

***Building a Healthy Community Through
Nonprofit Service:
2006 Annual Report on the
Kansas City Nonprofit Sector***

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Since 2002 The Midwest Center For Nonprofit Leadership has engaged in a perennial research project that seeks to illustrate the demographics of the nonprofit sector in Kansas City's Metropolitan Statistical Area (MSA). In each research cycle attention is given to the number of Kansas City nonprofit organizations, revenue and asset levels of those organizations, the sector's impact on the local economy, and a comparison of Kansas City's nonprofit sector with nonprofit sectors in other metropolitan areas. The following report is the latest installment of this effort.

Organization of the 2006 report takes the following form. First, a brief history of nonprofit statistical reporting is provided. This section describes Internal Revenue Service (IRS) efforts to report on the descriptives of the nonprofit sector, including strengths and weaknesses of such efforts.

Second, the research methods used to compile the data in the report are outlined. Additionally, definitions of technical terms used throughout the report and detailed explanations of data are presented in this section enabling a better understanding of the succeeding findings.

Third, the Kansas City nonprofit sector is illustrated in aggregate form and according to sub-sectors. The aggregate information includes demographics of 501(c)3 organizations, 501(c)4 organizations, and 501(c)6 organizations. The sub-sector breakdown for 501(c)3 is generally consistent with National Taxonomy of Exempt Entities (NTEE) classification system. Specifically, attention is given to arts organizations, education organizations, health organizations, and human services organizations. The last detail of the Kansas City analysis involves a discussion of philanthropic organizations in the metro area.

Fourth, employment and economic profiles of Kansas City nonprofit organizations is discussed. The employment data incorporates information from the most recent compensation survey completed by the Midwest Center for Nonprofit Leadership and its partners Community Association of Nonprofit Business Executives, the local chapter of the Association of Fund Raising Professionals, the Council on Philanthropy, and the Executive Service Corps in the summer of 2004.

Fifth, the nonprofit sector is compared from an economic perspective 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.

Sixth, the report will again incorporate a comparison between the Kansas City MSA and nine other metro areas in the United States. This comparison includes overall nonprofit sector comparisons and comparisons of philanthropic organizations. Lastly, the report briefly summarizes the Kansas City nonprofit sector pulling together the various aspects highlighted in the report.

Before continuing, it is worth noting a major change for the 2006 Annual Report on the Kansas City Nonprofit Sector. Starting in 2004, the report introduced an initial view of trends, both economic and demographic, among charitable nonprofits. In 2005, it became possible – due to the accumulation of multi-year data – to do a more thorough trend analysis that expanded upon the economic and demographic trends from the 2004 report. Now, an even larger volume of data (going back to 2000) allows for a much more thorough analysis of trends among 501(c)3s in the Kansas City nonprofit sector. Because of this, trend analysis has been removed from this report and released in a separate report.

Historical Reporting Of Nonprofit Sector Statistics

The examination of the nonprofit sector emerged during the late 1960's and the early 1970's with the "Filer Commission" and their subsequent report, issued in 1975. Since the time of that report and 2000, the Internal Revenue Service (IRS) has reported an increase in the number of filings by tax-exempt organizations of approximately 295,300 (Figure 1.1). For calendar year 2005, IRS statistics predict an additional 154,400 filings over 2000 figures. Furthermore, the IRS predicts that another 117,300 filings will occur in 2010, a more than 240% increase since 1975. The need for continued research on tax-exempt organizations, espoused by the Filer Commission, is amplified by the significant and continuous growth of the sector.



Source: IRS Master Files

Descriptive reports of the nonprofit sector have been published by the IRS Statistics of Income Bulletins (SOI). These documents illustrate the national and state aggregate figures of organization totals and total revenue and asset levels. While these reports are a beginning into the exploration of the nonprofit sector, there are various dynamics and characteristics of nonprofit organizations that inhibit the impact of a macro study.

Other efforts to analyze the nonprofit sector have encountered two distinct dilemmas. First, incomplete data sources inhibit diffuse areas of study. 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 population of grassroots organizations, community organizations, and churches that contribute to the social capital in their respective areas. Furthermore, the information that is available tends to be distilled differently by a variety of sources leading to incongruencies in the data.

Second, more focused research, while minimizing data reliability issues, tends to rely on inferential statistics. Common analysis of nonprofit sectors is based on “bell weather” organization responses, not complete population data. The diversity of the sector mitigates the meaningfulness of conclusions drawn from a small sample of

organizations. This report attempts to alleviate this issue by including every organization that is required to file with the IRS.

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 data reporting 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 analyzed here are entirely comprised of 501(c)3 organizations that are filing and/or registered. Organizations that are required to file generate revenues greater than \$25,000 a year and are not religious congregations. (That being said, several organizations present in the analyzed dataset generate less than \$25,000 a year in revenue or are affiliated in some way with religious congregations. Nevertheless, the IRS has designated them as “required to file,” so they have been included here.) 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 IRS filing requirements is simply considered a registered 501(c)3.) Therefore any reference to nonprofit organizations, charitable organizations, or tax-exempt entities refers to the aforementioned population of 501(c)3s unless stated otherwise.

Before presenting any actual data it is important to define some of the terms used throughout this report. First, the Kansas City Metropolitan Statistical Area (MSA) has expanded since the initial version of this report in 2002. However, for congruency in the analysis this 2006 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. The U.S. Office of Management and Budget defines metropolitan statistical areas (MSAs)

following the official standards published in the Federal Register on March 30, 1990. Therefore, all references to Kansas City throughout this report reflect this geographical area unless otherwise stated. Likewise, other MSAs to which this report compares Kansas City may have also expanded. Those MSAs also remain unchanged for the purposes of this report.

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, unless explicitly stated otherwise. 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 inure 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 tax code 501(c)3 are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition 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.

All calculations presented in this report use the entire population represented negating any reliability or validity questions that are associated with sampling error. The population of 501(c)3 organizations in Kansas City is derived from the IRS master files using zip codes of the MSA as it was in 2002, and the organization’s subsection registered with the IRS. The other nine MSAs (as defined in the 1990 Federal Register) were also derived using zip codes of the respective areas, and the organization’s subsection registered with the IRS.

An additional point concerning the data deserves further clarification. Due to lags in reporting, a given IRS master file has a diverse set of fiscal year information. Part of this reports production process entails discarding organizations that are no longer active.

At the same time it would be inaccurate to discard organizations that have not filed in the most recent fiscal year. Consequently, an organization's information is included in this report if they are required to file by the IRS and have done so since January of 2000. Because this range of filing years extends over three years, a frequency distribution was calculated to determine the predominate filing time period of organizations in the data set. The results illustrate that 78.7% of the information used to compile this report comes from fiscal years 2004 and 2005, with information filed for 2003 comprising much of the remaining data.

The Kansas City Nonprofit Sector

The Kansas City nonprofit sector continues to grow in number of organizations. The number of registered 501(c)3 organizations in the metropolitan area has increased to 7,473 (a change of 137 organizations). The total population of charitable organizations, required to file financial information with the IRS, increased to 3,141 or just over 42% of all registered nonprofits.ⁱ Out of the 3,141 organizations in the metro area, 65.4% (2,055) were registered in Missouri and 34.6% (1,086) were registered in Kansas. These latest figures illustrate a 29.2% increase (or 465 organizations) in the number of Missouri organizations since the 2005 report and a 26.1% increase (225 organizations) in the number of Kansas organizations during the same time period. As illustrated in Table 1.3, the total revenue generated by all 3,141 nonprofit organizations is approximately \$9.64 billion. Furthermore, Table 1.4 illustrates that metropolitan area organizations have aggregate assets over \$19.39 billion.

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 collection statistics. While there is a logical rationale for why these congregations are not amalgamated with filing nonprofits, the economic impact of religious congregations can not be overlooked. According to national trends in private giving just under half (47%) of all individual gifts go to religious organizationsⁱⁱ. If this trend is consistent in Kansas City, it can be assumed that 3,141 metropolitan nonprofit organizations are splitting the remaining 53% of individual gifts.

Updated historical statistics reported by American Religion Data Archive (ARDA) states 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 last iteration of this report noted that there were 2,230 religious congregations in the metro area in 2004. The discrepancy between that number and the number noted for 2006 (1,552) can be explained by a change in the source of the data. Previously, the Midwest Center cited an annual study conducted by Spirit of Service, a local nonprofit that tracked, among other things, the number of congregations in the area. Spirit of Service has since closed. The 2006 number comes from a study coordinated by ARDA, who employed different methodologies when compiling their data.

Further demographic analysis of Kansas City nonprofit organizations illustrates the age and growth of the sector. The average age of all Kansas City nonprofit organizations is 18. The newest organization required to file has an organization age of less than one year (IRS rule date is 2006) and the eldest organization required to file has an organization age of 93 years (rule date is 1913). A closer look at the numbers indicates that mutual membership/benefit organizations are on average the oldest (29 years) while international, foreign affairs and religion-related organizations tie for the youngest (11 years). For details on the average age of all the core categories see Table 1.1 below.

Table 1.1: Average Age by Core NTEE Category

	Average Age
No Code	25
Arts, Culture, Humanities	17
Edu. Institutions	22
Environment and Animal Related	14
Health	19
Human Services	15
International, Foreign Affairs	11
Public, Social benefit	15
Religion Related	11
Mutual Benefit Org.	29
Unknown	18
All Codes	18

Source: IRS Master Files

This year’s report also examines the number of new organizations required to file. Organizations required to file for the first time in either 2005 and 2006 have been included in the summary of new organizations. In total there are 142 new organizations with either a 2005 or 2006 IRS rule date in the Kansas City Metropolitan Area. A large portion of these organizations, 46, emerged in the health sub-sector. The public societal benefit sub-sector also saw a large share of new organizations with 29.

With regards to distribution of revenue, many nonprofits in the sector remain small. As illustrated in Table 1.2 below, just over half of all organizations (1,584) reported earnings of less than \$250,000 in the last year they filed with the IRS. Despite their large share of the population, their total revenues were only 1.3% of those earned by the entire sector. Conversely, the 68 organizations that reported revenues exceeding \$25 million comprise only 2.2% of the entire sector, but take in 73.2% of all revenues.

Table 1.2: Kansas City MSA Revenue Distribution

	# of Orgs	% of Total Orgs	% of Total Revenue
Missing/Unknown	489	15.6%	0.0%
Under \$250,000	1,584	50.4%	1.3%
\$250,000 - \$499,999	314	10.0%	1.2%
\$500,000 - \$999,999	216	6.9%	1.6%
\$1,000,000 - \$2,499,999	219	7.0%	3.7%
\$2,500,000 - \$4,999,999	120	3.8%	4.5%
5,000,000 - \$9,999,999	79	2.5%	5.8%
10,000,000 - \$24,999,999	52	1.7%	8.8%
More than \$25,000,000	68	2.2%	73.2%
Total	3,141	100.0%	100.0%

Source: IRS Master Files

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. A more detailed discussion of multi-year trends in both revenue and assets for the metropolitan area and specific sub-sectors will be discussed in the separate trend report. However, prior to moving on to specific sub-sector discussions of revenue and assets, all statistics on all major classifications are presented in Tables 1.3 and 1.4.

Table 1.3: Kansas City MSA Revenue by NTEE Major Category

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Average Revenue
No Code	417	13.3%	\$393,164,624	4.1%	\$1,399,162
Arts, Culture, Humanities	231	7.4%	\$216,562,837	2.2%	\$1,077,427
Edu. Institutions	462	14.7%	\$925,256,940	9.6%	\$2,208,250
Envir. Quality, Protection	14	0.4%	\$3,324,510	0.0%	\$255,732
Animal Related	40	1.3%	\$22,253,025	0.2%	\$767,346
health-gen. rehab.	193	6.1%	\$4,817,458,495	49.9%	\$27,371,923
Mental Health	53	1.7%	\$81,040,033	0.8%	\$1,976,586
Disease, Disorder, Medical Disciplines	56	1.8%	\$74,866,567	0.8%	\$1,527,889
Medical Research	20	0.6%	\$69,699,195	0.7%	\$3,872,178
Crime, Legal Related	38	1.2%	\$28,976,007	0.3%	\$999,173
Employment, Job Related	35	1.1%	\$180,355,788	1.9%	\$5,465,327
Food, Agriculture, Nutrition	21	0.7%	\$49,263,460	0.5%	\$3,078,966
Housing, Shelter	115	3.7%	\$97,151,241	1.0%	\$934,147
Public Safety, Disaster Relief	13	0.4%	\$1,678,338	.0%	\$239,763
Recreation, Sports, Leisure, Athletics	143	4.6%	\$93,431,501	1.0%	\$834,210
Youth Development	70	2.2%	\$37,921,495	0.4%	\$758,430
Human Services-Multipurpose	341	10.9%	\$649,600,235	6.7%	\$2,353,624
International, Foreign Affairs	33	1.1%	\$148,109,980	1.5%	\$4,777,741
Civil Rights, Social Action, Advocacy	18	0.6%	\$12,459,291	0.1%	\$692,183
Community Imp.	100	3.2%	\$152,398,396	1.6%	\$1,792,922
Philanthropy, Grantmaking	479	15.2%	\$1,449,022,735	15.0%	\$3,227,222
Science and Technology Research	11	0.4%	\$2,680,588	0.0%	\$268,059
Social Science Research	3	0.1%	\$552,109	0.0%	\$184,036
Public, Social benefit	15	0.5%	\$23,404,356	0.2%	\$1,671,740
Religion Related	180	5.7%	\$80,058,024	0.8%	\$540,933
Mutual Benefit Org.	4	0.1%	\$134,199	0.0%	\$33,550
Unknown	36	1.1%	\$34,086,840	0.4%	\$946,857
Total	3141	100.0%	\$9,644,910,809	100.0%	\$3,636,844

Source: IRS Master Files

Table 1.4: Kansas City MSA Assets by NTEE Major Category

		% of Total Orgs	Total Assets	% of Total Assets	Average Assets
No Code	417	13.3%	\$354,494,270	1.8%	\$850,106
Arts, Culture, Humanities	231	7.4%	\$995,804,531	5.1%	\$4,310,842
Edu. Institutions	462	14.7%	\$1,594,738,403	8.2%	\$3,451,815
Envir. Quality, Protection	14	0.4%	\$2,943,567	0.0%	\$210,255
Animal Related	40	1.3%	\$21,072,108	0.1%	\$526,803
health-gen. rehab.	193	6.1%	\$6,920,333,139	35.7%	\$35,856,648
mental health	53	1.7%	\$53,917,239	.3%	\$1,017,306
Disease, Disorder, Medical Disciplines	56	1.8%	\$58,433,216	0.3%	\$1,043,450
Medical Research	20	0.6%	\$550,419,652	2.8%	\$27,520,983
Crime, Legal Related	38	1.2%	\$19,569,289	0.1%	\$514,981
Employment, Job Related	35	1.1%	\$93,966,734	0.5%	\$2,684,764
Food, Agriculture, Nutrition	21	.7%	\$24,903,645	0.1%	\$1,185,888
Housing, Shelter	115	3.7%	\$290,127,007	1.5%	\$2,522,844
Public Safety, Disaster Relief	13	0.4%	\$1,500,515	0.0%	\$115,424
Recreation, Sports, Leisure, Athletics	143	4.6%	\$94,918,356	0.5%	\$663,765
Youth Development	70	2.2%	\$53,361,660	0.3%	\$762,309
Human Services-Multipurpose	341	10.9%	\$821,712,019	4.2%	\$2,409,713
International, Foreign Affairs	33	1.1%	\$51,239,752	0.3%	\$1,552,720
Civil Rights, Social Action, Advocacy	18	0.6%	\$8,248,294	0.0%	\$458,239
Community Imp.	100	3.2%	\$2,005,080,464	10.3%	\$20,050,805
Philanthropy, Grantmaking	479	15.2%	\$5,152,998,858	26.6%	\$10,757,826
Science and Technology Research	11	0.4%	\$1,838,650	0.0%	\$167,150
Social Science Research	3	0.1%	\$959,700	0.0%	\$319,900
Public, Social benefit	15	0.5%	\$23,860,867	0.1%	\$1,590,724
Religion Related	180	5.7%	\$127,551,932	0.7%	\$708,622
Mutual Benefit Org.	4	0.1%	\$505,670	.0%	\$126,418
Unknown	36	1.1%	\$60,646,611	0.3%	\$1,684,628
Total	3141	100.0%	\$19,385,146,148	100.0%	\$6,171,648

Source: IRS Master Files

Nonprofit Categories and Market Share

As illustrated in Table 1.5 below, the Kansas City nonprofit sector is dominated by a few NTEE sub-sectors. 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 1.5 illustrates the breakdown of the NTEE Core Categories. The core category sub-division is used in this report as a means of using broader classifications of organizations that in many ways still have similar

missions. Interest in the specific details of the 26 major NTEE categories is available in Table 1.3 and Table 1.4 displayed previously.ⁱⁱⁱ

Table 1.5: Kansas City MSA Revenue and Asset Distribution by Core NTEE Category

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Total Assets	% of Total Assets
No Code	417	13.3%	\$393,164,624	4.1%	\$354,494,270	1.8%
Arts, Culture, Humanities	231	7.4%	\$216,562,837	2.2%	\$995,804,531	5.1%
Edu. Institutions	462	14.7%	\$925,256,940	9.6%	\$1,594,738,403	8.2%
Environment and Animal Related	54	1.7%	\$25,577,535	0.3%	\$24,015,675	0.1%
Health	322	10.3%	\$5,043,064,290	52.3%	\$7,583,103,246	39.1%
Human Services	776	24.7%	\$1,138,378,065	11.8%	\$1,400,059,225	7.2%
International, Foreign Affairs	33	1.1%	\$148,109,980	1.5%	\$51,239,752	0.3%
Public, Social benefit	626	19.9%	\$1,640,517,475	17.0%	\$7,192,986,833	37.1%
Religion Related	180	5.7%	\$80,058,024	0.8%	\$127,551,932	0.7%
Mutual Benefit Org.	4	0.1%	\$134,199	0.0%	\$505,670	0.0%
Unknown	36	1.1%	\$34,086,840	0.4%	\$60,646,611	0.3%
Total	3141	100.0%	\$9,644,910,809	100.0%	\$19,385,146,148	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).”^{iv} Hence, theaters, public television, historical societies, museums, ballets, and symphonies are all organizations that fall under the umbrella of this category.

According to the most recent filing data from the IRS the arts sub-sector increased by 31 organizations – for a total of 231 – since the 2005 report. The 231 arts organizations account for 7.4% of all nonprofit organizations. Additionally, with approximately \$216.6 million in total revenue and \$995.8 million in total assets, the arts sub-sector maintains market shares of 2.2% and 5.1% respectively.

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.”^v Therefore, a large number of educational support organizations (i.e. PTA, scholarship funds, and fraternities) also comprise this area.

The 462 education nonprofits required to file with the IRS generated revenues of approximately \$925.3 million dollars, which is 9.6% of all nonprofit revenues. This level of revenue is a \$92.8 million dollar decrease when compared with last year’s data. The comparable decrease of \$24.2 million in education organization assets results in a total of almost \$1.59 billion, or 8.2% of all nonprofit sector assets.

This decrease is noteworthy, as it represents – with the exception of last year’s modest growth – the continuing decline for this sub-sector. Education organizations’ asset decreases noted in the 2004 iteration of this report totaled \$45.4 million lower than the previous year. Asset decreases in the 2003 report were \$151.7 million lower than those of the previous year. However, asset levels increased by \$190 million for the sub-sector in the 2005 report and decreased by only \$24.2 million since then, thereby leaving the sub-sector in better shape asset-wise than it was just a few years ago. It is important to note that despite the year-to-year decline of assets, 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 1.3 and 1.4. 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 and 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 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 present, neither the Missouri nor Kansas foundations formed out the sale of Health Midwest has 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 322, or 10.3% of all Kansas City nonprofit organizations. Yet they account for over half (52.3%) of total revenue and 39.1% total assets among all area nonprofits. As a core category, health increased total revenue by almost \$522.5 million dollars since the 2005 report, with a total revenue of \$5.04 billion dollars. Similarly, total assets increased by nearly \$794.1 million dollars, to a level of \$7.58 billion. In fact, health organizations exhibited the largest growth in both revenue and assets among core categories.

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.”^{vi} These organizations are diverse in their mission, target population, size, and scope. In this single category exist organizations like the YMCA and organizations that serve 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 almost a quarter (24.7%) of all nonprofits in the MSA. With 776 organizations, this sub-sector is by far the largest category in terms of number in the metro area, surpassing the public/societal benefit core category by 150 organizations. Despite this, human services organizations generate only 11.8% of aggregate revenues (versus public/societal benefit organizations holding 19.9% of all revenues), totaling approximately \$1.087 billion. Total assets for the category equal \$1.138 billion, or 7.2%. From a growth perspective human services organizations have shown positive improvements in both revenue and assets since they 2005 report, increasing by \$51.4 million and \$71.3 million respectively.

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 succeeding 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 benefit, and unknown. Of these groups, none register an asset level greater than 0.7% and taken together, the remaining sub-sectors comprise just 1.1% of the entire sector.

- The religion related category had the highest number organizations at 180, or 5.7% of the entire sector. Revenues totaled almost \$80.1 million, while assets totaled \$127.6 million, an increase of nearly \$10 million and \$12.25 million respectively.
- In terms of revenue, the largest of the remaining core categories is international and foreign affairs. These 33 organizations reported \$148.1 million in revenue (1.5% of the MSA total), representing a decline of \$38.1 million since the 2005 report. Assets totaled nearly \$51.24 million, a decrease of \$14.3 million.
- The smallest of the remaining categories – both in terms of number of organizations and revenue – is mutual/membership benefit. Representing only 0.1% of the entire sector, these four organizations have aggregate revenue of just \$134,199 and assets of \$505,670. Since the 2005 report, revenues in this sub-sector have decreased at a dramatic rate, falling just over \$1 million. Assets, on the other hand, have risen slightly, increasing by \$177,210.
- Environment and animal organizations, the remaining core category, reported almost \$25.6 million in revenue and just over \$24 million in assets, an increase of \$1.4 million and \$1.2 million respectively.

Unknown or No Code

Thirty-six organizations, or 1.1% of the entire sector, qualify as unknown with regards to their core category. An additional 417 organizations, or 13.3% of the sector, have no NTEE code associated with them at all. This is likely due to either a lack of information reported by these organizations or no NTEE code exists that accurately categorizes the organizations. In any case, unknown organizations reported almost \$34.1 million in revenues and held \$60.65 million in assets, a decrease of \$4.15 million and \$5.1 million respectively. No code organizations generated revenues of \$393.2 million and held assets of almost \$354.5 million, a respective increase of \$307.6 million and \$150.8 million. All told, unknown and no code organizations comprise 14.4% of the sector while generating only 4.5% of its revenue and holding just 2.1% of its assets.

Philanthropy

Due to the influence foundations have on the nonprofit community, this report dedicates a separate section to these organizations that fund a significant portion of the nonprofit sector. The Kansas City MSA maintains a robust philanthropic community for a metro region of its size. These organizations, which “promote the practice of charitable giving and volunteering to represent and serve a wide range of philanthropic and charitable institutions,”^{vii} are more prevalent in the Kansas City metro area than anywhere else in either Kansas or Missouri. According to Foundation Center Statistics for 2004, just over 23 percent of all foundations in Missouri and Kansas are based in the Kansas City metro area, yet these foundations hold almost 54 percent of all foundation assets and pay out more than 43 percent of all grant funds (Table 1.6).

Compared to other sub-sectors in the Kansas City area philanthropy (a.k.a. public, social benefit) is again the largest sole major NTEE classification in establishments, and second largest in both total revenue and total assets. According to IRS statistics in Table 1.5, these organizations comprise almost 20% of all nonprofit organizations, 17% of total revenue, and hold just over 37% of all assets.

There is a noticeable discrepancy between the number of public service, social benefit organizations that reported to the IRS (626) and the total number of foundations as reported by the Foundation Center (446). This is most likely due to the fact that the core NTEE category “public service, social benefit” includes philanthropic organizations that are not grantmaking foundations.

Table 1.6: Kansas City Metro Area Foundation Statistics, circa 2003

	# of Orgs	% Of MO/KS	Assets (in millions)	% Of MO/KS Assets	Total Giving (in millions)	% Of MO/KS Total Giving
Independent	403	23.54%	\$4,485.49	53.24%	\$196.46	45.05%
Corporate	20	20.62%	\$105.44	22.59%	\$15.96	14.66%
Community	2	14.29%	\$910.81	75.26%	\$65.14	71.11%
Operating	21	20.00%	\$21.73	14.50%	\$1.43	35.22
KC MSA Total*	446	23.05%	\$5,523.58	53.88%	\$278.99	43.55%
MO/KAN Total*	1,935	100%	\$10,251.11	100%	\$640.61	100%

Source: Foundation Center

* Due to rounding, figures may not add up.

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. According the most recent IRS statistics available, there were 726 501(c)4 nonprofits in the Kansas City area, an decrease of 14 organizations since the 2005 iteration of this report. This represents an erratic, up-and-down trend for this classification. The 2004 report noted 712 501(c)4 organizations and the 2003 report claimed 729.

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 698 of these business and trade associations in Kansas City at most recent count, a decrease of 6 organizations from the 2005 report and 9 from the 2004 report.

Employment and Senior Staff Compensation in the Kansas City Nonprofit Sector

The 2002 Economic Census reported the Kansas City labor force to be 773,915. In addition, the same economic census reported 65,287 persons employed by and a total annual payroll of \$2.08 billion for filing tax-exempt organizations. This represents an increase over employment and payroll figures from the last economic census, which was conducted in 1997. That census reported 60,355 persons employed by and a total annual payroll of \$1.56 billion for filing tax-exempt organizations.

According to the most recent census statistics, not-for-profit sector employees comprised just over nine percent of both the city's MSA labor force and payroll in 2002. 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 (economic census data uses a different taxonomy than the exempt entity classification used in this report, hence it is important to note that this category is most comparable to a combination of health and human service NTEE core categories). This sub-sector comprises a dominating 89.7 percent of the tax-exempt employment force. When removed, the not-for-profit sector accounts for less than 1 percent of the overall nonprofit employment force in the Kansas City MSA.

An interesting factor of the Census data is that it only includes nonprofits that maintain paid staffs. According to the 2002 Annual Report on the Kansas City Nonprofit Sector, revenues to all nonprofits in the metro-area totaled \$9.6 billion. Since Census data reports \$5.77 billion in revenue to nonprofits, it can be concluded that approximately \$3.83 billion in revenue that year went to nonprofit organizations that have no paid staff.

The Midwest Center for Nonprofit Leadership, in conjunction with corporate partners, has recently developed a detailed compensation survey. While detailing the findings of that report are outside the scope of this paper, it is nonetheless worthwhile to discuss some of the findings with regards to senior staff salaries. As can be seen in Table 1.17, the average compensation for executive directors in the Kansas City MSA is \$66,617. This is almost 30% below the regional average of \$94,582. Salaries for associate/deputy executive directors are 28.4% lower than the regional average; those for chief financial officers are 15% lower, vice president/director of development is 14.9% lower, and vice president/director of programs is actually 8.7% higher. No regional data is available for salaries of vice presidents/directors of administration.

An interesting trend is that the farther down one goes on the organizational chart, the lower the discrepancy between local, regional, and national averages. The average difference between local and regional executive director and associate/deputy executive director salaries is roughly 30%, while those for chief financial officers, development directors, and program directors are roughly half that rate.

Table 1.7: National and Regional Comparisons for Executive Positions

	Kansas City Mean	Regional* Mean	National Mean
Executive Director	\$66,617	\$94,582	\$96,687
Associate/Deputy Executive Director	55,662	77,725	82,841

Chief Financial Officer	63,190	74,318	80,528
Vice President/Director of Development	54,140	63,620	66,088
Vice President/Director of Administration	62,021	-	62,380
Vice President/Director of Programs	51,867	47,704	54,557

Source: 2004 Salary and Benefits Survey of Greater Kansas City Area Nonprofit Organizations, Midwest Center For Nonprofit Leadership

* Iowa, Kansas, Minnesota, Missouri, North Dakota, Nebraska, and South Dakota

Nonprofits As Part of the Kansas City Economy

The most recent data compiled by the Mid-America Regional Council (MARC) indicates a total of 83,063 private organizations in the Kansas City MSA. As depicted by Table 1.7, the 3,141 filing 501(c)3 organizations account for 3.8% of these establishments. The remaining 79,922 organizations account for 96.2% of all establishments. The new statistics illustrate that while the charitable sector grew in size (656 new organizations) since the last report, the for-profit sector shrank (by 3,371 organizations). Intrinsically correlated with this is the increase in the market share by the nonprofit sector. In the 2004 report, charitable organizations comprised 2.9% of all organizations, this year they are 3.8%. Last year, remaining organizations made up 97.1%; this year they are 96.2%. However, both sectors experienced an increase of total revenues. The charitable sector increased its revenue by 11.9% (\$1.024 billion) and for-profit entities increased by almost 10.7% (\$8.21 billion). Despite all this, each sector's share of metropolitan revenue actually remained near-stagnant since last reported. As illustrated in table 1.8, charitable organizations earned 7.7% of all revenues. This represents a shift on only 0.3% in favor of that sector.

Table 1.8: Nonprofits as Part of the Kansas City Economy

	# of Orgs	% of Total	Revenue	% of Total Revenue
All Other Organizations	79,922	96.2%	\$115,683,589,191	92.3%
Charitable Organizations	3,141	3.8%	\$9,644,910,809	7.7%
Total	83,063	100.0%	\$125,328,500,000	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 fair comparison, MSAs or CMSAs 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.^{viii}

Table 1.9 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 aggregate categories. Among the comparable metros, Kansas City is eighth in total organizations, ninth in total revenue, eighth in total assets, and fourth in terms of establishments per 1,000 people. These rankings remain unchanged since the 2005 report. Milwaukee and Minneapolis are by far the leading metro areas with regards to the people-organizations ratio, and are the only metro areas with more than 2 organizations per 1,000 people. The last criterion examined is the nonprofit sectors' receipts as a proportion of GMP^{ix}. Again, as Table 1.9 illustrates, Kansas City is in the lower half of metropolitan areas, seventh overall. Indianapolis and Milwaukee boast the most economically influential sectors with 27.68% and 27.55% share respectively. In contrast, Denver and Atlanta maintain the smallest share of their economies with 10.65% and 10.54% respectively.

Table1.9: Metro Area Nonprofit Sector Comparison

	Nonprofit Organizations	Revenue (in billions)	Assets (in billions)	Region Population	Nonprofits per 1,000 People	Sector Share of GMP
Chicago	14,035	\$63.78	\$98.29	9,157,540	1.53	16.25%
Atlanta	6,734	\$20.88	\$36.02	4,112,198	1.64	10.54%
Minneapolis	6,221	\$24.69	\$35.67	2,968,806	2.10	16.93%
Denver	5,076	\$11.56	\$22.59	2,581,506	1.97	10.65%
Milwaukee	3,996	\$17.30	\$20.13	1,689,572	2.37	27.55%
St. Louis	3,953	\$23.07	\$30.73	2,603,607	1.52	22.62%
Cincinnati	3,158	\$11.03	\$19.68	1,979,202	1.60	14.10%
Kansas City	3,141	\$9.64	\$19.39	1,776,062	1.77	13.04%
Indianapolis	2,737	\$18.24	\$16.72	1,607,486	1.70	27.68%
Orlando	2,291	\$8.11	\$10.65	1,644,561	1.39	11.17%

Source: Gross Metropolitan Products are from the U.S. Conference of Mayors, the rest is from the IRS Master File

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 versus that in Missouri and Kansas was already detailed. Furthermore, 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 least number of organizations in the sample of metros, Kansas City foundations maintain significantly more assets per organization, and average the second-highest level of giving per organization. From an aggregative perspective, Kansas City foundations rank fifth in total assets, and fifth in total giving, with the least number of organizations. Milwaukee has the most foundations per 1,000 people with a statistical measure of 0.71, almost twice as many as the nearest metro. Kansas City is tied for second-to-last in this category with a statistical measure of 0.25 foundations per 1,000 people, equaling Denver. Atlanta is the lowest with 0.19 foundations per 1,000 people.

Table 1.10: Foundation Metropolitan Compare

	# of Orgs	Total Assets	Total Giving	Average Assets	Average Giving	Est. Per 1000 People
Chicago	3,155	\$21,189,535,694	\$1,269,465,498	\$6,716,176	\$402,366	0.34
Milwaukee	1,198	4,383,744,148	\$320,778,030	\$3,659,219	\$267,761	0.71
Minneapolis	1,113	\$10,264,386,327	\$646,955,155	\$9,222,269	\$581,271	0.37
Atlanta	788	\$7,419,732,783	\$525,844,431	\$9,415,904	\$667,315	0.19
St. Louis	728	\$2,828,880,529	\$257,533,063	\$3,885,824	\$353,754	0.28
Denver	644	\$5,682,739,220	\$276,169,450	\$8,824,129	\$428,834	0.25
Cincinnati	613	\$2,560,476,465	\$211,902,739	\$4,176,959	\$345,681	0.31
Kansas City	446	\$5,523,578,654	\$278,989,272	\$12,384,705	\$625,536	0.25

Source: Foundation Center

The purpose of this 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

The 2006 Kansas City Nonprofit Sector Report is designed to quantify the local nonprofit community. In so doing the lens of analysis shifts in the report from a very narrow perspective, detailing specific sub-sectors, to a very broad prospective that examines Kansas City in relationship to other metros. Employing multiple lenses of analysis has hopefully provided a comprehensive description of the nonprofit sector for the nonprofit practitioner community and the academic community.

The detail of local compensation, niche (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 organization 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.

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 The Annual Report on Philanthropy for the Year 2005, Giving USA Foundation, Center on Philanthropy at Indiana University.

ⁱⁱⁱ Mimicking last year's report, there is an additional category on both the NTEE Major Categories figures and the NTEE Core Categories figures, which includes organizations that were not classified by the IRS, Guidestar, or the Center for Management Assistance.

^{iv} <http://nccs.urban.org/ntee-cc/a.htm>

^v *ibid*

^{vi} *ibid*

^{vii} *ibid*

^{viii} 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.

^{ix} 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.