

***Building a Healthy Community Through  
Nonprofit Service:  
2007 Annual Report on the  
Kansas City Nonprofit Sector***

By

Fredrik O. Andersson

Erin Nemenoff

Dr. David O. Renz

Midwest Center for Nonprofit Leadership

Department of Public Affairs

Henry W. Bloch School of Business and Public Administration

University of Missouri – Kansas City

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.

The 2007 report is organized in the following form. First, a brief history of nonprofit statistical reporting is provided. This section focuses on the Internal Revenue Service (IRS) efforts to report a description, both fiscal and physical, 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.

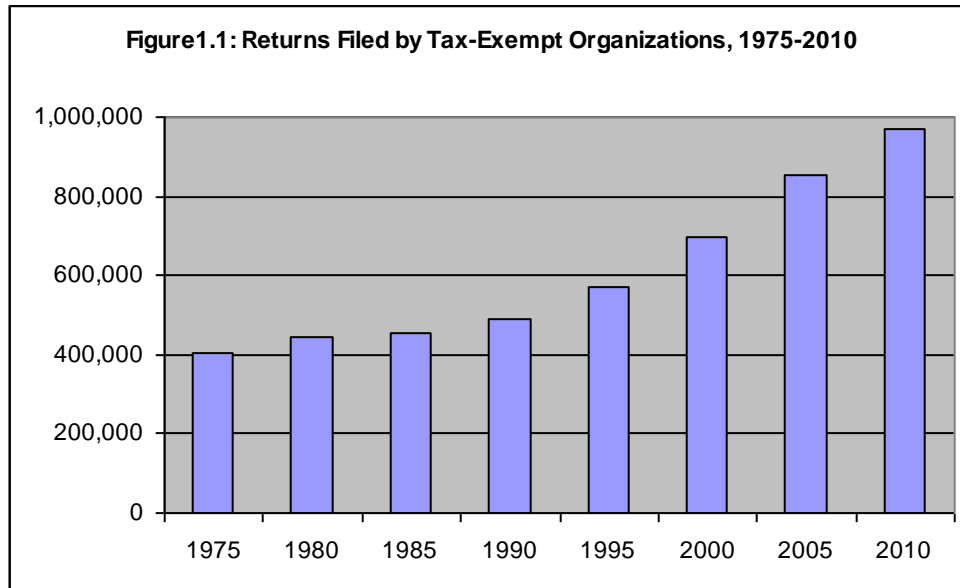
Fifth, the nonprofit sector is compared from an economic perspective to the rest of the private sector in the metro area. There are also calculations that depict the contribution of the nonprofit sector to Kansas City's overall economy.

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)3 organizations 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 1960s and the early 1970s with the “Filer Commission” and their subsequent report, issued in 1975. Since the time of that report, the Internal Revenue Service (IRS) in 2000 reported an increase of 295,300 filings by tax-exempt organizations (Figure 1.1). For calendar year 2005, IRS statistics predict an additional 154,400 filings over 2000 estimates. 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 an initial foray into the exploration of the nonprofit sector, there are various dynamics and characteristics of nonprofit organizations that inhibit the impact of a macro-level 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 that 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, the organization 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 report’s 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 has been growing in previous years and it continued to grow under 2007. The total number of registered 501(c)3 organizations in the metropolitan area increased with approximately 1,9 % to 7,612 (a change of 139 organizations).

The number of charitable organizations that are required to file financial information with the IRS increased with approximately 3% to 3,244 or 42.6 % of all registered nonprofits.<sup>i</sup> Out of the 3,244 organizations in the metro area, 64% (2,078) were registered in Missouri and 36% (1,166) were registered in Kansas. In comparison with 2006, the number of 501(c)3 required to file in Kansas increased with 80 organizations (or 7,4%) and the number of Missouri organizations increased with 23 organizations (or 1,1%). Due to the collection methods of the IRS the above statistic does not include the population of congregations Kansas City metropolitan area, and there is a logical rational for why these congregations are not amalgamated with filing nonprofits. Still, it is important to emphasize that the economic impact of religious congregations are a relevant component of the sector.

Finding reliable data on the actual number of congregations in the Kansas City metro area can be problematic. Aggregates are often based on different statistical methods and collection procedures, which in turn lead to variation in the total numbers. The most current figures available were compiled by Spirit of Service, a nonprofit organization based in Kansas City. According to Spirit of Service, there were an estimated 2,232 congregations in the metro area in 2004. Spirit of Service has since

closed and since the latest historical statistics reported by American Religion Data Archive (ARDA) is from 2000 the above number will be considered to most accurate at this point. From a donation perspective, national trends in private giving show that about one third all individual gifts go to religious organizations. This represents \$97 billion of the total giving in the United States<sup>ii</sup>. If this trend is consistent in the Kansas City metropolitan area, it can be assumed that the 3,244 metropolitan nonprofit organizations are splitting the remaining 66% of individual gifts.

Further demographic analysis of Kansas City nonprofit organizations illustrates the age and growth of the sector. Table 1.1 indicates that the average age of Kansas City metropolitan nonprofit organizations is 18 years. The most recent organization required to file has an organization age of less than one year (IRS rule date is 2007) 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
<b>All Codes</b>	<b>18</b>

Source: IRS Master Files

Last year's report also included the number of new organizations required to file based on either a 2005 or 2006 IRS rule date in the Kansas City Metropolitan area. In 2007 an additional 57 new organizations entered this category.

With regards to distribution of revenue, many nonprofits in the sector remain small. As illustrated in Table 1.2 below, 46% of all organizations (1,497) 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% of those earned by the entire sector. Conversely, the 58 organizations that reported revenues exceeding \$25 million comprise less than 2% of the entire sector, but take in more than three quarters or 76.6% of all revenues.

**Table 1.2: Kansas City MSA Revenue Distribution**

	# of Orgs	% of Total Orgs	% of Total Revenue
Missing/Unknown	677	20.9%	0.0%
Under \$250,000	1,497	46.1%	1.0%
\$250,000 - \$499,999	297	9.2%	0.9%
\$500,000 - \$999,999	226	7.0%	1.4%
\$1,000,000 - \$2,499,999	229	7.1%	3.3%
\$2,500,000 - \$4,999,999	121	3.7%	4.0%
5,000,000 - \$9,999,999	70	2.2%	4.4%
10,000,000 - \$24,999,999	60	1.9%	8.4%
More than \$25,000,000	58	1.9%	76.6%
<b>Total</b>	<b>3,244</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IRS Master Files

The next section of this report focuses on four nonprofit sub-sectors in detail, and also generally discusses the remaining sub-sectors. Within each of these sub-sectors overall levels of revenue and assets will be addressed. A more detailed discussion of multi-year trends in both revenue and assets for the metropolitan area and specific sub-sectors will occur in a separate trend report. However, before addressing any specific sub-sector levels with regard to 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 2007

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Average Revenue
No Code	403	12.4%	\$405287647	3.6%	\$1,005,677
Arts, Culture, Humanities	250	7.7%	\$298,091,917	2.6%	\$1,192,368
Edu. Institutions	487	15.0%	\$904,853,672	8.0%	\$1,858,016
Envir. Quality, Protection	20	0.6%	\$10,205,771	0.1%	\$510,289
Animal Related	41	1.3%	\$23,242,940	0.2%	\$566,901
Health-gen. rehab. mental health	181	5.6%	\$4,182,747,910	37.0%	\$23,109,104
Disease, Disorder, Medical Disciplines	57	1.8%	\$78,253,835	0.7%	\$1,372,874
Medical Research	61	1.9%	\$56,553,814	0.5%	\$927,112
Crime, Legal Related	25	0.8%	\$155,460,026	1.4%	\$6,218,401
Employment, Job Related	36	1.1%	\$29,230,236	0.3%	\$811,951
Food, Agriculture, Nutrition	34	1.0%	\$1923,06,751	1.7%	\$5,656,081
Housing, Shelter	19	0.6%	\$40,953,022	0.4%	\$2,155,422
Public Safety, Disaster Relief	118	3.6%	\$100,405,375	0.9%	\$850,893
Recreation, Sports, Leisure, Athletics	14	0.4%	\$2,342,509	0.0%	\$167,322
Youth Development	172	5.3%	\$110,448,838	1.0%	\$642,144
Human Services-Multipurpose	72	2.2%	\$35,650,348	0.3%	\$495,144
International, Foreign Affairs	355	10.9%	\$660,570,742	5.8%	\$1,860,763
Civil Rights, Social Action, Advocacy	36	1.1%	\$197,419,013	1.7%	\$5,483,861
Community Imp.	20	0.6%	\$11,820,309	0.1%	\$591,015
Philanthropy, Grantmaking	104	3.2%	\$185,960,173	1.6%	\$1,788,079
Science and Technology Research	466	14.4%	\$3,471,325,514	30.7%	\$7,449,196
Social Science Research	9	0.3%	\$2,607,324	0.0%	\$289,703
Public, Social benefit	6	0.2%	\$2,729,395	0.0%	\$454,899
Religion Related	21	0.6%	\$27,513,062	0.2%	\$1,310,146
Mutual Benefit Org.	201	6.2%	\$77,261,969	0.7%	\$384,388
Unknown	3	0.1%	\$164,705	0.0%	\$54,902
Unknown	33	1.0%	\$36,000,124	0.3%	\$1,090,913
<b>Total</b>	<b>3244</b>	<b>100.0%</b>	<b>\$11,299,406,941</b>	<b>100.0%</b>	<b>\$3,483,171</b>

Source: IRS Master Files

**Table 1.4: Kansas City MSA Assets by NTEE Major Category**

	<b># of Orgs</b>	<b>% of Total Orgs</b>	<b>Total Assets</b>	<b>% of Total Assets</b>	<b>Average Assets</b>
No Code	403	12.4%	\$332,404,334	1.7%	\$824,825
Arts, Culture, Humanities	250	7.7%	\$1,069,559,179	5.5%	\$4,278,237
Edu. Institutions	487	15.0%	\$1,642,265,890	8.4%	\$3,372,209
Envir. Quality, Protection	20	0.6%	\$11,754,092	.1%	\$587,705
Animal Related	41	1.3%	\$22,364,181	.1%	\$545,468
health-gen. rehab.	181	5.6%	\$6,641,884,304	33.9%	\$36,695,493
mental health	57	1.8%	\$611,451,143	.3%	\$1,072,722
Disease, Disorder, Medical Disciplines	61	1.9%	\$52,681,849	.3%	\$863,637
Medical Research	25	0.8%	\$526,895,402	2.7%	\$21,075,816
Crime, Legal Related	36	1.1%	\$20,374,192	.1%	\$565,950
Employment, Job Related	34	1.0%	\$85,655,091	.4%	\$2,519,267
Food, Agriculture, Nutrition	19	.6%	\$24,910,174	.1%	\$1,311,062
Housing, Shelter	118	3.6%	\$268,175,731	1.4%	\$2,272,676
Public Safety, Disaster Relief	14	0.4%	\$1,946,082	.0%	\$139,006
Recreation, Sports, Leisure, Athletics	172	5.3%	\$104,500,365	.5%	\$607,560
Youth Development	72	2.2%	\$478,285,517	.2%	\$664,285
Human Services-Multipurpose	355	10.9%	\$851,530,013	4.3%	\$2,398,676
International, Foreign Affairs	36	1.1%	\$76,735,472	.4%	\$2,131,541
Civil Rights, Social Action, Advocacy	20	0.6%	\$8,576,209	.0%	\$428,810
Community Imp.	104	3.2%	\$1,910,408,666	9.7%	\$18,369,314
Philanthropy, Grantmaking	466	14.4%	\$5,608,903,551	28.6%	\$12,036,274
Science and Technology Research	9	0.3%	\$1,934,412	.0%	\$214,935
Social Science Research	6	0.2%	\$3,309,109	.0%	\$551,518
Public, Social benefit	21	0.6%	\$26,795,990	.1%	\$1,276,000
Religion Related	201	6.2%	\$139,524,798	.7%	\$694,153
Mutual Benefit Org.	3	0.1%	\$322,341	.0%	\$107,447
Unknown	33	1.0%	\$59,600,771	.3%	\$1,806,084
<b>Total</b>	<b>3244</b>	<b>100.0%</b>	<b>\$19,601,985,858</b>	<b>100.0%</b>	<b>\$6,042,536</b>

Source: IRS Master Files

As illustrated in Table 1.3, the total revenue generated by all 3,244 nonprofit organizations is approximately \$11.3 billion, which is a 17,2% increase from 2006. Furthermore, Table 1.4 illustrates that metropolitan area organizations have aggregate assets over \$19.6 billion, which represents an increase of approximately 1% compared with 2006.

*Nonprofit Categories and Market Share*

Table 1.5 below indicate that the Kansas City nonprofit sector is dominated by five NTEE sub-sectors; Arts, Education, Health, Human Services, and Public Societal Benefit. These sub-sectors have 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.<sup>iii</sup>

**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	403	12.4%	\$405,287,647	3.6%	\$332,404,334	1.7%
Arts, Culture, Humanities	250	7.7%	\$298,091,917	2.6%	\$1,069,559,179	5.5%
Edu. Institutions	487	15.0%	\$904,853,672	8.0%	\$1,642,265,890	8.4%
Environment and Animal Related	61	1.9%	\$33,448,711	0.3%	\$34,118,273	0.2%
Health	324	10.0%	\$4,473,015,585	39.6%	\$7,282,606,698	37.2%
Human Services	820	25.3%	\$1,171,907,821	10.4%	\$1,404,920,165	7.2%
International, Foreign Affairs	36	1.1%	\$197,419,013	1.7%	\$76,735,472	0.4%
Public, Social benefit	626	19.3%	\$3,701,955,777	32.8%	\$7,559,927,937	38.6%
Religion Related	201	6.2%	\$77,261,969	0.7%	\$139,524,798	0.7%
Mutual Benefit Org.	3	0.1%	\$164,705	0.0%	\$322,341	0.0%
Unknown	33	1.0%	\$36,000,124	0.3%	\$59,600,771	0.3%
<b>Total</b>	<b>3244</b>	<b>100.0%</b>	<b>\$11,299,406,941</b>	<b>100.0%</b>	<b>\$19,601,985,858</b>	<b>100.0%</b>

Source: IRS Master Files

*Arts, Culture, and Humanities*

The arts, culture, and humanities sub-sector contains a broad group of organizations due largely to its diffuse activities. According to the NTEE Manual, 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).”<sup>iv</sup> 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 this sub-sector increased by 19 organizations – for a total of 250 – since the 2006 report. The 250 arts organizations account for 7.7% of all nonprofit organizations. Compared to 2006, total revenue and total assets increased to approximately \$298.1 million (\$216.6 in 2006) respectively \$1,069.6 million (\$995.8 in 2006), representing market shares of 2.6% and 5.5% respectively for the sector.

### *Education*

The education sub-sector is most commonly associated with private educational institutions such as elementary, secondary and higher education schools. Still, the NTEE reserves this category 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.”<sup>v</sup> As a consequence, a large number of supporting educational organizations (i.e. PTA, scholarship funds, and fraternities) falls under this this NTEE category.

The sector increased with 25 education nonprofits required to file with the IRS to a total of 487. These organizations generated revenues of approximately \$904.8 million which is a decrease from 2006. This revenue represents 8% of all nonprofit revenues. Compared with previous years, revenue continues to fall for the sector. Between 2005 and 2006 the decrease was \$92.8 million, and between 2006 and 2007 the revenue decrease was \$20.5 million. Still, education organization assets increased compared with last year’s data to \$1.64 billion (\$1.59 in 2006) which represents 8.4% of all nonprofit sector assets.

The decrease in revenue is noteworthy, as it represents a continuing decline for this sub-sector. On the other hand, education organizations' asset no longer decreases. As noted in the 2004 iteration of this report, assets in 2004 were \$45.4 million lower than in 2003. In the 2003 report, assets were \$151.7 million lower than those of the previous year. In 2005 the sector witnessed a \$190 million increase followed by a \$24.2 million decrease in 2006. As mentioned in last years report, this leave education sub-sector in better shape asset-wise than it was just a few years ago. Still, educational organizations continue to have the third highest level of assets following Health and Public/Societal Benefit organizations.

### *Health*

Given the NTEE Core classification in this report, four health categories into is transformed into one. An illustration of each NTEE health classification's financial details is available in Tables 1.3 and 1.4. Still, 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 nonprofits are among the largest organizations in the sector. This point is exemplified by the fact that health organizations number only 324, or 10% of all Kansas City nonprofit organizations but account for close to 40% of total revenue and 37.2% total assets among all area nonprofits. Health revenue decreased with \$4.47 billion compared to 2006 (\$5.04 billion). Total assets also decreased to \$7.28 billion compared to \$7.58 billion in 2006. When observing these decreases it is worth recalling that the health nonprofit sub-sector had the largest growth in both revenue and assets among core categories in 2006.

### *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.”<sup>vi</sup> Human service organizations are diverse in mission, target population, size, as well as scope. The Human Services category includes 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.

Due to the breadth of the sub-sector, one out of every four nonprofits in the MSA falls under the human services core category. With 820 organizations, this sub-sector is by far the largest category in terms of number in the metro area. The Human Services category consists of almost 200 organizations more than the second largest category which is the public/societal benefit core category. Despite the category size, human services organizations only stands for 10.4% of total income, which represents approximately \$1.17 billion. Total assets for the category equal \$1.40 billion, or 7.2%. In comparison with previous reports, the growth trend for human services organizations continues. Compared to 2006 the revenue increased by \$33 million and the total assets increased with \$4 million. These increases are relatively smaller than the increases that

took place between 2005 and 2006 but still indicate the positive growth in both revenue and assets in the sub-sector.

### *Remaining Core Categories*

As mentioned in the introduction to this section, the public/societal benefit organizations are among the major core categories based on the numbers presented in Table 1.5. While technically this is the case, functionally the economic impact 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 remaining core categories that have yet to be mentioned include 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 1.6% of the entire sector.

Among the remaining categories, the religion related category includes the greatest number of organizations at 201, or 6.2% of the entire sector. Revenues fell to approximately \$77 million (\$80.1 in 2006), while assets increased to a total of \$139.5 representing a 9.3% growth in assets. The 36 organizations in the international and foreign affairs core category reported \$197.4 million in revenue (1.1% of the MSA total), which is a reverse of the decline reported in the 2006 report. Revenue increased with \$49.3 million and total assets also increased with \$25.5 million to reach a total of \$76.7 million in 2006.

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 three (one less than 2006) organizations have aggregate revenue of just \$164,705 and assets of \$322,341. It seems as if the major decrease in revenue that begun in 2005 has been halted. After revenue fell close to \$1 million for the sector as a whole between 2005 and 2006, the latest number shows an increase in revenue of \$30,500 in 2007. Since the 2005 report, revenues in this sub-sector have decreased at a dramatic rate, falling just over \$1 million. Total assets, on the other hand, fell from approximately \$500,000 to

\$320,000. The final remaining category includes the environment and animal organizations. This category grew with seven organizations since last year and the revenue and assets increased as well to \$33.4 million and 34.1 million respectively.

#### *Unknown or No Code*

One percent of the organizations in the sector fall under the unknown core category label. Together with the 12.4% of organizations with no NTEE code associated with them at all, this group represents 436 organizations. This is likely due to either a lack of information reported by these organizations or no NTEE code exists that accurately categorizes the organizations. Unknown organizations reported \$36 million in revenue (increase of \$1.9 million) and held \$59.6 million in assets (decrease with approximately \$1 million). No code organizations generated revenues of \$405.3 million (increase of \$12.1 million) and held assets of almost \$332.4 million (decrease with \$22.1 million). Overall, unknown and no code organizations generate 3.9% of total sector revenue and hold 2% of its assets.

#### *Philanthropy*

As discussed above, given 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,”<sup>vii</sup> are more prevalent in the Kansas City metro area than anywhere else in either Kansas or Missouri.

According to the latest Foundation Center Statistics for 2005, just over 23 percent of all foundations in Missouri and Kansas are based in the Kansas City metro area, yet these foundations hold more than half of all foundation assets and pay out approximately 35% 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. In comparison with 2006, the total revenue in the philanthropic sector increased dramatically from \$1.64 billion to \$3.7 billion or approximately one third of total revenue. Assets increased as well, from \$7.19 billion to \$7.56 billion or approximately 38% of all assets in the MSA.

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 (457). 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 2005**

	# of Orgs	% Of MO/KS	Assets (in millions)	% Of MO/KS Assets	Total Giving (in millions)	% Of MO/KS Total Giving
Independent	414	23.23%	\$4,666.72	51.77%	\$187.06	40.60%
Corporate	20	20.41%	\$108.01	21.77%	\$15.74	12.88%
Community	2	9.52%	\$1,035.58	75.70%	\$142.27	82.71%
Operating	21	18.42%	\$25.24	13.16%	\$2.15	0.8%
<b>KC MSA Total*</b>	<b>457</b>	<b>23.39%</b>	<b>\$5,835.60</b>	<b>52.71%</b>	<b>\$347.24</b>	<b>34.18%</b>
<b>MO/KAN Total*</b>	<b>1,954</b>	<b>100%</b>	<b>\$11,070.11</b>	<b>100%</b>	<b>\$1,015.76</b>	<b>100%</b>

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 include a brief description of two additional types of tax-exempt agencies that falls under the 501(c)-category.

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 722 501(c)4 nonprofits in the Kansas City area, an decrease of 4 organizations since the 2006 iteration of this report.

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 695 of these business and trade associations in Kansas City at most recent count, a decrease of 3 organizations from the 2006 report.

### **Employment and Senior Staff Compensation in the Kansas City Nonprofit Sector**

According to the most recent economic report from the U.S Census Bureau (2002), the Kansas City labor force consisted of 773,915 individuals. 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, produces a bi-annual compensation survey and 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 1.7, the

average compensation for executive directors in the Kansas City MSA is \$81,412. This is almost 20% below the national average of \$99,336 but slightly higher than the regional mean. Compared to 2004, the variance between Kansas City executive directors and executives in other regions has disappeared. While the average Kansas City executive salary increased with 22% the regional mean salary dropped 15%.

The average compensation for Kansas City MSA executives have increased since the 2004 survey, with the exception of the vice president/director of administration. Compared to 2004, the average compensation for vice president/director is approximately 7% lower. Still, relative to other nonprofits in the region, Kansas City nonprofit executives average lower salaries for most key executive positions. The one exception is for the executive director, which is now comparable and slightly higher compared to other executives in the region. The greatest change from the 2004 survey has occurred in the chief financial offices position. While the average for Kansas City CFOs increased with 3.3%, the regional average increased with 28.6%. No regional data is available for salaries of vice presidents/directors of administration or associate/deputy executive director.

**Table 1.7: National and Regional Comparisons for Executive Positions**

	Kansas City Mean	Regional* Mean	National Mean
Executive Director	\$81,412	\$80,341	\$99,336
Associate/Deputy Executive Director	67,694	-	81,926
Chief Financial Officer	65,291	95,585	82,702
Vice President/Director of Development	56,358	78,352	68,316
Vice President/Director of Administration	57,600	-	68,853
Vice President/Director of Programs	57,827	60,149	57,351

Source: 2006 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 81,807 private organizations in the Kansas City MSA. As depicted by Table 1.8, 501(c)3 organizations account for 4% of these establishments. The new

statistics illustrate that while the charitable sector continued to grow in size (103 new organizations) since the last report, while the for-profit sector continued to shrink (by 2,056 organizations). Intrinsicly correlated with this is the increase in the market share by the nonprofit sector. In the 2006 report, charitable organizations comprised 3.8% of all organizations, this year they are 4%. However, both sectors experienced an increase of total revenues. The charitable sector increased its revenue by 16.4% and for-profit entities increased by almost 10.8%. 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 8.1% of all revenues. This represents a shift of 0.4% 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	77,763	96%	\$128,251,700,000	91.9%
Charitable Organizations	3,244	4%	\$11,229,233,269	8.1%
Total	81,007	100.0%	\$139,480,933,269	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 major metropolitan areas of Atlanta, Chicago, Denver, Minneapolis, and St. Louis were included in this comparison.

This report divides the comparison into two separate sections. The first section compares charitable nonprofits in the ten metropolitan areas. The second section examines the foundation sub-sectors of these areas.<sup>viii</sup>

Table 1.9 illustrates the descriptive statistics of each metropolitan area and their nonprofit organizations. Kansas City tends to place in the lower half of the group in most of the aggregate categories. Among the comparable metros, Kansas City is eighth in total organizations, ninth in total revenue, ninth in total assets (down from eighth in 2006), and

fifth in terms of establishments per 1,000 people (down from fourth in 2006). The rankings for the Kansas City area have changed since the 2006 report, although not dramatically.

Data for Kansas City and the other metro areas can vary from year to year. This can stem from several possible factors. First, the process of data collection is subject to what is reported by the nonprofit organizations, and provided by the Internal Revenue Service. Organizations have a span of five years in which to file their 990s, making revenue and asset figures subject to the filing habits of the organizations.

It is worth noting the drastic increase in both revenue and assets for the Chicago metro area. Between 2006 and 2007, nonprofit sector revenues jumped from \$63.78 billion to \$84.04 billion. This can be attributed to the relocation of Banner Health, a major healthcare provider, to Chicago. Additionally, it appears as though there was considerable growth in local college and university assets. The University of Chicago added \$1.7 billion to its total assets since last year, and Northwestern University's assets grew with over \$800 million in 2007.

Milwaukee is the leading metro area with regard to the people-organization ratio, approaching close to 3 organizations per 1,000 people. Milwaukee, Denver and Minneapolis have a considerable lead over the other metropolitan areas in the people-organization ratio, as they are the only metro areas with a ratio higher than 2 organizations per 1,000 people. It is also worth noting that Denver has currently surpassed Minneapolis in the number of organizations per 1,000 people. This may be attributed to Denver's decrease in region population, based on Census data estimates.

The last criterion examined is the nonprofit sectors' receipts as a proportion of GMP<sup>ix</sup>. Again, as Table 1.9 illustrates, Kansas City is in the lower half of metropolitan areas, sixth 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	15,210	\$84.04	\$113.24	9,505,748	1.61	16.25%
Atlanta	7,843	\$24.87	\$41.30	5,138,223	1.53	10.54%
Minneapolis	6,823	\$28.97	\$41.61	3,175,041	2.15	16.93%
Denver	5,724	\$12.40	\$22.03	2,408,750	2.38	10.65%
Milwaukee	4,439	\$17.72	\$21.43	1,509,981	2.94	27.55%
St. Louis	4,356	\$22.99	\$33.82	2,796,368	1.56	22.62%
Cincinnati	3,453	\$13.21	\$24.71	2,104,218	1.64	14.10%
<b>Kansas City</b>	<b>3,244</b>	<b>\$11.29</b>	<b>\$19.60</b>	<b>1,967,405</b>	<b>1.65</b>	<b>14.36%</b>
Indianapolis	3,008	\$16.36	\$27.20	1,666,032	1.81	27.68%
Orlando	2,707	\$9.11	\$11.92	1,984,855	1.36	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 of 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
<b>Kansas City</b>	<b>446</b>	<b>\$5,523,578,654</b>	<b>\$278,989,272</b>	<b>\$12,384,705</b>	<b>\$625,536</b>	<b>0.25</b>

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 2007 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.

---

<sup>i</sup> 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.

<sup>ii</sup> The Annual Report on Philanthropy for the Year 2007, Giving USA Foundation, Center on Philanthropy at Indiana University.

<sup>iii</sup> 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.

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

<sup>v</sup> *ibid*

<sup>vi</sup> *ibid*

<sup>vii</sup> *ibid*

<sup>viii</sup> 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.

<sup>ix</sup> 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.