

***Building a Healthy Community Through
Nonprofit Service:
2004 Annual Report on the
Kansas City Nonprofit Sector***

**An Occasional Paper of
The Midwest Center for Nonprofit Leadership
Cookingham Institute of Public Affairs
Bloch School of Business & Public Administration
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Since 2002, the Midwest Center for Nonprofit Leadership (MCNL) has conducted an annual research project to help illustrate the demographics of the nonprofit sector in the Kansas City metropolitan area. In each research cycle, attention is given principally to the number of Kansas City nonprofit organizations, the revenue and asset levels of those organizations, the nonprofit sector's impact on the local economy, and a comparison of Kansas City's nonprofit sector with that of other metropolitan areas.

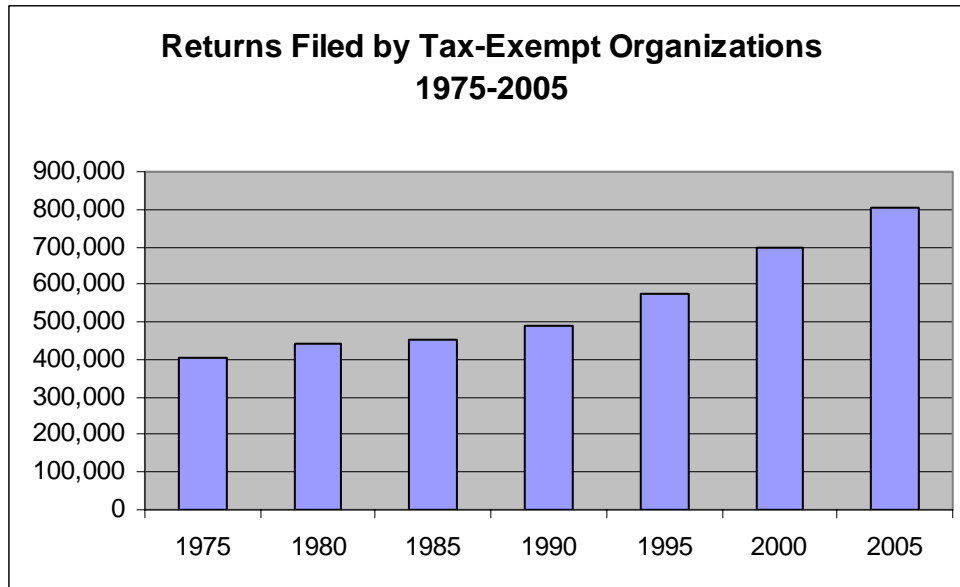
The 2004 report has been organized into the following sections:

- First, a brief history of nonprofit statistical reporting that describes Internal Revenue Service (IRS) efforts to describe the nonprofit sector, including strengths and weaknesses of their efforts.
- Second, the research methods used to compile the data in this report are outlined. Also provided are definitions of technical terms used throughout the report and detailed explanations of data, which will enable a better understanding of the findings reported here.
- Third, the Kansas City nonprofit sector is illustrated in three separate parts. The first part includes overall demographic information of 501(c)(3), 501(c)(4), and 501(c)(6) organizations. The second breaks that information down for sub-sectors of nonprofit organizations, paying particular attention to arts, education, health, and human service organizations. The last part discusses philanthropic organizations in the metro area. Each of these parts also includes an initial analysis of economic and demographic trends among nonprofits. (Since this is the third installment of this research project, it is possible to introduce an initial view of these trends.)
- Fourth, employment and economic profiles of Kansas City nonprofit organizations are discussed. The employment data incorporates information from the most recent compensation survey completed by MCNL in the summer of 2004. From an economic perspective, the nonprofit sector is compared to the rest of the private sector in the metro area. There are also calculations that depict the contribution of the nonprofit sector to Kansas City's overall economy.

- Fifth, the Kansas City nonprofit sector is compared to that of nine other metro areas in the United States. This comparison includes overall nonprofit sector comparisons and comparisons of philanthropic organizations. Finally, the report briefly summarizes the Kansas City nonprofit sector by pulling together the various aspects highlighted in the report.

Historical Reporting Of Nonprofit Sector Statistics

The examination of the nonprofit sector emerged during the late 1960s and the early 1970s with the “Filer Commission” and their subsequent report. Since issuing that report in 1975, the IRS has reported an increase in the number of filings by tax-exempt organizations, totaling approximately 295,300 in 2000 (Figure 1.1). Furthermore, IRS statistics predict an additional 102,500 organizations by 2005. The need for continued research on tax-exempt organizations, espoused by the Filer Commission, is amplified by the continuous growth of the sector.



Descriptive reports of the nonprofit sector have been published by the IRS Statistics of Income Bulletins (SOI). These documents illustrate the overall national and state figures of organization totals and total revenue. While these reports are a good beginning into the exploration of the nonprofit sector, there are various dynamics and characteristics of nonprofit organizations that cannot be measured by such a large, wide-ranging volume of data.

Other efforts to analyze the nonprofit sector have encountered two distinct dilemmas. First, incomplete data sources make it difficult to analyze large areas of nonprofit activity. Consistent with the federal tax code, only tax exempt organizations with income over \$25,000 and are not religious congregations are required to file with the IRS. This leaves out a significant number of grassroots organizations, community organizations, and churches that serve their respective areas. Furthermore, the information that is available tends to be presented differently by different sources, leading to inconsistencies in the data.

Second, more focused research tends to rely on inferential statistics. Analysis of nonprofit sectors is based on responses from “bellwether” organizations, analyses of which are then applied to other organizations in the relevant population. The diversity of the sector requires a larger sample in order to draw meaningful conclusions.

Despite the difficulties confronting nonprofit researchers, there has been a growing body of statistical studies emerging. These studies vary in scope from national estimations of the nonprofit sector to metropolitan and city estimations of nonprofit sectors. Additionally, topics such as nonprofit compensation, employment statistics, and voluntary statistics have grown in numbers. The National Center for Charitable Statistics has been a leader in this research, focusing primarily on reporting data of public charitable organizations and private foundations.

Methodology

As stated in the previous section, collecting data on nonprofit organizations is challenging. In order to preserve the most reliable data, the statistics are entirely comprised of 501(c)(3) organizations that are filing and/or registered. Filing organizations generate revenues greater than \$25,000 a year, and are not religious congregations. (The data on religious congregations in this report was acquired through Spirit of Service, a local nonprofit organization.) These organizations are registered with their respective state governments and are required to file a tax return with the IRS. An organization that does not meet the filing requirements is simply considered a registered 501(c)(3). Therefore, any reference to nonprofit organizations or tax-exempt entities refers to the aforementioned population of 501(c)(3)s unless stated differently.

Before presenting any actual data it is important to define some of the terms used throughout this report:

- *The Kansas City Metropolitan Statistical Area (MSA):* The Kansas City metropolitan area as defined for this report. The MSA has expanded since the initial report in 2002. However, for congruency in the analysis, this 2004 report defines the Kansas City MSA as comprised of the following eleven counties: Johnson, Leavenworth, Miami, and Wyandotte counties in Kansas and Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray counties in Missouri. All references to Kansas City throughout this report reflect this geographical area unless otherwise stated.
- *All references to nonprofits, not-for-profits, tax-exempts, etc. from here on refer specifically to organizations classified under the tax code as 501(c)(3) agencies.* Also commonly referred to as “charitable organizations,” organizations with 501(c)(3) status must be organized and operated exclusively for one or more of the purposes outlined under this section of the tax code, and none of the earnings of the organization may be paid to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities. (The exempt purposes set forth in 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competitions, and the prevention of cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening the burdens of government; lessening of neighborhood tensions; elimination of prejudice and discrimination; defense of human and civil rights secured by law; and combating community deterioration and juvenile delinquency.)
- *The population of 501(c)(3) organizations in Kansas City is derived from the IRS master files using zip codes of the respective areas, and the organization’s subsection as registered with the IRS.* The nine MSAs to which

Kansas City will be compared were also derived using zip codes of the respective areas, and the organizations' subsections as registered with the IRS. (An additional point concerning the data: due to lags in reporting, a given IRS master file has information from a diverse range of fiscal years. Part of this report's production process entailed discarding organizations that are no longer active. At the same time, it would have been inaccurate to discard organizations that had not filed in the most recent fiscal year. Consequently, an organization's information is included in this report if they are required to file with the IRS and have done so since January of 2000. Incidentally, 94.1% of the information in this report was drawn from fiscal years 2002 and 2003.)

- *Gross Metropolitan Product (GMP)*: A metropolitan economic statistic comparable to the national Gross Domestic Product. The source of this statistic in the past has been the Conference of Mayors' annual economic report. However, at the time of this publication the most recent statistic was not available. Consequently, the GMP statistic presented in this report is an estimate of what that statistic would be based on calculations of average change in GMP from the last ten years. (From a methodological standpoint, two estimation methods were employed. The first was an extension of the ten year average. The second was a time series procedure using GMPs from 1997-2002 [ten years of data was not available for this procedure] that yielded an estimate. The differences between estimates ranged from 1.1% in the case of Denver to .06% in the case of St. Louis. While the projection methods employed in this report are linear, they do provide an estimate suitable for comparison of nonprofit sector share of the economy.)

The Kansas City Nonprofit Sector

The Kansas City nonprofit sector continues to grow in number of organizations, while revenue and assets statistics indicate that the sluggish economy has affected financial performance of local organizations. The number of registered 501(c)(3) organizations in the metropolitan area has increased to 7,252 (a change of 381 organizations). The total population of charitable organizations – those required to file financial information with the IRS – increased to 2,333 or just over 32% of all registered nonprofits.ⁱ Out of the 2,333 organizations in the metro area, 65% (1,519) were registered in Missouri and 35% (814) were registered in Kansas. These latest figures illustrate a decline in the number of Missouri organization and a 2% increase in the number of Kansas organizations.

As illustrated in Table 1.1, the total revenue generated by all 2,333 nonprofit organizations is in excess of \$9.5 billion dollars. Furthermore, Table 1.2 illustrates that metropolitan area organizations have total assets of over \$15.6 billion dollars. Similar to the shift in proportion of organizations from 2002-2003, Kansas nonprofit filings illustrate an increase of total revenue share by 2% (to 19%) and an increase of total assets share by 1% (to 18%) since the 2001-2002 filings.

In addition to the registered and filing organization statistics cited above, there is also a population of congregations which are not included in the IRS statistics. Updated historical statistics reported by ARDA state that in 1980 the Kansas City MSA maintained 1,309 religious congregations. Ten years later – in 1990 – there were 1,413 congregations; and in 2000, there were 1,552 congregations. The most recent findings by Spirit of Service – a nonprofit organization based in Kansas City – reports that in 2004, there were 2,232 congregations in the metro area. While 2004 congregation statistics illustrate an increase of 4 over 2003 numbers, Kansas City congregations are still below the high of 2,284 of 2002.

While there is a logical rationale for why these congregations are not merged with nonprofits, the economic impact of religious congregations can not be overlooked. According to national trends in private giving, approximately 60% of all individual gifts go to religious congregationsⁱⁱ. If this trend is consistent in Kansas City, it can be assumed that 2,232 metropolitan nonprofit organizations are receiving 57% of the individual gifts.

The next section of this report discusses four nonprofit sub-sectors in detail, and generally discusses the remaining sub-sectors. Within each of these sub-sectors, overall levels of revenue and assets will be discussed as will changes in those levels based on previous years' filings. A more detailed discussion of decreases in both revenue and assets for the metropolitan area, and specific sub-sectors will be discussed in the trend section. However, prior to moving on to specific sub-sector discussions of revenue and assets, all statistics on all major classifications are presented in Tables 1.1 and 1.2.

Table 1.1: Revenue by NTEE Major Category

	Est.	% of Total	Total Revenue	% of Total Revenue	Average Revenue
No Code	210	9.0%	\$79,598,063	.8%	\$379,038
Arts, Culture, Humanities	183	7.8%	\$311,102,920	3.3%	\$1,700,016
Edu. Institutions	402	17.2%	\$783,265,752	8.2%	\$1,948,422
Envir. Quality, Protection	13	.6%	\$4,121,699	.0%	\$317,054
Animal Related	17	.7%	\$22,107,504	.2%	\$1,300,441
Health-Gen. Rehab.	168	7.2%	\$3,665,586,940	38.5%	\$21,818,970
Mental Health	39	1.7%	\$62,223,872	.7%	\$1,595,484
Disease, Disorder, Medical Disciplines	45	1.9%	\$69,498,299	.7%	\$1,544,407
Medical Research	18	.8%	\$56,426,476	.6%	\$3,134,804
Crime, Legal Related	28	1.2%	\$31,751,663	.3%	\$1,133,988
Employment, Job Related	31	1.3%	\$153,982,065	1.6%	\$4,967,163
Food, Agriculture, Nutrition	14	.6%	\$39,975,435	.4%	\$2,855,388
Housing, Shelter	90	3.9%	\$96,450,581	1.0%	\$1,071,673
Public Safety, Disaster Relief	5	.2%	\$670,000	.0%	\$134,000
Recreation, Sports, Leisure, Athletics	95	4.1%	\$77,909,134	.8%	\$820,096
Youth Development	42	1.8%	\$61,411,102	.6%	\$1,462,169
Human Services-Multipurpose	240	10.3%	\$449,588,194	4.7%	\$1,873,284
International, Foreign Affairs	19	.8%	\$175,223,552	1.8%	\$9,222,292
Civil Rights, Social Action, Advocacy	18	.8%	\$10,913,189	.1%	\$606,288
Community Imp.	83	3.6%	\$80,159,170	.8%	\$965,773
Philanthropy, Grantmaking	390	16.7%	\$3,063,109,002	32.1%	\$7,854,126
Science and Technology Research	10	.4%	\$139,860,141	1.5%	\$13,986,014
Social Science Research	2	.1%	\$370,602	.0%	\$185,301
Public, Social benefit	13	.6%	\$21,247,307	.2%	\$1,634,408
Religion Related	120	5.1%	\$54,449,195	.6%	\$453,743
Mutual Benefit Org.	4	.2%	\$185,836	.0%	\$46,459
Unknown	34	1.5%	\$20,125,272	.2%	\$591,920
Total	2333	100.0%	\$9,531,312,965	100.0%	\$4,085,432

Source: IRS Master Files

Table 1.2: Assets by NTEE Major Category

	Est.	% of Total	Total Assets	% of Total Assets	Average Assets
No Code	210	9.0%	\$171,917,234	1.1%	\$818,653
Arts, Culture, Humanities	183	7.8%	\$807,403,603	5.2%	\$4,412,042
Edu. Institutions	402	17.2%	\$1,428,233,010	9.1%	\$3,552,818
Envir. Quality, Protection	13	.6%	\$3,110,839	.0%	\$239,295
Animal Related	17	.7%	\$18,584,476	.1%	\$1,093,204
Health-Gen. Rehab.	168	7.2%	\$5,514,066,593	35.3%	\$32,821,825
Mental Health	39	1.7%	\$40,076,083	.3%	\$1,027,592
Disease, Disorder, Medical Disciplines	45	1.9%	\$74,042,818	.5%	\$1,645,396
Medical Research	18	.8%	\$617,972,008	4.0%	\$34,331,778
Crime, Legal Related	28	1.2%	\$24,736,391	.2%	\$883,443
Employment, Job Related	31	1.3%	\$61,586,135	.4%	\$1,986,650
Food, Agriculture, Nutrition	14	.6%	\$12,803,005	.1%	\$914,500
Housing, Shelter	90	3.9%	\$215,868,585	1.4%	\$2,398,540
Public Safety, Disaster Relief	5	.2%	\$876,313	.0%	\$175,263
Recreation, Sports, Leisure, Athletics	95	4.1%	\$69,375,778	.4%	\$730,271
Youth Development	42	1.8%	\$93,832,175	.6%	\$2,234,099
Human Services-Multipurpose	240	10.3%	\$455,261,430	2.9%	\$1,896,923
International, Foreign Affairs	19	.8%	\$52,395,365	.3%	\$2,757,651
Civil Rights, Social Action, Advocacy	18	.8%	\$8,572,468	.1%	\$476,248
Community Imp.	83	3.6%	\$175,279,489	1.1%	\$2,111,801
Philanthropy, Grantmaking	390	16.7%	\$4,496,005,721	28.8%	\$11,528,220
Science and Technology Research	10	.4%	\$1,127,770,635	7.2%	\$112,777,064
Social Science Research	2	.1%	\$1,023,687	.0%	\$511,844
Public, Social benefit	13	.6%	\$13,647,816	.1%	\$1,049,832
Religion Related	120	5.1%	\$99,185,389	.6%	\$826,545
Mutual Benefit Org.	4	.2%	\$366,960	.0%	\$91,740
Unknown	34	1.5%	\$43,840,041	.3%	\$1,289,413
Total	2333	100.0%	\$15,627,834,047	100.0%	\$6,698,600

Source: IRS Master Files

Nonprofit Categories and Market Share

As illustrated in Table 1.3, the Kansas City nonprofit sector is dominated by a few core sub-sectors, as defined by the National Taxonomy of Exempt Entities (NTEE). Arts, Education, Health, Human Services, and Public/Societal Benefit sub-sectors maintain the largest number of organizations, generate the most revenue, and maintain the most assets. Table 1.3 illustrates the breakdown of the NTEE Core Categories. (The core categories in Table 1.3 have been consolidated from the 26 major NTEE categories listed in Tables 1.1

and 1.2. This was done by using broader classifications of organizations that in many ways have similar missions.)

Table 1.3: Kansas City MSA Income and Asset Distribution by Core NTEE

	Est.	% Of Est.	Total Revenue	% Of Total Revenue	Total Assets	% Of Total Assets
No Code	210	9.0%	\$79,598,063	.8%	\$171,917,234	1.1%
Arts, Culture, Humanities	183	7.8%	\$311,102,920	3.3%	\$807,403,603	5.2%
Edu. Institutions	403	17.3%	\$783,324,021	8.2%	\$1,428,864,580	9.1%
Environment and Animals	30	1.3%	\$26,229,203	.3%	\$21,695,315	.1%
Health	270	11.6%	\$3,853,735,587	40.4%	\$6,246,157,502	40.0%
Human Services	545	23.4%	\$911,738,174	9.6%	\$934,339,812	6.0%
International, Foreign Affairs	19	.8%	\$175,223,552	1.8%	\$52,395,365	.3%
Public, Societal Benefit	515	22.1%	\$3,315,601,142	34.8%	\$5,821,668,246	37.3%
Religion Related	120	5.1%	\$54,449,195	.6%	\$99,185,389	.6%
Mutual/Membership Benefit	4	.2%	\$185,836	.0%	\$366,960	.0%
Unknown	34	1.5%	\$20,125,272	.2%	\$43,840,041	.3%
Total	2,333	100.0%	\$9,531,312,965	100.0%	\$15,627,834,047	100.0%

Source: IRS Master Files

Arts, Culture, and Humanities

The arts, culture, and humanities sub-sector contains a wide array of organizations, due largely to its diffuse activities. The NTEE Manual states this category consists of: “Private nonprofit organizations whose primary purpose is to promote appreciation for and enjoyment and understanding of the visual, performing, folk, and media arts; the humanities (archaeology, art history, modern and classical languages, philosophy, ethics, theology, and comparative religion); history and historical events; and/or communications (film, video, publishing, journalism, radio, television).”ⁱⁱⁱ Hence, theaters, public television, historical societies, museums, ballets, and symphonies are all organizations that fall under the umbrella of this category.

According to 2003/2002 filings with the IRS, the arts sub-sector increased by 8 organizations for a total of 183. The 183 arts organizations account for almost 8% of all nonprofit organizations. Additionally, with \$311.1 million in total revenue and \$807.4 million in total assets, the arts sub-sector maintains market shares of 3.3% and 5.2% respectively. Referring to Table 1.4, it is illustrated that arts organizations experienced total revenue increases of \$51.7 million and total asset decreases of \$25.1 million over the past year.

Education

The education sub-sector is most commonly associated with private educational institutions such as elementary, secondary, and higher education schools. Still, the NTEE states that this category is reserved for “nonprofit organizations whose primary purpose is to provide opportunities for people to acquire the knowledge, skills, desirable qualities of behavior and character, wisdom and general competence that will enable them to fully participate in and enjoy the social, political, economic and intellectual life of the community.”^{iv} Therefore, a large number of educational support organizations (i.e. PTA, scholarship funds, and fraternities) also comprise this area.

Education nonprofit organizations also increased in number of organizations and revenues while decreasing in assets levels. The 403 education nonprofits required to file with the IRS generated revenues exceeding \$783.3 million, which is 8.2% of all nonprofit revenues. This level of revenue is a \$63.3 million increase when compared with the 2002/2001 filings of educational organizations. The decrease in education organization assets of \$45.4 million results in a total of almost \$1.43 billion, or 9.1% of all nonprofit sector assets, according to 2003/2002 filings. It is important to mention that the education organizations’ asset decreases reported for 2003/2002 is considerably smaller than the decrease which occurred in 2002/2001 that totaled \$151.7 million. Despite two consecutive reports of assets decline, educational organizations still maintain the third highest level of assets following Health and Public/Societal Benefit organizations.

Health

Employing the NTEE Core classification in this report collapses the four health categories into one. An illustration of each NTEE health classification’s financial details is available in Tables 1.1 and 1.2. In order to be comprehensive in the explanation of all health organizations, the NTEE definitions for each major category have been included. They are as follows:

- *General Health:* Organizations whose primary purpose is to promote wellness, provide for the prevention and treatment of illness or injury, and support the medical rehabilitation of people with physical disabilities.
- *Mental Health:* Organizations whose primary purpose is to promote mental health and provide for the treatment of people who are in emotional crisis, or have mental illnesses, substance abuse problems, or other addiction problems.
- *Disease, Disorder, and Medical Disciplines:* Voluntary health organizations such as the American Cancer Society that are organized on a national, state, or local basis; supported primarily by voluntary contributions from the public at large; and are engaged in a program of service, education, and research that is related to a particular disease, condition, or disability or a group of diseases, conditions, or disabilities.
- *Medical Research:* Research institutes and other organizations whose primary purpose is to promote the advancement of knowledge about specific diseases, disorders, or medical disciplines.

Health organizations – particularly hospitals – have been among the most studied nonprofit organizations. In Kansas City, the health sub-sector is in a period of transformation due largely to the conversion of Health Midwest to a for-profit corporation. At the time of this report, neither the Missouri nor Kansas foundations formed out the sale of Health Midwest have filed financial information with the IRS. Health nonprofits are among the largest organizations in the sector. This point is exemplified by the fact that health organizations number only 270, or 11.6% of all Kansas City nonprofit organizations; yet they account for 40% of both total revenue and total assets among area nonprofits. As a core category, the health sub-sector's total revenue decreased by more than \$1 billion dollars – reporting total revenue of \$3.85 billion – and increased total assets by more than \$441 million dollars, to \$6.25 billion. The dramatic decrease in revenue is influenced primarily by general health organizations (which include hospitals) and medical research organizations, which reported revenue decreases of \$347.3 million and \$931.7 million. **Exacerbating these larger decreases were smaller regressions in both of the other health categories that**

Human Services

The major NTEE category defines human service organizations as, “private nonprofit organizations whose primary purpose is to support the personal and social development of individuals and families; provide care, protection and supervision; and enhance the individual’s independence and ability to manage his or her own resources.”^v These organizations are diverse in their mission, target population, size, and scope. In this single category exists organizations like the YMCA and organizations that target the elderly, the poor, and the developmentally disabled. The core definition further diversifies the category by including crime, employment, housing, food, public safety, recreation, and youth development organizations.

Nonprofits in the human services core category make up more than 23% of all nonprofits in the MSA, totaling 545. The size of this sub-sector has surpassed the public/societal benefit core category as the largest category in the metro area. Human services organizations generate 9.6% of total revenues, just over \$911.7 million. Total assets for the category equal \$934.3 million, or 6%. From a growth perspective, human services organizations showed positive improvements in both revenue and assets. In fact, with an increase in revenue of \$103.3 million, human services exhibited the largest growth among core categories.

Remaining Core Categories

In the introduction to this section, public/societal benefit organizations were mentioned with the above core categories. While technically this is the case, functionally the economic influence of organizations in this group primarily rests with the grantmaking organizations. Since a later section is devoted specifically to grantmaking organizations public/societal benefit organizations were not given a detailed analysis like the above sub-sectors.

The other core categories that have yet to be mentioned are Environment and Animals, International and Foreign Affairs, Religion Related, Mutual Membership, and Unknown. Of these groups, only international and foreign affairs organizations register an income or asset level of 1% or greater. International and foreign affairs organizations

recorded a revenue increase of \$46.1 million, with total revenue of \$175.2 million, or 1.8% of the metro area total revenue.

Philanthropy

Due to the influence foundations have on the nonprofit community, this report dedicates an entire section to these organizations that fund a significant portion of the nonprofit sector. The Kansas City MSA maintains a robust philanthropic community. These organizations, which “promote the practice of charitable giving and volunteering to represent and serve a wide range of philanthropic and charitable institutions,”^{vi} are more prevalent in the Kansas City area than anywhere else in either Kansas or Missouri. According to Foundation Center Statistics for 2002, the Kansas City MSA has approximately 23% of all foundations, 53% of all assets, and distributes 47% of all gifts in the consolidated Kansas and Missouri state foundation statistics (Table 1.5).

Compared to other sub-sectors in the Kansas City area, philanthropy is again the largest sole major NTEE classification in establishments, and second largest in both total revenue and total assets. These organizations comprise almost 17% of all nonprofit organizations, 32% of total revenue, and hold in excess of 28% of all assets. In addition, philanthropic nonprofits distributed gifts valued more than \$300 million dollars in 2002.

Table 1.5: Kansas City Metro Area Foundation Statistics, circa 2002

	Number	% Of MO/KS	Assets	% Of MO/KS Assets	Qualifying Dist.	% Of MO/KS Qualifying Dist.	Total Giving	% Of MO/KS Total Giving
Independent	379	23.04%	\$3,887.67	52.45%	\$238.22	50.32%	\$194.94	47.18%
Corporate	17	19.32%	\$81.06	21.32%	\$12.67	10.38%	\$12.04	9.94%
Community	2	10.53%	\$702.97	71.52%	\$102.05	87.66%	\$102.05	87.74%
Operating	20	23.53%	\$24.95	22.73%	\$1.21	14.19%	\$.92	17.21%
KC MSA Total	418	22.75%	\$4,696.67	52.86%	\$354.14	49.16%	\$309.95	47.25%
MO/KAN Total	1837	100.00%	\$8,885.28	100.00%	\$720.32	100.00%	\$655.95	100.00%

Source: Foundation Center
 a Assets, Qualifying Distributions, and Total Giving Statistics are in millions of dollars

Nonprofit Sector Trends

Throughout this examination of the Kansas City nonprofit sector, there have been references to changes in the revenue and asset levels of local organizations. While there has been much speculation on the effect the lagging economy would have on the

nonprofit community, there has been a lack of collective statistics available to confirm negative projections. Statistics in this report developed primarily from 2003/2002 filings illustrate that nonprofit organizations in Kansas City have experienced financial troubles consistent with negative speculation. While this presentation of statistics cannot be measurably tied to national or state economic conditions, they do seem to be consistent with such trends.

Table 1.4 illustrates Kansas City nonprofit sector revenue and asset changes by core sub-sectors. The changes calculated are between Fiscal Year 2001/FiscalYear 2000 and Fiscal Year 2002/FiscalYear 2001, and between Fiscal Year 2002/FiscalYear 2001 and Fiscal Year 2003/FiscalYear 2002. The change statistics illustrate that the positive trend of growth in total revenue and total assets for the metropolitan area ended with the most recent filing of 2003/2002 returns.

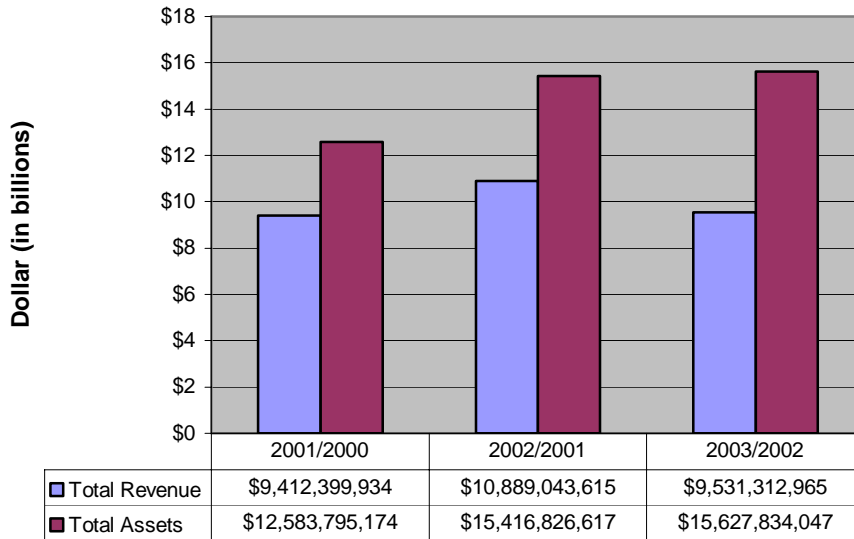
Table 1.4: Kansas City MSA Income and Asset Change by Core NTEE

	FY01/FY00- FY02/FY01 Revenue Change	FY02/FY01- FY03/FY02 Revenue Change	FY01/FY00- FY02/FY01 Asset Change	FY02/FY01- FY03/FY02 Asset Change
No Code	\$40,399,775	-\$9,620,678	-\$522,098	-\$4,150,973
Arts, Culture, Humanities	-\$145,524,499	\$51,669,104	\$692,824,642	-\$25,059,478
Edu. Institutions	-\$81,342,307	\$63,260,752	-\$151,740,195	-\$45,415,650
Environment and Animals	-\$103,670	\$11,332,679	\$3,364,798	\$2,238,857
Health	\$1,139,216,277	-\$1,282,674,630	\$285,504,985	\$441,621,799
Human Services	\$54,815,292	\$103,268,965	\$19,076,651	\$106,536,514
International, Foreign Affairs	\$23,074,706	\$46,073,405	\$1,362,392	\$34,403,143
Public, Societal Benefit	\$124,680,774	-\$511,065,285	\$1,688,436,795	-\$532,771,916
Religion Related	\$3,216,121	\$1,327,868	\$13,744,702	-\$4,235,050
Mutual/Membership Benefit	-\$176,287	\$84,500	\$2,584	\$20,969
Unknown	\$3,612,378	\$1,597,695	-\$4,151,787	-\$764,265
Total	\$1,161,868,560	-\$1,524,745,625	\$2,547,903,469	-\$27,576,050

Source: IRS Master Files

This point may be more clearly seen by the following illustrations in Figure 1.1.

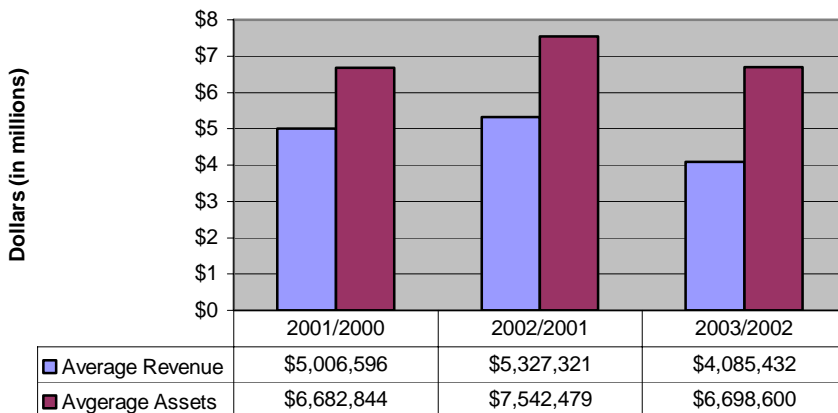
Figure 1.1: Kansas City MSA Total Revenue and Total Assets



It is important to note that while existing organizations experienced an asset loss, additional assets brought by new nonprofits raised the overall level above that of previous years. Despite the addition of these same organizations, revenue levels for 2003/2002 decreased \$1.36 billion overall for the metropolitan area.

In order to clarify the muddled analysis brought about by new organizations, further examination of revenue and assets per organizations is included. Figure 1.2 illustrates the movements of average revenue and average assets for the last three years.

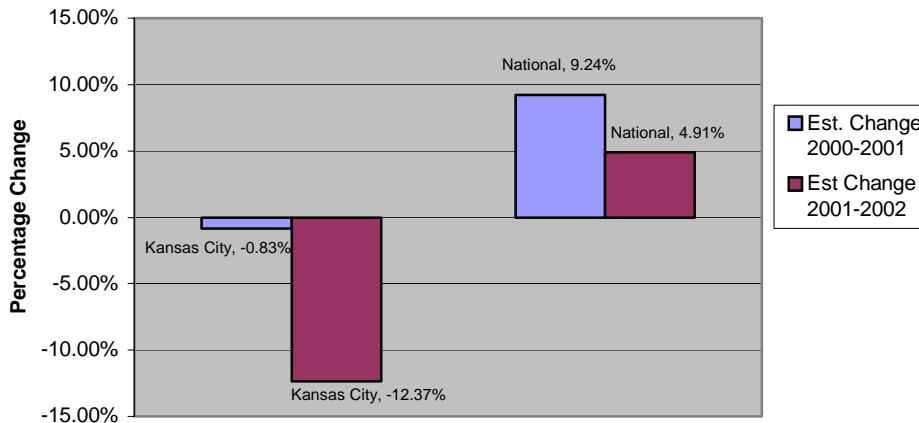
Figure 1.2: Kansas City MSA Average Revenue and Average Assets



When looking at the average revenue and assets at each time period, the economic cycles become more pronounced. From these statistics, it can be concluded that despite mixed overall growth in the sector, individual organizations are, in general, financially weaker. In 2003/2002, average revenue fell below 2001/2000 levels. Average assets – while taking a hit between the 2002/2001 filing and the 2003/2002 filing – still remain slightly above levels from two years ago.

One final area of trend analysis focuses on the philanthropy sub-sector. Figures 1.3, 1.4, and 1.5 illustrate trends of Kansas City area foundations and how they compare with national foundation trends. The first graph shows the decline in number of Kansas City foundations between 2000 and 2002. From 2000 to 2001, Kansas City’s philanthropic community declined by 0.83%. Statistics from circa 2002 illustrate a much more significant decline as the number of foundations reduced more than 12%.

Figure 1.3: Establishments Percentage Change 2000-2002

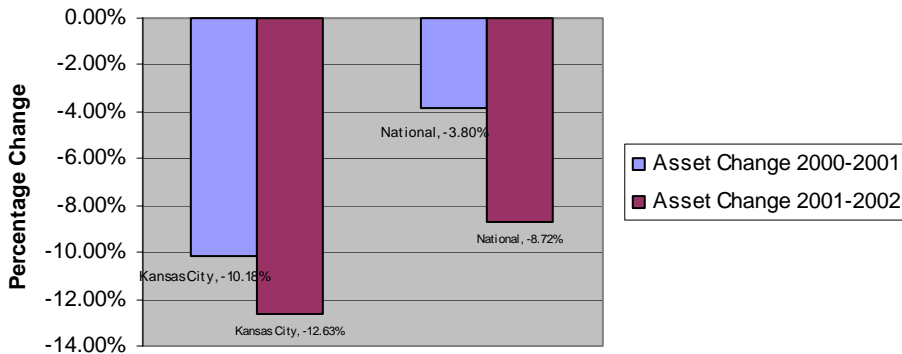


Over the same time period statistics on national foundations indicate two consecutive years of growth. While there is a decline in the percentage of growth between 2001 and 2002, data indicates a positive overall trend.

Figure 1.4 indicates a less divergent trend between the Kansas City and national philanthropic communities. Both Kansas City private foundations and all national foundations indicated a loss in assets over the time period studied. However, the decline is considerably more rapid among Kansas City foundations than among the nation as a whole when considering that Kansas City’s philanthropic community recorded asset

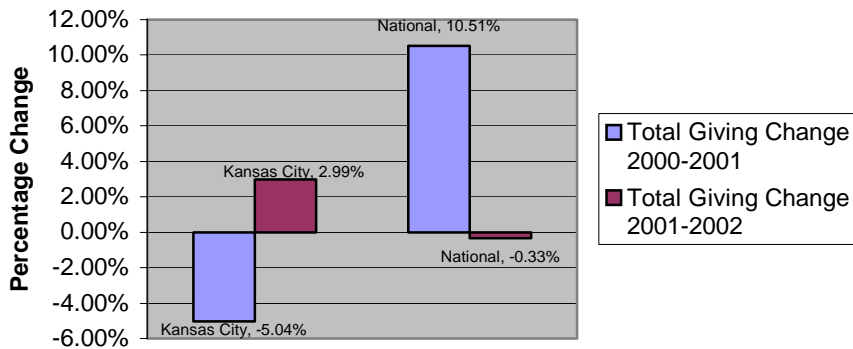
declines of 10.18% and 12.13% in successive years while national statistics indicate losses of 3.8% and 8.72%.

Figure 1.4: Assets Percentage Change 2000-2002



Despite the decrease in both organizations and total assets, Kansas City foundations gave more in 2002 than in the previous year. Figure 1.5 shows that Kansas City foundations as a whole increased total giving in 2001 by 2.99%. Ironically, in spite of an increase in foundations at the national level, total giving slightly decreased from 2001 levels.

Figure 1.5: Total Giving Percentage Change 2000-2001



While this philanthropic trend analysis is in only a beginning stage of development, it does offer interesting insights into the relationship between the local philanthropic community and national philanthropy as a whole. Divergent trends across the three areas would infer that Kansas City foundations face unique economic and motivational forces. At the same time it appears that a common theme can be seen in the area of total assets, where it appears that broader economic difficulties have affected all philanthropic communities.

The Other Nonprofits

In an effort to provide a more comprehensive examination of the nonprofit sector in Kansas City, this section offers a brief overview of the role tax-exempt agencies play in the organizational landscape. In addition to the data collected on religious congregations and 501(c)(3) organizations, this report also provides information on two more types of nonprofits. The first, classified under the tax code as 501(c)(4), consists of civic leagues, social welfare organizations, and local associations of employees. According to the IRS, these agencies exist to promote community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes. Based on IRS data from 2002/2001, there were 729 501(c)(4) nonprofits in the Kansas City area. Statistics based on 2003/2002 IRS filings indicate that there has been a reduction in total organizations to 712 501(c)(4) nonprofits. The second additional type of nonprofit, classified under the tax code as 501(c)(6), consists of business leagues, chambers of commerce, and real estate boards. According to the IRS, these agencies exist to improve conditions in one or more lines of business. There are 707 of these business and trade associations in Kansas City at most recent count, a decrease of 7 organizations from the last report.

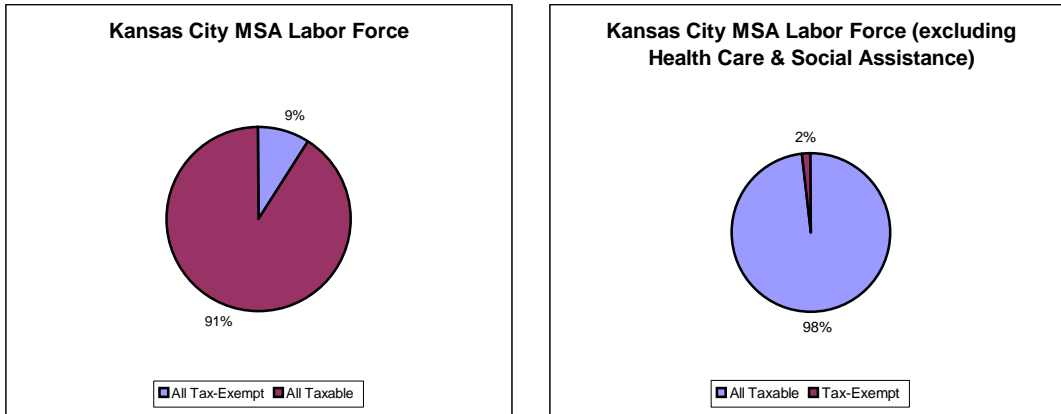
Employment in the Kansas City Nonprofit Sector

The Midwest Center for Nonprofit Leadership has recently developed a detailed compensation survey. Until the information from that survey is available, the most reliable employment and compensation information remains to be the 1997 Economic Census. (The 2002 Census should be available for next year's report.)

The 1997 Economic Census reported the Kansas City labor force to be 654,889. In addition, the same economic census reported 60,355 persons employed by and a total annual payroll of \$1.56 billion for filing tax-exempt organizations. While the number employed by filing tax-exempts actually dropped nearly two percent from 61,499 at the time of the 1992 Economic Census, the total annual payroll jumped sixteen percent from \$1.34 billion.

According to these statistics, not-for-profit sector employees comprised nine percent of both the city's MSA labor force and payroll in 1997. However, as is shown in more

detail later, the overwhelming presence of the *Health Care and Social Assistance Sector* within the nonprofit sector of Kansas City tends to skew results considerably. This sub-sector comprises a dominating 84 percent of the tax-exempt employment force. When removed, the not-for-profit sector accounts for a mere 1.7 percent of the overall nonprofit employment force in the Kansas City MSA as is indicated by the following charts.



Nonprofits as Part of the Kansas City Economy

Economic struggles of the Kansas City nonprofit sector already presented are consistent with the general business environment in the metropolitan area. Since the release of last year's report, both the for-profit and nonprofit sectors in Kansas City have exhibited signs of financial struggles. Most recent data indicates a total of 79,614 business establishments in the Kansas City MSA. As depicted by Table 1.6, the 2,333 nonprofit organizations account for 2.9% of these establishments. The remaining 77,281 organizations account for 97.1% of all establishments. The new statistics illustrate that while the nonprofit sector grew in size, the remainder of the private sector lost more than 2,000 organizations. In comparing total revenues both nonprofits and all other organizations experienced an equivalent decline. The nonprofit sector's share of metropolitan revenue actually decreased, since last reported, by 0.6%, as the sector accounts now for 6.2% of total revenue.

Table 1.6: Nonprofits as Part of the Kansas City Economy

	Number	% of Total	Revenue	% of Total Revenue
All Other Organizations	77,281	97.1%	\$144,335,900,000	93.8%
Charitable Organizations	2,333	2.9%	\$9,531,312,966	6.2%
Total	79,614	100.0%	\$153,867,212,966	100.0%

Source: Statistics of for-profit entities are from MARC, nonprofit statistics are from IRS Master File

How Kansas City Compares With Other MSA Nonprofit Sectors

An important aspect to consider when examining the size and scope of the Kansas City nonprofit sector is the relative numbers compared to other metropolitan areas. In order to create a comparison, MSAs of similar population or of perceived similarity to Kansas City were selected. According to statistics by the U.S. Census Bureau, Cincinnati, Indianapolis, Orlando, and Milwaukee are the closest metropolitan areas in size (population). Additionally, the significant metro areas of Atlanta, Chicago, Denver, Minneapolis, and St. Louis were also included.

This report divides the comparison into two separate sections. The first is the comparison of charitable nonprofits in the ten metropolitan areas. The second section examines the foundation sub-sectors of these areas.^{vii}

Table 1.7 illustrates the descriptive statistics of each metropolitan area and their nonprofit organizations. Kansas City tends to place in the lower middle of the group in most of the categories. Among the comparable metros, Kansas City is 7th in total organizations, 7th in total revenue, 8th in total assets, and 7th in population. When looking at establishments per 1,000 of population, Kansas City shifts upwards (to 4th) in the group rank. Minneapolis is the leading metro area in this category with more than two organizations per every 1,000 people. The last criterion examined is the nonprofit sectors receipts as a proportion of GMP^{viii}. Again, as table 1.7 illustrates, Kansas City is in the middle range of metropolitan areas, 6th overall. Indianapolis and Milwaukee boast the most economically influential sectors with 23% and 21% share respectively. In contrast Denver and Atlanta maintain the smallest share of their economies with 8% and 9% respectively.

Table1.7: Metro Area Nonprofit Sector Comparison

	Nonprofit Organizations	Revenue	Assets	MSA Population	Nonprofits per 1,000 People	Sector Share of GMP(a)
Chicago	11,125	\$57.29	\$81.78	9,157,540	1.21	15.59%
Minneapolis	6,365	\$19.88	\$30.52	2,968,806	2.14	14.61%
Atlanta	4,252	\$17.74	\$29.53	4,112,198	1.03	9.30%
Denver	3,693	\$9.06	\$18.09	2,581,506	1.43	8.37%
Milwaukee	3,337	\$12.36	\$16.64	1,689,572	1.98	21.45%
St. Louis	2,938	\$13.83	\$23.01	2,603,607	1.13	14.32%
Kansas City	2,333	\$9.53	\$15.63	1,776,062	1.31	13.44%
Indianapolis	2,102	\$14.91	\$25.65	1,607,486	1.31	23.03%
Cincinnati	2,081	\$8.00	\$14.28	1,979,202	1.05	12.08%
Orlando	1,558	\$6.93	\$9.69	1,644,561	.95	10.41%

Source: IRS Master File

a Gross Metropolitan Product has been estimated using historical trends in the calculation

The second section of the metropolitan comparison examines the philanthropic sector of each area. The robust nature of philanthropy in the Kansas City nonprofit sector has been already detailed. However, when compared with other metropolitan communities, the philanthropic sub-sector of Kansas City stands out as a national leader in addition to its regional stature. Despite having the smallest number of organizations of the ten metro areas studied, Kansas City foundations maintain more assets per organization and average the highest level of giving per organization. From an overall perspective, Kansas City foundations rank 4th in total assets and 5th in total giving, with the least number of organizations. Milwaukee has the most foundations per 1,000 people with 0.7 foundations per that amount of people, almost twice as many as any other metro. Kansas City is narrowly last in this category with 0.24 foundations per 1,000 people.

Table 1.8: Foundation Metropolitan Compare

	Est.	Total Assets	Qualifying Distributions	Total Giving	Average Assets	Average Giving	Est. Per 1000 People
Chicago	3032	\$20,650,215,834	\$1,459,645,059	\$1,321,163,088	\$6,810,757	\$435,740	.33
Milwaukee	1181	\$3,500,189,692	\$334,448,469	\$320,164,272	\$2,963,751	\$271,096	.70
Minneapolis	1086	\$8,138,460,650	\$664,557,430	\$618,073,230	\$7,493,978	\$569,128	.37
Atlanta	785	\$6,766,144,070	\$651,640,698	\$559,465,014	\$8,619,292	\$712,694	.19
St. Louis	650	\$2,492,416,969	\$262,713,810	\$250,226,428	\$3,834,488	\$384,964	.25
Denver	633	\$4,427,330,427	\$266,222,458	\$261,534,533	\$6,994,203	\$413,167	.25
Cincinnati	553	\$2,027,782,873	\$213,905,930	\$207,841,589	\$3,666,877	\$375,844	.28
Kansas City	418	\$4,696,666,265	\$354,138,440	\$309,947,743	\$11,236,044	\$741,502	.24

Source: Foundation Center

The purpose of the above comparison is to offer a broader perspective of the Kansas City nonprofit sector. There is no implicit value built into the criteria used to describe the ten areas. Still, understanding how Kansas City matches up with these other areas enables important questions and inquiries to emerge. For example, is there a meaningful relationship between the quality of living index and the number of nonprofits per 1,000 people? While the exploration of questions such as these is beyond the scope of this report, it would be impossible for such topics to emerge without a comparison of Kansas City's nonprofit sector to other metro area sectors.

Conclusion

Locally, the Kansas City MSA nonprofit sector continues to maintain significant role in the institutional and economic environments. As a whole, the sector increased in size, exhibited through increased revenues and assets, and in scope, with the addition of organizations. Economically, nonprofits slightly increased their share of the metro's total revenues, while maintaining the proportion of total organizations.

Nationally, Kansas City's public charities sector maintained its position from a year ago, residing in the middle of a sample of sectors throughout the United States. However, a more detailed comparison of foundations in the various metro areas illustrated the strength of Kansas City. The Kansas City philanthropic sub-sector maintains a position at

the top of total giving per organization and assets per organization when compared to the sub-sectors of other metropolitan areas.

The utility of this report is designed to reach both practitioners and academics alike. The detail of local compensation, sub-sector size, and growth trends can hopefully equip nonprofit managers with the resources to design more efficient strategic plans. The introduction of other metropolitan areas can also uncover successful sub-sectors in distant geographical areas, which may be able to provide important experiences for local managers. Finally, the size and scope statistics presented above better equip practitioners with a perspective of how the Kansas City community is being served by their organizations and others like them.

Utility for the academic community is derived from the resource base established by the report. Statistical explanations of local, regional, and national nonprofit sectors provide a foundation for the framing of research questions. Furthermore, from a data gathering perspective, the acquisition and synthesis of the vast data begins to establish and test a methodology for future studies in the nonprofit sector.

For further information about this or any other research on Kansas City's nonprofit sector, please contact:

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ⁱ A comparison of this year's filing organization numbers with last year's illustrates a discrepancy in the growth of filing organizations and the growth of registered organizations. Due to organizational growth, and restrictions on filing, organizations that were considered register nonfiling at this time last year, may have evolved financially to a position that requires them to file at the time of the report this year.

ⁱⁱ Independent Sector 2001 Handbook

ⁱⁱⁱ <http://nccs.urban.org/ntee-cc/a.htm>

^{iv} *ibid*

^v *ibid*

^{vi} *ibid*

^{vii} The foundation statistics were derived from foundation center statistics, which provide the most reliable and complete information on this population of organizations. Unfortunately foundation information was not available on all eleven metropolitan areas in the study. As a result some metros included in the public charities section do not have corresponding foundation data.

^{viii} It is important when examining these statistics to understand that a total receipt is an output variable and GMP takes into account the costs of inputs. These are not completely symmetrical indicators. However, due to the service intensive nature of the nonprofit sector organizational input costs are minimal compared to that of the for-profit sector. Hence, it is assumed that nonprofit receipts account for a gross majority of organizational product.