

*Building a Healthy Community Through  
Nonprofit Service:  
2008 Annual Report on the  
Kansas City Nonprofit Sector*

By

Fredrik O. Andersson

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 several aspects of the Kansas City nonprofit sector including 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 2008 report is organized in the following form. In the first sector, 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, an introduction to the research methods used to compile the data in the report are outlined. Additionally, definitions of technical terms used throughout the report and 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.

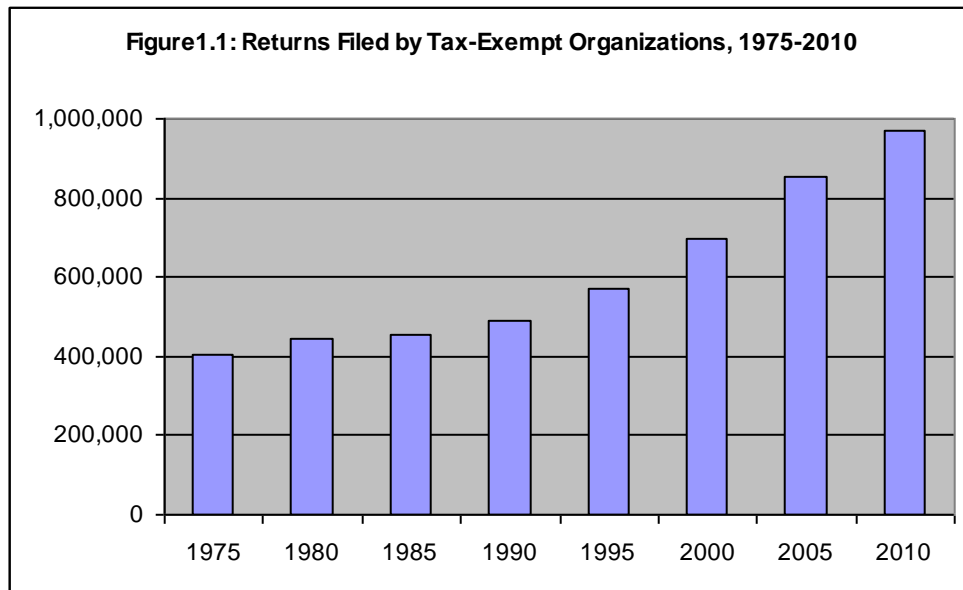
Fourth, employment and economic profiles of Kansas City nonprofit organizations is discussed. The employment data incorporates information from the latest compensation survey completed by the Midwest Center for Nonprofit Leadership and its partners Nonprofit Connect, and the Executive Service Corps.

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 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.

### 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**

For the first time since The Midwest Center For Nonprofit Leadership begun to illustrate the demographics of the nonprofit sector in Kansas City's MSA in 2002 the

total number of registered 501(c)3 organizations in the metropolitan area decreased. The decrease from 7,612 organizations in 2007 to 7,403 organizations in 2008 represents a loss of approximately 2.8% or 209 organizations.

However, the number of charitable organizations that are required to file financial information with the IRS slightly increased with approximately 0.4% to 3,257 which is an increase of 13 organizations over last year. These 3,257 organizations represent 44 % of all registered nonprofits in Kansas City.<sup>i</sup> Approximately 64% (2,089) were registered in Missouri and 36% (1,168) were registered in Kansas. In comparison with last year, the number of 501(c)3 required to file in Kansas increased with 2 organizations and the number of Missouri organizations increased with 11 organizations. Due to the collection methods of the IRS the above statistic does not include the population of congregations in the Kansas City metropolitan area, and there is a logical rationale for why these congregations are not amalgamated with filing nonprofits. Still, it is central to emphasize that the economic impact of religious congregations remain a relevant component of the sector.

It is difficult to find reliable data on the actual number of congregations in the Kansas City metro because available aggregates are commonly based on different statistical methods and collection procedures, which in turn lead to significant variation in the total numbers. The now closed nonprofit organizations Spirit of Service reported in 2004 that Kansas City had an estimated 2,232 congregations in the metro area in 2004. The latest historical statistics reported by American Religion Data Archive (ARDA) goes back to the year 2000 so 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, which represents more than \$102 billion of the total giving in the United States<sup>ii</sup>. If this trend pattern is consistent in the Kansas City metropolitan area, it can be assumed that the 3,257 metropolitan nonprofit organizations are splitting the remaining 66% of individual gifts.

The following 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 no 20 years. The most recent organization

required to file has an organization age of less than one year (IRS rule date is 2008) and the eldest organization required to file has an organization age of 95 years (rule date is 1913). As Table 1.1 indicates, mutual membership/benefit organizations are on average the oldest (31 years) while the religion-related organizations are the youngest (12 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	31
Arts, Culture, Humanities	18
Edu. Institutions	22
Environment and Animal Related	15
Health	20
Human Services	18
International, Foreign Affairs	21
Public, Social benefit	16
Religion Related	12
Mutual Benefit Org.	31
Unknown	21
<b>All Codes</b>	<b>20</b>

Source: IRS Master Files

Previous reports have also included the number of new organizations required to file based on the latest rule date in the Kansas City Metropolitan area. Last year 57 new organizations were added, and in 2008 an additional 3 organizations entered this category.

With regards to distribution of revenue, many nonprofits in the sector remain small. As illustrated in Table 1.2 below, 45.1% of all organizations (1,468) reported earnings of less than \$250,000 in the last year they filed with the IRS. Despite representing the biggest population of nonprofits their share of total revenues were only 1.2% of those earned by the entire sector. In the other end of the spectrum, 69 organizations reported revenues exceeding \$25 million. While these nonprofits comprise only 2.1% of the entire sector, their revenue share is more than 74% of all revenues.

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

	# of Orgs	% of Total Orgs	% of Total Revenue
Missing/Unknown	708	21.7%	0.0%
Under \$250,000	1,468	45.1%	1.2%
\$250,000 - \$499,999	306	9.4%	1.1%
\$500,000 - \$999,999	215	6.6%	1.5%
\$1,000,000 - \$2,499,999	223	6.9%	2.8%
\$2,500,000 - \$4,999,999	125	3.8%	4.3%
5,000,000 - \$9,999,999	76	2.3%	4.9%
10,000,000 - \$24,999,999	67	2.1%	10.1%
More than \$25,000,000	69	2.1%	74.1%
<b>Total</b>	<b>3,257</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IRS Master Files

The next section 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. Before addressing these 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 2008

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Average Revenue
No Code	422	13.0%	\$420,328,926	3.9%	\$950,970
Arts, Culture, Humanities	253	7.8%	\$289,292,942	2.7%	\$1,143,450
Edu. Institutions	471	14.5%	\$97,5250,847	9.5%	\$2,070,596
Envir. Quality, Protection	21	0.6%	\$4,288,552	0.0%	\$204,217
Animal Related	43	1.3%	\$28,905,400	0.2%	\$672,219
Health-gen. rehab. mental health	177	5.4%	\$4,487,087,585	41.6%	\$25,350,777
Disease, Disorder, Medical Disciplines	59	1.8%	\$88,410,555	0.8%	\$1,498,484
Medical Research	26	0.8%	\$113,002,831	1.0%	\$4,346,263
Crime, Legal Related	37	1.1%	\$31,404,496	0.3%	\$848,770
Employment, Job Related	35	1.1%	\$196,341,661	1.8%	\$5,609,762
Food, Agriculture, Nutrition	19	0.6%	\$49,493,951	0.5%	\$2,604,945
Housing, Shelter	115	3.5%	\$84,780,052	0.8%	\$737,218
Public Safety, Disaster Relief	14	0.5%	\$1,554,305	0.0%	\$103,620
Recreation, Sports, Leisure, Athletics	166	5.1%	\$117,455,017	1.1%	\$707,560
Youth Development	72	2.2%	\$36,111,657	0.3%	\$501,551
Human Services-Multipurpose	353	10.8%	\$772,452,425	7.2%	\$2,188,250
International, Foreign Affairs	36	1.1%	\$210,579,471	1.9%	\$5,849,430
Civil Rights, Social Action, Advocacy	20	0.6%	\$12,029,493	0.1%	\$601,475
Community Imp.	106	3.3%	\$1,069,644,993	9.9%	\$10,090,991
Philanthropy, Grantmaking	465	14.3%	\$1,519,588,204	14.1%	\$3,267,932
Science and Technology Research	8	0.2%	\$2,339,238	0.0%	\$292,405
Social Science Research	7	0.2%	\$2,868,795	0.0%	\$409,828
Public, Social benefit	20	0.6%	\$34,564,175	0.3%	\$1,728,209
Religion Related	201	6.2%	\$107,527,092	1.0%	\$534,961
Mutual Benefit Org.	3	0.1%	\$172,774	0.0%	\$57,591
Unknown	32	1.0%	\$43,828,846	0.4%	\$1,369,651
<b>Total</b>	<b>3257</b>	<b>100.0%</b>	<b>\$10,780,106,072</b>	<b>100.0%</b>	<b>\$3,309,827</b>

Source: IRS Master Files

**Table 1.4: Kansas City MSA Assets by NTEE Major Category 2008**

	<b># of Orgs</b>	<b>% of Total Orgs</b>	<b>Total Assets</b>	<b>% of Total Assets</b>	<b>Average Assets</b>
No Code	422	13.0%	\$389,734,679	2.1%	\$881,753
Arts, Culture, Humanities	253	7.8%	\$1,451,893,546	7.9%	\$5,738,710
Edu. Institutions	471	14.5%	\$1,684,842,540	9.2%	\$3,577,160
Envir. Quality, Protection	21	0.6%	\$11,949,444	0.1%	\$569,021
Animal Related	43	1.3%	\$26,618,920	0.1%	\$619,045
health-gen. rehab.	177	5.4%	\$7,029,312,182	38.3%	\$39,713,628
mental health	55	1.7%	\$74,930,011	0.4%	\$1,362,364
Disease, Disorder, Medical Disciplines	59	1.8%	\$63,401,406	0.3%	\$1,074,600
Medical Research	26	0.8%	\$627,327,863	3.4%	\$24,127,995
Crime, Legal Related	37	1.1%	\$22,044,595	0.1%	\$595,800
Employment, Job Related	35	1.1%	\$88,359,755	0.5%	\$2,524,564
Food, Agriculture, Nutrition	19	0.6%	\$22,887,249	0.1%	\$1,204,592
Housing, Shelter	115	3.5%	\$266,594,593	1.4%	\$2,318,214
Public Safety, Disaster Relief	14	0.5%	\$2,162,233	0.0%	\$144,149
Recreation, Sports, Leisure, Athletics	166	5.1%	\$114,902,491	0.6%	\$692,184
Youth Development	72	2.2%	\$50,572,146	0.3%	\$702,391
Human Services-Multipurpose	353	10.8%	\$904,489,828	4.9%	\$2,562,294
International, Foreign Affairs	36	1.1%	\$69,563,931	0.4%	\$1,932,331
Civil Rights, Social Action, Advocacy	20	0.6%	\$7,938,573	0.0%	\$396,929
Community Imp.	106	3.3%	\$1,073,950,019	5.8%	\$10,131,604
Philanthropy, Grantmaking	465	14.3%	\$4,070,907,793	22.2%	\$8,754,640
Science and Technology Research	8	0.2%	\$1,886,278	0.0%	\$235,785
Social Science Research	7	0.2%	\$3,343,695	0.0%	\$477,671
Public, Social benefit	20	0.6%	\$92,889,352	0.5%	\$4,644,468
Religion Related	201	6.2%	\$148,230,035	0.8%	\$737,463
Mutual Benefit Org.	3	0.1%	\$340,422	0.0%	\$113,474
Unknown	32	1.0%	\$64,711,803	0.3%	\$2,022,244
<b>Total</b>	<b>3257</b>	<b>100.0%</b>	<b>\$18,365,785,382</b>	<b>100.0%</b>	<b>\$5,638,865</b>

Source: IRS Master Files

As illustrated in Table 1.3, the total revenue generated by all 3,257 nonprofit organizations is approximately \$10.8 billion, which is a decrease from 2007 with approximately 5%. Furthermore, Table 1.4 illustrates that metropolitan area organizations have aggregate assets of 18.4% over \$19.6 billion, which also represents a decrease of approximately 6% compared with 2007.

*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 represents more than two-thirds of all nonprofits in the Kansas City metropolitan area, they 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	422	13.0%	\$420,328,926	3.9%	\$389,734,679	2.1%
Arts, Culture, Humanities	253	7.8%	\$289,292,942	2.7%	\$1,451,893,546	7.9%
Edu. Institutions	471	14.5%	\$975,250,847	9.5%	\$1,684,842,540	9.2%
Environment and Animal Related	64	2.0%	\$33,193,952	0.3%	\$38,568,364	0.2%
Health	317	9.7%	\$4,769,302,760	44.2%	\$7,794,971,462	42.4%
Human Services	811	24.9%	\$1,289,593,564	12.0%	\$1,472,012,890	8.0%
International, Foreign Affairs	36	1.1%	\$210,579,471	1.9%	\$69,563,931	0.4%
Public, Social benefit	626	19.2%	\$2,641,034,898	24.5%	\$5,250,915,710	28.6%
Religion Related	201	6.2%	\$107,527,092	1.0%	\$148,230,035	0.8%
Mutual Benefit Org.	3	0.1%	\$172,774	0.0%	\$340,422	0.0%
Unknown	32	1.0%	\$43,828,846	0.4%	\$64,711,803	0.3%
Total	3257	100.0%	\$10,780,106,072	100.0%	\$18,365,785,382	100.0%

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 3 organizations – for a total of 253 – since the 2007 report. The 253 arts organizations account for 7.8% of all nonprofit organizations. Compared to 2007, total revenue and decreased with \$8.8 million to approximately \$289.3 million (\$291.1 in 2007). However, total assets increased from \$1,069.6 million in 2007 to 1,451.9 in 2008. In terms of market shares the arts, culture, and humanities sub-sector no represents of 7.8% of all revenue (increase of 0.1%) and 7.9% (increase of 2.4%) of all total assets.

### *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 decreased with 16 education nonprofits required to file with the IRS to a total of 471. These organizations generated revenues of approximately \$975.5 million which is an increase from 2007 with \$67.7. This revenue represents 9.5% of all nonprofit revenues. Compared with previous years, revenue is now increasing for the sector and education organization assets continued to compared with last year’s data to \$1.68 billion (\$1.64 in 2007) which represents 9.2% of all nonprofit sector assets.

The increase in revenue is noteworthy, as it represents a break with the decline for this sub-sector that was reported for the last couple of years. Also, education

organizations' maintains to increase their asset. This leave the education sub-sector in good best shape both revenue and asset-wise compared to previous years.

### *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 remain one of the dominating sub-sectors in Kansas City. This point is exemplified by the fact that health organizations number only 317, or less than 10% of all Kansas City nonprofit organizations but account for close to 45% of total revenue and 42.4% total assets among all area nonprofits. Health revenue increased to \$4.77 compared to \$4.47 in 2007. Total assets also increased to \$7.79 compared to \$7.28 billion in 2007. As mentioned in the 2007 report, the health nonprofit sub-sector

witnessed a decline in 2007 after a long period of steady growth. It is therefore worth noticing that the downward tendency among health-sector nonprofit reversed in 2008.

### *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 belong to the human services core category. With 811 organizations, a drop by organizations since 2007, this sub-sector still remains by far the largest category in terms of number in the metro area. The Human Services category consists of 185 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 12% of total income, which represents approximately \$1.29 billion. Total assets for the category equal \$1.47 billion, or 8%. As in previous years, the growth trend for human services organizations continues. In 2008, total revenue increased by \$12 million and the total assets increased with \$7 million.

### *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.

Among the remaining categories, the religion related category includes the greatest number of organizations at 201, or 6.2% of the entire sector, which is no change compared to previous year. Still, revenues increased from \$77 million to \$107 million and assets increased to a total of \$148.2. The 36 organizations in the international and foreign affairs core category reported \$210.6 million in revenue (1.1% of the MSA total), which is a continued increase from 2007 (\$197.4 million). Revenue increased with \$13.2 whereas total assets decreased with \$7.1 million to \$69.6 million in 2008. 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 (same as in 2007) organizations have aggregate revenue of just \$172,774 and assets of \$340,422. The final remaining category includes the environment and animal organizations. This category grew with 3 organizations since last year and the revenue fell slightly with approximately \$250,000 while assets increased with \$4.5 million.

#### *Unknown or No Code*

One percent of the organizations in the sector fall under the unknown core category label. Together with the 13% of organizations with no NTEE code associated with them at all, this group represents 454 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 \$43.8 million in revenue, which is an increase of \$7.8 million and held \$64.7 million in assets, which is also an increase of \$5.1 million. No code organizations generated revenues of \$420.3 million (increase of \$15 million) and held assets of almost \$389.7 (increase with \$57.3 million). Overall, unknown and no code organizations generate 4.3% of total sector revenue and hold 2.4% of its assets.

#### *Philanthropy*

The foundation community are of particular interest for nonprofit organizations because it they represents a major funder of the nonprofit community. This report dedicates a separate section to this important group of organizations. The Kansas City MSA has 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 statistics from Foundation Center for 2006, more than one fifth (22.25%) of all foundations in Missouri and Kansas are based in the Kansas City metro area. Notice that these foundations hold more than half of all foundation assets and pay out more than half (51.4%) 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 one of 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 19.2% of all nonprofit organizations in the Kansas City metropolitan area. In comparison with 2007 sharp increase in revenue, the total revenue in the philanthropic sector decreased in 2008 with \$1.06 billion to \$2.64 billion. Assets made a significant drop from \$7.56 billion to \$5.25 billion in 2008. This decrease of \$2.31 billion represents a drop of 10% in terms of total assets in the sector as a whole.

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 (453). 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 2006**

	Number	% Of MO/KS	Assets (in millions)	% Of MO/KS Assets	Total Giving (in millions)	% Of MO/KS Total Giving
Independent	413	22,89%	\$5,130.95	51,74%	\$239.17	45,91%
Corporate	21	22,58%	\$124.63	23,71%	\$16.77	15,83%
Community	2	9,52%	\$1,083.22	74,57%	\$174.51	85,33%
Operating	17	14,52%	\$30.98	9,60%	\$1.13	13,48%
<b>KC MSA Total*</b>	<b>453</b>	<b>22.25%</b>	<b>\$6,369.78</b>	<b>52.13%</b>	<b>\$431.58</b>	<b>51.40%</b>
<b>MO/KAN Total*</b>	<b>2,036</b>	<b>100%</b>	<b>\$12,217.68</b>	<b>100%</b>	<b>\$839.64</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. Compared to 2007 there has been a sharp decrease of 501(c)4 organizations. According to the most recent IRS statistics available, there was 540 such organization in the Kansas City area, which represents a decrease of 182 or more than a 25% compared to last year.

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. In 2007 there were 695 of these business and trade associations in the Kansas City area, and according to the most recent count there has been a decrease of 83 501(c)6 nonprofits to 612. This represents a decrease of approximately 12%.

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

The U.S. Census Bureau is currently preparing to release their latest economic report. The results for the 2007 Economic Census is scheduled to be made available during 2009 and 2010. The most recent economic report from the U.S Census Bureau is from 2002 in which the Kansas City labor force consisted of 773,915 individuals. In addition, the 2002 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 compensation survey every other year and while detailing the findings of that report are outside the scope of this report, it is nonetheless worthwhile to discuss some of the findings with regards to senior staff salaries. As can be seen in Table 1.7 below, the average compensation for executive directors in the Kansas City MSA is \$97,148 which is an increase of almost 20% since 2006. However, the executive compensation in Kansas City is below both the regional and national average. This means that the executives in other regions have seen a greater increase in salary over the last two years. While the Kansas City average compensation increased with 20% the regional mean salary increased with almost 28%. The national mean salary increased approximately 18% between 2006 and 2008.

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

	<b>Kansas City Mean</b>	<b>Regional* Mean</b>	<b>National Mean</b>
Executive Director	\$97,148	\$102,832	\$116,902
Chief Financial Officer	77,616	72,389	83,212
Vice President/Director of Development	64,971	59,987	70,568
Vice President/Director of Programs	63,084	62,971	65,925

Source: 2008 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 87,971 private organizations in the Kansas City MSA. According to Table 1.8, about 3.7% of these organizations are 501(c)3 nonprofit organizations. The new statistics show that the for-profit sector went from shrinking in previous year to make a significant increase in the number of new organizations (10,208 new organizations) while the charitable sector increased much more moderately by 13 organizations to 3,257. The for-profit sector also increased its revenue with more than \$10 billion compared to 2007 while the charitable sector experienced a decrease by approximately \$450 million. This is reflected in the share of total revenues, which increased almost 1% for the for-profit sector from last year. Charitable organizations showed a corresponding drop by almost 1% to now represent 7.2% of all earned revenue in the Kansas City MSA.

**Table 1.8: Nonprofits as Part of the Kansas City Economy**

	# of Orgs	% of Total	Revenue	% of Total Revenue
All Other Organizations	87,971	96.3%	\$138,349,200,000	92.8%
Charitable Organizations	3,257	3.7%	\$10,780,106,072	7.2%
Total	91,228	100.0%	\$149,129,306,072	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

Another aspect this report considers reflects the size and scope of the Kansas City nonprofit sector compared to other metropolitan areas. To create a more balanced comparison of the relative numbers, 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, and Orlando are the closest metropolitan areas in size (population). Additionally, the major metropolitan areas of Atlanta, Chicago, Denver, Milwaukee, Minneapolis, and St. Louis were included in this comparison.

The following comparison consists of 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 third of this group in most of the aggregate categories. Kansas City is ninth in total revenues and eighth in total organizations. In terms of assets, Kansas City are ninth in total assets and sixth establishments per 1,000 people (down from fifth in 2007).

Data for Kansas City and the other metro areas can vary from year to year. Perhaps the most noticeable change from 2007 is that Kansas City is the only metro area that shows a decrease in both revenue and assets in 2008. Minneapolis together with the other Missouri metro area in St. Louis reported decreases in revenue but Kansas City had the largest relative loss of revenue (4.5%) of the three.

Cincinnati had the largest increase in revenue, about \$3 billion, which is an increase of almost 23% compared to 2007. On the asset side, Chicago added more than \$6 billion which represents an increase of 5.5% from last year.

Milwaukee continues to be the leading metro area with regard to the people-organization ratio, right under 3 organizations per 1,000 people. Milwaukee, Denver and also 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.

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, seventh overall. Milwaukee boasts the most economically influential sectors with a sector share of GMP reaching above 30%. Indianapolis share dropped from 2007 but the city still has the second greatest sector share of GMP with 25.12%. All of the three metros in the bottom from last year increased the shares and currently it is Orlando that maintains the smallest share of its economy with 11.31% closely followed by Denver with 11.35% and Atlanta with 11.90%.

**Table 1.9: 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	15,354	\$86.59	\$119.51	9,524,673	1.61	20.51%
Atlanta	7,991	\$25.28	\$45.44	5,278,304	1.52	11.90%
Minneapolis	6,847	\$28.78	\$44.85	3,208,212	2.14	18.94%
Denver	5,838	\$13.22	\$24.50	2,464,866	2.37	11.35%
Milwaukee	4,539	\$19.40	\$25.39	1,544,398	2.94	30.45%
St. Louis	4,316	\$22.28	\$37.32	2,803,707	1.54	20.45%
Cincinnati	3,526	\$16.20	\$28.74	2,133,676	1.65	19.66%
<b>Kansas City</b>	<b>3,257</b>	<b>\$10.78</b>	<b>\$18.37</b>	<b>1,985,429</b>	<b>1.64</b>	<b>13.71%</b>
Indianapolis	3,028	\$17.36	\$29.68	1,695,037	1.77	25.12%
Orlando	2,739	\$9.48	\$15.38	2,032,707	1.35	11.31%

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 discussed previous sections. What is worth noticing when Kansas City is compared with other metropolitan communities, the philanthropic sub-sector of Kansas City stands out as a national leader in addition to its regional stature. Kansas City continues to have the least number of foundations in the sample of metros, but Kansas City foundations still maintain significantly more assets per organization. Furthermore, Kansas City foundations now have the highest average level of giving per organization, bypassing Atlanta from the previous year. Another noticeable development is increase in total giving among Kansas City organizations. In 2007, Kansas City foundations gave approximately \$279,000,000 which can be compared to approximately \$431,000,000 in 2008. In aggregated terms, Kansas City foundations rank fifth in total assets, and fourth in total giving, with the least number of organizations. Milwaukee continues to have the most foundations per 1,000 people with a statistical measure of 0.90, which represents an additional growth of 0.19 from last year and Milwaukee now have more than three times as many organizations than most of the reported metro areas. Kansas City is second-to-last in this category with a statistical measure of 0.23 foundations per 1,000 people. Atlanta remains to have the lowest number of per capita organizations with 0.17 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	3,266	\$25,666,573,549	\$1,510,878,686	\$7,858,718	\$462,608	0.34
Milwaukee	1,392	\$5,497,518,686	\$379,581,923	\$3,949,366	\$272,688	0.90
Minneapolis	1,147	\$12,030,269,311	\$754,528,088	\$10,488,464	\$657,827	0.36
Atlanta	879	\$9,344,687,569	\$605,275,282	\$10,631,043	\$688,595	0.17
St. Louis	803	\$3,528,597,903	\$270,046,800	\$4,394,268	\$336,297	0.29
Denver	677	\$6,853,323,226	\$355,290,275	\$9,321,395	\$513,616	0.27
Cincinnati	633	\$3,076,711,278	\$220,711,415	\$4,366,231	\$337,341	0.30
Kansas City	453	\$6,369,789,493	\$431,596,691	\$12,769,380	\$759,841	0.23

Source: Foundation Center

The purpose of this above comparison is to put the Kansas City nonprofit sector in a broader perspective, and 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. The exploration of such questions are beyond the scope of this report, however a comparison of Kansas City’s nonprofit sector to other metro area sectors enables such topics to emerge and develop.

### **Conclusion**

The main purpose of the 2008 Kansas City Nonprofit Sector Report is 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. The key idea here is that by employing multiple lenses of analysis such a perspective can hopefully provided a comprehensive description of the nonprofit sector for both nonprofit practitioners and for nonprofit academics.

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.