percent or less of the non-profit organization's expenses should go toward administrative costs in order for an organization to be considered efficient in controlling these costs (see http://nccsdataweb.urban.org/FAQ/index.php?category=40).

1. Total revenue available for programs divided by total revenue
   [line 12 – (line 14 + 15 + 16)] ÷ line 12
   This ratio is a measurement of the percentage of revenue after expenses that could be used toward the organization's goals. Thus, the higher this ratio, the more likely the nonprofit organization is meeting its mission goals.

## Results

On average, public charities are efficient in meeting their mission, with only 15.49 percent of their expenses going to administrative expenses. Half of the public charity categories have an administrative cost ratio between 20 percent and 29 percent; two categories (i.e., arts and human services) are over the benchmark of 25 percent set by the federal government (Table 3).

The public charities sample has an average of 86.06 percent of its revenue available for programs, making them highly efficient at meeting their mission goals. The lowest category is human services, which has 70.58 percent of its revenue available for programs, making it still highly efficient at meeting its mission goals (Table 3).

While some public charity categories may have difficulties in the sustainability of their organization (i.e., especially during economically difficult times) and they may experience varying levels of efficiency at obtaining funding, they are all highly successful at accomplishing their end mission.

Table 3. Mission Ratio Scores for Entire Public Charities Sample by Category

| | Ratio | | |
|---|---|---|---|
| **Type of Charity** | **17. (Management and General expenses + fundraising expenses) ÷ total expenses** | **1. Total revenue available for programs ÷ total revenue** | **Benchmark defined by federal government**** |
| Entire Public Charities Sample (N=100) | .1549 | .8606 | .25 |
| Arts (N=10) | .2808 | .7350 | .25 |
| Education (N=14) | .1704 | .8679 | .25 |
| Environment and Animal (N=4) | .2130 | .7885 | .25 |
| Health and medical (N=16) | .1350 | .8791 | .25 |
| Human Services (N=38) | .2816 | .7058 | .25 |
| Other (N=1)* | 1.0000 | -.4197 | .25 |
| Public and Societal Benefit (N=13) | .1216 | .9101 | .25 |
| Religion (N=4) | .2318 | .8405 | .25 |

*Due to the small representation of this category in the sample, caution should be used when broadly interpreting these data. The Other category only represents one single charity so is not an accurate representation of the Other category as a whole but was included for proportional weighting purposes.

**Used by the federal government for participation in their Combined Federal Campaign in 2003.

## FINANCIAL ANALYSIS OF SAMPLE OF MINNESOTA'S PUBLIC CHARITIES BY TYPE OF ORGANIZATION

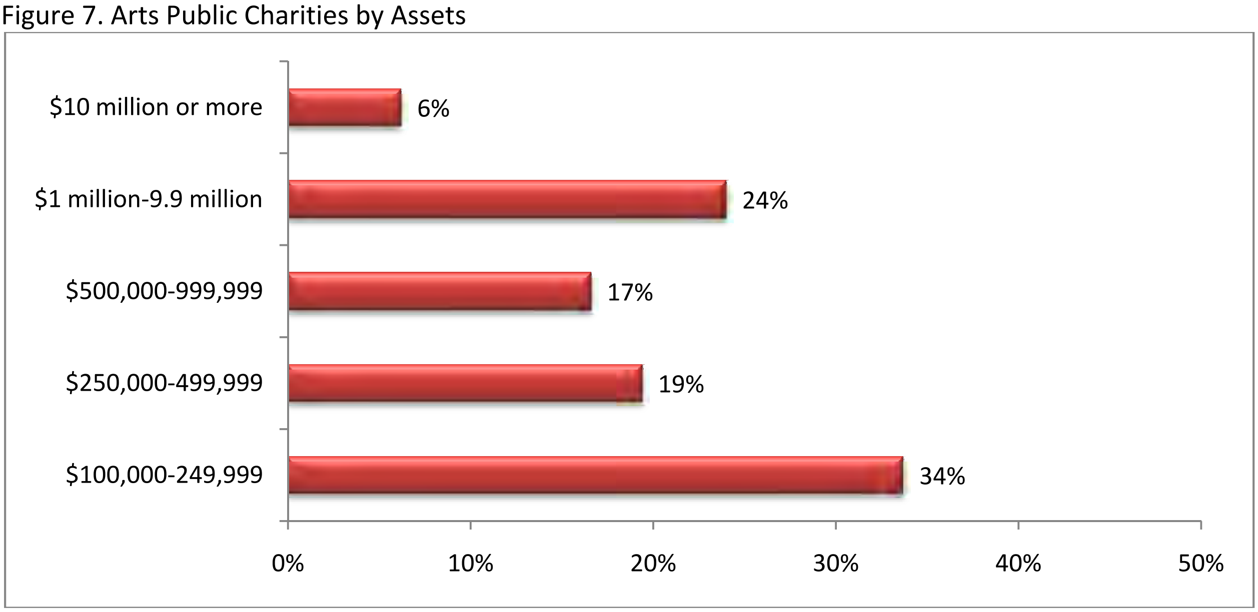
### Type of Organization = Arts

As previously mentioned, arts nonprofits are dedicated to artistic and cultural excellence and the preservation of accompanying heritage. They include libraries, historical societies, landmark preservation organizations, museums, performing arts, and public broadcasting and media. This public charity category is defined by reliance upon contributions for the majority of revenue, yet also possesses one of the lowest efficiency ratings for attaining contributions. Arts public charities are likely to have major difficulties with revenue streams during economic hard times since donations are likely to diminish. Thus, it is recommended they keep enough cash and savings to cover fixed expenses for a lengthy period of time.

As shown in Figure 7, the distribution of assets for arts public charities is as follows.

- 6 percent of arts charities have $10 million or more in assets
- 24 percent of arts charities have assets of $1 million-9.9 million
- 17 percent of arts charities have assets of $500,000-999,999
- 19 percent of arts charities have assets of $250,000-499,999
- 34 percent of arts charities have assets of $100,000-249,999

Figure 7. Arts Public Charities by Assets




N=433

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Arts Public Charities

Table 4. Survivability Ratio Scores for Entire Public Charities Sample and Arts Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | **Entire Public Charities Sample* N=100** | **Arts Public Charities N=10** |
| 3. Total revenue ÷ total expenses | 1.11 | 1.07 |
| 4. (Total revenue − total expenses) ÷ total revenue | .1020 | .0645 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .7935 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .7423 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

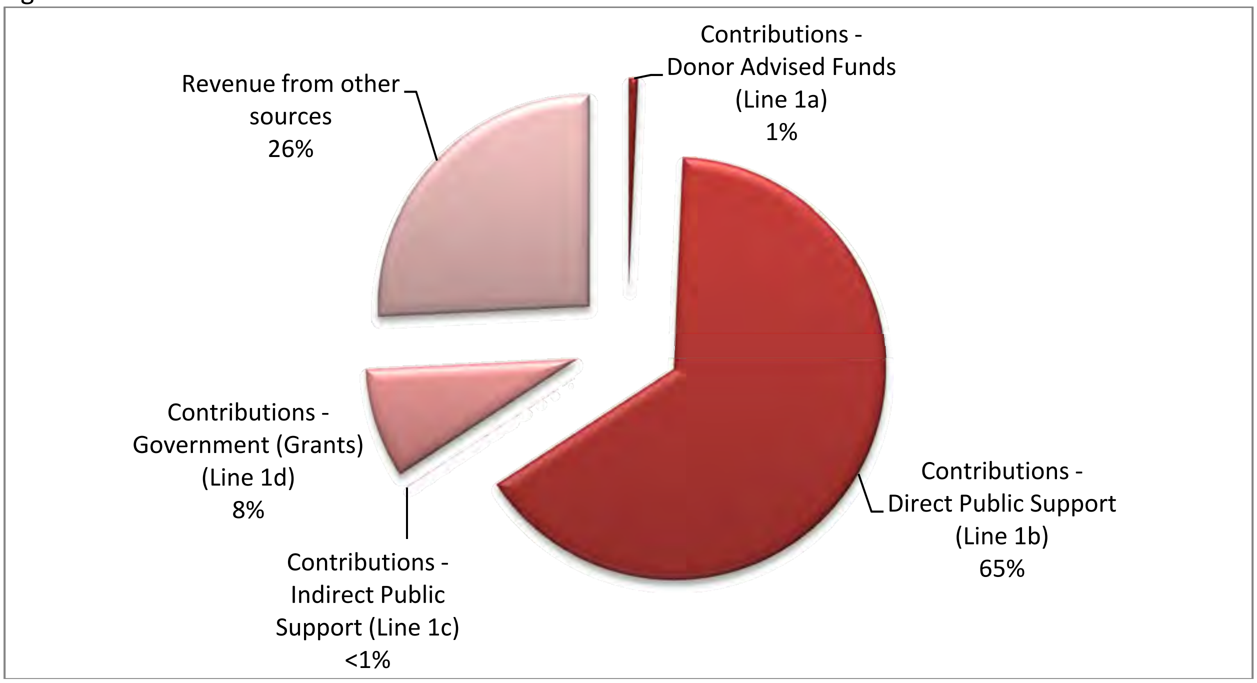
From the standpoint of survivability some of the most important financial aspects to investigate for nonprofit organizations are revenue compared to expenses and contributions compared to expenses and revenue.

The starting point of any financial analysis should begin in analyzing whether an organization is able to meet its short-term expenses. The first ratio to analyze reflects the general short-term health of the organization and is calculated by dividing the total revenue by the total expenses (Ratio 3). In the arts public charities, we find this ratio to be 1.07. Since this is greater than 1, we know that the arts organizations have more revenue than expenses. In order to find the excess revenue that could be utilized in growing the organization, put toward the organization's mission, or serve as protection for fluctuations in revenue, we must deduct expenses from total revenue and divide this total by total revenue (Ratio 4). We find that the arts public charity sector, overall, has a profit margin of 6.45 percent. This finding suggests that arts public charities are able to meet their expense obligations but they have a worse than average margin for fluctuations in their revenue streams, making them likely to experience funding issues if their primary revenue sources are from uncontrollable sources.

In order to find the stability of arts charities from possible fluctuations in revenue which may cause failure in meeting expense obligations due to a small profit margin, we need to find how dependent charities are upon uncontrollable sources of revenue. By dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9), we get a percentage of reliance on outside sources for survivability. The higher this ratio is the more reliant an organization is upon outside sources and the more likely they are to experience funding issues and revenue stream fluctuations during economic hard times. For the arts category, this ratio is 79.35 percent and indicates high reliance on outside funding in order to meet expenses.

Ratio 11 provides us with a further understanding of how reliant arts public charities are on outside sources for funding. We find that 74.23 percent of the total revenue stream for arts public charities is provided through contributions. Figure 8 is a graphical representation of the percentages of total revenue provided by each contribution category. The majority of these contributions come from direct public support (65 percent), making the arts even more affected by the economic environment and susceptible to high levels of fluctuations in their revenue stream.

Figure 8. Source of Revenue for Arts Public Charities in Minnesota




N=10
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Arts Public Charities

Table 5. Efficiency Ratio Scores for Entire Public Charities Sample and Arts Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | **Entire Public Charities Sample* N=100** | **Arts Public Charities N=10** |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 5.71 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 8.77 |
| 5. (Total revenue − total expenses) ÷ total assets | 0.068 | 0.030 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

One way to measure the level of efficiency among arts public charities is by determining the amount of revenue they receive from contributions relative to their cost to generate donations (Ratio 7). This measure can be accompanied by another ratio which compares the cost of fundraising to revenue (Ratio 8). In these ratios, the higher the number, the greater the efficiency. Overall, the arts organizations are inefficient in respect to other nonprofit categories at fundraising, spending $1 to raise on average $5.71 in direct public support and $8.77 in total revenue.

Another primary ratio used in analyis is the return on asset ratio (Ratio 5). This ratio is used in finding out how efficient an organization is in utilizing existing assets in the production of revenue. The higher the ratio, the greater the revenue produced by each asset. In arts public charities, the ratio is .030, meaning that for every dollar of assets, there is a return of 3 cents.

## Mission: Arts Public Charities

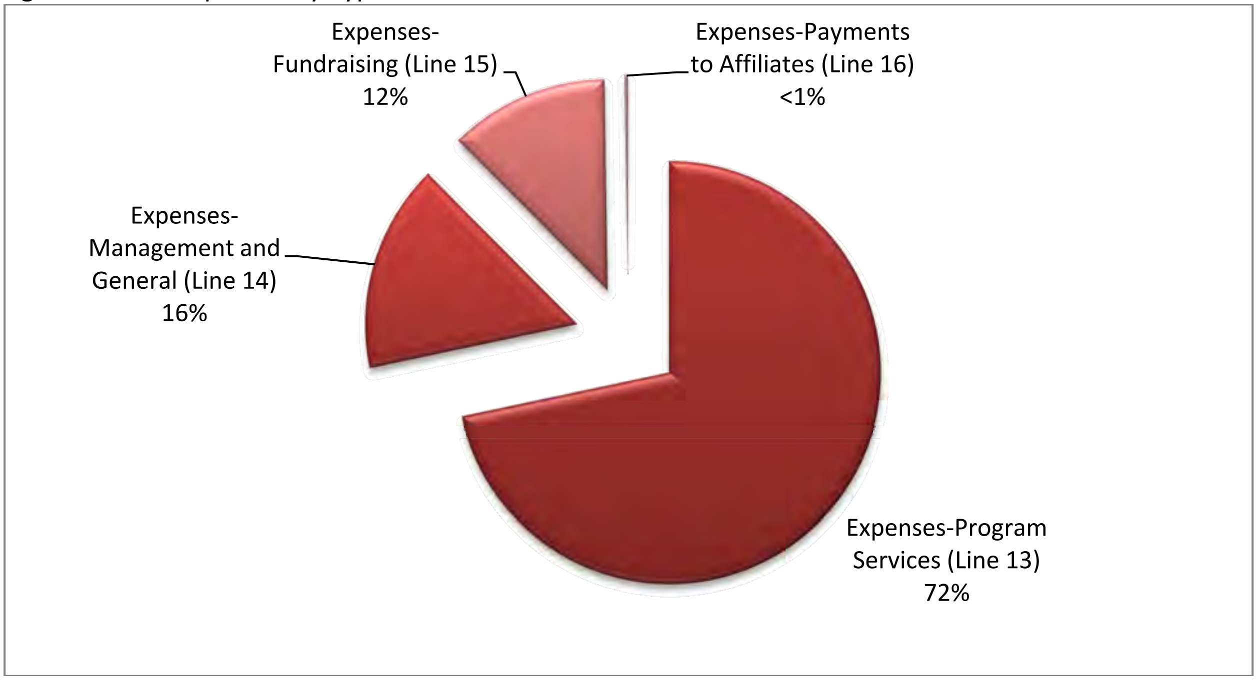
Table 6. Mission Ratio Scores for Entire Public Charities Sample and Arts Public Charities

| Ratio | Type of Charity | | Benchmark defined by the federal government** |
|---|---|---|---|
| | Entire Public Charities Sample* N=100 | Arts Public Charities N=10 | |
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .2808 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .7350 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.
**Used by the federal government for participation in their Combined Federal Campaign in 2003.

Another approach to analyzing arts public charities is by examining the current expense ratios which offer one way to understand the major expenses of the public charity category. Figure 9 provides an overview of the distribution of expenses. One can argue that the larger the percentage of expenses going toward program services is, the better that public charity is meeting its mission goals. In arts public charities we find that 72 percent of expenses go toward program services, and thus they appear to meet mission goals.

Figure 9. Total Expenses by Type for Arts Public Charities in Minnesota




N=10

Note: Data were obtained through the National Center for Charitable Statistics.

The most significant ratio for nonprofits may be the administrative cost ratio. The administrative cost ratio is figured by adding together the management and general expenses to the fundraising expenses and dividing this by the total expenses (Ratio 17). From this ratio you find the efficiency of the organization in running its most controllable expenses which do not go toward the mission goal. Thus, this ratio is highly scrutinized by donors and other external entities. The arts public charities have an administrative cost ratio of 28.08 percent, which means that nearly three-tenths of the total expenses for the arts go into administrative costs.

Because there are many components which make up an organization's mission goals, it is difficult to measure mission in financial terms. A leading financial measurement for mission goals, because it captures the capabilities of an organization to meet monetary mission goals, is the amount of revenue available to directly support organizational programs. The ratio is calculated by dividing the total revenue available for programs by total revenue (Ratio 1). A higher ratio means more money is available to meet monetarily driven mission goals. In the case of arts public charities, the percentage is 73.5 percent.

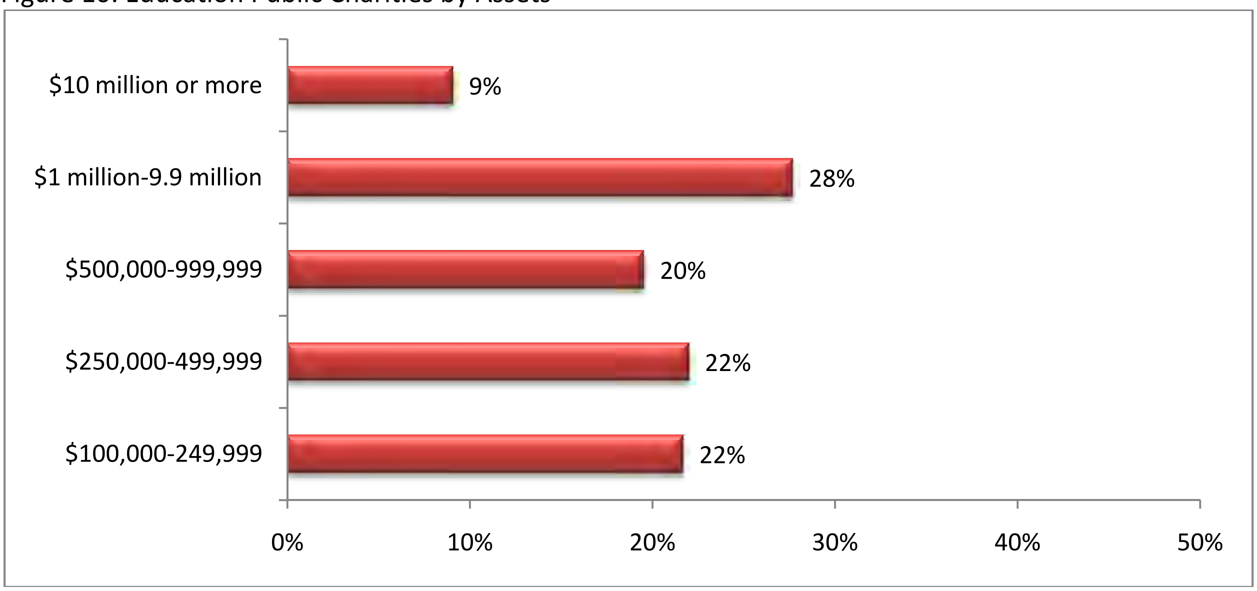
## Type of Organization = Education

As previously mentioned, education nonprofits are dedicated to ensuring that students have access to educational services and opportunities. They include organizations focused on private elementary and secondary schools, private liberal arts colleges and universities, graduate schools, technological institutes, and other education programs and services. This public charity category is heavily reliant on contributions for the majority of its revenue, and possesses a greater than average level of efficiency rating for attaining contributions. While education public charities are likely to have fluctuations with revenue streams during economic hard times, since donations are likely to diminish, they also possess a large margin of protection against fluctuations. Nonetheless, it is recommended to keep enough cash and savings to cover fixed expenses for a short period of time.

As shown in Figure 10, the distribution of assets for education public charities is as follows.

- 9 percent of education charities have $10 million or more in assets
- 28 percent of education charities have assets of $1 million-9.9 million
- 20 percent of education charities have assets of $500,000-999,999
- 22 percent of education charities have assets of $250,000-499,999
- 22 percent of education charities have assets of $100,000-249,999

Figure 10. Education Public Charities by Assets




N=650

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Education Public Charities

Table 7. Survivability Ratio Scores for Entire Public Charities Sample and Education Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | Entire Public Charities Sample* N=100 | Education Public Charities N=14 |
| 3. Total revenue ÷ total expenses | 1.11 | 1.29 |
| 4. (Total revenue − total expenses) ÷ total revenue | .1020 | .2248 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .9551 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .7404 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

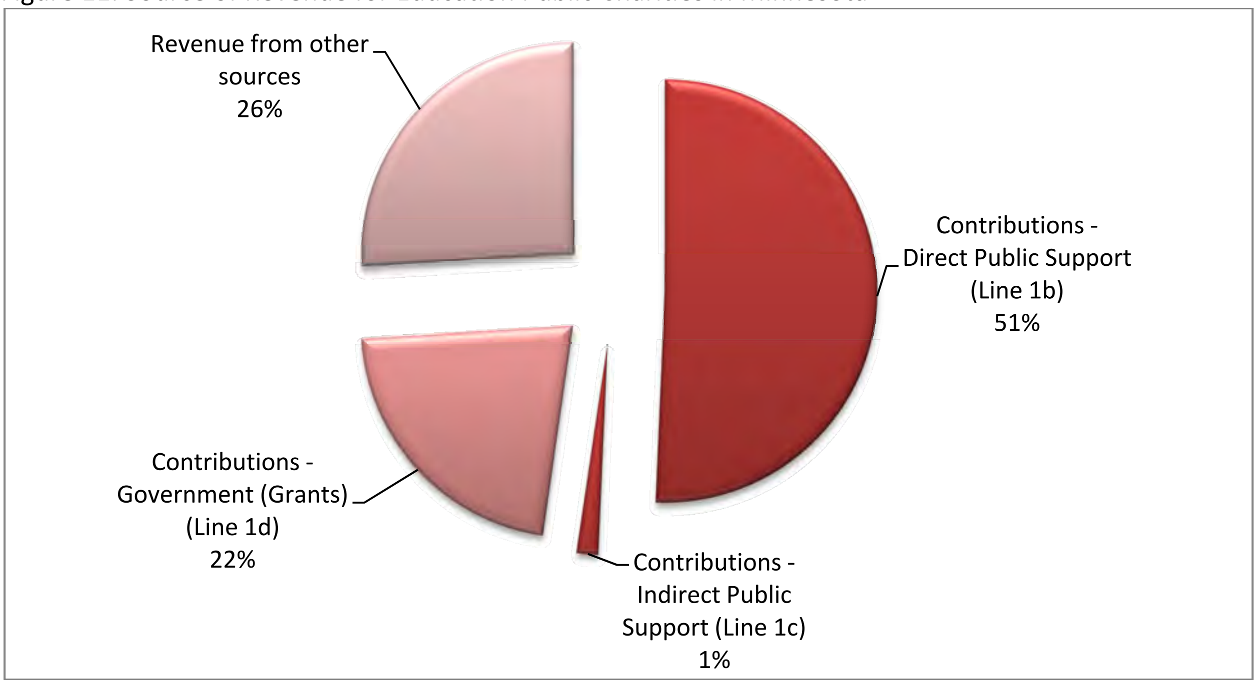
As mentioned in the previous discussion regarding arts public charities, from the standpoint of survivability, some of the most important financial aspects to investigate for nonprofit organizations are revenue compared to expenses and contributions compared to expenses and revenue.

Also as previously mentioned, the starting point of any financial analysis should be to analyze whether an organization is able to meet its short-term expenses. The first ratio to analyze reflects the general short-term health of the organization and is calculated by dividing the total revenue by the total expenses (Ratio 3). In the education public charities, we find this ratio to be 1.29. Since this is greater than 1, we know that education organizations have more revenue than expenses. In order to find the excess revenue that could be utilized in growing the organization, put toward the organization's mission, or serve as protection for fluctuations in revenue, we must deduct expenses from total revenue and divide this total by total revenue (Ratio 4). We find that the education public charity sector, overall, has a profit margin of 22.48 percent. The findings suggest that education public charities are able to meet their expense obligations and they have a large margin for protection from fluctuations in their revenue streams, making them likely to be financially secure and able to meet expenses and mission goals even during economically difficult times.

In order to find the stability of education charities from possible fluctuations in revenue we need to find how dependent these charities are upon uncontrollable sources of revenue. This can be obtained by dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9). The higher this ratio is the more reliant an organization is upon outside sources and the greater the likelihood they are to experience funding issues and revenue stream fluctuations during economic hard times. This ratio is 95.51 percent for the education category and indicates a high reliance on external funding to meet expenses.

The ratios provide us with a further understanding of education public charities' reliance upon outside sources for funding. We find that 74.04 percent of the total revenue stream for education public charities is obtained through contributions (Ratio 11). Figure 11 is a graphical representation of the revenue stream by category. The majority of these contributions come from direct public support (51 percent). Since public support is susceptible to high levels of fluctuations due to shifting economic circumstances, the funding of education charities are heavily reliant on uncontrollable funding. However, as noted previously, education charities also have a high profit margin protecting them against catastrophe when these fluctuations occur.

Figure 11. Source of Revenue for Education Public Charities in Minnesota




N=14
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Education Public Charities

Table 8. Efficiency Ratio Scores for Entire Public Charities Sample and Education Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | Entire Public Charities Sample* N=100 | Education Public Charities N=14 |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 12.82 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 25.29 |
| 5. (Total revenue − total expenses) ÷ total assets | 0.068 | 0.082 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

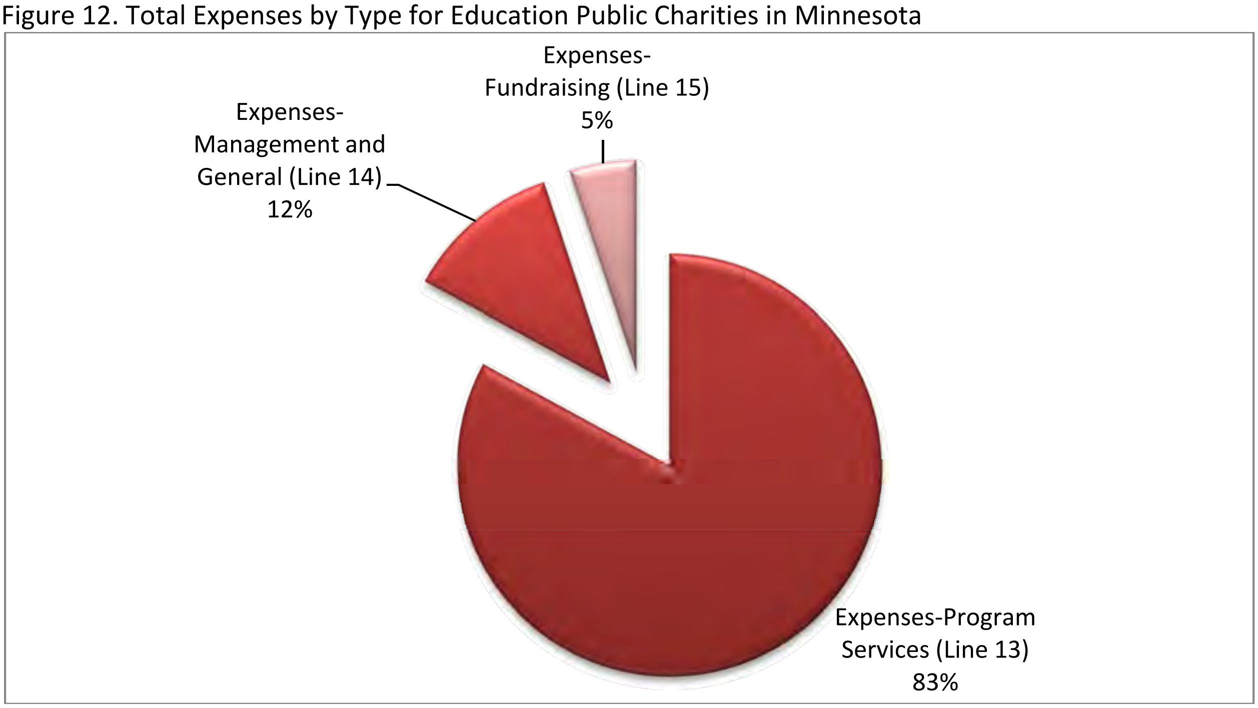
The efficiency of education public charities at receiving contributions can be assessed by comparing the cost of fundraising to the the cost of receiving direct public contributions (Ratio 7) and total revenue (Ratio 8). These two ratios represent what the average return will be for each dollar spent on fundraising. The higher the ratio the greater the efficiency. Overall, education organizations are efficient at fundraising, spending $1 to raise on average $12.82 in direct public support and $25.29 in total revenue.

Another approach to examine efficiency in fundraising is to use assets instead of revenue (Ratio 5). This ratio shows how efficient an organization is in utilizing existing assets in the production of revenue. The higher the ratio, the greater the revenue produced by each asset. In education public charities, the ratio is .082, meaning that for every dollar of assets there is a return of 8 cents. This makes it the second most efficient public charity category in the efficient utilization of existing assets.

## Mission: Education Public Charities

Next, current expense ratios are analyzed to explore the distribution of expenses among education public charities. Figure 12 shows how well these charities are meeting their mission goals. The larger the percentage of expenses going toward program services, the more likely they are meeting their mission. In education public charities we find that 83 percent of expenses go toward program services and thus they appear to be vigilant in meeting mission goals.

Figure 12. Total Expenses by Type for Education Public Charities in Minnesota




N=14

Note: Data were obtained through the National Center for Charitable Statistics.

Table 9. Mission Ratio Scores for Entire Public Charities Sample and Education Public Charities

| Ratio | Type of Charity: Entire Public Charities Sample* N=100 | Type of Charity: Education Public Charities N=14 | Benchmark defined by the federal government** |
|---|---|---|---|
| 17. (Management and General expenses + fundraising expenses) ÷ total expenses | .1549 | .1704 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .8679 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.
**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The most significant ratio for nonprofits may be the administrative cost ratio. The administrative cost ratio is figured by adding together the management and general expenses to the fundraising expenses and dividing this by the total expenses (Ratio 17). From this ratio you find the efficiency of the organization in running its most controllable expenses which do not go toward the mission goal. Thus, this ratio is highly scrutinized by donors and other external entities. The education public charities have an administrative cost ratio of 17.04 percent, making it one of the lowest categories in this ratio and highly efficient at keeping these costs low.

There are many components which contribute to an organization's mission goals, thus it is difficult to measure in financial terms. However, a key financial measurement for mission goals is the amount of revenue available to directly support organizational programs. This ratio is calculated by dividing the total revenue available for programs by total revenue (Ratio 1). The larger this ratio is the greater the availability of money to meet monetarily driven mission goals. In the case of education public charities, the percentage is 86.79 percent, placing it on par with health and medical charities as well as public and societal benefit charities in the amount of revenue available for meeting their missions.

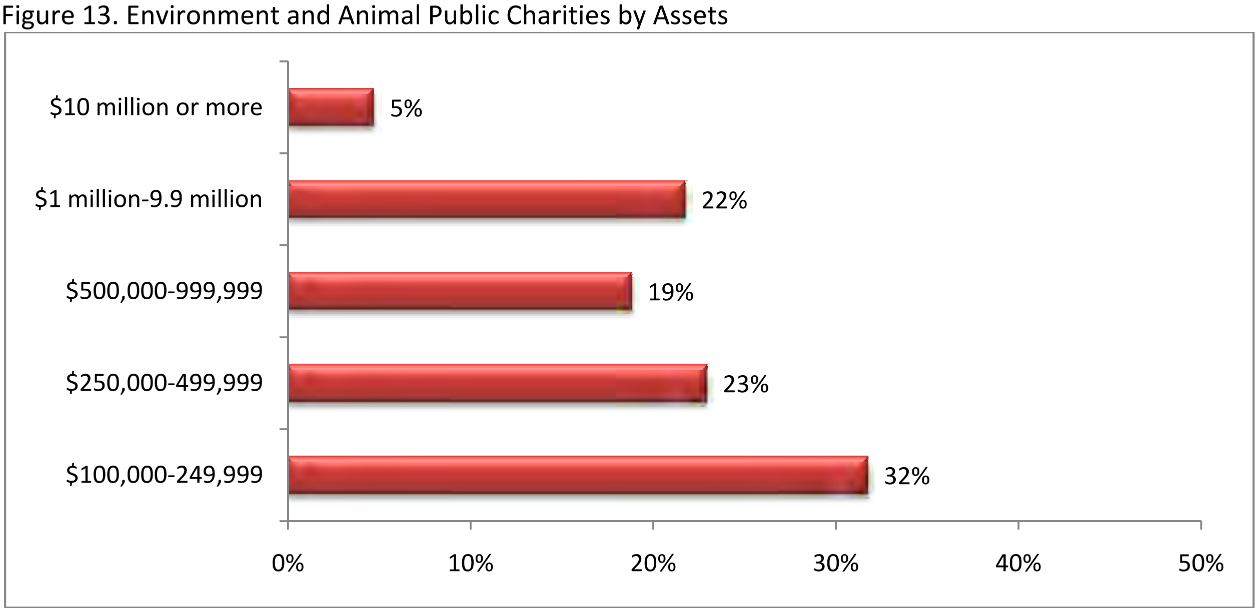
## Type of Organization = Environment and Animal

As previously mentioned, environmental nonprofits and animal nonprofits would generally be defined as two separate nonprofit categories; however, in Minnesota these two categories are combined. Thus, our sample in Minnesota was composed of both environment and animal public nonprofits. Environmental nonprofits aim to preserve the environment, promote environmental research, and support conservation efforts. They include organizations focused on environmental protection and conservation, as well as botanical gardens, parks, and nature centers. Animal nonprofits include animal rights, animal welfare, and animal services; wildlife conservation; non-profit zoos; and aquariums. This public charity category is defined by a relatively low reliance upon contributions (i.e., roughly one-half of revenue) and has a high efficiency rating for attaining contributions. Environment and animal public charities appear likely to not have major difficulties with revenue streams for expenses during economic hard times since they contribute a large portion of their own revenue. However, with their low margin for fluctuations they are highly likely to experience major fluctuations in their revenue stream derived from contributions. In this situation, it is recommended that enough cash and savings are maintained to cover fixed expenses for short periods. This will avoid the need for long-term mission decisions based on short-term fluctuations in the revenue stream.

As shown in Figure 13, the distribution of assets for environment and animal public charities is as follows.

- 5 percent of environment and animal charities have $10 million or more in assets
- 22 percent of environment and animal charities have assets of $1 million-9.9 million
- 19 percent of environment and animal charities have assets of $500,000-999,999
- 23 percent of environment and animal charities have assets of $250,000-499,999
- 32 percent of environment and animal charities have assets of $100,000-249,999

Figure 13. Environment and Animal Public Charities by Assets




N=170

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Environment and Animal Public Charities

Table 10. Survivability Ratio Scores for Entire Public Charities Sample and Environment and Animal Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | Entire Public Charities Sample* N=100 | Environment and Animal Public Charities N=4 |
| 3. Total revenue ÷ total expenses | 1.11 | 1.01 |
| 4. (Total revenue − total expenses) ÷ total revenue | .1020 | .0069 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .5085 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .5050 |

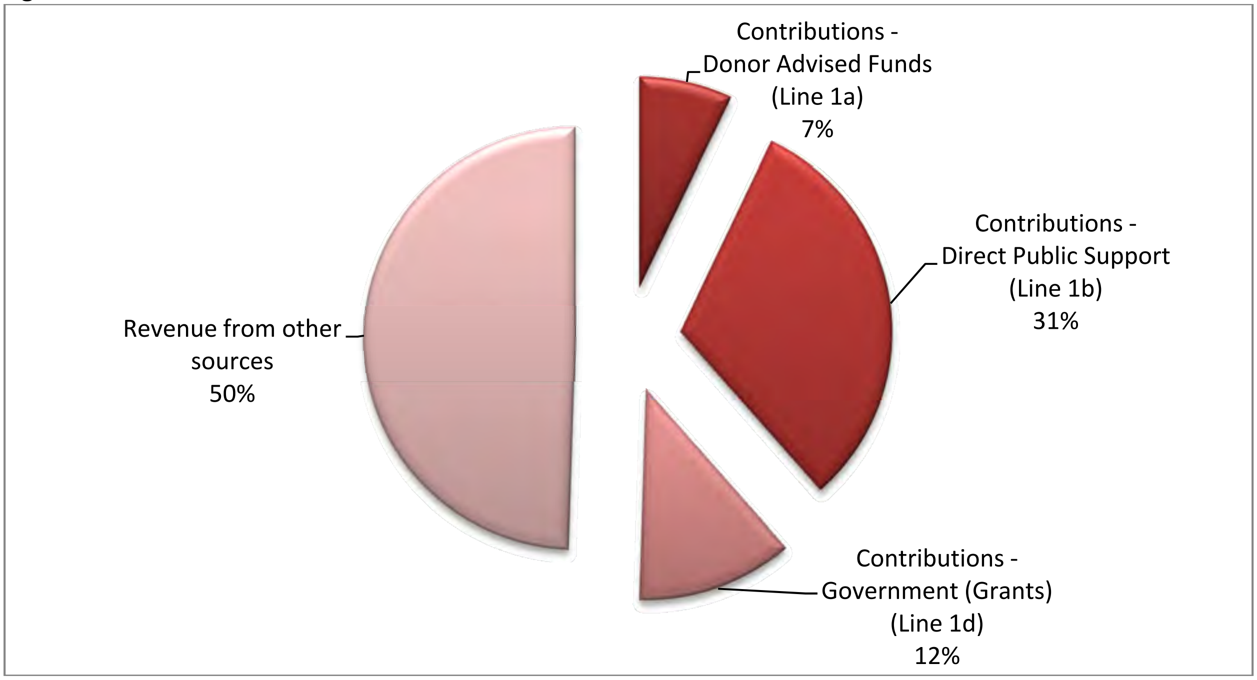
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

An examination of survivability will again investigate the relationship between revenue compared to expenses and contributions compared to expenses and revenue. This determines whether an organization is able to meet its short-term expenses. The first ratio reflects the general short-term health of the organization and is calculated by dividing the total revenue by the total expenses (Ratio 3). In the environment and animal public charities, we find this ratio to be 1.01. Since this is greater than 1, we know that environment and animal organizations have more revenue than expenses. Excess revenue, an assessment of growth potential or protection for fluctuations in revenue, is calculated by deducting expenses from total revenue and then dividing this total by total revenue (Ratio 4). We find that the environment and animal public charity sector, overall, has a profit margin of .69 percent. The findings suggest that environment and animal public charities are able to meet their expense obligations, but they have a worse than average margin for fluctuations in their revenue streams. This makes them likely to experience funding issues if their revenue streams are too reliant on uncontrollable sources.

The stability of environment and animal charities from possible fluctuations in revenue can be found by dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9). This shows the degree to which the charity is reliant on outside sources for survivability. The higher the ratio, the more reliant the organization is upon outside sources and the greater the likelihood they are to experience funding issues and revenue stream fluctuations during economic hard times. For the environment and animal category, this ratio is 50.85 percent, which shows a relatively low reliance in the environment and animal category for outside funding in order to meet their expenses.

Ratio 11 provides us with a further understanding of environment and animal public charities' reliance upon outside sources for funding. We find that 50.5 percent of the total revenue stream for environment and animal public charities is obtained through contributions. Figure 14 illustrates the percentages of total revenue obtained by each contribution category. The largest portion of these contributions come from direct public support (31 percent), which creates greater vulnerability to changes in the economic environment. These charities are more susceptible to high levels of fluctuations in the uncontrollable portion of their revenue stream, especially when combined with the low margin for fluctuations.

Figure 14. Source of Revenue for Environment and Animal Public Charities in Minnesota




N=4

Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Environment and Animal Public Charities

Table 11. Efficiency Ratio Scores for Entire Public Charities Sample and Environment and Animal Public Charities

| | Type of Charity | |
|---|---|---|
| Ratio | Entire Public Charities Sample* N=100 | Environment and Animal Public Charities N=4 |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 23.73 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 75.46 |
| 5. (Total revenue − total expenses) ÷ total assets | 0.068 | 0.004 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

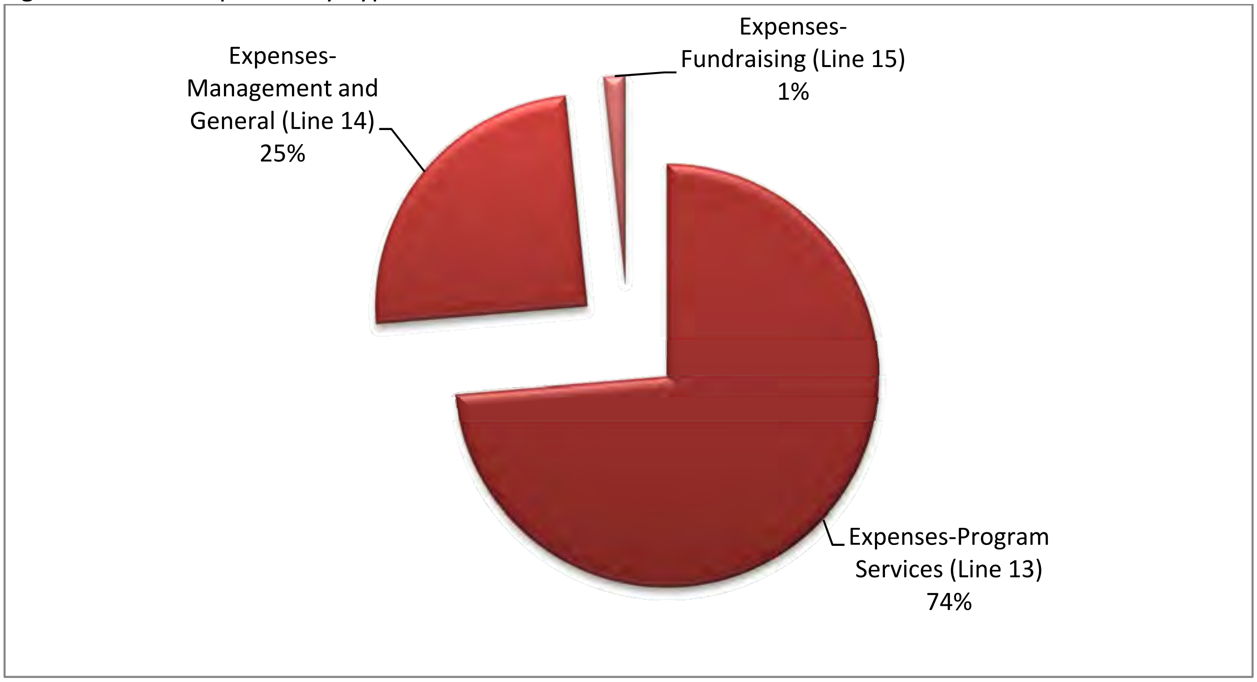
The efficiency of environment and animal public charities in receiving contributions is determined by comparing the cost of fundraising to the the cost of receiving direct public contributions (Ratio 7) and total revenue (Ratio 8). These ratios represent the average return for each dollar spent on fundraising. The higher the number, the greater the efficiency. Overall, environment and animal organizations are highly efficient at fundraising, spending $1 to raise an average of $23.73 in direct public support and $75.46 in total revenue. Part of this high level of efficiency in fundraising can likely be explained by the public's interest during this period of study (i.e., 2006-2008) in the "green movement" and becoming environmentally friendly. As people's interests grew in the green movement, they likely contributed more to environment and animal charities than to arts, human services, or religion at this time. If public interests were to change to arts, such as due to a desire to preserve the past for future generations or a renewed interest in artistic representation, we would likely find a larger fundraising ratio for the arts category and a smaller ratio for the environment and animal category.

The return on asset ratio is another measure of how efficient an organization is in utilizing existing assets for revenue production (Ratio 5). The higher the ratio, the greater the revenue produced by each asset. In environment and animal public charities, the ratio is .004. This means that for every dollar of assets, there is a return of less than 1 cent. This makes environment and animal public charities highly inefficient in the use of existing assets. This finding may reflect the relatively small sample. Thus, caution should be used in drawing a conclusion regarding the inefficiency for the entire environment and animal public charity category.

## Mission: Environment and Animal Public Charities

An assessment of environment and animal public charities' abilities to meet their mission is examined in Figure 15. It is assumed that the larger the percentage of expenses going toward program services, the more likely they are meeting their mission goals. Environment and animal public charities, in general, direct 74 percent of expenses toward program services and thus they appear to be meeting mission goals.

Figure 15. Total Expenses by Type for Environment and Animal Public Charities in Minnesota




N=4

Note: Data were obtained through the National Center for Charitable Statistics.

Table 12. Mission Ratio Scores for Entire Public Charities Sample and Environment and Animal Public Charities

| Ratio | Type of Charity: Entire Public Charities Sample* N=100 | Type of Charity: Environment and Animal Public Charities N=4 | Benchmark defined by the federal government** |
|---|---|---|---|
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .2130 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .7885 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The most significant ratio for nonprofits may be the administrative cost ratio. The administrative cost ratio is calculated by adding together the management and general expenses to the fundraising expenses and dividing this by the total expenses (Ratio 17). From this ratio you find the efficiency of the organization in running its most controllable expenses which do not go toward the mission goal. This ratio is highly scrutinized by donors and other external entities. The environment and animal public charities have an administrative cost ratio of 21.3 percent. This means that one-fifth of the total expenses for environment and animal public charities go into administrative costs.

There are many components which contribute to an organization's mission goals, thus it is difficult to measure in financial terms. The best financial measure for mission goals offers insight into the capabilities of an organization in meeting monetary mission goals. This ratio is the amount of revenue available to directly support organizational programs. The ratio is calculated by dividing the total revenue available for programs by total revenue (Ratio 1). The higher this ratio is, the more money that is available to meet monetarily driven mission goals. The percentage for environment and animal public charities is 78.85 percent which is below the overall average for the public charities sector.

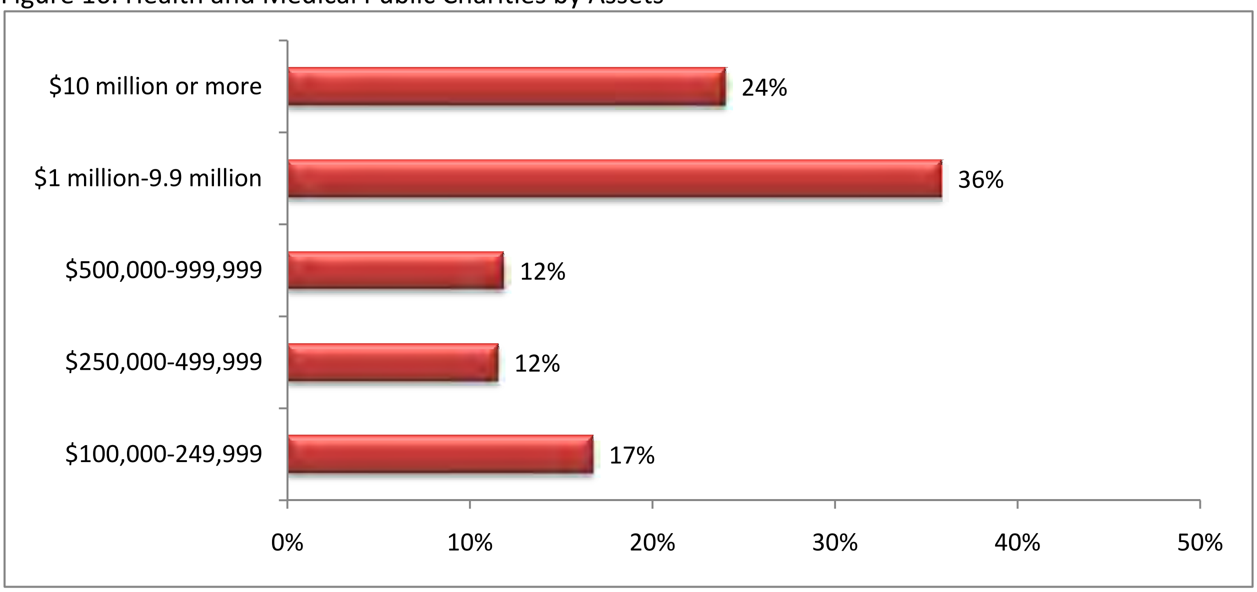
## Type of Organization = Health and Medical

Nonprofits related to health and medical include those actively working to cure diseases, treat the sick and disabled, and promote public awareness of health risks, diseases, and disabilities. They include organizations dealing primarily with diseases and other disorders, medical research, treatment and prevention, and family and patient support. This public charity category has the highest proportion of organizations with assets of $10 million or more. It is the only public charity category with no reliance upon contributions for a major source of revenue, yet it possesses one of the highest efficiency ratings for attaining contributions. Health and medical public charities are unlikely to have major difficulties with revenue streams during economic hard times since donations are not a factor in covering expenses nor are they a major source of revenue. This means they do not need to keep cash and savings on hand except to fund emerging mission opportunities as they arise.

As shown in Figure 16, the distribution of assets for health and medical public charities is as follows.

- 24 percent of health and medical charities have $10 million or more in assets
- 36 percent of health and medical charities have assets of $1 million-9.9 million
- 12 percent of health and medical charities have assets of $500,000-999,999
- 12 percent of health and medical charities have assets of $250,000-499,999
- 17 percent of health and medical charities have assets of $100,000-249,999

Figure 16. Health and Medical Public Charities by Assets




N=675

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Health and Medical Public Charities

Table 13. Survivability Ratio Scores for Entire Public Charities Sample and Health and Medical Public Charities

| | Type of Charity | |
|---|---|---|
| Ratio | Entire Public Charities Sample* N=100 | Health and Medical Public Charities N=16 |
| 3. Total revenue ÷ total expenses | 1.11 | 1.12 |
| 4. (Total revenue – total expenses) ÷ total revenue | .1020 | .1045 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .0220 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .0197 |

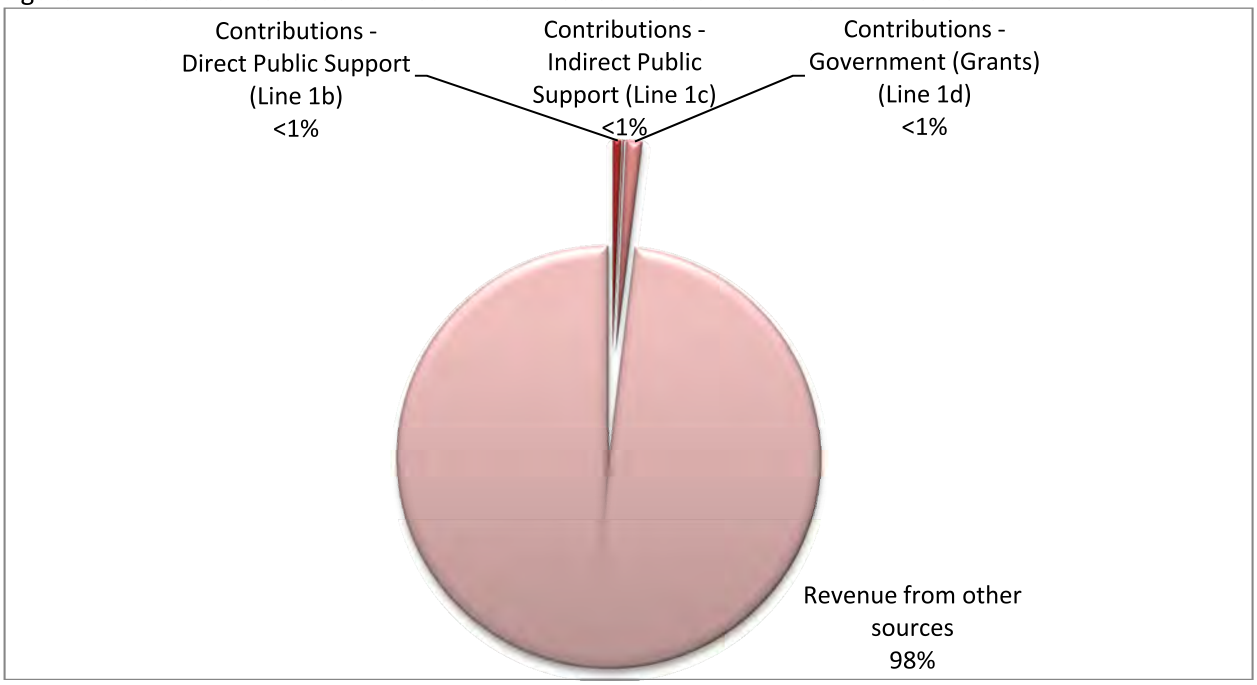
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

We examined the survivability of health and medical public charities by first determining whether they were able to meet their short-term expenses. We first looked at the general short-term health of the sector by dividing their total revenue by their total expenses (Ratio 3). In the health and medical category we find the ratio to be 1.12. Since the ratio is greater than 1, we know that health and medical organizations have more revenue than expenses. Next, we examined excess revenue that could be utilized in growing the organization, put toward the organization's mission, or serve as protection for fluctuations in revenue. This was accomplished by deducting expenses from total revenue and dividing this total by total revenue (Ratio 4). We find that the health and medical public charity sector, overall, has a profit margin of 10.45 percent. This suggests that health and medical public charities are able to meet their expense obligations and they have a slightly better than average margin for fluctuations in their revenue streams. Thus, they are less likely to experience funding issues if their primary revenue sources are from uncontrollable sources.

The stability of health and medical charities from possible fluctuations in revenue was assessed by dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9). This gives us the percentage of reliance on external sources for survivability. The higher this ratio is the more reliant an organization is upon outside sources and the more likely they are to experience funding issues. This ratio for the health and medical category is 2.2 percent. Thus, they have a low reliance on external funding in order to meet their expense obligations.

The distribution of total revenue within health and medical public charities is displayed in Figure 17. Slightly less than two percent of the total revenue stream for health and medical public charities is provided through contributions (Ratio 11). These contributions come equally from direct public support and government contribution, with a small fraction coming from indirect public support. The nearly nonexistent reliance upon uncontrollable funding shields health and medical public charities from unexpected changes in their revenue streams, with the exception of changes that might occur in the health care and health insurance industries.

Figure 17. Source of Revenue for Health and Medical Public Charities in Minnesota




N=16 (For this study, health and medical public charities proportionally would have a N=15; however, one additional charity was analyzed in this category and one less was analyzed in the other public charities category in order to get a better understanding of the health and medical public charities category. One additional charity in the other public charities category would only yield a N=2, leaving the sample still too small to make large conclusions).
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Health and Medical Public Charities

Table 14. Efficiency Ratio Scores for Entire Public Charities Sample and Health and Medical Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | Entire Public Charities Sample* N=100 | Health and Medical Public Charities N=16 |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 29.08 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 4,648.31 |
| 5. (Total revenue – total expenses) ÷ total assets | 0.068 | 0.081 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

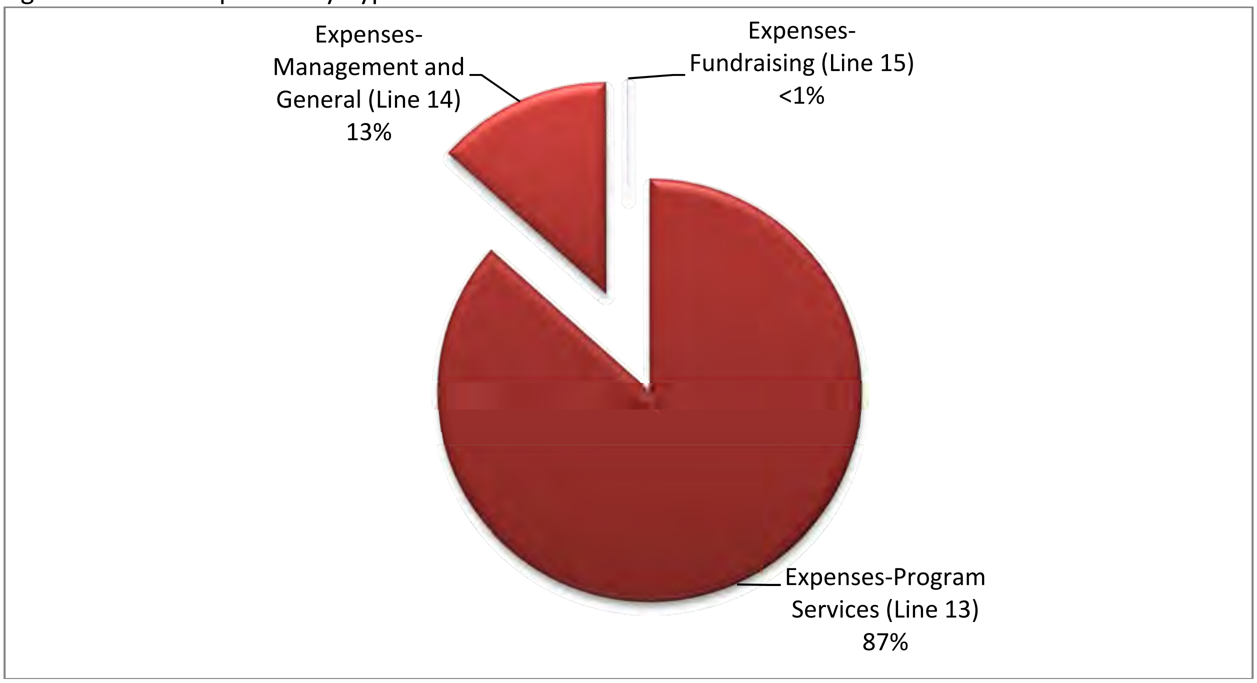
Next we explore the efficiency of health and medical public charities at receiving contributions. First, we examine the cost of fundraising compared to the the cost of receiving direct public contributions (Ratio 7) and total revenue (Ratio 8). These ratios provide us with an estimate of the average return they get for fundraising. The higher the number the better the efficiency. Overall, health and medical organizations are highly efficient at fundraising, spending $1 to raise on average $29.08 in direct public support and $4,648.31 in total revenue. These two ratios may seem relatively high when compared to the public sector average. The ratio for total revenue to fundraising expenses is by far the largest ratio in this study. This ratio can be used to measure public awareness of health and medical public charities. Health and medical public charities generally have to do very little fundraising to receive contributions due to public awareness of their missions. For example, in cancer research, health and medical public charities need to do little active fundraising in order to receive direct contributions in order to help find a cure for a disease which has affected so many people. A billboard proclaiming new state-of-the-art heart surgery techniques and top heart surgeons at a health care public charity may improve public awareness and thus increase revenue through program services. Since heart surgeries and cancer treatments can cost large sums of money, it is not suprising to find this ratio comparing fundraising expenses and total revenue to be so large. An advertisment for cancer treatment may cost $10,000, but the cost of the treatment itself (i.e., revenue generated) may run $100,000 per person or more.

Next, we examine the return on asset ratio (Ratio 5). This ratio is used in finding out how efficient an organization is in utilizing existing assets in the production of revenue. The higher the ratio, the greater the revenue produced by each asset. In health and medical public charities, the ratio is .081 meaning that for every dollar of assets, there is a return of 8 cents. This relatively high ratio makes health and medical public charities the third most efficient category in regard to utilization of existing assets.

## Mission: Health and Medical Public Charities

We estimated how health and medical public charities are attempting to meet their mission goals by examining the percentage of their expenses that go to program services. In health and medical public charities, we find that 87 percent of expenses go toward program services and thus they appear to be vigilant in meeting mission goals (see Figure 18).

Figure 18. Total Expenses by Type for Health and Medical Public Charities in Minnesota




N=16 (For this study, health and medical public charities proportionally would have a N=15; however, one additional charity was analyzed in this category and one less was analyzed in the other public charities category in order to get a better understanding of the health and medical public charities category. One additional charity in the other public charities category would only yield a N=2, leaving the sample still too small to make large conclusions).
Note: Data were obtained through the National Center for Charitable Statistics.

Table 15. Mission Ratio Scores for Entire Public Charities Sample and Health and Medical Public Charities

| Ratio | Type of Charity: Entire Public Charities Sample* N=100 | Type of Charity: Health and Medical Public Charities N=16 | Benchmark defined by the federal government** |
|---|---|---|---|
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .1350 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .8791 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.
**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The administrative cost ratio is calculated by adding together the management and general expenses to the fundraising expenses and dividing this by the total expenses (Ratio 17). From this ratio you find the efficiency of the organization in running its most controllable expenses (i.e., expenses that do not go toward the mission goal). This ratio is highly scrutinized by donors and other external entities. The health and medical public charities have an administrative cost ratio of 13.5 percent, making health and medical public charities the second most efficient in managing controllable expenses. However, it should be noted that health and medical charities need to contribute little funding in order to obtain contributions. This helps in lowering this ratio without any direct effort in controlling these expenses.

The ability of health and medical public charities to meet their monetary mission goals is best assessed by examining the amount of revenue available to directly support organizational programs. The ratio is calculated by dividing the total revenue available for programs by total revenue (Ratio 1). The higher this ratio is, the more money is available to meet monetarily driven mission goals. In the case of health and medical public charities, the percentage is 87.91 percent, making health and medical public charities highly capable of meeting their mission goals.

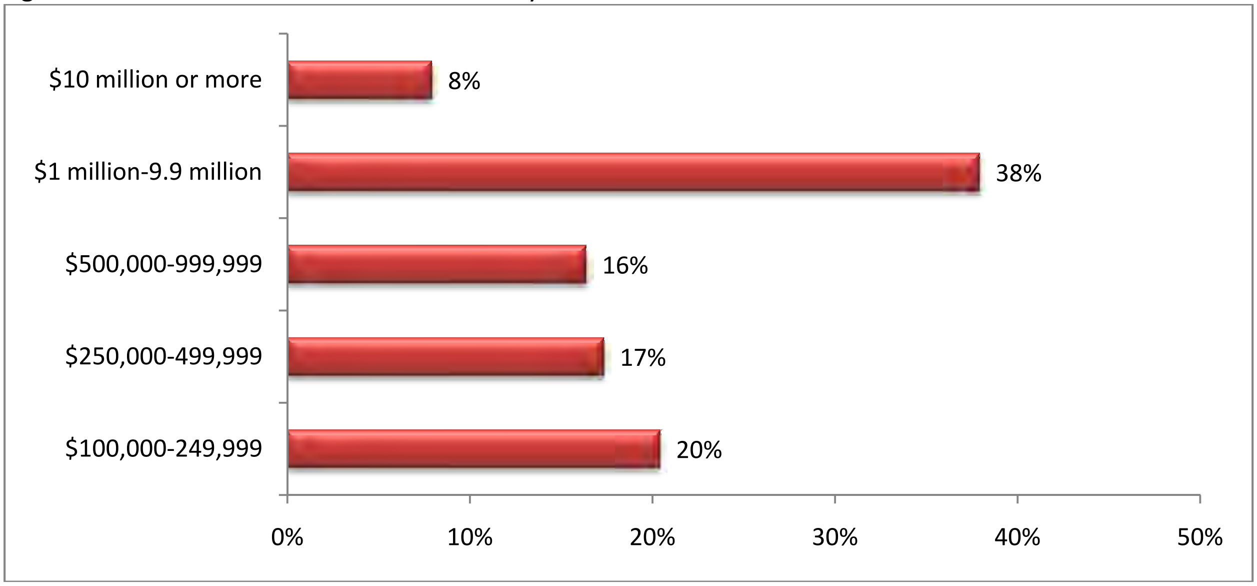
## Type of Organization = Human Services

Human services nonprofits offer crucial services to needy people – the hungry, the homeless, children, and the aged. They include children's and family services, youth development, shelters and crisis services, food banks, pantries and soup kitchens, and other social "safety net" services. This public charity category has low reliance upon contributions for the majority of revenue, making it the second least reliant category upon contributions. However, further investigation shows that the low reliance upon contributions is due to high expenses and revenue, rather than to low contributions. This situation is typical for a public charity category such as health and medical, which does not need contributions in order to survive. In the case of human services public charities, the revenue to expense ratio suggests that they are unable to meet expense obligations. Moreover, their negative profit margin indicates their survivability is in question. Thus, in actuality, human services are highly reliant upon contributions because when they attain 34 percent or less of their revenue from contributions, they cease to be able to meet short-term expense obligations. This is not a sustainable system over an extended period of time. These ratios indicate that the percentage of revenue from contributions, which will be necessary for human services public charities to survive, is around 37 percent of total expenses in order to cover all expenses. Human services public charities are likely to have major difficulties with revenue streams during economic hard times since donations are likely to diminish. Thus, it is recommended they keep enough cash and savings to cover fixed expenses for a set period. This category also has the highest ratio for controllable expenses and the lowest ratio for funding available for their mission. This makes human services charities the most likely category to come under questioning regarding whether or not organizations are meeting their intended purpose.

As shown in Figure 19, the distribution of assets for human services public charities is as follows.

- 8 percent of human services charities have $10 million or more in assets
- 38 percent of human services charities have assets of $1 million-9.9 million
- 16 percent of human services charities have assets of $500,000-999,999
- 17 percent of human services charities have assets of $250,000-499,999
- 20 percent of human services charities have assets of $100,000-249,999

Figure 19. Human Services Public Charities by Assets




N=1,753

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Human Services Public Charities

Table 16. Survivability Ratio Scores for Entire Public Charities Sample and Human Services Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | Entire Public Charities Sample* N=100 | Human Services Public Charities N=38 |
| 3. Total revenue ÷ total expenses | 1.11 | 0.96 |
| 4. (Total revenue – total expenses) ÷ total revenue | .1020 | -.0444 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .3233 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .3377 |

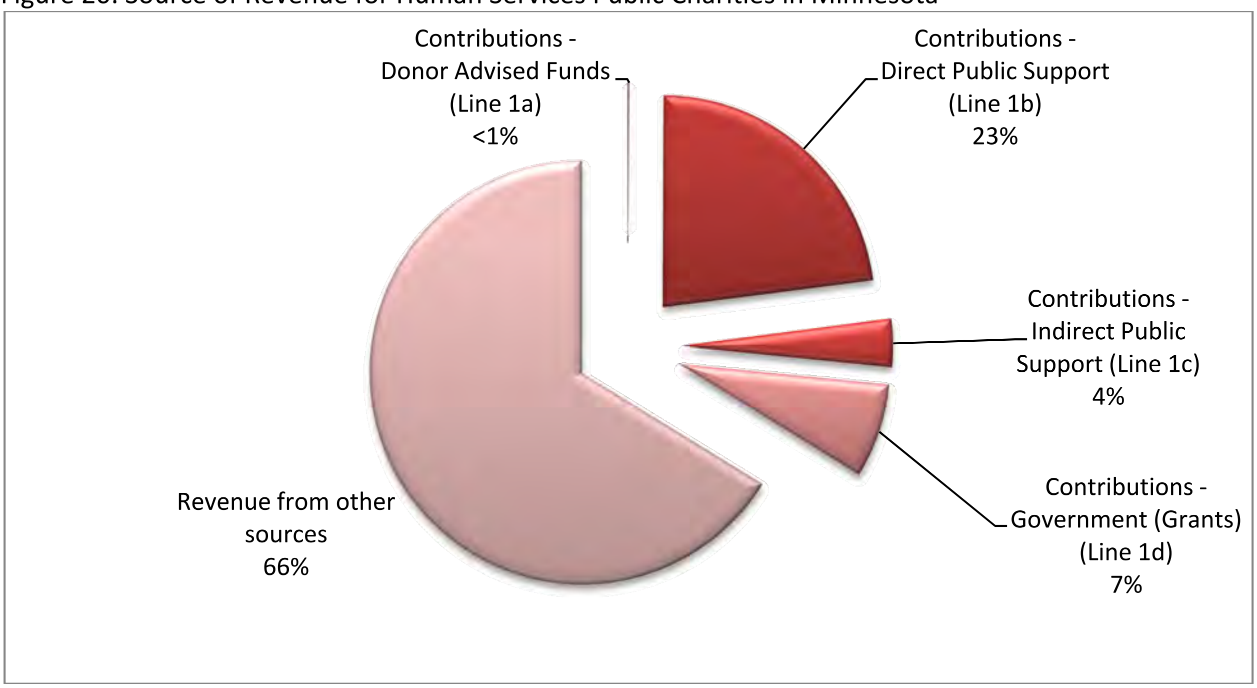
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

Our first assessment of the survivability of human services public charities focuses on their ability to meet their short-term expenses. The general short-term health of the organization is calculated by dividing the total revenue by the total expenses (Ratio 3). In human services public charities, we find this ratio to be .96, making human services public charities unable to meet current expense obligations. Since this ratio is less than 1, we know that human services organizations have less revenue than expenses. In terms of excess revenue, we find that the human services public charity sector, overall, has a profit margin of -4.44 percent (Ratio 4). Once again, this suggests that human services public charities are unable to meet their expense obligations and must find other sources of revenue. This can be generated from program services, which is a more steady source of revenue but more difficult to grow in a short period of time. Alternatively, another source could come from contributions, which would be easier to procure for short-term security, but subject to funding issues during economic recessionary cycles.

The stability of human services charities from possible fluctuations in revenue can be estimated by dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9). This is an estimate of their percentage of reliance on external sources. The higher this ratio is the more reliant the organization is upon outside sources. This ratio for the human services category is 32.33 percent, which means human services organizations are not very reliant on external funding in order to meet their expenses. This ratio is misleading in this case because human services are already failing to meet their current obligations, thus they need to find revenue elsewhere. The data indicate that at peak performance, human services public charities have a lower reliance upon contributions than any public charity category other than health and medical and possibly public and societal benefit.

The distribution of total revenue shown in Figure 20 indicates that 33.77 percent of the total revenue stream for human services public charities is obtained from contributions (Ratio 11). The majority of these contributions come from direct public support, making the human services category susceptible to systematic changes in the economic environment.

Figure 20. Source of Revenue for Human Services Public Charities in Minnesota




N=38
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Human Services Public Charities

Table 17. Efficiency Ratio Scores for Entire Public Charities Sample and Human Services Public Charities

| Ratio | Type of Charity: Entire Public Charities Sample* N=100 | Type of Charity: Human Services Public Charities N=38 |
|---|---|---|
| 7. Direct public support ÷ fundraising expenses | 7.49 | 9.07 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 39.64 |
| 5. (Total revenue – total expenses) ÷ total assets | 0.068 | -0.017 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

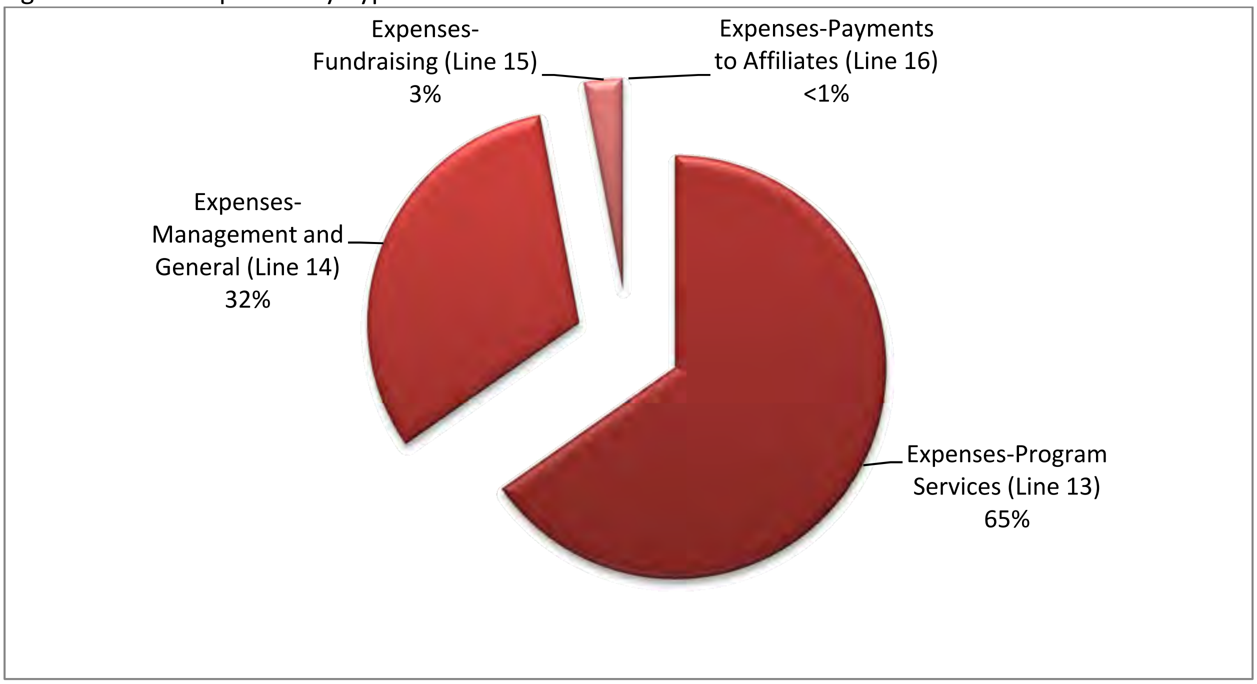
The efficiency of human services public charities at receiving its revenue stream from contributions is estimated by contrasting the cost of fundraising to the cost of receiving direct public contributions (Ratio 7) and total revenue (Ratio 8). This represents the average return for each dollar spent on fundraising. The higher the number, the better the efficiency. Overall, human services organizations are inefficient at direct fundraising, spending $1 to raise on average $9.07 in direct public support and $39.64 in total revenue. While contributions are the most likely viable short-term revenue source for human services, they also may be difficult to acquire directly without sufficient funding. An alternative is to increase public awareness of their mission and efforts through advertising, with the intent to raise program service revenue.

The return on asset ratio (Ratio 5), which estimates how efficient the organization is in utilizing existing assets in the production of revenue, is -.017 for the human services category. This means that for every dollar of assets, there is a negative return of nearly 2 cents due to expenses. This further demonstrates the precarious nature of the human services public charities.

## Mission: Human Services Public Charities

An estimate of the ability of human service public charities to meet their mission goals is found in the relationship between expenses going toward program services relative to other expenses, which is 65 percent for human services public charities (see Figure 21). This percentage suggests that human service nonprofits are the least capable in meeting mission goals relative to other public charities.

Figure 21. Total Expenses by Type for Human Services Public Charities in Minnesota




N=38

Note: Data were obtained through the National Center for Charitable Statistics and the Foundation Center.

Table 18. Mission Ratio Scores for Entire Public Charities Sample and Human Services Public Charities

| Ratio | Type of Charity: Entire Public Charities Sample* N=100 | Type of Charity: Human Services Public Charities N=38 | Benchmark defined by the federal government** |
|---|---|---|---|
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .2816 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .7058 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The administrative cost ratio is the sum of management and general expenses plus fundraising expenses divided by total expenses (Ratio 17). This ratio expresses the efficiency of the organization in running its most controllable expenses. The human services public charities have an administrative cost ratio of 28.16 percent. This means that more than a quarter of total expenses for human services go into administrative costs, which makes human services the highest in controllable expenses when compared to other public charities.

The amount of revenue available to directly support human service programs is estimated by dividing the total revenue available for programs by total revenue (Ratio 1). The higher this ratio is the more money that is available to meet monetarily driven mission goals. In the case of human services public charities the percentage is nearly 70.58 percent, making it the lowest of all public charity categories.

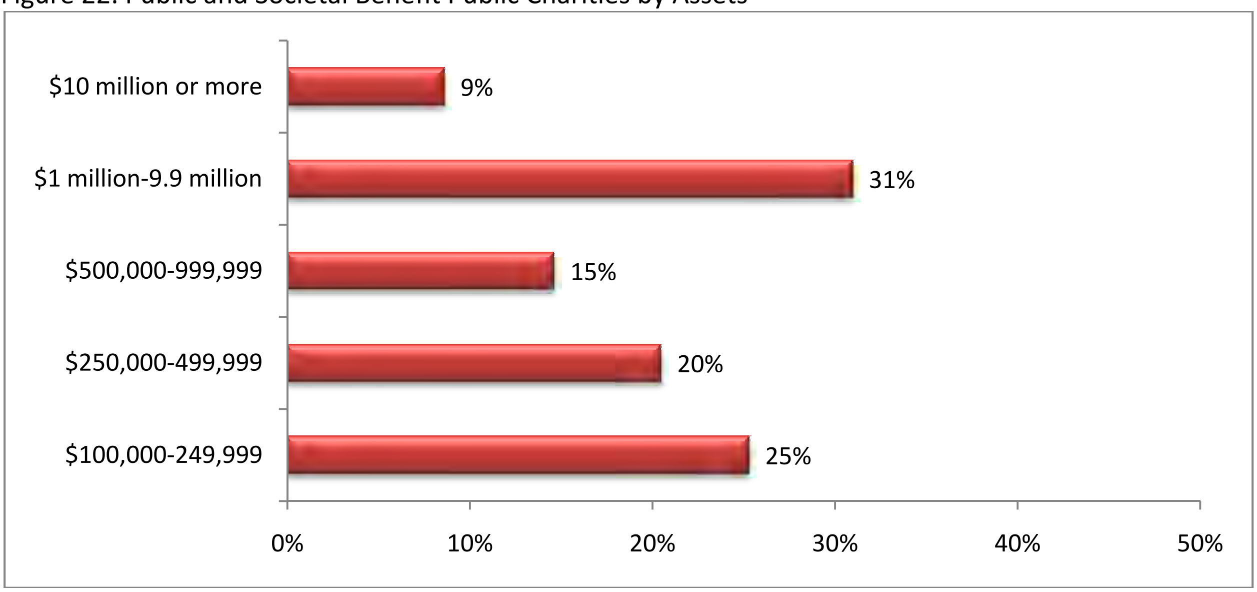
## Type of Organization = Public and Societal Benefit

Public and societal benefit nonprofits are dedicated to the defense of civil rights and the promotion of philanthropy and social action. They include organizations focused on advocacy and civil rights, fundraising, research and public policy institutions, community foundations, and housing development. This public charity category is defined by low reliance upon contributions for revenue, yet also possesses the highest efficiency rating for attaining direct contributions. Public and societal benefit public charities are likely to have few difficulties with revenue streams during economic hard times. Since donations do not make up the majority of revenue and they possess a large profit margin as protection against fluctuations if contributions would diminish, it is recommended they keep only enough cash and savings to cover short periods of expenses.

As shown in Figure 22, the distribution of assets for public and societal benefit public charities is as follows.

- 9 percent of public and societal benefit charities have $10 million or more in assets
- 31 percent of public and societal benefit charities have assets of $1 million-9.9 million
- 15 percent of public and societal benefit charities have assets of $500,000-999,999
- 20 percent of public and societal benefit charities have assets of $250,000-499,999
- 25 percent of public and societal benefit charities have assets of $100,000-249,999

Figure 22. Public and Societal Benefit Public Charities by Assets




N=581

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Public and Societal Benefit Public Charities

Table 19. Survivability Ratio Scores for Entire Public Charities Sample and Public and Societal Benefit Public Charities

| | Type of Charity | |
|---|---|---|
| **Ratio** | **Entire Public Charities Sample* N=100** | **Public and Societal Benefit Public Charities N=13** |
| 3. Total revenue ÷ total expenses | 1.11 | 1.53 |
| 4. (Total revenue – total expenses) ÷ total revenue | .1020 | .3455 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .6492 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .4249 |

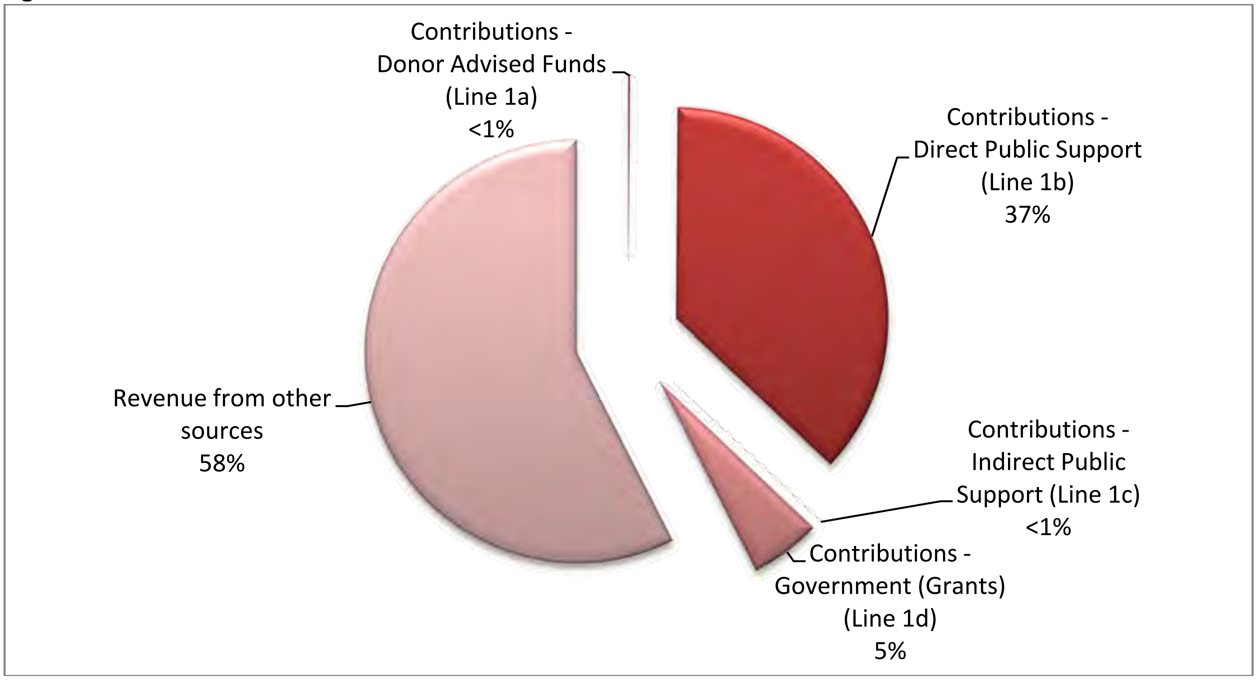
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

Public and societal benefit charities are able to meet their short-term expenses, as demonstrated by examining their ratio of total revenue to total expenses (Ratio 3). Their ratio of 1.53 means their revenue is greater than their expenses. Their excess revenue or profit margin is 34.55 percent (Ratio 4). This means they are not only able to meet their expense obligations, but they also have a large margin for fluctuations in their revenue streams.

The stability of public and societal benefit charities from possible fluctuations in revenue can be expressed as the degree to which they are reliant on outside sources. We obtain this estimate by dividing total contributions (i.e., gifts, grants, and similar amounts received) by total expenses (Ratio 9). For the public and societal benefit category, this ratio is 64.92 percent. We interpret this to mean public and societal benefit organizations are heavily reliant on external funding in order to meet their expenses.

The distribution of total revenue among public and societal benefit public charities is depicted in Figure 23. We find that 42.49 percent of the total revenue stream for public and societal benefit public charities is obtained from contributions (Ratio 11). The majority of these contributions come from direct public support. While public and societal benefit public charities are low in reliance upon contributions for total revenue, contributions cover a significant portion of expenses.

Figure 23. Source of Revenue for Public and Societal Benefit Public Charities in Minnesota




N=13
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Public and Societal Benefit Public Charities

Table 20. Efficiency Ratio Scores for Entire Public Charities Sample and Public and Societal Benefit Public Charities

| | Type of Charity | |
|---|---|---|
| **Ratio** | **Entire Public Charities Sample* N=100** | **Public and Societal Benefit Public Charities N=13** |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 44.12 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 119.46 |
| 5. (Total revenue – total expenses) ÷ total assets | 0.068 | 0.086 |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

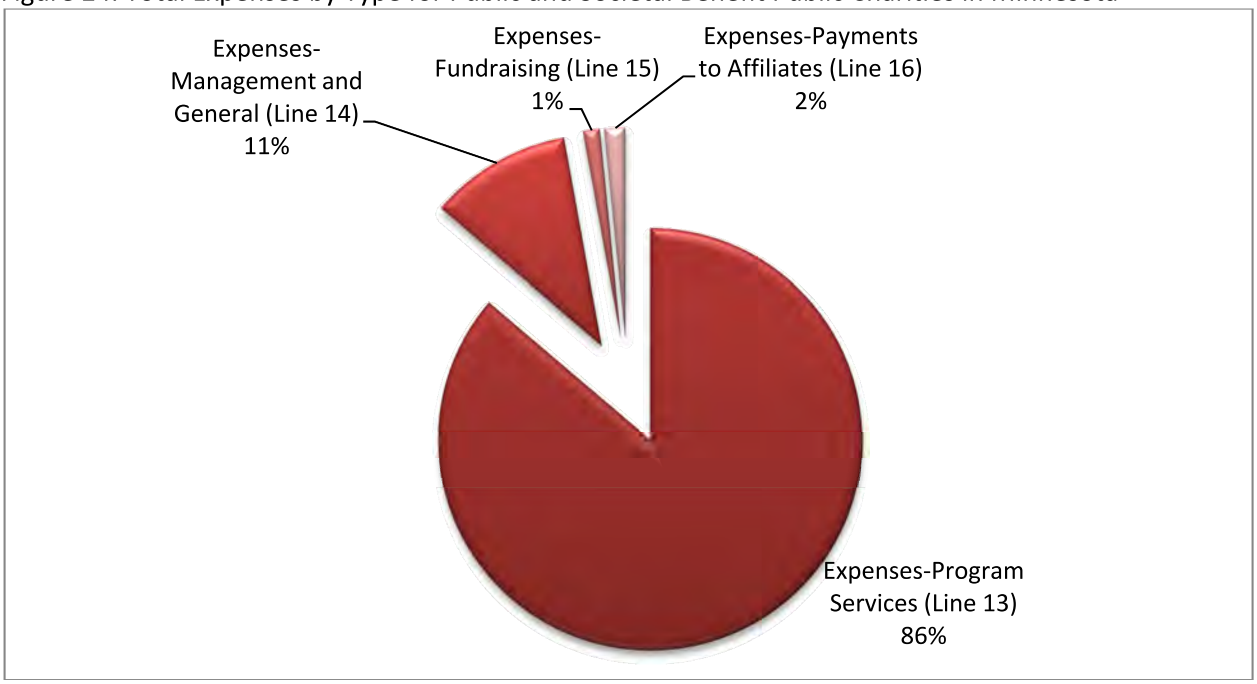
The public and societal benefit public charities are highly efficient at fundraising. We draw this conclusion by examining the average return for each dollar spent on fundraising. Overall, public and societal benefit organizations spend $1 to raise on average $44.12 in direct public support (Ratio 7) and $119.46 in total revenue (Ratio 8). This tells us that the public is aware of these charities and that they also hold public interest. The contributions are less essential for the surviveability of public and societal public charities and more necessary to extend their full ability to achieve mission goals.

An examination of their return on asset ratio shows a very efficient category of nonprofit organizations. This ratio of .086 means that for every dollar of assets, there is a return of nearly 9 cents, making public and societal benefit charities the most efficient nonprofit category in the utilization of existing assets (Ratio 5).

## Mission: Public and Societal Benefit Public Charities

The success of public and societal benefit charities in meeting their mission goals was determined by the proportion of expenses dedicated to program services.  Our analysis shows that 86 percent of expenses go toward program services and thus they appear to be the second most capable category in meeting mission goals when compared to other public charities (see Figure 24).

Figure 24. Total Expenses by Type for Public and Societal Benefit Public Charities in Minnesota




N=13
Note: Data were obtained through the National Center for Charitable Statistics.

Table 21. Mission Ratio Scores for Entire Public Charities Sample and Public and Societal Benefit Public Charities

| | Type of Charity | | |
|---|---|---|---|
| **Ratio** | **Entire Public Charities Sample* N=100** | **Public and Societal Benefit Public Charities N=13** | **Benchmark defined by the federal government**** |
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .1216 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .9101 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.
**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The administrative cost ratio for public and societal charities was 12.16 percent, the lowest of any public charity category. This ratio is the sum of fundraising, management, and general expenses relative to total expenses (Ratio 17). The value of this ratio is in its ability to estimate how much of controllable expenses go toward the mission goals.

Public and societal benefit public charities allocate 91.01 percent of their total revenue toward mission goals (Ratio 1). This is the most efficient public charity category in controlling expenses and raising funds. In addition, it has the highest margin of protection against fluctuations in revenue and the highest ratio in being able to meet its mission goals.

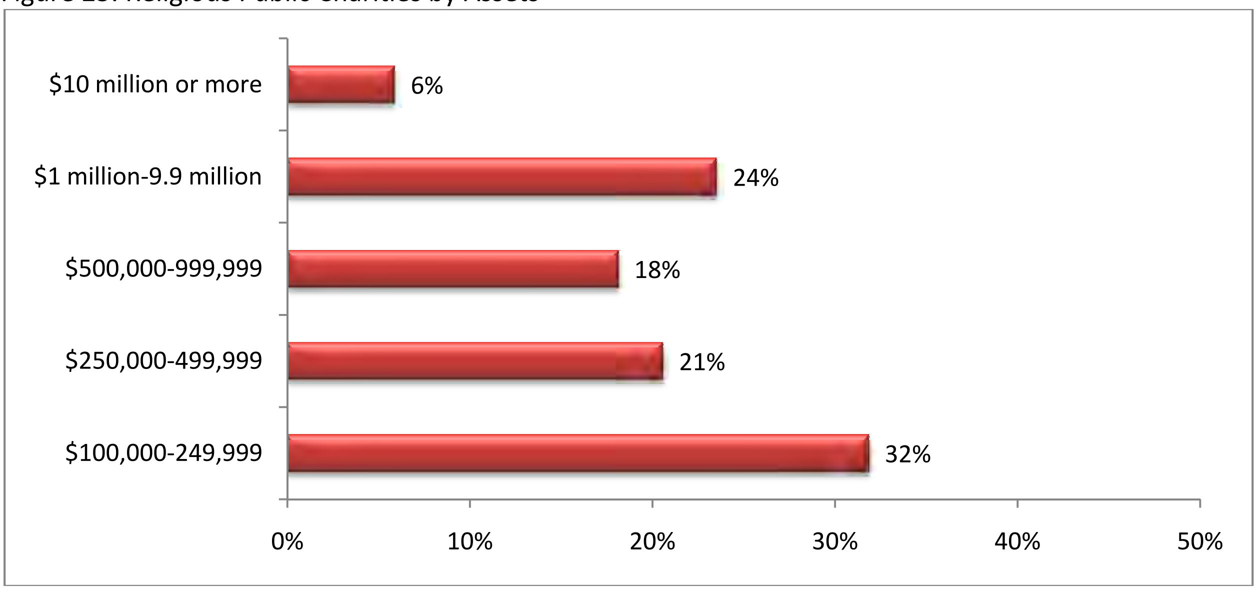
## Type of Organization = Religion

Religious nonprofits include those that promote religious activity and worship, as well as those that support religious media and broadcasting. This public charity category is reliant upon contributions for half of its revenue, and it has an above average efficiency rating for attaining contributions. Religious public charities are likely to have few difficulties with revenue streams during economic hard times. Donations to religious nonprofits make up the majority of their revenue but they possess a large profit margin as protection against fluctuations if contributions would diminish.

As shown in Figure 25, the distribution of assets for religious public charities is as follows.

- 6 percent of religious charities have $10 million or more in assets
- 24 percent of religious charities have assets of $1 million-9.9 million
- 18 percent of religious charities have assets of $500,000-999,999
- 21 percent of religious charities have assets of $250,000-499,999
- 32 percent of religious charities have assets of $100,000-249,999

Figure 25. Religious Public Charities by Assets




N=204

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## Survivability: Religious Public Charities

Table 22. Survivability Ratio Scores for Entire Public Charities Sample and Religious Public Charities

| | Type of Charity | |
|---|---|---|
| Ratio | Entire Public Charities Sample* N=100 | Religious Public Charities N=4 |
| 3. Total revenue ÷ total expenses | 1.11 | 1.45 |
| 4. (Total revenue – total expenses) ÷ total revenue | .1020 | .3117 |
| 9. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total expenses | .1331 | .7636 |
| 11. Total contributions (i.e., gifts, grants, and similar amounts received) ÷ total revenue | .1195 | .5255 |

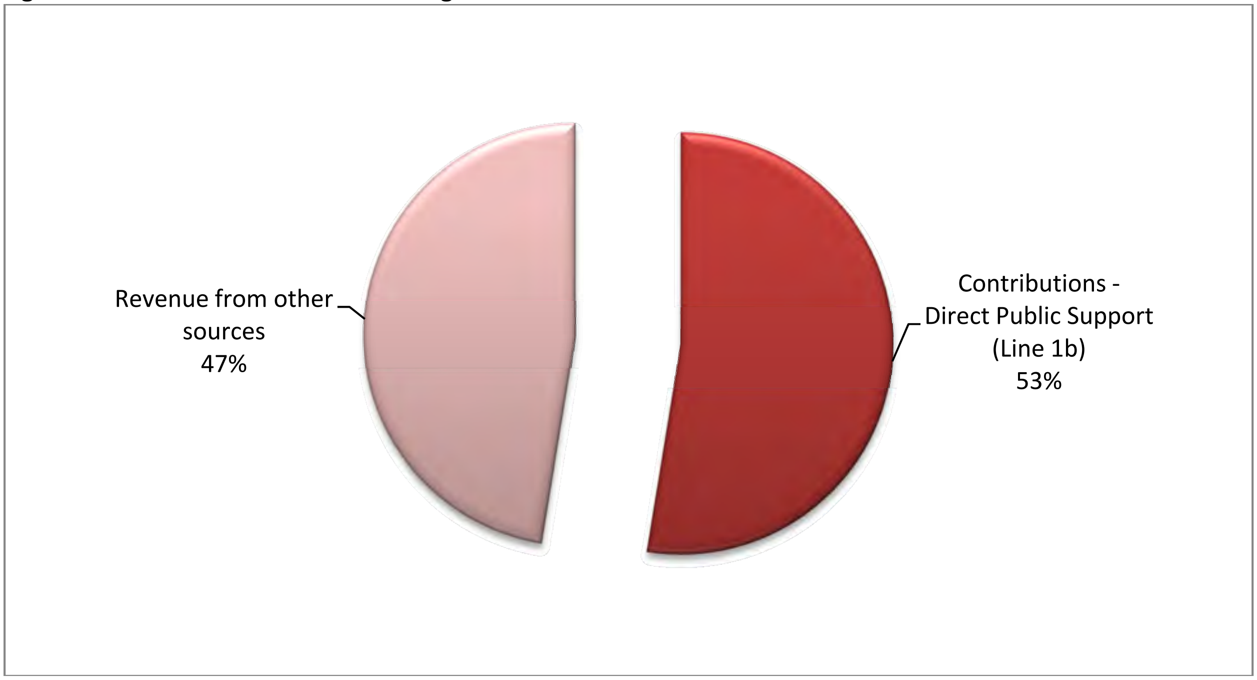
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

The general short-term health of religious public charities is very sound with a ratio of total revenue to total expenses of 1.45 (Ratio 3). This means religious organizations have more revenue than expenses. Their profit margin is 31.17 percent (Ratio 4). This ratio suggests that religion public charities are able to meet their expense obligations and they have a larger than average margin for fluctuations in their revenue streams. This makes them likely to avoid funding issues even during economically troubled times.

However, religious charities are highly reliant on external funding (e.g., contributions) to meet their expenses. Their ratio of total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses is 76.36 percent (Ratio 9). This means they are vulnerable to fluctuations in revenue which may cause failure in meeting expense obligations.

The distribution of total revenue for religious charities is found in Figure 26. We find that 52.55 percent of the total revenue stream for religious public charities is from direct public support (Ratio 11), making religious public charities relatively low in reliance upon contributions for total revenue. Nonetheless, contributions cover a significant portion of current expenses.

Figure 26. Source of Revenue for Religious Public Charities in Minnesota




N=4
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Religious Public Charities

Table 23. Efficiency Ratio Scores for Entire Public Charities Sample and Religious Public Charities

| Ratio | Type of Charity | |
|---|---|---|
| | **Entire Public Charities Sample* N=100** | **Religious Public Charities N=4** |
| 7. Direct public support ÷ fundraising expenses | 7.49 | 8.52 |
| 8. Total revenue ÷ fundraising expenses | 91.96 | 16.21 |
| 5. (Total revenue – total expenses) ÷ total assets | 0.068 | 0.065 |

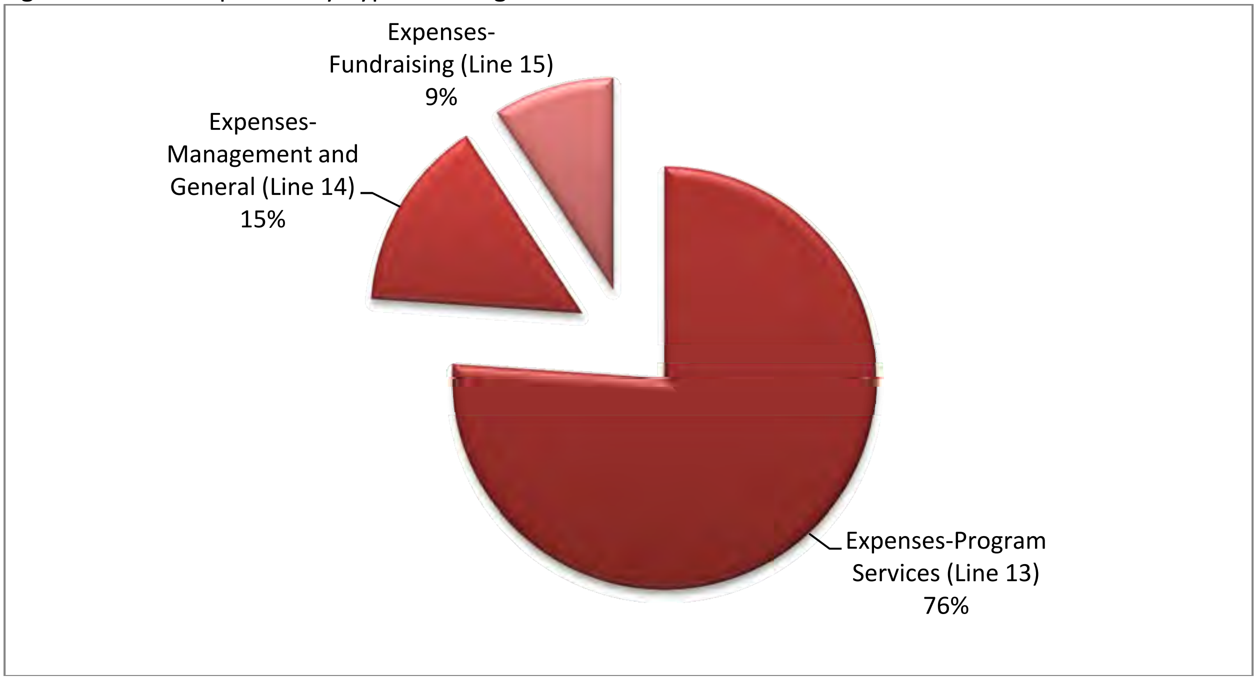
*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.

The efficiency of religious public charities at fundraising is found by comparing the cost of receiving direct public contributions and total revenue. Overall, these organizations are above average in efficiency of fundraising, spending $1 to raise on average $8.52 in direct public support (Ratio 7) and $16.21 in total revenue (Ratio 8). In addition, their return on asset ratio is .065 (Ratio 5), meaning that for every dollar of assets there is a return of nearly 7 cents.

## Mission: Religious Public Charities

An estimate of the ability of religious public charities to meet their mission goals is found in the relationship between expenses going toward program services and other expenses. This percentage is 76 percent for religious public charities, which suggests that they are capable of meeting mission goals and are comparable to other charities in this expense relationship (see Figure 27).

Figure 27. Total Expenses by Type for Religious Public Charities in Minnesota




N=4
Note: Data were obtained through the National Center for Charitable Statistics.

Table 24. Mission Ratio Scores for Entire Public Charities Sample and Religious Public Charities

| | Type of Charity | | |
|---|---|---|---|
| Ratio | Entire Public Charities Sample* N=100 | Religious Public Charities N=4 | Benchmark defined by the federal government** |
| 17. (Management and general expenses + fundraising expenses) ÷ total expenses | .1549 | .2318 | .25 |
| 1. Total revenue available for programs ÷ total revenue | .8606 | .8405 | Not available |

*This information is for informational purposes only. Any individual charity wishing to compare itself should examine the relevant category type (e.g., arts, health and medical). Further investigation would involve identifying a comparable individual organization within a category type.
**Used by the federal government for participation in their Combined Federal Campaign in 2003.

The administrative cost ratio for religious public charities, which is the sum of management, fundraising, and general expenses divided by the total expenses, is 23.18 percent (Ratio 17). This means religion public charities are efficient at managing their controllable costs by a small margin.

In terms of mission goals, 84.05 percent of the total revenue is made available for programs (Ratio 1).

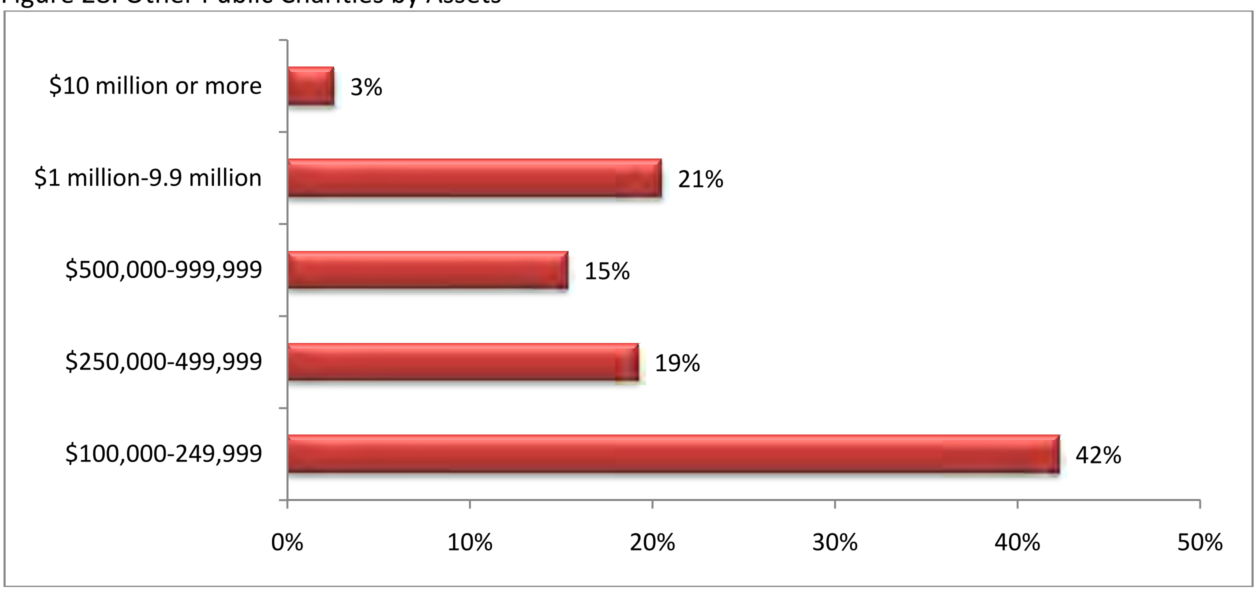
## Type of Organization = Other

The last category we investigated was "other." In Minnesota, this category included international, mutual and membership benefit, and unclassified public nonprofits. International organizations work around the world to deliver relief where it is most needed. They include development and relief services, international peace and security, humanitarian relief, and single-country support organizations. Mutual and membership benefit organizations include benefit goals such as retirement funds, self-insurance trusts, and compensation trusts. Since our sampling of other public charities category consists of only one organization, we did not analyze this category. However, the overall distribution of other public charities in Minnesota by assets is as follows.

As shown in Figure 28, the distribution of assets for other public charities is as follows.

- 3 percent of other charities have $10 million or more in assets
- 21 percent of other charities have assets of $1 million-9.9 million
- 15 percent of other charities have assets of $500,000-999,999
- 19 percent of other charities have assets of $250,000-499,999
- 42 percent of other charities have assets of $100,000-249,999

Figure 28. Other Public Charities by Assets




N=78

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990 on file; the vast majority of the organizations in the sample are from 2007 and 2008; however, the years range from 1997 to 2009.

## FACTOR ANALYSIS FOR PUBLIC CHARITIES IN MINNESOTA

Table 25. Composite Index Ratios of Public Charities in Minnesota

| Type of Charity | Average Score: Index 1 – Survivability Measure | Average Score: Index 2 – Measure of Uncontrolled Revenue |
|---|---|---|
| Entire Public Charities Sample (N=100) | 2.06 | 1.50 |
| Arts (N=10) | 2.05 | 2.09 |
| Education (N=14) | 1.82 | 2.26 |
| Environment and Animal (N=4) | 1.44 | 1.72 |
| Health and Medical (N=16) | 2.24 | 1.34 |
| Human Services (N=38) | 1.98 | 1.25 |
| Public and Societal Benefit (N=13) | 2.55 | 1.35 |
| Religion (N=4) | 1.93 | 1.12 |
| Other (N=1) | 1.01 | 1.59 |

Finally, factor analysis was conducted to identify ratios that were consistent when grouped together. These ratios were combined to create composite measures of performance. In analysis of the sample of Minnesota's public charities, 7 of the original 17 ratios were well suited for groupings. These seven ratios clustered into two basic themes that we labeled: Index 1 − Survivability Measure and Index 2 − Measure of Uncontrolled Revenue. The indicators that comprised the indexes were as follows.

### Index 1 – Survivability Measure

**Index 1** (Ratios 3, 4, 5, 6)

- Total revenue divided by total expenses
- (Total revenue minus total expenses) divided by total revenue
- (Total revenue minus total expenses) divided by total assets
- Net assets divided by total assets

Index 1 was composed of four ratios, three of which were previously used in our financial analysis. Two came from the survivability analysis, one from efficiency analysis, and an additional ratio (net assets divided by total assets) was previously not used in our analysis.

Through factoring these ratios together we received scores from -.12 to 4.73, with a mean score of 2.06 for the entire public charities sector. This index is a measurement of an organization's ability to meet expenses and obligations. The lower the organization's score in this factor, the more likely it is to be unable to meet expense obligations as revenue fluctuates. In the end, this factor is a measure of the survivability of an organization. As we found in the financial analysis section, health and medical along with public and societal benefit organizations have a higher than average score, indicating that they have stable revenue sources and should not have difficulties with long-term survivability. However, the arts category is more secure than expected in comparison to other categories dependent upon contributions as a primary source of revenue. The environment and animal category scored the lowest in this factor. We interpret this to mean that this category may currently be doing well because of public interest in the environmental movement. If our factor analysis is correct, then environment and animal charities should look into a means of long-term revenue stability, because if public interest changes to, for example, the arts or education, contributions may significantly decline.

## Index 2 – Measure of Uncontrolled Revenue

**Index 2** (Ratios 9, 10, 11)

- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue

Index 2 was composed of three ratios, two of which were previously used in our financial analysis. Both of these came from the survivability analysis and an additional ratio [total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets] was previously not used in our analysis.

Through factoring these ratios together we received scores from .00 to 5.05, with a mean score of 1.5 for the entire public charities sector. This index is a measurement of an organization's uncontrolled revenue. The higher the score the organization has in this factor, the more likely they are to be dependent upon contributions and other uncontrollable revenue sources. As we found in the financial analysis section, arts along with education organizations have a higher than average percentage of their revenue derived from contributions, indicating that a large portion of their revenue sources comes from uncontrolled sources. This means they are likely to have difficulties with their revenue stream during economically difficult times. In addition, the environment and animal category has a higher score than other categories which have the equivalent reliance upon contributions as a primary source of revenue. This may indicate more dependency upon contributions than previously thought.

# Private Foundations in Minnesota

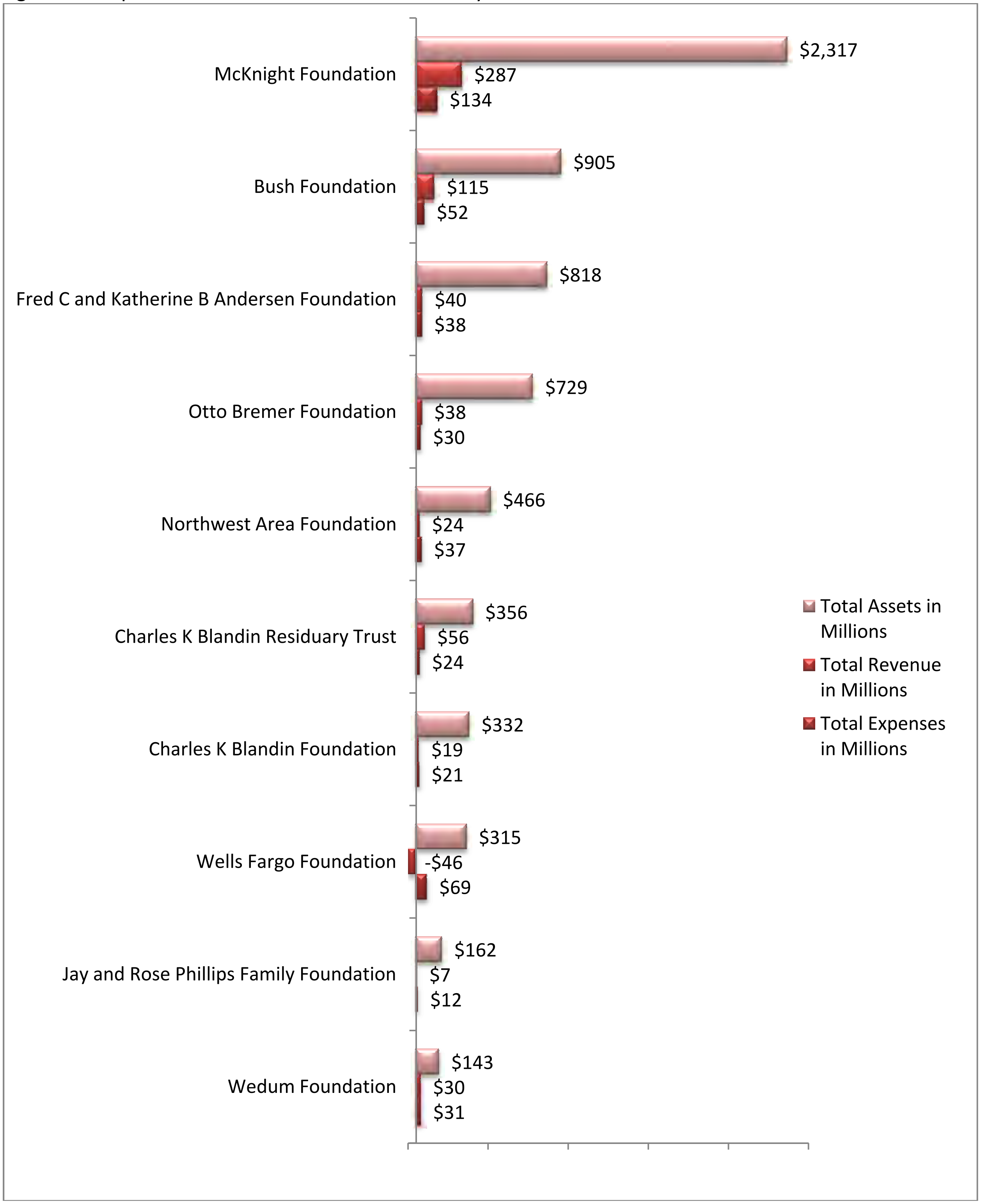
As previously discussed, whether a charity is considered a public charity or a private foundation is determined by its primary source or sources of funding and if it actively performs activities in pursuit of its mission goals.  A charity is defined as a public charity if it attains funding from multiple sources and the organization actively conducts activity in furtherance of its mission goals.  In contrast, private foundations generally have only one major source of funding, such as one large family or corporate donation.  Private foundations provide grants to other charitable organizations and to individuals which meet the desired goal of the private foundation.

As of September 2009, the National Center for Charitable Statistics provided detailed data for over 4,544 public charities and 1,168 private foundations in Minnesota with assets of $100,000 or more.  Private foundations in our sample were chosen at random in proportion to the number of organizations in each asset category out of the 1,168 private Minnesota charities with $100,000 or more in assets available to us through the website.  For example, there were 247 foundations with $100,000-249,999 in assets.  We determined the proportion that this category represented of the total private foundations sector by dividing the total number of private foundations with $100,000-249,999 in assets by the total number of private foundations (247 ÷ 1,168), which was 21 percent.  Thus, we determined we would want 21 out of our sample of 100 to come from this asset category.  We then randomly selected 21 private foundations within the range of $100,000-249,999 in total assets.  We repeated this process with each category until a sampling of 100 total charities was formed, which represented a proportional sample of the total Minnesota private foundation sector by assets.  As in the public charities, assets and revenue were highly concentrated in the top 10 private foundations, which was a key reason for us to use a proportional sampling of private foundations rather than using only the 100 largest private foundations.

Figure 29 details the total assets, revenue, and expenses of Minnesota's top 10 private foundations by asset size.

- Collectively, the top 10 private foundations in Minnesota have over $6.5 billion in assets or 54 percent of the total assets held by the private foundation nonprofit sector.
- Minnesota's top 10 private foundations have collective revenue of nearly $569 million or 30 percent of the total revenue received by the private foundations nonprofit sector.
- The total expenses of the top 10 Minnesota private foundations are just over $415 million.
- The top 10 private foundations do not represent a broad cross-section of organizational types. Of the 10 organizations, nine represent public and societal benefit organizations and one is an education organization.

Figure 29. Top 10 Minnesota Private Foundations by Assets




N=10

Note: Data were obtained through the National Center for Charitable Statistics.

## FINANCIAL CHARACTERISTICS OF SAMPLE OF MINNESOTA'S PRIVATE FOUNDATIONS

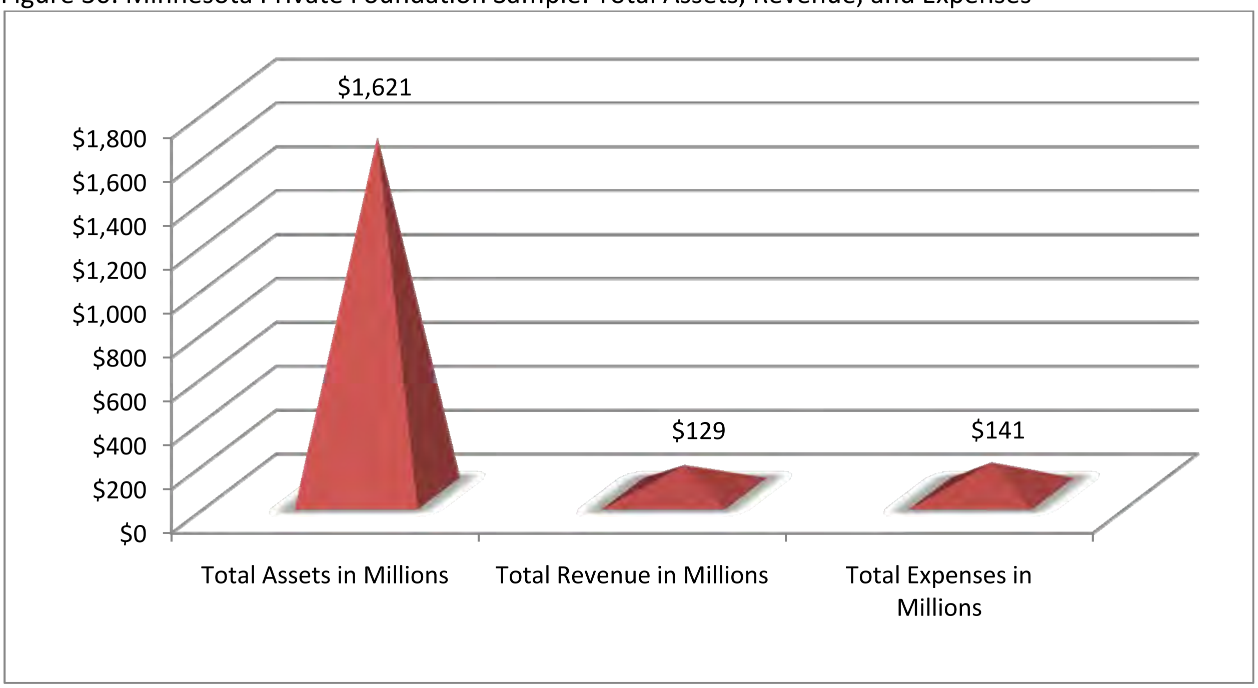
As expressed previously in this study, our research consists of a proportional sampling, by assets, of 100 private foundations in Minnesota. We chose this method because of the statistical skewing that would have occurred by using only the top private foundations by asset size.

By using our sampling of 100 Minnesota private foundations, we were able to achieve an accurate portrayal of the Minnesota nonprofit sector without using all 1,168 Form 990-PFs from the private foundations sector.

Figure 30 shows the total amounts of assets, revenue, and expenses held by the sample of 100 Minnesota private foundations.

- In October 2009, the National Center for Charitable Statistics at the Urban Institute provided 2006-2008 data for 1,168 private foundations with assets of $100,000 or more in Minnesota. Collectively, these foundations held a little over $12 billion in assets. The sample used in this study includes 100 of these private foundations, which combined hold $1.6 billion of those assets.
- This sample contains 14 percent of the total assets and 7 percent of the total revenue of the private foundation nonprofit sector in Minnesota. This sample also represents an accurate proportional representation of the private foundations nonprofit sector of Minnesota by assets.

Figure 30. Minnesota Private Foundation Sample: Total Assets, Revenue, and Expenses




N=100
Note: Data were obtained through the National Center for Charitable Statistics.

## OVERVIEW OF FINANCIAL RATIOS USED TO ASSESS PRIVATE FOUNDATIONS

The financial ratios used in the analysis of private foundations can be categorized as ratios measuring survivability, efficiency, and mission.

### Survivability Ratios

The primary concern in the survivability category, as measured by these ratios, is an inability to meet short-term obligations due to revenue fluctuations. An inability to have control of short-term revenue streams may have repercussions on the organization's long-term viability. These ratios are useful in determining if a private charitable foundation is safe from fluctuations in their revenue stream, and if they are not, where the greatest danger lies. For example, will fluctuations cause a failure in meeting short-term expenses? Will they cause a failure in having excess revenue to place toward mission goals?

3. Total revenue divided by total expenses
   line 12 (a) ÷ line 26 (a)
   
   This ratio is utilized for a current survivability check on the organization. In order for an organization to thrive over time, this ratio must be greater than 1. If this number is less than 1, then the organization is unable to meet its expense obligations through its sources of revenue and will inevitably need to sell assets in order to meet expense obligations. If this were to occur over an extended period of time, the organization would not be able to survive. This is an excellent starting point for any financial analysis because it is a great check on the current success or failure of the organization to survive.
4. (Total revenue minus total expenses) divided by total revenue
   [line 12 (a) – line 26 (a)] ÷ line 12 (a)
   
   In the for-profit sector, this ratio would be used to find the profit margin the company either has on a specific product line or the entire company. In the context of the nonprofit sector, this ratio tells us the margin for fluctuations in revenue. The smaller the margin, the more likely fluctuations in uncontrollable revenue sources (such as contributions) are to affect the organization's ability to meet mission goals and expenses.
15. Cash and savings divided by total assets
   [Part 2-line 1 (b) + Part 2-line 2 (b)] ÷ Part 2-line 16 (b)
   
   This ratio tells us the percentage of total assets which are currently in cash and savings. The higher this percentage is, the less likely fluctuations in the market will negatively affect the organization's ability to meet mission goals and expenses. However, the higher this percentage is the more likely the organization will not have enough growth in capital gains, dividends, and interest to support mission goals over an extended period of time. Ideally, private foundations would find a ratio for cash in savings that would be able to cover short-term expenses during recessionary periods and not so great as to endanger long-term survivability.

16. Total securities divided by total assets

    [Part 2-line 10a (b) + Part 2-line 10b (b) + Part 2-line 10c (b)] ÷ Part 2-line 16 (b)

    This ratio tells us the percentage of total assets which are currently in securities. The higher this percentage is, the more likely fluctuations in the market will negatively affect the organization's ability to meet mission goals and expenses. However, the higher this percentage is, the more likely the organization will have enough growth in capital gains, dividends, and interest to support mission goals over an extended period of time. Ideally, private foundations would find a ratio for securities that would be able to ensure long-term mission survivability and not so great as to endanger short-term survivability.

## Efficiency Ratio

The primary concern in the efficiency category is concern related to either receiving a return on every dollar spent or receiving a return on assets the organization already possesses. Thus, we see that efficiencies primarily deal with efficiencies in bringing in a revenue stream to support an organization's overall goal, its mission.

5. (Total revenue minus total expenses) divided by total assets

    [line 12 (a) – line 26 (a)] ÷ Part 2-line 16 (b)

    This is another measure frequently used by for-profit businesses and is typically referred to as the "return on assets" ratio. This ratio is utilized to find the percentage return an organization receives per dollar of asset. The ratio's importance lies in telling an organization how efficiently they are using their existing assets. Thus, the higher this ratio, the more efficient the organization is in raising revenue with existing assets.

## Mission Ratios

Mission ratios are primarily concerned with appropriating the revenue the organization receives to the proper end goal which is the organization's mission. These ratios generally come under the most scrutiny since they are utilized by external sources as tests of whether or not a nonprofit organization is meeting its mission. Thus, they should be measured by nonprofit organizations on an annual basis to test whether they are drastically outside of the baseline range for their type of organization.

17. Total operating and administrative expenses divided by total expenses

    line 24 (a) ÷ line 26 (a)

    This ratio is one of the most significant for the nonprofit sector and is referred to as the "administrative cost" ratio. This ratio is a measurement of the cost of human capital as a percentage of total costs. The ratio is highly scrutinized by donors for it tells others how much of an organization's actual expenses are going toward the employees' salaries or revenue raising efforts. Many donors use this ratio as a measure of how much of their contributions actually go to meet the intended purpose. When nonprofit organizations have come under attack, this ratio has been frequently used in looking for organizations which highly compensate their employees rather than meeting mission goals.

18. Contributions, gifts, and grants paid divided by total assets
    line 25 (a) ÷ Part 2-line 16 (b)

    This ratio is important for private foundations for two primary reasons. For the purposes of our study, this served as a measure of an organization's pursuit of supporting their mission goals. The higher the ratio, the greater the percentage of assets that are being contributed toward gifts and grants related to the private foundation's mission goals. This ratio is also important from the standpoint that the IRS requires private foundations to spend annually a certain percentage of money or property for charitable purposes, including grants to other charitable organizations. This required amount is called the distribution amount and is equal to the private foundations' minimum investment return with certain adjustments. According to Bill Bradley's article, "The Nonprofit Sector's $100 Billion Opportunity," from the *Harvard Business Review*, this required distribution amounts to roughly 5 percent of their assets per year.

## FINANCIAL ANALYSIS OF SAMPLE OF MINNESOTA'S PRIVATE FOUNDATIONS

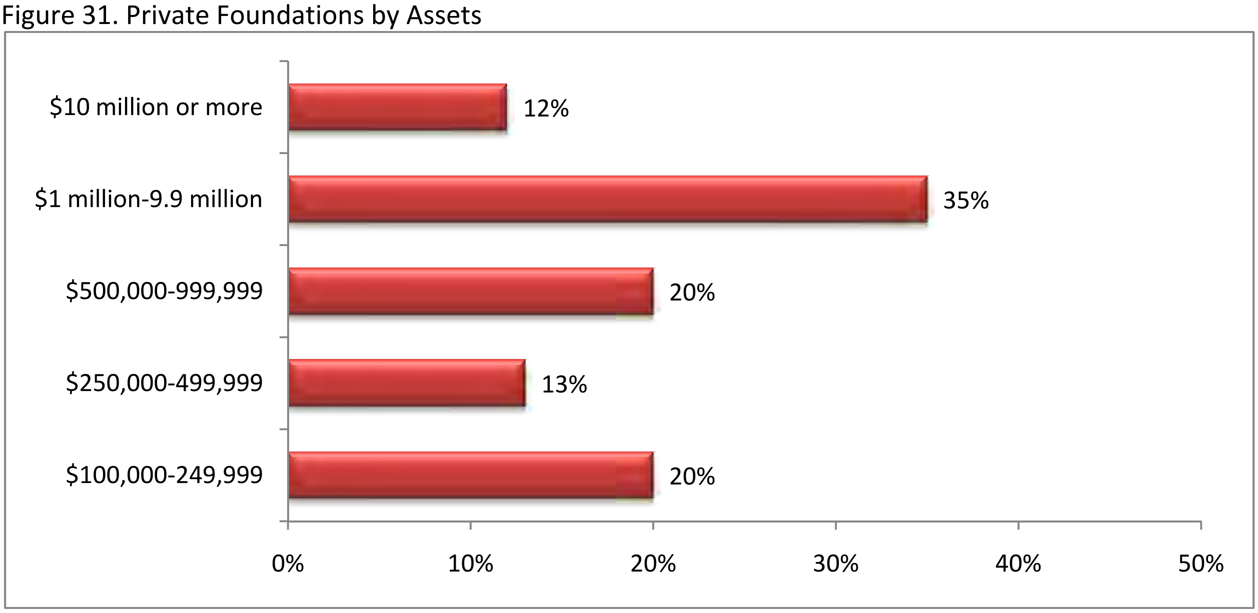
### Type of Organization = Private Foundations

Private foundations generally have only one major source of funding, primarily one large family or corporate donation. The foundation's money is typically used in making grants to other charitable organizations and to individuals which meet the desired goal of the private foundation. Private foundations are defined by reliance upon securities for the majority of their assets and a low percentage of assets held in cash and savings. This balance ties private foundations to systematic changes in the economy without ample protection against recessionary periods. Thus, private foundations are likely to have difficulties with revenue streams during economic hard times since they have no protection against systematic market conditions. This is why it is recommended they keep enough cash and savings to cover short periods of expenses until they can recover from the losses experienced during a bear market.

As shown in Figure 31, the distribution of assets for private foundations is as follows.

- 12 percent of private foundations have $10 million or more in assets
- 35 percent of private foundations have assets of $1 million-9.9 million
- 20 percent of private foundations have assets of $500,000-999,999
- 13 percent of private foundations have assets of $250,000-499,999
- 20 percent of private foundations have assets of $100,000-249,999

Figure 31. Private Foundations by Assets




N=1,168

Note: Data were obtained through the National Center for Charitable Statistics. Data were obtained from the most recent Form 990-PF on file; the vast majority of the organizations in the sample are from 2007 and 2008; however the years range from 2006 to 2008.

## Survivability: Private Foundations

Table 26. Survivability Ratio Scores for Private Foundations in Minnesota

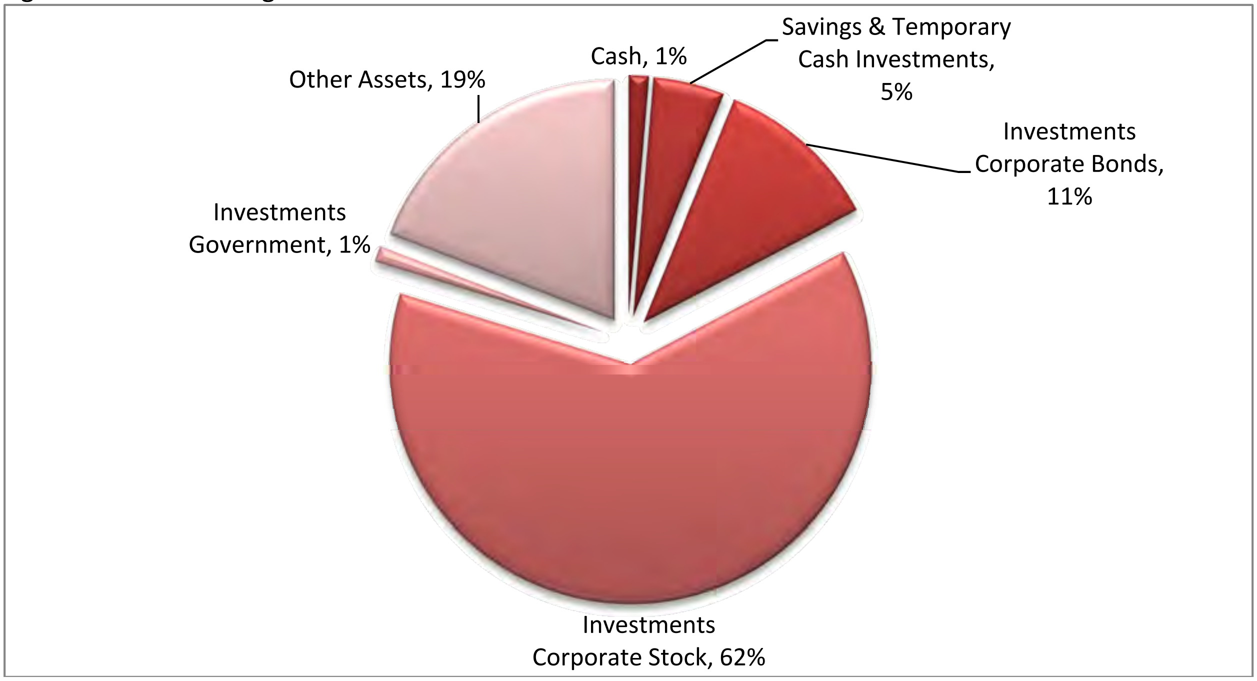
| Ratio | Private Foundations N = 100 |
|---|---|
| 3. Total revenue ÷ total expenses | 0.91 |
| 4. (Total revenue − total expenses) ÷ total revenue | -0.09 |
| 15. Cash and savings ÷ total assets | 0.0613 |
| 16. Total securities ÷ total assets | 0.7472 |

From the standpoint of survivability, some of the most important financial aspects to investigate for nonprofit organizations are revenue compared to expenses and contributions compared to expenses and revenue.

The starting point of any financial analysis should begin in analyzing whether an organization is able to meet its short-term expenses. The first ratio to analyze reflects the general short-term health of the organization and is calculated by dividing the total revenue by the total expenses (Ratio 3). In private foundations, we find this ratio to be .91, suggesting private foundations will be unable to sustain current expense obligations. Since the ratio is less than 1, we know that the private foundations have less revenue than expenses and that changes must be made or not all organizations will survive. In order to find the excess revenue that could be utilized in growing the organization, we must deduct expenses from total revenue and divide this total by total revenue (Ratio 4). We find that the private foundation sector, overall, has a profit margin of -9 percent. This finding suggests that private foundations are unable to sustain their current level of expenses without finding new sources of revenue. Unlike the public charities sector, private foundations are generally formed from one large contribution at their inception. This means that new sources of revenue are unlikely to exist. As a result, a steady source of revenue other than securities alone is important for long-term forecasting, since stability is a requirement for predicting future outcomes. Private foundations, therefore, should invest a higher percentage of assets in cash, cash equivalents, bonds, and other predictable interest paying investments in order to create a more predictable revenue stream. This is especially true when a buffer against revenue fluctuations is needed during bear markets.

The stability of private foundations from possible fluctuations in revenue can be found by determining how dependent they are on uncontrollable sources of revenue. By dividing cash and savings by total assets (Ratio 15), we get a percentage of controlled resources which are not subject to systematic changes in the market. This ratio is 6.13 percent for private foundations. The lower this ratio and the higher the total securities divided by total assets ratio is (Ratio 16), the more tied to systematic changes in the market the private foundation is and the more likely they are to experience funding issues and revenue stream fluctuations during economic hard times. Private foundations have 74.72 percent of their assets based in securities. This shows a high reliance on securities and a low ratio of controlled assets, making private foundations almost fully tied to the economy. During bull markets, private foundations should do very well. The opposite is likely to occur during bear markets since private foundations will suffer not only from economic conditions but through contribution requirements by the IRS. This will make it more difficult for them to recover and survive from large declines in the market. The heavy reliance of private foundations upon securities can be seen in Figure 32.

Figure 32. Assets Categories of Private Foundations

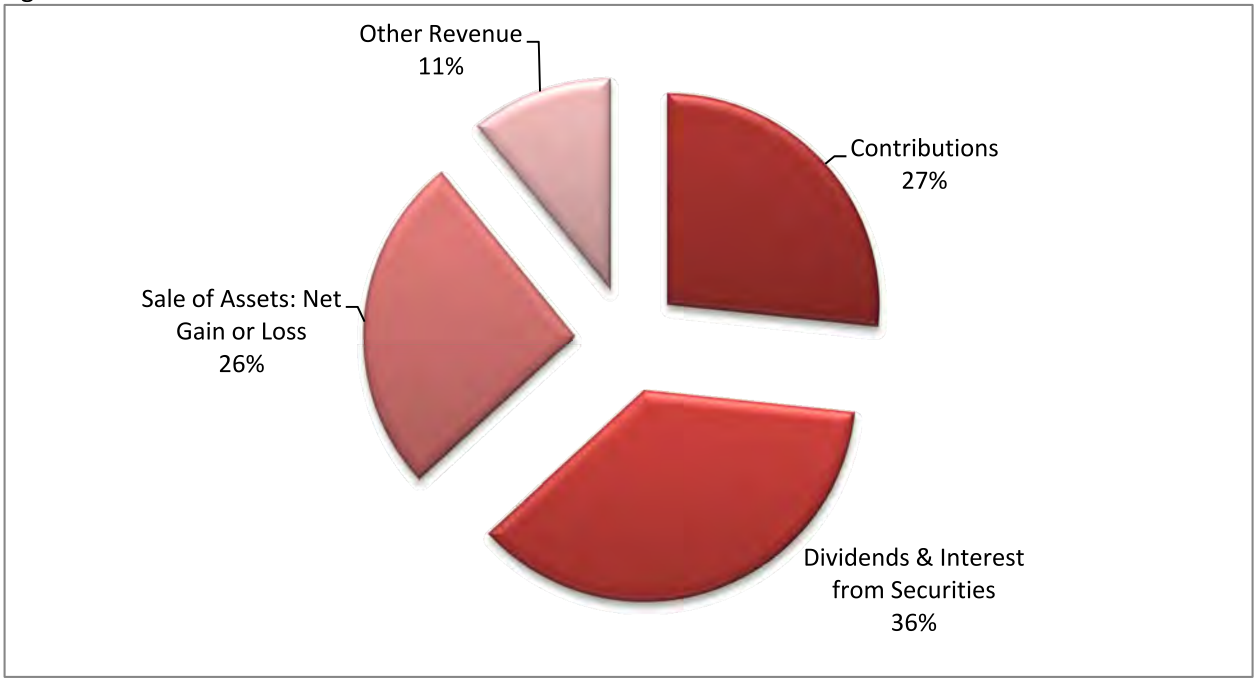



N=100

Note: Data were obtained through the National Center for Charitable Statistics.

Figure 33 is a graphical representation of the distribution of total revenue sources among private foundations in our sample. This graph provides us with a further understanding of the private foundations reliance upon securities for funding. We find that 63 percent of the total revenue stream for private foundations is provided through securities, either as dividends, interest, or as capital gains. This means private foundations are highly reliant upon securities for revenue and thus prone to significant fluctuations in revenue as the economic cycles change.

Figure 33. Source of Revenue for Private Foundations in Minnesota




N=100
Note: Data were obtained through the National Center for Charitable Statistics.

## Efficiency: Private Foundations

Table 27. Efficiency Ratio Score for Private Foundations in Minnesota

| Ratio | Private Foundations N = 100 |
|---|---|
| 5. (Total revenue − total expenses) ÷ total assets | -0.083 |

The efficiency of the private foundations at receiving their revenue stream from securities can be measured by the return on asset ratio (Ratio 5). This ratio measures the efficiency of utilizing existing assets in the production of revenue. The higher the ratio, the greater the revenue produced by each asset. For private foundations, the ratio is -.083, meaning that for every dollar of assets there is a loss of 8 cents. However, this ratio would be expected to fluctuate significantly since the majority of private foundation revenue is derived from securities. During bull markets this ratio should increase and the opposite would be true during bear markets.

## Mission: Private Foundations

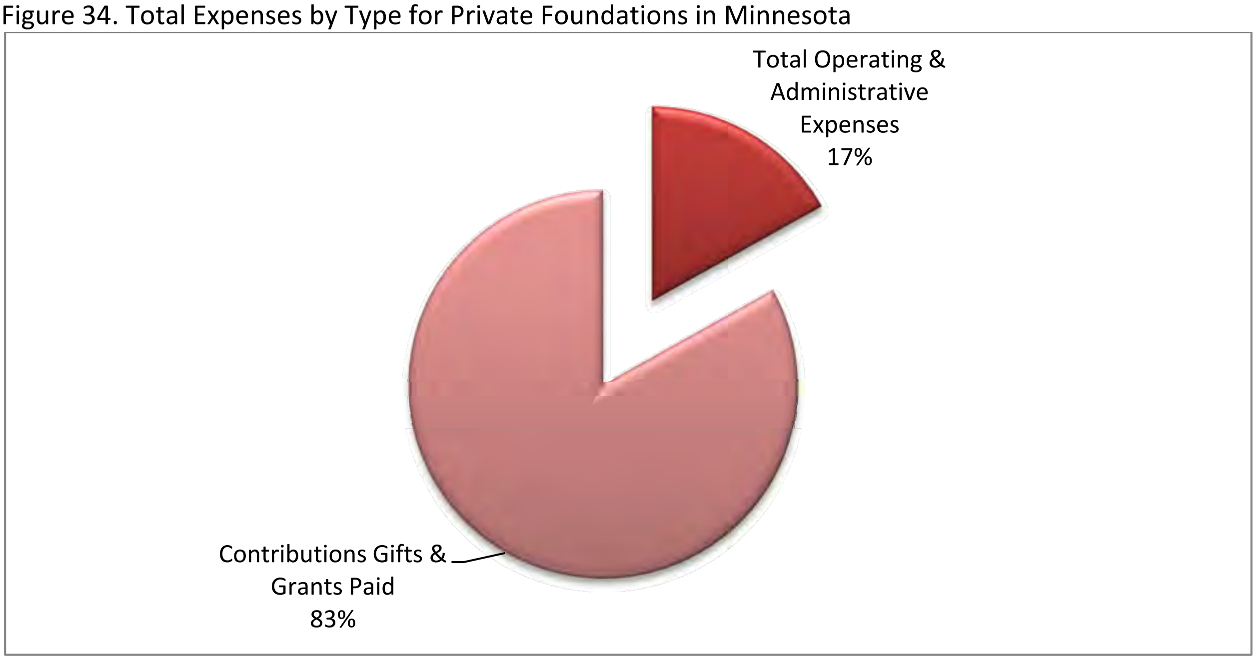
Table 28. Mission Ratio Scores for Private Foundations in Minnesota

| Ratio | Private Foundations N=100 | Benchmark defined by federal government* |
|---|---|---|
| 17. Total operating and administrative expenses ÷ total expenses | 0.1690 | .25 |
| 18. Contributions, gifts, and grants paid ÷ total assets | 0.0721 | .05 |

*Used by the federal government for participation in their Combined Federal Campaign in 2003 and the IRS for the required distribution amount.

The most significant ratio for nonprofits may be the administrative cost ratio. The administrative cost ratio is figured by dividing the total operating and administrative expenses by total expenses (Ratio 17). From this ratio you find the efficiency of the organization in running its most controllable expenses (i.e., those that do not go toward the mission goal). This ratio, represented in Figure 34, is highly scrutinized by donors and other external entities. Private foundations have an administrative cost ratio of 16.9 percent, making private foundations efficient at managing their controllable costs.

Figure 34. Total Expenses by Type for Private Foundations in Minnesota




N=100
Note: Data were obtained through the National Center for Charitable Statistics.

There are many components to an organization's mission goals making them difficult to measure in financial terms. A useful financial measure for mission goals is the amount of revenue being used to directly support organizational missions. The ratio is calculated by dividing contributions, gifts, and grants paid by total assets (Ratio 18). The higher this ratio is, the more money is being given to meet monetarily driven mission goals. For our sample of Minnesota private foundations, the percentage is 7.21 percent, which is more than 2 percentage points higher than the national average according to Bill Bradley's article, "The Nonprofit Sector's $100 Billion Opportunity."

## FACTOR ANALYSIS FOR PRIVATE FOUNDATIONS IN MINNESOTA

Finally, factor analysis was conducted to identify ratios that were consistent when grouped together. These ratios were combined to create composite measures of performance. In analysis of the sample of Minnesota's private foundations, 6 of the original 18 ratios were well suited for groupings. These six ratios clustered into one basic theme that we labeled: Index 3 – Measure of Uncontrolled Revenue to Expenses. The indicators that comprised the index are as follows.

### Index 3 – Measure of Uncontrolled Revenue to Expenses

**Index 3** (Ratios 2, 3, 5, 9, 10, 11)

- Total revenue divided by total assets
- Total revenue divided by total expenses
- (Total revenue minus total expenses) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets
- Total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue

Table 29**.** Composite Index Ratio of Private Foundations in Minnesota

| Type of Charity | Index 3 – Uncontrolled Revenue to Expenses |
|---|---|
| Entire Private Foundations Sample | 2.15 |

N=100

Index 3 was composed of six ratios, two of which were previously used in our financial analysis. One of these ratios came from the survivability analysis and one came from the efficiency analysis. The additional four ratios, which primarily dealt with contributions, were previously not used in our analysis.

Through factoring these ratios together, we received scores from -5.29 to 17.89 with a mean score of 2.15 for the entire private foundations sector. This index is a measurement of an organization's ability to meet expenses and obligations and a measure of uncontrollable revenue. The lower the score the organization has in this factor, the more likely they are to be unable to meet expense obligations. However, the higher the score an organization has, the higher the percentage of their expenses are covered by uncontrollable revenue sources. In the end, an organization would ideally not fall near either extreme for this score. We previously did not analyze contributions in the financial analysis section due to the fact that, in the private foundations sector, contributions are generally derived from only one source. A donation is typically given only once, after which the private foundation is to be self sustaining. For this reason, contributions were not analyzed previously, as the large contribution at the onset of the private foundation birth skews the revenue to expense ratio and creates the appearance of greater sustainability than actually exists. However, if one realizes this skewing is occurring and then utilizes this score for their existing private foundation, one can then find a good measure of revenue to expenses.

# Summary and Recommendations

## SUMMARY

The charitable nonprofit sector in Minnesota is sizeable and is comprised of a diverse cross-section of organizations that greatly influence the well-being of residents in the state. The purpose of this research was to explore the performance of the nonprofit sector and to determine if the investments made by nonprofit organizations are effective and efficiently delivered. We approached this task by examining the financial records of a sampling of 100 public charity nonprofit organizations and a sampling of 100 private foundations in Minnesota, based on assets. We used tax returns submitted to the Internal Revenue Service (IRS) and made available through the National Center for Charitable Statistics (NCCS) at the Urban Institute (Forms 990 and 990-PF). We modeled our efforts after William Ritchie and his colleagues who published, "Nonprofit Organization Financial Performance Measurement." Specifically, we conducted a series of statistical tests on several widely used individual performance measures (i.e., ratios of financial characteristics) based on data from the IRS forms. As a result of our statistical analyses, we developed three targeted performance indices for both public charities and private foundations, two composite indices for public charitable nonprofits, and one composite index for private foundations. These indices served as objective measures of financial performance and helped guide our exploration into the effectiveness and efficiencies within the nonprofit sector in Minnesota.

### Public Charities

A review of the financial characteristics of the public charitable nonprofit sector in Minnesota, based on our sample, reveals a number of important challenges and opportunities. First, the resource base within the public charity nonprofit sector is heavily concentrated within the top tier of charitable organizations. The NCCS provided data for 4,544 public charities in Minnesota with assets of $100,000 or more representing an estimated $62 billion in assets. Our sample of 100 public charities with $100,000 or more in assets held $1.9 billion of the total public charity assets. The top 10 public charities accounted for 42 percent of total assets and 28 percent of total revenue from the total public charity sector in Minnesota. This concentration of resources is largely centered within health and medical. Health and medical nonprofits accounted for only 15 percent of the overall number of public charities but contained 48 percent of the total assets held by the overall public charity nonprofit sector.

Second, revenue streams among public charities are equally highly concentrated. The majority of revenue within our sample was received as payment for program services such as admissions to museums, tuition received by schools, government fees or contracts, and payment to hospitals for medical services. In contrast, the second highest revenue stream came from contributions or government grants and made up 12 percent of revenue.

Third, the distribution of contributions to public charities is heavily concentrated within arts and education organizations. Nearly 42 percent of the private contributions in our sample were donated to arts public charities and 26 percent of the private contributions in our sample were donated to education public charities. This leaves only around 33 percent of the private contributions from our sample being donated to the other six categories combined.

Fourth, while program services are the largest expense of public charities at nearly 84 percent of total expenses, management and general expense fees comprise the second largest expense category among public charities.  Management and general expenses account for 15 percent of total expenses within our sample.  This is significantly lower than 25 percent, the baseline used by the federal government to represent an efficient organization.

Our examination of the financial performance among public charities was divided into three main financial analysis categories and two composite categories.  First, we explored the survivability of our sample of public charities using four financial ratios: Ratio 3) total revenue divided by total expenses, Ratio 4) (total revenue minus total expenses) divided by total revenue, Ratio 9) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, and Ratio 11) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue.  These ratios served as a means of analyzing public charity categories for short-term survivability and reliance upon uncontrollable revenue for survival.  Only two of the categories, human services and other, failed to meet the short-term survivability test.  Religious and public and societal benefit organizations had the largest protection against fluctuations in their revenue stream.  Health and medical was the only public charity category where contributions were an insignificant factor in the survivability of the organization.

We labeled our second financial analysis category efficiency.  This measure was composed of three ratios.  The first was used to measure the efficiency of attaining revenue from contributions.  The second explored the efficient use of expenses to attain revenue.  The last measure centered on the efficiency of attaining revenue using previously expensed assets.  These ratios were: Ratio 7) direct public support divided by fundraising expenses, Ratio 8) total revenue divided by fundraising expenses, and Ratio 5) (total revenue minus total expenses) divided by total assets.  We found a wide range in how efficient public charities were in securing contributions.  Those most dependent upon contributions as a source of revenue had the lowest efficiency rating.

Our third financial analysis measure was for mission.  This was an assessment of an organization's ability to place funding toward accomplishing mission goals while controlling non-mission related costs.  The ratios we used were: Ratio 17) (management and general expenses plus fundraising expenses) divided by total expenses and Ratio 1) total revenue available for programs divided by total revenue.  All public charity categories, except for the arts and human services, have administrative cost ratios under the established baseline for efficiency in controlling costs.  All charities we reviewed dedicated the majority of their revenue toward mission goals.  The lowest allotment was 71 percent (human services).

Our first composite index for public charities (Survivability Measure) combined four ratios, three of which were previously used in our financial analysis.  Two of the ratios came from the survivability analysis, one from the efficiency analysis, and the last (net assets divided by total assets) was not used in our financial analysis section.  The ratios used in this composite index were: Ratio 3) total revenue divided by total expenses, Ratio 4) (total revenue minus total expenses) divided by total revenue, Ratio 5) (total revenue minus total expenses) divided by total assets, and Ratio 6) net assets divided by total assets.  This index measures an organization's ability to meet expenses and obligations.  Health and medical and public and societal benefit organizations have a higher than average score, indicating that they have stable revenue sources and should not have difficulties with long-term survivability.

Our second composite for public charities (Measure of Uncontrolled Revenue) was composed of three ratios, two of which were previously used in our financial analysis of survivability and an additional ratio [total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets] which was previously not used in our analysis. The ratios used in this measure were: Ratio 9) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, Ratio 10) total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets, and Ratio 11) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue. This index is a measure of an organization's uncontrolled revenue. Arts and education organizations have a higher score than the public charities sector average, indicating that they have a large portion of their revenue sources from uncontrolled sources and could have difficulties with revenue streams during economically difficult times.

## Private Foundations

Our analysis of the state's private foundations was slightly different from the public charities analysis due to the differences between the IRS tax Form 990 and Form 990-PF. Not all of the same financial ratios were used and the calculations were based on different but equivalent lines to the Form 990. Two ratios were changed for measuring survivability, two ratios were removed from the efficiency measurement, and one ratio was changed to measure these organizations' pursuit of supporting their mission goals. We found that private foundations were similar to public nonprofits in regard to assets being heavily concentrated within the largest organizations. In private foundations nearly 55 percent of total foundation assets were accounted for by the top 10 foundations. However, we found a vastly different resource concentration from that of public charities. In contrast to public charities, the majority of assets within the private foundation sample are from securities (i.e., corporate stocks, bonds, and government obligations). In addition, 62 percent of the revenue generated by foundations was from securities, something very different from public charities. Contributions were the second leading source of revenue in our sample, accounting for nearly 27 percent of revenue for the private foundations sector. Finally, we found that 83 percent of foundation expenses were for charitable contributions, gifts, and grants. Operating and administrative expenses accounted for 17 percent of our sample's foundation expenses.

The survivability of our sample of private foundations was measured by using four financial ratios: Ratio 3) total revenue divided by total expenses, Ratio 4) (total revenue minus total expenses) divided by total revenue, Ratio 15) cash and savings divided by total assets, and Ratio 16) total securities divided by total assets. These ratios served as a means of analyzing short-term survivability and the reliance upon uncontrollable revenue for survival. Overall, private foundations failed to meet the short-term survivability test. This is likely due to the current economic downturn in the nation. Private foundations had limited protection against fluctuations in their revenue stream. They also were heavily reliant upon securities for the majority of their revenue, making them vulnerable to systematic changes in the market and likely to experience difficulties meeting expense obligations during recessionary periods.

We labeled our second financial analysis category efficiency. This measure was composed of one ratio, which allowed us to measure the efficiency of achieving revenue using previously expensed assets. This ratio was: Ratio 5) (total revenue minus total expenses) divided by total assets. Private foundations achieved a return on asset ratio of -.083. Once again, this reflects the recessionary period of the economy that existed during the time of the analysis.

Our third financial analysis measure addressed mission. This was an assessment of an organization's ability to place funding toward accomplishing mission goals while controlling non-mission related costs. The ratios we used were: Ratio 17) total operating and administrative expenses divided by total expenses and Ratio 18) contributions, gifts, and grants paid divided by total assets. Private foundations have administrative cost ratios under the baseline and would be considered efficient in controlling costs. Minnesota private foundations contribute 7 percent of their assets toward their mission goals, which is more than the national average for private foundations of 5 percent.

Our private foundation composite index (Measure of Uncontrolled Revenue to Expenses) was composed of six ratios. Two of the ratios were previously used in our financial analysis. The first ratio was derived from the survivability analysis and the second came from the efficiency analysis. The remaining ratios dealt with contributions, a category not used in our analysis. The ratios used in this measure were: Ratio 2) total revenue divided by total assets, Ratio 3) total revenue divided by total expenses, Ratio 5) (total revenue minus total expenses) divided by total assets, Ratio 9) total contributions (i.e., gifts, grants, and similar amounts received) divided by total expenses, Ratio 10) total contributions (i.e., gifts, grants, and similar amounts received) divided by total assets, and Ratio 11) total contributions (i.e., gifts, grants, and similar amounts received) divided by total revenue. This index measures an organization's ability to meet expenses and obligations relative to uncontrollable revenue. Private foundations were low on this scale, meaning that they were not well suited to meet expense obligations despite having a low portion of uncontrollable revenue derived from contributions.

## RECOMMENDATIONS

The findings from our analysis illustrate some of the challenges that face the nonprofit sector in Minnesota. We view these challenges as opportunities for change. Therefore, we offer the following four recommendations for consideration.

1. The concentration of resources among both public charities and private foundations indicates the need for leveraging of resources and experience between organizations and sectors. Efforts should be made to develop a dialogue among nonprofit organizations. More importantly, a formal collaborative structure should be considered that allows charities and foundations to work collectively in order to improve visibility and efficiencies.

2. A research effort should be undertaken to explore the implications of public charities which rely heavily upon contributions, especially those with low efficiency ratios. The issue of concern is whether long-term survivability or mission goals are likely to be attained during periods of extreme revenue stream fluctuations. Further research should be conducted both within the nonprofit sector and of the public to ascertain whether public interest impacts efficiency ratings for contributions. This may have implications on how charities approach developing future mission goals in light of expected future revenue streams.

3. Support systems need to be considered to offer technical assistance to nonprofit organizations that are struggling, especially those with low fiscal survivability scores. This effort could be dovetailed with the leveraging suggestion offered in the first recommendation.

4. Nonprofit organizations should systematically explore their potential weaknesses (i.e., survivability, efficiency, or mission) to avoid a situation where financial realities that affect short-term survivability become the focus for driving long-term mission goals.

# Appendix Tables

Appendix Table 1. Minnesota Public Charity Sample: Total Assets, Revenue, and Expenses

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Caponi Art Park | $3,240,938 | $80,261 | $356,326 |
| Minnesota Public Radio American Public Media | $175,566,435 | $82,191,762 | $76,754,356 |
| Theater Mu Incorporated | $216,028 | $600,006 | $663,170 |
| Duluth Ballet Inc Minnesota Ballet | $250,578 | $695,551 | $694,237 |
| St Paul Conservatory of Music | $284,623 | $537,354 | $569,696 |
| Minnesota Genealogical Society | $1,049,412 | $106,887 | $104,541 |
| Community Design Center of Minnesota | $637,139 | $357,323 | $256,164 |
| Minnesota Public Television Association | $114,895 | $333,030 | $247,896 |
| Betsy-Tacy Society | $181,386 | $83,001 | $37,623 |
| Highpoint Center for Printmaking | $568,767 | $789,861 | $555,013 |
| Scholarship America Inc | $126,178,999 | $31,192,940 | $20,455,829 |
| Metropolitan State University Foundation | $5,000,884 | $1,538,283 | $984,094 |
| Friends School of Minnesota | $3,996,270 | $2,144,913 | $1,849,113 |
| The City Inc | $949,030 | $1,902,134 | $2,568,322 |
| St Croix Preparatory Academy | $1,151,154 | $3,599,346 | $3,552,835 |
| Kaleidoscope Charter School | $787,675 | $2,064,360 | $2,046,407 |
| Journey North | $191,522 | $296,009 | $297,582 |
| Adler Graduate School | $732,571 | $1,988,734 | $1,893,831 |
| Liberty High | $372,919 | $1,772,151 | $1,805,893 |
| Hibbing Band Parents Organization Inc High School Music Room | $128,042 | $81,934 | $16,937 |
| Achieve Language Academy | $3,053,455 | $4,736,233 | $4,043,947 |
| Joe Francis Haircare Scholarship Foundation | $750,196 | $89,445 | $42,744 |
| Laura Jeffrey Academy | $224,494 | $168,626 | $163,641 |
| Nerstrand Elementary School | $448,279 | $1,233,032 | $1,214,343 |
| Green Institute | $5,017,408 | $2,573,339 | $2,550,630 |
| Sugarloaf Interpretive Center Association | $770,220 | $153,397 | $159,559 |
| Energy and Environmental Building Association | $175,581 | $1,184,260 | $1,193,284 |
| Minnesota Forestry Association | $710,910 | $131,332 | $110,899 |
| Mayo Foundation for Medical Education and Research | $585,317,758 | $290,391,463 | $270,739,500 |
| Cabrini Partnership | $1,922,505 | $2,237,621 | $1,546,234 |
| Preeclampsia Foundation | $822,864 | $603,368 | $337,378 |
| Human Development Center Duluth Area | $6,103,639 | $10,542,986 | $10,286,423 |
| Annex Teen Clinic | $339,874 | $904,151 | $749,965 |
| National Federation of the Blind of Minnesota Inc | $214,428 | $81,751 | $53,225 |
| Mental Health Collective | $177,924 | $427,715 | $461,744 |
| Central Minnesota Mental Health Center | $5,494,191 | $10,645,666 | $11,033,254 |

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Pennington Health Services Thief River Center | $847,328 | $4,168,333 | $3,999,899 |
| University of Minnesota Physicians | $109,031,997 | $289,233,354 | $282,922,432 |
| Augustana Care Foundation | $8,607,027 | $593,041 | $243,066 |
| Community Resources for Education Alternative Treatments and Evaluation, Inc | $809,432 | $1,034,684 | $946,217 |
| American College of Physicians Minnesota Chapter | $169,288 | $70,221 | $50,767 |
| Centracare Health System | $120,336,651 | $39,876,309 | $39,239,066 |
| Rochester Methodist Hospital | $519,773,577 | $404,053,147 | $327,399,316 |
| Minnesota Veterans Research Institute | $7,616,132 | $5,977,916 | 5,378 ,655. |
| Big Brothers Big Sisters of the Greater Twin Cities | $3,764,691 | $4,270,661 | $4,568,106 |
| Habitat for Humanity International Inc Habitat for Humanity of Minnesota | $20,314,799 | $3,198,928 | $2,824,612 |
| Minnesota State Fair Foundation | $1,559,251 | $1,145,888 | $901,138 |
| Camp Fire USA Minnesota Council | $1,890,500 | $1,220,074 | $1,721,510 |
| Minnesota Justice Foundation Inc | $298,213 | $556,385 | $516,519 |
| Immigrant Law Center of Minnesota Inc | $402,885 | $771,734 | $735,156 |
| Confidence Learning Center | $2,431,581 | $701,951 | $752,182 |
| Lets Go Fishing of MN | $414,713 | $395,956 | $332,838 |
| Aliveness Project Inc | $631,217 | $774,563 | $725,049 |
| Kids ‘n Kinship Inc | $139,286 | $196,797 | $173,054 |
| Southeast Asian Refugee Community Home Search | $380,106 | $841,713 | $825,376 |
| Vision Loss Resources Inc | $7,841,674 | $3,801,638 | $3,841,551 |
| Minnesota Thunder P.L.U.S. | $111,157 | $164,959 | $132,358 |
| Rise Incorporated | $9,545,982 | $5,431,378 | $5,009,025 |
| Ski for Light Inc | $358,960 | $318,791 | $336,954 |
| 180 Degrees Inc | $818,168 | $2,059,042 | $1,948,569 |
| Vasaloppet Inc | $515,716 | $169,983 | $158,034 |
| The Institute for New Americans | $5,431,741 | $1,076,073 | $1,142,289 |
| North Star Scouting Memorabilia Inc | $1,012,371 | $74,130 | $153,995 |
| Twin City Figure Skating Association | $560,881 | $263,718 | $104,222 |
| Red Wing Area Seniors Inc | $201,167 | $172,439 | $161,468 |
| Shakopee Valley Amateur Hockey Inc | $253,873 | $268,099 | $295,057 |
| Glenwood Village Care Center Inc | $5,304,911 | $5,462,652 | $5,417,995 |
| Minnesota Section Institute of Food Technologists | $471,966 | $91,012 | $44,569 |
| North Central Minnesota Farm and Antique Association | $181,297 | $35,843 | $32,639 |
| United Northern Sportsmen | $103,222 | $55,017 | $52,658 |
| Audubon Volunteer Fire Department Inc | $309,811 | $51,463 | $7,006 |
| Ebenezer Lakes Assisted Living | $7,892,670 | $2,136,444 | $2,054,369 |
| Alexandria Senior Citizens Center Inc | $304,056 | $79,496 | $92,722 |
| Greater Minnesota Housing Fund | $53,959,323 | $4,757,664 | $8,613,061 |
| Duluth Area Family YMCA | $11,322,478 | $5,595,777 | $5,011,945 |

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Occupational Development Center Inc | $9,113,828 | $9,017,202 | $9,577,229 |
| Garden Terrace Commons Senior Housing | $2,781,549 | $190,272 | $226,991 |
| Ita Bel Koo Day Activity Center Inc | $230,975 | $168,828 | $184,291 |
| Lakes Area Food Shelf Incorporated | $210,215 | $187,454 | $158,770 |
| Brainerd Lakes BMX Association Inc | $127,020 | $28,957 | $14,613 |
| Floodwood Services and Training Inc | $1,084,797 | $988,641 | $983,607 |
| Missions Inc Programs | $6,587,337 | $4,651,508 | $4,267,425 |
| University Enterprise Laboratories Inc | $9,577,604 | $5,840,729 | $3,530,832 |
| Minnesota State Council on Economic Education University of Minnesota | $964,279 | $725,900 | $583,144 |
| Mount Saint Benedict Foundation | $5,303,624 | $623,829 | $207,734 |
| Veterans on the Lake Resort | $627,837 | $469,818 | $451,410 |
| Saint Paul Rotary Foundation | $207,575 | $86,275 | $87,554 |
| St Anthony Park Community Council | $348,756 | $163,219 | $147,399 |
| Aitkin County Growth Inc | $3,136,279 | $726,844 | $345,542 |
| Gopher Hawkeye Power Assn Inc | $129,515 | $34,166 | $24,572 |
| The Harry Kay Charitable Foundation | $25,947,885 | $2,674,224 | $1,636,521 |
| Duluth 1200 Fund Inc | $3,886,159 | $48,964 | $36,322 |
| Tobacco Law Center | $884,999 | $1,235,246 | $1,183,879 |
| American Marketing Association Inc Minnesota | $136,846 | $172,486 | $175,183 |
| MSAIA Architectural Foundation DBA Minnesota Architectural Foundation | $667,489 | $93,992 | $30,456 |
| St Lukes Foundation | $7,303,578 | $1,442,538 | $981,258 |
| Boundary Waters Experience | $167,721 | $107,891 | $101,614 |
| Mercy Missionaries | $777,967 | $36,279 | $37,021 |
| International Christian Literature Distributors Inc | $232,574 | $178,939 | $95,365 |
| Microcredit Foundation Inc | $673,602 | $8,082 | $11,474 |
| **Total** | **$1,920,173,101** | **$1,279,509,781** | **$1,148,963,630** |

Appendix Table 2. Minnesota Private Foundations Sample: Total Assets, Revenue, and Expenses

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Otto Bremer Foundation | $729,115,776 | $37,603,633 | $29,603,435 |
| Northwest Area Foundation | $466,353,191 | $23,506,344 | $36,532,762 |
| Opus Foundation | $76,778,994 | $19,130,207 | $3,173,281 |
| Prospect Creek Foundation | $42,675,489 | $5,388,186 | $2,459,573 |
| Medtronic Foundation | $41,013,861 | $2,678,714 | $26,161,877 |
| Beverly Foundation | $29,563,872 | $5,245,156 | $2,136,521 |
| Grotto Foundation Inc | $24,528,882 | $2,439,854 | $1,607,205 |
| Sit Investment Associates Foundation | $18,266,903 | $2,722,914 | $1,441,413 |
| Target Foundation | $13,724,998 | $2,163,889 | $9,782,181 |
| Engdahl Family Foundation | $12,191,810 | $283,623 | $655,285 |
| Sundet Foundation | $10,976,451 | $405,775 | $773,706 |
| Life Science Foundation | $10,400,956 | $647,960 | $476,153 |
| Schwans Corporate Giving Foundation | $9,943,885 | $491,843 | $16,000 |
| Happy Dancing Turtle | $9,483,976 | $569,994 | $300,589 |
| Winds of Peace Foundation | $6,540,425 | $1,590,877 | $714,633 |
| Kinney Family Foundation | $8,394,037 | $219,337 | $497,814 |
| Acorn Foundation | $5,271,424 | $965,661 | $836,985 |
| Osilas Foundation | $5,973,061 | $233,628 | $287,153 |
| Samsara Foundation | $5,651,031 | $660,937 | $291,264 |
| Greycoach Foundation | $3,672,428 | $990,587 | $2,579,894 |
| Gallagher Foundation | $5,507,313 | $1,602,190 | $623,700 |
| Northern Star Foundation | $4,764,413 | $86,932 | $275,235 |
| Baker Foundation | $4,752,758 | $82,198 | $316,778 |
| Eagle Foundation | $4,424,541 | $2,818,540 | $603,925 |
| Sauer Childrens Renew Foundation | $4,215,134 | $220,743 | $379,576 |
| Donaldson Foundation | $3,019,594 | $1,077,680 | $914,195 |
| Thomas and Judith Mahoney Family Foundation | $3,193,159 | -$847,400 | $207,505 |
| Xcel Energy Foundation | $2,869,097 | $7,393,198 | $7,608,528 |
| H E and H R Warren Foundation | $2,413,291 | $104,637 | $233,631 |
| Arsher Charitable Trust | $2,617,432 | $1,491,900 | $345,649 |
| Bethel College and Seminary Foundation Pooled Common Fund | $2,111,656 | $169,133 | $699,054 |
| Piper Jaffray Foundation | $2,441,579 | $220,800 | $407,478 |
| Caridad Corporation | $2,326,167 | $38,380 | $509,953 |
| The Morning Foundation | $2,046,680 | $163,601 | $407,897 |
| Broms Family Foundation | $2,044,525 | $147,809 | $164,264 |
| Redwood Area Communities Foundation Inc | $2,085,915 | $286,532 | $249,914 |
| Kaplan Family Foundation | $1,789,405 | $118,082 | $170,355 |
| Albright Foundation | $1,706,035 | $24,726 | $82,272 |
| Living Springs Foundation | $1,486,253 | $22,024 | $28,919 |

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Anchor Bank Family Foundation | $1,491,976 | $450,093 | $55,120 |
| Mercedes Foundation | $1,372,280 | -$133,112 | $101,297 |
| William Wood Skinner Foundation | $1,253,355 | $93,940 | $119,974 |
| Dellwood Foundation Inc | $1,160,478 | $129,358 | $221,122 |
| Global Promise Foundation | $1,175,178 | $35,876 | $172,546 |
| J Morgan Wilson and Myrna B Wilson Charitable Trust | $1,122,868 | $12,261 | $92,721 |
| Cote Foundation | $1,490,402 | $52,797 | $44,664 |
| Regis Foundation | $809,301 | $1,798,909 | $1,700,678 |
| Karen L Bean Irrevocable Private Foundation Trust | $846,116 | $37,362 | $47,656 |
| St Paul College Club Inc AAUW Scholarship Trust | $995,444 | $59,859 | $67,460 |
| Valley News Charity Fund | $990,423 | $37,591 | $31,551 |
| Alton Foundation | $967,193 | $523,339 | $166,794 |
| North Star Charitable Foundation | $971,851 | $424,207 | $318,433 |
| Robert S Starr Foundation | $1,056,917 | $30,098 | $44,306 |
| Arlan Schonberg Estate | $933,577 | $58,664 | $54,177 |
| Burntside Charitable Foundation | $628,039 | -$4,905 | $149,434 |
| Nonprofit Development Corp | $885,359 | $436,042 | $362,546 |
| Astleford Foundation | $747,182 | $27,967 | $44,990 |
| Oak Grove Foundation | $823,272 | $13,808 | $196,235 |
| Moscoe Family Foundation | $864,993 | $178,474 | $92,061 |
| Richard and Diane Cohen Family Foundation | $756,008 | $55,801 | $85,346 |
| Wert Family Foundation | $812,265 | $36,076 | $143,420 |
| Charles Engasser Memorial Foundation Inc | $799,893 | -$72,225 | $64,727 |
| Chase Family Foundation | $788,564 | $41,401 | $41,523 |
| William Scott Stuart Jr Family Foundation | $708,845 | -$24,236 | $55,427 |
| Frank J Zaher Charitable Trust | $0 | $37,366 | $45,276 |
| Lakeland Leadership League Inc | $714,385 | $9,369 | $157,424 |
| Harvard Club of Minnesota Foundation | $666,323 | $213,718 | $33,704 |
| Harold and Mickey Smith Charitable Fund Inc | $597,491 | $44,101 | $122,874 |
| Bois Family Foundation | $412,179 | $42,709 | $22,164 |
| Ashmore Family Foundation | $471,083 | $10,943 | $44,495 |
| H William Lurton Foundation | $470,243 | $25,031 | $87,909 |
| Arts and Humanities Foundation | $458,662 | $22,026 | $48,220 |
| Burdick Craddick Family Foundation | $438,588 | $13,215 | $115,947 |
| Frank W Veden Endowment Trust for St James Episcopal Church | $411,319 | $8,462 | $26,878 |
| Farview Foundation | $422,895 | $19,667 | $2,960 |
| Covenant Foundation | $384,473 | $191,093 | $147,027 |
| Furst Foundation | $310,294 | $9,419 | $71,816 |
| Bardwell Foundation | $366,651 | $21,117 | $14,816 |

| Charity Name | Total Assets | Total Revenue | Total Expenses |
|---|---|---|---|
| Foundation for Classical Studies in State Craft and Jurisprudence | $297,734 | $121,266 | $20,121 |
| Agape Foundation | $268,040 | $104,456 | $13,171 |
| Duggan Foundation | $248,552 | $33,284 | $23,730 |
| Impact Foundation | $167,353 | $127,585 | $60,387 |
| Bennett Clayton Foundation for Children With OI, Inc | $230,941 | $121,400 | $41,952 |
| Foster Family Foundation | $162,222 | $11,908 | $12,649 |
| American Museum of Wildlife Art | $200,681 | $893 | $345 |
| Goldsteen Cohodes Family Foundation | $0 | -$11,221 | $54,714 |
| Albert and Ruth Gomez IRR Charity Trust | $190,893 | -$37,767 | $13,313 |
| Crosslake Ideal Scholarship Fund Inc | $257,617 | $5,365 | $7,155 |
| Conklin Family Scholarship Fund Inc | $161,702 | $10,929 | $7,016 |
| Edward H Willmus Family Charitable Trust | $158,203 | $3,708 | $4,245 |
| Hatlen Foundation | $156,128 | $66,850 | $83,422 |
| D and J Maurer Foundation | $159,419 | $8,110 | $19,887 |
| Friends of the Lewisville Library Inc | $137,558 | $6,419 | $6,009 |
| Danbury Foundation | $133,732 | $69,539 | $20,611 |
| Clifford Family Foundation | $208,701 | $8,579 | $5,832 |
| Garden Valley Education Foundation | $125,621 | $10,460 | $4 |
| Automotive Recyclers of Minnesota Foundation | $0 | -$23,870 | $5,238 |
| E W Brehm Family Foundation | $90,371 | $268,575 | $203,968 |
| Evelyn Krueger Jones Memorial Trust | $103,755 | $9,881 | $13,443 |
| Charles W Mayo Trust FBO Olmsted County Historical Society | $71,059 | $3,741 | $123,374 |
| **Total** | **$1,620,443,044** | **$129,048,595** | **$140,712,856** |

Note: With vast changes in the economy during the period in which this study was conducted, asset levels for some private foundations fell below $100,000. Any private foundations with less than $100,000 in assets in Appendix Table 2 had at least $100,000 of assets when the study began or in the prior year.

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Form **990**

Department of the Treasury
Internal Revenue Service

# Return of Organization Exempt From Income Tax

**Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)**

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

**2007**

**Open to Public Inspection**

**A For the 2007 calendar year, or tax year beginning , 2007, and ending , 20**

**B** Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Termination
- ☐ Amended return
- ☐ Application pending

**Please use IRS label or print or type. See Specific Instructions.**

**C** Name of organization

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite

City or town, state or country, and ZIP + 4

**D Employer identification number**

**E Telephone number**
( )

**F** Accounting method: ☐ Cash ☐ Accrual ☐ Other (specify) ▶

• **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

***H** and **I** are not applicable to section 527 organizations.*

**H(a)** Is this a group return for affiliates? ☐ **Yes** ☐ **No**

**H(b)** If “Yes,” enter number of affiliates ▶

**H(c)** Are all affiliates included? ☐ **Yes** ☐ **No**
(If “No,” attach a list. See instructions.)

**H(d)** Is this a separate return filed by an organization covered by a group ruling? ☐ **Yes** ☐ **No**

**I** Group Exemption Number ▶

**G Website:** ▶

**J Organization type** (check only one) ▶ ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

**K** Check here ▶ ☐ if the organization is not a 509(a)(3) supporting organization **and** its gross receipts are normally **not** more than $25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

**M** Check ▶ ☐ if the organization is **not** required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

**L** Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶

## Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances *(See the instructions.)*

**Revenue**

| | | | | | |
|---|---|---|---|---|---|
| 1 | Contributions, gifts, grants, and similar amounts received: | | | | |
| a | Contributions to donor advised funds | 1a | | | |
| b | Direct public support (not included on line 1a) | 1b | | | |
| c | Indirect public support (not included on line 1a) | 1c | | | |
| d | Government contributions (grants) (not included on line 1a) | 1d | | | |
| e | **Total** (add lines 1a through 1d) (cash $ noncash $ ) | | | 1e | |
| 2 | Program service revenue including government fees and contracts (from Part VII, line 93) | | | 2 | |
| 3 | Membership dues and assessments | | | 3 | |
| 4 | Interest on savings and temporary cash investments | | | 4 | |
| 5 | Dividends and interest from securities | | | 5 | |
| 6a | Gross rents | 6a | | | |
| b | Less: rental expenses | 6b | | | |
| c | Net rental income or (loss). Subtract line 6b from line 6a | | | 6c | |
| 7 | Other investment income (describe ▶ ) | | | 7 | |

| | | (A) Securities | | (B) Other | | |
|---|---|---|---|---|---|---|
| 8a | Gross amount from sales of assets other than inventory | | 8a | | | |
| b | Less: cost or other basis and sales expenses | | 8b | | | |
| c | Gain or (loss) (attach schedule) | | 8c | | | |
| d | Net gain or (loss). Combine line 8c, columns (A) and (B) | | | | 8d | |

| | | | | | |
|---|---|---|---|---|---|
| 9 | Special events and activities (attach schedule). If any amount is from **gaming,** check here ▶ ☐ | | | | |
| a | Gross revenue (not including $ of contributions reported on line 1b) | 9a | | | |
| b | Less: direct expenses other than fundraising expenses | 9b | | | |
| c | Net income or (loss) from special events. Subtract line 9b from line 9a | | | 9c | |
| 10a | Gross sales of inventory, less returns and allowances | 10a | | | |
| b | Less: cost of goods sold | 10b | | | |
| c | Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a | | | 10c | |
| 11 | Other revenue (from Part VII, line 103) | | | 11 | |
| 12 | **Total revenue.** Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11 | | | 12 | |

**Expenses**

| | | | |
|---|---|---|---|
| 13 | Program services (from line 44, column (B)) | 13 | |
| 14 | Management and general (from line 44, column (C)) | 14 | |
| 15 | Fundraising (from line 44, column (D)) | 15 | |
| 16 | Payments to affiliates (attach schedule) | 16 | |
| 17 | **Total expenses.** Add lines 16 and 44, column (A) | 17 | |

**Net Assets**

| | | | |
|---|---|---|---|
| 18 | Excess or (deficit) for the year. Subtract line 17 from line 12 | 18 | |
| 19 | Net assets or fund balances at beginning of year (from line 73, column (A)) | 19 | |
| 20 | Other changes in net assets or fund balances (attach explanation) | 20 | |
| 21 | Net assets or fund balances at end of year. Combine lines 18, 19, and 20 | 21 | |

**Part II** **Statement of Functional Expenses** All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. *(See the instructions.)*

| *Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.* | | **(A) Total** | **(B)** Program services | **(C)** Management and general | **(D)** Fundraising |
|---|---|---|---|---|---|
| **22a** Grants paid from donor advised funds (attach schedule) (cash $ ______ noncash $ ______) If this amount includes foreign grants, check here ▶ ☐ | **22a** | | | | |
| **22b** Other grants and allocations (attach schedule) (cash $ ______ noncash $ ______) If this amount includes foreign grants, check here ▶ ☐ | **22b** | | | | |
| **23** Specific assistance to individuals (attach schedule) | **23** | | | | |
| **24** Benefits paid to or for members (attach schedule) | **24** | | | | |
| **25a** Compensation of current officers, directors, key employees, etc. listed in Part V-A | **25a** | | | | |
| **b** Compensation of former officers, directors, key employees, etc. listed in Part V-B | **25b** | | | | |
| **c** Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) | **25c** | | | | |
| **26** Salaries and wages of employees not included on lines 25a, b, and c | **26** | | | | |
| **27** Pension plan contributions not included on lines 25a, b, and c | **27** | | | | |
| **28** Employee benefits not included on lines 25a – 27 | **28** | | | | |
| **29** Payroll taxes | **29** | | | | |
| **30** Professional fundraising fees | **30** | | | | |
| **31** Accounting fees | **31** | | | | |
| **32** Legal fees | **32** | | | | |
| **33** Supplies | **33** | | | | |
| **34** Telephone | **34** | | | | |
| **35** Postage and shipping | **35** | | | | |
| **36** Occupancy | **36** | | | | |
| **37** Equipment rental and maintenance | **37** | | | | |
| **38** Printing and publications | **38** | | | | |
| **39** Travel | **39** | | | | |
| **40** Conferences, conventions, and meetings | **40** | | | | |
| **41** Interest | **41** | | | | |
| **42** Depreciation, depletion, etc. (attach schedule) | **42** | | | | |
| **43** Other expenses not covered above (itemize): | | | | | |
| **a** | **43a** | | | | |
| **b** | **43b** | | | | |
| **c** | **43c** | | | | |
| **d** | **43d** | | | | |
| **e** | **43e** | | | | |
| **f** | **43f** | | | | |
| **g** | **43g** | | | | |
| **44** **Total functional expenses.** Add lines 22a through 43g. (Organizations completing columns (B)–(D), carry these totals to lines 13–15) | **44** | | | | |

**Joint Costs.** Check ▶ ☐ if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in **(B)** Program services? ▶ ☐ **Yes** ☐ **No**

If "Yes," enter **(i)** the aggregate amount of these joint costs $ ______; **(ii)** the amount allocated to Program services $ ______; **(iii)** the amount allocated to Management and general $ ______; and **(iv)** the amount allocated to Fundraising $

## Part III Statement of Program Service Accomplishments *(See the instructions.)*

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

| | **Program Service Expenses** (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.) |
|---|---|
| What is the organization's primary exempt purpose? ▶ All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.) | |
| **a** (Grants and allocations $ ) If this amount includes foreign grants, check here ▶ ☐ | |
| **b** (Grants and allocations $ ) If this amount includes foreign grants, check here ▶ ☐ | |
| **c** (Grants and allocations $ ) If this amount includes foreign grants, check here ▶ ☐ | |
| **d** (Grants and allocations $ ) If this amount includes foreign grants, check here ▶ ☐ | |
| **e** Other program services (attach schedule) (Grants and allocations $ ) If this amount includes foreign grants, check here ▶ ☐ | |
| **f** **Total of Program Service Expenses** (should equal line 44, column (B), Program services). . . . . ▶ | |

## Part IV Balance Sheets *(See the instructions.)*

| **Note:** *Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.* | | | **(A)** Beginning of year | | **(B)** End of year |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| 45 | Cash—non-interest-bearing | | | 45 | |
| 46 | Savings and temporary cash investments | | | 46 | |
| 47a | Accounts receivable | 47a | | | |
| b | Less: allowance for doubtful accounts | 47b | | 47c | |
| 48a | Pledges receivable | 48a | | | |
| b | Less: allowance for doubtful accounts | 48b | | 48c | |
| 49 | Grants receivable | | | 49 | |
| 50a | Receivables from current and former officers, directors, trustees, and key employees (attach schedule) | | | 50a | |
| b | Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule) | | | 50b | |
| 51a | Other notes and loans receivable (attach schedule) | 51a | | | |
| b | Less: allowance for doubtful accounts | 51b | | 51c | |
| 52 | Inventories for sale or use | | | 52 | |
| 53 | Prepaid expenses and deferred charges | | | 53 | |
| 54a | Investments—publicly-traded securities ▶ ☐ Cost ☐ FMV | | | 54a | |
| b | Investments—other securities (attach schedule) ▶ ☐ Cost ☐ FMV | | | 54b | |
| 55a | Investments—land, buildings, and equipment: basis | 55a | | | |
| b | Less: accumulated depreciation (attach schedule) | 55b | | 55c | |
| 56 | Investments—other (attach schedule) | | | 56 | |
| 57a | Land, buildings, and equipment: basis | 57a | | | |
| b | Less: accumulated depreciation (attach schedule) | 57b | | 57c | |
| 58 | Other assets, including program-related investments (describe ▶ ............ ) | | | 58 | |
| 59 | **Total assets** (must equal line 74). Add lines 45 through 58 | | | 59 | |
| **Liabilities** | | | | | |
| 60 | Accounts payable and accrued expenses | | | 60 | |
| 61 | Grants payable | | | 61 | |
| 62 | Deferred revenue | | | 62 | |
| 63 | Loans from officers, directors, trustees, and key employees (attach schedule) | | | 63 | |
| 64a | Tax-exempt bond liabilities (attach schedule) | | | 64a | |
| b | Mortgages and other notes payable (attach schedule) | | | 64b | |
| 65 | Other liabilities (describe ▶ ............ ) | | | 65 | |
| 66 | **Total liabilities.** Add lines 60 through 65 | | | 66 | |
| **Net Assets or Fund Balances** | | | | | |
| | **Organizations that follow SFAS 117, check here ▶** ☐ and complete lines 67 through 69 and lines 73 and 74. | | | | |
| 67 | Unrestricted | | | 67 | |
| 68 | Temporarily restricted | | | 68 | |
| 69 | Permanently restricted | | | 69 | |
| | **Organizations that do not follow SFAS 117, check here ▶** ☐ and complete lines 70 through 74. | | | | |
| 70 | Capital stock, trust principal, or current funds | | | 70 | |
| 71 | Paid-in or capital surplus, or land, building, and equipment fund | | | 71 | |
| 72 | Retained earnings, endowment, accumulated income, or other funds | | | 72 | |
| 73 | **Total net assets or fund balances.** Add lines 67 through 69 **or** lines 70 through 72. (Column (A) **must** equal line 19 and column (B) **must** equal line 21) | | | 73 | |
| 74 | **Total liabilities and net assets/fund balances.** Add lines 66 and 73 | | | 74 | |

**Part IV-A** **Reconciliation of Revenue per Audited Financial Statements With Revenue per Return** *(See the instructions.)*

| | | | | | |
|---|---|---|---|---|---|
| a | Total revenue, gains, and other support per audited financial statements | | | a | |
| b | Amounts included on line **a** but not on Part I, line 12: | | | | |
| 1 | Net unrealized gains on investments | b1 | | | |
| 2 | Donated services and use of facilities | b2 | | | |
| 3 | Recoveries of prior year grants | b3 | | | |
| 4 | Other (specify): | b4 | | | |
| | Add lines **b1** through **b4** | | | b | |
| c | Subtract line **b** from line **a** | | | c | |
| d | Amounts included on Part I, line 12, but not on line **a:** | | | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | | | |
| 2 | Other (specify): | d2 | | | |
| | Add lines **d1** and **d2** | | | d | |
| e | **Total revenue** (Part I, line 12). Add lines **c** and **d** ▶ | | | e | |

**Part IV-B** **Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

| | | | | | |
|---|---|---|---|---|---|
| a | Total expenses and losses per audited financial statements | | | a | |
| b | Amounts included on line **a** but not on Part I, line 17: | | | | |
| 1 | Donated services and use of facilities | b1 | | | |
| 2 | Prior year adjustments reported on Part I, line 20 | b2 | | | |
| 3 | Losses reported on Part I, line 20 | b3 | | | |
| 4 | Other (specify): | b4 | | | |
| | Add lines **b1** through **b4** | | | b | |
| c | Subtract line **b** from line **a** | | | c | |
| d | Amounts included on Part I, line 17, but not on line **a:** | | | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | | | |
| 2 | Other (specify): | d2 | | | |
| | Add lines **d1** and **d2** | | | d | |
| e | **Total expenses** (Part I, line 17). Add lines **c** and **d** ▶ | | | e | |

**Part V-A** **Current Officers, Directors, Trustees, and Key Employees** (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) *(See the instructions.)*

| **(A)** Name and address | **(B)** Title and average hours per week devoted to position | **(C)** Compensation **(If not paid, enter -0-.)** | **(D)** Contributions to employee benefit plans & deferred compensation plans | **(E)** Expense account and other allowances |
|---|---|---|---|---|
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**Part V-A Current Officers, Directors, Trustees, and Key Employees** *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| **75a** | Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings . . . ▶ ______ | | | |
| **b** | Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) . . | **75b** | | |
| **c** | Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization.". . . ▶ | **75c** | | |
| | If "Yes," attach a statement that includes the information described in the instructions. | | | |
| **d** | Does the organization have a written conflict of interest policy? . . . | **75d** | | |

**Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits** (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

| **(A)** Name and address | **(B)** Loans and Advances | **(C)** Compensation (if not paid, enter -0-) | **(D)** Contributions to employee benefit plans & deferred compensation plans | **(E)** Expense account and other allowances |
|---|---|---|---|---|
| | | | | |
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**Part VI Other Information** *(See the instructions.)*

| | | | Yes | No |
|---|---|---|---|---|
| **76** | Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change . . . | **76** | | |
| **77** | Were any changes made in the organizing or governing documents but not reported to the IRS? . . . . If "Yes," attach a conformed copy of the changes. | **77** | | |
| **78a** | Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return? . . . | **78a** | | |
| **b** | If "Yes," has it filed a tax return on **Form 990-T** for this year? . . . | **78b** | | |
| **79** | Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement . . . | **79** | | |
| **80a** | Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? . . . | **80a** | | |
| **b** | If "Yes," enter the name of the organization ▶ ______ and check whether it is ☐ exempt **or** ☐ nonexempt | | | |
| **81a** | Enter direct and indirect political expenditures. (See line 81 instructions.) . . **81a** | | | |
| **b** | Did the organization file **Form 1120-POL** for this year? . . . | **81b** | | |

**Part VI Other Information** *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| **82a** | Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? | 82a | | |
| **b** | If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) . . . **82b** | | | |
| **83a** | Did the organization comply with the public inspection requirements for returns and exemption applications? | 83a | | |
| **b** | Did the organization comply with the disclosure requirements relating to *quid pro quo* contributions? | 83b | | |
| **84a** | Did the organization solicit any contributions or gifts that were not tax deductible? | 84a | | |
| **b** | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | 84b | | |
| **85a** | *501(c)(4), (5), or (6).* Were substantially all dues nondeductible by members? | 85a | | |
| **b** | Did the organization make only in-house lobbying expenditures of $2,000 or less? | 85b | | |
| | If "Yes" was answered to either 85a or 85b, **do not** complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year. | | | |
| **c** | Dues, assessments, and similar amounts from members . . . **85c** | | | |
| **d** | Section 162(e) lobbying and political expenditures . . . **85d** | | | |
| **e** | Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices . . . **85e** | | | |
| **f** | Taxable amount of lobbying and political expenditures (line 85d less 85e) . . . **85f** | | | |
| **g** | Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? | 85g | | |
| **h** | If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? | 85h | | |
| **86** | *501(c)(7) orgs.* Enter: **a** Initiation fees and capital contributions included on line 12 . . **86a** | | | |
| **b** | Gross receipts, included on line 12, for public use of club facilities . . . **86b** | | | |
| **87** | *501(c)(12) orgs.* Enter: **a** Gross income from members or shareholders . . . **87a** | | | |
| **b** | Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) . . . **87b** | | | |
| **88a** | At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX | 88a | | |
| **b** | At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI ▶ | 88b | | |
| **89a** | *501(c)(3) organizations.* Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ________ ; section 4912 ▶ ________ ; section 4955 ▶ ________ | | | |
| **b** | *501(c)(3) and 501(c)(4) orgs.* Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction | 89b | | |
| **c** | Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 . . . ▶ ________ | | | |
| **d** | Enter: Amount of tax on line 89c, above, reimbursed by the organization . . ▶ ________ | | | |
| **e** | *All organizations.* At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? | 89e | | |
| **f** | *All organizations.* Did the organization acquire a direct or indirect interest in any applicable insurance contract? | 89f | | |
| **g** | *For supporting organizations and sponsoring organizations maintaining donor advised funds.* Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year? | 89g | | |

**90a** List the states with which a copy of this return is filed ▶ ________

**b** Number of employees employed in the pay period that includes March 12, 2007 (See instructions.) . . . **90b** ________

**91a** The books are in care of ▶ ________ Telephone no. ▶ ( )________

Located at ▶ ________ ZIP + 4 ▶ ________

| | | | Yes | No |
|---|---|---|---|---|
| **b** | At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? | 91b | | |
| | If "Yes," enter the name of the foreign country ▶ ________ See the instructions for exceptions and filing requirements for **Form TD F 90-22.1,** Report of Foreign Bank and Financial Accounts. | | | |

## Part VI Other Information *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| **c** | At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶ | 91c | | |
| **92** | *Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of* ***Form 1041*****—**Check here ▶ ☐ and enter the amount of tax-exempt interest received or accrued during the tax year ▶ | 92 | | |

## Part VII Analysis of Income-Producing Activities *(See the instructions.)*

| **Note:** *Enter gross amounts unless otherwise indicated.* | Unrelated business income | | Excluded by section 512, 513, or 514 | | **(E)** Related or exempt function income |
|---|---|---|---|---|---|
| | **(A)** Business code | **(B)** Amount | **(C)** Exclusion code | **(D)** Amount | |
| **93** Program service revenue: | | | | | |
| **a** | | | | | |
| **b** | | | | | |
| **c** | | | | | |
| **d** | | | | | |
| **e** | | | | | |
| **f** Medicare/Medicaid payments | | | | | |
| **g** Fees and contracts from government agencies | | | | | |
| **94** Membership dues and assessments | | | | | |
| **95** Interest on savings and temporary cash investments | | | | | |
| **96** Dividends and interest from securities | | | | | |
| **97** Net rental income or (loss) from real estate: | | | | | |
| **a** debt-financed property | | | | | |
| **b** not debt-financed property | | | | | |
| **98** Net rental income or (loss) from personal property | | | | | |
| **99** Other investment income | | | | | |
| **100** Gain or (loss) from sales of assets other than inventory | | | | | |
| **101** Net income or (loss) from special events | | | | | |
| **102** Gross profit or (loss) from sales of inventory | | | | | |
| **103** Other revenue: **a** | | | | | |
| **b** | | | | | |
| **c** | | | | | |
| **d** | | | | | |
| **e** | | | | | |
| **104** Subtotal (add columns (B), (D), and (E)) | | | | | |

**105** **Total** (add line 104, columns (B), (D), and (E)) ▶

**Note:** *Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.*

## Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes *(See the instructions.)*

| Line No. ▼ | Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). |
|---|---|
| | |
| | |
| | |
| | |

## Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities *(See the instructions.)*

| **(A)** Name, address, and EIN of corporation, partnership, or disregarded entity | **(B)** Percentage of ownership interest | **(C)** Nature of activities | **(D)** Total income | **(E)** End-of-year assets |
|---|---|---|---|---|
| | % | | | |
| | % | | | |
| | % | | | |
| | % | | | |

## Part X Information Regarding Transfers Associated with Personal Benefit Contracts *(See the instructions.)*

**(a)** Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ **Yes** ☐ **No**

**(b)** Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ **Yes** ☐ **No**

**Note:** *If "Yes" to* ***(b),*** *file Form 8870* ***and*** *Form 4720 (see instructions).*

**Part XI** **Information Regarding Transfers To and From Controlled Entities.** *Complete only if the organization is a controlling organization as defined in section 512(b)(13).*

| | Yes | No |
|---|---|---|
| **106** Did the reporting organization **make** any transfers **to** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. | | |

| | (A) Name, address, of each controlled entity | (B) Employer Identification Number | (C) Description of transfer | (D) Amount of transfer |
|---|---|---|---|---|
| a | | | | |
| b | | | | |
| c | | | | |
| | **Totals** | | | |

| | Yes | No |
|---|---|---|
| **107** Did the reporting organization **receive** any transfers **from** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. | | |

| | (A) Name, address, of each controlled entity | (B) Employer Identification Number | (C) Description of transfer | (D) Amount of transfer |
|---|---|---|---|---|
| a | | | | |
| b | | | | |
| c | | | | |
| | **Totals** | | | |

| | Yes | No |
|---|---|---|
| **108** Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above? | | |

**Please Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date

▶ Type or print name and title

**Paid Preparer's Use Only**

| | | | | |
|---|---|---|---|---|
| Preparer's signature ▶ | | Date | Check if self-employed ▶ ☐ | Preparer's SSN or PTIN (See Gen. Inst. X) |
| Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | | | EIN ▶ | |
| | | | Phone no. ▶ ( ) | |

Form **990-PF**

Department of the Treasury
Internal Revenue Service

# Return of Private Foundation

## or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation

**Note:** *The foundation may be able to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-0052

2007

**For calendar year 2007, or tax year beginning , 2007, and ending , 20**

**G** Check all that apply: ☐ Initial return ☐ Final return ☐ Amended return ☐ Address change ☐ Name change

**Use the IRS label. Otherwise, print or type. See Specific Instructions.**

Name of foundation

Number and street (or P.O. box number if mail is not delivered to street address) | Room/suite

City or town, state, and ZIP code

**A Employer identification number**

**B** Telephone number (see page 10 of the instructions)
( )

**C** If exemption application is pending, check here ▶ ☐

**D 1.** Foreign organizations, check here . . ▶ ☐

**2.** Foreign organizations meeting the 85% test, check here and attach computation . ▶ ☐

**E** If private foundation status was terminated under section 507(b)(1)(A), check here . ▶ ☐

**F** If the foundation is in a 60-month termination under section 507(b)(1)(B), check here . ▶ ☐

**H** Check type of organization: ☐ Section 501(c)(3) exempt private foundation
☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundation

**I** Fair market value of all assets at end of year *(from Part II, col. (c), line 16)* ▶ $

**J** Accounting method: ☐ Cash ☐ Accrual
☐ Other (specify) ------------------
*(Part I, column (d) must be on cash basis.)*

**Part I** **Analysis of Revenue and Expenses** *(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 11 of the instructions).)*

| | | **(a)** Revenue and expenses per books | **(b)** Net investment income | **(c)** Adjusted net income | **(d)** Disbursements for charitable purposes (cash basis only) |
|---|---|---|---|---|---|
| Revenue | 1 Contributions, gifts, grants, etc., received (attach schedule) | | | | |
| | 2 Check ▶ ☐ if the foundation is **not** required to attach Sch. B | | | | |
| | 3 Interest on savings and temporary cash investments | | | | |
| | 4 Dividends and interest from securities . . . . | | | | |
| | 5a Gross rents . . . . . . . . . . . . . . | | | | |
| | b Net rental income or (loss) ________ | | | | |
| | 6a Net gain or (loss) from sale of assets not on line 10 | | | | |
| | b Gross sales price for all assets on line 6a ________ | | | | |
| | 7 Capital gain net income (from Part IV, line 2) . . | | | | |
| | 8 Net short-term capital gain . . . . . . . . | | | | |
| | 9 Income modifications . . . . . . . . . . | | | | |
| | 10a Gross sales less returns and allowances | | | | |
| | b Less: Cost of goods sold . | | | | |
| | c Gross profit or (loss) (attach schedule) . . . . | | | | |
| | 11 Other income (attach schedule) . . . . . . | | | | |
| | 12 **Total.** Add lines 1 through 11 . . . . . . . | | | | |
| Operating and Administrative Expenses | 13 Compensation of officers, directors, trustees, etc. | | | | |
| | 14 Other employee salaries and wages . . . . . | | | | |
| | 15 Pension plans, employee benefits . . . . . . | | | | |
| | 16a Legal fees (attach schedule) . . . . . . . . | | | | |
| | b Accounting fees (attach schedule) . . . . . . | | | | |
| | c Other professional fees (attach schedule) . . . | | | | |
| | 17 Interest . . . . . . . . . . . . . . . | | | | |
| | 18 Taxes (attach schedule) (see page 14 of the instructions) | | | | |
| | 19 Depreciation (attach schedule) and depletion . . | | | | |
| | 20 Occupancy . . . . . . . . . . . . . . | | | | |
| | 21 Travel, conferences, and meetings . . . . . | | | | |
| | 22 Printing and publications . . . . . . . . | | | | |
| | 23 Other expenses (attach schedule) . . . . . . | | | | |
| | 24 **Total operating and administrative expenses.** Add lines 13 through 23 . . . . . . . . . | | | | |
| | 25 Contributions, gifts, grants paid . . . . . . | | | | |
| | 26 **Total expenses and disbursements.** Add lines 24 and 25 | | | | |
| | 27 Subtract line 26 from line 12: | | | | |
| | a **Excess of revenue over expenses and disbursements** | | | | |
| | b **Net investment income** (if negative, enter -0-) | | | | |
| | c **Adjusted net income** (if negative, enter -0-) . . | | | | |

**Part II Balance Sheets** Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)

| | | Beginning of year | End of year | |
|---|---|---|---|---|
| | | **(a)** Book Value | **(b)** Book Value | **(c)** Fair Market Value |
| **Assets** | 1 Cash—non-interest-bearing | | | |
| | 2 Savings and temporary cash investments | | | |
| | 3 Accounts receivable ▶ | | | |
| | Less: allowance for doubtful accounts ▶ | | | |
| | 4 Pledges receivable ▶ | | | |
| | Less: allowance for doubtful accounts ▶ | | | |
| | 5 Grants receivable | | | |
| | 6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 16 of the instructions) | | | |
| | 7 Other notes and loans receivable (attach schedule) ▶ | | | |
| | Less: allowance for doubtful accounts ▶ | | | |
| | 8 Inventories for sale or use | | | |
| | 9 Prepaid expenses and deferred charges | | | |
| | 10a Investments—U.S. and state government obligations (attach schedule) | | | |
| | b Investments—corporate stock (attach schedule) | | | |
| | c Investments—corporate bonds (attach schedule) | | | |
| | 11 Investments—land, buildings, and equipment: basis ▶ | | | |
| | Less: accumulated depreciation (attach schedule) ▶ | | | |
| | 12 Investments—mortgage loans | | | |
| | 13 Investments—other (attach schedule) | | | |
| | 14 Land, buildings, and equipment: basis ▶ | | | |
| | Less: accumulated depreciation (attach schedule) ▶ | | | |
| | 15 Other assets (describe ▶ ) | | | |
| | 16 **Total assets** (to be completed by all filers—see the instructions. Also, see page 1, item I) | | | |
| **Liabilities** | 17 Accounts payable and accrued expenses | | | |
| | 18 Grants payable | | | |
| | 19 Deferred revenue | | | |
| | 20 Loans from officers, directors, trustees, and other disqualified persons | | | |
| | 21 Mortgages and other notes payable (attach schedule) | | | |
| | 22 Other liabilities (describe ▶ ) | | | |
| | 23 **Total liabilities** (add lines 17 through 22) | | | |
| **Net Assets or Fund Balances** | **Foundations that follow SFAS 117, check here ▶ ☐ and complete lines 24 through 26 and lines 30 and 31.** | | | |
| | 24 Unrestricted | | | |
| | 25 Temporarily restricted | | | |
| | 26 Permanently restricted | | | |
| | **Foundations that do not follow SFAS 117, check here ▶ ☐ and complete lines 27 through 31.** | | | |
| | 27 Capital stock, trust principal, or current funds | | | |
| | 28 Paid-in or capital surplus, or land, bldg., and equipment fund | | | |
| | 29 Retained earnings, accumulated income, endowment, or other funds | | | |
| | 30 **Total net assets or fund balances** (see page 17 of the instructions) | | | |
| | 31 **Total liabilities and net assets/fund balances** (see page 17 of the instructions) | | | |

**Part III Analysis of Changes in Net Assets or Fund Balances**

| | | |
|---|---|---|
| 1 Total net assets or fund balances at beginning of year—Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return) | 1 | |
| 2 Enter amount from Part I, line 27a | 2 | |
| 3 Other increases not included in line 2 (itemize) ▶ | 3 | |
| 4 Add lines 1, 2, and 3 | 4 | |
| 5 Decreases not included in line 2 (itemize) ▶ | 5 | |
| 6 Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 30 | 6 | |

## Part IV Capital Gains and Losses for Tax on Investment Income

| | (a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.) | (b) How acquired P—Purchase D—Donation | (c) Date acquired (mo., day, yr.) | (d) Date sold (mo., day, yr.) |
|---|---|---|---|---|
| 1a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| e | | | | |

| | (e) Gross sales price | (f) Depreciation allowed (or allowable) | (g) Cost or other basis plus expense of sale | (h) Gain or (loss) (e) plus (f) minus (g) |
|---|---|---|---|---|
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| e | | | | |

| | Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69 | | | (l) Gains (Col. (h) gain minus col. (k), but not less than -0-) **or** Losses (from col. (h)) |
|---|---|---|---|---|
| | (i) F.M.V. as of 12/31/69 | (j) Adjusted basis as of 12/31/69 | (k) Excess of col. (i) over col. (j), if any | |
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| e | | | | |

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 } **2**

3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6):
If gain, also enter in Part I, line 8, column (c) (see pages 13 and 17 of the instructions).
If (loss), enter -0- in Part I, line 8 . . . . . . . . . . . . . . . . . . . . . **3**

## Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period? ☐ Yes ☐ No
If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

**1** Enter the appropriate amount in each column for each year; see page 18 of the instructions before making any entries.

| (a) Base period years Calendar year (or tax year beginning in) | (b) Adjusted qualifying distributions | (c) Net value of noncharitable-use assets | (d) Distribution ratio (col. (b) divided by col. (c)) |
|---|---|---|---|
| 2006 | | | |
| 2005 | | | |
| 2004 | | | |
| 2003 | | | |
| 2002 | | | |

| | | |
|---|---|---|
| 2 **Total** of line 1, column (d) . . . . . . . . . . . . . . . . . . . . . . . . . . | 2 | |
| 3 Average distribution ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years . . . . . . | 3 | |
| 4 Enter the net value of noncharitable-use assets for 2007 from Part X, line 5 . . . . . . | 4 | |
| 5 Multiply line 4 by line 3 . . . . . . . . . . . . . . . . . . . . . . . . . . | 5 | |
| 6 Enter 1% of net investment income (1% of Part I, line 27b) . . . . . . . . . . | 6 | |
| 7 Add lines 5 and 6 . . . . . . . . . . . . . . . . . . . . . . . . . . . | 7 | |
| 8 Enter qualifying distributions from Part XII, line 4 . . . . . . . . . . . . . . . . | 8 | |

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions on page 18.

## Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see page 18 of the instructions)

| | | | | |
|---|---|---|---|---|
| 1a | Exempt operating foundations described in section 4940(d)(2), check here ▶ ☐ and enter "N/A" on line 1. Date of ruling letter: .............. **(attach copy of ruling letter if necessary—see instructions)** | | | |
| b | Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☐ and enter 1% of Part I, line 27b | 1 | | |
| c | All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b) | | | |
| 2 | Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) | 2 | | |
| 3 | Add lines 1 and 2 | 3 | | |
| 4 | Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) | 4 | | |
| 5 | **Tax based on investment income.** Subtract line 4 from line 3. If zero or less, enter -0- | 5 | | |
| 6 | Credits/Payments: | | | |
| a | 2007 estimated tax payments and 2006 overpayment credited to 2007 — 6a | | | |
| b | Exempt foreign organizations—tax withheld at source — 6b | | | |
| c | Tax paid with application for extension of time to file (Form 8868) — 6c | | | |
| d | Backup withholding erroneously withheld — 6d | | | |
| 7 | Total credits and payments. Add lines 6a through 6d | 7 | | |
| 8 | Enter any **penalty** for underpayment of estimated tax. Check here ☐ if Form 2220 is attached | 8 | | |
| 9 | **Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ▶ | 9 | | |
| 10 | **Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶ | 10 | | |
| 11 | Enter the amount of line 10 to be: **Credited to 2008 estimated tax** ▶ **Refunded** ▶ | 11 | | |

## Part VII-A Statements Regarding Activities

| | | | Yes | No |
|---|---|---|---|---|
| 1a | During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign? | 1a | | |
| b | Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see page 19 of the instructions for definition)? | 1b | | |
| | *If the answer is "Yes" to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities.* | | | |
| c | Did the foundation file **Form 1120-POL** for this year? | 1c | | |
| d | Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: **(1)** On the foundation. ▶ $ ________ **(2)** On foundation managers. ▶ $ ________ | | | |
| e | Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. ▶ $ ________ | | | |
| 2 | Has the foundation engaged in any activities that have not previously been reported to the IRS? *If "Yes," attach a detailed description of the activities.* | 2 | | |
| 3 | Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes* | 3 | | |
| 4a | Did the foundation have unrelated business gross income of $1,000 or more during the year? | 4a | | |
| b | If "Yes," has it filed a tax return on **Form 990-T** for this year? | 4b | | |
| 5 | Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the statement required by General Instruction T.* | 5 | | |
| 6 | Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument? | 6 | | |
| 7 | Did the foundation have at least $5,000 in assets at any time during the year? *If "Yes," complete Part II, col. (c), and Part XV* | 7 | | |
| 8a | Enter the states to which the foundation reports or with which it is registered (see page 19 of the instructions) ▶ ........................ | | | |
| b | If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by *General Instruction G? If "No," attach explanation* | 8b | | |
| 9 | Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2007 or the taxable year beginning in 2007 (see instructions for Part XIV on page 27)? *If "Yes," complete Part XIV* | 9 | | |
| 10 | Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses* | 10 | | |

**Part VII-A Statements Regarding Activities** *(continued)*

| | | | Yes | No |
|---|---|---|---|---|
| **11a** | At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule. (see page 20 of the instructions) | **11a** | | |
| **b** | If "Yes," did the foundation have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in the attachment for line 11a? | **11b** | | |
| **12** | Did the foundation acquire a direct or indirect interest in any applicable insurance contract? | **12** | | |
| **13** | Did the foundation comply with the public inspection requirements for its annual returns and exemption application? | **13** | | |

Website address ▶ ____________

**14** The books are in care of ▶ ____________ Telephone no. ▶ ____________

Located at ▶ ____________ ZIP+4 ▶ ____________

**15** Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of **Form 1041**—Check here ▶ ☐
and enter the amount of tax-exempt interest received or accrued during the year ▶ | 15 |

**Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required**

| | | | Yes | No |
|---|---|---|---|---|
| | **File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.** | | | |
| **1a** | During the year did the foundation (either directly or indirectly): | | | |
| | **(1)** Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☐ No | | | |
| | **(2)** Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☐ No | | | |
| | **(3)** Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☐ No | | | |
| | **(4)** Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☐ No | | | |
| | **(5)** Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☐ No | | | |
| | **(6)** Agree to pay money or property to a government official? (**Exception.** Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) ☐ Yes ☐ No | | | |
| **b** | If any answer is "Yes" to 1a(1)–(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see page 22 of the instructions)? | **1b** | | |
| | Organizations relying on a current notice regarding disaster assistance check here ▶ ☐ | | | |
| **c** | Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2007? | **1c** | | |
| **2** | Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)): | | | |
| **a** | At the end of tax year 2007, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2007? ☐ Yes ☐ No<br>If "Yes," list the years ▶ 20 ____ , 20 ____ , 20 ____ , 20 ____ | | | |
| **b** | Are there any years listed in 2a for which the foundation is **not** applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to **all** years listed, answer "No" and attach statement—see page 22 of the instructions.) | **2b** | | |
| **c** | If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here.<br>▶ 20 ____ , 20 ____ , 20 ____ , 20 ____ | | | |
| **3a** | Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? ☐ Yes ☐ No | | | |
| **b** | If "Yes," did it have excess business holdings in 2007 as a result of **(1)** any purchase by the foundation or disqualified persons after May 26, 1969; **(2)** the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or **(3)** the lapse of the 10-, 15-, or 20-year first phase holding period? *(Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2007.)* | **3b** | | |
| **4a** | Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? | **4a** | | |
| **b** | Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2007? | **4b** | | |

## Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required *(continued)*

**5a** During the year did the foundation pay or incur any amount to:

**(1)** Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ **Yes** ☐ **No**

**(2)** Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive? ☐ **Yes** ☐ **No**

**(3)** Provide a grant to an individual for travel, study, or other similar purposes? ☐ **Yes** ☐ **No**

**(4)** Provide a grant to an organization other than a charitable, etc., organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see page 22 of the instructions) ☐ **Yes** ☐ **No**

**(5)** Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ **Yes** ☐ **No**

**b** If any answer is "Yes" to 5a(1)–(5), did **any** of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see page 22 of the instructions)? **5b**

Organizations relying on a current notice regarding disaster assistance check here ▶ ☐

**c** If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? ☐ **Yes** ☐ **No**

*If "Yes," attach the statement required by Regulations section 53.4945–5(d).*

**6a** Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ **Yes** ☐ **No**

**b** Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b**

*If you answered "Yes" to 6b, also file Form 8870.*

**7a** At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ **Yes** ☐ **No**

**b** If yes, did the foundation receive any proceeds or have any net income attributable to the transaction? **7b**

## Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

**1 List all officers, directors, trustees, foundation managers and their compensation (see page 23 of the instructions).**

| **(a)** Name and address | **(b)** Title, and average hours per week devoted to position | **(c)** Compensation **(If not paid, enter -0-)** | **(d)** Contributions to employee benefit plans and deferred compensation | **(e)** Expense account, other allowances |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

**2 Compensation of five highest-paid employees (other than those included on line 1—see page 23 of the instructions). If none, enter "NONE."**

| **(a)** Name and address of each employee paid more than $50,000 | **(b)** Title, and average hours per week devoted to position | **(c)** Compensation | **(d)** Contributions to employee benefit plans and deferred compensation | **(e)** Expense account, other allowances |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

**Total** number of other employees paid over $50,000 ▶

**Part VIII** **Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors** *(continued)*

**3 Five highest-paid independent contractors for professional services (see page 23 of the instructions). If none, enter "NONE."**

| **(a)** Name and address of each person paid more than $50,000 | **(b)** Type of service | **(c)** Compensation |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

**Total** number of others receiving over $50,000 for professional services . . . . . . . . . . . . . . . . . . ▶

**Part IX-A** **Summary of Direct Charitable Activities**

| List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc. | Expenses |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |

**Part IX-B** **Summary of Program-Related Investments** (see page 24 of the instructions)

| Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2. | Amount |
|---|---|
| 1 | |
| 2 | |
| All other program-related investments. See page 24 of the instructions.<br>3 | |
| **Total.** Add lines 1 through 3 . . . . . . . . . . . . . . . . . . . . . . . . . . ▶ | |

## Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see page 24 of the instructions.)

| | | | |
|---|---|---|---|
| 1 | Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes: | | |
| a | Average monthly fair market value of securities | 1a | |
| b | Average of monthly cash balances | 1b | |
| c | Fair market value of all other assets (see page 25 of the instructions) | 1c | |
| d | **Total** (add lines 1a, b, and c) | 1d | |
| e | Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) — 1e | | |
| 2 | Acquisition indebtedness applicable to line 1 assets | 2 | |
| 3 | Subtract line 2 from line 1d | 3 | |
| 4 | Cash deemed held for charitable activities. Enter 1½ % of line 3 (for greater amount, see page 25 of the instructions) | 4 | |
| 5 | **Net value of noncharitable-use assets.** Subtract line 4 from line 3. Enter here and on Part V, line 4 | 5 | |
| 6 | **Minimum investment return.** Enter 5% of line 5 | 6 | |

## Part XI Distributable Amount (see page 25 of the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ▶ ☐ and do not complete this part.)

| | | | |
|---|---|---|---|
| 1 | Minimum investment return from Part X, line 6 | 1 | |
| 2a | Tax on investment income for 2007 from Part VI, line 5 — 2a | | |
| b | Income tax for 2007. (This does not include the tax from Part VI.) — 2b | | |
| c | Add lines 2a and 2b | 2c | |
| 3 | Distributable amount before adjustments. Subtract line 2c from line 1 | 3 | |
| 4 | Recoveries of amounts treated as qualifying distributions | 4 | |
| 5 | Add lines 3 and 4 | 5 | |
| 6 | Deduction from distributable amount (see page 25 of the instructions) | 6 | |
| 7 | **Distributable amount** as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1 | 7 | |

## Part XII Qualifying Distributions (see page 26 of the instructions)

| | | | |
|---|---|---|---|
| 1 | Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes: | | |
| a | Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26 | 1a | |
| b | Program-related investments—total from Part IX-B | 1b | |
| 2 | Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes | 2 | |
| 3 | Amounts set aside for specific charitable projects that satisfy the: | | |
| a | Suitability test (prior IRS approval required) | 3a | |
| b | Cash distribution test (attach the required schedule) | 3b | |
| 4 | **Qualifying distributions.** Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4 | 4 | |
| 5 | Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b (see page 26 of the instructions) | 5 | |
| 6 | **Adjusted qualifying distributions.** Subtract line 5 from line 4 | 6 | |

**Note:** *The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.*

## Part XIII Undistributed Income (see page 26 of the instructions)

| | | (a) Corpus | (b) Years prior to 2006 | (c) 2006 | (d) 2007 |
|---|---|---|---|---|---|
| 1 | Distributable amount for 2007 from Part XI, line 7 | | | | |
| 2 | Undistributed income, if any, as of the end of 2006: | | | | |
| a | Enter amount for 2006 only | | | | |
| b | Total for prior years: 20____,20____,20____ | | | | |
| 3 | Excess distributions carryover, if any, to 2007: | | | | |
| a | From 2002 | | | | |
| b | From 2003 | | | | |
| c | From 2004 | | | | |
| d | From 2005 | | | | |
| e | From 2006 | | | | |
| f | **Total** of lines 3a through e | | | | |
| 4 | Qualifying distributions for 2007 from Part XII, line 4: ▶ $ ________ | | | | |
| a | Applied to 2006, but not more than line 2a | | | | |
| b | Applied to undistributed income of prior years (Election required—see page 27 of the instructions) | | | | |
| c | Treated as distributions out of corpus (Election required—see page 27 of the instructions) | | | | |
| d | Applied to 2007 distributable amount | | | | |
| e | Remaining amount distributed out of corpus | | | | |
| 5 | Excess distributions carryover applied to 2007 *(If an amount appears in column (d), the same amount must be shown in column (a).)* | | | | |
| 6 | **Enter the net total of each column as indicated below:** | | | | |
| a | Corpus. Add lines 3f, 4c, and 4e. Subtract line 5 | | | | |
| b | Prior years' undistributed income. Subtract line 4b from line 2b | | | | |
| c | Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed | | | | |
| d | Subtract line 6c from line 6b. Taxable amount—see page 27 of the instructions | | | | |
| e | Undistributed income for 2006. Subtract line 4a from line 2a. Taxable amount—see page 27 of the instructions | | | | |
| f | Undistributed income for 2007. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2008 | | | | |
| 7 | Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) | | | | |
| 8 | Excess distributions carryover from 2002 not applied on line 5 or line 7 (see page 27 of the instructions) | | | | |
| 9 | **Excess distributions carryover to 2008.** Subtract lines 7 and 8 from line 6a | | | | |
| 10 | Analysis of line 9: | | | | |
| a | Excess from 2003 | | | | |
| b | Excess from 2004 | | | | |
| c | Excess from 2005 | | | | |
| d | Excess from 2006 | | | | |
| e | Excess from 2007 | | | | |

## Part XIV Private Operating Foundations (see page 27 of the instructions and Part VII-A, question 9)

**1a** If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2007, enter the date of the ruling . . . . ▶

**b** Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

| | Tax year | Prior 3 years | | | |
|---|---|---|---|---|---|
| | **(a)** 2007 | **(b)** 2006 | **(c)** 2005 | **(d)** 2004 | **(e) Total** |
| **2a** Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed | | | | | |
| **b** 85% of line 2a | | | | | |
| **c** Qualifying distributions from Part XII, line 4 for each year listed | | | | | |
| **d** Amounts included in line 2c not used directly for active conduct of exempt activities | | | | | |
| **e** Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c | | | | | |
| **3** Complete 3a, b, or c for the alternative test relied upon: **a** "Assets" alternative test—enter: **(1)** Value of all assets | | | | | |
| **(2)** Value of assets qualifying under section 4942(j)(3)(B)(i) | | | | | |
| **b** "Endowment" alternative test—enter ⅔ of minimum investment return shown in Part X, line 6 for each year listed | | | | | |
| **c** "Support" alternative test—enter: **(1)** Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) | | | | | |
| **(2)** Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) | | | | | |
| **(3)** Largest amount of support from an exempt organization | | | | | |
| **(4)** Gross investment income | | | | | |

## Part XV Supplementary Information (Complete this part only if the foundation had $5,000 or more in assets at any time during the year—see page 28 of the instructions.)

**1 Information Regarding Foundation Managers:**

**a** List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

**b** List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

**2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**

Check here ▶ ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see page 28 of the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

**a** The name, address, and telephone number of the person to whom applications should be addressed:

**b** The form in which applications should be submitted and information and materials they should include:

**c** Any submission deadlines:

**d** Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

**Part XV Supplementary Information** (continued)

**3 Grants and Contributions Paid During the Year or Approved for Future Payment**

| Recipient<br>Name and address (home or business) | If recipient is an individual, show any relationship to any foundation manager or substantial contributor | Foundation status of recipient | Purpose of grant or contribution | Amount |
|---|---|---|---|---|
| **a** *Paid during the year* | | | | |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ▶ **3a** | | | | |
| **b** *Approved for future payment* | | | | |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ▶ **3b** | | | | |

## Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

| | Unrelated business income | | Excluded by section 512, 513, or 514 | | (e) |
|---|---|---|---|---|---|
| | (a) Business code | (b) Amount | (c) Exclusion code | (d) Amount | Related or exempt function income (See page 28 of the instructions.) |
| 1 Program service revenue: | | | | | |
| a | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| f | | | | | |
| g Fees and contracts from government agencies | | | | | |
| 2 Membership dues and assessments | | | | | |
| 3 Interest on savings and temporary cash investments | | | | | |
| 4 Dividends and interest from securities | | | | | |
| 5 Net rental income or (loss) from real estate: | | | | | |
| a Debt-financed property | | | | | |
| b Not debt-financed property | | | | | |
| 6 Net rental income or (loss) from personal property | | | | | |
| 7 Other investment income | | | | | |
| 8 Gain or (loss) from sales of assets other than inventory | | | | | |
| 9 Net income or (loss) from special events | | | | | |
| 10 Gross profit or (loss) from sales of inventory | | | | | |
| 11 Other revenue: a | | | | | |
| b | | | | | |
| c | | | | | |
| d | | | | | |
| e | | | | | |
| 12 Subtotal. Add columns (b), (d), and (e) | | | | | |

13 **Total.** Add line 12, columns (b), (d), and (e) . . . . . . . . . . . . . . . . . . . . 13 ______

(See worksheet in line 13 instructions on page 29 to verify calculations.)

## Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

| Line No. ▼ | Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes). (See page 29 of the instructions.) |
|---|---|
| | |

## Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

| | | Yes | No |
|---|---|---|---|
| **1** Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations? | | | |
| **a** Transfers from the reporting foundation to a noncharitable exempt organization of: | | | |
| **(1)** Cash | **1a(1)** | | |
| **(2)** Other assets | **1a(2)** | | |
| **b** Other transactions: | | | |
| **(1)** Sales of assets to a noncharitable exempt organization | **1b(1)** | | |
| **(2)** Purchases of assets from a noncharitable exempt organization | **1b(2)** | | |
| **(3)** Rental of facilities, equipment, or other assets | **1b(3)** | | |
| **(4)** Reimbursement arrangements | **1b(4)** | | |
| **(5)** Loans or loan guarantees | **1b(5)** | | |
| **(6)** Performance of services or membership or fundraising solicitations | **1b(6)** | | |
| **c** Sharing of facilities, equipment, mailing lists, other assets, or paid employees | **1c** | | |

**d** If the answer to any of the above is "Yes," complete the following schedule. Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received.

| **(a)** Line no. | **(b)** Amount involved | **(c)** Name of noncharitable exempt organization | **(d)** Description of transfers, transactions, and sharing arrangements |
|---|---|---|---|
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**2a** Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☐ No

**b** If "Yes," complete the following schedule.

| **(a)** Name of organization | **(b)** Type of organization | **(c)** Description of relationship |
|---|---|---|
| | | |
| | | |
| | | |
| | | |
| | | |

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

▶ Signature of officer or trustee | Date | ▶ Title

**Paid Preparer's Use Only**

| Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's SSN or PTIN (See **Signature** on page 30 of the instructions.) |
|---|---|---|---|
| Firm's name (or yours if self-employed), address, and ZIP code ▶ | | EIN ▶ | |
| | | Phone no. ( ) | |