

When A Church Is Not A Church



Warren Cole Smith • December 19, 2019

OPINION—Non-profit organizations do great work in this country. Non-profits **employ more than 12-million people** and contribute \$2-trillion to our national economy. They also mobilize millions more in volunteer activities, reducing and sometimes eliminating the need for government services.

The value of non-profits is so great that our tax code treats them in a special way. Donors can deduct gifts to non-profits. The non-profits themselves are exempt from most taxes. In fact, what most of us think of as “non-profits” or “ministries” are identified by law as “tax-exempt” organizations. Historically, we have gladly given these tax exemptions to recognize and compensate for the great value these organizations bring to our country and the world.

But we require tax-exempt organizations to do one important thing. We ask them to provide evidence they are doing what they say they are doing. An important way that exempt organizations meet this requirement is by completing an annual Form 990.

The Form 990 looks like a tax return, and it includes important information about the organization, including annual revenue, salaries of key employees, names of board members and large contractors, and the amount of money the organization spends on its core mission. Also highlighted are the amounts it spends on administrative and fundraising. This information is valuable to donors wanting to assess the effectiveness of a ministry.

But there’s an exception to this requirement. If your organization is a church, you do not have to submit your Form 990 to the public. The logic goes like this: Churches have leadership and members who live in community with each other. Almost all the donors come from within that community. Whatever transparency and accountability are necessary will be provided by the rules and structure of the church. The government has no business interfering in a church’s internal affairs.

It’s a system that has worked well for decades, but it is a system that is rapidly breaking down as more tax-exempt organizations that clearly are not churches are claiming the church exception. These organizations are using this exception to keep not only the government, but also donors, from seeing how their money is being spent.

This practice is not new. Controversial and sometimes outright fraudulent organizations have been claiming the church exemption for years. It’s a common practice of televangelists and prosperity gospel preachers. From 2008 to 2011, **Sen. Charles Grassley investigated** six televangelists – Benny Hinn, Eddie Long, Joyce Meyer, Kenneth Copeland, Creflo Dollar, and **Paula White-Cain**. The investigation was necessary in part because their organizations were not transparent in their dealings. The organizations they led spent donor money on mansions, lavish lifestyles, and **private jets**.

Now, though, other organizations, organizations that have been considered reputable groups are tragically following the bad example of those on the ethical fringes of the evangelical movement. Among the

organizations who now claim the church exemption (which includes a classification as an “association of churches”) are:

- ACSI (The Association of Christian Schools International)
- Billy Graham Evangelistic Association
- Cru (formerly Campus Crusade for Christ)
- Denison Ministries
- Ethnos 360/New Tribes Mission
- Every Home for Christ
- Family Research Council
- Focus on the Family
- Frontiers
- Gideons International
- Modern Day Missions
- The Navigators
- Precept Ministries
- Ravi Zacharias International Ministries
- TransWorld Radio.
- Willow Creek Association
- Voice of the Martyrs

Many of these organizations have made this change in the past five years. At least two of these organizations (Willow Creek and RZIM) had major scandals in recent years, and no longer exist in their previous form. It is a fair question to ask if the lack of transparency contributed to the scandals.

Paul Batura, a spokesman for Focus on the Family, explained why that organization recently made the change:

This was done primarily to protect the confidentiality of our donors. In recent years there have been several occasions on which non-profit organizations—on both the right and the left—were targeted for information, including the names and personal details of their donors. In order to protect our constituents’ privacy, and because Focus does, in fact, meet the definition of a church under IRS regulations, we applied for and received this designation. In doing so, we have joined the company of many other Christian non-profit para-church organizations who have done likewise. Having said this, we remain committed to the highest standards of fiscal transparency and will continue to make our financial statements available.

We at MinistryWatch have dealt with Focus on the Family literally for decades, and have no reason to doubt this ministry will be as good as its word on issues of transparency.

The Family Research Council is another organization that has been re-classified as an “association of churches” but, according to FRC President Tony Perkins, will continue to file its Form 990. Perkins told MinistryWatch:

We did file our Form 990 under our status as an association of churches. We do not have nor did we seek the status of a church. There is a difference. Our plan at present is to continue filing the 990s. Pursuing the classification as an association of churches is not about avoiding transparency; this is about being able to operate according to our biblical faith as a Christian organization in a city that has grown increasingly hostile to biblical morality.

Perkins is right. The public square has become increasingly hostile toward biblical morality. The threat of pro-LGBTQ groups, atheist groups, and their allies is not hypothetical. These groups have, on occasion, used public filings to identify and harass contractors and donors of organizations that stand for life, marriage, and religious liberty. This is a despicable practice, engaged in by unscrupulous bullies. The decision of the FRC to be classified as an “association of churches” while still voluntarily filing its Form 990s is an elegant solution that balances transparency and security needs.

But most organizations who have been re-classified as churches or associations of churches are not going the extra mile that the FRC and Focus on the Family are. To these organizations, we say that your concerns about donors, while real, do not warrant the withholding of your Form 990. The names of donors are on a part of the Form 990 called the Schedule B. A ministry, even one that is not a church, is not required to release its Schedule B to the public. In other words, it is possible to be fully transparent, and to protect donors.

MinistryWatch’s position is that transparency with donors and with the public should be among a ministry’s highest values. The integrity and credibility of Christian non-profits are being questioned as never before, and these concerns pose a clear and present threat to Christian non-profits. Withholding Form 990s from donors and the public is not the right solution to this problem.

The larger issue is this: Financial marketplaces – including donor marketplaces – thrive where there is transparency and accountability. As the old saying goes: “Sunlight is the best disinfectant.”

The opposite is also true: Bad practices thrive in darkness. This truism relates not only the individual organization, but to the marketplace in which it operates. Where there is a lack of information, trust goes down and disinformation can flourish. Donors lose confidence in individual organizations and society loses confidence in the value of the entire sector they represent.

Further, hiding behind the church exemption will not turn back those who want to banish religious voices from the public square, and the practice may even give them additional ammunition. Indeed, the church exemption itself is now being questioned, most publicly in recent months by former presidential candidate [**Beto O’Rourke**](#) and [**New York Times columnist Mark Oppenheimer**](#). Hiding behind the church

exemption will not end the attacks these ministries fear, and it will have the unintended consequence of alienating a skeptical public who has been taught to believe that when people have nothing to hide, they usually don't.

So to donors we say: Don't give money to a ministry if you are not sure where the money is going. That should be a minimum responsibility of a good steward. If your favorite ministry is not releasing its Form 990s to the public, you should be asking why.

And to Christian ministries MinistryWatch says: Open your books.

We commend Focus on the Family and the Family Research Council for a solution that protects donor confidentiality while maintaining a high level of transparency and accountability.

It is our hope that others will do likewise.

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