

***Building a Healthy Community Through
Nonprofit Service:
2009 Annual Report on the
Kansas City Nonprofit Sector***

By

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

The 2009 report is organized in the following form. First, a brief history of nonprofit statistical reporting is provided. This section focuses on the Internal Revenue Service (IRS) efforts to report a description, both fiscal and physical, of the nonprofit sector, including strengths and weaknesses of such efforts.

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

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

Fourth, employment and economic profiles of Kansas City nonprofit organizations is discussed. The employment data incorporates information from the most recent compensation survey completed by the Midwest Center for Nonprofit Leadership and its partners Nonprofit Connect and the Executive Service Corps (ESC) from the summer of 2008.

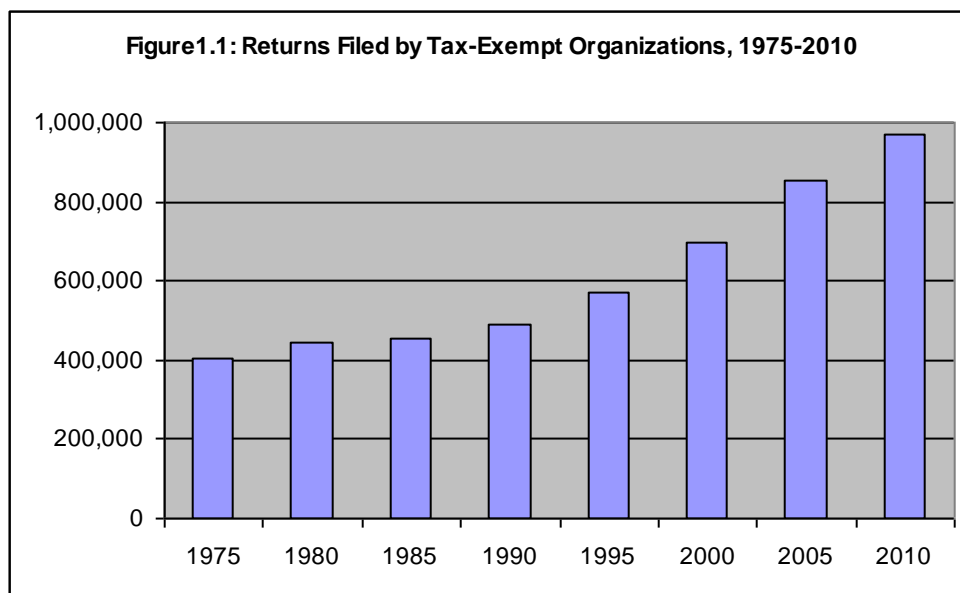
Fifth, the nonprofit sector is compared from an economic perspective to the rest of the private sector in the metro area. There are also calculations that depict the contribution of the nonprofit sector to Kansas City's overall economy.

Sixth, the report will again incorporate a comparison between the Kansas City MSA and nine other metro areas in the United States. This comparison includes overall nonprofit sector comparisons and comparisons of philanthropic organizations.

Before continuing it is worth noting that although the date of this report is 2009, the source material used for calculating and reporting this data are for calendar year 2008. This mean that the reported data may not be reflective of the current situation as delays in agency reporting to the IRS cause a time-lag for sector information.

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. However, starting in 2008 small tax-exempt organizations (whose annual gross receipts are normally \$25,000 or less) may be required to electronically submit a so-called e-Postcard [Form 990-N], unless they choose to file a complete regular tax for with the IRS. Organizations that do not file their e-Postcard on time will be sent a reminder notice by the IRS. Even though there is no penalty for filing late an organization that fails to file required e-Postcards for three consecutive years will automatically lose its tax-exempt status. The second dilemma is that the information that is available tends to be distilled differently by a variety of sources leading to incongruencies in the data.

Also, 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 a much larger share of the organizations required to file with the IRS.

Despite the many difficulties confronting nonprofit researchers, much scholarly work still relies on the available IRS data. There has also been a growing body of statistical studies emerging, which further reinforces the interest in and growing understanding of nonprofit statistics. 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 already mentioned above, locating and 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, 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 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 notion of the Kansas City Metropolitan Statistical Area (MSA) has changed and expanded since the initial version of this report seven years ago. However, for congruency in the analysis this 2009 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

Last year the Kansas City nonprofit sector witnessed a 2.8% decline in the total number of registered 501(c)3 organizations. This year the sector once again grew and the total number of registered 501(c)3 organizations in the metropolitan area increased with approximately 8.2 % to 8,010 or 607 new organizations.

The number of charitable organizations that are required to file financial information with the IRS did increase slightly last year (13 new organizations) and this year 61 new organizations were added to this category. Currently, 3,318 nonprofits, or 41% of all registered nonprofits exists in the Kansas City Metro area.¹ Out of the 3,318 organizations in the metro area, 2,117 (63.8%) were registered in Missouri and 1,201 (36.2%) were registered in Kansas. In comparison with 2008, the number of 501(c)3 required to file in Kansas increased with 35 organizations (or 3%) and the number of Missouri organizations increased with 39 organizations (or 1,9%). Due to the collection methods of the IRS the above statistic does not include the population of congregations Kansas City metropolitan area, and while there is a logical rationale for why these congregations are not amalgamated with filing nonprofits we believe it is important to emphasize that the economic impact of religious congregations are a relevant component of the sector.

As with nonprofits in general, finding reliable data on the actual number of congregations in the Kansas City metro area can be problematic. Aggregates are often based on different statistical methods and collection procedures, which in turn lead to variation in the total numbers. The most current figures available were compiled by Spirit of Service, a nonprofit organization based in Kansas City. According to Spirit of Service, there were an estimated 2,232 congregations in the metro area in 2004. Spirit of Service is no longer operation and since the latest historical statistics reported by American Religion Data Archive (ARDA) is from 2000 the above number will still 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. According to

Giving USA 2008, giving to religion has shown steady rates of growth over time and now exceeds more than \$100 billion of the total giving in the United Statesⁱⁱ. Interestingly, in a recent report called Giving in Kansas City, the allocation of charitable gifts to religion in the Kansas City Metro is 42 percent which is a significantly larger share than national average. From this statistic, it can be assumed that the 3,318 metropolitan nonprofit organizations are splitting the remaining 58% of individual gifts.

Further demographic analysis of Kansas City nonprofit organizations illustrates the age and growth of the sector. Table 1.1 indicates that the average age of Kansas City metropolitan nonprofit organizations is approximately 19.5 years, and the median age is 15. The most recent organization required to file has a rule date from 2009, thus the organizational age is less than one year and the eldest organization required to file has an organization age of 93 years (rule date is 1913). The table below also sorts out the average age of the Kansas City Metropolitan organizations by NTEE category. A closer look at the numbers indicates that mutual membership/benefit organizations are on average the oldest (32 years) while international, foreign affairs and religion-related organizations tie for the youngest (14 years).

Table 1.1: Average Age by Core NTEE Category

	Average Age
No Code	24
Arts, Culture, Humanities	19
Edu. Institutions	23
Environment and Animal Related	15
Health	21
Human Services	17
International, Foreign Affairs	14
Public, Social benefit	17
Religion Related	14
Mutual Benefit Org.	32
Unknown	23
All Codes	19.4

Source: IRS Master Files

Next we examine the earnings structure of the Kansas City nonprofit sector.

As Table 1.2 illustrates, when observing the distribution of revenue for the nonprofit sector in the Kansas City area it becomes clear that a majority of organizations in the sector remain small. Almost half of all organizations (1,598 or 48.2%) reported earnings of less than \$250,000 in the last year they filed with the IRS. Despite their large share of the population, their total revenues represent less than 1% of those earned by the entire sector. Conversely, the 78 largest organizations that reported revenues exceeding \$25 million comprise only 2.4% of the entire sector, but take in close to 80% of all revenues.

Table 1.2: Kansas City MSA Revenue Distribution

	# of Orgs	% of Total Orgs	% of Total Revenue
Missing/Unknown	593	17.9%	0.0%
Under \$250,000	1,598	48.2%	0.9%
\$250,000 - \$499,999	308	9.3%	0.8%
\$500,000 - \$999,999	258	7.7%	1.4%
\$1,000,000 - \$2,499,999	218	6.6%	2.7%
\$2,500,000 - \$4,999,999	112	3.3%	3.0%
5,000,000 - \$9,999,999	90	2.7%	4.7%
10,000,000 - \$24,999,999	63	1.9%	7.2%
More than \$25,000,000	78	2.4%	79.3%
Total	3,318	100.0%	100.0%

Source: IRS Master Files

The next section of this report focuses on four nonprofit sub-sectors in detail, and also generally discusses the remaining sub-sectors. Within each of these sub-sectors overall levels of revenue and assets will be addressed. However, before addressing any specific sub-sector levels with regard to revenue and assets, all statistics on all major classifications are presented in Tables 1.3 and 1.4.

Table 1.3: Kansas City MSA Revenue by NTEE Major Category 2009

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Average Revenue
No Code	440	13.3%	\$476596111	3.5%	\$1083173
Arts, Culture, Humanities	253	7.6%	\$319703485	2.4%	\$1263650
Edu. Institutions	484	14.6%	\$1018247939	7.5%	\$2103818
Envir. Quality, Protection	21	0.6%	\$5577392	0.0%	\$265590
Animal Related	48	1.4%	\$28356190	0.2%	\$590754
Health-gen. rehab. mental health	180	5.4%	\$6398888971	47.0%	\$35549383
Disease, Disorder, Medical Disciplines	61	1.8%	\$321935508	0.5%	\$5277631
Medical Research	27	0.8%	\$113671711	1.4%	\$4210063
Crime, Legal Related	37	1.1%	\$34905605	0.3%	\$943395
Employment, Job Related	35	1.1%	\$194250585	1.4%	\$5550017
Food, Agriculture, Nutrition	20	0.6%	\$52822019	0.4%	\$2641101
Housing, Shelter	115	3.5%	\$88587867	0.7%	\$770329
Public Safety, Disaster Relief	16	0.5%	\$2632591	0.0%	\$164537
Recreation, Sports, Leisure, Athletics	172	5.2%	\$123944799	0.9%	\$720609
Youth Development	74	2.2%	\$48339869	0.4%	\$653241
Human Services-Multipurpose	358	10.8%	\$826745712	6.1%	42309346
International, Foreign Affairs	38	1.1%	\$269706058	2.0%	\$7097528
Civil Rights, Social Action, Advocacy	20	0.6%	\$12072188	0.1%	\$603609
Community Imp.	109	3.3%	\$1062663987	7.9%	\$9749211
Philanthropy, Grantmaking	483	14.6%	\$1822028175	13.5%	\$3772315
Science and Technology Research	8	0.2%	\$1917266	0.0%	\$239658
Social Science Research	7	0.2%	\$1140061	0.0%	\$162866
Public, Social benefit	20	0.6%	\$49791216	0.3%	\$2489561
Religion Related	202	6.1%	\$106527089	0.8%	\$527362
Mutual Benefit Org.	3	0.1%	\$139475	0.0%	\$46492
Unknown	32	1.0%	\$48775286	0.4%	\$1524228
Total	3318	100.0%	\$13,518,874,678	100.0%	\$4,074,404

Source: IRS Master Files

Table 1.4: Kansas City MSA Assets by NTEE Major Category

	# of Orgs	% of Total Orgs	Total Assets	% of Total Assets	Average Assets
No Code	440	13.3%	\$412713134	1.8%	\$937984
Arts, Culture, Humanities	253	7.6%	\$1516709441	6.7%	\$5994899
Edu. Institutions	484	14.6%	\$1699353806	7.6%	\$3511062
Envir. Quality, Protection	21	0.6%	\$14018528	0.1%	\$667549
Animal Related	48	1.4%	\$29161744	0.1%	\$607536
health-gen. rehab.	180	5.4%	\$7661029575	34.2%	\$42561275
mental health	55	1.7%	\$77795309	0.3%	\$1414460
Disease, Disorder, Medical Disciplines	61	1.8%	\$941615745	4.2%	\$15436324
Medical Research	27	0.8%	\$627711940	2.8%	\$23248590
Crime, Legal Related	37	1.1%	\$23502804	.01%	\$635211
Employment, Job Related	35	1.1%	\$86769114	0.3%	\$2479118
Food, Agriculture, Nutrition	20	0.6%	\$21928815	0.1%	\$1096441
Housing, Shelter	115	3.5%	\$259549031	1.1%	\$2256948
Public Safety, Disaster Relief	16	0.5%	\$2631939	.00%	\$164496
Recreation, Sports, Leisure, Athletics	172	5.2%	\$116967957	0.5%	\$680046
Youth Development	74	2.2%	\$62838716	0.3%	\$849172
Human Services-Multipurpose	358	10.8%	\$935806929	4.1%	\$2613986
International, Foreign Affairs	38	1.1%	\$69262440	0.3%	\$1822696
Civil Rights, Social Action, Advocacy	20	0.6%	\$7410611	0.0%	\$370531
Community Imp.	109	3.3%	\$1081663779	4.8%	\$9923521
Philanthropy, Grantmaking	483	14.6%	\$6430252093	28.7%	\$13313151
Science and Technology Research	8	0.2%	\$1855545	0.0%	\$231943
Social Science Research	7	0.2%	\$3199667	0.0%	\$457095
Public, Social benefit	20	0.6%	\$95092949	0.4%	\$4754647
Religion Related	202	6.1%	\$155526945	0.7%	\$769935
Mutual Benefit Org.	3	0.1%	\$302199	0.0%	\$100733
Unknown	32	1.0%	\$72045758	0.3%	\$2251430
Total	3318	100.0%	\$22,406,716,513	100.0%	\$6,753,079

Source: IRS Master Files

As illustrated in Table 1.3, the total revenue generated by all 3,318 nonprofit organizations is approximately \$13.5 billion, which represents a small increase of 2% compared to 2008. Furthermore, Table 1.4 illustrates that metropolitan area organizations have aggregate assets of \$22.4 billion, which is an increase of \$1.4 billion compared with 2008.

Nonprofit Categories and Market Share

Table 1.5 below indicate that the Kansas City nonprofit sector is dominated by five NTEE sub-sectors; Arts, Education, Health, Human Services, and Public Societal Benefit. These sub-sectors have the largest number of organizations, generate the most revenue, and maintain the most assets. Table 1.5 illustrates the breakdown of the NTEE Core Categories. The core category sub-division is used in this report as a means of using broader classifications of organizations that in many ways still have similar missions. Interest in the specific details of the 26 major NTEE categories is available in Table 1.3 and Table 1.4 displayed previously.ⁱⁱⁱ

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

	# of Orgs	% of Total Orgs	Total Revenue	% of Total Revenue	Total Assets	% of Total Assets
No Code	440	13.3%	\$476,596,111	3.5%	\$412,713,134	1.8%
Arts, Culture, Humanities	253	7.6%	\$319,703,485	2.4%	\$1,516,709,441	6.8%
Edu. Institutions	484	14.6%	\$1,018,247,939	7.5%	\$1,699,353,806	7.6%
Environment and Animal Related	69	2.1%	\$33,933,582	0.3%	\$43,180,272	0.2%
Health	323	9.7%	\$6,923,403,713	51.2%	\$9,308,152,569	41.5%
Human Services	857	25.8%	\$1,374,282,943	10.2%	\$1,513,002,936	6.8%
International, Foreign Affairs	33	1.0%	\$269,201,758	2.0%	\$68,750,476	0.3%
Public, Social benefit	622	18.7%	\$2,948,063,297	21.8%	\$7,616,978,977	34.0%
Religion Related	202	6.1%	\$106,527,089	0.8%	\$155,526,945	0.7%
Mutual Benefit Org.	3	0.1%	\$139,475	0.0%	\$302,199	0.0%
Unknown	32	1.0%	\$48,775,286	0.3%	\$72,045,758	0.3%
Total	3,318	100.0%	\$13,518,874,678	100.0%	\$22,406,716,513	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).”^{iv} Hence, theaters, public television, historical societies, museums, ballets, and symphonies are all organizations that fall under the umbrella of this category.

According to the most recent filing data from the IRS this sub-sector added no new or lost any agencies since the last report in 2008. The 253 arts organizations account for 7.6% of all nonprofit organizations. Compared to 2008, total revenue and total assets increased to approximately \$319.7 million (\$315.3 in 2008) respectively \$1,516 million (\$1,508 in 2008), representing market shares of 2.4% and 6.8% respectively for the sector.

Education

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

The sector increased with 13 education nonprofits required to file with the IRS to a total of 484. These organizations generated revenues of approximately \$1 billion which is an increase from 2008. This revenue represents 7.5% of all nonprofit revenues. Compared with previous years, revenue continues to rise for the education sector.

Education organization assets increased compared with last year's data to \$1.7 billion (\$1.67 in 2008) which represents 7.6% of all nonprofit sector assets.

The increase in revenue is noteworthy, as it represents the first time this sub-sector reaches one billion dollars in revenue. It is also clear that education organization's have broken the downward trend from a couple of years ago. As mentioned in last years report, this leave education sub-sector in better shape asset-wise than it was just a few years ago. Still, educational organizations continue to have the third highest level of assets following Health and Public/Societal Benefit organizations.

Health

Given the NTEE Core classification in this report, four health categories into is transformed into one. An illustration of each NTEE health classification's financial details is available in Tables 1.3 and 1.4. Still, in order to be comprehensive in the explanation of all health organizations, the NTEE definitions for each major category have been included. They are as follows:

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

Health nonprofits are among the largest organizations in the sector. This point is exemplified by the fact that health organizations number only 323, which is less than 10% of all Kansas City nonprofit organizations but now account for more than half (51.2%) of total revenue and 41.5% total assets among all area nonprofits. Health revenue increased with \$74 million compared to 2008 and is approaching \$7 billion (\$6.92 billion). Total assets also increased to \$9.31 billion compared to \$9.01 billion 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.”^{vi} Human service organizations are diverse in mission, target population, size, as well as scope. The Human Services category includes organizations like the YMCA and organizations that serve the elderly, the poor, and the developmentally disabled. The core definition further diversifies the category by including crime, employment, housing, food, public safety, recreation, and youth development organizations.

Due to the breadth of the sub-sector, one out of every four nonprofits in the MSA falls under the human services core category. With 820 organizations, this sub-sector is by far the largest category in terms of number in the metro area. The Human Services category consists of almost 200 organizations more than the second largest category which is the public/societal benefit core category. Despite the category size, human services organizations only stands for about 10% of total income, which represents approximately \$1.37 billion. Total assets for the category equal \$1.5 billion, or 6.8%. In comparison with the previous report, human services organizations continue to grow. Compared to 2008 the revenue increased by \$46 million and the total assets increased with \$49 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.

The remaining core categories that have yet to be mentioned include environment and animals, international and foreign affairs, religion related, mutual/membership benefit, and unknown. Of these groups, none register an asset level greater than 1%.

Among the remaining categories, the religion related category includes the greatest number of organizations at 202, or 6.1% of the entire sector. Revenues increased to approximately \$106 million (\$104 in 2008), while assets increased slightly to a total of \$155.5 representing a \$1 million growth in assets. The 33 organizations in the international and foreign affairs core category reported \$269 million in revenue (2.0% of the MSA total), which is almost identical to the revenue reported in the 2008 report. Assets also increased slightly to reach a total of \$68.8 million.

The smallest of the remaining categories – both in terms of number of organizations and revenue – is mutual/membership benefit. Representing only 0.1% of the entire sector, these three organizations have aggregate revenue of just \$140,000 and assets of \$300,000. The final remaining category includes the environment and animal organizations. This category grew with five organizations since last year and the revenue and assets increased as well to \$33.9 million (\$33.2 in 2008) and \$43.2 million (\$42.9 in 2008) respectively.

Unknown or No Code

One percent of the organizations in the sector fall under the unknown core category label. Together with the 13.3% of organizations with no NTEE code associated with them at all, this group represents 472 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 \$48.8 million in revenue (increase of \$250,000) and held \$71.9 million in asset. No code organizations generated revenues of \$476.6 million (increase of approximately \$16 million) and held

assets of almost \$412.7 million (increase with \$13 million). Overall, unknown and no code organizations generate 3.8% of total sector revenue and hold 2.1% of its assets.

Philanthropy

As discussed earlier, given the influence foundations have on the nonprofit community, this report dedicates a separate section to these organizations that fund a significant portion of the nonprofit sector. The Kansas City MSA maintains a robust philanthropic community for a metro region of its size. These organizations, which “promote the practice of charitable giving and volunteering to represent and serve a wide range of philanthropic and charitable institutions,”^{vii} continues to be more prevalent in the Kansas City metro area than anywhere else in either Kansas or Missouri.

According to the latest Foundation Center Statistics for 2007, just over 22 percent of all foundations in Missouri and Kansas are based in the Kansas City metro area, yet these foundations hold more than half of all foundation assets and pay out approximately 50% of all grant funds (Table 1.6).

Compared to other sub-sectors in the Kansas City area philanthropy (a.k.a. public, social benefit) is again the largest sole major NTEE classification in establishments, and second largest in both total revenue and total assets. According to IRS statistics in Table 1.5, these organizations comprise almost 18.7% of all nonprofit organizations. In comparison with 2008, the total revenue in the philanthropic sector increased from \$2.85 billion to \$2.95 billion or approximately 22% of total revenue. Assets increased as well, from \$6.68 billion to \$7.62 billion or approximately 34% of all assets in the MSA.

There is a noticeable discrepancy between the number of public service, social benefit organizations that reported to the IRS (622) and the total number of foundations as reported by the Foundation Center (464). 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 2007

	# of Orgs	% Of MO/KS	Assets (in millions)	% Of MO/KS Assets	Total Giving (in millions)	% Of MO/KS Total Giving
Independent	424	22.69%	\$5,653.91	52.32%	\$190.28	39.66%
Corporate	21	22.83%	\$124.11	22.15%	\$19.16	17.55%
Community	2	9.52%	\$1,211.64	70.92%	\$195.28	82.56%
Operating	17	14.53%	\$37.23	10.05%	\$1.28	11.34%
KC MSA Total*	464	22.11%	\$7,026.88	52.26%	\$405.98	48.51%
MO/KAN Total*	2,099	100%	\$13,444.72	100%	\$836.89	100%

Source: Foundation Center

* Due to rounding, figures may not add up.

Other Nonprofits

In an effort to provide a more comprehensive examination of the nonprofit sector in Kansas City, this section include a brief description of two additional types of tax-exempt agencies that falls under the 501(c)-category.

The first, classified under the tax code as 501(c)4, consists of civic leagues, social welfare organizations, and local associations of employees. According to the IRS, these agencies exist to promote community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes. According the most recent IRS statistics available, there were 604 501(c)4 nonprofits in the Kansas City area, an increase of 64 organizations since the 2008 iteration of this report.

The second additional type of nonprofit, classified under the tax code as 501(c)6, consists of business leagues, chambers of commerce, and real estate boards. According to the IRS, these agencies exist to improve conditions in one or more lines of business. There are 669 of these business and trade associations in Kansas City at most recent count, an increase of 57 organizations from the 2008 report.

Employment and Senior Staff Compensation in the Kansas City Nonprofit Sector

Awaiting the new economic census numbers, which will be available in 2011 the most recent economic report from the U.S Census Bureau (2002), the Kansas City labor force consisted of 773,915 individuals. In addition, the same economic census reported 65,287 persons employed by and a total annual payroll of \$2.08 billion for filing tax-exempt organizations. This represents an increase over employment and payroll figures

from the last economic census, which was conducted in 1997. That census reported 60,355 persons employed by and a total annual payroll of \$1.56 billion for filing tax-exempt organizations.

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

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

The Midwest Center for Nonprofit Leadership, in conjunction with corporate partners, produces a bi-annual compensation survey and while detailing the findings of that report are outside the scope of this paper, it is nonetheless worthwhile to discuss some of the findings with regards to senior staff salaries. As can be seen in Table 1.7, the average compensation for executive directors in the Kansas City MSA is \$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

	Kansas City Mean	Regional* Mean	National Mean
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 85,234 private organizations in the Kansas City MSA. As depicted by Table 1.8, 501(c)3 organizations account for 3.75% of these establishments. The new statistics illustrate that while the charitable sector continued to grow in size since the last report, while the for-profit sector decreased (by 2,737 organizations). However, the for-profit sector increased its market share compared to 2008 due to an increase in revenue of almost \$25 billion. The nonprofit sector displayed only a marginal increase in total revenues compared to 2008. As illustrated in table 1.8, charitable organizations earned 7.7% of all revenues. This represents a shift of 1% in favor of the for-profit sector since last year.

Table 1.8: Nonprofits as Part of the Kansas City Economy

	# of Orgs	% of Total	Revenue	% of Total Revenue
All Other Organizations	85,234	96.25%	\$162,915,500,000	92.3%
Charitable Organizations	3,318	3.75%	\$13,518,874,678	7.7%
Total	88,552	100.0%	\$176,470,374,678	100.0%

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

How Kansas City Compares With Other MSA Nonprofit Sectors

An important aspect to consider when examining the size and scope of the Kansas City nonprofit sector is the relative numbers compared to other metropolitan areas. In order to create a fair comparison, MSAs or CMSAs of similar population or of perceived similarity to Kansas City were selected. According to statistics by the U.S. Census

Bureau, Cincinnati, Indianapolis, Orlando, and Milwaukee are the closest metropolitan areas in size (population). Additionally, the major metropolitan areas of Atlanta, Chicago, Denver, Minneapolis, and St. Louis were included in this comparison.

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

Table 1.9 illustrates the descriptive statistics of each metropolitan area and their nonprofit organizations. Kansas City tends to place in the lower half of the group in most of the aggregate categories. Among the comparable metros, Kansas City is eighth in total organizations, ninth in total revenue, tenth in total assets, and sixth in terms of establishments per 1,000 people. The rankings for the Kansas City area have changed slightly in previous years, although not dramatically.

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

Some aspects worth noting is that the number of nonprofits in many metro areas decreased between 2008 and 2009 (Chicago, Atlanta, Denver, Milwaukee, St. Louis, Indianapolis and Orlando), which has put a halt to the growing trend in previous years. Still, revenue continued to increase in all metro areas with the exception of Milwaukee and Indianapolis. Perhaps the most noteworthy change is the growth in revenue and assets in Orlando. In 2008, the Orlando metro area had approximately \$9.5 billion in revenue and \$15.4 billion in assets. In 2009, revenue reached \$13.5 billion and assets reached \$22.5 billion, which mean that Orlando's nonprofit sector now match Kansas City's nonprofit sector both in terms of revenue and assets.

Milwaukee continues to be the leading metro area with regard to the people-organization ratio with close to 3 organizations per 1,000 people. Milwaukee, Denver and Minneapolis have a considerable lead over the other metropolitan areas in the people-organization ratio, as they are the only metro areas with a ratio higher than 2 organizations per 1,000 people.

The last criterion examined is the nonprofit sectors' receipts as a proportion of GMP^{ix}. Again, as Table 1.9 illustrates, Kansas City is in the lower half of metropolitan areas, eight overall, now surpassed by Orlando. The nonprofit sector share dropped in Kansas City from 15.3% in 2008 to 13.35% in 2009, which is close to the number reported in 2006. Indianapolis and Milwaukee boasted the most economically influential sectors in 2008 but there has been a significant drop in Indianapolis share, which is likely due to the drop in revenue. Milwaukee also showed a significant drop but continues to have the highest sector share of GMP with 23%. In contrast, Denver and Atlanta maintain the smallest share of their economies with 10.43% and 9.6% respectively.

Table1.9: Metro Area Nonprofit Sector Comparison

	Nonprofit Organizations	Revenue (in billions)	Assets (in billions)	Region Population	Nonprofits per 1,000 People	Sector Share of GMP
Chicago	15,212	\$95.50	\$128.17	9,569,624	1.59	18.87%
Atlanta	7,978	\$25.94	\$46.50	5,376,285	1.48	9.60%
Minneapolis	6,889	\$32.62	\$48.35	3,229,878	2.13	17.35%
Denver	5,747	\$15.19	\$25.42	2,506,626	2.29	10.43%
Milwaukee	4,501	\$18.03	\$25.42	1,549,308	2.91	23.01%
St. Louis	4,208	\$23.23	\$36.79	2,816,710	1.49	18.58%
Cincinnati	3,599	\$18.10	\$28.59	2,155,137	1.67	18.53%
Kansas City	3,318	\$13.51	\$22.40	2,002,047	1.66	13.35%
Indianapolis	2,978	\$16.00	\$28.80	1,715,459	1.74	16.93%
Orlando	2,719	\$13.47	\$22.49	2,054,574	1.32	13.41%

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

The second section of the metropolitan comparison examines the philanthropic sector of each area. The robust nature of philanthropy in the Kansas City nonprofit sector versus that of Missouri and Kansas was already detailed. Furthermore, when compared with other metropolitan communities, the philanthropic sub-sector of Kansas City stands out as a national leader in addition to its regional stature. Despite having the least number of organizations in the sample of metros, Kansas City foundations maintain significantly more assets per organization, and average the highest level of giving per organization. From an aggregative perspective, Kansas City foundations rank fifth in total assets, and sixth in total giving, with the least number of organizations. Milwaukee has the most

foundations per 1,000 people with a statistical measure of 0.91, which stands out in comparison to the other metro areas. The nearest metro is Minneapolis with 0.36. Kansas City is second-to-last in this category with a statistical measure of 0.23 foundations per 1,000 people. Atlanta is the lowest 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	3,308	\$28,154,094,858	\$1,646,695,163	\$8,510,911	\$497,791	0.35
Milwaukee	1,415	\$5,840,544,858	\$418,392,905	\$4,127,593	\$295,684	0.91
Minneapolis	1,157	\$12,195,284,948	\$797,119,550	\$10,540,436	\$688,953	0.36
Atlanta	925	\$10,740,164,218	\$674,412,455	\$11,610,988	\$729,094	0.17
St. Louis	816	\$3,827,641,852	\$281,867,219	\$4,690,737	\$345,425	0.29
Denver	677	\$7,880,324,543	\$459,080,031	\$11,640,065	\$678,109	0.27
Cincinnati	659	\$3,401,495,423	\$258,453,842	\$5,161,601	\$392,190	0.31
Kansas City	464	\$7,026,884,017	\$405,979,278	\$15,144,146	\$874,955	0.23

Source: Foundation Center circa 2007

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

Conclusion

The 2009 Kansas City Nonprofit Sector Report is designed to quantify the local nonprofit community. In so doing, the lens of analysis shifts in the report from a very narrow perspective, detailing specific sub-sectors, to a very broad prospective that examines Kansas City in relationship to other metros. Employing multiple lenses of analysis has hopefully provided a comprehensive description of the nonprofit sector for the nonprofit practitioner community and the academic community.

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

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

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

ⁱⁱ The Annual Report on Philanthropy for the Year 2009, Giving USA Foundation, Center on Philanthropy at Indiana University.

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

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

^v *ibid*

^{vi} *ibid*

^{vii} *ibid*

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

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