

*The State of Kansas City's  
Nonprofit Sector: 2017*

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Since the early 2000s, The Midwest Center for Nonprofit Leadership has engaged in a perennial research project that documents and illustrates the demographics of the nonprofit sector in Kansas City's Metropolitan Statistical Area (MSA). This research examines the number of Kansas City nonprofit organizations, their revenues and assets, the sector's role in and share of the local economy, and provides a comparison of the size and scope of Kansas City's nonprofit sector with the nonprofit sectors of other metropolitan areas. This report is the latest issue of this effort.

The 2017 report is organized in the following form. First we discuss the efforts made by the US Internal Revenue Service (IRS) and others in providing a description, both fiscal and physical, of the nonprofit sector. We also outline some key challenges impacting the statistical reporting of the nonprofit sector.

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 to help the reader gain a better understanding of the findings we report.

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, commonly known as charitable organizations; 501(c)4 organizations, commonly known as civic league and social welfare organizations; and 501(c)6 organizations, which are commonly known as business leagues and associations (including associations of professionals). 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 portion of the Kansas City analysis involves a discussion of philanthropic organizations in the metro area. There are also calculations that depict the contribution of the nonprofit sector to Kansas City's overall economy.

Finally, the report will again incorporate a comparison between the Kansas City MSA and several other metropolitan regions in the United States. This comparison

includes overall nonprofit sector comparisons and comparisons of philanthropic organizations.

It is important to note that, although the date of this report is 2017, much of the source material used for calculating and reporting this data is from earlier calendar years. Nonprofits, similar to other corporations and organizations, file their information with the IRS following the conclusion of a year of activity. Further, there is a time lag between when the information is filed with the IRS and when the information is made available to the public and researchers. Thus, information in a 2017 report largely reflects the information filed by nonprofits about their financial status and activity in 2015 or, in fewer cases, 2016 (and the exact dates of their filings are determined by the end date of the organization's fiscal year – typically, at least five months after the close of the fiscal year). As a result of all of these factors, the reported data is not reflective of the current situation of 2017.

### **A Snapshot of the US Nonprofit Sector**

The first studies of the nonprofit sector emerged during the late 1960s and the early 1970s with the work of the federal government's "Filer Commission," which issued the first governmental report on the sector in 1975. Since the time of that report, the Internal Revenue Service (IRS) has seen a steady rise in the number of organizations in the US, especially those registering for nonprofit status and then completing the annual filing the IRS Form 990 (which is the primary tax filing for nonprofits in the US).

As of 2016, there were approximately 1.57 million nonprofits registered with the Internal Revenue Service (IRS), which represents an increase of 11 percent over the year 2013. Not all nonprofits are charities – of the 1.57 million nonprofits, 1.2 million were charities and about 368,300 were civic leagues, chambers of commerce, and associations. In addition, it should be noted there also were an estimated 312,373 religious congregations in the US in 2016. (All data in this section is from the National Center for Charitable Statistics (NCCS) at the Urban Institute; NCCS secures its data from the IRS.)

Most financial data on the US nonprofit sector is less current than 2016. As of 2013, the most recent reporting period for which we have relatively complete data, the nonprofit sector contributed an estimated \$906 billion to the US economy, composing 5.4

percent of the country's gross domestic product (GDP). Of the nonprofit organizations registered with IRS, 501(c)(3) public charities accounted for just over three-quarters of the nonprofit sector's revenue (\$1.74 trillion) and expenses (\$1.63 trillion), and these organizations held more than three-fifths of nonprofit assets (\$3.22 trillion) in 2013.<sup>i</sup>

### **Some Methodological Details: About Reporting on Nonprofit Sector Statistics**

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 reflect an initial effort to describe the nonprofit sector, they are limited in the degree to which they can provide clear information about the sector's size and scope.

Further, incomplete data sources affect several types of comparison across years of study. For many years (and consistent with federal tax code) only tax exempt organizations with income over \$25,000 (that are not religious congregations) were required to file with the IRS. This left out a significant population of grassroots organizations, community organizations, and churches that contribute to the social and even financial capital of their regions but go unreported. However, starting in 2008 the IRS started taking steps to improve accounting of small nonprofits by requiring small tax-exempt organizations to electronically submit a so-called e-Postcard [Form 990-N] each year if they chose to not file a complete regular tax form. The 990-N does not include any financial information, but it does help to identify active vs. inactive organizations. Furthermore, while there is no penalty for filing late, an organization that fails to file its annual required e-Postcards for three consecutive years will automatically lose its tax-exempt status.<sup>ii</sup>

More recently the IRS has changed its requirements for filing. Beginning with filing year 2011, the IRS required only nonprofit organizations with gross annual revenues of more than \$50,000 to file the full tax form (IRS, 2011). Some scholars suggest this means that valuable data on organizations with gross receipts between \$25,000 and \$50,000 – data that was collected in earlier years -- will be lost. This may be a concern since organizations in the \$25K-50K range constitute a significant portion

of the nonprofit sector (since we know that more than 60 percent of all registered nonprofits in the United States have revenues of \$100,000 or less<sup>iii</sup>).

Also, more focused research, while minimizing data reliability issues, tends to rely on inferential statistics. Commonly, academic analyses of the nonprofit sector are based on “bellwether” organization responses, not complete population data. Given the diversity of the sector, this approach undermines the meaningfulness of conclusions since it is drawn from small samples of organizations. For this report, we try to alleviate this issue by including substantially of the organizations required to file with the IRS for the Kansas City metro region.

Despite the many difficulties confronting nonprofit researchers, much scholarly work still relies on the available IRS data. These studies vary in scope from national estimates of the nonprofit sector to metropolitan and city estimates of their nonprofit sectors. Additionally, topics such as nonprofit compensation, employment statistics, and voluntary statistics have improved in quality in recent years. NCCS, as noted earlier, has been a leader in this research focusing primarily on data reporting of public charitable organizations and private foundations. NCCS collects data primarily from the IRS and then “cleans” and enhances the data to share with researchers and policy-makers.

### Methodology

As mentioned above, locating and collecting data on nonprofit organizations is challenging. In order to preserve the most reliable data, the statistics analyzed here report on the population of 501(c)3 organizations that are registered and, for most statistics, have filed annual IRS forms. Organizations that generate revenues greater than \$50,000 a year and are not religious congregations are required to file. That being said, there are numerous organizations present in the analyzed dataset generate less than this amount 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 references in this report to nonprofit organizations, charitable organizations, or tax-exempt entities refer to the

population of 501(c)3 nonprofits that have filed their annual return, unless stated otherwise.

Before presenting any actual data it is important to define some of the terms used throughout this report. First, the notion of the Kansas City Metropolitan Statistical Area (MSA) has changed and expanded since the initial version of this report. However, for congruency in the analysis this 2017 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.. 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.

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 exempt purposes, as outlined in the tax code (listed in the next paragraph), and none of the earnings of the organization may inure to the benefit of 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 are based on the complete population of organizations in the region. As a result, there are no sampling or sampling error concerns, nor are there reliability or validity questions that would be associated with

sampling error because this population is not a sample – it is the complete population. The population of 501(c)3 organizations in Kansas City is derived from the IRS Business Master Files using zip codes of the MSA as it was in 2002 (to help ensure comparability over the years), and the organization’s subsection registered with the IRS. The other were derived from the NCCS Core Files and the MSA designation used in these files.

## **The Kansas City Nonprofit Sector**

During the past decade, the number of IRS listed nonprofit public charities in Kansas City varied and decreased significantly due to multiple changes in the IRS registration and reporting rules described earlier in this report. After declines in numbers during the first decade of the century, the sector has resumed growing in recent years. In fact, the overall Kansas City nonprofit sector witnessed a significant increase in the total number of 501(c)3 organizations last year. The total number of *registered* 501(c)3 organizations in the metropolitan increased rather significantly during the year -- from 7,846 to 8,711 organizations. This is an increase of eleven percent in the number of organizations that exist, compared to the previous year.

Of the 8,711 nonprofits registered in 2016, 2,755 were required to file. This too is a notable increase of nearly twelve percent. Of filing nonprofits in the Kansas City metro area, 60.1% were registered in Missouri and 39.9% were registered in Kansas. Due to the reporting requirement of the IRS, these numbers do not include the population of congregations Kansas City metropolitan area. In 2014, the Midwest Center purchased a data base of religious congregations in Kansas City from InfoUSA (this list covered 13 counties) in an effort to access the most up-to-date information on the number of congregations in the area. According to InfoUSA, there were approximately 2,000 congregations in the 13 county metro area in late 2010. There is a logical rationale for why congregations are not amalgamated with the list of filing nonprofits by the IRS, yet it is important to recognize that the economic and social impacts of religious congregations are relevant elements of the sector. Thus, including congregations, the Kansas City metro region can be estimated to have more than 11,000 charitable nonprofits. We have no data on nor a valid basis to estimate the financial dimensions of this group of congregations, so we have not estimated the implications of the region's congregations for the region's nonprofit financials.

Further demographic analysis of the Kansas City nonprofit community illustrates the age and growth of the sector. The average age of a typical Kansas City metropolitan nonprofit organization is approximately 23 years, and the median age is 19 years. The most recent organization required to file has a rule date from 2016 (so the organizational age is less than one year), and the oldest organization required to file has an



organizational age of 97 years. We know from direct experience there are Kansas City nonprofits that are older than these statistics suggest but, due to changes in corporate structures and other unique ways that organizations are formed and classified, we cannot accurately estimate their ages.

Next we examine the financial dimensions of the Kansas City nonprofit sector. As Table 1.1 illustrates, when observing the distribution of revenue for the nonprofits that constitute the Kansas City nonprofit sector, it becomes clear that a majority of organizations in the region’s sector are quite small. Nearly half of all nonprofits (47.2 percent) reported revenues of less than \$250,000 in the most recent year they filed with the IRS. Despite their large share of the population, their total revenues (as a complete group) constitute less than one percent of the revenues generated by the entire sector. Conversely, the 78 largest organizations (up from 66 in the previous year) that reported revenues exceeding \$25 million constitute less than three percent of the entire sector yet are responsible for generating nearly 78 percent of all of the revenue of the sector!

**Table 1.1: Kansas City MSA Revenue Distribution**

	Number of Filing Nonprofits in KC	Percent of Total Nonprofits in KC	Percent of Total Sector Revenue
Missing/Unknown	181	6.6%	0.0%
Under \$250,000	1,299	47.2%	0.8%
\$250,000 - \$499,999	325	11.8%	0.7%
\$500,000 - \$999,999	264	9.6%	1.2%
\$1,000,000 - \$2,499,999	282	10.2%	2.8%
\$2,500,000 - \$4,999,999	135	4.9%	3.1%
5,000,000 - \$9,999,999	106	3.8%	4.7%
10,000,000 - \$24,999,999	85	3.1%	8.7%
More than \$25,000,000	78	2.8%	77.8%
<b>Total</b>	<b>2,755</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IRS Master Files

The next section of this report focuses on four nonprofit mission categories or sub-sectors in detail, as well as offering some general information about other key sub-sectors. Within each of these mission categories or sub-sectors, overall levels of revenue and assets will be described. Tables 1.2 and 1.3 present key statistics on all of the major mission classifications, and detail and discussion are provided in the next section.

**Table 1.2: Kansas City MSA Nonprofit Revenue by NTEE Major Category**

	# of Orgs	% of Total Orgs	Total Revenue (in \$)	% of Total Revenue	Average Revenue (in \$)
No Code	581	21.1%	1265246462	8.1%	2283838
Arts, Culture, Humanities	178	6.5%	263211770	1.7%	1512711
Edu. Institutions	317	11.5%	1113980690	7.2%	3895037
Envir. Quality, Protection	18	0.7%	13415156	0.1%	958225
Animal Related	42	1.5%	62859450	0.4%	1533157
Health-gen. rehab.	139	5.0%	6224728691	40.1%	45770064
Mental health	40	1.5%	125606268	0.8%	3394764
Disease, Disorder, Medical Disciplines	51	1.9%	417834066	2.7%	8527226
Medical Research	22	0.8%	213738091	1.4%	10178004
Crime, Legal Related	34	1.2%	45706542	0.3%	1428329
Employment, Job Related	20	0.7%	136721767	0.9%	6836088
Food, Agriculture, Nutrition	17	0.6%	104381827	0.7%	6958788
Housing, Shelter	92	3.3%	180581454	1.2%	2052062
Public Safety, Disaster Relief	17	0.6%	4746994	0.0%	296687
Recreation, Sports, Leisure, Athletics	134	4.9%	73970105	0.5%	621598
Youth Development	47	1.7%	56427791	0.4%	1343519
Human Services-Multipurpose	278	10.1%	1161310373	7.5%	4572088
International, Foreign Affairs	53	1.9%	323016198	2.1%	6333651
Civil Rights, Social Action, Advocacy	13	0.5%	4856538	0.0%	404712
Community Imp.	66	2.4%	39548613	0.3%	627756
Philanthropy, Grantmaking	399	14.5%	3454450077	22.2%	9236498
Science and Technology Research	4	0.1%	95606783	0.6%	23901696
Social Science Research	1	0.0%	1112119	0.0%	1112119
Public, Social benefit	23	0.8%	33638799	0.2%	1681940
Religion Related	148	5.4%	91464644	0.6%	698203
Mutual Benefit Org.	2	0.1%	978393	0.0%	489197
Unknown	19	0.7%	28813246	0.2%	1516487
<b>Total</b>	<b>2,755</b>	<b>100.0%</b>	<b>\$15,537,952,907</b>	<b>100.0%</b>	

Source: IRS Master Files

**Table 1.3: Kansas City MSA Nonprofit Assets by NTEE Major Category**

	# of Orgs	% of Total Orgs	Total Assets (in \$)	% of Total Assets	Average Assets (in \$)
No Code	581	21.1%	2505910766	10.6%	4523305
Arts, Culture, Humanities	178	6.5%	1490336304	6.3%	8565151
Edu. Institutions	317	11.5%	1806391282	7.6%	6316053
Envir. Quality, Protection	18	0.7%	45780287	0.2%	3270020
Animal Related	42	1.5%	47069738	0.2%	1148042
health-gen. rehab.	139	5.0%	6943478186	29.3%	51054987
mental health	40	1.5%	85680212	0.4%	2315681
Disease, Disorder, Medical Disciplines	51	1.9%	1646029496	6.9%	33592439
Medical Research	22	0.8%	431506768	1.8%	20547941
Crime, Legal Related	34	1.2%	48729698	0.2%	1522803
Employment, Job Related	20	0.7%	70156755	0.3%	3507838
Food, Agriculture, Nutrition	17	0.6%	32788522	0.1%	2185901
Housing, Shelter	92	3.3%	376055808	1.6%	4273361
Public Safety, Disaster Relief	17	0.6%	4504734	0.0%	281546
Recreation, Sports, Leisure, Athletics	134	4.9%	71234068	0.3%	598606
Youth Development	47	1.7%	70384396	0.3%	1675819
Human Services-Multipurpose	278	10.1%	973595098	4.1%	3833052
International, Foreign Affairs	53	1.9%	123283167	0.5%	2417317
Civil Rights, Social Action, Advocacy	13	0.5%	8440324	0.0%	703360
Community Imp.	66	2.4%	93584649	0.4%	1485471
Philanthropy, Grantmaking	399	14.5%	6503125366	27.4%	17388036
Science and Technology Research	4	0.1%	83056373	0.4%	20764093
Social Science Research	1	0.0%	3691	0.0%	3691
Public, Social benefit	23	0.8%	63758574	0.3%	3187929
Religion Related	148	5.4%	138622266	0.6%	1058185
Mutual Benefit Org.	2	0.1%	1015315	0.0%	507658
Unknown	19	0.7%	59747164	0.3%	3144588
<b>Total</b>	<b>2,755</b>	<b>100.0%</b>	<b>\$23,724,269,007</b>	<b>100.0%</b>	

Source: IRS Master Files

As illustrated in Table 1.2, the total revenue generated by the 2,755 nonprofit organizations that filed with financial data is just over \$15.5 billion. This represents an increase from 2016 of over \$2 billion. Furthermore, Table 1.3 illustrates that metropolitan area organizations as a group have aggregate assets of approximately \$23.7 billion, which is a small decrease compared with 2016.

*Nonprofit Mission Categories and Financial Market Share*

Table 1.4 below indicates that the Kansas City nonprofit sector is dominated by a small number NTEE sub-sectors or mission categories. They are Human Services, Public and Societal Benefit, Education, and Health. Collectively, these sub-sectors constitute nearly two-thirds (64.4%) of all of the nonprofit organizations in Kansas City. These groups have the largest numbers of organizations, generate the most revenue, and hold the most assets. Table 1.4 illustrates the detail of the NTEE Core Mission Categories. These core categories are used in this report as a means of providing broader classifications of organizations that have relatively similar missions. (The specific details of all 26 NTEE mission categories are in the previously-displayed tables 1.3 and 1.4.<sup>iv</sup>)

**Table 1.4: Kansas City MSA Revenue and Asset Distribution by Core NTEE Category**

	# of Orgs	% of Total Orgs	Total Revenue (in \$)	% of Total Revenue	Total Assets (in \$)	% of Total Assets
No Code	581	21.1%	1265246462	8.1%	2505910766	10.6%
Arts, Culture, Humanities	178	6.5%	263211770	1.7%	1490336304	6.3%
Edu. Institutions	317	11.5%	1113980690	7.2%	1806391282	7.6%
Environment and Animal Related	60	2.2%	76274606	0.5%	92850025	0.4%
Health	252	9.1%	6981907116	44.9%	9106694662	38.4%
Human Services	639	23.2%	1763846853	11.4%	1647449079	6.9%
International, Foreign Affairs	53	1.9%	323016198	2.1%	123283167	0.5%
Public, Social benefit	506	18.4%	3629212929	23.4%	6751968977	28.5%
Religion Related	148	5.4%	91464644	0.6%	138622266	0.6%
Mutual Benefit Org.	2	0.1%	978393	0.0%	1015315	0.0%
Unknown	19	0.7%	28813246	0.2%	59747164	0.3%
<b>Total</b>	<b>2,755</b>	<b>100.0</b>	<b>\$15,537,952,907</b>	<b>100.0%</b>	<b>\$23,724,269,007</b>	<b>100.0%</b>

Source: IRS Master Files

## *Education*

The education sub-sector is most commonly associated with private educational institutions such as elementary, secondary and higher education schools. More specifically, 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 (e.g., PTAs and PTOs, scholarship funds, and fraternities) also fall within this NTEE category.

Education includes nearly 12 percent of all organizations in the region’s nonprofit sector. Since our last report, the size of the education sub-sector increased by 12 educational nonprofits – to a total of 317. Education category organizations generated revenues of just over \$1.1 billion, a decrease from last year. This revenue represents approximately 7 percent of all revenue generated in the region’s nonprofit sector, even though its numbers of organizations are 12 percent.

## *Health*

For purposes of this regional report, we combine four of the categories of the NTEE Core classification into one. They are as follows:

- *General Health*: Includes private nonprofit 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*: Includes private nonprofit 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*: Includes private nonprofit 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*: Includes private nonprofit research institutes and other organizations whose primary purpose is to promote the advancement of knowledge about specific diseases, disorders or medical disciplines.<sup>vi</sup>

More specific data about each of these individual mission categories is available in Tables 1.3 and 1.4.

Health, as a set, constitutes the largest category of organizations in the sector – not in terms of organizational numbers, but in terms of revenues. In spite of the fact that there are only 252 health organizations (which is less than ten percent of the entire number of nonprofits in the region), the health organizations of Kansas City account for nearly 45 percent of all of the revenues of the sector, and they hold 38.4 percent of the total assets of the sector.

### *Human Services*

The NTEE system identifies “Human Services” cluster of 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>vii</sup> Human service organizations are diverse in specific mission and target population, as well as size and scope. The Human Services category includes organizations like the YMCA and organizations that serve the elderly, the poor, and the developmentally disabled. The core category further divides nonprofits by the missions of including crime, employment, housing, food, public safety, recreation, and youth development organizations. (See Tables 1.2 and 1.3 for details for each of these sub-categories.)

Due to the breadth of the sub-sector, nearly one out of every four nonprofits in the Kansas City region falls within the human services category. With 639 organizations, this mission cluster is the largest in terms of number of organizations. Despite this number, the cluster of human services organizations constitutes only about eleven percent of the revenue of the sector. Total assets for the category equals about \$1.65 billion, or 6.9 percent of the assets of the sector. When compared to previous years, however, we

see that the number of human services organizations continue to grow. The number of organizations increased by 52 over the number in the 2016 report. Revenue increased from \$1.44 to \$1.76 billion (22 percent growth, but remaining at eleven percent of overall sector revenue), and total assets increased four percent over the 2016 amounts - from \$1.58 to 1.65 billion.

### *Remaining Core Categories*

The arts, culture, and humanities cluster of mission categories includes a rather broad array of organizations that engage in quite a large range of missions. Per the NTEE, 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>viii</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 data, 24 additional nonprofits joined this group since the last report. The 178 arts organizations operating in the Kansas City region account for 6.5 percent of all nonprofit organizations. Similar to last year, we find that total revenue continued to decline to approximately \$263 million, compared to \$313 million in 2016. Similarly, total assets for this category declined from \$1.68 billion to \$1.49 billion.

As noted in the introduction to this section and documented in Table 1.4, the societal and public benefit organization category (i.e., “public/social benefit”) is among the largest of the mission categories listed in Table 1.4. It reflects more than 18 percent of the organizations and more than 28 percent of the sector’s assets, as well as slightly more than 23 percent of the sector’s revenues. This may lead to somewhat misleading conclusions, however, if the breadth, scope, and multi-faceted nature of this category are not accurately understood. It does include some direct service organizations working in such fields as civil liberties and civic improvement, but it also includes federated fundraising campaign organizations (e.g., United Ways, Jewish Federations) that pass through in the form of grants most of the revenues they generate each year. Even more

confounding, especially when considering assets, is that this category includes foundations and other grantmaking organizations. A succeeding section of this report is devoted specifically to grantmaking organizations, so we will not present additional information on this cluster of missions in this section of the report.

The remaining core categories that remain to be noted are environment and animals, international and foreign affairs, religion related, mutual/membership benefit, and nonprofits whose mission is not known (to the people doing the mission classification at NCCS). None of these clusters holds assets of even one percent. And among the most significant of the remaining categories, the religion cluster includes the greatest number of organizations: 148 nonprofits, or a little over five percent of the sector. But of course, these are in addition to the thousands of congregations that are not included in these numbers at all. Interestingly, there are 45 organizations in the international and foreign affairs category and they reported \$323 million in revenue (nearly two percent of the total revenue for the sector).

#### *Unknown or No Code*

Unfortunately, a significant percentage of the organizations of the sector, about 22 percent when combined with the “unknown” category, have not been categorized by the NCCS. Collectively, this represents 600 organizations with nearly eleven percent of the assets of the sector. This situation sometimes can be due to the confusion that exists when nonprofits provide programs and services that fall in multiple mission categories and they have not been willing or able to accurately categorize their work.

#### *Grantmaking and Philanthropy*

Given the influence grantmaking foundations have on the nonprofit community, this report dedicates a separate section to these organizations that fund a significant portion of the work 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>ix</sup> continues to be more extensive in the Kansas City metro area than anywhere else in either Kansas or Missouri. According to



the Foundation Center Statistics, approximately one in four foundations in the states of Missouri and Kansas are based in the Kansas City metro area. Notably, these foundations' economic activity is dramatically greater than this relative presence in the two states suggests. Collectively, Kansas City foundations hold about half of all of the foundation assets of the two states, and their giving constitutes just over 50 percent of all giving in the two-state region (see Table 1.5).

**Table 1.5: Kansas City Metro Area Foundation Statistics, circa 2014**

	Number	% Of MO/KS	Assets (millions)	% Of MO/KS Assets	Total Giving (millions)	% Of MO/KS Total Giving
Independent	484	24.1%	\$6,178.48	47.7%	\$275.01	42.2%
Corporate	19	21.8%	\$137.47	16.7%	\$25.25	15.8%
Community	2	6.8%	\$2,438.85	68.5%	\$383.25	75.5%
Operating	13	16.7%	\$28.45	23.6%	\$4.99	59.1%
<b>KC MSA Total*</b>	<b>518</b>	<b>23.5%</b>	<b>\$8,783.25</b>	<b>50.3%</b>	<b>\$668.50</b>	<b>50.4%</b>
<b>MO/KAN Total*</b>	<b>2,201</b>		<b>\$17,459.99</b>		<b>\$1,326.71</b>	

Source: Foundation Center, 2016 and 2017; Copyright © 2017, Foundation Center. All rights reserved. Permission to use, copy, and/or distribute this document in whole or in part for internal, noncommercial purposes without fee is hereby granted provided that this notice and appropriate credit to Foundation Center is included in all copies. All references to data contained in this document must also credit Foundation Center. No other reproduction, republishing, or dissemination in any manner or form is permitted without prior written consent from Foundation Center. Requests for written consent should be submitted to Foundation Center's Research Department.

\* Figures may not total exactly due to rounding.

### *Nonprofits that are Not Charities*

In an effort to provide a more comprehensive perspective on the nonprofit sector in Kansas City, this section provides a brief description of two additional types of tax-exempt organizations – neither of them charitable organizations -- that fall within the general nonprofit category.

The first, classified under the tax code as 501(c)4 organizations, 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 to the most recent IRS statistics available, there were 481 501(c)4 nonprofits in the Kansas City area (an increase of approximately 9% compared to last year).

The second additional type of nonprofit, classified under the tax code as 501(c)6 organizations, includes business leagues, chambers of commerce, real estate boards, and certain types of associations. According to the IRS, these agencies exist to improve conditions in one or more lines of business or profession. There are 511 of these business and trade associations operating in Kansas City at most recent count (an increase of over 18% compared to last year).

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

The Midwest Center for Nonprofit Leadership, in conjunction with several collaborating partners, produces a biennial compensation and benefits survey and, while detailing the findings of that report are beyond the scope of this report, it is nonetheless worthwhile to discuss a few highlights from the report with regard to senior staff salaries. As reported in Table 1.6, the average compensation for nonprofit executive directors in the Kansas City MSA in 2016 is \$106,266, an increase compared to the compensation reported in 2014 but still below the national average. More information and the complete 2016-2017 Biennial Salary and Benefits Survey Report is available at no charge on the web site of the Midwest Center for Nonprofit Leadership ([www.mcnl.org](http://www.mcnl.org)).

**Table 1.6: Local and National Comparisons for Executive Positions**

	Kansas City Mean	National Mean*
<b>Executive Director</b>	\$106,266	\$144,639
<b>Chief Financial Officer</b>	\$84,402	\$139,956
<b>Vice President/Director of Development</b>	\$75,710	\$156,627
<b>Vice President/Director of Programs</b>	\$71,773	\$178,677

Source: *Salary & Benefits Survey of Greater Kansas City Regional Nonprofit Organizations & Associations 2016-17*, Midwest Center For Nonprofit Leadership.

\* National data from the Guidestar salary survey

## **The Nonprofit Share of the Kansas City Economy**

As noted earlier in this report, the number of IRS-registered Kansas City nonprofit organizations in 2016 increased significantly since last year. The latest IRS data indicates that the Kansas City metro region had 8,711 charitable nonprofits registered with the IRS, an increase of 865 organizations (about 11 percent) over last year. Most are very small – only about one-third of these organizations (2,755 organizations) reported annual revenues of more than \$50,000 for their most recent filing year. The number of nonprofits reporting revenues of more than \$50,000 increased by approximately 11.5 percent over last year, growing from 2,474 to 2,755 organizations. The total revenue realized by the region’s nonprofit sector also increased this year, with total revenue amounting to approximately \$15.5 billion for the year (compared to \$13.5 billion for last year). Total assets of the region’s nonprofit charitable community decreased slightly this year, ending at \$23.7 billion as compared to about \$214 billion last year). The charitable nonprofit sector of the Kansas City metro region (excluding congregations) currently constitutes about 12.1 percent of the overall economy of the region (i.e., the region’s “Gross Metropolitan Product” or “GMP”). This is an increase from previous years, and noteworthy as nonprofits constitute only about three percent of all of the organizations that operate in the region.

## **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 how it stands in comparison to other metropolitan areas, particularly those regions that are relatively comparable to Kansas City. In order to create a fair comparison, MSAs or CMSAs of similar population and of perceived similarity to Kansas City were selected. According to statistics by the U.S. Census Bureau, Indianapolis and Orlando, are the closest metropolitan areas in size (population). Additionally, the major metropolitan areas of Atlanta, Chicago, Denver, Minneapolis, Milwaukee and St. Louis were included in this comparison.

Table 1.7 illustrates the descriptive statistics of each metropolitan area and their nonprofit communities. Among this group, Kansas City ranks sixth in total number of nonprofit organizations, seventh in total revenue, seventh in total assets, third in number of nonprofits per 1,000 people, and fifth in sector share of GMP. However, it rates quite comparably to the two Midwest metro regions of greatest overall similarity to Kansas City – Indianapolis and Milwaukee.

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.

Denver is still the leading metro area with regard to the people-organization ratio with 1.43 organizations per 1,000 people.

The last criterion examined is the nonprofit sectors' receipts as a proportion of GMP<sup>x</sup>. As Table 1.7 illustrates, Kansas City is in the middle with Milwaukee and St. Louis being the most economically influential sectors. In contrast, Orlando and Atlanta maintain the smallest share of their economies all with under 10% of sector share of GMP respectively.

**Table 1.7: Metro Area Nonprofit Sector Comparison**

	Nonprofit Organizations	Revenue ( billions)	Assets ( billions)	Region Population	Nonprofits per 1,000	Sector Share of GMP*
Chicago	9,211	\$67.43	\$127.44	9,512,999	0.97	10.06%
Atlanta	5,086	\$33.15	\$56.43	5,789,700	0.88	8.93%
Minneapolis	4,816	\$34.87	\$46.76	3,551,036	1.36	12.97%
Denver	4,092	\$22.53	\$37.14	2,853,077	1.43	10.53%
Milwaukee	2,179	\$15.25	\$22.06	1,572,482	1.32	14.35%
St. Louis	2,758	\$22.77	\$45.56	2,807,002	0.98	14.01%
<b>Kansas City</b>	<b>2,755</b>	<b>\$15.54</b>	<b>\$23.72</b>	<b>2,104,509</b>	<b>1.31</b>	<b>12.13%</b>
Indianapolis	2,486	\$18.91	\$28.14	2,004,230	1.24	13.31%
Orlando	1,701	\$11.52	\$22.35	2,441,257	0.70	8.40%

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

## Conclusion

The 2017 Kansas City Nonprofit Sector Report is designed to help Kansas City civic, community and nonprofit leaders to better understand the basic characteristics and scale of the region's nonprofit community. To help do so, the lens of analysis ranges in the report from a very narrow perspective, detailing specific mission types of sub-sectors, to a very broad perspective that examines Kansas City in relationship to other metros. Employing multiple lenses of analysis helps us to more fully and accurately understand this unique sector and how it serves as part of the larger metropolitan region and community. Our goal is to provide our community and its nonprofit leaders and volunteers, as well as our research and academic colleagues, with the most accurate data and information available at this time to inform their understanding of this critical sector and its scale, scope, and character. We hope this report has enhanced every reader's understanding of the sector and whetted their appetite for even more data. The Midwest Center for Nonprofit Leadership at UMKC produces multiple reports and fact sheets on the sector each year, and we encourage all to go to the center's web site ([www.mcnl.org](http://www.mcnl.org)) to review the additional resources and materials available there.

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## References:

<sup>i</sup>McKeever, B.S. (2015).*The Nonprofit Sector in Brief 2015*. The Urban Institute.

<sup>ii</sup>Roeger, K. L. (2010).*Small nonprofit organizations: A profile of form 990-N filers*. Charting Civil Society, The Urban Institute, No. 23.

<sup>iii</sup>see Margaret M. Roudebush and Jeffrey Brudney (2012) Making Policy Without Parameters: Obtaining Data on the Nonprofit Sector in a Local Community. *Nonprofit Policy Forum* 3(1), Article 2.

<sup>iv</sup>Mimicking previous years' reports, 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>v</sup>ibid<sup>vi</sup>

ibid<sup>vii</sup>

ibid

<sup>viii</sup><http://nccsdataweb.urban.org/kbfiles/NTEE%20Manual.PDF>

<sup>ix</sup>ibid

<sup>x</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.