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BEYOND THE CONGREGATION:
CHRISTIAN NONPROFITS IN THE UNITED STATES

A Dissertation in
Sociology
by
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Abstract

The unit of analysis in the organizational study of religion has primarily been congregations and denominations. However, a population of organizations with a religious mission or identity has developed that exists outside of these traditional structures. Many of these organizations have more resources than many denominations, but have received little attention theoretically or empirically. The following chapters rely on original data for over 1,900 hundred of the largest Christian nonprofits based in the United States. Drawing upon theory in the study of organizations, social movements and religion I address three underlying research questions.

First, when and why did these organizations rise? While adjectives such as “new” or “proliferating” are often used when talking about religious non-profit organizations, little empirical research has explored these questions. Chapter 2 explores the historical roots and contemporary growth of the Christian nonprofit population.

Second, what is the role of Christian nonprofits within American religion? Are Christian nonprofits competing with or cooperation with congregations and denominations, and how does the presence of Christian nonprofits help us understand changes within those more traditional religious organizations? Chapter 2 examines the often ambivalent relationship between churches, denominations, and Christian nonprofits. Chapter 5 looks at how the often ambiguous line between church and parachurch is reflected in how the IRS distinguishes churches from nonprofits. More specifically, what are the different roles or activities being filled within the Christian nonprofit population? Chapter 3 explores the nine primary activity sectors within the Christian nonprofit population.

Third, how are these national religious non-profits run? That is, how do they acquire and allocate resources and what explains variation in these methods? Chapter 4 details the different fundraising and fund-spending dynamics within Christian nonprofits. Chapter 6 provides an analysis of leadership compensation in these organizations. Finally, Chapter 7 examines the role government funding has on the religious expression of Christian nonprofits.
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I do not particularly “believe” in concepts like fate. However, when you find yourself at the end of a very long path, and upon turning to look back you see how many people and events had to coincide to get you to that point, it is easy to understand how one could come to subscribe to such ideas. There was the time a junior high teacher said he thought I could be a “doctor” and then, after I balked at the idea of having to deal with body fluids as a profession, had to explain to me that being a “doctor” was simply a level of education and it did not necessarily have anything to do with medicine. And then there was the fortunate assignment to the required ‘First-Year Seminar’ during my undergraduate studies at Trinity University that just happened to be taught by a sociology professor, Mike Kearl, who sparked my sociological imagination. I still wonder where I would be have been if I would if I had been assigned to a seminar taught by a chemist or an art professor… Capping all of this off was my decision to go to Penn State for graduate school, where the sociology department and my advisor made earning a Ph.D. an enjoyable experience instead of its usual association with emotional scarring and psychological trauma.

In short, there are many people who lent a hand in getting me to where I am, and I am not sure anything I write here can fully acknowledge them all. I will begin with the most concrete forms of assistance. The data collection forming the basis of the following chapters was made possible through a grant from the College of Liberal Arts at Penn State and a scholarship from Dr. William Form and Dr. Joan Huber. The Department of Sociology provided many forms of support that are all too easy to take for granted, such as access to printing and computing resources. Tom Pollak at the Urban Institute was also incredibly generous and provided access to the National Center of Charitable Statistics’ data.

I benefited from some exceptional undergraduate research assistants, namely, Jessica Markle, Andrew Moore and Kim Mayers. A special thanks for Jessica who not only took on the monotonous tasks of data coding and entry but also provided her own ideas and suggestions about the project.

As I was looking to apply for graduate school I remember reading many books and websites that told horror stories about dealing with dissertation committees, so I was prepared for the worst. However, from the first day my experience has been nothing like picture painted in those stories. My committee members, John McCarthy, David Baker, and Timothy Pollock have been nothing but responsive, engaged, and helpful during this entire project.

Once or twice I have been asked by a prospective graduate student what the most important factor is when choosing to go to a particular program. You will find many different opinions on this question. Go for the best financial offer, or the highest ranked program, or where the research best matches your interests, and so on. However, I have become convinced that there is one factor that trumps all of the others. If you have a good relationship with your advisor, then all of the other issues appear much less relevant. I have been indescribably fortunate to have an incredible advisor. Roger Finke has become not only a professional mentor but also a good friend. I can only hope that both continue beyond this point.

Lisa, the period of my life encompassed in these pages and the memories attached to it will always be influenced by how you made it some of the happiest years I have experienced.

Finally, my parents who, even though I am not sure they even know what I have been doing with my life the past several years, have always quietly done whatever it takes for me to succeed. That is really the most a child can ask from their parents.
Introduction:

Christian Nonprofits & the Parachurch

A great deal of time has and will be spent among scholars debating definitions of ‘religion.’ These debates are not meaningless, but they often become overly intellectualized and disconnected from the experienced nature of religion. At a grassroots level religion is characterized by a shared vision of what the world is like and, often more importantly, what the world should be like.¹ In the words of sociologist Mayer Zald, all religious groups hold “theological and ideological beliefs about the relation of individuals and groups to each other, to society, and to the good and just life.”² Unless the beliefs call for a complete retreat from the world, the group is usually inspired and compelled to try and shape the world into the vision described by their beliefs. In practice, religion is simply about changing the world. This can mean everything from working towards the elimination of poverty to converting others to their religion to promoting a certain type of family life. Often, groups are engaged in all of these world-shaping activities and more.

When framed in the context of “changing the world,” the local congregation starts to feel like quite a limited structure. A single church has relatively few resources and is focused primarily on worship and other local goals. Even if it wanted to pursue loftier goals outside of its immediate environment, it simply cannot in most cases. This does not mean that religious groups have abandoned those world-changing goals. Despite the common view that religions are hindered by tradition and therefore slow to change, they show an incredible amount of creativity

¹ And this shared vision is distinguished from similar secular belief systems (e.g. politics) through its supernatural foundation.
when needed. Limited by the local congregation, they have simply evolved and innovated to create alternative structures that can better handle the logistical challenges of changing the world.

**Changing Meaning of “Religious Organizations”**

When you hear the phrase “religious organization,” what do you think of? Most people probably think of a church or possibly a denomination. After all, congregations are the foundation of organized religion in the United States, and many of these are organized into denominations. In fact, many might find the phrase “religious organization” to be a bit odd, as churches and denominations have become the recognized label for such organizations. So referring to “religious organizations” instead of just “churches” might seem like referring to a “document facsimile” instead of just a “Xerox” or a “facial tissue” instead of just a “Kleenex.”

However, over the last twenty years there has been an increasing likelihood that “religious organization” would evoke different associations. While churches and denominations are undoubtedly still major players in the religious market, they have been joined by another type of organization. These new religious organizations have been collectively called the “parachurch” sector. ³ Even if you have not thought about this development much and even if you do not consider yourself religious, I am sure you could name examples of these organizations. Ever hear of Focus on the Family? Heifer International? Young Life? Promise Keepers? Samaritan’s Purse?

If you are thinking, “oh yeah…I sort of know those type of organizations exist, but that’s about it,” then you are pretty much in the same position as most social scientists. Despite the growing presence of these organizations, there has been little systematic research addressing

them. Churches, denominational leaders and other “front-line” workers have been the primary voices trying to understand the significance of these new organizations. There are several reasons for the lack of attention paid by social scientists, including a difficulty in finding data on these organizations and a traditional focus on individuals and churches. Research has also likely suffered from an uncertainty about whose “territory” such organizations fall into…religious studies, sociology, political science, communications, history, or some other field? When no one can decide who goes through the door first then no one ends up getting through (a little like an academic version of the Three Stooges).

Despite these challenges, this situation must be addressed. The parachurch population is not simply an equivalent product with a different label (i.e. another brand of facial tissue). These organizations represent a truly important innovation within the larger “religious organizations” category. Indeed, the rise of parachurch organizations is arguably one of the most important developments in American religion in the recent memory, both as a stand alone phenomenon and for its role in other phenomena that have received much more attention, such as the rise of the Christian Right or the growth of non-denominational Christianity. These organizations have not only become relevant in the United States, but dominant by some standards.

**The New Public Face of Christianity**

At a recent meeting of the Religion Newswriters Association, I was walking around the exhibit hall where various groups and organizations were looking to speak to and influence the journalists attending the conference. Representatives of some major religious groups, such as the Hindu American Foundation and the Baha’is of the United States, were present. It occurred to me, though, that when it came to representatives of Christianity there were more of these
“parachurch” organizations than denominations or churches. Think about this for a moment. This is a conference marketed towards journalists who specialize in covering American religion. And who is working the booths as the public face of American Christianity? While you might expect churches and denominations to be the primary representatives, they were notably outnumbered by various humanitarian, publishing, media, and advocacy groups that often had no official church or denominational membership.

This development has been hard to ignore. In fact, think about what you hear or read about religion in the media…odds are that you hear from or about these organizations more than you do from churches and denominations. A Washington Post article discusses “a nationwide Christian ministry for teenagers with disabilities.” CNN features a story about a religious organization serving men addicted to pornography. USA Today contains a story about a ministry trying to preserve “girls’ chastity by building healthy father-daughter relationships.”

During the span of a couple months, The New York Times covers a faith-based organization providing chaplains for corporations, a youth ministry causing controversy for its proposed

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4 Denominational organizations present included the Cooperative Baptist Fellowship and the Church of Jesus Christ of Latter-day Saints. Organizations that could be considered ‘parachurch.’ depending on the definition used. included the Knights of Columbus, Catholic Relief Services, Voice of the Faithful, the Institute on Religion and Democracy, Rev! Magazine, Group Publishing, The Alban Institute, Congregational Resource Guide, Lee Strobel, Case for Christ, Grace Hill Media, VeggieTales, Promenade Pictures, The Ten Commandments, Thomas Nelson Publishing and LifeWay Publishing.


event in San Francisco,9 and the acquisition of decommissioned Coast Guard ships by a Christian medical relief organization.10

Their influence has even made them noticed by less, well, ‘orthodox’ media. Stephen Colbert, comedian and host of satirical news program The Colbert Report, highlighted a Christian parachurch organization called Mastermedia International on his show after they declared a day of prayer for him. (He asked viewers to pray that he be given a Gulfstream Jet and the power of invisibility.)

The news media are not the only ones to notice the appearance of these organizations. Sociologists have written about the rise of religious “special purpose organizations”11 and “religious nonprofits.”12 In a recent book Michael Lindsay went to interview the most powerful and influential “elites” among American evangelicals. Where did he go? Denominational leaders? Guess again…he went to interview the founders, directors, and patrons of the parachurch world.13

All of the newspaper and magazine articles, television programs, scholarly and popular books, point to an awareness by journalists, academics, churchgoers, ministers, and denominations that the nature of organized religion has and is changing in the United States. But who or what are these organizations? They use many of the keywords we associate with churches or denominations—“faith,” “Christian,” “ministry”—but they are not churches or

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denominations in either appearance or action. Their buildings are more likely to contain cubicles than pews. They are lead by CEOs, not ministers. They are focused on everything but weekly worship services.

This book looks to provide some general insight into this parachurch phenomenon, but it specifically addresses one part of the larger parachurch population. Specifically, I focus on the largest Christian nonprofit organizations working on a national or international level. These organizations represent the most recognized segment of the parachurch population. Many of the chapters will draw upon financial and other forms of data for about 2,000 of these nonprofits. But to be clear where the nonprofits examined in this book fall into the larger parachurch world, we must have a broader understanding of what is included in that world.

**Mapping the Parachurch**

Many people have an intuitive idea of what we mean by “parachurch” and can name a few examples…Young Life, World Vision, Focus on the Family, and so on. But you might have noticed that the articles and books mentioned above used a variety of terms…parachurch, voluntary society, nonprofit, faith-based, special purpose organization, and so on. This raises the obvious question of what we mean by the term “parachurch,” and does “parachurch” mean the same thing as “religious nonprofit” or some of the other labels used?

The fact that more names exist for parachurch organizations than actual data is both a symptom of and a cause of why there has been little attention paid to such organizations. What if someone pointed to a large and diverse forest and told you to “go study the plants.” One of two things will happen. You will panic due to the overwhelming nature of a job with such generic instructions and quit before you ever start. Or, if you try to do it, you will spend all of
your time simply naming different things without learning anything of real value about any one of them.

Trying to study something like the “parachurch” is not so different. While it might sound useful or easy to “study the parachurch,” such unspecific guidance is similarly doomed to fail. I use the phrase “parachurch” as an umbrella term for a wide-range of organizations. But what is included under this umbrella and how does it all fit into the picture of American religion? Answering this question will not only provide guidance to understanding the overall parachurch phenomenon, but will allow us to zero in on one part of that phenomenon in later chapters.

Parachurch Pieces

Let us assume that the local congregation is the most basic unit of organized American religion.14 If we take the term ‘parachurch’ literally, that is “beyond” or “beside” the church, then all external religious organizations and associations15 interacting with a local congregation would be part of the parachurch sector.16 This would seemingly include denominational authorities and agencies. At first glance this may seem like an error. When most people refer to “parachurch” they imply organizations outside of the congregational and denominational

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15 We could split hairs about the meaning or boundaries of “religious” organizations. Here, however, I include those that are explicitly religious in their mission (e.g. church planting, mass evangelism) and those that are not explicitly religious in mission but are so in identity. That is, those pursuing superficially secular activities but claiming a religious motivation for their organization (e.g. Christian Surfers).
16 A fair argument could be made that secular actors are also part of the parachurch sector, since many congregations will interact with such organizations. However, the common usage of “parachurch” is limited to religious organizations. Secular actors usually constitute their own “non-church” category.
structure. But I am not the first to place denominations within the parachurch category. The theologian John Frame wrote that

We need to recognize that in an important sense, denominations themselves are para-church organizations. God did not authorize denominations...Nothing like a denomination is ever called a church in the Bible.

Denominations are, to put it paradoxically, para-church organizations that we have set up to govern the church and to carry on much of its ministry.

As we will see in Chapter 1, the history of denominations and parachurch organizations are closely intertwined. Furthermore, the competitive dynamics between the two, which will be examined in Chapter 2, result from the fact that they have many of the same functional purposes. The traditional exclusion of denominational organizations from the “parachurch” umbrella has more to do with the cultural primacy provided to denominational organizations in the United States than with any true differences between them and their parachurch peers. There is a reason why some have labeled us a “denominational society.”

Of course, congregational networks are not limited to denominational organizations. Both denominationally-affiliated and unaffiliated churches interact with many types of extra- and non-denominational organizations. These can be divided into two broad categories based on their profit orientation. For-profit organizations consist primarily of organizations producing

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19 Extra-denominational organizations would be those that claim some denominational or religious tradition (e.g. Baptist) but are not officially funded and/or governed by denominations.
religious music, books, and other products in the “Christian popular culture industry.” There are also some services, such as Christian counseling and day care centers, that operate on a for-profit basis. Interactions with the Christian for-profit sector often occur through individuals rather than directly through congregations.

As could be guessed by the presence of a ‘for-profit’ sub-group, nonprofit organizations comprise the other group within the extra- and non-denominational population. These are the organizations that most people mean when they refer to the parachurch sector. This population can be sub-divided along several lines. First, nonprofits can be partitioned by their more exact nonprofit status. The most well-known type of nonprofit is the 501(c)(3) organization, which designates an organization that is “operated exclusively for charitable, religious, educational, scientific, literary, testing for public safety, fostering amateur sports, or the prevention of cruelty to children or animals.” Contributions to 501(c)(3) nonprofits are tax-deductible, but the organization must adhere to certain rules. Most importantly, it cannot operate for the benefit of any individual or group of individuals (i.e. it cannot result in profits for its owners or managers) or engage in electioneering or significant political lobbying.

There are over twenty other 501(c) organizations, in addition to some 501 organizations featuring letters other than “c.” For instance, the 501(c)(19) status is for veteran’s organizations. I could go on for many more pages concerning the many rules and definitions related to nonprofit statuses. After all, we are talking about the tax code. For the sake of the reader’s sustained interest, I will just say that most organizations that we think of as ‘nonprofit’

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fall under the 501(c)(3) classification and this is the classification of organizations examined in
this book.  

We could also partition nonprofits based on the scope of their activities. Roughly
speaking, we can think of “local” and “national” nonprofits. Local nonprofits are those that
provide services or conduct activities just within one town or, at most, within one state.
Homeless shelters, food banks and camps are all common examples of Christian nonprofits that
are typically local in scope.  

The research that has been conducted on the parachurch sector has

23 There are also some unique features of the tax code in regard to religious nonprofits which are worth detailing,
and I will do so in Chapter 5.
24 Religiously affiliated hospitals and schools (including colleges) are also examples of local nonprofits. Granted,
some hospitals are in ‘networks’ and colleges often draw students from beyond their local area. For the purposes of
the data presented in later chapters they are not included for several methodological and theoretical reasons. First,
most are primarily local in their actual activities and impact. Furthermore, they fall under a different exempt
focused primarily on this segment of the nonprofit population, particularly those that provide social services. This has mainly been the result of political activity and the research dollars that follow such activity. The “Charitable Choice” and the later Faith-Based Initiative legislation put the spotlight on these organizations. This legislation provided the opportunity for faith-based social service providers to acquire government funding on the same level as secular providers. Social scientists responded to this legislation by looking at, among other issues, how Christian providers integrate their faith and services and how government funding affects their operations.

The research examining local Christian organizations providing social services is important, and I have no ‘beef’ with such work. Nonetheless, the focus generated by the government funding issue has limited our perspective on the Christian nonprofit world. As will be seen, many Christian nonprofits are engaged in much more explicitly religious activities than providing shelters or soup kitchens. This is particularly true once you move beyond the local context and examine nonprofits working on a national and international level.

Nonprofits with a national and international scope differ in other important ways from their local counterparts. This is the segment of the parachurch world where organizations are as well-known in urban Miami as they are in small-town Cody, Wyoming. These are the organizations where churches and individuals in both California and Maine purchase products or hold memberships. This is the segment of the parachurch world where revenues rival that of some purpose category than the organizations examined in this book (see the Appendix for more information). Finally, their exclusion is simply based on theory and conceptualization. It is not clear that the relationship between churches, adherents, and the parachurch world is the same with organizations such as hospitals. Indeed, I have not seen many inclusions of hospitals and schools in discussions and writing on the ‘parachurch’ sector.

denominations, and the nonprofits’ influence among churches and individuals is similarly powerful. And this is the part of the parachurch world that will be the focus of this book.

**Three R’s**

This book is guided by three primary research questions. The first guiding question attempts to understand the *rise* of the parachurch sector, and specifically the nonprofits examined in more detail throughout the chapters. What led to the creation of these organizations? Are they really new? What is feeding their growth? Chapter 1 will examine these and other questions concerning the history of the parachurch and Christian nonprofit populations. We will see that, while there are some new developments in the parachurch phenomenon, it is far from being ‘brand’ new.

The second concerns the *role* of the parachurch sector in American religion. Chapter 2 will explore the often ambivalent relationship between these new actors and their congregational and denominational peers. Chapter 5 will explore the fuzzy and often porous line that exists between the church and parachurch worlds. Chapter 3 will approach this “role of the parachurch” question from a more literal angle by profiling nine major activities pursued by the largest national Christian nonprofits in the United States and organizations within each of those sectors.

Finally, I aim to use the financial data and other information to explore how these Christian nonprofits are *run*. Chapter 4 examines the raising and spending of money and the factors that produce variation in financial behaviors in Christian nonprofits. Chapter 6 will
examine the issue of leadership compensation. Finally, Chapter 7 explores patterns and consequences of government funding.

A Note on These Data

As discussed in this chapter, the ‘parachurch’ sector includes multiple sub-types of organizations. This book is primarily about one of these groups: large, national Christian nonprofits based in the United States and working on a multi-state and/or multi-national level. Hence, the data presented throughout the book represents this slice of the parachurch and nonprofit world. It does not necessarily represent the thousands of Christian nonprofits that are small or work on a local level, although many of the underlying processes discussed throughout the chapters are just as applicable to those organizations. Furthermore, my focus and the research utilized in the chapters are based on Christian non-profits and does not include non-Christian non-profits.27

The interested reader can find more detailed information concerning the data collection and measures in Appendix I. For those wanting a thumbnail sketch of these data, I provide some description now. Multiple sources, including data compiled by the National Center for Charitable Statistics, the membership list of the Evangelical Council for Fiscal Accountability, the Associations Unlimited database and websites such as Ministry Watch and Charity Navigator, were used to create a list of Christian nonprofits. GuideStar.org and Foundation Center.org were then used to locate the scanned IRS-990 forms for each organization for the

27 This exclusion is due to both practical and theoretical reasons. Limiting the research to Christian non-profits focused the data collection process. It is also not clear that Islamic, Jewish, or other non-profits are responding to the same theological and sociological mechanisms that underlie the growth and operation of Christian non-profits.
fiscal year ending in 2004. Using organizations’ websites and tax forms, the population was filtered to exclude those with total revenue under $200,000 and those working on a local or single-state level. A financial database was created using the 990 forms of the remaining nonprofits. These financial measures were supplemented by a content analysis of the organization’s statement of purpose and activities included in the 990 form. This database containing 1,941 of the largest national and international Christian-nonprofits constitutes the primary source of data presented in the following chapters.
Chapter 1:

From Religious Societies to 501(c)(3)s:

A Brief History of the Parachurch

You, sir, are respectfully requested to give publicity, through the medium of your paper, to the following brief representation of facts, made by a committee of the British and Foreign Bible Society…Their amiable and disinterested example has called into being the Bible Society in our city. In New York, New Jersey, Massachusetts, New Hampshire and Connecticut, similar ones have risen, and it is devoutly to be hoped that many, many more will soon appear…

---Letter to the Editor, 1810

Like love triangles in trashy romance novels, declaring something a “new” phenomenon is one of the most overused plot devices in social research. The reasons are understandable. As with the natural sciences, discovering something new is a quick way to make your research innovative and important. The only problem is that such claims are almost never entirely accurate. Few social phenomena are truly ‘brand’ new. However, I do not subscribe to the bland view that everything in social life is just redundant or cyclical. The truth is usually in between these two extremes. There are new aspects of many social behaviors and institutions, but they also frequently have historical precedents.

So it is with Christian nonprofits. It would be nice to say that the rise of Christian nonprofits came from nowhere and constitutes the discovery of a new social ‘species.’ I could even name it after myself (although, Religio scheitle is an admittedly unfortunate name, even by scientific standards). However, this argument would have some internal flaws given that some of the organizations discussed in the following chapters are over 200 years old. There are

28 Appeared in the Boston Mirror, 6-30-1810.
29 The other being the ever-present “gap in the literature.”
aspects of the Christian nonprofit population’s growth and development that are new and deserve our attention as such. But it would first be useful to explore some of the historical roots and predecessors of the contemporary Christian nonprofit population.

**The Proto-Parachurch**

One can find many different claims about the “birth date” of the parachurch sector. Some point to the period after World War II, others to the 17th century, others to the medieval era, and still others to Biblical times. All of these are right to some extent, at least depending on how loose of a definition we are willing to accept. As we limit our conception of parachurch organizations to the type of formal organizations that exist today, the more recent periods begin to look more accurate. However, if we relax our expectations, then it is possible to find proto-parachurch organizations much earlier.

Ralph Winter, a Professor of Missions, argues that the ‘Church’ has always consisted of a local church arm and a missionary (i.e. parachurch) arm. He calls the former the “modality” and the latter the “sodality.” Many find precedents in the Bible and in history for activities and organizations existing outside of the control of local churches. This view is in contrast to those that argue the parachurch sector has no historical or biblical basis. Paul, for instance, is pointed to as the father of independent mission agencies. He founded and “strengthened” several congregations during his travels, providing the Biblical basis from which many contemporary church planting agencies draw from in their mission statements.

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Paul was “sent off” not “sent out” by the Antioch congregation. He may have reported back to it but did not take orders from it. His mission band (sodality) had all the autonomy and authority of a local congregation.

From the communities of “desert ascetics” in the third century to mendicant orders, the Catholic Church also provides examples of various movements that could be considered ‘parachurch.’ Many of these were not truly ‘parachurch’ since they were usually within the official boundaries of the institutional church. Even today Catholics represent about one quarter of the population but only four percent of largest Christian nonprofit organizations. This is not because Catholics are simply inactive in trying to engage the world, but because they are much more adept at channeling such parachurch energies through internal routes. In fact, some have argued that there is something uniquely Protestant about the parachurch phenomenon. Telford Work states that the Reformation was based in a suspicion of church structures and an emphasis on personal salvation.

Ecclesiology takes a back seat to soteriology, and the Church becomes merely an external instrument—perhaps even a dispensable instrument—of salvation. The earthly Church is to salvation as wineskin is to wine; its job is to dispense grace to needy souls and stay out of grace’s way.

This produced an “action-oriented” Protestantism that views churches as stagnant vehicles for that action, leading Protestants to find numerous other routes for their efforts. Ralph Winter

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calls this “the other Protestant schism.” Comparatively, Winter refers to the “enviable Roman Catholic synthesis” of church and parachurch structures.

**British Religious Societies**

While their roots clearly go deeper, a more direct ancestor of contemporary parachurch organizations were the British religious “societies” that primarily engaged in missionary work and scripture distribution. These are easy to spot in the historical record as they were usually called the “[X] Bible Society” or “[X] Mission Society” where the X represents some city, religious, or social group (e.g. the London Bible Society). The earliest example was the Company for the Propagation of the Gospel in New England. Founded in 1649 and later renamed as The New England Company, it worked among the Native Americans in the American colonies. It still exists today as a grant-making agency to students and pastors in Canada and the Caribbean. This was followed in 1691 by the painfully self-descriptive Society for the Conversion and Religious Instruction and Education of the Negro Slaves in the British West India Islands.

While they may have been the earliest, neither of those two organizations matched the size or influence of the Society for Promoting Christian Knowledge (the S.P.C.K.). The S.P.C.K was a voluntary association founded in 1698 with the goal of producing and distributing Christian literature to alleviate the “gross ignorance of the principles of the Christian religion” both in Britain and overseas. The S.P.C.K. is still in operation and is the third oldest publisher

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37 New England Company. [www.newenglandcompany.org](http://www.newenglandcompany.org)

38 The phrase “voluntary association” or “voluntary society” were the common pre-20th century labels for parachurch organizations before the latter term became popular. See Robert H. Krapohl and Charles H. Lippy. 1999. *The Evangelicals: A Historical, Thematic, and Biographical Guide*. Westport, CT: Greenwood Press.
still in existence in England. Its first tract, *The Souldier’s Monitor*, was actually more of a book at 72-pages. Like that first publication, many of the S.P.C.K’s tracts targeted various social groups such as sailors, farmers, and prisoners. The organization later began to publish books in addition to these pamphlets.

While measuring program effectiveness is a major concern for contemporary nonprofits (see Chapter 4), the effectiveness of these publishing and distribution strategies seem to have been a secondary concern in a period when literacy was low. As the historian Victor Neuburg observes:39

What is surprising about these tracts is not the dreary subject matter, nor one’s doubts about whether the recipients ever gave them more than a second glance: it is the scale of the operation, and the assumption made by fairly hard-headed clergymen that masses of people could at this period be reached effectively by means of the printed word. Even allowing for their enthusiasm, and a zeal which may have outrun reality, they were prepared to back their views with hard cash…

The S.P.C.K engaged in some missionary activities such as “Christianiz[ing] the North American Indians,”40 but the Society for the Propagation of the Gospel in Foreign Parts (S.P.G) was dedicated to such efforts. Created in 1701, the charter of the society read:41

> Whereas, in many of the English plantations, colonies, and factories beyond the seas, the provision for Ministers is very mean; and many others of the said Colonies are wholly destitute and unprovided of a maintenance for Ministers and the public worship of God…many of our said subjects do want the administration of God’s word and sacraments….We have, for the considerations aforesaid….constituted and appointed a Society…

The Society sent missionaries to the various territories of Great Britain to provide religious education and services to indigenous populations and colonists. Unlike the S.P.C.K., the S.P.G.

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was tied to the British government and the Church of England, but it also had its “own direct freedom of action.” Indeed, the charter of the Society allowed it to “make any constitutions, laws, and statutes whatsoever, which shall seem reasonable, profitable or requisite.”

The histories of the S.P.C.K. and S.P.G. are intertwined in more ways than just having similar founding dates. The S.P.G. was actually a ‘spin-off’ of the S.P.C.K. The idea for chartering a “Corporation for Propagating the Gospell in Foreign Parts” was first considered at a meeting of the S.P.C.K in May of 1701, about a month before the charter was issued by the Church.

This description, however, does not do justice to the people behind these events. Specifically, it does not do justice to the person behind this event. The S.P.G. was the brain-child of Thomas Bray who was also the founder of the S.P.C.K. This makes Bray the first multi-organizational founder in the parachurch sector, a title held by some of the more well-known contemporary founders of Christian nonprofits (e.g. Billy Graham, Pat Robertson). Bray began his career by establishing libraries in America and England. This work provided the inspiration for the S.P.C.K. Bray wrote *A General Plan of the Constitution of a Protestant Congregation or Society for Promoting Christian Knowledge*, which would serve as the organizational plan for the S.P.C.K. and S.P.G. His vision was for a “corporate body empowered to receive gifts and legacies, and charged both to send missionaries to the plantations, provide them with libraries, and care for the maintenance of themselves and their dependants.” As we will see, this is a vision that would accurately describe many nonprofits described in this book.

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**Importation**

The British missionary, Bible, and religious tract societies would be serve as the inspiration for similar societies that began to flourish into the United States in the late 18th century and early 19th century. A 1796 letter to the editor in the Boston-based *Columbian Centinel* responded to the creation of a Bible society in London by asking,45

“Might not a Bible Society in America, be very useful in counteracting the effects of Anti-Bible Societies, who are industriously circulating in every part of our country, the poisonous works of Tom Paine?”

It did not take long for this call to be answered. Soon, announcements about tract and Bible societies began appearing in newspapers across New England. The Massachusetts Society for

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45 September 3, 1796. *Columbian Centinel*. Boston: MA.

These societies modeled themselves after their British counter-parts and their activities were provided legitimacy through those earlier organizations. The 1811 report of the Connecticut Tract Society argued that distributing tracts has ⁴⁷

“peculiar advantages. It has, for a number of years past, been pursued with great success in Great-Britain. Several millions of tracts have been there distributed. The salutary effects have been clearly perceived.”

Of course, as noted in earlier, it is difficult to know what “great success” actually meant in Great Britain or the United States. This quote seems to suggest that distributing millions of tracts is the equivalent of success whether or not the recipients read, or even could read, the tracts.

At the same time these Bible and tract societies were being founded in New England, American mission societies modeled after their British counterparts were appearing. A 1796 article in the Centinel of Freedom noted that the clergy and laity of several churches had created the New York Missionary Society to “send the gospel to the Indian tribes.” ⁴⁸ The following years would see similar announcements about the founding of other mission societies. Some of these organizations were “fronts” that subsidized Mainline clergy in areas dominated by Baptists and Methodists, a point we will return to shortly. ⁴⁹ Others, like their contemporary descendants, sent missionaries to other nations to evangelize, educate, and provide other services to the population.

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⁴⁷ April 18, 1811. Connecticut Journal. New Haven, CT.
⁴⁸ November 11, 1796. The Centinel of Freedom. Newark, NJ.
Somewhat after the appearance of the mission and publishing societies, religious societies began to form around certain social issues, particularly with combating slavery and immoral behaviors. The structure of parachurch organizations proved particularly necessary for these movements as they allowed individuals to unite for a cause when their churches and denominations were crippled by division on these issues. It is not surprising that the same motivation provokes the creation of many contemporary parachurch organizations, although the issues may have changed to abortion, sexuality, and family values.

Today there is much discussion about the novelty of nonprofits and other parachurch organizations. This is not the first time these discussions have occurred. Despite having precedents in England, these early American parachurch organizations viewed their activities as being cutting-edge and potentially controversial. The 1797 Report of the Directors of the New York Missionary Society noted the innovative nature of their organization:

“An institution so novel in this country, and so much beyond the ordinary habits of religious enterprise as the present Missionary Society, could hardly expect to enjoy immediate and universal support. Yet it is not without peculiar satisfaction, that the Directors find, that in proportion as it is understood, it recommends itself to the approbation and affection of Christians of different denominations.”

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From Importation to Nationalization

The mission, publishing, and activist societies founded in various cities and states formed the historical foundation of the parachurch in the United States, but these societies would undergo two major transformations in between their founding and the rise of contemporary
Christian nonprofits. The first would see the uniting of those local societies into national organizations. For instance, in early 1816 announcements began to appear in newspapers and various states proposing the creation of a National Bible Society, which soon after became the American Bible Society. The many tract societies also underwent a national consolidation with the 1825 creation of the American Tract Society.

There were several motivations for this consolidation. At a practical level, many of the local societies realized that their efforts would be much more efficient if they coordinated their activities and resources. Bible societies, for instance, wanted to make sure that they did not waste time distributing materials in an area already covered by other societies. But they were also motivated by technological and economic concerns. This was particularly true with the publishing societies. With the creation of mass printing techniques, the local societies realized that it would be more efficient for a centralized printer to produce the Bibles and tracts, but many could not afford such a mass printing operation on their own. The creation of a centralized national organization allowed the local societies to pool their resources. Indeed, one of the first decisions made by the American Bible Society was that their “first exertions ought to be directed toward the procurement of well-executed stereotype plates.”

The local societies did not disappear. Instead, many became “auxiliaries” of the national organizations that would raise money locally and then use those funds to purchase materials from the national society.

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This national consolidation did not occur without some objections. In 1816, a writer in the New York newspaper *The Columbian* argued against the creation of a National Bible Society stating:\textsuperscript{53}

\begin{quote}
[Local] Societies can act with most efficacy, each in its little circle. Besides, a National Bible Society, may give ideas of a national religion. Beware of any thing like an established church…
\end{quote}

But despite these objections, religious societies of all sorts underwent national consolidation beginning around 1815. Sunday school societies turned into the American Sunday School Union (1824). Missionary societies turned into the American Board of Commissioners for Foreign Missions (1812) and the American Home Missionary Society (1826).\textsuperscript{54}

Ironically, while some of the motivation for this consolidation effort was to increase cooperation among different groups, an equal motivation for some was to compete more efficiently. Being increasingly challenged by “upstart” Methodists and Baptists, the old order of Presbyterians and Congregationalists felt the need to present a united front.\textsuperscript{55} This led to the Plan of Union in 1801, which was essentially a “let’s be friends” agreement between the two groups. Presbyterians and Congregationalists agreed to cooperate in missionary efforts and to help each other out in their own congregations by creating a system for sharing ministers.\textsuperscript{56} This initial cooperation at a national level laid the foundation for future cooperation between the two groups in the national publishing and missionary organizations. In fact, many of the

\textsuperscript{55} Finke and Stark 2005  Pg 64.
\textsuperscript{56} Latourette 1941. Pg. 208. See also Finke and Stark 2005. Pg 64.
organizations mentioned above were dominated by Presbyterians and Congregationalists, leading some to call them “Presbygational.”

**From Nationalization to Denominalization**

The happy marriage between those two denominations, while bringing national parachurch organizations into the world, did not last long. Groups on both sides of the Presbyterian-Congregationalist association became annoyed with what they perceived to be a dilution of their identity and/or ineffectiveness within the union. Beginning around 1840, both sides began to resign their membership from the Plan of Union along with the national parachurch organizations it had produced.

This led to the third major phase of parachurch development. To replace the activities previously channeled through the national parachurch societies, denominations began to create their own publishing and missionary organizations. This coincided with the rise of elaborate denominational structures and agencies. For example, the Presbyterians created agencies such as the Presbyterian Board of Domestic Missions and the Board of Church Erection. Since they had not been invited to the “Presbygational” party, Baptists and Methodists had already begun creating denominational agencies. While some of the national societies survived (and still survive today), denominations became the central organizational players in American religion. That is, until the mid-20th century, when the fourth and most recent era in the U.S. parachurch history seems to have began.

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60 Latourette 1941. Pg 213.
De-Demoninalization: Rise of the 501(c)(3)

From the British-inspired publishing and mission societies to the American abolitionist movement, it is clear that parachurch organizations did not appear *ex nihilo*. However, the many books, articles, and discussions seen and heard in the past couple of decades about the “burgeoning” parachurch sector have not been in reference to these 19th century organizations.61 Instead, there is a feeling that the last few decades have seen a new wave of parachurch organizations. Although it has not always been clearly expressed, most people see this wave as consisting of a growth in formal organizations holding an official “nonprofit” status with the government:62

A new breed of nonprofit organization—the parachurch—is dramatically reshaping the religious world—and taking religion beyond the walls of the traditional church…

A casual look at the organizations commonly referred to as parachurch does show that most are 501(c)(3) nonprofit organizations, seemingly confirming these perceptions.

How should we understand the perceived growth in Christian organizations holding this status? What is or is not new about this phenomenon? Maybe we should begin by asking whether this perception of growth is even accurate. We can examine the ruling dates of the nonprofits examined in this book to look at this question. The ruling date is the date in which an organization was granted official nonprofit status by the government. There are a number of reasons why this may not be the ideal way to look at the growth of Christian nonprofits, but in the absence of other data this provides an adequate substitute.63 As seen in Figure 1, the number

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63 Ruling dates do not necessarily equal founding dates. An organization may have waited to file for nonprofit status, but usually filing occurs within a year or two after the actual founding. The primary exception to this are very old organizations who could not have filed due to non-existence of a real “nonprofit” status. In addition, I am doing a ‘backward projection’ based on the ruling dates of currently existing organizations. This is not ideal since
of new Christian nonprofits each year numbered in the single digits until the 1960s when the number steadily increased to fifty new organizations a year in the 1980s. Since the 1990s, the rate of new filings has been seventy or more a year. As with most social phenomena, we can point to a number of sources for this growth.

![Figure 1-1](image)

**Figure 1-1**

*Number of Christian Organizations Gaining Non-Profit Status*

Institutionalization of Nonprofits

To begin with, there has been an overall growth in the nonprofit sector. In 1996 there were just over five hundred thousand 501(c)(3) organizations in the United States. Ten years later this had almost doubled to over nine hundred thousand. It is only normal that Christian organizations would follow this general trend. It would be more surprising if the number of

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nonprofits with a Christian identity had not grown with the overall nonprofit population. So, to understand at least some of the growth in Christian nonprofits we must understand the overall growth of 501(c)(3) organizations.

There are several related explanations for the increased popularity of nonprofit organizations. Most obvious are the material incentives to having official the 501(c)(3) status. There are a number of other federal, state and local benefits to having nonprofit status, not the least of which are exemptions from paying many taxes. If you have ever received mail from a nonprofit organization, you might have noticed a special “nonprofit” stamp in the upper-right hand corner. Nonprofit organizations receive postage discounts, which can be extremely important for those that relying on communicating and fundraising through the mail. All of this provides incentives for new organizations to immediately gain nonprofit status and for old organizations to examine their eligibility as well. Sociologists call this “coercive isomorphism,” which basically means that organizations will start to act and look similar when there are external pressures motivating them to do so. Because it cannot or will not provide certain social goods and services directly, the government provides incentives for other individuals and organizations to fill the gap. These incentives lead many organizations to gain 501(c)(3) status when they may not done so otherwise, and therefore the government incentives help feed the growth in the nonprofit population.

There have also been political and social changes that have led to the growth of nonprofits. Political changes (“New Federalism” under Nixon and Reagan) resulted in the outsourcing government services to the private sector, usually to nonprofits.65 This created a large pool of money and the supply of nonprofits to spend it quickly followed. However, this is

unlikely to have been a major source of growth among Christian nonprofits since very few receive government funding (see Chapter 7). The tax code has steadily become more expansive in what is considered a justification for nonprofit status therefore allowing and encompassing many organizations and activities that it previously did not cover. Some argue that over time more social issues are simply identified and nonprofits created, while at the same time few of these causes are ever really ‘solved’ or nonprofits disbanded.

It is worth noting that the increased presence of nonprofits provides its own source of growth. As it becomes more popular for individuals to organize themselves as a 501(c)(3) nonprofit, future organizations become more aware of this trend and are pressured to follow suit. The nonprofit status becomes, whether accurately or not, a badge of legitimacy. Consider what you would do if contacted by an organization with a seemingly nonprofit mission (e.g. an animal rescue organization) that did not have 501(c)(3) status. There is a good chance that you would suspect that the organization is not what it says to be. You may ask, “is this really a nonprofit or will my money go to this person’s new sports car?” The official nonprofit status has become increasingly necessary for organizations just for its symbolic benefits. That is why many nonprofits, including the Christian ones discussed in this book, advertise their 501(c)(3) status on their websites and other publications.

**Growth of Unaffiliated Resources**

While the overall trend of growth in the nonprofit sector clearly plays a role in the growth of Christian nonprofits, there are other forces contributing. While the institutionalization of

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67 Berry and Arons 2003. Pg. 7.
nonprofit organizations may have channeled people towards a specific outlet, significant changes in the religious landscape of the United States provided the motivation for them to seek out that outlet in the first place.

One of the most significant yet underappreciated developments in the United States has been the rise of a trans-denominational or non-denominational Christian identity. This is reflected in the increase in non-denominational congregations and the corresponding increase in individuals claiming non-denominational or “Christian” affiliations. According to the General Social Survey, the percent of Protestants claiming “no denomination or non-denominational” has gone from about four percent in the early 1970s to fifteen percent in 2006.68 Corresponding to the growth of unaffiliated individuals has been unaffiliated congregations. The 1998 National Congregations Study estimated that non-denominational churches represent 19% of all congregations and contain 11% of all attendees.69 As a collective this group would represent one of the largest denominations in the United States.

How is this trend related to the growth of Christian nonprofits? Just because a congregation is or becomes unaffiliated with a denomination does not magically free them from needing the goods and services typically obtained from denominational structures. Independent congregations still need worship supplies, church and leadership consulting, ministry education and training, missions support, and so on. A congregation without denominational allegiances represents money looking for a place to be spent. Many signs seem to suggest that Christian nonprofits, along with the for-profit peers, are responding to fulfill this demand.

68 This is likely an underestimate since it does not count the individuals in various independent Baptist churches that are included in the individual claiming an “other” or “don’t know” Baptist affiliation.
Figure 2 compares the percent of the Protestants in the United States stating they do not have a denominational affiliation over the past thirty years with the ruling dates of the Christian nonprofits examined in this book. As noted earlier, the percent of unaffiliated Protestants has gone from about four percent in the early 1970s to over nine percent in the early 2000s. This has corresponded to a similar doubling of the rate of Christian nonprofit filings. Even more telling is the apparent lag between increases in unaffiliated individuals and nonprofits. The jumps in nonprofits seem to follow about five years after jumps in unaffiliated individuals. An increase in the mid-1970s in unaffiliated individuals was followed by an increase in the early 1980s in nonprofits filings. Another jump in non-denominational identity in the late 1980s was followed by an increase in nonprofit filings in the mid-1990s. This lag is not surprising because it takes

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70 Lines represent three year moving averages. Affiliation data come from a cumulative file of the General Social Survey.
time for the market to respond to changes in demand and resources. Before a nonprofit can survive, there must be people and congregations willing to support it.

Of course, any social scientist knows that correlation does not equal causation. It is possible that the simultaneous increase of non-denominational identities, independent churches and Christian nonprofits is just coincidental. However, there is additional evidence to support a link between the two. While there has been relatively little data collected on the relationships between individuals, congregations and the parachurch sector, existing research has shown a higher rate of parachurch patronage by unaffiliated individuals and churches. A recent national survey showed that individuals claiming a non-denominational identity were more likely than other individuals to have read books by James Dobson and Rick Warren, both heads of large Christian nonprofits. They were more likely than Catholic, denominationally-affiliated mainline adherents, and even affiliated evangelicals to have read these authors.

<table>
<thead>
<tr>
<th>Purpose Driven Life-Rick Warren</th>
<th>Non-Denominational Protestant</th>
<th>Affiliated Evangelical</th>
<th>Affiliated Mainline</th>
<th>Catholic</th>
</tr>
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<tbody>
<tr>
<td>Focus on the Family-James Dobson</td>
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<td></td>
<td>38</td>
<td>29</td>
<td>20</td>
<td>9</td>
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<td></td>
<td>39</td>
<td>32</td>
<td>12</td>
<td>8</td>
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</tbody>
</table>

Source: The 2005 Baylor Religion Survey; Data are weighted to be nationally representative;

This pattern seems to hold at the congregational level as well. In interviews with seventy-three independent churches, Scott Thumma found that non-denominational churches rely on the parachurch sector to “strengthen the nondenominational identity much like an established
denomination's resources, programs, publications and seminaries reinforce a denominational culture.”71

**Denominational Loyalties and Outsourcing**

The increase of unaffiliated individuals and congregations has clearly contributed to the growing population of Christian nonprofits, but their denominationally affiliated peers have not been absent from the list of nonprofit patrons. Sociologists have been talking about the “decline of denominationalism” for twenty years.72 This is the proposition that individuals are increasingly less constrained by their particular denominational identity and will move across denominations freely. Studies of this issue have been mixed. Individuals still seem strongly influenced by denominations when it comes to picking and switching their religious affiliations.73 A person who is raised in a Lutheran denomination tends to stay within that denomination, and if they do switch affiliations it tends to be to another Lutheran denomination.

On the other hand, the above discussion concerning the growing numbers of independent congregations and “just Christian” individuals does give support to the idea that denominational boundaries are becoming less influential in the religious market. Even within denominations there are signs of decreasing loyalties by congregations and members. For example, there has been a growing concern among denominations about the decline in the proportion of church income provided back to the denomination. These so-called “benevolences” are used for denominational mission and outreach work. At the same time there has been a parallel decrease

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within denominations in the percent of a person’s income given to the church. In sum, people are giving less of their income to the church, and churches are giving less of their income back to denominational structures.\textsuperscript{74}

![Figure 1-3 Denominational Benevolences and Non-Profit Filing Dates](image_url)

However, the story becomes more complicated once we factor in the rise of Christian nonprofits. As seen in Figure 3, the decline in benevolences has been offset by the increasing numbers of nonprofit organizations.\textsuperscript{75} These nonprofits must have money to survive, and not surprisingly, most of their customers are the same as that for churches and denominations. When


\textsuperscript{75} Benevolence numbers come from \textit{The State of Church Giving Through 2004} Published by Empty Tomb, Inc. “Table 1: Per Member Giving as a Percentage of U.S. Per Capita Disposable Personal Income, and U.S. Per Capita Disposable Personal Income, 1968-2004.” [http://www.emptytomb.org/table1_04.html](http://www.emptytomb.org/table1_04.html)
faced with competing demands for their time and money, individuals must either increase their overall support or choose one over the other. It seems that at least some of the growth in the population of Christian nonprofits has come at the expense of denominational competitors.

This means that the decline in denominational finances is probably more of a “transformation” than an overall “decline” in religious philanthropy. Of course, this is probably not much comfort to denominational leaders since this transformation means that their members’ support is being increasingly won by organizations in the nonprofit sector. This has led some to suggest that many denominations wave the white flag by downsizing staff and abandoning those efforts in which nonprofits and other parachurch organizations have taken over.

All of this begs the question of why individuals and churches have shifted their support from their denominations to the parachurch sector. As we will see in the following chapter, there are competitive and organizational dynamics that provide certain advantages to parachurch organizations. Some of the transformation, then, is due to parachurch organizations simply “winning” the support of denominational members and churches in head to head competition with churches and denominations.

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<table>
<thead>
<tr>
<th>Parachurch Era</th>
<th>Importation</th>
<th>Nationalization</th>
<th>Denominalization</th>
<th>De-Denominalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximate Years</td>
<td>1790-1815</td>
<td>1815-1830</td>
<td>1830-1950</td>
<td>1950-Present</td>
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<tr>
<th>Motivations &amp; Social Forces</th>
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<tr>
<td>U.S. Independence</td>
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<tr>
<td>Frontier Expansion</td>
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<tr>
<td>Lack of Denominational Agencies</td>
</tr>
<tr>
<td>Efficiency</td>
</tr>
<tr>
<td>Cooperation</td>
</tr>
<tr>
<td>Competition</td>
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<tr>
<td>Dissatisfaction with National Agencies</td>
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<tr>
<td>Financial Struggles of National Agencies</td>
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<tr>
<td>Mainline Withdrawal</td>
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<tr>
<td>Growth of Non-denominational Population</td>
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<tr>
<th>Organizational Consequences</th>
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<tr>
<td>Local &amp; State Publishing, Missions, and Other Religious Societies</td>
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<tr>
<td>National Publishing, Missions, and Other Religious Societies</td>
</tr>
<tr>
<td>Denominational Agencies</td>
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<tr>
<td>Non-denominational Nonprofits</td>
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</tbody>
</table>

But there have been changes in many denominations that have made competition a non-issue, particularly among the Mainline denominations. Many of these groups have all but stopped many of their missions programs, church planting, and other domestic and foreign outreach. The largest Mainline denominations, including the Episcopal Church, the United Methodist Church, the United Church of Christ and the Evangelical Lutheran Church in America, all have fewer than one foreign missionary per 10,000 members. This compares with over nine for the Southern Baptist Convention, twenty-six for the Christian and Missionary Alliance, and over one hundred for the Church of the Nazarene. It is true that there is probably lower demand within these denominations for these programs. However, it is unlikely that there is absolutely no demand within them. The retreat of Mainline denominations has provided many open spaces in the market for parachurch organizations to utilize. To put this more crudely, there

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is a lot of money searching for a place to be spent. This has not gone unnoticed among Mainline leaders:  

These [parachurch] organizations are not made up of free-floating, unaffiliated evangelicals. *The mainline evangelicals themselves are the backbone of the massive parachurch organizations dominating much of American Christianity.* The mainline liberal establishment should not delude itself on this point…. The parachurch dollars are coming from mainline pockets.

**Feedback Effects**

So far we have been speaking of growth in Christian nonprofits as the outcome of various trends in the religious market of the United States. But we should also be aware that with increasing numbers of Christian nonprofits, it becomes easier for even more growth in the population. Earlier we spoke of how the popularity of nonprofit organizations begins to provide even more legitimacy to the nonprofit sector. This legitimacy, in turn, provides stimulus for the creation of even more nonprofit organizations and the growth of existing organizations.

A similar feedback effect could occur, or might already be occurring, with Christian nonprofits. While the growth of independent churches and individuals provided the initial resources for Christian nonprofits, the appearance of Christian nonprofits provides the support for future independent churches and individuals. As the organizational foundation for non-denominational Christianity is built, it becomes easier for individuals and churches to join that movement. In short, current nonprofits are cultivating the source for future nonprofits. Even with denominationally affiliated churches and individuals, the growing number of Christian nonprofits will likely accelerate the trends in declining benevolences and church giving.

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80 This is similar to a concept called “density dependence” in the study of organizations. See, for instance, Howard Aldrich. 1999. *Organizations Evolving.* Thousand Oaks, CA: Sage Publications.
Individuals will be presented with organizations providing even more services, or at least better services, previously provided by their denominations. Those churches and individuals who have resisted such ‘outsourcing’ will become tempted as it becomes even more common among their peers.

**Figure 1-4 Mechanisms of Christian Nonprofit Population Growth**

The idea of “temptation” might be an especially appropriate term for the position of churches in their consideration of nonprofit patronage, as it hints as a certain tension between restraint and desire. Indeed, you likely noticed that this chapter has raised some serious questions concerning the relationship between churches, denominations, and the parachurch sector, in its historical and contemporary forms. These questions are central to understanding the role of Christian nonprofits in the religious landscape of the United States. Hence, it is these relationships which I explore in the next chapter.
Chapter 2:

The Ecology of Church & Parachurch

There was a day when newspapers would summarize Sunday’s sermons of prominent ministers in their Monday editions; today the media interview and quote from parachurchmen—Bill Bright, Billy Graham, Charles Colson and the celebrity figures. *Time* magazine’s cover story on the evangelicals quoted no pastor. Television specials interview “leaders,” which usually are not pastors…Official and unofficial grumbling has begun about the shift.81

The relationship between churches, denominations, and the parachurch sector has had a tenuous and complex history. The term “parachurch” hints at this tension. The prefix “para” could be defined as something existing “beside” or “alongside” of a related entity. However, it could also be defined as something “beyond” or “aside from” a related entity. The difference is subtle, but it represents the crux of the problem. Is the parachurch sector a partner working cooperatively *alongside* of churches and denominations, or is it a rogue agent working *beyond* the reach of them?

On the one hand, parachurch organizations have many of the same goals and motivations as denominations and congregations…supporting believers, spreading the faith, and so on. This obviously provides reason for at least some inherent affinity between churches, denominations and parachurch organizations. And, in fact, most ministers, denominational leaders, and church-goers will say positive things about parachurch organizations. However, those positive comments are often followed, either forcefully or cautiously, by a “but I wish they…” or a “but I don’t like that…”.

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These second thoughts are present in some of the earliest commentaries on the contemporary parachurch sector, many of which raised concerns about the potential downside of parachurch organizations. Jerry White spoke of an “uneasy marriage” between the church and parachurch.82 David Fitch threw parachurch organizations in the same category as big business, consumer capitalism, and other “modern maladies” (apparently if the first two left you unsure of his opinion of the parachurch sector, the latter was meant to leave no doubt).83 What is the source of the ambivalence between populations that seemingly have such similar motivations and goals?

**Turf Wars**

The charges against parachurch organizations range from the theological to the financial. Regarding the former, some believe that organizations working outside of the church have no Biblical legitimacy.84 The argument is that, while the activities of parachurch organizations may be worthy pursuits, those pursuits should be initiated and overseen by local churches. As the focal point of Christianity, all work of the ‘Church’ should radiate from the ‘church,’ given the latter’s “theological priority.”85 Being composed of and at least indirectly accountable to churches, denominational organizations work within this system, but the extra- and non-denominational organizations do not.86 In the words of one writer:87

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84 See for example, White 1983.
86 Clearly there have been many instances when the denomination takes on a life of its own independent from its own its members and congregations. Theoretically, though, a denomination is the servant of its members and churches.
87 Board 1979.
The major criticism, and one that is easiest to make stick, is that they lack accountability to anyone but themselves. Parachurch groups are religion gone free enterprise.

But let us think about this statement for a minute. Since when has religion not been free enterprise? Especially in the United States, where the history books are littered with schisms, new religious groups, and charismatic leaders forging their own path. What we must recognize is that innovation and “free enterprise” tends to challenge the status quo. A careful listener will quickly realize that these complaints are not simply about scriptural interpretation. At their heart, these theological arguments are ultimately about power. Local churches and their larger denominational networks hold power, and naturally they do not want to give it up. The problem is not with free enterprise, but with enterprise that challenges that territory of the current powers. It is a little like a corporation praising the virtues of an unregulated market system until they become the dominant player in the market. Then, all of a sudden they praise the virtues of laws protecting their patents and copyrights and other mechanisms limiting the ability of competitors to challenge it.

This is not a dynamic limited to the church-parachurch relationship or to corporations. Denominations and other churches can be equally protectionist when threatened by competition. Consider radio and television broadcasting. For a long time the National Council of Churches protected their access to broadcasting by persuading radio and television stations that they were the only legitimate representative of Christianity, and therefore should be the natural recipients of the stations’ free airtime that was used to fulfill required “public service broadcasting” quotas. Furthermore, the NCC lobbied the networks to not to sell any time for religious broadcasters.
The NCC praised cooperation across denominations as long as those denominations belonged to
the NCC.88

A similar ‘turf’ issue stems from the non-denominational identity of most parachurch
organizations. Individuals and churches coming from a denominational affiliation accuse
parachurch organizations of watering down or ignoring historical, theological and cultural
differences that they view as crucial. For instance, the United Methodist General Board of
Discipleship issued a warning in 1995 that Promise Keepers, a major men’s parachurch
organization, was “not in keeping with United Methodist theology and practice.”89

This is actually a long-standing point of tension between traditional church structures and
the parachurch. When publishing and mission societies were created in the early 19th century,
religious authorities complained that these “clergy independent of the churches” were ignoring
the “ecclesiastical order.”90 Many of the national religious societies formed in the 19th century,
such as the American Sunday School Union, would slowly see their support fray due to the
perception that denominational differences were being ignored.91

90 Michael P. Young. 2006. Bearing Witness against Sin: The Evangelical Birth of the Social Movement. Chicago:
University of Chicago Press. Quoted on page 7.
Presbyterian History 76: 37-44.
Parachurch Ecumenism

The tension between traditional church structures and parachurch organizations is reciprocal. From the perspective of parachurch leaders it is exactly these theological and administrative ‘turf wars’ that prevent churches and denominations from being able to engage the world effectively.92 As one observer described the situation:93

“[Parachurch organizations] are not doing or saying anything the churches should not have been saying or doing all along. So long as the churches live in a subliminal, subnormal level, then there are going to be parachurches that arise…and I say ‘God bless them’.”

The parachurch sector has created an organizational structure uniting individuals and churches across denominational lines, and in doing so has accomplished many of the philosophical goals of the 20th century ecumenical movement through an entirely different

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93 Vara 1995.
strategy. While that movement sought a literal elimination of denominational boundaries through the merging of denominational institutions, the parachurch population has made those boundaries less relevant by creating an alternative that bypasses those institutions altogether. They market their products and services directly to churches and individuals across denominational lines and to the unaffiliated population. This is not a new strategy. Sociologist Michael Young notes how even in their earliest days during the start of the 19th century, many of the religious publishing and mission societies were very careful not to “excite sectarian differences,” taking steps such as excluding prayers from meetings.

There are a number of ironies to be found within this story. The institutional ecumenical movement was primarily driven by more liberal or ‘modernist’ leaders and denominations. On the contrary, the parachurch movement and its grassroots ecumenism are driven by more conservative or evangelical leaders and organizations. Many of these people may be coming out of liberal “Mainline” denominations, but these individuals are looking to the parachurch sector as a “second home” that provides religious elements absent in their churches and denominations. Indeed, the fact that people turn to an intentionally non-denominational organization for a more distinctive religious product provides its own sense of irony.

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94 The word “ecumenical” and its corresponding social movements have had many meanings and goals over time. I am referring to only one aspect of that movement that looked for institutional unification.


96 Young 2006. Pg. 69.

Given the overall evangelical nature of the parachurch sector, we must be careful not to take the ‘grassroots ecumenism’ analogy too far. In interviews with parachurch organizations, which he calls “special purpose groups,” sociologist Robert Wuthnow found that despite their trans-denominational base, they still are quite theologically exclusive and resistant to language and actions that would compromise their religious worldview. Even parachurch organizations that are theologically liberal tend to exist exactly for the advancement of that position, so true cooperation across denominational and theological lines could undercut their very purpose for existence. This “ecumenism” is more of a conscious business decision, as it avoids denominational turf wars and provides a much larger base from which to draw support, than a philosophical one concerning cooperation and harmony.

Money and Resources

We can not ignore the material issues surrounding the relationship between church and parachurch. It is fairly safe to assume that the parachurch organizations, congregations, and

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denominations all draw support from a similar population of individuals and organizations. Granted, there is not a perfect overlap as individuals may patronize a parachurch organization without ever participating in a congregation. Nevertheless, growth in the parachurch sector means one of two things for the total available pool of money and labor to churches and denominations. It is possible that there has been an overall increase due to higher levels of giving and participation on the part of religious consumers or due to a growth in the number of religious consumers. This would allow parachurch organizations to increase in number while church and denominational organizations see their resources hold constant or grow. In other words, maybe the proverbial “pie” has just gotten larger thereby allowing everyone to have their fair share.

If there has not been an overall increase in the pool of money and customers, and if the parachurch sector draws significantly from the same pool as churches and denominations, then the situation is a zero-sum game in which one actor’s gain is another’s loss. Unless the pie is getting bigger, more slices means smaller slices… Indeed, as we saw in the previous chapter, there is evidence that individuals and churches have shifted some of their respective contributions from churches and denominations to the parachurch sector.

But even if the total amount of resources is increasing, the resources going to the parachurch sector might have gone to churches and denominations if the parachurch sector did not exist. In other words, even though their slice did not change, they know that they could have had a bigger one if they had not been forced to share. So regardless of how much parachurch organizations actually take away from the resources of churches and denominations, their very existence is enough to raise concerns that there are resources being lost to them.
All of this might sound a bit crass and materialistic, but we must remember that churches, denominations, and parachurch organizations are ultimately dependent on money and other resources (e.g. volunteer labor) to survive just like any secular business. Having a religious identity or mission does not free an organization from paying the electric bill or employees’ salaries. When people feel like their livelihood might be threatened by some competing organization, they are understandably a little touchy regardless of their religious nature.

Organizational Niches

I could continue to list the various grievances on both sides of the church-parachurch relationship, but such a list would only provide symptoms of an underlying dynamic. It would not provide much in the way of a systematic or theoretical understanding the relationship’s nature. For this broader perspective, we can draw upon sociological theory and research. One area within that literature, called ‘organizational ecology,’ provides a particularly useful framework for understanding the dynamics of the parachurch population of organizations and its relationship to the ‘traditional’ religious organizations.

Organizational ecology views organizations as existing within a specific “niche” in society. This niche is defined by a number of characteristics, such as the type of resources the organization requires, the target audience for the organization’s products or services, and the type of person the organization employees. For instance, think of newspapers. Some newspapers fill a “liberal” niche while others fill a “conservative” niche, and others fill in-between and some try to appeal to everyone. Some newspapers are published locally, while others may be regional or national. There are newspapers that may specialize in providing news
to specific professions, or to specific ethnicities, or even to specific age groups. In short, each newspaper has a particular niche in society.

Religious organizations are no exception, although the characteristics of the niches may differ. Theology obviously plays a role in defining religious niches, as does social class, age, ethnicity and race. There are conservative and liberal churches and denominations, those that offer specific ethnic traditions, and those that offer unique worship styles or practices. Then there are combinations of these factors. For example, two groups may appeal to the same ethnicity but differ in their theological stance. If we could think of all relevant dimensions going into a religious niche and measure the ‘latitude and longitude’ for each group, then it would be possible to create a ‘map’ of religious groups in the United States. This is illustrated in the Figure 2 below for two denominations, one of which is mainly targeted and composed of more theologically liberal, higher income individuals and the other towards more theologically conservative, lower income individuals.

![Figure 2-2 Illustrating Religious Niches](image)

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100 Practically speaking, this would be difficult to produce since it would likely have many different dimensions. If there were only two dimensions (e.g. centralization of authority, a liberal-conservative theology scale), then groups could be plotted on two axes to create a flat, two-dimensional “map.”
Church and Parachurch Niches

Sociologists have used this ecological perspective to explore how the niches of denominations and churches relate to other denominations and churches in the environment. But this ecological framework can also be used to understand the relationship between traditional religious organizations and their parachurch counterparts.

Although theology, social class, and race are common ‘niche’ dimensions considered when thinking of religious organizations, it is also possible to think of activity or purpose niches. That is, what is the organization offering for products and services? Most churches and denominations are what ecologists call ‘generalists,’ meaning that they do a variety of things. A church’s main product might be worship services, but it also usually offers various ministries and groups for men, women and youth, community outreach programs, religious education classes, sports and recreation, along with many other activities. Churches appeal somewhat to a wide variety of people and can exist pretty much wherever there are religious people. Denominations are similarly diversified, providing humanitarian outreach, church planting and consulting, publishing services, camps and conferences, and other products and services.

Religious non-profits and other parachurch organizations are usually more specialized in their activities and are therefore referred to as ‘specialists’ in ecological lingo. Most provide a specific service, such as pastor training or church planting. Those that are more generalist tend to specialize in audience rather than activity. For example, a non-profit focusing on families may provide several different types of services and products to that specific market niche.

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Niche Overlap

Visualizing how the activity or purpose niches of parachurch organizations map onto the niches of churches and denominations is vital to understanding the relationship between the different populations. This is sketched out in Figure 3. The niches of denominations and congregations are designated by the wide box with the thicker border. These generalist organizations encompass a wide range of activities. The niches of parachurch organizations are shown with the vertical boxes with the thinner line. Given the specialist nature of these organizations, their niches only encompass one or possibly two of the activities.

**Figure 2-3**

*Denominational, Congregational and Parachurch Niches*

Denominational Niches & Parachurch Overlap

Congregational Niches & Parachurch Overlap

What is important to notice is that the niches of the parachurch organizations overlap to varying degrees with the niches of churches and denominations. This is the very definition of a
competitive ecological relationship, whether we are talking about animals or organizations. A niche overlap means that two organizations are going after the same money, volunteers, and customers or members. Two organizations providing the same service, say religious education publications, are looking to acquire the support of the same target audience, such as churches. As discussed earlier, unless the total amount of resources is increasing (e.g. an increasing number of churches), one organization’s gain will mean another’s loss. Even if the absolute amount of resources were increasing, a niche overlap still puts organizations in a competitive relationship since one of the organizations would have even more potential resources if the overlap did not exist. There are other factors to consider, such as pricing and having products that actually appeal to the target audience, but overlapping niches will typically have a negative impact on an organization’s success at gaining money and other resources. At best this means a reduction in growth opportunities, and at worst it means a higher chance the organization will go out of business.

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103 Ecologists call this an organization’s “fitness.”
If there are activities or niches not covered by churches and denominations, then parachurch organizations could fill this space as a cooperative partner. Looking back at Figure 2, we see that our hypothetical denomination does not actively engage in church planting. A specialized parachurch organization has filled this gap in the market. Because it is not overlapping the activities of the denomination, there could be a non-competitive partnership between the two organizations. This ‘gap filling’ function is what some argue parachurch organizations should limit themselves to doing. As a former Chairman of Christian Camping International put it: ¹⁰⁴

If the parachurch is not the church but exists in behalf of the church, it should only exist so long as it is fulfilling [a] function…that the church is unable or unwilling to undertake.

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The absence of niche overlap is no guarantee of cooperation. Other conflicts could occur, such as arguments about theology or the authority of the parachurch organization versus the church or denomination. However, the likelihood of cooperation is higher without niche overlap than with it.

It is also worth noting that, because they provide different activities and have a different geographic scope, the niche overlap experienced by congregations is different from that experienced by denominational agencies. Due to their own centralized and often international nature, denominational agencies are going to be more concerned about competition from similarly structured parachurch organizations, such as those engaged in relief and development, missionary work, and publishing agencies. While they may feel some of the effects of niche overlap with those centralized parachurch organizations, local churches are going to feel the overlap more with organizations having a local component, such as youth ministries.\textsuperscript{105} This is a point that will come up again in later chapters.

**Generalists vs. Specialists**

The generalism of churches and denominations has some advantages. Much like a diversified stock portfolio, having a ‘wide’ niche allows an organization to survive instability in demand for any particular activity. The specialization of parachurch organizations makes them vulnerable to changes in fashion and tastes. If religious tracts became seen as obsolete, then tract publishers would be in serious trouble. Similarly, economic downturns can affect specialized organizations more drastically than generalist ones. If a person sees their disposable income decreasing, they may view the activity of the specialist as less important and decide to cut out

\textsuperscript{105} Note that having a local component does not make an organization local in scope. It may have a national office and be operating nationally, but it also has many local chapters.
that expense. This can be a death sentence for a specialist organization if enough people make the same calculation. The generalist offers multiple services and products, so they will likely still see some support across their “portfolio.” Indeed, some denominations took voluntary societies under their wing during economic downturns in the 19th century because they were more able to sustain themselves through such a period.106

There are costs to maintaining a wide niche, though. First, it simply takes a great deal of money and labor to offer many different services and products. The organization must sustain the overhead costs for each individual activity. This becomes even more costly if there is not an economic downturn and demand is stable or growing. During such stable or growth periods, specialist organizations will tend to outperform generalist organizations.107 There are a number of reasons for this. Specialists can pour all of their resources into one niche, while generalists are spreading their resources out across many niches. A church may offer a men’s ministry, but they are also spending money, labor and time on youth and women’s ministries, community outreach, worship services, and so on. Because of their dedication of resources, a parachurch men’s organization can provide more services and more expertise in those services. They are able to provide even more nuanced programs. For instance, instead of just a general men’s ministry, it may offer services for lawyers, businessmen, hunters, husbands, single fathers, and so on. All of these factors provide advantages to specialists in ‘head to head’ competition with generalists. When given the choice between an organization that caters specifically to a person’s interests and tastes or one that is only partially appealing to the person, the former will usually win out. The generalist is seen as providing a watered down version of the specialist’s offerings.

The reader may be asking, “aren’t denominations and churches specialists too, since they limit their audience to a specific religious group?” The answer is yes, but this combination of generalist activities with specialist marketing is probably the worst strategy possible. It means that denominations and churches must produce a great deal of products and services while drastically limiting their potential customers. Parachurch organizations usually have the opposite combination. They specialize in activities and generalize in audience, meaning they have the above benefits of operational specialism and the benefits of a large potential customer base.

Table 2-1-Niche Characteristics of Traditional and Parachurch Organizations

<table>
<thead>
<tr>
<th></th>
<th>Denominations &amp; Churches</th>
<th>Nonprofits and Other Parachurch Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audience</td>
<td>Specialized</td>
<td>Generalized</td>
</tr>
<tr>
<td>Activities</td>
<td>Generalized</td>
<td>Specialized</td>
</tr>
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</table>

The specialist strategy of parachurch organizations has other benefits as well. When an organization is focused on one specific goal, evaluating and marketing becomes easier. If the goal is publishing bibles, then the organization can present clear quantitative data on their impact and effectiveness. Such statistics are attractive to donors and even participants because they provide a manifest, even if not accurate, feeling of success.

Comparatively, what can a church provide in the way of data? Should they rely on growth of members? What of their many ministries should they measure? Churches simply are not setup to provide the same quantitative evaluations because their main goals are much less tangible. This hints at the subtle crux of the problem for churches and even denominations when it comes to competing with parachurch organizations in many of their shared activities.
Churches are not built around the same bureaucratic model that most parachurch organizations utilize.\textsuperscript{108}

…the parachurch agency may be run like a business, though not all are. People who don’t do the job can be dismissed. Decisions can be quickly made. Their promotions are slick and results obvious. Pragmatic people like this.\textsuperscript{109}

Indeed, few churches would want this “McDonaldized” model.\textsuperscript{110} But the organic nature of churches also handicaps it in some ways. Unlike parachurch organizations, churches can not simply fire members or recruit highly trained professional managers. They must work with what they have to accomplish what they can. The purely voluntary nature of a church, with all of its ensuing struggles, compromises, and fellowship, is what many would argue is the beauty of churches. An Amish barn-raising would be less inspiring if it was done by sub-contractors. Nonetheless, when it comes to many of the overlapping activities, the bureaucratic model allows parachurch organizations to produce more goods and services, produce it faster, more efficiently, and more predictably. There is a reason why the bureaucratic structure has become dominant in society.

From the perspective of potential donors, specialists often make more attractive options for support than generalists because they appear to provide more value for the money. Let us assume that an individual views financial support of foreign missionaries as the best outlet for their religious philanthropy. They know that their church and/or denomination has a program


\textsuperscript{109} Board 1979. Pg. 19.

that funnels money to missionaries, but they also know that these organizations fund many other programs. If this individual gives $100 to these generalists, they cannot be sure of how much, if any, of this will go directly to the program they are most interested in supporting. Some of it may go to the building fund, staff salaries, publishing, and so on. The donor lacks a sense of direct connection to the intended outcome of his or her donation. A specialist, on the other hand, provides a way for the donor to feel that they are getting the maximum amount of ‘bang for their buck’ when it comes to their preferred form of philanthropy. If you like Bible translation, there’s a non-profit just for that. If you like religious radio, there’s a non-profit for that. If you like church planting, there’s a non-profit devoted just to that activity. Instead of a few dollars making it to this specific program in a generalist, a specialists allows almost all of your money to go towards that activity.

Even with these organizational efficiencies and strengths, many argue that the primacy of the local church should outweigh pragmatics:

> It is possible that some [parachurch] agencies will have stronger leadership than their supporting churches, but this does not excuse their substituting themselves for the church.

### Attenuating Overlap

While all of this seems like a fairly pessimistic outlook for churches and denominations, there are ways to moderate the competitive advantages of parachurch organizations. The competitive effects of niche overlap can be attenuated if one of the organizations can make the other irrelevant by encouraging potential contributors to ignore the other option. For corporations and many other organizations, this is difficult to do. Although many businesses will

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tout the advantages of their product over their competitors, few can legitimately tell customers that they cannot patronize those competitors. Religious organizations, however, have a special advantage. The nature of religious beliefs can provide or withhold legitimacy from outsiders. If a church or denomination is able to define outside organizations as theologically illegitimate, then an overlap in activities becomes less of an issue.

We have already seen examples of such efforts. Arguments about parachurch organizations being “unbiblical” or contrary to a denomination’s tradition are all attempts to alleviate the effects of niche overlap by de-legitimizing the outside organizations. Not surprisingly, more theologically conservative denominations have seen more loyalty from their congregations than liberal or ‘Mainline’ denominations when it comes to spending on certain programs like religious education.113 Such groups already make claims about the exclusive ‘truth’ of their religious beliefs, so making claims about the need to obtain legitimate products from the denomination is not a stretch.

There are some activities that even a theologically exclusive church or denomination could not extend that exclusivity to cover. For instance, members may accept that the denomination offers unique religious education products, but they may not ‘buy’ that there is something inherently unique about the denomination’s programs for humanitarian relief. In cases where a group has no foundation for making such a legitimacy claim or where members do not accept the claim, denominations will likely lose some of their resources to the parachurch specialists. There are many signs this has and is occurring, as we saw with in Chapter 1.

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Local vs. National Ties

One competitive advantage that churches do have over many parachurch organizations is their personal connection with individuals. The relationship between an individual and their church is often more intimate than the individual’s relationship with a national nonprofit, such as a missionary support or humanitarian agency. Ministers and other church members know you. They were there to celebrate weddings and births and mourn deaths. You have formed friendships with other members and you see each other in the neighborhood, school, and while shopping. These connections alone provide churches a foundation for support that many large national parachurch organization cannot rely on, since their connection to their contributors is often more utilitarian and contractual than personal and emotional. Hence, when it comes to worship and fellowship, where community and intimacy is a major selling point, churches have a distinct advantage over large parachurch organizations.

It is this reason that churches are particularly threatened by those parachurch organizations that build local support structures, like Campus Crusade for Christ or Young Life which are comprised of networks of many local cells or groups.114 While parachurch missionary, publishing, and humanitarian organizations might be the bane for denominational agencies, these national-local hybrid fellowship organizations are the major thorn in the side of churches. Their local component provides them the opportunity to form the same intimate social ties on which churches thrive. They begin to provide the same social and psychological benefits that make churches more appealing when it comes to activities like worship and fellowship.

The parachurch organization, either at through its local cells or its national office, would say that, like ivy, they are growing around local churches and making them stronger and more

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beautiful. But many churches might instead see them as slowly destroying the building’s walls.

If these parachurch organizations are able to build the same social capital within their local
groups, then this would eliminate one of the central bases of support for the local church. If a
person begins to feel more socially connected with their parachurch men’s group, then they
might just decide that they will stop going to the church.
Chapter 3:

From Christian Cowboys to Donating Cows:

Profiles of Christian Nonprofits

“Parachurch organizations have grown dominant in missions and evangelism, in all forms of communication (print and broadcast), in service to the poor, in political and social advocacy, and even in defending doctrinal orthodoxy.”

When doing research for a book, it is common for friends, family, and colleagues to inquire about what you are doing. Sometimes these questions are out of genuine interest, while other times one cannot help but hear a bit of skepticism about whether you really just have a good cover-story for being unemployed. In my case, I would usually respond that I “was examining Christian nonprofits in the United States.” This almost always led to the second question of “what are Christian nonprofits?” The easiest way to answer this was to provide a couple of examples. Although I had about 2,000 potential examples to provide, I found that I almost always said, “like Habitat for Humanity or Focus on the Family.” These happened to be good examples for ending the line of questioning as most people have heard of at least one of these organizations. Both are large, highly visible, and collectively they appeal to a wide range of theological, social, and political tastes.

At some point, though, it occurred to me that while useful in that social situation, those two organizations were not as useful in representing the population of Christian nonprofits. Instead of being representative, both were more exceptions than the rule when it came to many aspects of Christian nonprofits. First, most of the organizations are much smaller than either Habitat for Humanity or Focus on the Family. Very few are as politically active as Focus, and

very few receive government funding like Habitat. Most are more explicitly religious than
Habitat (it is noteworthy that the third question usually asked in the above dialogue was, “Habitat
for Humanity is religious?”). Most are engaged in more traditionally ‘religious’ activities, such
as preaching, distributing Bibles, or training pastors, than either Habitat or Focus.

**Nine Sectors**

The fact is that the population of Christian nonprofits is so diverse that it would be
impossible to provide an accurate picture with just two example organizations. Their missions
range from translating the Bible to producing Christian films; from training pastors to organizing
short-term mission trips for youth; from providing legal support to providing dental clinics; and,
yes, from the Fellowship of Christian Cowboys to Heifer International, which provides cows and
other farm animals to families in developing nations.

In much of this book the stories of these organizations are hidden behind aggregated
statistics. In an attempt to provide some sense of the diversity in organizational missions,
histories, and operations, this chapter will look at nine major sectors within the Christian
nonprofit population. I provide an overview of each sector and some example organizations
within each. While all the organizations in any particular sector share major characteristics, it is
important to realize that each sector also contains its own internal diversity. Similarly, some
organizations have multiple missions and therefore overlap sectors in varying degrees. In short,
these ‘sectors’ are useful tools but should not be see as being entirely exclusive and
deterministic.
The nine sectors featured are summarized in Table 3-1. Each sector contains anywhere from 5 to 20% of the organizations. However, some of the smallest sectors in terms of number of organizations are the largest in total revenue (or vice versa). Note also how religiously focused many of the sectors’ activities are. Possibly only the Relief and Development sector does not seem explicitly religious on its surface, although many of them also engage in evangelism and other explicitly religious activities. This observation probably should not come as a surprise since we are, after all, looking at Christian nonprofits. But it is important to acknowledge that few of these organizations are just superficially or nominally Christian. Much of the research on religiously affiliated nonprofits has focused on their predominantly secular
activities, such as their social service activities. This can blur not only the content but the nature of the Christian nonprofit population.

We now move into a more detailed exploration of each sector, beginning with the group of organizations I call the Charismatic Evangelism sector.

<table>
<thead>
<tr>
<th>SECTOR SNAPSHOT: CHARISMATIC EVANGELISM</th>
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<tbody>
<tr>
<td><strong>Activities</strong></td>
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<tr>
<td>Itinerant Speaking &amp; Preaching</td>
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<tr>
<td>Crusades and Revivals</td>
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<td>Dramatic\Musical Performances</td>
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<table>
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<tr>
<th>Featured Organizations</th>
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<tr>
<td><strong>Name</strong></td>
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<tr>
<td>Mike Hagen Strength Team</td>
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<tr>
<td>Teen Mania Ministries</td>
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</table>

We begin our exploration of Christian nonprofits with the largest group of organizations. Nonprofits in the “Charismatic Evangelism” sector could be considered the most ‘traditional’ type of religious organization within the nonprofit sector. If we were to think of “parachurch” organizations as existing on a continuum ranging from intimately tied to churches to entirely separate from them, nonprofits in this sector would be on the former part of the scale. Indeed, the activities of these nonprofits often occur in churches.

Many of the Charismatic Evangelism nonprofits are simply engaged in preaching and resemble mobile churches, minus the buildings and members. In this sense, these nonprofits can be seen as descendants of the great itinerant preachers of the 18th and 19th century, such as
George Whitefield and Peter Cartwright. Just as those men were known for their charisma, these nonprofits also tend to be personality driven organizations, dependent on one or two charismatic individuals. Thirty-seven percent of the nonprofits in this sector are named after someone on in their leadership or governing board (e.g. Al Menconi Ministries, Barry Wood Evangelistic Association) who is also often the founder and central “product” of the organization. No other sector has even half as many “named” organizations. The next highest is Radio and Television, with 11% of the nonprofits named after a leader. This likely makes these organizations relatively fragile, as the entire organization rests on the personality, health, and interest of one person.

Figure 3-1

Percent of Organizations Named after Board Member

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Because itinerant preaching requires little capital and, on its own, generates relatively little revenue, organizations in this sector tend to be smaller than organizations in any other sector. Those that are larger tend not to be going from church to church, but are instead focused on mass revivals, crusades, festivals, or other large scale events. These events require more infrastructure and capital (e.g. audio/video equipment, stadium/arena rentals, multiple performers, staff) and provide more opportunities for revenue generation (e.g. ticket sales, souvenirs, CD/DVD sales). Although the Billy Graham Evangelistic Association falls primarily in the Radio and Television sector, its namesake is the father of the mass crusade. Billy Graham, his son and his grandson continue the tradition by conducting multiple “festivals” around the world every year.

Organizations in the Charismatic Evangelism sector are disproportionately based in the South. While 43% of other sectors have their home offices in the South, 62% of the organizations in the this sector are based there. The South has the highest rate of evangelical adherence, so it is not entirely surprising that evangelical itinerant preachers originate and thrive there.

*Featured Organizations*

Mike Hagen is a former professional football player who can bench press over 500 pounds. Although impressive, this would be a fairly irrelevant piece of information expect for the fact that if plays a major role in the activities of the nonprofit he founded, called the Mike Hagen Strength Team. Hagen, along with 15 other athletes, travels the county performing various feats of strength in churches, schools, and other venues. The organization’s website features pictures of steel bars, bricks, and other props being bent, broken, and generally abused.
In between this, the Strength Team provides religious and inspirational messages. As the mission statement of the organizations puts it, “[i]n a sight and sound generation, The Strength Team provides a means for audiences of all ages to be captivated by a powerful, visual demonstration. The feats of strength grab the attention of the audience, but the message is what changes hearts. The Strength Team preaches and declares the uncompromised message of salvation through Jesus Christ, His Death, burial and resurrection as the finished work to equip the believer for a life of victory.”

Although he might not be able to bench press 500 pounds like Mike Hagen, Jentezen Franklin’s organization is the more typical style of itinerant preaching found in the Charismatic Evangelism sector. The organization’s mission statement states that, “through his experience as a pastor, teacher, musician and author, Jentezen Franklin continues in the pursuit of helping people encounter God through inspired worship and relevant application of the Word of God in our daily lives.” Franklin is the pastor of a ‘traditional’ church in Georgia, but his nonprofit exists to extend his efforts into itinerant speaking at other churches and venues. As with other similar organizations, Jentezen Franklin Ministries features other products and services based on Franklin’s personality, such as books, audio materials, and student conferences.

The activities of Mike Hagen’s Strength Team and Jentezen Franklin Ministries are both primarily centered around one person, which obviously limits the scale of their activities. The next organization, however, has created some of the largest productions seen in any sector. Teen Mania Ministries has the largest revenue of the Charismatic Evangelism sector. As with most organizations its size, Teen Mania Ministries has multiple programs, but its primary and most well-known activity is the organization of large events for youth. These “Acquire the Fire” festivals and larger “BattleCry” stadium events are held in cities across North America and
feature a blend of speakers, music, and dramatic presentations. According to the organization, thirty-two of these events were held in 2004 and were attended by over 193,000 individuals. Depending on the city and event, admission tickets range from $40 to $100.


Desperate to crack Heather’s depression, her mother bought her tickets for an event called Acquire the Fire at the Richmond Coliseum that promised loud bands, a state-of-the-art light show, engaging theatrical performances, and a mass of teenagers gathered to focus on something other than boys and beer. Mildly intrigued and dying for distraction, Heather splashed water on her face and drove into town with her sister to check out the show.

Once inside the stadium, what Heather saw overwhelmed her: ten thousand teens rocking out to catchy power pop, their hands raised to the domed roof, their eyes closed, their faces ebullient…The lyrics on the giant prompters framing the stage proclaimed what they were there for: the magnificent, unifying, unconditional love of Jesus Christ…

Anyone who has attended Acquire the Fire knows what’s happening to America just by simple math: [Ron] Luce is filling stadiums where the Detroit Lions and Washington Redskins have a hard time selling out seats….

This is not the story of a youth movement gathering on the horizon. It’s already here. And it’s growing every day.

The organization was founded by Ron Luce who, after various delinquent behaviors as a teen, ‘found’ Christ at age 16 and wanted “to dedicate his life to reaching young people.” Luce claims ties to a number of other Christian nonprofits, including Focus on the Family and the Trinity Broadcasting network. Luce and Teen Mania have been listed as consultants to President Bush’s National Drug Control Strategy, and Luce served on the White House Advisory Commission on Drug-Free Communities.117 Teen Mania made national news when it faced local resistance to one of its events in San Francisco due to its perceived hostility towards gay rights and other issues.118

The Relief and Development sector contains some of the most well-known Christian nonprofits. Some of this is due to the generally non-divisive missions of these organizations. Indeed, many individuals who do not consider themselves religious have participated in a Habitat for Humanity project or sponsored a child in a developing nation through a Christian organization. Many of these organizations supplement the humanitarian nature of their mission with a more inclusive message to appeal to a wider population of donors. For example, in the self-descriptions of organizational purpose and activities, only 55% of these nonprofits include any one of 14 religious ‘keywords,’ while 78% of organizations in the other sectors contain one of the religious terms. When Relief and Development organizations do use religious keywords, they are somewhat more likely to be inclusive words such as “spiritual” instead of “biblical” or “Jesus Christ.” There are, of course, many exceptions to this tendency.
Organizations in the Relief and Development sector are the second largest in the Christian nonprofit population, with median revenue of just over one million dollars. It contains three organizations with over half a billion in 2004 revenue. The large size of these organizations is partly a product of their wider appeal and also the higher capital requirements to conduct humanitarian efforts, especially since 88% of these organizations are working overseas in at least some capacity. Nonprofits in this sector are also the most likely to receive government funding. Thirty-nine of the 229 Relief & Development organizations (17%) received government funding in 2004. This raises questions concerning the relationship between church and state, or more accurately, parachurch and state. I address this topic more in Chapter 7.
Activities in this area are primarily divided into three major categories. About 33% are primarily involved in child sponsorship, orphanage, or adoption programs, although the last activity is smaller than the former two. Twenty-one percent are involved in long-term economic development projects, such as home building, well-drilling, agricultural projects, job-training, and small business loans. The remaining 46% are focused on short-term or emergency relief and aid projects. These include distribution of food, medicine, clothing and other essentials. These efforts are motivated both by disasters and by long-term needs (i.e. poverty).

**Featured Organizations**

FARMS International is one of the nonprofits in the Relief and Development sector that is focusing more on long-term economic development in developing nations than short-term relief. As their mission statement puts it, “FARMS International is a Christian ministry that serves the church by equipping families in poverty with the means for self-support. Working through the local church, FARMS provides loans, technical support for income generating projects and spiritual training for families. The result? Families find a biblical path out of poverty!” The organization is currently working in nine nations, including Bangladesh, Ecuador, and Thailand. The FARMS strategy is fairly unique in that they provide loans for families in these nations to begin income generating ventures, such as small-business or agricultural projects. The loan recipients are then expected to tithe their profits back to the organization and the community. These profits are then used by the FARMS to provide more loans and by the community to build churches and other religious programs.

A significant part of the Relief & Development sector is focused on caring for children in other nations. Warm Blankets Orphan Care falls in into this sub-sector. Although Warm
Blankets does work in several nations, including India, Uganda, and Thailand, their main focus is on Cambodia. They have built over 70 “orphan homes” in Cambodia. Unlike large institutional orphanages, Warm Blankets constructs smaller groups homes housing approximately 40 children that are run by widows who become the surrogate parents of the children. Each orphan home shares a building with a church. The organization offers opportunities for donors to sponsor a house and also organizes mission trips to assist orphans.

On the large end of the Relief & Development sector, there is Feed the Children. With close to a billion dollars in revenue, Feed the Children is the largest Christian nonprofit not only in the Relief and Development sector, but in the population as a whole in 2004. It also claims to be the ninth largest relief organization in the United States. In the United States, Feed the Children distributes surplus food and supplies from corporations and other donors to other agencies that then provide the materials to shelters, churches, and food banks. Internationally, Feed the Children works in over 118 countries to provide food, clothing, medicine, and other goods to children, families, and organizations. Feed the Children is also a major responder to disasters and other emergencies.

The organization was founded by Larry and Frances Jones. The inspiration for the organization came after Mr. Jones visited and observed the poverty in Haiti and realized that grain and food simply sitting in storage in the United States could be redistributed to the benefit of all involved. Many know the Joneses and their organization through their television appeals for support. Although generally highly-regarded, as demonstrated by their large revenues, Feed the Children does receive some criticism for its use of television fundraising and the six-figure salaries of the Jones’. As the website of one ministry watchdog group states it, “Feed the
Children means ‘feed the children,’ not buy expensive television time.” However, the same website gives Feed the Children high marks on organizational transparency and efficiency.

Below is a map showing the number of Christian nonprofits per 100,000 people in each state. While the District of Columbia has the highest rate at 3.3 organizations, Colorado leads the list of states at 2.2 organizations per 100,000 people. These are followed by Oklahoma (1.54), Tennessee (1.5), Virginia (1.2), Georgia (1.2) and Texas (1.0).

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119 www.ministrywatch.org
The nonprofits in the Education and Training sector all provide some form of religious and spiritual training. They differ mainly in their target audiences, which roughly fall into three categories. First, there are organizations looking to train pastors, often “indigenous” or “native” pastors in foreign countries. Second, there are those that provide consulting and continuing education for churches and church leaders. This consulting is often related to church growth, transitions in leadership, or ministry development. Finally, there are nonprofits providing religious education for lay individuals, often labeled as “equipping” individuals for a Christian life. The latter two segments of this sector tend to be more domestic in scope than the first.

One might observe that many of these activities are exactly what we would expect denominational offices to provide for leaders, congregations, and lay members. As noted in Chapter 1, Christian nonprofits and the larger parachurch population are partially taking advantage of a growth in congregations without denominational affiliations. But they are also creating a competing market for these services for individuals and congregations with a denominational affiliation. It is easy to see why some, at least in denominational offices, view the rise of Christian nonprofits and the “parachurch” population with some trepidation. This is
especially true in the case of religious education and training. A denomination probably does not care if an individual or congregation wants to support a nonprofit relief and development organization, but organizations in this sector strike at the very heart of denominational services and identities.

**Featured Organizations**

Leadership Transformations was founded by the Rev. Dr. Stephen Macchia, who is an author of several books on “church health.” Leadership Transformations falls within the second category in the Education and Training sector of nonprofits providing consulting and continuing education for churches and church leaders. Its mission statement states that its “vision is to see Christian leaders and teams transformed by a lifestyle of spiritual formation and discernment, resulting in depth of spiritual insight and vitality in God's service. Our mission is to encourage the spiritual formation of leaders and equip leadership teams to discern God’s unique will for their life and ministry.” The organization offers several different “assessment” programs for congregations based on Macchia’s principles of church health. One of these utilizes online surveys of church members, which are used to provide reports and suggestions to the church’s leadership. It also offers retreats and training seminars for leaders.

AFMIN USA was the result of a merger between two organizations called Equip Ministries and Karel Sander’s African Ministries. AFIN, like many of the internationally focused organizations in this sector, trains native pastors to evangelize the population as an alternative to using foreign missionaries. This strategy is partly due the perceived benefits of having native representatives of Christianity, but also due to the logistical difficulties in some nations of using foreign missionaries. As the website of AFIN states this:
“Recent terrorist attacks on the USA have virtually closed the opportunities for American and Western missionaries to evangelize Muslims. African church leaders equipped for effective Muslim evangelization by AFMIN not only fill that gap, but also form a significant part of the overall strategy to reach Islam with the Gospel of Jesus Christ.”

The organization currently works in 15 African nations. AFMIN’s main program is a one week course for native pastors in “advanced pastoral training.” These courses cover a variety of topics, including “How to Interpret the Bible,” “African Church History,” and “Biblical Counseling.”

Purpose Driven Ministries, the largest representative in the Education and Training sector, may be as well known for its founder and president as it is for the nonprofit’s actual activities. It is led by Rick Warren, pastor of Saddleback Church with over 20,000 attendees each week and author of *The Purpose Driven Life*, a book that has sold over twenty-five million copies. Warren has become an influential leader and celebrity among Christians, evangelical and beyond. Indeed, Warren’s message has become the slogan for a social movement within the Christian community with individuals and churches around the world taking on the Purpose Driven slogan.

Purpose Driven Ministries has several outreaches, but its main purpose is to train churches and church leaders in the United States and internationally to have effective (i.e. “Purpose Driven”) ministries, whether they are youth ministries, small groups, recovery ministries, or any other aspect of church life. The organization offers conferences, seminars, books, educational curriculums and multimedia training tools. Purpose Driven Ministries has grown rapidly. In 2000 the organization received just over $300,000 in gross receipts. In 2001 this became over two million and in 2002 over twenty-five million. Much of this growth seems
to have been driven by the addition of online sales of books and other resources, including Warren’s books.

The close relationship between Purpose Driven Ministries and Saddleback Church, the former is called a “ministry” of the latter on its website, illustrates the sometimes fuzzy boundary churches and parachurch. Many nonprofits have their beginning within churches and are launched as independent organizations when they outgrow the church in size and or scope.

### SECTOR SNAPSHOT: PUBLISHING & RESOURCES

<table>
<thead>
<tr>
<th>Activities</th>
<th>Size</th>
<th>Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation and Distribution of Scripture (e.g. Bibles, tracts) Magazine and General Book Publishing Study Guides and Other Print/Multimedia Resources</td>
<td>253 Organizations 13% of Population</td>
<td>Median Revenue: $603,892 Aggregate Revenue: $670,928,185</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Featured Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Deaf Video Communications of America</td>
</tr>
<tr>
<td>Reach the Children Foundation (a.k.a. Book of Hope USA)</td>
</tr>
<tr>
<td>American Bible Society</td>
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</tbody>
</table>

The Publishing and Resources sector consists of two primary sub-groups. There are organizations that translate, publish, and distribute various forms of scripture, usually in the form of Bibles and religious tracts (although many also produce multimedia resources, such as audio tapes and videos). These nonprofits are descendants of some of the earliest “parachurch” organizations that distributed religious literature in the 18th and 19th century, as discussed Chapter 1. In fact, some of them, such as the American Tract Society and the American Bible Society, are the organizations that distributed literature in those centuries. The other group of
organizations within this sector closely resembles commercial publishers. They produce non-
scripture books, magazines, newspapers and other print or multimedia resources of Christian
nature.

Outside of the reform and renewal organizations in the Advocacy and Activism sector
(discussed later), the Publishing sector contains the largest number of nonprofits claiming a
specific denominational or religious tradition. Twelve percent identify as Baptist, Catholic, or
with some other Christian tradition. Examples include Baptists Today, Lutheran Heritage

**Featured Organizations**

Deaf Video Communications of America is not a typical “publisher” in the sense that
they do not produce print materials. Their mission statement reads, “The Apostle Paul asked,
*How shall they believe if they have not heard?* Our prayer is that the Deaf will hear the Gospel
of Jesus Christ in their own language -- sign language.” As this and their name makes clear,
their resources are designed for deaf individuals. The organization produces and distributes
videos addressing a wide range of topics, such as “God’s Rules for Marriage” and “Personal
Evangelism.” Churches, individuals, and others can request a video loan and the organization
will mail them the tape for use up to six weeks without any charge. Deaf Video
Communications can also produce videos at the request of individuals or organizations.

A more traditional publisher is represented by the Reach the Children Foundation, also
known as Book of Hope. The organization was founded by the Reverend Bob Hoskins, who
previously was President of a different Christian publisher. Book of Hope’s main activity
involves the production and distribution of a modified, child-friendly book based on the four
Gospels. The original Book of Hope was distributed to children in El Salvador, but now multiple versions designed for different target audiences are distributed world-wide. The organization states that they have distributed over 415 million books in 125 different countries. Book of Hope also offers mission-trips for individuals or groups to distribute the books and has also produced an animated film to accompany the books.

Of the approximately 2,000 organizations identified in my data collection, the American Bible Society has the distinction of being the first Christian organization to be an official ‘nonprofit’ in the eyes of the government, at least among those that still exist. Its newsletter, the American Bible Society Record, “is the second oldest continuously published periodical in the United States.” Although it obtained its federal nonprofit status in 1931, the history of the organization is actually much older. It was founded in 1816 in New York City and began by distributing Bibles to sailors on the USS John Adams and to local Bible Society in New York. Its international work began in 1823 with a grant of $1,000 to a missionary translating the Bible in India. The organization has had many notable presidents, including a Supreme Court Chief Justice, a New York City mayor, and a U.S. Senator.

The American Bible Society’s first translation project was a Delaware Indian version of three Epistles of John. It claims a number of other “firsts” among Bible societies in its history, including the first Bibles placed in hotels and the first distribution of Bibles to the military. Today, its work is still very much the same. It works through affiliated Bible societies in other nations to distribute scriptures. Domestically, the organization produces various programs and resources aimed at getting specific groups (e.g. urban youth, inmates) and the general public
involved in reading the Bible. Recently the organization has gotten attention for its multimedia presentations of scripture and its efforts to make the language in scripture more contemporary.  

It is not uncommon for the American Bible Society to run an annual deficit, but this is not a significant problem due to its near half a billion dollar endowment, as it can make money its assets even while losing money on its operations.

### Sector Snapshot: Radio & Television

<table>
<thead>
<tr>
<th>Activities</th>
<th>Size</th>
<th>Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio Broadcasting</td>
<td>135 Organizations</td>
<td>Median Revenue: $1,092,963</td>
</tr>
<tr>
<td>Television Broadcasting</td>
<td>7% of Population</td>
<td>Aggregate Revenue: $1,148,133,508</td>
</tr>
</tbody>
</table>

#### Featured Organizations

<table>
<thead>
<tr>
<th>Name</th>
<th>Filing Date</th>
<th>Location</th>
<th>Website</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>HomeWord</td>
<td>1985</td>
<td>San Juan Capistrano, CA</td>
<td><a href="http://www.homeword.com">www.homeword.com</a></td>
<td>$3,118,100</td>
</tr>
<tr>
<td>Christian Broadcasting Network</td>
<td>1961</td>
<td>Virginia Beach, VA</td>
<td><a href="http://www.cbn.com">www.cbn.com</a></td>
<td>$186,482,060</td>
</tr>
</tbody>
</table>

On average, the organizations in the Radio and Television sector are the largest among the Christian nonprofit population with a median revenue over one million dollars in 2004. It also may have the most self-explanatory title. However, there may be some misconceptions about the organizations within it. It is true that many of the organizations in this sector might be considered “televangelists” or “audio evangelists.” Outside of the Charismatic Evangelism sector, the Radio and Television group contains the highest percentage (11%) of organizations

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named after an individual on their board, who is usually the person appearing on the radio or television (see Figure 3-1). Many people, including religious individuals, have a general distaste for such organizations. This is mainly due to the history of notable corruption scandals that have hit high-profile televangelists. However, we should not see these organizations as significantly different in mission as many in the Charismatic Evangelism sector, except for the fact that they use modern means of distributing their messages.

Furthermore, it would be inaccurate to say that the entire sector is composed of televangelists. Some the nonprofits in this group are missionary focused and use radio or television to reach people in other nations and languages. Some are educationally focused, providing religious training or personal development opportunities through their programs. As the following profiles will show, the self-explanatory nature of the sector’s name should not be equated with homogeneity.

**Featured Organizations**

Hand of Hope Outreach, known as Prison Television Network, says in its mission statement says that “PTN is a television network designed and programmed specifically to help meet the spiritual and educational needs of the growing prison population.” It does this by providing satellite to prisons that receive Christian programming. Each satellite costs about $600 to install. The network shows general educational programs, such as GED preparation and literacy programs, but the main purpose is to provide programs that will “bring inmates to Jesus.” The organization has agreements with other nonprofits and church ministries to provide religious programming. Hand of Hope does not receive government funding (although one could argue that the access provided to Hand of Hope by prisons is a degree of informal support), but
prison ministries seem to hold an exception when it comes to evangelism and government support. This is discussed in more detail in Chapter 7.

HomeWord’s resources and programs are aimed at an entirely different population than that of Hand of Hope. Many know HomeWord by its previous name of YouthBuilders. The organization adopted the new name in 2004 to reflect its growth beyond a focus on youth. HomeWord is led by Dr. Jim Burns, who is the voice of the radio programs and is the author of many books and a contributor of columns in religious magazines. HomeWord provides a variety of resources to train and education families “to make wise decisions and lead positive, vibrant, Christian lifestyles.” These include seminars, books, videos, and study guides. However, the primary activity of HomeWord is the production of a 30-minute daily radio program and one minute radio commentaries that are broadcast across the United States. These radio programs accounted for over seventy-five percent of the organization’s program expenses in 2004.

One of the best known organizations in all the Christian nonprofit sectors is The Christian Broadcasting Network. CBN began as one of the first Christian television stations in the nation. It was founded by Pat Robertson and began with a small broadcasting range around Portsmouth, Virginia. Today its programs are broadcasts across the United States on local stations and national cable and satellite networks. Its flagship program is the 700 Club, hosted by Robertson and featuring “a mix of news and commentary, interviews, feature stories, and Christian ministry.” The name of the program comes from a telethon held in the early days of the Network in which Robertson stated that the $7,000 operating budget of the station could be covered by 700 individuals providing $10 each. Christian Broadcasting Network has ties to other nonprofits founded by Robertson, including the relief and development organization Operation Blessing. The organization has drawn from criticism for some of its programming, particularly
commentary by Robertson on the 700 Club program (e.g. calling for the assassination of Venezuela’s Hugo Chavez).\textsuperscript{121}

<table>
<thead>
<tr>
<th>SECTOR SNAPSHOT: MISSIONS &amp; MISSIONARY</th>
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<tbody>
<tr>
<td><strong>Activities</strong></td>
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<tr>
<td>Church Planting</td>
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<tr>
<td>Long-term Missionary Support</td>
</tr>
<tr>
<td>Short-Term Mission Trip Planning &amp; Coordination</td>
</tr>
<tr>
<td><strong>Size</strong></td>
</tr>
<tr>
<td>312 Organizations</td>
</tr>
<tr>
<td>16% of Population</td>
</tr>
<tr>
<td><strong>Financials</strong></td>
</tr>
<tr>
<td>Median Revenue: $523,077</td>
</tr>
<tr>
<td>Aggregate Revenue: $449,299,186</td>
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<table>
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<tr>
<th>Featured Organizations</th>
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<tbody>
<tr>
<td>Name</td>
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<td>---------------------------</td>
</tr>
<tr>
<td>South American Call</td>
</tr>
<tr>
<td>Construction for Worldwide Evangelism</td>
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<tr>
<td>MIO Frontiers</td>
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</table>

Like the descendants of the 18\textsuperscript{th} century Tract and Bible Societies in the Publishing and Resources sector, many of the nonprofits in the Mission and Missionary sector claim their roots in the Mission Societies of the same period. Many of the activities in this sector have not changed significantly since those first mission societies. Church planting and financial support of missionaries in the field are common. Short-term mission agencies are also contained in this sector. These organizations serve as travel agents who coordinate trips, often for youth, to provide work and/or evangelism teams to an area for a week or two.

Not surprisingly, the nonprofits in this sector are predominantly engaged in international activities, just like their ancestors of previous centuries. The sector is probably more eclectic than it seems at first because the mission trips and long-term missionaries are often involved in activities that overlap other sectors. For example, they may engage in itinerant preaching like the Charismatic Evangelism sector, they may provide medicine and clothing like the Relief and Development Sector, and they may train other indigenous Christians like the Education and Training sector. Often a missionary may be doing all of these activities. What puts the organization in this sector is that they are focused on supporting the missionaries, not their specific activities.
Featured Organizations

South American Call was founded and is led by the Reverend Joe Mercer. Mercer’s interest in South American, specifically Ecuador, was sparked by a missionary who made several presentations to his Tennessee church in the 1990s. He slowly began to increase his involvement by taking groups to build churches and minister to children. Eventually Mercer left his church and created South American Call as a full-time effort to build churches, provide medical help, organize crusades, and other missionary activities in Ecuador and later in Peru. Today, South American Call’s main project is a houseboat that they use to reach villages along the tributaries of the Amazon River.

While South American Call draws financial support from churches, the next organization actually enlists the physical labor of individuals and churches. Construction for Worldwide Evangelism’s mission statement says that it aims, “[t]o assist the local church in fulfilling the Great Commission by providing and facilitating spiritually effective mission opportunities throughout the world.” The organization has partnered with volunteers from the United States and missionaries in the field to build over 40 churches since its founding. Most of its projects have been in the Caribbean and South and Central America. General and skilled volunteers (e.g. carpenter, concrete finisher) pay a fee to go on a trip and assist in the construction. These fees compose about half of the organization’s revenue, with direct donations composing the other half. The organization also offers medical mission trips.

The last feature organization in this sector, Frontiers, was founded by Dr. Greg Livingstone, who is the author of Planting Churches in Muslim Cities: A Team Approach. Following in the theme of that book, Frontiers’ main goal is to witness to Muslims. This usually occurs in predominantly Muslim nations in Africa, the Middle East, and Asia. The organization
was. Frontiers offers a variety of opportunities for both short and long-term missionaries. The organization offers short-trips where individuals can assist long-term missionaries, provide humanitarian aid, and evangelize the local population. Frontiers also recruits, trains, sends and supports long-term missionaries who plant churches and provide other services to local populations. The organization has doubled its revenue in the last several years. From 1998 to 2000 the organization’s revenue was steady at just over $10 million. Between then and the fiscal year ending in 2006, this revenue had increased to over $22 million. It is difficult to know the exact source of this growth, although it seems likely that some of it is related to world events. The terrorist attacks of September 11th and the wars in Afghanistan and Iraq have focused attention, including the attention of Christian donors, on the ‘Muslim world’.

<table>
<thead>
<tr>
<th>SECTOR SNAPSHOT: FELLOWSHIP &amp; ENRICHMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
</tr>
<tr>
<td>Counseling</td>
</tr>
<tr>
<td>Rehabilitation</td>
</tr>
<tr>
<td>Professional or Social Support</td>
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</table>

**Featured Organizations**

<table>
<thead>
<tr>
<th><strong>Name</strong></th>
<th><strong>Filing Date</strong></th>
<th><strong>Location</strong></th>
<th><strong>Website</strong></th>
<th><strong>Revenue</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian Legal Society</td>
<td>1966</td>
<td>Springfield, VA</td>
<td><a href="http://www.elsnet.org">www.elsnet.org</a></td>
<td>$1,945,268</td>
</tr>
<tr>
<td>Young Life</td>
<td>1942</td>
<td>Colorado Springs, CO</td>
<td><a href="http://www.younglife.org">www.younglife.org</a></td>
<td>$169,147,946</td>
</tr>
</tbody>
</table>

Nonprofits in the Fellowship & Enrichment sector are eclectic in their target audiences. Virtually every demographic, social, and professional group is represented. Christian Cowboys, families, couples, working women, mothers, fathers, businessmen, athletes, soldiers, lawyers, surfers and cheerleaders all have their own organization to provide support and personal
development. The sector also includes organizations active in rehabilitation and counseling, frequently for prisoners, those with ‘sexual addictions’ of some form and pregnant women. This sub-group tends to overlap with the missions of the Advocacy & Activism sector, which is evidenced by the lobbying expenses of a handful of Fellowship & Enrichment organizations.

Often these nonprofits have a more federated structure by which members interact in small local groups or chapters that may meet at regional or national conventions. Eighteen percent of the nonprofits in this sector claimed at least some revenue through “Membership dues or assessments.” The next highest sector on this measure is the Advocacy & Activism group (10%). While some of these dues are from individual members, they are often from local branches of the organization paying a ‘franchise fee’ to the national organization. The central organization provides resources, advertising, publishes newsletters and organizes larger meetings. For example, Mother of Preschoolers International (MOPS) requires a “charter fee” of $275 for a local group to acquire the MOPS branding and an annual renewal fee of $125. MOPS provides the training materials, logo and other support for the group.

Along with the Advocacy & Activism sector, this is the most domestically oriented group (see Table 3-2). Next to the Relief & Development sector, the Fellowship & Enrichment sector is most likely to receive government funding. Four percent (6 of the 141 organizations) received government funding in 2004.

I was anxious to see what happens when the Sermon on the Mount meets the Marlboro Man. And so, on a brilliantly sunny Saturday morning, I headed east out of town on a gently winding ribbon of blacktop highway to link up with Jerry Wyatt, a former rodeo rider who runs the national headquarters of the Fellowship of Christian Cowboys.

By pure happenstance I had timed my visit to coincide with the first annual Fellowship of Christian Cowboys Golf Tournament. It wasn’t exactly the slice of Wild West Americana I had anticipated, and I felt a little tinge of disappointment. But Wyatt assured me this would be no ordinary golf outing. There would be no fancy clubhouse, no golf carts, no manicured greens. In fact, no golf course. “We’re burying a bunch of five-gallon buckets in a cow pasture,” he explained. “It should be a real challenge. We’re just gonna hit some balls around, and then have a barbecue and a little preaching service. I think you’ll enjoy it. You’ll meet some good people.”

As we crossed the parking lot near the grove Wyatt described his frequent travels for the fellowship and his behind-the-scenes work helping to organize programs at rodeos and at youth Bible camps all over the country. “It’s a pretty neat deal to be around kids and cowboys,” he said. “I sure do enjoy it. I know there must be a lot of people more qualified than I am to do this job, but they weren’t available. So I’m just here, trying to serve God as best as I know how.”

**Featured Organizations**

Covenant Keepers was founded by Marilyn Conrad, an ordained minister and author of two books on marriage and divorce. It is one of the many nonprofits in this sector providing enrichment and counseling for couples and families. Its unique niche is that it looks to only work with individuals whose partners’ are not providing “cooperation.” Covenant Keepers’ position is that “marriages can be healed if only one person in the marriage will apply scriptural principles to the situation.” The organization is part of a larger “Covenant Marriage Movement,” which is a network of marriage ministries located in and out of traditional church structures. Covenant Keepers follows the federated structure mentioned above. It claims over 50 “Covenant Keeper” groups in across the U.S. and several in other nations. The central organization produces a newsletter and curriculum for the groups. It also organizes an annual conference.
Unlike the previous profile, the Christian Legal Society represents the portion of this sector providing professional and social development outside of the context of rehabilitation or counseling. Its mission statement states that “CLS is a national non-denominational membership organization of attorneys, judges, law professors, and law students, working in association with others, to follow Jesus' command ‘to do justice with the love of God’ (Luke 11:42; Matthew 23:23).” The Society is an organization with over 4,000 members who are primarily lawyers, judges, and law students. Despite its somewhat different motivations than the more psychologically focused organizations, the Christian Legal Society and other professional societies operate in much the same way. The central organization publishes a magazine, member directors, organizes an annual conference, and provides other support for members. There are local and campus chapters for attorneys and law students respectively.

The organization was founded by two lawyers, Paul Barnard and Henry Luke Brinks, who had both attended Wheaton College. The first director’s meeting was held in 1962. The Society also provides legal counsel and court briefs through its Center for Law and Religious Freedom. This aspect of their mission puts the Society partially in the Activism & Advocacy sector below. In 2004, however, its collective expenses on fellowship activities (e.g. conferences, local chapter support) were greater than its expenses on litigation.

The final featured organization in the Fellowship & Enrichment sector is Young Life, a well-known Christian nonprofit serving youth. Young Life’s numerous ministries include youth groups based in schools across the United States and in other nations, twenty-three summer camp locations, ministries for disabled youth, and clubs on college campuses and military bases. The organization began as the local youth ministry of Jim Rayburn, who was a seminary student in Texas. Rayburn created a club for a local high school that met weekly. Young Life was created
to plant this model to other schools. Over time Young Life diversified its activities from the primarily suburban high school clubs to include rural, urban, international, and that other specialized ministries mentioned above.

Because Young Life’s activities tend to overlap with what many local congregations try to provide in their youth ministries, some argue that it (along with other similar organizations) actually compete and take resources away from the local church. Young Life is clearly aware of these concerns since it states on its website that its “goal is not to compete with these programs, but to complement what they do.” Similar statements appear on many of the websites of local Young Life clubs. Whether or not Young Life really does compete with local churches, this is an illustration of the tensions that can result from the overlapping goals and activities of the traditional church and the Christian nonprofit sector.

<table>
<thead>
<tr>
<th>SECTOR SNAPSHOT: ADVOCACY &amp; ACTIVISM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities</td>
</tr>
<tr>
<td>lobby on Social or Political Issues</td>
</tr>
<tr>
<td>Denominational Renewal Advocacy</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Featured Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Thomas More Law Center</td>
</tr>
</tbody>
</table>

Although the Advocacy & Activism sector is the smallest group in the Christian nonprofit world, the organizations within it are some of the most well-known among Christians and non-Christians alike. The very nature of activism does not foster organizational wallflowers. These organizations want, or more accurately, need to be seen and heard. The
sector consists of two major sub-groups. The first contains organizations whose advocacy is directed toward larger social and political issues, such as abortion, family issues, and schooling. The second group’s advocacy is directed towards particular religious groups. Typically these efforts attempt to get a denomination or group to return to traditional beliefs and/or practices.

![Figure 3-3]

Percent Affiliated with Religious or Denominational Tradition

The uniqueness of this sector is seen in several characteristics. Just under thirty percent of this sector claims some specific religious tradition (e.g. Baptist, Catholic). This is over double the amount in any other sector and represents the presence of denominational reform organizations. Six percent of the organizations in this sector reported lobbying expenses to either influence the government or the general population on legislation. Only one other sector (Fellowship and Enrichment) has even half as many organizations with lobbying expenses. In 2004, much of this legislative effort was directed toward marriage initiatives (i.e. gay marriage).
Not coincidentally, seven percent of the nonprofits in this sector have their home-offices in Washington, D.C. Another twelve percent have their home offices in nearby Virginia. No other sector has over two percent located in D.C. and seven percent in Virginia.

Featured Organizations

Christians for Biblical Equality is an unusual organization in the Advocacy & Activism sector on a number of counts. Its mission statement says that it “equips believers by affirming the biblical truth about equality and justice. Thus all believers, without regard to gender, ethnicity, and class, are free and encouraged to use their God-given gifts in ministries, communities, and families.” First, Christians for Biblical Equality straddles the line between externally focused social activism and internally focused religious activism. On the one hand the organization is working to provide a Christian basis for gender equality in society. But they are also trying to reform churches and denominations in their view of men and women. It may also be considered by some to be a somewhat more liberal or progressive organization compared to other nonprofits in this sector. However, there is a limit to the accuracy of that perception, as will be seen below.

The organization produces resources for congregations on gender equality and church diversity. It also organizes conferences and workshops and maintains a list of “Egalitarian Churches.” Christians for Biblical Equality began from a group that withdrew from the Evangelical Women’s Caucus after the latter passed a resolution supporting homosexuality
during its 1986 conference in Fresno, CA. Despite their progressive stance on gender equality, the group that would become Christians for Biblical Equality viewed this decision as “unbiblical” and state that they believe “in the family, celibate singleness, and faithful heterosexual marriage as God's design.”

Representing the more litigious element of the sector is The Thomas More Law Center. This organization primarily provides legal support in the form of attorneys and consultation for individuals and groups involved in three broad types of cases. The “Defending Religious Freedom” aspect of the Center focuses on issues like school prayer, religious displays such as Ten Commandment plaques and Christmas symbols, and school vouchers. Its “Family Values” work focuses on “challenging special rights for homosexuals,” pornography, and homeschooling issues. The Center’s “Sanctity of Human Life” issues revolve around abortion, euthanasia, and cloning.

The Center was founded by Tom Monaghan, founder of Domino’s Pizza and a prominent Catholic activist and philanthropist (although the Center claims no explicit Catholic focus), and Richard Thompson, a former Oakland district attorney. Thompson serves as the President and Chief Counsel for the Center. Although less than ten years old, the Center has been involved in many high-profile court cases, including serving as the legal representation for the Dover, Pennsylvania school district during its “intelligent design” case and as the counsel for a United States Marine facing criminal charges for the deaths of Iraqi civilians in Haditha.

Finally, we take a look at Focus on the Family, the largest representative in this sector. A fair argument could be made for Focus on the Family to be placed in several of the sectors described here. Its ministries include radio programs, publications, and personal development.
resources, making it active in the Radio & Television, Publications & Resources, and the Fellowship and Enrichment sectors. However, many of those activities are intertwined with Focus’ social and political mission. Note that its website refers to its “constituency,” a term usually used in the context of political organizations. In its description of program, Focus states that its “Public Policy” program is “educating the Christian community on public policy and legislative matters that are critical in the battle to preserve the Judeo-Christian foundation” of the United States. It spent over ten million on this program in 2004, but this does not include large amount of “spill-over” this program has into the organization’s media and publication programs.

Focus on the Family was created by James Dobson, a child psychologist. Dobson began with a 15-minute radio broadcast in 1977. He is still the Chairman of the organization in addition to its primary voice and face. As the leader of Focus on the Family, Dobson has become an influential player in the political world.123 His view of legislation and elections is a topic of concern for many Christians and, in turn, politicians.124 However, the line between Dobson’s personal views and the official organizational views of Focus on the Family are often blurred. To expand the political power of Focus on the Family, a new organization called Focus on the Family Action was created in 2004. With a 501(c)(4) designation, this spin-off is able to conduct more explicit political activities than its 501(c)(3) parent organization.

The organizations in this sector, as with any “other” category, are difficult to categorize. However, the largest group within this sector is easier to describe because they are essentially grant-making organizations. These nonprofits accept donations or raise money in other ways and distribute these funds to other ministries or individuals (e.g. students, missionaries). In this respect, they are functionally the same as a private foundation. The only difference being that they accept donations from many sources instead relying on one person’s or family’s funding, which makes them officially a public organization.

**Featured Organizations**

The Society for the Increase of Ministry identifies with the mission of the Episcopal Church, but is an independent grant-making organization. Its sole activity is to provide scholarships to seminary students attending an Episcopal institution. The organization has a long history. It was created in 1857 by faculty at Trinity College in Hartford, Connecticut along with local clergy. The organization provides around $200,000 in scholarships each year. Although
there is variation across years, about half of this comes from donations and half from assets in its $4,000,000 endowment.

Like the previous profile, African Christian Schools Foundation exists to provide financial support to both Christian schools and students. Unlike the previous profile, it works internationally in Nigeria, Swaziland, and other African nations. Both overlap the Education and Training sector, but they are placed in this category because their work is primarily focused on the raising and distribution of funds. The organization traces its roots to a correspondence Bible course based in a Nashville church in the 1940s. This led to a contact in Nigeria that blossomed into a larger ministry to support Christian education in Nigeria, and later, other African nations. Over its history the Foundation has shifted from a direct control model to more of a “partnership” model by which it provides financial and technical support for local efforts.

The National Christian Charitable Foundation serves as a type of clearinghouse for Christian philanthropists and charities. It offers various services for individuals such as asset liquidation, charitable trusts and annuities, and personalized management and advice concerning charitable giving. The organization compares its services to a “brokerage account – but instead of investing in companies by buying stocks and mutual funds, you’re investing in God’s Kingdom by giving to the ministries and causes closest to your heart.” The Foundation also provides services for churches or other organizations to create a fund that accepts various types of donations (e.g. money, property, stocks) and then manage it like an endowment. In 2004 the Foundation distributed grants ranging from $100 to millions to individual churches, local and national Christian nonprofits, schools, and secular organizations like the American Cancer Society. The Foundation works with and through a network of Local Christian Foundations that help organize donors at the local level.
Themes

While the danger of talking with statistics is losing the individual stories contained in those numbers, the danger of talking about individual stories is losing the larger patterns. Nevertheless, despite the heterogeneity within and across sectors, there are a number of themes that run through-out them.

For example, there are several standard routes by which Christian nonprofits seem to be generated. Several of the organizations profiled began as the ministry of a local church, but outgrew the boundaries of the church walls. Either it became too large in staff and/or money to stay a church ministry or grew beyond its original mission. Another group of nonprofits were “parachurch” from day one. These organizations are often the result of one or two religious entrepreneurs. Some of these individuals come from secular areas (e.g. former athletes, lawyers, businesspeople) to synthesize their faith and life into a new organizational form. Others came from traditional routes, such as a seminary or church, but decide to leave those structures to pursue another path. A third origin of Christian nonprofits comes from within existing nonprofits. Some leaders of existing nonprofits leave their position to form other organizations. These individuals become professional parachurch managers. Occasionally, the existing organization is the source of a nonprofit as it decides to spin-off a new organization.

Similarly, the organizational and sector profiles highlighted differences in the structure of Christian nonprofits. Some organizations, especially those in the Charismatic Evangelism sector, are driven by one or two individuals. These nonprofits are frequently named after these individuals. This will clearly have an effect on the decision-making process within the organization, since this person inherently has a great deal of power. Not surprisingly, that sector
has the smallest average board size. Others, such as those in the Relief & Development sector, are highly professionalized and bureaucratized.

Examining individual profiles can help us get a feel for the origins of nonprofits, the nature of the sectors, and key organizational variables, but if we are to understand the underlying patterns among Christian nonprofits we must pull back our microscope. How do organizational and sector differences affect Christian nonprofits? In the next chapter I do just this by looking at how different types of sectors and nonprofits acquire and allocate funds. In other words, the next chapter will explore how a couple thousand Christian nonprofits collectively raise and spend over ten billion dollars.
Chapter 4:
Fundraising, Fundspending

Religion is become the most fashionable things among us. Moral societies, Sunday schools—tract societies—Bible societies—missionary societies, and funds to educate and make preachers, are now in the full tide of operation…In barbarous times, when men were in the dark, it was believed that the success of the gospel was according to the outpourings of the Holy Spirit, but in the age of light and improvement, it is estimated according to the pourings out of the purse.

--John Leland, 1826

According to the 2007 Yearbook of American and Canadian churches, the Southern Baptist Convention received the largest amount of money for all denominations at over ten and a half billion dollars. It has over 40,000 individual congregations in the United States. Comparatively, if we were to consider the 2,000 Christian nonprofit organizations examined in this book as ‘congregations’ within a collective parachurch ‘denomination,’ they would easily constitute one of the wealthiest denominations in the United States in both ‘per church’ and absolute income. Even if we considered them individually, the largest nonprofits in this group receive more annual income that many major denominations.

Where does all of this money come from? How is it raised? How is it spent? And how do answers to these questions differ across and within the sectors presented in the previous chapter? The acquisition and use of money can be a sensitive issue for all organizations, whether for or not-for profit. However, with the latter the topic of money can be particularly touchy. On the one hand money is obviously vital to the operations and success of a nonprofit. But if they appear to be too concerned with raising money, or if they seem to abuse the money given to

them, then donors and the general public can quickly sour in their opinion and support of the organization. In other words, they must care about money just as much as for-profit organizations without appearing like they care. It is not just a matter of the practical issues of being able to financially support its operations, but also a matter of maintaining a sense of legitimacy to those operations.

Table 4-1 Largest Christian Nonprofits’ Revenue Compared to Select Denominations

<table>
<thead>
<tr>
<th>Name of Denomination or Nonprofit</th>
<th>Number of Churches or Organizations</th>
<th>Total Contributions1 or Total Revenue2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Baptist Convention</td>
<td>43,669</td>
<td>$10,721,544,568</td>
</tr>
<tr>
<td>Largest Nonprofits Collectively</td>
<td>1,941</td>
<td>$10,366,955,673</td>
</tr>
<tr>
<td>United Methodist Church</td>
<td>34,660</td>
<td>$5,541,540,536</td>
</tr>
<tr>
<td>Feed the Children, Inc.</td>
<td>1</td>
<td>$958,778,536</td>
</tr>
<tr>
<td>World Vision</td>
<td>1</td>
<td>$803,810,000</td>
</tr>
<tr>
<td>Church of the Nazarene</td>
<td>5,225</td>
<td>$765,434,742</td>
</tr>
<tr>
<td>Food for the Poor</td>
<td>1</td>
<td>$643,350,124</td>
</tr>
<tr>
<td>American Baptist Churches in the U.S.A.</td>
<td>5,740</td>
<td>$332,030,013</td>
</tr>
<tr>
<td>MAP International</td>
<td>1</td>
<td>$258,540,948</td>
</tr>
</tbody>
</table>

1. From 2007 Yearbook of American and Canadian Churches
2. From the organization’s 2004 IRS-990 form

Shared Needs, Different Strategies

While there are many differences between churches and nonprofits, they are united by a shared need for material resources. To put it bluntly...they need money. This might seem obvious, but it is often easy to forget the logistical demands of running a church in the face of its spiritual underpinnings. Alas, electric bills must be paid in both the church sanctuary and the
nonprofit office. Chapter 2 noted the competitive advantages of nonprofits when compared to churches, particularly that their specialized activities and generalized audience make them more efficient and provides them a larger potential market. But that chapter also acknowledged that the donor-nonprofit relationship is quite different from that of member-church, and in this regard the local church has some distinct advantages. Before diving into the details of nonprofit finances, it is worth considering how the dynamics of fundraising differ between churches and nonprofits.

One critical difference in the fundraising strategies of churches and Christian nonprofits lies in the reasoning underlying their appeals. Churches can often be much more demanding in their requests for contributions by framing their request as a theological requirement. Indeed, in some cases financial support is formally defined and expected as a duty of membership. Christian nonprofits obviously share theological beliefs with churches, but their requests must instead appeal to the voluntarism and generosity of the individual.

While there is room for requiring support for the outreach or missionary arm of the Church, this claim is still seen as primarily legitimate only when made by local congregations and denominations. This is partly an issue of practicality, as the sheer number of organizations would make fulfilling some “duty” to all of them practically impossible. Churches serve as a practical clearinghouse for donors’ primary religious contributions. It is also likely a consequence of nonprofits’ specialized nature, which makes their activities look more like a special interest issue than a basic and fundamental part of a Christian’s duty. It is hard to say a specific activity is inherently special compared to any of the other activities in the nonprofit population. In this sense, the generalized nature of churches and denominations make their
demands for support actually more persuasive, at least when it comes to appealing to an individual’s financial duty to Christianity.

Beyond differences due to theological arguments, there are also social and psychological advantages for churches. Most churches have a very regular membership. They might be slowly growing or slowly declining, but for the most part the same people are attending every weekend. This is important because it means that members have likely developed deep social ties or “roots” in the church. They have friends there, they like the pastor, and their children like the youth minister. Those social ties lead churches to be incredibly persuasive when it comes to appealing for support. Marketers and fundraisers like to say that “people give to people, not causes.” Abstract ideas or causes like “church planting,” while still appealing, lack the human face that really moves donors to action. It is not an accident that many relief and development nonprofits provides pictures and stories of individuals they are helping instead of relying on arguments about global economic stratification to persuade donors.

Few nonprofits have anywhere near the amount of face-to-face contact with their donors as churches have with their members. This makes it much more difficult for a church member to simply stop giving money compared to a nonprofit’s donor. If the latter only receives contact through an organization once a year through a mailing, there are little social or psychological repercussions for deciding to withhold a contribution. To put it bluntly, you do not have to look anyone in the eye the next week if you do not send money to the nonprofit. On the other hand, you will have to see your friends and pastor at the church. If you stop going altogether you will likely lose those friendships, so there is not only motivation for continuing to be a member but also to be a contributing member.¹²⁶

¹²⁶ Sociologists refer to this as the monitoring and sanctioning capabilities of an organization. See Roger Finke, Matt Bahr, and Christopher P. Scheitle. 2006. “Toward Explaining Congregational
Sociologists would explain all of this as a difference in the monitoring and sanctioning capabilities of different organizations.\textsuperscript{127} Because most nonprofits have little ability to monitor donors or to provide any consequences for not contributing, they are relatively weak compared to churches when it comes to enforcing commitment among members or contributors. The organizational benefits of monitoring and sanctioning can be seen across different churches as well. For instance, research has consistently shown that smaller churches, those with more dense social networks, and those that tend to be more ‘strict’ receive more money and volunteer time than those without the strong monitoring and sanctioning capabilities that are created by such characteristics.\textsuperscript{128}

In sum, despite their shared material needs, there are some crucial differences in the basic dynamics between the organization and donor when comparing churches and nonprofits. However, there is also a significant amount of variation \textit{within} the Christian nonprofit population in the acquisition and utilization of funds.

\textbf{Revenue Sources}

The popular image of a nonprofit is probably of an organization that pleads for donations through mailings, telethons, phone calls, and various fundraising events such as dinner banquets and charity walks\runs. These appeals are usually for ‘free money.’ That is, the organization hopes that you will provide a donation to support their cause without personally asking for anything in return. Sometimes the donor receives a small item of appreciation...a bumper


\textsuperscript{128} e.g. Finke, Bahr and Scheitle 2006. Scheitle and Finke Forthcoming.
sticker, a coffee mug, or the always popular tote bag…but for the most part the exchange is one-sided.

This image is accurate for many nonprofits, but some nonprofits have an entirely different strategy for raising money. These organizations, often called “commercial nonprofits,” raise money by charging fees for services or selling products to their “donors.” They then use this income to produce more goods or offer more services. In many ways, then, these organizations do not superficially differ from businesses in their operations, except they often charge less for similar services and do not use revenue to benefit owners or shareholders. Instead, all of the money raised is channeled back into the nonprofit’s operations.\(^{129}\)

Despite these differences, the similarities in operations and often similarities in products and services can lead to competition between for-profit businesses and commercial nonprofit organizations.\(^{130}\) For example, many Christian nonprofits in the Publishing & Resources sector face direct competition not only from other nonprofit publishers but also from for-profit publishers. The books distributed by the nonprofit publishers are often the same type of books one can find in Barnes & Noble or some other retailer. One can think back to the first chapter’s discussion of “niche overlap” to think about which Christian nonprofit sectors have more or less overlap with activities of other types of organizations, such as for-profit organizations and government agencies. Along with the Publishing sector, the Radio & Television sector also

\(^{129}\) At one time the “commercial manner” test was thought to be a useful way to determine whether a nonprofit was really “nonprofit.” However, with the increasing commercial activity among nonprofits this test is not very useful. Some have argued that commercial nonprofits should fill in some need that for-profit organizations are not serving. See Trevor A. Brown. 1990. “Religious Nonprofits and the Commercial Manner Test.” The Yale Law Journal 99: 1631-1650.

\(^{130}\) Indeed, legal scholars and economists have noted that the factors making nonprofit organizations more attractive than for-profit organizations when it comes to the provisions of public goods and services to third-parties are often absent in the case of commercial nonprofits. In the former cases, the donors are not directly benefiting from the services and have little ability to police the organization, so for-profit organizations have the motivation and opportunity to “pocket” the money. Due to the absence of this profit motivation, nonprofits are the better economic option for donors. For more information, see Henry B. Hansmann. 1980. “The Role of Nonprofit Enterprise.” The Yale Law Journal 89: 835-901.
likely has a high level of overlap, especially since mainstream networks and movie studios have begun to produce programs with latent or manifest Christian overtones (think: Touched by an Angel, Passion of the Christ).

Christian nonprofits operate predominantly on donations, but there is variation across the different sectors in the balance between donations and commercial revenue. Comprising only nine percent of its total revenue, the Relief & Development sector is the least reliant on commercial activities. The Publishing & Resources and the Fellowship & Enrichment sectors have the highest mean proportion of revenue coming from commercial activities with about thirty percent coming from such activities.
The proportion of commercial revenue is likely somewhat underestimated across all of the sectors because many nonprofits may give a donor a book or some other item of gratitude in return for money or recommend a “donation” in exchange for some item or service. When exactly such exchanges become commercial and not donative is a fuzzy issue, but most organizations would probably prefer to classify them as the latter since “donation” has a better sound to it than “sale” in the nonprofit world. Commercial revenue is seen as everything from a guilty pleasure to “sacrilegious” among nonprofit managers. Regardless of any misgivings on the part of organizational leaders, commercial activities have become an increasingly significant source of revenue for all nonprofits. This might be because donors are often unaware of where and how nonprofits get their money, so there is little risk in terms of public image when an organization engages in commercial activity. Even when they are aware of a nonprofit’s commercial activities the public does not seem to care as long as it seems relevant to the organization’s mission.

**Donation Revenue Sources**

While our general image of a nonprofit may be of the donative-type as opposed to commercial-type, we also have idealized ideas about the source and nature of the donations received by those nonprofits. That is, we often assume that the donations received by a nonprofit are from individuals who provide small donations. After all, this represents most of our personal experiences with the nonprofit world. You may receive a mailing or phone call from a nonprofit

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that asks for a $20 donation, or maybe you just have a favorite charity that you make a small
donation to every year. This image is accurate to a certain extent. About three-fourths of all
charitable giving comes from individuals. However, while personal monetary donations given
directly to the nonprofit are prominent, contributions can also come from a variety of other
sources and in different forms.

*Direct versus Indirect Support*

Direct public support is defined as money and goods (e.g. donated cars, food, clothing)
given from individuals or other organizations to the nonprofit. This is in contrast to indirect
public support, which is cash or non-cash support received through in intermediary organization.
For example, there are collective fundraising agencies like the United Way or the Combined
Federal Campaign that receive direct support and then transfer this to member agencies. When
received by those third party agencies, this contribution counts as “indirect” public support.
More common among Christian nonprofits are not indirect contributions from the well-known
fundraising agencies like the United Way, but indirect contributions from affiliated parent or
subordinate organizations. For instance, Christianity Today International received grants in 2004
from the Christianity Today Foundation, a related fundraising nonprofit that is primarily focused
on supporting the activities for the former organization.

*Government Contributions*

A third source of non-commercial revenue comes from government contributions. While
there are parts of the nonprofit world that rely predominantly on government funding, it is quite

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rare among the Christian nonprofits examined in this book. Only fifty-seven, or less than three percent of the 1,941 organizations identified, received government contributions in 2004. It is possible that if we were examining the smaller, local Christian organizations focused on social services (e.g. shelters, food banks, etc.) that public funding would be more prominent since their activities lend themselves more to receiving government funds (See Chapter 7 for more on this topic).

Close to seventy percent of the government funded organizations are in the Relief & Development sector, which makes sense given that these nonprofits are providing services that the government would clearly be interested in supporting as a way to outsource of its own relief and development efforts. Another eleven percent of the publicly funded Christian nonprofits are in the Fellowship & Enrichment sector. Much of the government funds in this sector are going towards prisoner rehabilitation and youth programs, including abstinence education.

Membership Dues

The final category of donation-based income comes from membership dues. This is admittedly an ambiguous revenue source that straddles the line between donations and commercial activity. Members often have a more stable relationship with the nonprofit than donors. However, membership dues are often separate from the commercial activities of the organization, which can include income coming from conference fees and publications above and beyond the dues. As discussed in the previous chapter, “members” are often not individuals but local chapters of a national organization. Organizational scholars refer to this as a “federated” structure. Revenue from membership dues is most common in the Fellowship &

Enrichment sector, but even there it only accounts for an average of ten percent of the organizations’ total ‘donations’ revenue and even less of its overall revenue.

Overall, the overwhelming majority of Christian nonprofits’ donative revenue comes from direct public support. The Relief & Development and Fellowship & Enrichment sectors rely slightly less on “direct public support” given their government and membership funding sources, respectively. Remember that this category includes contributions from corporations and other organizations, along with non-cash donations. For instance, within the Relief & Development sector, over seventeen percent of the total donations are in non-cash form, usually food, medicines, clothing, and so forth. It is difficult, though, to decompose this large “direct public support” category further because the organizations are not required to separate out
contributions coming from isolated individuals, corporations, or other actors. There is no doubt that small monetary donations from isolated individuals constitute a large part of this category, but it is not the only revenue stream included within this category.

Commercial Revenue Sources

There are three primary sources of commercial revenue. The first and largest category is the revenue generated through “program services.” This is revenue that nonprofits acquire by charging fees in exchange for some service of the organization. Usually these services form the basis of the nonprofit’s exempt purpose. It can include everything from speaking fees, conference and seminar registrations, to tuition income, to consulting fees, to low-cost medical or legal services. In short, if the nonprofit makes money through its primary nonprofit activities, then this is included in the program service revenue category.

In addition to program service revenue, another significant source of commercial income comes from the sale of products or “inventory.” For instance, much of the commercial activity across the Christian nonprofit population consists of selling books, audio tapes/CDs, videos/DVDs, devotional materials, and similar resources. The subject matter of the materials varies when looking across the different sectors. Books coming out of the Charismatic Evangelism sector are often focused on the teachings of the organization’s leader and feature the leader on the cover. Materials coming out of the Education & Training sector are less personality driven, and include things like Bible study guides or ministry manuals.

A third commercial revenue source, although much smaller than the previous two, comes from “special events.” These events do not provide any service, at least not a service related to the organization’s nonprofit purpose, but raises money through the sale of goods, admissions, or
some other exchange. For instance, a golf tournament or dinner banquet sponsored by the nonprofit would be a type of “special event.”

![Figure 4-3 Composition of Commercial Revenue Sources](image)

Looking across the sectors, the variation in commercial revenue sources is clear. All of the sectors produce at least half of their commercial revenue through program services, but the proportion ranges from fifty percent for the Publishing & Resources sector to almost eighty percent in the Fellowship & Enrichment sector. Much of this can be explained through the nature of these sector’s activities. Producing books and print materials naturally leads to the sale of such materials in the Publishing sector, while the conferences, seminars, retreats, and other common activities within the Fellowship sector naturally generate program service revenue. Special event revenue is relatively rare, but is most common within the Relief & Development sector.
and the Advocacy & Activism sectors where it comprises about twelve and twenty-eight percent of the commercial revenue, respectively.

**Consequences of Revenue Source**

Whether a nonprofit relies on donations or commercial activity can have an important impact on their operations. The relationship between a donor and a nonprofit is much different in donative and commercial organizations. With a “pure” donation, the organization likely contacted the donor and was able to persuade the individual to contribute. While this may occur with commercial nonprofits as well, it is much more likely that the individual did not need to be persuaded outside of some simple advertising. If the person has a preexisting need or desire for the good or service, then they may be quite willing to “donate” in exchange for the service.

Donative nonprofits must continuously persuade individuals with each appeal. On the contrary, individuals may continuously patronize a commercial nonprofit if their products and or services proved satisfactory in the past. In short, the donor-recipient relationship is much more tenuous in the donative context than the commercial one. Donative nonprofits are at the mercy of whims of donors who have little directly to gain from an exchange, while commercial nonprofits can create a relationship based on the donor’s desire for the products and services of the organization.136

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<table>
<thead>
<tr>
<th></th>
<th>Between One and Two Years Ago</th>
<th>Between Two and Three Years Ago</th>
<th>Between Three and Four Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean Percent Change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donative</td>
<td>1.07</td>
<td>1.12</td>
<td>1.11</td>
</tr>
<tr>
<td>Commercial</td>
<td>1.15</td>
<td>1.11</td>
<td>1.13</td>
</tr>
<tr>
<td><strong>Standard Deviation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donative</td>
<td>.70</td>
<td>.59</td>
<td>.78</td>
</tr>
<tr>
<td>Commercial</td>
<td>.38</td>
<td>.47</td>
<td>.34</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donative</td>
<td>.06-13.74</td>
<td>.12-8.4</td>
<td>.21-14.39</td>
</tr>
<tr>
<td>Commercial</td>
<td>.05-3.08</td>
<td>.28-3.34</td>
<td>.23-2.47</td>
</tr>
</tbody>
</table>

We can see these dynamics in the financial data of the Christian nonprofits we have been examining. Table 4-2 looks at the financial stability of two groups of nonprofits, those that are predominantly donative and those that are primarily commercial.\(^{137}\) “Predominantly” is defined here by those that have eighty percent or more of their revenue coming either donations or commercial activities. The first thing to notice is that the average percent change in revenue from year to year is about the same in the two groups, ranging from increase of seven percent to eleven percent. However, the variation in growth or decline for donative nonprofits is much greater than the variation in commercial organizations. Donative nonprofits saw revenue virtually disappear and/or increase dramatically from year to year while the revenue of commercial organizations remains much more stable.

This instability can make the logistics and operations of donative organizations challenging. If revenue increases greatly one year, does this mean that the organization should hire more staff or rent more office space? The volatile nature of donations makes such decisions difficult. What if donations decrease the following year? An economic recession or some other

\(^{137}\) From the Part IV-A Support Schedule of the 990 form. Nonprofits claiming a “church” status do not fill out the schedule (see Chapter 5) and are not included. Only includes those founded in or before 1998.
“unknown” could drastically cut donations. A natural disaster or some other fluke event could shower attention and support on the nonprofit, but this attention can just as easily fade with the next ‘fluke’. Commercially focused nonprofits can grow much more predictably since the “unknowns” are fewer and less damaging in their consequences. Their customers have some dependence on their goods or services, so they will be less willing to just eliminate their support for the organization. Of course, this does not mean that current customers will always continue their support or that random occurrences can affect commercial nonprofits, but overall there is more stability in commercial revenue than donations.138

**Expenses**

We have looked at the different revenue sources of Christian nonprofits, how these sources vary across sectors, and examined some of the consequences of different strategies. The topic of revenue naturally leads to questions concerning expenses. Regardless of how they receive their money, how do Christian nonprofits spend it all? How and where nonprofits get money can be a sensitive issue among donors and ‘watchdog’ groups, but the spending of funds is the usual target of oversight and controversy. A perception of inefficiency or abuse is a fast way for an organization to lose support. As we will see in the next chapter, a favorite way to assess nonprofits, Christian and otherwise, is to compute various efficiency ratios based on expenses. Those that spend more than a certain percentage of their revenue on fundraising or based on similar measures are declared inefficient or ineffective. While that chapter will discuss these evaluations along with their pros and cons, we look here at the expenses themselves and how they are related to the sectors and other factors we have been examining.

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138 This is all relative, of course. While more stable than donations, commercial revenue is often less stable than government funding, which nonprofit managers view as “money in the bank.” See Froelich 1999.
Nonprofit expenses are categorized into three broad areas. The first and usually the largest are those expenses that go directly towards “program services.” The second largest type of expense is those for overhead costs such as office supplies and employee salaries. The third and usually smallest expense category goes toward fundraising expenses. All of this might seem fairly straightforward, but partitioning expenses can get a little tricky at times because on the surface the same activity can fall under any of the three categories. Consider a nonprofit that spends $1,000 to print newsletters. Now, if the newsletter is part of their promised activities to keep the organization’s members connected and informed, then this would fall under the category of program services. If the newsletter is a direct appeal for money, though, then it falls in the fundraising category of expenses. Then again, if the newsletter is for internal use among employees (e.g. “there are three birthdays in the office this month…”), then it becomes a general management and overhead expense.

![Figure 4-4: Composition of Average Expenses](image)

**Figure 4-4**
Composition of Average Expenses

- Program Services: 80%
- Management and General: 16%
- Fundraising: 4%
Across all Christian nonprofits, an average of eighty percent of expenses go towards program services, sixteen percent towards management and general operating expenses, and four percent towards fundraising. There are some notable differences across sectors. The Advocacy & Activism sector averages twice as much as the average on fundraising at eight percent of total expenses. The Relief & Development sector is the most ‘efficient’ when it comes to management expenses, spending just under ten percent in that area. Similarly, it has the highest proportion program service expenses at eighty-five percent.

Table 4-3 Broad Expense Breakdown by Sector

<table>
<thead>
<tr>
<th></th>
<th>Charismatic Evangelism</th>
<th>Relief &amp; Development</th>
<th>Education &amp; Training</th>
<th>Publishing &amp; Resources</th>
<th>Radio &amp; Television</th>
<th>Missions &amp; Missionary</th>
<th>Fellowship &amp; Enrichment</th>
<th>Advocacy &amp; Activism</th>
<th>Fundraising, Grantmaking, Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>73.5%</td>
<td>86.4%</td>
<td>77.8%</td>
<td>77.6%</td>
<td>77.1%</td>
<td>63.6%</td>
<td>76.7%</td>
<td>74.1%</td>
<td>80.2%</td>
</tr>
<tr>
<td>Management and General</td>
<td>18.4%</td>
<td>9.7%</td>
<td>16.7%</td>
<td>18.1%</td>
<td>16.9%</td>
<td>13.2%</td>
<td>16.6%</td>
<td>17.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Fundraising</td>
<td>2.2%</td>
<td>4.7%</td>
<td>4.8%</td>
<td>3.4%</td>
<td>5.8%</td>
<td>2.8%</td>
<td>4.6%</td>
<td>8.1%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Note: Not shown is a “payments to affiliates” category, which is less than 1% for all sectors except the Fundraising and Grantmaking sector where this category equals 3%. Number may not add up to 100% due to rounding and errors in the original 990 forms.

But what exactly are these expenses going towards, whether they are of the fundraising, program services, or management variety? On their tax returns, nonprofits must provide some itemization of their expenses (for admirers of paperwork and the detail-oriented, this is called “Part II” of the 990 form). The form itself provides twenty ‘pre-determined’ categories of expenses for the organization to report on along with lines for “other” expenses not covered by the provided categories. In practice, nonprofits tend to put a large number of their expenses in these “other” categories, making it difficult to systematically examine those expenses across a
This is true for all nonprofits, not just Christian ones. It is likely a product of two forces. First, there are many expenses that genuinely do not fit into the "pre-defined" categories provided by the IRS. Second, putting expenses in the "other" category makes it more difficult to compute efficiency measures and other assessments of the organization, so there likely is some intentional "dumping" of expenses into this "other" category.

Table 4-4 Detailed Expense Breakdown by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Charismatic</th>
<th>Relief &amp; Development</th>
<th>Education &amp; Training</th>
<th>Publishing &amp; Resources</th>
<th>Radio &amp; Television</th>
<th>Mission &amp; Missionsary</th>
<th>Fellowship &amp; Enrichment</th>
<th>Advocacy &amp; Activism</th>
<th>Fundraising &amp; Grants-Making</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants, Assistance to Others</td>
<td>4</td>
<td>30</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>79</td>
<td>3</td>
<td>6</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Salaries, Pensions, Wages</td>
<td>36</td>
<td>19</td>
<td>39</td>
<td>25</td>
<td>31</td>
<td>23</td>
<td>45</td>
<td>39</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Fundraising, Legal, Accounting Fees</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Supplies, Occupancy, Equipment, Telephones</td>
<td>8</td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Payroll and Publications</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>15</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>12</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Travel, Conferences, Meetings</td>
<td>10</td>
<td>5</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Interest &amp; Depreciation</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>32</td>
<td>36</td>
<td>30</td>
<td>26</td>
<td>40</td>
<td>39</td>
<td>26</td>
<td>22</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1. Numbers may not add up exactly to 100% due to rounding.
You can see some clear differences across the sectors in particular types of expenses that are a product of activities particular to each. For instance, when it comes to cash and non-cash donations to other organizations and individuals, the Relief & Development, Missions & Missionary, and Fundraising & Grant-making sectors lead the way. There are differences in the type of grants, however. The Relief & Development sector’s grant-making consists of food, medicine, clothing, and cash to the needy, whether due to long-term development levels or short-term emergencies and disasters. The grants in the Missions & Missionary sector are typically going to missionaries in the field to support their work. The Fundraising & Grant-making sector is primarily making grants to other nonprofits and churches.

There does seem to be some correlation between the amount of expenses on grants and allocations and the amount spent on salaries or wages, as all three of these sectors are also the lowest when it comes to expenses on compensation. It is not particularly labor intensive to simply transfer money or goods to other people or individuals, so it is not entirely surprising that the more an organization’s activities are based in grant-making the less it spends on the payroll. The Fellowship & Enrichment sector appears to require the most in the way of paid employees, as close to half of its expenses goes towards salaries. The Advocacy & Activism along with the Education & Training sectors are also wage-intensive with almost forty percent of their expenses taken up by compensation of employees.

Across all sectors, the smallest type of expense is towards professional consultants, whether legal, financial, or fundraising. These fees account for less or just over one percent of most sectors’ expenses. Although it only represents just over two percent of its expenses, it is probably not surprising that the Advocacy & Activism sector spends the most on such

140 Granted, moving food or other supplies across the world is more labor intensive than simply transferring money.
consultants. As noted earlier, these organizations spend twice as much as any other sector on fundraising and their activities often involve issues where legal counsel would be useful.

There is relatively little variation in expenses towards the most basic overhead costs such as rent for office space, supplies, and telephone charges, although the Fundraising & Grant-making organizations spends the least in this area at four percent of the sector’s expenses. The Radio & Television and the Fellowship & Enrichment sectors have the highest expenses in this area at nine percent of their total expenses. The cost of broadcasting equipment and studios is likely the source of the former’s high rate, while the Fellowship & Enrichment sector’s rate may be the result of supporting various branch offices and its more labor intensive operations.

The cost of printing, publications, and postage sees a wider range of variation across the different sectors. Probably not surprisingly, the Publishing & Resources sector spends the most in this area, representing fifteen percent of its expenses. In fact, it might be surprising that this is not a higher proportion of these organization’s expenses. The Advocacy & Activism sector spends the second most on printing and mailing. These organizations use newsletters and other mailings to keep their constituents informed concerning their various social, religious, or political issues to their constituents either to encourage direct action or ask for support for the organization’s actions.

Travel and conference costs are lowest for Radio & Television nonprofits, followed by the Publishing & Resources sector. Neither of these sectors have a clear reason to travel, particularly the Radio & Television organizations. Publishers may travel somewhat more to book exhibits. The Charismatic Evangelism sector spends the most in this area, which makes sense given the itinerant preaching and speaking that is common among these organizations.
The Missions & Missionary, Education & Training, and Fellowship & Enrichment sectors all spend a little less than ten percent of on travel and conference expenses.

**Efficiency and Effectiveness**

With all the talk in this chapter about how Christian nonprofits acquire and spend money, it is worth considering what it all these numbers mean. In particular, do these data tell us anything about the relative ‘goodness’ of one nonprofit over another?

Organizational scholars make a clear distinction between organizational efficiency and organizational effectiveness.\(^{141}\) Technically, efficiency refers to an input-output ratio or comparison, whereas effectiveness refers to an absolute level of either input acquisition or outcome attainment.\(^{142}\)

Let’s consider two organizations with the mission of building churches. One builds ten churches with $1,000,000 dollars while the other builds ten churches with $750,000. The difference between the two is that the first organization spent more on fundraising, salaries, or some other overhead expense. These two organizations were equally effective but the first was less efficient. Or consider two organizations that both raised $10,000, but one spent $1,000 to raise this money while the other spent $5,000. The fundraising was equally effective in its outcome, but the latter was much less efficient. In short, effectiveness is an issue of whether the organization actually accomplished its goals while efficiency is an issue of how they accomplished those goals.

It would seem easy, then, to assess organizations on these standards of efficiency and effectiveness. Unfortunately, things are rarely as clear-cut as they first appear. First, assessing


effectiveness can become much more complicated depending on the type of goals an organization is pursuing. Measures of effectiveness can be easily quantified when the goals of an organization are of a clear and visible nature. This is easy in factories and other manufacturing settings. If the stated goal is to produce ‘widgets’, then effectiveness can be measured through the number of widgets produced per hour.143 The above example of a church-building organization provides a clear quantifiable measure, assuming that the actual building of churches was their only goal. But what if church building was really only a method to accomplish other goals? What if they really cared about whether people attended the church, or whether it led people to convert, or whether it improved the spiritual lives of individuals in the neighborhood? Effectiveness becomes less quantifiable for nonprofit organizations which often have more ‘value-based’ goals that are not easily measured through such objective criteria.144 A factory may have easily quantifiable criteria for measuring goal success, but it is more difficult to determine equivalent outputs for an organization that focuses on building an individual’s “character” or other ‘fuzzy’ goals.

143 Efficiency in this case could be “cost per widget.”
Although many Christian nonprofits see their goals as partially or wholly unquantifiable, they often attempt to provide measures of effectiveness in their annual reports. Below are the most common type of measures in each sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Common Measures of Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic Evangelism</td>
<td>Number of People Spoken or Presented to; Number of “commitments” made</td>
</tr>
<tr>
<td>Relief &amp; Development</td>
<td>Number of Houses Built, Wells Drilled, Money Distributed, Children Sponsored</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>Number of Pastors Trained, Seminars Provided</td>
</tr>
<tr>
<td>Publishing &amp; Resources</td>
<td>Number of Books, Tracts, Magazines, etc. Published/Distributed/Translated</td>
</tr>
<tr>
<td>Radio &amp; Television</td>
<td>Size of Listening/Viewing Audience; Geographic Range</td>
</tr>
<tr>
<td>Missions &amp; Missionary</td>
<td>Number of Missionaries Supported, Trips Taken</td>
</tr>
<tr>
<td>Fellowship &amp; Enrichment</td>
<td>Number of Services (conferences, publications, etc.) Offered to Members or Clients</td>
</tr>
<tr>
<td>Activism &amp; Advocacy</td>
<td>Size of Mailing Lists/Constituents, Rallies Organized, Legislative Outcomes</td>
</tr>
<tr>
<td>Fundraising, Grant Making,</td>
<td>Amount of Money Distributed, Other</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

If it is difficult to measure these “soft goals” in secular nonprofits, one can imagine the potential challenge for religious nonprofits. A report by the Independent Sector found that religious congregations were most likely to believe that their “accomplishments are intangible.” According to the report, many religious nonprofits feel the same way. It is

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common for religious nonprofits to speak of being “holistic” in their goals. For example, World Compassion, an international development and relief organization, states that its goal is to “effectively meet the essential physical, spiritual and emotional needs of people of all ages.” Some of their activities may be clearly quantifiable (e.g. amount of food distributed), but others probably are not.

In lieu of such quantifiable effectiveness measures, especially those that allow comparisons across different types of organizations, efficiency measures often become the way nonprofits are judged. These types of measures are used prominently in popular “charity evaluation” tools and services, such as Charity Navigator (www.charitynavigator.org) and the American Institute of Philanthropy (www.charitywatch.org).

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Expenses</td>
<td>Percent of total budget spent on administrative expenses (e.g. salaries)</td>
<td>Lower scores are better (Excellent=less than 15%)</td>
</tr>
<tr>
<td>Fundraising Expenses</td>
<td>Percent of total budget spent on fundraising efforts</td>
<td>Lower scores are better (Excellent=less than 10%)</td>
</tr>
<tr>
<td>Fundraising Efficiency</td>
<td>Ratio of fundraising budget to amount raised ($ spent/$raised)</td>
<td>Lower scores are better (Excellent=less than $.10/$1.00)</td>
</tr>
<tr>
<td>Program Service Expenses</td>
<td>Percent of total budget spent on nonprofit programs and services</td>
<td>Higher scores are better (Excellent=above 75%)</td>
</tr>
</tbody>
</table>

Ratings services such as these are very clear that they are evaluating each nonprofit’s organizational efficiency and not necessarily the “quality of the programs and services a charity provides.” However, the language that is often used in these evaluations (“outperforms”, “underperforms”) and the grading scales (“4 stars”) can muddle this fact. The visibility and ease

147 www.charitynavigator.org
of access to such ratings can also make an impression on viewers that exceeds their real significance.

Efficiency measures have taken a prominent role in the evaluation of religious nonprofits as well. MinistryWatch.org is a website maintained by a nonprofit organization called Wall Watchers. It aims to provide financial profiles of over 500 religious nonprofit organizations. The site provides efficiency ratings based on virtually the same measures used by other charity rating services. Ministry Watch also provides similar disclaimers about the meaning of the information they provide:

- The ratings do not consider program outcome measurements. Although program outcome measurements may be relevant to donors, they are not reported in a standard format that facilitates comparison of ministries with very different missions.

Despite these disclaimers, the rating system provided by Ministry Watch is likely taken by many potential donors as important indicators of organizational effectiveness. Many of the nonprofits profiled by Ministry Watch are clearly concerned about this potential confusion, as they have posted critiques of the rating system. For example, in response to Ministry Watch’s ratings of their organization, American Leprosy Missions Inc. provides the following:

- finances only tell half of the story, if that much. A charity with low administrative overhead may mean that no one is there minding the store and that programs are very ineffective and a lot of waste is going on undetected. There are many watchdog groups out there who are all trying to rate charities with letter grades, stars, points and percentages. But they all miss the bottom line: How effective are the organization’s program efforts? These are never measured because it is a time consuming process. It is easy to sit in an office somewhere with an annual report, an audit and a tax return and crank out some kind of analysis. It takes getting out of the office to measure
programs. To date no watchdog group has taken on that task which is to the detriment of their efforts.

Nonprofits, it seems, are acutely aware of the difference between efficiency and effectiveness and the potential consequences resulting from their confusion.

This does not mean that efficiency is unimportant, only that it should not be confused for characteristics that are likely more important, namely effectiveness. Most donors would be happy to give money to an organization that is somewhat less efficient (e.g. higher expenses on salaries or fundraising) if it was known to be more effective in producing its desired outcomes. Efficiency measures are probably most effective in identifying the most extreme cases of organizational wrong-doing where nonprofits clearly are spending exorbitant amounts on salaries or other fraudulent purposes. Unfortunately, efficiency measures tend to take the place of effectiveness measures because the latter are more difficult and expensive to produce.

All of this discussion about efficiency versus effectiveness is to make two points. First, when we look back over the tables presented in this chapter, we should be cautious to draw unfair conclusions about the financial data included in them. For instance, when looking at Table 4-3, should we conclude that since they spend the least on management and fundraising that Relief & Development organizations are the most admirable, honest, or even the most effective sector? I would argue not. Many sector differences and even differences within sectors may be due to actual differences in the demands and requirements of particular activities (e.g. a certain activity may simply require more skilled labor than another, meaning more expenses must go towards overhead). Even if we could make the argument that one sector or one organization is more efficient, does this really matter if they are not truly accomplishing what

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148 For example, in their study of secondary schools, Ostroff and Schmitt 1993 found that being effective does not always correspond to being efficient.
was intended (i.e. they are not effective)? There is much of interest in these numbers and much that must be taken with perspective.

A discussion of efficiency and effectiveness also provides an opportunity to revisit the comparison of traditional religious organizations with Christian nonprofits, a comparison that seems to keep being raised throughout these chapters. When we look back at Chapter 2, one can see that many of the criticisms of the Christian nonprofit population result from its focus on efficiency. Or maybe more accurately, some of the frustration of churches can be traced to their feeling that they are ultimately more effective even if they are not more efficient than Christian nonprofits. Most churches would likely admit that their “generalist” nature and lack of professionalization leads to fairly inefficient use of labor and resources, but they would also argue that they are incredibly effective at accomplishing their goals and therefore their inefficiency is irrelevant. However, given the intangible and more long-term goals of churches (e.g. spiritual development, fellowship), it is very difficult for them to provide clear cut evidence of their effectiveness. As discussed in this chapter, it is equally difficult for Christian nonprofits to provide true measures of effectiveness, but this point is often lost in the overwhelming amount of efficiency numbers that are provided by the nonprofits and various charity evaluators. So churches are left with comparisons of efficiency, which is a comparison that Christian nonprofits will undoubtedly win.
Chapter 5:  
The Fine Line: 
Churches, Nonprofits and the Tax Code

“Because special tax rules apply to churches, it is important to distinguish churches from other religious organizations. Therefore, when this publication uses the term ‘religious organizations,’”

it is not referring to churches…”

- The IRS’ Tax Guide for Churches and Religious Organizations

We saw in Chapter 2 that the relationship between churches and parachurch organizations can be seen as consisting of overlapping activities, or “niches.” Because of this overlap, the boundaries between churches and parachurch organizations often blend together. When a person looks to go on a mission trip, join a fellowship group, or help the needy, they will find options in both the church and the parachurch population. This is clearly the source of some tension between the two populations as it results in competition for the loyalty and support of individuals and churches.

However, this might not be that big of a deal if the two populations were clearly distinguished. If the Yellow Pages had a category for “Mission Trips-Church” and a separate one for “Mission Trips-Parachurch” with no overlap between the two listings, then you could easily decide what route was best for you. And while the two groups would still have some competitive dynamics, they would at least feel like they were distinct enough to provide some breathing room to each. Indeed, each could begin to provide unique products and services to further define their markets. Individuals with a particular denominational tradition, or looking
for a more explicit ‘church-like’ experience would patronize one sector while others could go to
the parachurch listings.

As an analogy, think of Wal-Mart and Macy’s. They both technically sell clothes, but
there is also some distinction in their target markets. But what if Macy’s started to build stores
with a sign on front that said “Wal-Mart,” or Wal-Mart started to sell clothes with a Macy’s
label? We can assume that any natural competitive tensions already existing between the two
would quickly escalate into hostile legal action. The same would be true, possibly without the
legal action, if the line between what is considered a church and what is considered a parachurch
is similarly blurred. But this blurring occurs more than we may think. Indeed, underlying the
most hostile feelings towards parachurch organizations is the perception that they are trying to
replace churches or are trying to take over some of the key activities of churches, such as
worship.

**Church-Parachurch Fluidity**

History provides a number of examples of just how porous the boundary between church
and parachurch can be. For instance, most people associate “Sunday school” with traditional
churches. This is, after all, where Sunday schools almost always take place today. However,
Sunday schools began in the late 18th century, first in England and soon after in the United
States, as charity schools that were independent of congregations. In fact, many churches
“frowned” upon the Sunday school movement. Instead, they were usually founded and
supported by individuals and voluntary religious societies. Unlike today, they were not targeted
towards members of congregations, but were meant to educate poor children in both secular and
religious matters. The schools were held on Sundays because it was the only day the people the

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schools were targeted towards had off from work. During the 1830s Sunday schools became increasingly limited to religious instruction and targeted towards members of congregations. This corresponded to the schools being incorporated into local congregations and becoming closer to their present form.\textsuperscript{150} 

There are other similar examples of the “parachurch” becoming “church.” The denomination we know today as the Christian and Missionary Alliance began as a much less structured missionary movement. Its founder, Dr. Albert Simpson, “was reluctant to establish churches, preferring to call together Christians with a vision to evangelize the world but who remained in their local churches.”\textsuperscript{151} Eventually, though, these missionaries settled into various communities and started to look a lot like churches, and those churches started to look a lot like a denomination. This fact was made official in 1974 when the group declared itself to be what everyone else already knew….a denomination.

Nowhere is the fuzziness concerning the line between church and parachurch, well, more fuzzy, than then it comes to the IRS and the tax code.

**Origin of Tax Exemptions**

The exemption of certain organizations from paying taxes can be traced back to the Tariff Act of 1894 and the Corporation Excise Tax of 1909.\textsuperscript{152} Both laws were essentially taxes on the profits of businesses. However, Congress felt it would be unnecessary and unwise to apply such taxes to businesses commonly thought of as ‘charities,’ such as those that help the poor. First,

\textsuperscript{151} Christian & Missionary Alliance. “A Brief History.” [http://www.cmalliance.org/whoweare/whoweare-past.jsp](http://www.cmalliance.org/whoweare/whoweare-past.jsp)
\textsuperscript{152} Technically, the 1894 Revenue Act also included an exemption for “charitable, religious, or educational purposes” but the Revenue Act was declared unconstitutional for reasons that did not involve the exemption.
they assumed that such organizations would never have “profits” above the donations they received, so a tax on profits was simply inapplicable. Second, charities were using their income towards “the relief of suffering, to the alleviation of our people, and to all things which commend themselves to every charitable and just impulse.” Given such admirable goals, taxing their income just seemed, well, uncharitable. There was also a more practical reason for exempting charities. Since the money that goes into the charity goes towards activities the government wants to support anyways, exempting them from taxes simply cuts out the middle-man. Although not quite expressed in explicit terms in those early days, this indirect subsidy or “quid pro quo” argument would eventually come to be the primary justification for exempting nonprofits from taxes.

Interestingly, in addition to charitable and educational activities, Congress included religious purposes as a reason for tax exemption. The reasoning for this inclusion is not entirely clear. Some scholars have argued that religion had little to do with the inclusion of religious organizations as an exempt category. They say that religious organizations were exempted because of their role in public service, particularly in the relief of poverty, not because of their religious nature. There is some evidence for this in Congressional hearings for the 1909 law. In those hearings legislators discussed the activities of churches, such as Trinity Church in New York City. They concluded that since “all of the avails of its business and its real estate…are distributed for benevolent purposes,” churches should be exempt from taxes. In other words,

154 Obviously it is debatable how accurate this assumption was.
156 Hoff 1991-1992. Pg. 78. Although, “benevolent purposes” is obviously a vague phrase. Does it only include “charitable” activities like helping the poor, or does benevolence include explicitly religious activities as well?
it is the charitable activities of religious organizations that qualified them for tax exemption, not their religious nature.

However, you could also argue that an organization’s religious nature was its own distinct justification for tax exemption independent of any charitable activities it may or may not engage in. The 1894 and 1909 laws specified that organizations which have “charitable, religious, or educational” purposes qualify for tax exemption. The “or” in that statement gives the impression that religion alone was seen as being a legitimate reason for a tax exemption exclusive of a “charitable” nature.\textsuperscript{157}

What is clear, though, is that the inclusion of religious organizations was not based on nuanced arguments concerning the separation of church and state or the Free Exercise Clause of the Constitution. While these arguments would come later, the original inclusion seemed to be based on a fairly unquestioned assumption that religious organizations were naturally in the same category as charitable and educational organizations.

But whether and why churches were included in the tax exemptions is not particularly important for our purposes. The point is that religious organizations were originally included among organizations that received tax exemptions. More importantly, the law was applied evenly to \textit{all exempt} organizations, religious or secular.

\textbf{A Split in the Code}

\textsuperscript{157} All of this is related to a much larger debate in the history of nonprofits concerning what should or should not deserve a tax exemption. Generally, the guidelines have become broader and inclusive by which “charitable” includes a wide range of activities not usually associated with the colloquial use of the word “charity.” See \textit{Historical Development and Present Law of the Federal Tax Exemption for Charities and Other Tax-Exempt Organizations}. Prepared by the Staff of the Joint Committee on Taxation for a Public Hearing Before the House Committee on Ways and Means. April 20, 2005.
For a long time the tax code did not distinguish between different types of organizations within the “religion” category. Churches, denominations, parachurch organizations, and all others were simply exempt from taxes due to their religious nature, assuming of course they fulfilled the other requirements for exempt status.

This began to change, though, in the middle of the 20th century. In 1950 an important distinction was made in an otherwise routine piece of legislation. Referring to unrelated business income, the Revenue Act of 1950 stated that:  

While churches and associations or conventions of churches…are exempt from the Supplement U tax, religious organizations are subject to such tax…

This significance of this statement is subtle, but it represents the first time that the government separated churches out from other “religious organizations.” Religion was no longer a homogenous category of exempt organizations.

This distinction is maintained today, as the IRS has established two broad categories when it comes to religion: churches and “religious organizations.” This terminology is a bit confusing since churches are obviously religious organizations. Indeed, they are the original religious organization (or “classic” if you prefer). But these categories are meant to create a distinction between traditional churches, groups of churches (i.e. denominations), and church

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158 Hoff 1991-1992. Pg. 82. In 1969 churches would also become subject to unrelated business income taxes.

159 We could get much more detailed about the various religious terms used in the tax code. Charles M. Whelan identified at least fifteen different terms, including: “religious purposes,” “a religious organization describe in section 501(c)(3),” “church,” “church agency,” “religious order,” and “a church or a convention of association of churches.” However, many of these other terms fall within either the ‘church’ of the ‘religious organization’ categories in practice. See “‘Church’ in the Internal Revenue Code: The Definitional Problems.” Fordham Law Review 45: 885-928.
based groups\textsuperscript{160} (e.g. a church’s men’s group), and other nonprofits with a religious identity or mission that are not based within one of these church structures.

In other words, intentionally or not, the tax code began to reflect the larger changes in the structure of American religion that were being driven by the growth of the parachurch sector.

\textbf{A Two-Tiered System}

The separation of these two categories might not matter if it did not have real consequences for how an organization was treated by the government, but it does in fact have such consequences. This is because churches have a very unique, or what one writer called an “enviable,” status within the tax code.\textsuperscript{161}

Churches are the only type of nonprofit organization that receives an automatic and assumed tax exemption without any application or registration. This means that if you want to create a church, there is no need to contact the IRS to register or let them know you exist. The tax-exempt status of your church is assumed. This differs from any other nonprofit, religious or otherwise, which must submit an application to gain official tax exempt status.\textsuperscript{162}

Furthermore, churches, unlike almost all other nonprofits, are exempt from filing annual statements concerning their finances and other organizational information.\textsuperscript{163} The result of these exemptions is that the IRS is effectively prevented from conducting any audit on a church unless they receive some notice from “third party” that there is reason to believe the church is violating

\begin{footnotesize}
\textsuperscript{160} What the IRS calls “integrated auxiliaries.”
\textsuperscript{162} The application is called Form 1023.
\textsuperscript{163} Called Form 990. Religious orders, inter-church councils, and some mission societies are also exempt from filing annual returns.
\end{footnotesize}
nonprofit rules. In short, churches are shielded from almost all of the regulatory oversight and requirements that all other nonprofits are subject to.

Churches did not always have such a favorable status when it came to registering and financial reporting. In fact, for the first half of the twentieth century churches were seen as just another type of nonprofit. As time went on, though, the rules began to diverge for churches and other charitable organizations, both religious and secular. We saw above that in 1950 churches were exempted from the unrelated business income tax, but other religious organizations were not. Although that particular benefit for churches would end, other perks would come with the Tax Reform Act of 1969.

The 1969 law stated that new nonprofits must obtain official recognition from the IRS and also began requiring annual financial returns. However, churches, associations of churches, and church ministries were exempted from both of these requirements. The different rules reflected a change in reasoning concerning the tax exemptions given to churches. While they were previously included with all nonprofits due to their public service role, churches were now seen as special due to the constitutional issues involved with regulating religion. It was now a matter of protecting the free exercise of religion, not a matter of their charitable nature (See inset box).

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165 Incidentally, this is why social scientists have such a difficult time studying churches. Since they do not have to register with any central authority, there is no complete list of churches in the United States. This makes it difficult to find and select churches for study in a scientifically meaningful way. We know that there are “roughly” somewhere between 300,000 to 350,000 congregations in United States, but that is about the best we can do. The good news is that we have gotten around this issue through some creative techniques that have allowed us to obtain national samples of congregations without a full list of churches (score one for the sociologists!).
Tax Exemptions and the Constitution

While religious organizations were included in the first laws establishing tax exemptions, their exemption has not gone unchallenged. The primary argument for tax exemptions is that the government should provide an indirect subsidy in the form of tax exemptions for organizations providing services that the government has a direct interest in supporting, such as helping the poor or disaster relief. This argument has some problems when it comes to religion as it is unlikely that the government would provide religion in the absence of religious organizations. In fact, one could argue that the exemption of churches from taxes represents the government support of religion, which would violate the Establishment Clause of the First Amendment.

Indeed, this was exactly what a man named Frederick Walz believed. A lawyer himself, Walz challenged tax exemptions given to churches in the state of New York. Every state court in New York sided in favor of the exemptions, primarily based on the long history of such exemptions.

Not easily discouraged, Walz pursued the case to the U.S. Supreme Court in 1970. Unfortunately for him the Supreme Court also argued in favor for the tax exemption of churches. The Court raised a number of points in support of its decision. The majority opinion stated that churches are seen as a “beneficial and stabilizing influence in community life” and they contribute to an overall level of pluralism in society, which is also seen as positive. In other words, by providing tax breaks the government was encouraging these positive characteristics in society, much like they encourage third parties to provide help to the poor or provide relief after a natural disaster.

The Court also argued that the government was not really subsidizing churches, which would raise questions concerning a violation of the Establishment Clause, as much as it was staying out of religion altogether. In what came to be called the “no-excessive entanglement” principle, the Court argued that the government should do all that is possible not to become involved in the activities of religious groups.

Obviously a direct money subsidy would be a relationship pregnant with involvement and, as with most governmental grant programs, could encompass sustained and detailed administrative relationships for enforcement of statutory or administrative standards, that is not the case...

The government does not transfer part of its revenue to churches but simply abstains from demanding that the church support the state.

The excessive entanglement principle is not explicitly stated within the Constitution, but can be tied into the idea of ‘Free Exercise.’ Also part of the First Amendment, the Free Exercise clause states that “Congress shall pass no law…prohibiting the free exercise [of religion].” The Court felt that taxing churches could limit the exercise of religion by hampering them with too many administrative and financial obligations. Seemingly, this is the same logic behind the exempting churches from registering with the IRS and filing annual returns.

Interestingly, the Constitutional issues do not seem to extend to religious nonprofits that are not churches (i.e. parachurch organizations). This is curious and the reasoning is not entirely clear. On the one hand you might argue that what takes place within churches is religion in its most “pure” form. That is, at its core religion is about worship and the special status of churches is meant to protect the most important part of religion. But this would seem to imply that what takes place outside of churches is somehow less ‘religious’ and therefore less protected by the Constitution. Despite what were probably good intentions, the two-tiered code for religion creates more questions than it solves. It also creates some logistical issues in its application.

**Defining a Church**

Because there are different rules for each, the question then becomes how do we distinguish churches from other religious nonprofits? I know you are thinking, “we all know what churches are and aren’t…it is a building with a steeple, a sign outside with the week’s sermon, and pews inside.” True, there is an element of “I know it when I’ll see it” to this question, but when it comes to the IRS and its definition of a church the answers are not so clear. Actually, the IRS does not have a definition of a church as much as it has various criteria it uses to guide its judgments. These criteria include:

- A distinct legal existence
- A recognized creed and form of worship
- A definite and distinct ecclesiastical government
- A formal code of doctrine and discipline
- A distinct religious history
- Membership not associated with any other church or denomination
- An organization of ordained ministers
- Ordained ministers selected after completing prescribed courses of study
• A literature of its own
• An established places of worship
• Regular congregations
• Regular religious services
• Sunday schools for the religious instruction of the young
• Schools for the preparation of its ministers

Making things complicated is the fact that these criteria are not “all or nothing.” There are many cases where these some of these criteria would not apply to organizations that almost everyone would agree is a church. For example, the “distinct religious history” guideline would eliminate any new religious group. The “schools for the preparation of ministers” would eliminate Quakers and Jehovah’s Witnesses.168

Instead, when an issue arises concerning the status of an organization as a church, the criteria is used in a fairly ad hoc manner. If an organization has a few features but not all of them, then they might be a church. Or they might not. But as we have seen, a group that claims church status is unlikely to run into problems unless some third party alerts the authorities, since the IRS will never see their financial returns in the first place. If the IRS does investigate an organization claiming to be a church, the point of debate will most likely not be the “church-ness” of the organization as it will be its financial and political behavior. That is, is the “church” creating profits for its leaders or engaging in lobbying? As one writer put it:169

…when compared with the difficulties involved in defining religion and religious activities…a private inurement [i.e. profiteering] investigation appears significantly less difficult than supporting a claim that a particular organization is not truly religious.

**Flexible Application**

Partly due to the difficulty in defining a church and partly due to the potential controversy created by telling someone that their church is not really a church, the IRS has been surprisingly flexible in the application of the church label. Consider the case of Young Life. You might be familiar with this youth-oriented organization whose activities range from providing summer camps for kids of all ages and backgrounds to organizing fellowship groups on high school and college campuses. It is an organization that brought in over $150 million in 2004, is active across the United States and in fifty nations, and is probably not what most would consider to be a traditional church. Until 2005, Young Life did not consider itself to be a church, either. Before that point it filed annual returns and had the status of any other nonprofit, religious or secular. However, in 2005 Young Life requested that the IRS consider changing its classification from nonprofit (i.e. “religious organization”) to church. To the surprise of many, the IRS obliged with this change.170 So looking back at the criteria above, how did the IRS come to this decision?171

In examining Young Life, the IRS viewed facts that were consistent with traditional church activities. For example, the fact that clubs typically hold weekly meetings (similar to church meetings) was important…Young Life is fully incorporated and has a distinct legal existence. It

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has a creed and form of worship recognized by its members. It has a formal doctrine as evidenced by its Statement of Faith and mission statement.

To be clear, the IRS probably did not view the entire Young Life organization as a single church. Instead, it fell under the latter part of the “church or association of churches” clause by which the individual Young Life clubs constitute individual ‘churches’ and the national organization is the association. In other words, Young Life is the equivalent of a denomination.\(^{172}\) Although most people would not list Young Life if asked to name some denominations in the United States, you might be able to see how it could be considered denomination-like (at least if you were the IRS and did not have the stomach to debate why it is different than other denominations).

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\(^{172}\) The irony in Young Life’s classification as a church/denomination is that it, along with its peers like Campus Crusade for Christ International, are very aware of criticisms that they compete with churches for young people and are the first to state that they are trying to complement local churches, not replace them.
The Symbolic Revocation

The special status of churches within the tax code raises some challenges for the Internal Revenue Service when it comes to enforcement of rules concerning financial conduct and political activity on the part of nonprofits claiming “church” status. The natural punishment for a nonprofit that is breaking these rules is to revoke their tax exempt status. However, churches do not have to acquire recognition of their tax exempt status in the first place, so how can something that was never given in the first place be taken away? The court case of Branch Ministries v. Rossotti established that the answer to this question is really, “it can’t be.”

Branch Ministries was a church that in 1992 placed advertisements in two newspapers urging Christians not to vote for Bill Clinton. The IRS revoked the church’s tax exemption based on the rule that nonprofits cannot participate in political campaigns on behalf of or in opposition to any candidate. The church appealed stating that the revocation would force it to close due to “the inability of congregants to deduct their contributions from their taxes.”

The United States Court of Appeals for the District of Columbia ruled against the church, stating:

“In actual fact, even this burden is overstated. Because of the unique treatment churches receive under the Internal Revenue Code, the impact of the revocation is likely to be more symbolic than substantial. As the IRS confirmed at oral argument, if the Church does not intervene in future political campaigns, it may hold itself out as a 501(c)(3) organization and receive all the benefits of that status.”

Branch Ministries had previously asked for and received official recognition from the IRS even though they had no need to do so. The court ruled that the IRS was able to revoke that official recognition. However, given the automatic exemption for churches, nothing ultimately changed concerning its exempt status as it could simply assert the automatic exemption. The loss of an advanced letter of recognition would only become an issue if an individual donor was audited and they had to prove the charitable status of their donations. And given the automatic exemption for churches, the individual would likely not have much trouble establishing this point.


This raises another paradox about the two-tiered tax code for churches and other “religious organizations.” Part of the reasoning for exempting churches from registering and filing with the IRS is the fear that the government would begin to discriminate against some groups by saying they are not really a church or a religion. However, the understandable hesitancy of the IRS to make determinations regarding the ‘church-ness’ or ‘religiousness’ of an organization makes the entire religion issue practically irrelevant. The real issue is not the religious nature of an organization but whether it is truly nonprofit in the sense that there is no personal profiteering and the organization follows the other rules concerning nonprofit behavior.
So assuming the IRS would not become more bold in its attempts to define religion, it is difficult to see how requiring churches to file annual returns or registering would risk the free exercise of religion.  

**Churches, Nonprofits, and Nonprofit ‘Churches’**

As we have seen, there are two official categories as far as the IRS is concerned: churches and religious organizations. The latter is required to fulfill more rules than the former concerning registration and filing. However, this becomes slightly more complicated because the IRS allows organizations to both claim church status and fulfill the requirements of a ‘religious organization.’ What this means is that, in practice, there are actually three different categories of religious organizations in the tax code...churches, religious organizations claiming church status, and religious organizations not claiming church status.

The first question to ask is if the organization simply looks like a traditional church or denomination? As we noted earlier, it is difficult to define a church on paper but most of us feel like we have a working definition in our mind…a single building, pews, a pastor, weekly worship services, and so on. As noted already, churches have no requirement to register, but some do just for peace of mind or out of their own confusion about the tax code. Similarly, some churches will file annual returns just to be open about their finances. A 1998 study found that about a quarter of congregations had a ‘proxy’ exemption through their denomination, about forty percent had their own unique letter of exemption, and another quarter had no official

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173 Obviously this is an important assumption. However, there are other reasons one could argue in favor for reversing the exemption for churches. First, it would provide the IRS the ability to actually regulate churches on the issue of financial profiteering, which churches are theoretically supposed to be accountable for just like other nonprofits. Second, it would provide financial openness within churches for their individual contributors. Finally, by leveling the playing field it is eliminate the earlier mentioned implication that non-church religion is less protected than church-based religion.
exemption recognition from the IRS. A significant portion also simply did not know whether they had an real tax-exempt recognition.\textsuperscript{174}

<table>
<thead>
<tr>
<th></th>
<th>Looks Like A Traditional Church?</th>
<th>Officially Recognized by IRS?</th>
<th>Files Annual Return?</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church</td>
<td>Yes</td>
<td>Optional, Not Usually</td>
<td>Optional, Not Usually</td>
<td>Churches in Your Neighborhood; Official Denominational Agencies</td>
</tr>
<tr>
<td>Religious Nonprofit “Church”</td>
<td>No</td>
<td>Optional</td>
<td>Optional</td>
<td>Salvation Army Young Life (Post-2005) Select Other Parachurch Organizations</td>
</tr>
<tr>
<td>Religious Nonprofit</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Most Well-Known Parachurch Organizations</td>
</tr>
</tbody>
</table>

If most people would not view an organization as a church or association of churches by traditional images of such, then the organization falls into the “religious nonprofit” category. These organizations can then be broken down into two sub-categories depending on whether the religious nonprofit claims to be a church. If it does, then just like churches, it is not required to gain official recognition from the IRS or file annual returns. Let us call this the “religious nonprofit church.” The largest and most prominent organization falling into this category is likely the Salvation Army, which many people only know as a charity targeting emergency relief and poverty.\textsuperscript{175} However, the Salvation Army sees itself as and claims church status and does not file annual returns with the IRS. The notable absence of the Salvation Army has led some


\textsuperscript{175} Another notable non-filing ‘church’ is Campus Crusade for Christ International.
nonprofit evaluation services to offer a dedicated explanation on their websites explaining the absence of data on the organization.176

Finally, if the organization does not superficially look like a church and also does not see itself as or claim to be a church, then it is simply a religious nonprofit and must gain tax exempt recognition and file annual returns like all other secular nonprofits. This category includes most of the “parachurch” organizations that you might imagine.

**Manipulation and Abuse**

You might be asking, does not the liberal application of the church label combined with the different requirements for filing financial statements invite organizations with less than honest intentions to take advantage of the system by claiming church status just to hide their finances? This is a long-standing concern among the courts and IRS and it has not been unsubstantiated. In response to several highly dubious claims of church status in the 1980s, a court stated that…177

…our tolerance for taxpayers who establish churches solely for tax avoidance purposes is reaching a breaking point. Not only do these taxpayers use the pretext of a church to avoid paying their fair share of taxes, even when their brazen schemes are uncovered many of them resort to the courts in a shameless attempt to vindicate themselves.

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176 [http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=484#1](http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=484#1)
Unfortunately, the shenanigans did not stop with that statement. Consider the Mike Murdock Evangelistic Association, which is a Christian nonprofit that files annual returns. In a series of investigative articles in 2003, the Fort Worth Star-Telegram reported that the large majority of the televangelist’s did not go to helping the poor, as many might assume given Murdock’s requests for money to help “break the back of poverty,” but to overhead costs like salaries and travel. At the same time, the newspaper reported that Murdock lived a luxurious lifestyle with “Rolex watches, expensive sports cars and exotic animals.”

The organization responded to this scrutiny in two ways. First, it actually started to spend more money on programs instead of salaries and other overhead costs. But more significantly, Murdock created a separate church organization that is, as we have seen, exempt from financial disclosure. This allowed expenses that were previously part of the nonprofit’s balance sheet to be shifted to the church’s. For instance, in 2003 the Mike Murdock Evangelistic Association (i.e. the nonprofit “religious organization,” not the church) claimed revenue of $14.5 million. In 2006 it claimed just $500,000. While contributions may have taken a hit due to the negative publicity, it is likely that much of it was shifted to the church where it is closed to prying eyes. Helping to shed any doubts about this point, the newspaper interviewed the former general manager of the organization who stated that Murdock’s intent behind the church’s creation was to avoid financial disclosure.

A Scientific Question

I do not want to instill a false sense of cynicism or raise unnecessary panic. There are clearly problems created by this system and I would argue the ‘special’ status of churches should be reconsidered. However, of the almost 2,000 organizations examined in the following

chapters, which were included because they did not look like churches or have official denominational ties, very few actually claim to be ‘churches.’ To be precise, about six percent, or 118 of the organizations that were identified, were found to have claimed a church status.

In other words, very few of the religious organizations that are not traditional churches fall into the “religious nonprofit church” category. It is true that this is likely an undercount because some of the organizations within that group cannot be identified or included because they do not register and/or submit financial records since doing so is optional for ‘churches.’ But even if the percentage was ten or even twenty, the fact remains that most of the organizations you would not perceive as a being a “church” also do not perceive themselves as a church.

And despite the presence of clear mischief by some organizations, let us not assume that all religious nonprofits claiming to be a ‘church’ are simply hiding something. It is very possible that they do view themselves as a church, even if somewhat nontraditional. The fact is that “church” and “parachurch” are not entirely distinct categories. As we saw in Chapter 3, many parachurch organizations start off as a church ministry. And as discussed at the beginning of this chapter, many churches and denominations begin as parachurch organizations.

In short, while there may be cases of manipulation, we should not let those exceptions distort the fact that the church-nonprofit distinction is actually a substantive one that represents the inherent uncertainty and fluidity that exists between the two populations. Even if the tax code treated churches and ‘religious organizations’ exactly the same, we would still expect organizations to differ in how they perceived themselves. Some would still see their tax-exempt status due to their being a ‘church’ and others because they are a religious nonprofit, not a church.
Fortunately, because the IRS does provide opportunities for religious organizations to distinguish themselves into these various church\nonprofit ‘church\nonprofit categories, it provides us the opportunity to explore some of the factors that lead organizations to claiming one status or another. In other words, we can turn what can be seen as a practical and legal shortcoming into a scientific question that can begin to be addressed through these data.

**Tipping Points**

The line between a Christian nonprofit and a church is primarily defined by a balance between two forces. First, there is factor of how close the organization perceives itself to being a traditional church. Those closest to acting, looking and ‘feeling’ like a traditional church are not going to ever file with the IRS or submit annual returns, so these are hidden from observation. The more an organization starts to act and look differently from a traditional church, the more likely they are to register with the IRS and submit annual returns. However, they might still claim church status on those forms.

However, at some point the organization might become so different from a traditional church that even they will see claiming church status as too much of a stretch. What we should expect then, is something called a curvilinear pattern by which the likelihood of observing nonprofits claiming church status increases with the likelihood of filing annual returns but then decreases as the organization becomes less likely to claim church status.
Using these data on two thousand of the largest Christian nonprofits, let us first take a look at the percent claiming church status within each sector. At just one percent, the Advocacy & Activism sector has the lowest rate of organizations claiming church status. So, given the curvilinear relationship proposed above, we must ask whether this is because organizations in the Activism & Advocacy sector are so much like traditional churches that they are not even filing annual returns, or are they so far from traditional churches that they very few perceive themselves to be a church? I would propose the latter, making them fall on the far right hand portion of the above diagram.

On the contrary, just three percent of the organizations in the Fellowship & Enrichment sector claim church status but I would argue that this is for the opposite reason. Organizations in this sector are in many ways very ‘church’ like. They are often composed of small local cells that meet regularly to worship together. This is the very reason why Young Life was able to convince the IRS that they should be granted a church status, and it is the reason why
organizations in this sector often draw the ire of local congregations (see Chapter 2). There are likely many Fellowship & Enrichment organizations that never get to the point of filing annual returns because they perceive themselves as being very much a church, so the low rate of “nonprofit churches” in the sector is due to very different reasons than the low rate in the Advocacy & Activism sector.

Using the rates of organizations claiming church status, I have proposed an ordering of the different sectors based on the dynamics discussed above. With the highest rate of organizations claiming church status, the Missions & Missionary and the Radio & Television sectors exist in the murky area between church and nonprofit. On the one hand many of these organizations are far enough from being like a church to where they are filing annual returns, but they are also close enough to be claiming church status. For instance, Radio & Television organizations are often broadcasting services of one or more churches. While they have a national profile, more viewers, and often larger revenues than the typical local church, these organizations are still very connected to the look and feel of traditional church activities.

To the left of the ‘transition zone’ are those sectors where few organizations are seen claiming church status because many of the organizations are too church like to even file annual returns. In addition to the earlier mentioned Fellowship & Enrichment sector, this area includes organizations in the Charismatic Evangelism and Education & Training sectors. The Charismatic Evangelism sector is often focused on conducting worship services, even if through en masse and/or itinerant methods. They also frequently partner with traditional churches. Hence, the nonprofits that do file annual returns show a lower rate of claiming church status because many of the organizations in this sector never filed returns in the first place.
### Table 5-2
Claims of Church Status by Sector

<table>
<thead>
<tr>
<th>Percent Claiming Church Status</th>
<th>Less Like a Church, More Likely to File</th>
<th>Transition Zone</th>
<th>Less Like a Church, Less Likely to Claim Church Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellowship &amp; Enrichment</td>
<td>Charismatic Evangelism</td>
<td>Radio &amp; Television</td>
<td>Publishing</td>
</tr>
<tr>
<td></td>
<td>Education &amp; Training</td>
<td></td>
<td>Relief &amp; Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fundraising &amp; Grantmaking</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Advocacy &amp; Activism</td>
</tr>
<tr>
<td>3%</td>
<td>6%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>6%</td>
<td>6%</td>
<td>9%</td>
<td>6%</td>
</tr>
<tr>
<td>10%</td>
<td>9%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>9%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>6%</td>
<td>5%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

To the right of the ‘transition zone’ are those that are too far removed from traditional church structures and activities to claim church status on their annual returns. This includes the Publishing & Resources, Relief & Development, Fundraising & Grant-making, and the earlier mentioned Advocacy & Activism sector. The organizations in these sectors are involved in activities that often do not take place within local churches, often do not directly involved local churches as partners, and the activities do not touch the worship and fellowship ‘core’ of local congregations.

To be clear, this is a theoretical argument and it is possible that a person could argue that the Publishing & Resources sector, for example, could be on the other side of the transition zone. However, based on what we have seen in the previous chapters, this is my impression of the church-nonprofit phenomena within Christian nonprofits.

Beyond activities or sector, there are likely other factors that lead organizations to lean towards or away from claiming church status. Revenue might be one of these as it might become more difficult to see your organization as a church when it begins to take in millions of dollars.
Although many large megachurches do just that, so it is clearly not a ‘black or white’ issue. When looking at the organizations in my data, there is a pattern of decreasing rates of church claims with revenue. For instance, of the organizations examined in this book, about seven percent of those with total revenue of $200,000 to $500,000 claim to be a church. This percentage goes down to about three percent when looking at those with revenue over $10,000,000.

<table>
<thead>
<tr>
<th>Table 5-3 Claims of Church Status by Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>$200K to $500K</td>
</tr>
<tr>
<td>$500K to 2.5 Million</td>
</tr>
<tr>
<td>$2.5 to 10 Million</td>
</tr>
<tr>
<td>Over $10 Million</td>
</tr>
<tr>
<td>Percent Claiming “Church”</td>
</tr>
<tr>
<td>7.1</td>
</tr>
<tr>
<td>5.6</td>
</tr>
<tr>
<td>4.8</td>
</tr>
<tr>
<td>3.3</td>
</tr>
</tbody>
</table>

It is true that this is a linear and not a curvilinear relationship, as was proposed above and observed when looking at sector differences. Remember, however, that my data is focused on the largest organizations and does not include many that are under the $200,000 mark used in the data collection. It is possible that among very small organizations the rate does decrease due to many of them not filing any returns since they are so ‘church-like.’ Among those with revenues of, say, around $25,000, the only ones that are filing annual returns are those so unlike traditional churches that the percent claiming church status goes down to a level similar to that of organization with very large revenues. In other words, the very small church-like organizations are filtered out before they are even observed.

Whether a Christian organization views itself as a church or as a ‘nonprofit’ is also reflected in and shaped by its leadership structure. As an organization grows and becomes more professionalized its leaders are likely to shed the titles of church leaders and take on those of nonprofits. For instance, of those organizations with a “CEO” listed as an officer, less than three percent claim church status compared to over six percent of those not using the title of CEO.
Similarly, less than four percent of those with a governing board claim church status compared to over seven percent of those without a board.

The “church-religious nonprofit” tension in the tax code, therefore, is reflective of the larger “church-parachurch” tension and ambiguity that was discussed in Chapter 2. Despite the legal or logistical issues the tax code presents, it also presents a window for observing some of this ambiguity and the variables that distinguish a ‘church’ from a ‘nonprofit.’

From Overviews to Case-Studies

The previous Chapters have each provided an overview of a particular issue in understanding Christian nonprofits…their history, their relationship with churches and denominations, and their activities and operations. The next two chapters move our examination from broad description to specific analysis. I examine two issues regarding Christian nonprofits using more advanced techniques. The first chapter looks at the compensation of leaders within Christian nonprofits to understand what affects the likelihood and level of compensation. The second chapter looks at government funding within the Christian nonprofit population to explore what affects the likelihood of receiving funding and what effect public funds have on the religious expression of the nonprofit. Both of these issues, leadership compensation and government funding to religious organization, provide the opportunity to contribute to important theoretical issues in the study of organizations in addition to timely concerns of the public and policy makers.
Chapter 6
Leadership Compensation in Christian Nonprofits

“I know the reason that he earns what he earns is because God has blessed him. It is powerful to preach the word of God. And because he does, he is going to receive everything he needs and more.”

--Supporter defending a Christian nonprofit’s leader’s $1.25 million compensation package

Whenever external actors hold an investment in an organization, the organization’s use of resources becomes a potential source of conflict. Shareholders, voters, and benefactors do not like to perceive their money as being wasted or abused. A particularly sensitive issue is the compensation of organizational leaders. Many expenses, such as those for infrastructure or fundraising, are abstract and could be justified with various appeals to organizational goals. Leadership compensation, however, is a more concrete and personified issue. Individuals can relate directly to issues of salary and understand its significance. Whether accurate or not, leaders are often perceived to be at least partially in control of their compensation. They are, after all, the decision makers. This apparent conflict of interest makes outsiders even more sensitive to the appearance of wrong-doing.

The business section of the newspaper frequently contains stories about questionable compensation of CEOs and other corporate officers. Most recently, the Chief Executive of Ford was criticized for having received over $28 million in compensation for his first four months of work even though the company was not profitable. Corporations are not the only organizations susceptible to such criticism. The government of Singapore received criticism for

providing a pay raise to its government officials, many of whom already had seven-figure salaries.\(^{181}\)

While corporations and governments must answer questions about high salaries, the issue is even more delicate for nonprofit organizations. High salaries for leaders can give the impression that nonprofit leaders are doing the one thing they are not supposed to do…profit. Some high-profile nonprofit organizations, such as the Smithsonian, have been criticized for paying six or seven figure salaries to their leadership.\(^{182}\) Possibly held to an even higher standard are nonprofit organizations with a religious identity or mission. Although it may not be fair, many individuals expect religious organizations and their leaders to be more ascetic in their behavior than their secular counterparts. There have been many cases of religious leaders coming under fire for living apparently lavish lifestyles,\(^{183}\) and such stories always produce a tabloid frenzy in the media.

Religious nonprofits, as part of what is popularly called the ‘parachurch’ sector, are becoming increasingly major players in the American religious landscape\(^{184}\) due to the growth of independent churches\(^{185}\) and the decline of denominationally-centered giving in affiliated churches.\(^{186}\) For instance, the 2004-2006 Mission Handbook notes that “not-denominational” mission agencies outnumber “denominational” agencies 5 to 1, which is a dramatic change from

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the early 20th century. Understanding this growing sector is and will be central to understanding religion in the 21st century.

Given that billions of dollars are going to religious nonprofits, research on the financial operations of these organizations is greatly needed. Indeed, some of the largest Christian nonprofits rival major denominations in total revenue. The humanitarian organization, Feed the Children, for instance, took in $958 million in 2004. This compares to $765 million for the Church of the Nazarene. Collectively, the total revenue of the Christian nonprofits examined in the analyses below is over $10.3 billion. In short, the religious nonprofit population is not insignificant in size or importance. Not only does it provide opportunities to test and expand organizational theory but it is also a neglected issue of practical concern to the many individuals who contribute to such organizations.

Although there is large literature on compensation in corporations and a significant literature examining secular nonprofits, there is much less known about the determinants of leadership compensation in religious nonprofits. As will be argued, the literature on corporate compensation does provide relevant concepts, but considerations must be made theoretically and methodologically to address the presence of non-compensating organizations. The distribution of salaries points to two distinct questions. First, what leads some Christian nonprofits to pay their leaders while some do not? Second, of those that do compensate their leaders, what leads some to pay more than others?


Conceptualization

The natural place to begin looking for potential factors in determining leadership compensation in religious nonprofits is the extensive literature on CEO and managerial compensation in for-profit firms. Work in this area has placed emphasis on different explanations over time. However, several variables have had a consistent role. In particular, research has focused on the perceived responsibilities of the leader, the role of internal and external monitors, and the power of the leader.

Resources and Responsibilities

One of the earliest examinations of executive compensation was not interested in the issue of compensation as much as it was trying to test a larger theory of stratification. Responding to Davis and Moore’s classic work on the functional nature of inequality, Broom and Cushing looked to use compensation in corporations as a test-case for the theory. Davis and Moore had argued that inequality was a way to motivate individuals to take on the increased responsibility, training, time and stress that came with functionally important positions in society. Looking at over 700 corporations, Broom and Cushing operationalized the “responsibilities” required of an executive by the overall assets of the organization. Their analysis found “modest” support for the proposition that the weight of responsibilities an executive faces has a positive effect on his or her compensation, but less support for a link between performance and compensation.

Despite giving mixed support for the functional theory of stratification, Broom and Cushing’s analysis did provide support for a connection between the resources of an organization and the pay of the leadership. Other research has supported the finding that firm size, as measured by sales revenue or total assets, is one of the strongest predictors of CEO compensation, even after taking into account other factors such as net profits.\(^{192}\)

There are a number of theoretical reasons to expect such a link. Some of this connection is simply a matter of resources available for compensation, as an organization usually cannot pay its leadership more money than it has. Beyond this baseline relationship, though, the sensitivities of outside contributors to executive pay are often tied to a sense of proportional rather than absolute compensation. For instance, a salary of $500,000 could draw objections if it represents 50% or more of the organization’s revenue. However, if $500,000 represents a very small fraction of the overall revenue, then outsiders may be less likely to question the salary. There is a limit to the power of proportionality as some absolute amounts may be criticized regardless of its relationship to the overall revenue of the organization. This could be the reason why CEO pay increases with organizational size, but the rate of increase decreases with size.\(^{193}\) At some point the ‘sticker-shock’ of a salary can override its relationship to overall organizational revenue.

Broom and Cushing’s original argument concerning the role of perceived responsibilities and skills may also be significant. Murphy notes that some theories of management argue that

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organization size should play a role in compensation since it reflects “the quantity of resources controlled by the individual executive and the scope of managerial responsibilities.”\textsuperscript{194} The difficulties and responsibilities of executive jobs are frequently invoked to defend executive compensation. During the controversy surrounding the pay of the Smithsonian directors, the museum’s board stated that the compensation was “reasonable for the leader of the world's largest museum and research complex.”\textsuperscript{195}

\textbf{Agents, Principals and Monitoring}

Factors such as organizational size are usually out of the control of either executives or shareholders.\textsuperscript{196} While they play a role in determining compensation, they do not provide much explanation for differences between organizations of similar size. Other research on executive compensation has looked to understand the processes that can create variation in executive pay beyond the background variables of size and sector. In particular, research has focused on the relationship between organizational executives and shareholders.

An influential idea in research on corporations has been the “separation of ownership and control.”\textsuperscript{197} This concept rests on the observation that executives and managers make decisions that influence the organization’s success, but they are not the main beneficiaries of these decisions. They are simply the “agents” of the shareholders, who are called the “ principals.”


\textsuperscript{195} The leaders of the Smithsonian faced a unique and possibly unfair challenge because their compensation was compared to that of the President of the United States and other government officials in the media. As even the critics admitted, the pay was actually similar to or less than comparable museums. Of course, the fact that the Smithsonian’s money comes mainly from tax dollars increased the sensitivity to high compensation. Mary Romano and Patrick Cole. “Smithsonian’s Lawrence Small Resigns After Pay Probe (Update2).” Bloomberg.com. http://www.bloomberg.com/apps/news?pid=20601088&sid=a3giHKZbTEu8&refer=home

\textsuperscript{196} Organizational performance, however, could be seen as within the control of the executives.


This idea has generated a large literature under the umbrella of “agency” theory that tries to understand the relationship between the agent and the principal.\textsuperscript{198}

The tension between these two actors is caused by the potential conflict in interests between managers and shareholders. An organizational action may create increased wealth for the shareholders, but could damage the personal interests of the leader. The owners could solve this problem by constantly monitoring the actions of the management to ensure their interests are being protected. However, it takes a great deal of time and energy to conduct extensive monitoring, so few shareholders can take this ‘hands-on’ approach. Research has focused on various strategies to align the interests of principals and agents. One commonly proposed solution is to tie executive compensation to organizational performance or to create other “incentives” for the agent to fulfill the principal’s interests.\textsuperscript{199} This is accomplished by giving the leader stock in the company.

When looking at nonprofit organizations, there is a similar relationship between agents and principals, where contributors represent the principal and the organization and its leadership represents the agent. Contributors to a nonprofit are providing money in exchange for some good or service. The nature and content of this exchange varies significantly between nonprofit organizations.\textsuperscript{200} Most often this good or service is some “public good” that does not benefit the contributor directly (e.g. helping the poor in another country). In these cases, the donor only

receives a promise that the organization will use his or her money for that purpose. Unlike corporations, though, the contributor cannot tie the leader’s pay to performance since there are no stocks in nonprofits (plus, it is often unclear what “performance” would mean in nonprofits). However, other methods have been created to help align the interests of the contributor and the organization’s leaders.

**Internal Monitoring**

In addition to or in the absence of stock options, another solution to the “agency” problem is for shareholders to create a third party with the task of monitoring the leaders on their behalf. In corporations this third party usually takes the form of a governing board (i.e. “board of directors” or “trustees”). The board is supposed to oversee the major decisions and expenses, often including the compensation of leaders. In theory, the board members are then accountable to the shareholders who voted them on the board.

As with corporations, many nonprofits have a governing board, although donors do not usually vote members onto the board. As with corporate boards, nonprofit boards are supposed to provide the monitoring role that most individual donors do not have the time and resources to provide themselves. Indeed, many nonprofits will advertise their governing board as a sign of accountability.

**External Monitoring**

Governing boards are meant to monitor the organization from within. In addition to this internal form of monitoring, several external forms of monitoring may or may not be present in organizations.
Institutional Investors


As there are individual and institutional investors in corporations, there are individual and institutional contributors to nonprofits (e.g. corporations, foundations). Many of these institutional contributions are simply aggregated into the larger contribution totals of the organization on their tax returns and are therefore hidden from analysis, but contributions received from the government are identified separately. While a disaffected donor may withhold future contributions, the government has power to revoke a nonprofit’s status and therefore holds the ultimate punishment for a nonprofit. Furthermore, while many individual contributors may never look at a nonprofit’s tax returns, the government is the one who receives and processes such forms.
Regulators and Watchdogs

Corporations are subject to various regulatory agencies, such as the Securities and Exchange Commission. Nonprofits are also subject to such external regulators, namely the Internal Revenue Service. The IRS does not provide us a variable, though, since all the nonprofits examined here are theoretically subject to the IRS. However, there is another potential source of external monitoring within the population of Christian nonprofits. While there are a number of “watchdog” organizations that monitor nonprofits, such as the National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus, there is one that is particular influential among Christian nonprofits.

The Evangelical Council of Fiscal Accountability (ECFA) was founded in 1979 and accredits Christian organizations through on-site reviews, publishes financial data, and investigates complaints against member ministries. Member organizations must adhere to standards concerning “board governance, financial transparency, integrity in fund-raising, and proper use of charity resources.” About one-quarter of the nonprofits in the analysis are members of the ECFA. Like the government, the ECFA’s monitoring resources are stronger than individual contributors and it also has the capability to sanction organizations.

Donors vs. Customers

In addition to the nature of the contributor (i.e. individual vs. institutional investors), the nature of the contribution is also relevant. While nonprofits are typically thought of as being

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donation-based, there are actually other ways for them to obtain revenue. Some create revenue by charging fees in exchange for a directly administered service and/or through the sales of products. In this case, the contributor receives more than just a promise in exchange for their money as they walk away with something ‘in hand,’ such as a book or a counseling session. I will call these “commercial” nonprofits.205

When thinking about willingness to monitor an organization, I would expect contributors to a commercial nonprofit to have less interest in making sure that their money is being used properly. Contributors to a commercial nonprofit have already received something in return for their money, so what happens to that money afterwards is less of a concern. Even if it is abused, the costs are off-set by the received product or service. Contributors to a donation-based nonprofit, however, have no assurance their expectations will become reality unless they take the time to monitor the organization. Research has shown some support for these ideas.206

**Power and Influence**

The literature focusing on agency theory often presents leaders as passive actors. While they are assumed to have their own interests, they are seen as easily pacified through various incentive programs and other mechanisms. The power is seen as resting on the side of the shareholders, and the only issue is whether they exercise that power or not. Other research on executive compensation has looked to revise this perspective by showing the active role that executives play in building power and influence within the organization.

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Examining the distribution of shares among boards of directors, Allen found that CEOs are paid more when none of the other board members hold large blocks of shares.\textsuperscript{207} If other members are large shareholders and the CEO is not a large shareholder, then he or she is paid significantly less. The proposed explanation for this is that holding large amounts of shares provides power to both the CEO and other board members, and the balance of power between the executive and other board members influences the former’s compensation. Barkema and Pennings measured more “covert” aspects of CEO power by using the executive’s tenure and status as one of the organization’s founders and found that these dimensions also positively influenced the CEO’s compensation.\textsuperscript{208} Others have examined outcomes such as “golden parachutes”\textsuperscript{209} and the repricing of executive options\textsuperscript{210} and found that CEOs gain power through their appointment of other board members and this power can provide benefits to the executive when it comes to these indirect forms of compensation.

Some of the measures of leadership power suggested by the corporate literature, such as distribution of shares, are not directly comparable to nonprofits. Others, such as the appointment of board members and the tenure of the leadership, could be comparable but these data are not easily available. However, there is one measure of power and influence that is readily accessible. While some corporate executives are seen as “celebrity CEOs,”\textsuperscript{211} it is unusual for

\begin{footnotes}
\end{footnotes}
corporations to actually be named after the CEO. The tendency to name an organization after
a leader is not unusual for nonprofits, especially religious nonprofits. Often the person in the
organization’s name founded the organization and the activities (e.g. preaching/speaking) depend
heavily on the personality or charisma of that leader. When an organization is named after an
executive, it both provides and represents a significant amount of power for the leader. The
organization clearly depends heavily on the individual (i.e. “Jim Smith’s Ministry” would
probably struggle without Jim Smith), and therefore the leader can demand a great deal and the
organization will likely be willing to pay.

This dynamic has clear parallels with the dynamic between donors and organizations that
provide exclusive goods or services. For instance, research has shown that the more unique,
inimitable, and exclusive the theological beliefs of a church or religious group, the more the
group can demand from adherents in the form of labor and money since the beliefs inherently
limit the options for believers. Leaders who offer unique and inimitable talents to an
organization can similarly demand more from the organization since it has limited options.

The Zero Compensation Problem

The discussion above presented findings from the literature on leadership compensation
in for-profit organizations and how they might apply to Christian nonprofits. However, one
significant difference between for-profit firms and nonprofit organizations is that compensation

212 Although not unheard of, as some CEOs such as William Clay Ford have either been the person in the
organization’s name of have descended from that person.
213 Laurence R. Iannaccone. 1994."Why Strict Churches are Strong." American Journal of Sociology 99: 1180-
1211.
Social Forces. 74: 705-731.
is not a given in the latter. Although you will occasionally hear about a corporate CEO who receives a nominal salary (e.g. Steve Jobs of Apple Inc. receives one dollar in annual compensation), almost all for-profit firms compensate their leaders. On the other hand, it is not uncommon for nonprofit leaders to be unpaid. Indeed, over twenty percent of the Christian nonprofits examined here do not provide any compensation. This raises both methodological and theoretical issues.

Methodologically, how should these non-compensating organizations be treated in analyses? One may argue that “no compensation” is simply a value on a continuous scale (i.e. zero). However, the fact that there is a large block of organizations at zero compensation and very few organizations between this point and a much higher level (e.g. $10,000) does not support an entirely continuous interpretation of “zero compensation.” Instead, it seems as if there are two distinct questions to address. First, what leads some to pay leaders while others do not? Second, among those that compensate leaders, what makes some pay more than others?

There are also theoretical challenges presented by the significant presence of non-compensating organizations. Since the discussion above was based on for-profit organizations, the factors identified were designed to understand the level of compensation more than the presence of compensation. It is possible that factors that decrease the level of compensation might increase the likelihood of at least some compensation. So it is necessary to consider the factors identified above as they apply to the “pay vs. no pay” dichotomy.

**Resources & Responsibilities**

As discussed above, the literature on executive compensation suggests that the resources of the organization and the perceived responsibilities of the leader will increase the level of compensation received by the leader. It is likely that these factors will have a similar effect on
the likelihood of compensation. A non-compensated leader is essentially a volunteer who probably has many other commitments, including their paid employment. As an organization grows, it becomes less likely that it can maintain a purely volunteer leadership. As the budget gets larger and the demands greater, the more professionals are needed to manage the day to day operations of the nonprofit. Of course, the causal direction can go the other way as well. It would be difficult for a nonprofit to grow large without a dedicated, professional staff to raise funds and promote the organization. However, I do not expect the effect of organizational size to differ when looking at either the level of compensation or presence of compensation.

Internal and External Monitoring

I expect the presence of a governing board, government funding and membership in ECFA to lower the level of compensation due to their role in monitoring leaders. However, the effect of these variables on the presence of compensation is not as clear. Nonprofits that are run by volunteers and are informally organized are less likely to have a governing board since such structures represent a more formal level of organization. Such informal organizations are also less likely to compensate their leaders since they are volunteers. In short, the presence of governing boards coincides with an overall level of professionalization and formalization in the organization. So while they may help decrease the level of compensation among paying nonprofits, I expect that it will actually be positively related to the presence of compensation.

A similar argument can be made for the effect of external monitoring structures. I discussed earlier how the government might serve as a type of “institutional investor” in nonprofits receiving public funding, by which it helps keep compensation levels down. But receiving government funding requires a certain level of professionalization. For instance,
applying for public funding requires grant-writing skills and a general ability to navigate government bureaucracy. A part-time volunteer leader(s) is unlikely to have the skills and/or time to devote to such efforts. Some government grants may explicitly require the organization to have employees with particular professional qualifications (e.g. a degree or certification). So while government funding might help reduce the level of compensation, it is likely positively related to the presence of compensation.

In short, what the for-profit literature points to as signs of monitoring can serve simply as measures of formalization and professionalization when comparing nonprofits that pay leaders and those that do not. It is within compensating nonprofits that these measures take on a monitoring dimension. This has not been a significant theoretical issue in the for-profit literature since they almost always pay their leaders.

Leadership Power

I argued that leadership power will increase the level of compensation. I do not anticipate the effect of this variable changing when looking at the presence of compensation. When a leader holds a large amount of influence and power they are going to be in a position to receive compensation. Furthermore, if they have a great deal of power it is likely that they are not simply volunteering in the organization on a part-time basis. Indeed, if the organization is named after the leader then they are probably devoting all of their time towards its activities.

Table 1 summarizes the anticipated direction of the concepts discussed above on the presence and level of compensation in Christian nonprofits.
Table 6-1-Expected Directions of Effects on the Presence and Level of Compensation

<table>
<thead>
<tr>
<th></th>
<th>Pay Vs. No Pay</th>
<th>Level of Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources and Responsibilities</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Internal Monitoring</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>External Monitoring</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Leadership Power</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

**Data**

*Identifying Christian Nonprofits*

The data used to analyze these ideas come from the 2004 IRS-990 tax returns of 1,941 Christian nonprofits. The data collection was designed to identify the largest organizations with a national and/or international scope. The latter qualification was defined as operating in more than one state or nation. Any nonprofit operating only in a single city or state was excluded. This primarily excluded local shelters, camps, and other local service providers. To help focus the collection on larger organizations, those with less than $200,000 in total revenue were excluded. Below this cut-off, the organizations were increasingly likely not to fulfill the national or international requirement. Furthermore, the descriptions of the organization’s exempt purposes became more vague and difficult to confirm.

The organizations were identified using several different methods. The primary source was the 2004 Core file produced by the National Center for Charitable Statistics (NCCS) at the Urban Institute. This file contains financial information for all nonprofits with gross receipts over $25,000. The NCCS enhances this information by assigning each organization to a category within the National Taxonomy of Exempt Entities (NTEE). The NTEE includes a broad religion category (the “X” code) with several more specific sub-categories (e.g. “Alliances
and Advocacy,” “Management and Technical Assistance”). All of the organizations with $200,000 or more in total revenue in these categories, excluding the non-Christian categories, were examined to see if they fulfilled the requirements for organizational scope and the Christian affiliation. This was done by cross-checking the Core File’s financial information with the actual scanned 2004 IRS-990 form accessed from either Guidestar (www.guidestar.org) or Foundation Center (www.foundationcenter.org). Each 990 form contains a section where the nonprofit must describe their primary purpose, activities and accomplishments. This section was used to verify the scope and Christian nature of the organization.

The organizations identified through the NCCS Core File were then supplemented and verified with several other methods. First, the membership list of the Evangelical Council for Fiscal Accountability (www.ecfa.org) was consulted and any previously unidentified nonprofits were added to the sample. The same was done with the Ministry Watch (www.minstrywatch.org) database produced by Wall Watchers, a nonprofit organization that provides information and analysis on Christian nonprofits. Key word searches were also done in the Charity Navigator (www.charitynavigator.org) database. For the most part, these other sources simply verified the organizations identified through the NCCS Core File, but there were some cases that were identified solely through one or more of these alternative databases. In the end, 1,941 organizations were identified.

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214 The “O55-Religious Youth Leadership” category was also examined.
215 Inter-faith and ecumenical organizations were also excluded because they were not exclusively Christian.
Measures

Leadership Compensation

The measure of leadership compensation comes from Part V of the 990 form. This section of the form lists the salaries, benefits, and expense accounts of the officers, directors, and trustees. The outcome used in the analysis is the total compensation (i.e. the sum of salary, benefits, and expense account) of the highest paid leader in the organization.

As noted above, there are a significant number of nonprofits that do not provide any compensation to their leaders. Both theoretically and methodologically I treat the presence of compensation as a distinct issue from the level of compensation. In one analysis, I conduct a logistic regression predicting whether or not the organization provides any compensation. In the second analysis, I exclude the cases providing no compensation and conduct an OLS regression predicting the amount of compensation.

Measuring the Concepts

Organizational resources and leadership responsibilities will be measured by the total revenue of the nonprofit. I will use the amount listed on Line 12 of the 990 form, “Total Revenue.” As with most other studies of compensation, the measure of revenue is logged since the positive effects of revenue tend to decrease with increasing size.

Internal monitoring of leaders was measured by the presence of a governing board. This measure was created by looking at Part V of the 990 form that lists all officers, directors and trustees. Multiple variables were coded to represent the number of individuals with various titles (e.g. CEO, President, Board Member, etc.). If the organization had at least five non-paid individuals listed with the title of “board member” or “trustee,” then they were coded as having a
governing board (0=no governing board, 1=governing board present). The five person standard is used by monitoring agencies such as the ECFA to define the presence of a governing board.

External monitoring by the government and the ECFA were each measured by one variable. The first was created by identifying nonprofits that indicated having received government funding (Line 1c) on their 990 form (1=received government funding, 0=did not receive government funding). Fifty-eight of the organizations, or three percent, received public funds in 2004. Another measure was created with “1” representing those that are members of the ECFA and “0” representing non-members. This information was obtained through the membership list on the ECFA website.216

Another measure was created to indicate whether the organization relied primarily on commercial revenue and less subject to monitoring by donors. On the 990 form, this comes from the sum of revenue from “program service revenue,” “special events and activities,” and “sales of inventory.” If this sum is greater than or equal to 80% of the nonprofit’s total revenue, then the organization is coded as being predominantly commercial in a dichotomous measure (0= less than 80% commercial; 1=80% or more commercial).

Leadership power and influence was measured by examining the names of each organization and coding those containing a person’s name as “1” and those without a name as “0.” Two individuals independently conducted this coding. The Kappa measure of reliability was .85 for this measure. The coders then corrected the discrepancies between their coding and examined each 990 form for the organization’s containing a name to confirm whether the suspected person was actually on the board. Of the 257 “named” organizations, 81.9% were confirmed to have the “named” person as an officer. These confirmed nonprofits were then coded as “1” while the others were coded as “0.”

216 The lists of former members, mergers, and name changes were also examined to confirm membership.
**Other Controls**

Although the NCCS assigns NTEE codes to all nonprofits, many organizations end up being simply classified as “Christian” or “Religion-Not Else Classified.” To provide more meaningful measures of each organization’s purpose and activities, each was coded as being in one of nine categories. This was done by content coding Part III of the 990 forms for each nonprofit. In this part of the form the organization must provide a description of their “primary exempt purpose” and a “statement of program service accomplishments.” The overall Kappa score reliability for this measure was .71.\(^{217}\) All discrepancies were discussed and a final assignment was made for each.

The “Charismatic Evangelism” group includes ministries based on itinerant preaching or speaking, usually in churches and/or conferences, in addition to theatrical and musical performances. The “Relief and Development” category includes some of the most well-known Christian organizations, such as Habitat for Humanity and Heifer International. Food distribution, well-drilling, home construction, and nutrition programs are common activities for nonprofits in this group. The “Religious Education and Training” category is occupied by organizations that train pastors, either domestically or internationally, and provide other “leadership training” to youth and lay individuals. It also includes church consulting organizations that are usually focused on church-growth or ministry development. Organizations in the “Publishing” category translate and distribute tracts and Bibles in addition to producing

\(^{217}\) This was computed by taking the individual Kappa scores for each organizational category and weighting each by the mean percentage of cases coded in that category. Research has shown scores over .61 to show “substantial” or a “reasonably good” level of agreement. See Tarald O. Kvalseth. 1989. “Note on Cohen’s Kappa.” *Psychological Reports* 65: 223-226. See also Steve Stemler. 2002. “An Overview of Content Analysis.” *Practical Assessment, Research & Evaluation*. Retrieved March 21, 2007 from http://PAREonline.net/getvn.asp?v=7&n=17
other books, magazines, and devotional materials. The “Radio and Television” category describes itself.

Table 6-2 Organizational Activities Coding

<table>
<thead>
<tr>
<th>Category</th>
<th>Specific Primary Activities</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic Evangelism</td>
<td>Itinerant Preaching</td>
<td>Steve Wingfield Evangelistic Association</td>
</tr>
<tr>
<td></td>
<td>Crusades</td>
<td>Lowell Lundstrom Ministries</td>
</tr>
<tr>
<td></td>
<td>Seminar-Conference Speaking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Theatrical-Musical Performances</td>
<td></td>
</tr>
<tr>
<td>Relief &amp; Development</td>
<td>Well Drilling</td>
<td>Heifer International</td>
</tr>
<tr>
<td></td>
<td>Food Distribution</td>
<td>Water Missions International</td>
</tr>
<tr>
<td></td>
<td>Orphanages, Child Sponsorship</td>
<td></td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>Leadership Seminars</td>
<td>Logos System Associates</td>
</tr>
<tr>
<td></td>
<td>Training Indigenous Pastors</td>
<td>Cadre International</td>
</tr>
<tr>
<td></td>
<td>Church Growth Consulting</td>
<td></td>
</tr>
<tr>
<td>Publishing &amp; Resources</td>
<td>Bible Translation</td>
<td>Wycliffe Bible Translators</td>
</tr>
<tr>
<td></td>
<td>Scripture, Tract Publishing &amp; Distribution</td>
<td>Pocket Testament League</td>
</tr>
<tr>
<td></td>
<td>Audio Tape Ministries</td>
<td></td>
</tr>
<tr>
<td>Radio &amp; Television</td>
<td>Radio Programs</td>
<td>Cornerstone Television</td>
</tr>
<tr>
<td></td>
<td>Television Programs</td>
<td>Walk in the Word</td>
</tr>
<tr>
<td>Missionary &amp; Missions</td>
<td>Church Planting</td>
<td>Big World Ventures</td>
</tr>
<tr>
<td></td>
<td>Short-Term Mission Programs</td>
<td>International Teams</td>
</tr>
<tr>
<td></td>
<td>Long-Term Missionary Support &amp; Funding</td>
<td></td>
</tr>
<tr>
<td>Fellowship &amp; Enrichment</td>
<td>Prisoner Rehabilitation</td>
<td>American Association of Pastoral Counselors</td>
</tr>
<tr>
<td></td>
<td>Family-Men-Women Seminars &amp; Conferences</td>
<td>Promise Keepers</td>
</tr>
<tr>
<td></td>
<td>Addiction Counseling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Professional-Fellowship Associations</td>
<td></td>
</tr>
<tr>
<td>Advocacy &amp; Activism</td>
<td>Abortion, Family-Sexuality Issues</td>
<td>Alliance Defense Fund</td>
</tr>
<tr>
<td></td>
<td>Policing Media-Government</td>
<td>Presbyterians for Renewal</td>
</tr>
<tr>
<td></td>
<td>Denominational Renewal</td>
<td></td>
</tr>
<tr>
<td>Fundraising, Grant-making, Other</td>
<td>Non-Specific Grant Making</td>
<td>Christian Service Charities</td>
</tr>
</tbody>
</table>
Nonprofits in the “Missions and Missionary” group tend to be more internationally focused. Activities include financial support of long-term missionaries, coordination of short-term mission trips and church planting. The “Personal Development and Enrichment” category may be the most eclectic group. However, they are all united in their desire to provide various forms of self-improvement or fellowship to individuals. The target audience includes most conceivable groups, including prisoners, men, women, families, and a variety of professional and social groups like ‘Christian Cowboys’ and construction workers. The “Advocacy” category includes two major sub-groups. The first are organizations looking to influence perceptions on the ‘hot’ topics of the day, such as gay marriage, abortion, and school curriculum. The second are those looking to influence a particular religious group or denomination, usually to produce a return to more traditional beliefs or practices. Finally, those groups in the “Other” category represent organizations that simply distribute money to other organizations without any particular goal or focus and other miscellaneous organizations that do not fit into the more specific categories. The categories, their content, and example organizations are summarized in Table 6-2.

There are substantial differences across the sectors in the measures I will be examining, as shown in Table 6-3. Radio and Television organizations are the highest paying nonprofits, with officer compensation being double the amount in Missionary & Missions focused organizations. Relief and Development organizations have by far the highest mean revenue, with about four times the amount of income than the next highest group, but these nonprofits are only the fourth highest paying sector. The Relief and Development sector also has the highest rate of membership in the ECFA and the highest rate of government funding. Not that surprisingly, the Charismatic Evangelism sector is the most likely to be named after an officer.
Table 6-3 Descriptives by Sector (N=1893)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percent Providing Comp.</th>
<th>Mean Comp. To Highest Paid Officer¹</th>
<th>Mean Revenue (100,000)</th>
<th>Percent with Governing Board</th>
<th>Percent Receiving Govt. Funding</th>
<th>Percent ECFA Member</th>
<th>Percent Predom. Commerc.</th>
<th>Percent Officer-Named Org.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic Evangelism</td>
<td>83%</td>
<td>$76,603</td>
<td>8.45</td>
<td>20%</td>
<td>0.3%</td>
<td>13%</td>
<td>9%</td>
<td>37%</td>
</tr>
<tr>
<td>Relief and Development</td>
<td>72%</td>
<td>$80,430</td>
<td>257.88</td>
<td>50%</td>
<td>17%</td>
<td>41%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Religious Education &amp; Training</td>
<td>84%</td>
<td>$70,533</td>
<td>13.20</td>
<td>43%</td>
<td>1%</td>
<td>36%</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Publishing</td>
<td>76%</td>
<td>$67,158</td>
<td>21.18</td>
<td>30%</td>
<td>0.4%</td>
<td>15%</td>
<td>16%</td>
<td>4%</td>
</tr>
<tr>
<td>Radio &amp; Television</td>
<td>76%</td>
<td>$107,718</td>
<td>85.63</td>
<td>34%</td>
<td>0.0%</td>
<td>26%</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Missionary &amp; Missions</td>
<td>68%</td>
<td>$51,141</td>
<td>14.47</td>
<td>35%</td>
<td>1%</td>
<td>19%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Personal Development</td>
<td>82%</td>
<td>$84,941</td>
<td>44.85</td>
<td>51%</td>
<td>4%</td>
<td>32%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Advocacy</td>
<td>87%</td>
<td>$85,464</td>
<td>37.25</td>
<td>45%</td>
<td>2%</td>
<td>32%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>55%</td>
<td>$73,870</td>
<td>28.91</td>
<td>38%</td>
<td>2%</td>
<td>24%</td>
<td>8%</td>
<td>3%</td>
</tr>
</tbody>
</table>

¹. Only includes those that provide compensation.

Analysis & Results

None vs. Some Compensation

First, let us examine the differences between Christian nonprofits that provide at least some compensation and those that provide none. Table 6-4 presents results from a logistic
regression predicting the presence of at least some compensation to an officer in the organization. Relative to the Charismatic Evangelism sector, the Relief & Development, Radio & Television, Missions & Missionary, and “Other” sectors are less likely to provide compensation to leaders.

As expected, higher revenue increases the odds that leaders are paid. Also as hypothesized, Christian nonprofits with a governing board and those with ECFA membership have significantly higher odds of providing leadership compensation than those without those accountability measures. As argued earlier, when comparing paying versus non-paying nonprofits, measures of governance are associated with the level of professionalization and formalization within the organizations more than the level of monitoring. Nonprofits that are more formally organized are likely to be the ones that have professionalized leaders that require compensation. Their formal and professional structure also makes them likely to have governing boards and to be members of professional organizations like ECFA.

The same can be said for the positive effect of government funding on the odds of compensating leaders. The process of receiving government funding demands a higher level of professional skills (e.g. grant writing, legal knowledge) on the part of the leadership and therefore such organizations provide higher compensation.218

Contrary to expectations, the measure of revenue source (i.e. donations vs. commercial) has no significant effect on the odds of compensating leaders. In some respect, this supports the ‘professionalization’ interpretation of the other findings, as revenue source would not seem to represent the same organizational characteristics regarding formalization and professionalization.

as having a governing board or receiving government funding. Finally, the measure of an ‘officer-named’ organization is significant and in the expected positive direction.

To summarize, when looking at the issue of whether or not Christian nonprofits pay compensate their leaders, there are some significant differences across sectors and across measures of formalization and professionalization. Leaders in the sectors such as Relief &

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<table>
<thead>
<tr>
<th>Table 6-4 Logistic Regression Predicting Any Compensation to Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model 1</strong></td>
</tr>
<tr>
<td><strong>Exp(B)</strong></td>
</tr>
<tr>
<td><strong>Organizational Mission</strong></td>
</tr>
<tr>
<td>Charismatic Evangelism (Ref) --</td>
</tr>
<tr>
<td>Relief and Development</td>
</tr>
<tr>
<td>Religious Education &amp; Training</td>
</tr>
<tr>
<td>Publishing</td>
</tr>
<tr>
<td>Radio &amp; Television</td>
</tr>
<tr>
<td>Missionary/Missions</td>
</tr>
<tr>
<td>Personal Development</td>
</tr>
<tr>
<td>Advocacy</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Responsibilities and Resources</strong></td>
</tr>
<tr>
<td>Log of Total Revenue in $100,000s</td>
</tr>
<tr>
<td><strong>Internal Monitoring</strong></td>
</tr>
<tr>
<td>Governing Board</td>
</tr>
<tr>
<td><strong>External Monitoring</strong></td>
</tr>
<tr>
<td>Government Funded</td>
</tr>
<tr>
<td>ECFA Member</td>
</tr>
<tr>
<td>Predominantly Commercial</td>
</tr>
<tr>
<td><strong>Leadership Power</strong></td>
</tr>
<tr>
<td>Officer-Named Organization</td>
</tr>
<tr>
<td><strong>N</strong></td>
</tr>
</tbody>
</table>

*p<.05; **p<.01
Development and Missions & Missionary may have fewer demands on them personally. For example, shipping supplies or money to missionaries in the field may not require much from the leaders in terms of personal responsibilities. There might also be norms within each sector about whether leadership compensation is appropriate. Due to their humanitarian goals, Relief & Development organizations may feel that compensating leaders instead of putting those resources towards helping others would harm their credibility. Although identified as measures of “monitoring,” the governing board, ECFA, and government funding measures seem to point to differences across levels of professionalization and formalization with more formalized or professionalized nonprofits being more likely to provide compensation. The power of the leader also plays a role, as officer-named nonprofits have higher odds of providing compensation.

Some vs. More Compensation

I now turn to OLS analyses that only include Christian nonprofits providing at least some compensation to leaders. This analysis is shown in Table 6-5. Because the outcome is the untransformed compensation value, the unstandardized coefficients are meaningful in that they represent that actual dollar-amount increase in salary given an increase of one unit on the predictor, or the difference between the reference and observed category.

Model 1 focuses on sector and revenue differences. The reference category for the organizational sector indicators is “Charismatic Evangelism.” Many of the other sectors show lower compensation levels than the Charismatic Evangelism sector, with the Relief and Development, Religious Education, Publishing, Missionary, and Other categories showing statistically significant differences. This could reflect the power of leaders in organizations that
focus on preaching and other personality-dependent activities. I will introduce a control for this in a later model.

The total revenue of the organization is positive and significant. As discussed above, it is difficult to partition out the exact nature of this relationship, although it is likely a combination of the organization’s ability to pay more and the perceived responsibilities and demands placed on the leadership. In analyses not shown, the logarithmic model was compared with a linear one and the former proved to be significantly better. This supports a great deal of previous research demonstrating the decreasing positive effect of organizational size.\textsuperscript{219}

Model 2 introduces the governing board indicator as a measure of internal monitoring. Although in the expected direction, the measure is not close to statistical significance. Model 3 adds the measures of external monitoring and finds mixed support for their effects. The measure indicating nonprofit membership in the Evangelical Council for Fiscal Accountability is not significant, nor is the indicator of being government funded. As discussed earlier, it is possible that some of these non-effects could be due to the measures being confounded with the level of formalization and professionalization. Supported, though, is the hypothesis that predominantly commercial nonprofits would have the ability to pay leaders more because their financial contributors would be less invested in monitoring the organization’s expenses. Predominantly commercial nonprofits compensate their highest paid leader about $15,000 more than those with less than 80\% of their revenue coming from commercial activities.

Model 4 adds the variable indicating whether the nonprofit is named after an individual listed as an officer. This measure of leadership power is significant and in the hypothesized direction. Organizations with their namesake on the board compensate that namesake an average

of $25,005 more than other nonprofits. The inclusion of this measure also affected the
coefficients for the sector variables. Many of the differences between the Charismatic
Evangelism sector and the others seem to be mediated by the higher levels of leadership power in
the former.

Table 6-5 OLS Regression Predicting Total Compensation of Highest Paid Officer
(Unstandardized Coefficients)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Mission</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charismatic Evangelism (Ref)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Religious Education &amp; Training</td>
<td>-13,613**</td>
<td>-12,926**</td>
<td>-12,837**</td>
<td>-5,204</td>
<td>-4,381</td>
</tr>
<tr>
<td>Publishing</td>
<td>-21,967**</td>
<td>-21,740**</td>
<td>-22,656**</td>
<td>-13,515**</td>
<td>-14,058**</td>
</tr>
<tr>
<td>Radio &amp; Television</td>
<td>-3,670</td>
<td>-3,403</td>
<td>-2,077</td>
<td>2,785</td>
<td>4,554</td>
</tr>
<tr>
<td>Personal Development</td>
<td>-5,436</td>
<td>-4,413</td>
<td>-4,890</td>
<td>3,933</td>
<td>4,744</td>
</tr>
<tr>
<td>Advocacy</td>
<td>-10,089</td>
<td>-9,342</td>
<td>-8,547</td>
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<td>995</td>
</tr>
<tr>
<td>Other</td>
<td>-26,683**</td>
<td>-26,033**</td>
<td>-26,155**</td>
<td>-18,108*</td>
<td>-17,373*</td>
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<tr>
<td><strong>Responsibilities and Resources</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log of Total Revenue in $100,000s</td>
<td>58,202**</td>
<td>58,902**</td>
<td>57,790**</td>
<td>58,882**</td>
<td>58,423**</td>
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<td><strong>Internal Monitoring</strong></td>
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<td>Governing Board</td>
<td>--</td>
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<td>--</td>
<td>-1,338</td>
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<td><strong>External Monitoring</strong></td>
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</tr>
<tr>
<td>Government Funded</td>
<td>--</td>
<td>--</td>
<td>8,719</td>
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<td>8,320</td>
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<tr>
<td>ECFA Member</td>
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<td>-3,232</td>
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<td>Predominantly Commercial</td>
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<td>--</td>
<td>13,842**</td>
<td>--</td>
<td>14,985**</td>
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<td><strong>Leadership Power</strong></td>
<td></td>
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</tr>
<tr>
<td>Officer-Named Organization</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>25,005**</td>
<td>25,303**</td>
</tr>
<tr>
<td>N</td>
<td>1501</td>
<td>1501</td>
<td>1501</td>
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</tr>
<tr>
<td>R²</td>
<td>.344</td>
<td>.344</td>
<td>.349</td>
<td>.358</td>
<td>.364</td>
</tr>
</tbody>
</table>

*p<.05 **p<.01
Discussion

Presented Research

These findings provide some of the first insights into a part of the religious landscape that is growing in importance. As congregations without denominational loyalties become more common and the services and activities of denominations become outsourced, religious nonprofits are filling a growing market. Everything from congregational worship materials to overseas church planting are being increasingly organized and provided for by the nonprofits examined in this research.

One part of understanding any type of organization, whether it is a corporation or a church, is how they use their resources. A major concern for those contributing to Christian nonprofits is whether their money is being properly used. As in corporations, the compensation of nonprofit leadership is often a tinderbox of controversy. It is also an issue that is of interest to sociologists and other organizational scholars.

Drawing upon research on executive compensation in corporations and some of the literature on nonprofit compensation, I argued that the presence and the level of compensation in Christian nonprofits would be positively influenced by the perceived responsibilities of the leadership and the power of the leaders in the organization. I also expected internal monitoring from a governing board and external monitoring from the government or the ECFA to reduce the amount of compensation, but to actually increase the likelihood of compensation. Similarly, I hypothesized that commercial nonprofits would compensate their leaders more since their contributors are less invested in monitoring their expenses.
The analysis showed that, on the whole, leadership power and revenue source seem more important in increasing compensation than monitoring and accountability structures have in decreasing it. Officer-named and commercial nonprofits are more likely to compensate their leaders and compensate them more than their counter-parts. None of the expected negative factors, such as internal monitoring from governing boards or external monitoring from ECFA, had an impact on the amount of compensation. This may seem to defy physics…compensation only goes up, never down. But it might not be that inexplicable. First, I discussed how some of the monitoring and accountability measures are likely to be tied into the professionalization or formalization of the organization. This, in turn, is tied into the likelihood and amount of leadership compensation. So the measures might have had a lot to overcome to produce the expected negative impact.

Furthermore, the insignificance of these measures might reflect standards and norms within respective sectors and size categories regarding appropriate compensation. Organizations tend to voluntarily, whether they are aware of it or not, fall in line with these standards. This would not be surprising because many nonprofits look to their peers for guidance on appropriate compensation. This is a safe strategy since a leader cannot be accused of excessive compensation if it is the same as other leaders receive (i.e. the “everyone else is doing it” defense). All nonprofits are restricted by these norms, so formal accountability and monitoring structures (e.g. governing boards, ECFA membership) do not produce any additional reductions in compensation. However, unusual amounts of power or lack of interest on the part of donors (i.e. commercial revenue) provide leverage to the leaders to increase their salaries beyond the

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understood norms for their sector and revenue. So salaries can go above the baseline created by informal norms and peer comparisons, but usually do not go below them. There is a floor, but no ceiling.

Extensions and Future Research

This research, besides reinforcing the literature on executive compensation with a different population of organizations, could be expanded to other types of religious organizations. Understanding contributions to congregations has been a consistent topic of study among sociologists. While congregational expenses or ‘outputs’ have not been ignored, research in this area has not received nearly the same attention in either volume or theoretical development as research on contributions or ‘inputs.’ However, the use of congregational resources has become of increasing interest to congregational and denominational leaders due to high-profile stories of financial wrong-doing. As with the research presented here, understanding the use of resources in congregations is not simply a practical or ‘applied’

research issue for religious leaders. With over 300,000 congregations in the United States, it provides a major source for testing and refinement of sociological theories.

Those familiar with research on congregational giving will see a strong resemblance to the ideas proposed above. At a basic level, individual income and capacity to give has been seen as one of the more important predictors of contributions, while organizational revenue is a key factor in the use of those contributions. At a more dynamic level, theories of individual giving to congregations have focused on congregational monitoring and sanctioning as a key factor in increasing contributions. While dense social networks and social sanctions can increase contributions, the same mechanisms can be applied to the recipient of those contributions. As shown above, the monitoring and potential sanctions provided by donors and outside organizations can be seen as the complementary process that shapes the use of contributions. Similarly, studies of individual contributions have pointed to the power that theologically exclusive religious groups have over members due to the inimitable goods they provide (Finke, Bahr and Scheitle 2006). The analysis above suggests that there is a similar power dynamic between religious leaders and their organizations. The more a leader provides a unique and inimitable good or service, the more power they have over the organization.

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If the theoretical dynamics proposed above to explain resource usage were incorporated into the current literature on resource acquisition, it would look something like Figure 6-1. At the center are organizations, such as nonprofits, congregations or denominations, that receive contributions from individuals and other organizations. These receiving organizations can use
unique goods and services to create increased power over contributors. Some, such as strict religious groups, can use formal sanctions like excommunication and informal sanctions like social pressure to further build power over contributors. Receiving organizations can use a variety of mechanisms such as publications and social networks to monitor and encourage individuals to contribute.

As seen in the analysis presented here, contributors can also monitor the receiving organizations, although they vary in their ability and willingness to do so. They can back this monitoring up with the power to withhold their contributions or to support a competitor. External organizations, such as denominations if examining congregations, can also have a monitoring role and have varying amounts of power over a congregation. More centralized denominations hold a great deal of power over congregations, while more decentralized or “charismatic” denominations hold little power. It is not clear that receiving organizations have much monitoring power over external organization, or even a reason to monitor. It is possible that the organization would watch the external entities to observe and react to the monitoring they are doing of the organization itself.

Leadership compensation, the issue examined here, is only one outcome resulting from these dynamics. Other issues would vary depending on the type of “receiving organization,” but could include fundraising expenses, amount provided to denominational organizations versus local needs or non-denominational organizations, and the amount spent on the expansion versus the maintenance of the organization.

Chapter 7:

Organizational Narratives and Government Funding in Christian Non-Profits

“The federal dollars are appealing and attractive, but how much of our soul do we sacrifice as a payoff?”

--President of a conservative Christian college

The government funding of religious organizations is a topic that has sparked both popular debate and sociological research in the past decade. While the former has centered on the legal and constitutional issues of church-state separation, the latter has been driven by questions concerning variation in the acquisition and consequences of government funding.

One topic that has been of consistent interest is the relationship between organizational religiosity and government funding. Both sides of this relationship have been considered, with government funding being both a predictor of religiosity and an outcome of it. Regarding the latter, most research has demonstrated a negative effect of organizational religiosity on the likelihood of receiving of government funding. Although the measures and terminology have varied, overtly religious, sectarian, or religiously “integrated” organizations have been found to be less likely to receive government funding.

This naturally raises the complementary issue of how government funding affects the religious identity of the organization. If there is a negative correlation between government funding and organizational religiosity, is this because less religious organizations are more likely to receive government funding or that organizations receiving government funding lose their religiosity due to the funding source? It is a classic selection versus causation problem. Ebaugh, Chafetz and Pipes attempted to address this issue by not only looking at the receipt of funding but also attempts to receive funding. After supporting the negative correlation between organizational religiosity and being funded by the government, they found that religiosity was also negatively related to applying for such funding. This suggests that selection is the main explanation, as those organizations that are more expressive of their religious identity and mission simply are not interested in or willing to receive government funding. Similarly, in a study of congregations, Chaves found that many of the more theologically conservative groups were less willing to take on government funding likely due to concerns about autonomy and interference. This would seem to show that the organizational religiosity is better seen as exogenous to government funding.

But what about those religious organizations that do receive government funding, even if they are less religious than those that do not? Does government funding shape what they do with their religious identity? Much of the research on these questions has looked for overt or “heavy-handed” interference from the government. In a study of welfare-to-work programs, Stephen Monsma found that very few faith-based organizations receiving government funding reported

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that they were restricted in the execution of their “religious emphasis or practices.” But overt restrictions are not the only form of influence that a funding relationship with the government could have.

The research presented here builds upon this literature in several ways. First, it examines the relationship between government funding and organizational religiosity using new data on over 1,900 Christian non-profits. It is expected that this will confirm the “religiosity gap” between organizations receiving and not receiving government funding. Looking beyond a simple gap in religiosity, I also examine whether the type of religiosity that government-funded non-profits express is different from those that do not receive funding.

Finally, I examine the subset of the non-profits receiving government funding to see how, if at all, the self-descriptions of their purpose and accomplishments are affected by their relationship with the government. This method is different from most previous studies. Instead of asking organizations if they have been affected by government funding, I look at a more subtle measure of such an effect. A religious organization may not have had explicit restrictions or sanctions placed on it by the government, but they still may have consciously or unconsciously censored themselves due to a perceived need to do so. Indeed, the organizations and their leaders are not external to the same assumptions driving researchers and the public to think that there might be certain expectations and limitations placed on religious organizations receiving government funding. Furthermore, changes in subtle aspects of an organization’s operations like self-descriptions could be a pre-cursor to more significant modifications, such as changes in programs or staffing.

\[234\text{ Monsma. 2002: 4.}\]
Exchange and Dependency

While it may be particularly provocative, any tension between publicly-funded religious organizations and the government is only one example of the dynamic that occurs when actors exchange resources. Emerson was one of the first to formally specify the relationship between power and dependence in dyadic exchanges.\textsuperscript{235} He argued that the power of one actor over another is directly related to how dependent the second actor is on the good or service the first provides. Simply put, if actor A needs actor B more than B needs A, then B will hold more power over A. This power can then be used to make demands on the less powerful person or organization. Actors are able to moderate the power others hold over them by providing some unique resource of their own, finding other exchange partners, or building coalitions with others.

Despite, or more likely because of its simple and precise theoretical framework, Emerson’s ideas have inspired a large literature on the consequences of organizational exchanges and the networks they create. Much of this literature has fallen under the umbrella of ‘resource dependency’ theory.\textsuperscript{236} Realizing that organizations are never insulated from outside actors, the resource dependency perspective argues that an organization’s effectiveness “derives from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support.”\textsuperscript{237} These interest groups vary in their power, usually in direct relation to the amount of resources they provide. The receiving organization must balance the demands and power of the various actors with which it interacts. The result of

this is that an organization’s goals, identity and actions are always a compromise between their ideals and the demands of external actors.

Much of the work on resource dependency has examined corporations and for-profit firms. The world of non-profits may seem less cut-throat and competitive than those populations. After all, most are looking to benefit society in some way, so cooperation and goodwill would seem to be the norm. Nonetheless, relationships based on need and resources inherently imply issues of power and control, whether those ties are between individuals, corporations, or charities.

For instance, congregations must balance a number of demands, both internal and external. The congregation’s membership is often the most powerful group to satisfy, but denominational offices and local governments can also influence the congregation’s decisions. To illustrate the varying amount of power held by external actors, we could think of a denominational with strong centralized authority structure, such as the Latter-day Saints versus one with a decentralized structure, such as the Assemblies of God.238 Because congregations in the former are more dependent on the denomination’s resources, they are more likely to accommodate any demands made on them. Congregations in decentralized denominations are receiving little important material or symbolic resources from the denominational office, so any demands seen as too burdensome can lead to conflicts and schisms as the local interests (e.g. congregational members) hold more power than the national interests.

When examining Christian non-profits, or any non-profit for that matter, there are several key actors that could make demands on the organization. The government is one actor, but it is not the only one. Indeed, relatively few non-profits receive government funding. Most

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organizations rely on contributions from either individuals, organizations, foundations or other institutional actors. Some non-profits generate revenue through “commercial” activities, such as selling products or providing services.239

The government, however, is an unusual exchange partner. First, there are likely more organizations interested in receiving public funding than actually do. This means that the government can simply decide to fund another organization if they are dissatisfied with their current partner. The receiving organization would seem to be at the mercy of the government for continued funding and have little reciprocal power. Furthermore, the government is a more concentrated source of funding than individuals and even foundations or corporations. Losing some disaffected individual donors is not necessarily a problem as they can be replaced with others, but going from receiving significant public funds to receiving none can be a large blow to the resource base of a non-profit. The government also has a great deal of power to monitor and sanction organizations. Corporations can be punished by institutions such as the Securities and Exchange Commission, while non-profits can have their status revoked by the Internal Revenue Service if they are caught doing anything improper.

Overt Versus Covert Influence

The significant power imbalance, or at least the perception of one, between the government and their non-profit partners is likely what motivates not only the assumption that there would be some government interference in the activities of non-profits but that this interference would be of the “heavy-handed” variety. In such a David and Goliath relationship, Goliath is not likely to be subtle about telling David what to do. But as noted earlier, there has not been much support for the existence of overt restrictions and interference in government-

funded faith-based organizations, although it could easily be argued that the self-exclusion of more sectarian organizations preempts such coercive tactics. A threat takes less effort than actual action, so if the former is as effective as the latter then that is all the better for the more powerful actor.

Nevertheless, coercion is not the only type of effect government funding might have on religious organizations. DiMaggio and Powell pointed to mimetic and normative processes that could also lead an organization to alter their behavior in addition to coercive forces. Consider a religious non-profit that is uncertain about how or if they will get government funding. To increase the likelihood of success they may look around to other organizations already receiving funding to see what they do and how they present themselves. Since research has shown that less overtly religious organizations are the ones already receiving government funding in larger numbers, then the non-profit may alter their presentation to match those less religious organizations. In other words, they may mimic other organizations.

The normative processes raised by the DiMaggio and Powell result mainly from organizations drawing upon professionals to help them make their decisions. Consider again our religious non-profit looking to receive government funding. They may seek out consultants, lawyers, and grant-writers to help them acquire funding. These individuals may have a very different way of presenting the organization’s mission than the “indigenous” leaders.

While mimetic and normative forces may not be the only non-coercive forms of influence on organizational decisions, they do illustrate the need to look for more inconspicuous outcomes. Besides being more subtle mechanisms of external influence than direct coercion, these forces are primarily self-inflicted. While coercive influences come directly from the exchange partner,

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the pressures of mimetic and normative influence come from within. Asking whether the exchange partner placed restrictions on the organization is not likely to measure the impact of such self-imposed actions, especially since the organization may not even be entirely aware that they have changed.

Measuring such a change requires data that is itself subtle. Self-descriptions of an organization’s mission and activities provide a natural source of such data. The language used in such narratives can say a great deal about the organization’s identity, and small changes in word choice and presentation can reflect powerful underlying forces the organization may not even recognize.

Using new data on over 1,900 Christian non-profits, I conduct an analysis of self-descriptions of organizational purpose and activities. This analysis has two goals. First, I look to reexamine the link between organizational religiosity and the receipt of government funding by measuring the former using of religious keywords in their self-descriptions. Second, by looking at the sub-set of non-profits receiving government funding in 2004 I examine whether receiving government funding altered the organization’s self-description of their purpose and activities. I describe these data and measures in more detail below.

**Data**

*Identifying the Organizations*

There is not a comprehensive list of Christian non-profit organizations, so the data collection relied on a variety of sources to identify the organizations used in the analysis. The primary source was the 2004 Core file produced by the National Center for Charitable Statistics (NCCS) at the Urban Institute. The Core files are created annually and include selected financial variables for 501(c)(3) public charities with gross receipts over $25,000. In addition to financial
variables, the NCCS assigns each organization a code roughly describing its purpose. A series of
codes (the “X” codes) identifies religious non-profits and places them into several sub-
categories, such as “Management & Technical Assistance” and “Alliance and Advocacy.”

Organizations in these religion codes were examined to see if they fulfilled the
requirements of inclusion in this study. These requirements were three-fold. First, the data
collection was interested in independent Christian non-profit organizations, so the organization
had to have a Christian identity and not be a denominational agency. Organizations were able to
have some denominational identity (e.g. “Methodist”), but those that were funded or governed by
denominations were excluded. Very few organizations were excluded because of this limit since
denominational agencies usually fall under the Internal Revenue Service filing exemption held
by churches and denominations.

Second, to limit the analysis to the larger organizations in the United States, only those
with at least $200,000 in total revenue in 2004 were included. Below this level organizational
descriptions were increasingly vague and were less likely to fulfill the final requirement. This
requirement was that organizations had to be operating on a national and/or international scope.
This was defined as having activities or locations in at least two states in the United States or
operating in another nation. Each organization’s 990 tax form was examined to see if they
described activities fulfilling the scope requirement. This rule primarily excluded local shelters,
counseling centers, and camps.

Because some Christian non-profits may not have been assigned a religious code in the
NCCS data, I supplemented the identified organizations with the membership list of the
Evangelical Council for Fiscal Accountability and the organizations listed in the Ministry Watch
database. I also conducted key-word searches in several online charity directories, such as the
Charity Navigator site. For the most part these sources simply confirmed the organizations identified with the NCCS data, but there were a handful that was identified solely through these methods. In the end, 1,941 organizations were identified that fulfilled the parameters defined for the data collection.

**Measures**

**Religious Identity**

The NCCS data is created using information from the annual tax returns of non-profit organizations, which is called a 990 form. In addition to financial information, each organization must provide a description of their “Primary Exempt Purpose” and “Program Service Accomplishments” for the year. Formally, this is called Part III of the 990 form. These narratives provide the measures of interest for this research.

Each form was examined and independently coded for its content. Included in this coding were indicators of religious keywords. These keywords included: Bible or Biblical, Christ or Jesus Christ, Christian, Evangelism\Evangelical\Evangelize, Faith, God, Gospel, Ministry\Minister, Spirit\Spiritual, and Word (as in “the Word”). Each keyword was coded as 1 if the self-description contained the word and 0 if it did not. The Kappa measure of agreement between the coders was .825 or higher for all of the keywords.

The analysis below utilizes these variables in two ways. First, a binary measure indicating the use of any of the words is used in one logistic regression. Second, a principal components analysis is used to identify four factors among the keywords that are then used in separate logistic regression analyses.
An indicator for government funding was created by examining the financial information provided in the 990 forms. Line 1c notes any “Government contributions (grants)” the organization received. This was recoded into a binary variable where 1 indicates any government funding and 0 indicates no such government funding.

Organizational Mission

In addition to the keyword indicators, the coders also assigned each organization to a category based on organizational mission or sector. While the NCCS data does assign the non-profits a purpose code, many of these codes are broad (e.g. “Christian,” “Protestant,” or “Religion-Not Else Classified”). To provide more meaningful measures of each organization’s purpose and activities, each was coded as being in one of nine categories. The overall Kappa score reliability for this measure was .71\textsuperscript{241}. All discrepancies were discussed and a final assignment was made for each.

The “Charismatic Evangelism” category encompasses non-profits providing itinerant preaching or speaking in addition to theatrical and musical performances. The “Relief and Development” category includes organizations focused on child sponsorship, well-drilling, home construction and other similar activities. Organizations in the “Religious Education and Training” category train pastors, either domestically or internationally, and provide other “leadership” or “equipping” training. This category also includes non-profits providing consulting services, usually regarding church growth and ministry development. Christian non-profits that translate and distribute tracts and Bibles in addition to producing other books,

\textsuperscript{241} This was computed by taking the individual Kappa scores for each organizational category and weighting each by the mean percentage of cases coded in that category. Research has shown scores over .61 to show “substantial” or a “reasonably good” level of agreement (Kvalseth 1989; Stemler 2001)
magazines, and devotional materials were placed in the “Publishing” group. The “Radio and Television” code describes itself.

<table>
<thead>
<tr>
<th>Category</th>
<th>Specific Primary Activities</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charismatic Evangelism</td>
<td>Itinerant Preaching</td>
<td>Steve Wingfield Evangelistic Association</td>
</tr>
<tr>
<td></td>
<td>Crusades</td>
<td>Lowell Lundstrom Ministries</td>
</tr>
<tr>
<td></td>
<td>Seminar/Conference Speaking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Theatrical/Musical Performances</td>
<td></td>
</tr>
<tr>
<td>Relief &amp; Development</td>
<td>Well Drilling</td>
<td>Heifer International</td>
</tr>
<tr>
<td></td>
<td>Food Distribution</td>
<td>Water Missions International</td>
</tr>
<tr>
<td></td>
<td>Orphanages, Child Sponsorship</td>
<td></td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>Leadership Seminars</td>
<td>Logos System Associates</td>
</tr>
<tr>
<td></td>
<td>Training Indigenous Pastors</td>
<td>Cadre International</td>
</tr>
<tr>
<td></td>
<td>Church Growth Consulting</td>
<td></td>
</tr>
<tr>
<td>Publishing &amp; Resources</td>
<td>Bible Translation</td>
<td>Wycliffe Bible Translators</td>
</tr>
<tr>
<td></td>
<td>Scripture, Tract Publishing &amp; Distribution</td>
<td>Pocket Testament League</td>
</tr>
<tr>
<td></td>
<td>Audio Tape Ministries</td>
<td></td>
</tr>
<tr>
<td>Radio &amp; Television</td>
<td>Radio Programs</td>
<td>Cornerstone Television</td>
</tr>
<tr>
<td></td>
<td>Television Programs</td>
<td>Walk in the Word</td>
</tr>
<tr>
<td>Missionary &amp; Missions</td>
<td>Church Planting</td>
<td>Big World Ventures</td>
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<tr>
<td></td>
<td>Short-Term Mission Programs</td>
<td>International Teams</td>
</tr>
<tr>
<td></td>
<td>Long-Term Missionary Support &amp; Funding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prisoner Rehabilitation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Family, Men, Women</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Seminars/Conferences</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Addiction Counseling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Professional/Fellowship Associations</td>
<td></td>
</tr>
<tr>
<td>Advocacy &amp; Activism</td>
<td>Abortion, Family/Sexuality Issues</td>
<td>Alliance Defense Fund</td>
</tr>
<tr>
<td></td>
<td>Policing Media/Government</td>
<td>Presbyterianians for Renewal</td>
</tr>
<tr>
<td></td>
<td>Denominational Renewal</td>
<td></td>
</tr>
<tr>
<td>Fundraising, Grant-</td>
<td>Non-Specific Grant Making</td>
<td>Christian Service Charities</td>
</tr>
<tr>
<td>making, Other</td>
<td>Other Miscellaneous</td>
<td></td>
</tr>
</tbody>
</table>
Non-profits in the “Missions and Missionary” group tend to be more internationally focused and their activities include financial support of long-term missionaries, coordination of short-term mission trips and church planting. The “Personal Development and Enrichment” category is diverse, but they all provide some form of self-improvement or fellowship to individuals. Most conceivable groups are represented, such prisoners, men, women, families, and a variety of professional and social groups like ‘Christian Cowboys’ and construction workers. The “Advocacy” category includes two major sub-groups. The first are organizations looking to influence society and frequently the government on issues such as gay marriage, abortion, and public education issues. The second are those looking to influence a particular religious group or denomination, usually to produce a return to more traditional beliefs or practices. Finally, those organizations in the “Other” category represent non-profits that simply distribute money to other organizations without any particular goal or focus and other miscellaneous organizations that do not fit into the more specific categories.

Table 7-2 presents descriptive statistics for all of the measures used in the analysis. There are few points worth highlighting from this table. While most of the non-profits used at least one of the religious keywords in their self-descriptions, a quarter of them did not use any of the terms. Very few of the Christian non-profits receive government funding. Three-percent, or 57 organizations, received public funding.

Other Controls

In addition to the measures above, I include a series of region indicators for the organizations’ home office. This was taken from the address listed on the 990 form. The self-
descriptions could be influenced by their local regional context, since there is quantitative and qualitative variation in religiosity across the United States.

Table 7-2 Descriptive Statistics for Measures Used in Analysis (N=1914)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D.</th>
<th>Min</th>
<th>Max</th>
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</thead>
<tbody>
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<tr>
<td>One or More Religion Descriptor Used</td>
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<td>God\Word</td>
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<td>0</td>
<td>1</td>
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<td>Jesus\Gospel</td>
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<td>Bible\Christian\Evangelical\Ministry</td>
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<td>Faith\Spiritual</td>
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<td>1</td>
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<td><strong>Predictors</strong></td>
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<td>Receiving Government Funding</td>
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<tr>
<td><strong>Region</strong></td>
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<td>Northeast</td>
<td>.09</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>South</td>
<td>.46</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Midwest</td>
<td>.20</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>West</td>
<td>.25</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Log Total Revenue in 100,000s</td>
<td>.92</td>
<td>.58</td>
<td>.30</td>
<td>3.98</td>
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<tr>
<td><strong>Organizational Mission</strong></td>
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<td>Charismatic Evangelism</td>
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<td>Relief and Development</td>
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<td>Publishing</td>
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<td>1</td>
</tr>
<tr>
<td>Radio and Television</td>
<td>.07</td>
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<td>1</td>
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<tr>
<td>Missions and Missionary</td>
<td>.16</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Personal Development</td>
<td>.08</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Activism and Advocacy</td>
<td>.05</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>.05</td>
<td>--</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Also included is a control for the total revenue of the non-profit. We might expect larger organizations, as measured by revenue, to be more professionalized and bureaucratic. The
religious goals and identity could be more displaced in such organizations compared to smaller Christian non-profits, and this could affect how they describe themselves.

Analysis

It is worth beginning the analysis by looking at the use of the individual keywords across government funded and non-government funded organizations. This is shown in Table 7-3. With the exception of “Spirit or Spiritual,” government funded organizations are less likely to use all of the keywords. The differences are statistically significant with the use of the word “Bible or Biblical,” “Christ or Jesus Christ,” “Gospel,” and “Ministry or Minister.” The gaps are not statistically significant for the words “Christian,” “Evangelical, Evangelism, or Evangelize,” “Faith,” “God,” or “Word.” Only with the terms “Spirit or Spiritual” are government funded non-profits actually more likely to use a religious keyword than their non-funded counterparts. “Spiritual” may be particularly popular with publicly funded non-profits because it indicates a religious nature without being too specific or exclusive.

<table>
<thead>
<tr>
<th></th>
<th>No Government Funding (N=1857)</th>
<th>Government Funding (N=57)</th>
<th>Fisher’s Exact Test P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bible\Biblical</td>
<td>23</td>
<td>4</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Christ\Jesus Christ</td>
<td>27</td>
<td>4</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Christian</td>
<td>36</td>
<td>25</td>
<td>n.s.</td>
</tr>
<tr>
<td>Evangelism\Evangelical\Evangelize</td>
<td>21</td>
<td>12</td>
<td>n.s.</td>
</tr>
<tr>
<td>Faith</td>
<td>7</td>
<td>5</td>
<td>n.s.</td>
</tr>
<tr>
<td>God</td>
<td>10</td>
<td>4</td>
<td>n.s.</td>
</tr>
<tr>
<td>Gospel</td>
<td>24</td>
<td>9</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Ministry\Minister</td>
<td>35</td>
<td>19</td>
<td>&lt;.05</td>
</tr>
<tr>
<td>Spirit\Spiritual</td>
<td>10</td>
<td>19</td>
<td>&lt;.05</td>
</tr>
<tr>
<td>Word</td>
<td>6</td>
<td>0</td>
<td>n.s.</td>
</tr>
</tbody>
</table>
A principal components analysis was conducted using the keywords to see if there are sub-groups of words associated with each other more than others. This identified four factors among the terms. The first included the words “God” and “Word.” These terms are often used together in the same sentence (e.g. spread the Word of God), so their association is not surprising. The same is true for the second factor of “Jesus Christ” and “Gospel.” The words in the third factor, “Bible,” “Christian,” “Evangelical” and “Ministry” do not have as clear of an association beyond that they are likely used by more evangelical organizations, whereas the fourth factor of “Faith” and “Spiritual” are probably more common among ecumenical or theologically liberal organizations.

Use of Keywords

Table 7-4 presents logistic regression models predicting the use of any religious keyword in the self-descriptions and the use of any word in the four individual sub-groups. Model 1 shows that even after taking into account organizational size, location, and sector, the odds of government-funded Christian non-profits using any of the religious terms is about half that of non-funded organizations. This does not tell us whether the government funding reduces the express religiosity of the organization, but it does show a tendency for publicly funded organizations to be less overtly religious in their self-descriptions. The causal nature of this effect will be explored more below.

Compared to non-profits in the Charismatic Evangelism sector, all of the other sectors have lower odds of using any of the terms. Non-profits in this sector are likely the most pervasively religious and their expression of that identity is seen in the analysis. All of the regions show higher odds of using a keyword compared to those based in the Northeast, but only
the West indicator is significant. This is somewhat surprising since the West is usually seen as less religious than the other regions of the country.

Table 7-4 Logistic Regression Analysis Predicting the Use Religious Terms (N=1914)

<table>
<thead>
<tr>
<th></th>
<th>Exponentiated Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
</tr>
<tr>
<td>Any Keyword</td>
<td></td>
</tr>
<tr>
<td>Govt. Funding</td>
<td>.517*</td>
</tr>
<tr>
<td>Region</td>
<td></td>
</tr>
<tr>
<td>Northeast (Ref.)</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>1.386</td>
</tr>
<tr>
<td>Midwest</td>
<td>1.204</td>
</tr>
<tr>
<td>West</td>
<td>1.582*</td>
</tr>
<tr>
<td>Log Total Revenue</td>
<td></td>
</tr>
<tr>
<td>(100,000s)</td>
<td>1.246*</td>
</tr>
<tr>
<td>Organizational Mission</td>
<td></td>
</tr>
<tr>
<td>Charismatic</td>
<td></td>
</tr>
<tr>
<td>Evangelism (Ref.)</td>
<td></td>
</tr>
<tr>
<td>Relief and Development</td>
<td>.086**</td>
</tr>
<tr>
<td>Religious Education</td>
<td>.237**</td>
</tr>
<tr>
<td>Publishing</td>
<td>.305**</td>
</tr>
<tr>
<td>Radio and Television</td>
<td>.273**</td>
</tr>
<tr>
<td>Missionary and Missions</td>
<td>.137**</td>
</tr>
<tr>
<td>Personal Development</td>
<td>.204**</td>
</tr>
<tr>
<td>Advocacy</td>
<td>.129**</td>
</tr>
<tr>
<td>Other</td>
<td>.131**</td>
</tr>
</tbody>
</table>

*<.05  **p<.01

The revenue measure shows a positive impact on the odds of using a religious keyword. This is somewhat counter-intuitive. It was expected that smaller organizations would express more religiosity because larger organizations are often more professional and bureaucratic. This
result should be taken with some caution, though. It is possible that this reflects the amount of
effort or time taken to fill out the 990 form more than the tendency for large organizations to
express religiosity. Smaller organizations have fewer staff members and resources to fill out the
990 form, and this might be reflected in this outcome.

Models 2 through 5 display the results for the individual factors identified in the principal
components analysis. The government funding indicator is significant and shows lower odds of
using the first three for publicly funded non-profits. There is no difference in odds for the use of
“Faith” or “Spiritual.” Those terms are also favored more by those organizations headquartered
in the Northeast and among most of the other sectors relative to organizations in the Charismatic
Evangelism group, although the difference only reach statistical significance with the South
measure and the Personal Development and Advocacy measures.

_Causation or Selection?

Overall, this analysis shows that Christian non-profits receiving government funding are
less likely to express religiosity in their narratives than those that do not receive such funding.
The religiosity that they do express tends to be somewhat different in that words such as
“spiritual” are more common than exclusive terms. This does not necessarily tell us whether
government funding causes these differences, or whether organizations not expressing religiosity
are more likely to be selected for funding. One way to examine this question is to see if we can
observe the transition to government funding for any of the 57 non-profits receiving public
government funding in 2004.
Table 7-5 Change in Use of Religious Descriptors among Nonprofits First Receiving Government Funding in 2004 or 2003

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No religious terms used before government funding</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>Religious terms used before government funding, no change after</td>
<td>13</td>
<td>61.9</td>
</tr>
<tr>
<td>Religious terms used before government funding, some change after</td>
<td>3</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21</td>
<td>100.0</td>
</tr>
</tbody>
</table>

I examined the 990 forms for the previous two years for each of these 57 organizations. Beyond 2002, the forms are not consistently available in a digitized and accessible form. Thirty-six of the non-profits received funding in all of the observed years. However, twenty-one of them first received government funding in 2003 or 2004. These organizations provide an interesting opportunity to test for more subtle impacts of government funding. I compared the pre-government funding forms to the post-funding form to see if there were any noticeable changes. Of the twenty-one transitioning organizations, five did not have any religious terms in either their pre or post funding narratives. Thirteen other non-profits had some religious terms in their pre funding self-descriptions and showed no noticeable change in their post funding descriptions. This does not seem to show much support for the impact of government funding. Over 85% of the transitioning non-profits were either less openly religious already or did not change their expression due to the receipt of public funding.

However, the exceptions may be more interesting than the rule. There were three organizations that did show some noticeable change in their narratives after government funding.
Two of these showed particularly remarkable changes. Table 5 shows the pre and post
descriptions for these three organizations.

Empowering Lives International is a relief and development organization working in East
Africa. It first received government funding in 2004. In 2003 it referred to its “ministry” work
and how it was focused on “medical, economical, spiritual, and educational” support. In 2004
the “ministry teams” became simply “volunteers” and the “spiritual” support became “training
and development work.” International Justice Mission, a human-rights advocacy organization,
also received government funding in 2004 but not in 2003. In its pre-funding narrative it
described itself as a “Christian ministry” with a “scriptural” mandate. This was absent from their
2004 narrative, along with the word “spiritually” in a sentence that was otherwise exactly the
same as their pre-funding description. World Hope International’s change is less clear and is
seen two years before government funding. In 2002 they referred to their child sponsorship
program as serving Christians, but in 2004 this specificity was absent. The 2004 narrative also
added a “faith-based” label to the organization and dropped the 2002 references to “spiritual”
goals.
### Table 7-6 Before and After Text of Nonprofits Showing Some Change in Self-Description

<table>
<thead>
<tr>
<th></th>
<th>Pre-Govt. Funding</th>
<th>Post-Govt. Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Empowering Lives</strong></td>
<td>“Medical, economical, <strong>spiritual</strong>, and educational support in East Africa.”</td>
<td>“Training and development work among the national people in Kenya, Tanzania, and the Congo.”</td>
</tr>
<tr>
<td></td>
<td>“Development of an equipping center to train American’s on intercultural relations before entering the county for ministry work.”</td>
<td>“Training and equipping center in the U.S. to help train and prepare U.S. volunteers before they travel to East Africa.”</td>
</tr>
<tr>
<td></td>
<td>“Work and ministry teams to provide service to ministry in Kenya.”</td>
<td>“Volunteers from the U.S. sent to Kenya to help serve among the poor and needy.”</td>
</tr>
<tr>
<td><strong>International Justice</strong></td>
<td>“A <strong>Christian</strong> ministry that seeks to advance the <strong>scriptural</strong> mandate to help people who are suffering injustice and oppression.”</td>
<td>“In addition, IJM…help them heal emotionally, physically, mentally, and economically.”</td>
</tr>
<tr>
<td></td>
<td>“In addition, IJM…help them heal emotionally, physically, mentally, <strong>spiritually</strong>, and economically.”</td>
<td></td>
</tr>
<tr>
<td><strong>World Hope International</strong></td>
<td>“…Child sponsorship arm…to assist <strong>Christians</strong> in providing education…”</td>
<td>“a <strong>faith</strong>-based relief and development organization…”</td>
</tr>
<tr>
<td></td>
<td>“…the purpose of empowerment towards social, emotional, <strong>spiritual</strong> and economic stability.”</td>
<td>“…program links sponsors with children…who need education, nutritious food…”</td>
</tr>
<tr>
<td></td>
<td>“<strong>Ministry</strong> projects: Various projects…inspire <strong>spiritual</strong> hope through programs…”</td>
<td>“…program to help the poorest families…encourage economic independence…”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“…designed to assist ministry needs…”</td>
</tr>
</tbody>
</table>

* Narrative from one year before government funding.
** Narrative from two years before government funding.

### Discussion

What should we make of these results? On the one hand, the logistic regression showed that Christian non-profits receiving government funding are less likely to use religious descriptors in their narratives, or at least less likely to use certain exclusive terms. Looking at the subset of organizations first receiving funding in 2003 or 2004, few of these changed their narratives in their first year of being publicly funded. Together, these two findings make it
accurate to say that government funding does not alter the self-descriptions of religious organizations and any negative impact of government funding on organizational religiosity is primarily due to selection and self-exclusion of highly religious organizations. This would parallel the research showing that faith-based organizations do not report overt interference from the government.

On the other hand, the exceptions presented above are quite striking and deserve at least some attention. While the large majority of Christian non-profits do not change their self-presentations due to their newly acquired funding source, at least some do and they do so in a significant manner. Given that these are the exceptions rather than the rule, such censoring would seem to be self-induced. This may be due to the organizations seeking out advice from consultants or grant writers that invoked their own assumptions concerning the government’s requirements, or it could simply be the organizations responding to the same general assumption driving research that the government would be likely to affect the religious nature of the organization. They may have assumed that interference would occur and simply preempted it by altering their presentation.

Ironically, many of the words dropped in the post-government funding narratives are those that were most common (e.g. Christian, spiritual) among the non-profits with public funding, making censoring seem even less necessary. This also provides some evidence that they were not simply mimicking other government-funded non-profits, since they would have found the use of such terminology common. Of course, they may have referenced secular organizations instead of other Christian non-profits.

Although most of the organizations examined here did not show a change in self-descriptions, this does not necessarily mean that a change has never occurred. The strategy here
was to measure more dramatic changes that occur directly due to the receipt of government funding. However, the change may not have occurred directly with the receipt of funding, but the funding might have been the culmination of a much longer evolution within the organization. In other words, the government-funded organizations that are less likely to express religiosity may not have always been so reserved.

The relatively short window of observation in this analysis was not able to account for a less direct path of causation, although other research has suggested such a path. In his study of Habitat for Humanity, Baggett observed a tension between growth, professionalization, and the religious identity. In the words of a Habitat vice-president:

You know, in the early years of the organization, the Christian emphasis was exactly why people came here. But there was a shift because the success of the organization was really beginning to create some serious management problems. The whole issue was the balance between faith and competence…I would say that things have been done to increase competency and technical skills. But maybe we did lose a bit of the Christian element.

The growth in professionalized management is likely the very quality that help Habitat acquire government funding and, along with the corresponding loss of religiosity, the trend towards professionalization likely accounts for its increasing willingness to partner with government agencies during its history.

Instead of funding being seen as an exogenous factor, maybe we should see it as the outcome of organizational processes, both internal and external, that lead religious organizations to attenuate their identity. The processes that lead to this attenuation, such as increased professionalization, simultaneously makes some organizations more capable and eligible to receive government funding. The government has some role in this by setting standards and creating expectations for whom it will fund, but this role may not be the overt and direct

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243 Baggett 2001: 149.
influence we often expect. Furthermore, covert influences on organizational religiosity through normative, mimetic and other processes are most likely seen in the long-term, not in the short-term window used in the above analysis.

**Conclusions**

The analysis here looked to examine several questions. First, is there a religiosity gap between Christian non-profits receiving government funding and those that do not? Second, beyond a quantitative gap in religiosity, is there a qualitative difference in the religiosity that is expressed between the two groups? Finally, does receiving government funding lead to significant changes in the self-descriptions or narratives of Christian non-profits? The answers to the first two questions were clearly in the affirmative. Government funded non-profits were less likely to express religiosity in their narratives and the religiosity they do express is more inclusive and “spiritually” focused. The last question was not supported overall but there were some interesting exceptions.

Future research could follow up these results by observing the last question over a much longer period than was possible in this analysis. As argued above, there could be a connection between the receipt of government funding and changes in the religiosity of an organization, but this connection is indirect and is the result of processes that conclude with, not begin with, the receipt of government funding.
Concluding Thoughts

I began my examination of Christian nonprofits with three guiding questions:

- First, how are we to understand the rise of the Christian nonprofit population? Is it really as new and spontaneous as many believe?
- Second, what is their role, both abstractly in terms of their place in American religion and concretely in terms of their activities in the United States and abroad?
- Finally, how are Christian nonprofits run? Where do they get money from and how do they use it? What are the consequences of those choices?

Since I have reached the end of our examination, it would be useful to review the previous chapters in light of these questions.

The Rise of Christian Nonprofits

In both the scholarly and popular literature, there have been many references to the ‘sudden’ appearance of Christian nonprofits and the larger category of parachurch organizations. Adjectives such as “new,” “burgeoning,” and “proliferati[ng]” are commonly used.\textsuperscript{244} In short, the history of parachurch organizations has been viewed as short in length and tumultuous in activity.

To some extent, these characterizations have some merit. As seen in Chapter 1, there does seem to be significant growth in the numbers of Christian nonprofits in the last fifty years. This growth has been driven by both religious and secular changes. Regarding the latter,


nonprofits have increasingly become popular forms of organization due to the financial and symbolic incentives provided to 501(c)(3)s.

Likely more influential for the growth of Christian nonprofits, though, have been underappreciated shifts in the religious landscape of the United States. The growth of individuals and congregations disassociating themselves with the traditional denominational structure of the United States has led to large amounts of resources ‘free roaming’ resources. On top of this, there has been a retreat by many denominations from certain activities (e.g. missionary work) that still have some demand within the population of Christians. All of this has created a bullish market for the products and services provided by Christian nonprofits and other parachurch organizations.

However, it is also clear that Christian nonprofits did not appear ex-nihilo. Indeed, the parachurch sector has existed from the earliest days of the United States’ independence (and even before then when you consider British religious societies). The parachurch sector has undergone several major transformations during its history. From the initial creation of local societies modeled on British religious societies, to the nationalization of those local societies, to the absorption or copying of those national organizations into denominational agencies, to the current era of growth due to the aforementioned de-denominalization of resources.

When will the growth of Christian nonprofits stop? Or, will it? It is always difficult to predict long-term trends in religious belief and affiliations. It was not that long ago that many intellectuals, including many sociologists, thought that religion would have disappeared by now.245 At some theoretical point, there is always a limit to any organizations’ growth. After all, there are only so many people and so much money out there to obtain. But there does not

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seem to be any immediate sign of a reversal in the numbers of Christian nonprofits, especially given the sources of growth identified in Chapter 1.

The trend of independent churches and individuals does not seem like it is going to reverse, even if their numbers do ‘max out’ at some point in the future. It also seems unlikely that denominations will take back the ground they have lost. To do so would require a strong theological argument about the uniqueness or inimitability of the goods and services they provide. Such an argument would define external organizations as illegitimate and would encourage or require individuals and churches to patronize denominational organizations exclusively. Mainline denominations would have a difficult time making this argument given their relatively inclusive stance on theological issues. Many of those more liberal denominations are not interested in performing the mission activities provided by the parachurch sector anyways.

Evangelical denominations would be in a better theological position for such a stance about the uniqueness of their denominational products and services. Indeed, Nancy Ammerman found that Conservative Protestant congregations tend to be more loyal to denominational sources when it comes to acquiring educational and worship resources. On the other hand, many conservative denominations pride themselves on the independence of their churches and the decentralized nature of their organizational and authority structure, so in other areas they may struggle to force the hand of the members and congregations.

The loyalty produced by exclusive theological beliefs may not extend equally to all products and services. We saw Chapter 1 (e.g. Table 1-2) that conservative Christians are not as loyal to denominational products when it comes to purchasing Christian inspirational and self-

help books. Some of this is due to the different unit of analysis being examined. That is, congregations may be more accountable to denominational authorities than individual adherents, so their expenses reflect a higher level of loyalty. But much of it likely has to do with the different products and services being examined. Denominational identities and traditions are more likely to be salient with religious education and worship materials than other products and services.

Whether with Mainline or Evangelical denominations, the larger problem with trying to discourage parachurch patronage is whether such a claim would be honored or bemusedly ignored. After all, churches and individuals have already formed relationships with the nonprofit sector. Even with direct denominational efforts to counter them, those ties may be too difficult to sever at this point. This does not mean that denominations will disappear entirely. They still offer unique cultural and theological capital to their members that nonprofits cannot offer as effectively. Indeed, most nonprofits would not want to define themselves within any specific denominational tradition since it would limit their potential resource base. Denominations, then, will still be relevant at least in respect to their authority regarding cultural and theological traditions. Instead, it is the “agency structure” of denominations that will likely shrink due to the competition from the nonprofit population and other parts of the parachurch sector. This includes the denominational publishing houses, mission agencies, humanitarian efforts and other similar denominational offices. The amount of shrinkage will be determined by how many of those activities are or can be defined as inimitable in the nonprofit sector.

The growth of the Christian nonprofit population, then, will be limited by two factors. If the trend of ‘non-denominational’ Christianity crests and all possible functions are taken over

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from denominational organizations, then this obviously presents a barrier for future nonprofit growth. There is also the factor of how fast the nonprofit population increases. If we assume that there is a theoretical limit to the amount of resources available to these organizations (and there always is), then each additional nonprofit takes a little more away from that overall pool. So the faster organizations are added, the faster that pool of resources is exhausted. In other words, the future trends in non-denominational Christianity and denominational loyalties will provide the limit to growth, while the rate of nonprofit foundings will determine how fast that limit is reached.

There is one complication to this model of growth, and it is rather significant. To understand the issue we can look to another place where it has come in play. When people first became concerned with overpopulation, they based their concern on fairly reasonable calculations about food consumption and agricultural production. Thomas Malthus is probably the best known early writer on population growth and its consequences. Malthus argued that human populations grow geometrically, or exponentially. Two people lead to four, which lead to 16, which lead to 32, and so on. However, food can only be produced arithmetically, or on a 1 to 1 ratio. One acre of land produces 100 pounds of food, two acres produces 200 pounds, and so on. Some simple calculations over a few generations will show that population tends to dramatically outgrow food, leading to all sorts of potential crises and “evils.”

While overpopulation is still a legitimate concern, these specific calculations did not take into account human creativity. Innovations such as new crops, genetic engineering, and new farming techniques all helped produce much more from an acre of land than Malthus ever anticipated. This has at least delayed the crisis of food production. Given that there are many

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people around the world without food today, there are obviously still problems with food
distribution, but that is a different issue than production.

All of this may seem a bit like a non-sequitur, but it is actually the same problem faced
when predicting the future growth of Christian nonprofits. We simply cannot anticipate the level
of creativity and innovation that can occur within the population. Like the overpopulation
debate, any calculation of upper limits or what ecologists would call “carrying capacities” will
likely be foiled by not factoring in the creation of new products and the integration of new
markets. Throughout its history, the parachurch sector has shown an incredible ability to branch
out into new ventures and markets that would have been difficult to anticipate before they
occurred. While their history began with fairly modest missions, such as publishing Bibles, they
are now engaged in a wide variety of activities. We got some sense of the “staggering” range of
Christian nonprofit activities in Chapter 3, which leads us to considering the role of Christian
nonprofits both in society and in religion.249

The Role of Christian Nonprofits

Christian nonprofits have a prominent and yet uncertain role in the religious landscape of
the United States. The profiles of organizations and activity sectors provided in Chapter 3
showed that these organizations are engaged in many different endeavors…from publishing
magazines to international economic development projects…from preaching to emergency relief
efforts…from training pastors to producing entertainment media. Furthermore, the resources
being spent on all of these efforts are significant, and since those resources are primarily coming

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Guide. Westport, CT: Greenwood Press. Pg. 158.
from the pockets of individuals and the coffers of churches, these organizations are major players in American religion.

Despite this, though, there is a great deal of uncertainty about what the role of Christian nonprofits mean for Christianity. On the one hand, people and churches enjoy the products and services provided by the nonprofits. As heard in some of the statements provided in Chapter 2, there is a sense that by doing something…anything…these organizations are doing more than churches and denominations to make their religion have a visible impact.

But there are also concerns. Of course there are concerns about theology, about money and about power. These were discussed in detail in Chapter 2. More importantly, though, there seems to be a feeling that these organizations and their specialized products and services might be the equivalent of a sugary, high-fat diet. Sure, it tastes good. But in the end you will pay for those short-term pleasures.

What if these organizations with their model of flashy, efficient, specialized, results-oriented operations become the dominant route through which people come to know and experience Christianity? It is a little like the between-inning promotions at a baseball game becoming so popular that people come just to see them. Eventually, a man reminisces to his grandson about how “between the running of the hot dogs and the dizzy bat race they used to play a game where they hit a ball and ran around bases.” In short, tradition gives way to shtick.

Of course, I do not mean to equate the efforts of these Christian nonprofits with people running around in hot dog costumes, nor do I want to equate baseball with Christianity. However, the concerns about churches becoming replaced, on at least some level, by nonprofits and other parachurch organizations are not unfounded. There is an ambiguous and often porous line between “parachurch” and “church.” Churches can become parachurch organizations (or
spawn parachurch organizations) and parachurch organizations can become churches (or integrate into churches). Some nonprofits organizations seemingly straddle the line between church and parachurch. All of this ambiguity is reflected in the tax code, as was seen in Chapter 5.

It is not even clear what the line between church and parachurch encompasses. There is no agreement about what activities belong to churches and denominations and which are open for parachurch organizations to enter. This is assuming that the latter needs to defer to the former in the first place, which is an entirely different argument. While worship and fellowship activities seem to be the most sacred domain protected by churches, there have been claims of ‘trespassing’ by churches and denominations directed towards the entire range of Christian nonprofit sectors.

Because such an agreement is unlikely, there are no clear solutions to this tension. It is likely that church, denominations, nonprofits, and other parachurch organizations will continue to share an ambivalent stance towards each other, alternating between cooperation toward shared goals and bitterness resulting from the division of resources and power.

The Running of Christian Nonprofits

When compared to secular nonprofits, Christian nonprofits have many unique features in their history, growth sources, and activities. On the other hand, when it comes to the practical issues of raising money and running their organization, Christian nonprofits do not differ greatly from any other nonprofit.

As covered in Chapter 4, there are a handful of methods by which a nonprofit raises funds, primarily falling into larger categories of either donations or commercial revenue. One
difference between some secular nonprofits and Christian ones is the rarity of government funding. However, we must remember the type of Christian nonprofits examined in the previous chapters. Few of the large, national and international organizations focused on here are engaged in activities that the government would be willing and able to support. If we had instead been looking at local social service agencies, schools, and hospitals, then the story would likely have been different.

Regardless of their secular or religious nature, all nonprofits must deal with the consequences of different revenue sources. Chapter 7 explored the consequences of receiving public funding on the religious expression of Christian nonprofits and found mixed evidence of restrictions due to government funding. Few of the organizations receiving government funding altered their expression of religion, but many of them were more theologically liberal or non-exclusive to begin with. So there is likely some self-restricting going on among more conservative organizations.

It is important to note, though, that while the effect of government funds on religious expression is a particularly interesting example of the consequences of certain revenue sources, the issue is not isolated to government funding or to Christian organizations. Even among religious nonprofits, there are also potential consequences of receiving funds from donors or from commercial customers. For instance, the interests of individual donors will shape what a nonprofit does or does not do with their money and how they express themselves, just like the government might. If an organization receives a great deal of funding from a particular segment of the Christian population (e.g. evangelical), then those donors will expect the nonprofit to express that type of Christianity. Secular nonprofits must deal with the same external demands

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and expectations, whether they come from the government or from individual donors. One area where this is clearly seen in both religious and secular nonprofits is the issue of leadership compensation, which was examined in Chapter 6.

**Remaining Questions, Future Research**

As is to be expected, the preceding chapters have raised some new questions about Christian nonprofits and were unable to answer others. There are several clear areas that could receive further attention in future research.

The analyses and profiles provided in these chapters were predominantly cross-sectional, although I attempted to give some consideration to developmental and historical processes. The next step would to address longitudinal issues such as how these organizations change over time and what variables lead to growth or decline in organizations, sectors, or even the entire population of Christian nonprofits. This would require collecting subsequent waves of data using similar methods used in my research.

Another clear path of future research would be to hear the voices of these organizations to see how they view their role in the religious landscape and their relationship to congregations and denominations. Interviewing the leaders, employees, and even the patrons of Christian nonprofits would provide crucial insight into their appeal and operations that financial data alone could never provide. Questions that I was only able to speculate on, such as what leads one organization to view themselves as a “church” and a similar organization to view themselves as a “nonprofit” (see Chapter 5), could benefit from this type of information.

Despite these remaining issues, this research has provided a large first step in the efforts of social scientists, churches and denominations, and the public as a whole to understand the
significance of one of this very important development in the religious landscape of the United States.
Appendix:

Data Collection Methods

Anyone who has undertaken a research project, small or large, will likely tell you that it started with a fairly vague idea, something to the effect of, “wouldn’t it be interesting to look at [X]?” Almost always this ‘hunch’ must be greatly specified and narrowed before it becomes workable in terms of collecting data. In my case, the “X” in the box was “parachurch organizations.” But as noted in the Introduction, parachurch organizations are a very diverse population of organizations in terms of size, scope, mission, profit orientation, and their relationship to churches and denominations. It quickly became clear that I had some serious honing to do before I could collect data and begin addressing any questions about them.

Defining the Target Population

There are an infinite number of ways to slice a pie, literal or metaphorical. My slicing began based on an initial interest in looking at larger, national parachurch organizations instead of local organizations. Part of this interest was simply not to overlap with other research,251 but it was also because these are the organizations that garner the most attention and have the largest profile (you might call this the ‘sexy’ factor). Because fairly little systematic research had been done on these national parachurch organizations, I wanted my research to provide a broad survey of this population. This ruled out focusing just on a single activity sector, such as publishing or relief organizations.

Surveying what had been written about the parachurch population, it became clear that the examples given of parachurch organizations were nonprofit organizations. Indeed, some

251 Local organizations, particularly those providing social services, had already been receiving research attention.
equated parachurch with nonprofits. Although I do not entirely agree with this position (see Introduction), this nevertheless led to the idea of focusing on nonprofits instead of for-profit organizations, which had both practical and theoretical benefits. First, trying to examine both for-profit and nonprofit organizations would require two different sources of data. While data on nonprofit organizations is accessible and fairly standardized, it would have been difficult to find comparable data for for-profit organizations that are not required to submit open financial statements.

I also had to decide whether to look at all religious nonprofits that could be considered parachurch regardless of their religious tradition, or to only focus on a particular tradition. While there are examples of Jewish, Muslim, and other religious nonprofits, the literature was clear that the ‘parachurch phenomenon’ was seen as a Christian one. It is not clear that the dynamics surrounding non-Christian organizations would be the same with Christian ones. For example, without clear official denominations in the Protestant sense, is a Hindu nonprofit “parachurch” in the same sense as a Protestant one? So, I decided to limit my data collection to Christian organizations.

Finally, I made the decision to exclude organizations under the financial or administrative control of denominational authorities. While I believe denominations and their agencies are also theoretically parachurch (again, see Introduction), it was clear from the literature that people view “parachurch” as meaning those organizations outside of denominational control. For the most part, this was not an issue because denominational organizations rarely file tax returns since they are seen as churches (see Chapter 6). However, a handful of cases were excluded because they stated on their tax returns that they were an official agency of or were controlled by a

252 Willmer, Schmidt and Smith. 1998.
253 Particularly Protestant, but I included Catholic organizations because there were at least enough to consider significant and to provide some non-Protestant comparisons.
denomination. This presented some challenges for Catholic organizations due to the very organic and inclusive nature of the Catholic Church’s organizational structure. The two largest Catholic nonprofits, Catholic Relief Services and Catholic Charities, were both considered to be ‘official’ agencies due to their tight integration with the US Conference of Catholic Bishops and/or dioceses. Practically, this ended up not being an issue since both Catholic Relief Services and the national office of Catholic Charities claim church status and do not file tax returns.

All of these decisions turned my broad “wouldn’t it be interesting” question into the following target population: large, Christian, nonprofit organizations based in the United States that operate on a national or international scope and are not under the financial or administrative control of official denominational organizations. This still required some specification or ‘operationalization,’ though, since “large” and “national\international” are concepts that are not entirely clear.

The national or international scope requirement was defined by having operations in either a foreign country (i.e. international) or in at least two states in the United States (i.e. national). The “large” requirement is obviously always going to be relative, but it ended up being tied into to the national or international scope standard. It was found that under a total revenue of $200,000, organizations were increasingly likely not to fulfill the national\international scope standard and were also more vague in their description of activities (likely because smaller organizations are still trying to figure out exactly what they are doing). Therefore it was decided that the data collection would be limited to those organizations with total revenue in 2004 above $200,000.254

254 Nonprofits with gross receipts under $25,000 do not have to file annual returns. “Gross receipts” is the equivalent of revenue (e.g. contributions + profits from commercial activities) added to the expenses for those commercial activities (e.g. cost of goods sold). Those with gross receipts under $100,000 file a shorter 990-EZ form.
So, to be included in my data the organization had to:

1) Be a nonprofit organization
2) Identify as Christian
3) Have revenue in 2004 over $200,000
4) Operate in at least two U.S. states and/or in a foreign country
5) Not be under the financial or administrative control of a denomination

As noted in Chapter 5, there is an added ‘hitch’ when examining religious nonprofits. Specifically, those claiming church status do not have to file annual returns or even register with the Internal Revenue Service. What this means is that the first criteria had an additional sub-criteria: the nonprofit must file annual returns to be included in the data. While it would be ideal to include nonprofits that claim church status but fulfill the other criteria, it is simply not possible. First, many of them are invisible in the sense that they cannot be identified because they leave no records of their existence. Second, even those that can be identified may not have or be willing to produce data that is comparable to those nonprofits that do file annual returns.

**Identifying the Organizations**

With the criteria for inclusion set, the next step was to find the organizations that met the criteria. In the absence of a list of Christian nonprofits, I had to look for other sources. The closest thing to a list of Christian nonprofits is the National Center for Charitable Statistics’ (NCCS) database of *all* nonprofits that submit annual returns.\(^{255}\) Looking through every one of the over 303,000 nonprofits contained in the 2004 database to determine which ones fulfill the criteria would be an impossible task. Fortunately, the NCCS provides some guidance by

\(^{255}\) Called the “Core File,” this database is produced yearly for 501(3)c nonprofits, private foundations, and other tax exempt organizations.
assigning each organization a code based on its activities or mission. This coding system is called the National Taxonomy of Exempt Entities (NTEE). The NTEE has ten broad categories:\footnote{256}{"Guide to the National Taxonomy of Exempt Entities." \url{http://nccs2.urban.org/ntee-cc/}}

1. Arts, Culture, and Humanities
2. Education
3. Environment and Animals
4. Health
5. Human Services
6. International, Foreign Affairs
7. Public, Societal Benefit
8. \textbf{Religion Related}
9. Mutual/Membership Benefit
10. Unknown, Unclassified

Under each of these broad categories are a variety of sub-categories. Of interest to my data collection were those sub-categories listed under the “Religion Related” category:\footnote{257}{"National Taxonomy of Exempt Entities-Core Codes." \url{http://nccs2.urban.org/ntee-cc/summary.htm#x}}

\begin{itemize}
  \item 1 Alliances & Advocacy
  \item 2 Management & Technical Assistance
  \item 3 Professional Societies & Associations
  \item 5 Research Institutes & Public Policy Analysis
  \item 11 Single Organization Support
  \item 12 Fund Raising & Fund Distribution
  \item 19 Support-Not Else Classified
  \item 20 Christian
  \item 21 Protestant
  \item 22 Roman Catholic
  \item 30 Jewish
  \item 40 Islamic
  \item 50 Buddhist
  \item 70 Hindu
  \item 80 Religious Media & Communications
  \item 81 Religious Film & Video
  \item 82 Religious Television
  \item 83 Religious Printing & Publishing
  \item 84 Religious Radio
  \item 90 Interfaith Coalitions
  \item 99 Religion-Related Not Else Classified
\end{itemize}

The bold categories were those that were examined in detail to see whether organizations within them fulfilled the criteria.\footnote{258}{Using the NCCS’ database, queries were run to limit the}
returned organizations to those with total revenue above $200,000.259 Once the names of the 
organizations were found, the actual digital (i.e. scanned) 990 tax return for the organization was 
then located using either www.guidestar.org or www.foundationcenter.org. Using the self-
description located on the 990 form it was determined whether the organization fulfilled the 
other criteria concerning national\international scope, Christian identity, and were not official 
denominational organizations.260 Any organizations that did not fail to fulfill those criteria were 
then added to a list of included organizations.

Because it is possible that some Christian nonprofits would have been identified using 
just the methods described above, four other sources were also consulted. The first was the 
membership list of the Evangelical Council of Fiscal Accountability. The ECFA has just over 
1,000 members and many are large, national organizations. Also, the over 500 organizations 
listed on the Christian ‘watch-dog’ website www.ministrywatch.org were also examined for 
eligibility. Key word searches (e.g. “Christian,” “ministry,” “bible,” “god,” “faith,” etc.) were 
also conducted on www.charitynavigator.org and the Associations Unlimited database to identify 
any other potential organizations for inclusion. While a handful of organizations were solely 
identified by one of these four sources, the large majority of organizations identified were simply 
confirmations of organizations already identified through the NCCS database.

**Entering Financial Data**

After creating the list of included nonprofits, the first step of data collection was to enter 
the financial information each organization from its 990 tax return for the year ending in 2004

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258 Another code (Religious Youth Leadership) in a different major category was also examined.  
259 The database limits search results to 500 organizations, so multiple queries were required within each NTEE code 
and revenue group (e.g. Search 1: Code=X01 AND Revenue>1000000; Search 2: Code=X01 AND Revenue 
<1000000 & Revenue>500000; etc.).  
260 If necessary and able to be found, the organization’s website was also consulted.
(Note: See Appendix B for the 2004 version of the 990 form).\textsuperscript{261} All of the revenue, expense, and asset lines on Page 1 (Revenue, Expenses, Assets) and Page 2 (Functional Expenses) of the 990 form were entered into a database. For those organizations required to fill it out (specifically, those not claiming church status), information on revenue from the previous for years and lobbying activity from Schedule A of the 990 form was also entered.

After this information was entered, internal accuracy checks were conducted by using the totals entered from the forms against computed totals created from entered parts. For example, Total Revenue was entered directly from the 990 form, but another “Total Revenue” was computed using parts entered from the 990 form that goes into the Total Revenue number. Any discrepancies were then checked against the forms and corrections made. In some cases the issue was due to an error in the original form. Because it was sometimes impossible to know what exactly was incorrect in the forms (i.e. was the total incorrect, or were one of the sub-parts incorrect? If the latter, which sub-part?) these cases were left as they were on the original forms.\textsuperscript{262}

\textbf{Coding Statements of Purpose}

The financial data collected from the 990 forms provided critical information on the identified organizations. However, some key concepts of interest could not be measured by financial numbers alone. In particular, I needed measures of each organization’s activities (i.e. the sectors featured in the preceding chapters) and how each organization expresses its religious identity. For both of these measures I looked to the “Statement of Program Service

\textsuperscript{261} Nonprofits can go by a calendar year beginning January 1\textsuperscript{st} and ending December 31\textsuperscript{st} or a fiscal year, which can begin and end at any time during the year.

\textsuperscript{262} For the 990 sections of Revenue, Expenses, Assets, Functional Expenses and Schedule A, there were 13, 27, 24, 54 and 35 organizations respectively that showed errors in the original forms (although some of these were the same organization with errors in multiple places).
Accomplishments” provided in Part III on page two of the 990 forms. Each form was coded as having one of twenty-seven primary activities. These twenty-seven activity codes were contained within the nine larger sectors featured the preceding chapters (Note: See Appendix C for the full coding sheet used). These primary activity codes were created inductively based on informal examinations of many organizations and 990 during the identification of organizations.

Table A1-1 Reliability of Sector Codes

<table>
<thead>
<tr>
<th>Category</th>
<th>Kappa</th>
<th>Average Percent of Organizations in Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ‘Charismatic Evangelism’</td>
<td>0.75</td>
<td>21.1</td>
</tr>
<tr>
<td>2 ‘Relief &amp; Development’</td>
<td>0.77</td>
<td>11.9</td>
</tr>
<tr>
<td>3 ‘Education &amp; Training’</td>
<td>0.63</td>
<td>13.4</td>
</tr>
<tr>
<td>4 ‘Publishing &amp; Resources’</td>
<td>0.79</td>
<td>13.5</td>
</tr>
<tr>
<td>5 ‘Radio &amp; Television’</td>
<td>0.89</td>
<td>6.8</td>
</tr>
<tr>
<td>6 ‘Missions &amp; Missionary’</td>
<td>0.72</td>
<td>16.2</td>
</tr>
<tr>
<td>7 ‘Fellowship &amp; Enrichment’</td>
<td>0.53</td>
<td>6.4</td>
</tr>
<tr>
<td>8 ‘Advocacy &amp; Activism’</td>
<td>0.66</td>
<td>4.4</td>
</tr>
<tr>
<td>9 ‘Fundraising, Grant-Making, Other’</td>
<td>0.54</td>
<td>5.6</td>
</tr>
<tr>
<td>10 ‘Unspecific or Missing’</td>
<td>0.61</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Unweighted Average Kappa .69
Weighted Average Kappa .71

Each form was coded independently by two individuals (specifically, the author and a research assistant). This provided for the assessment of the measures’ reliability using Cohen’s Kappa scores, which assesses the percent of agreement in coding between the two coders. Kappa adjusts for the expected agreement due to chance and is therefore a more stringent
measure than just percent agreement. Reliability scores for each sector, the unweighted average, and the weighted average are all shown below:263

After assessing the reliability of the activity codes, the two coders then began to discuss those organizations where there were disagreements between codes. Each was then assigned an agreed upon final code.

In addition to organizational sector, both coders also assessed the religious expression and identity for each organization by looking for certain religious key words within the self-description of program service accomplishments. These words are listed below with their respective Kappa scores of reliability:

<table>
<thead>
<tr>
<th>Table A1-2 Reliability of Religion Keywords Codes</th>
<th>Kappa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bible\Biblical</td>
<td>.88</td>
</tr>
<tr>
<td>Christ\Jesus\Jesus Christ</td>
<td>.90</td>
</tr>
<tr>
<td>Christian\Christianity</td>
<td>.91</td>
</tr>
<tr>
<td>Church\Churches\Congregations</td>
<td>.86</td>
</tr>
<tr>
<td>Disciple\Discipleship</td>
<td>.78</td>
</tr>
<tr>
<td>Evangelism\Evangelize\Evangelical</td>
<td>.87</td>
</tr>
<tr>
<td>Faith</td>
<td>.83</td>
</tr>
<tr>
<td>Fellowship</td>
<td>.64</td>
</tr>
<tr>
<td>God</td>
<td>.88</td>
</tr>
<tr>
<td>Gospel</td>
<td>.89</td>
</tr>
<tr>
<td>Great Commission\Commission</td>
<td>.75</td>
</tr>
<tr>
<td>Lord</td>
<td>.82</td>
</tr>
<tr>
<td>Message</td>
<td>74</td>
</tr>
<tr>
<td>Ministry\Ministries</td>
<td>.74</td>
</tr>
</tbody>
</table>

263 The weighted average takes into account the percent of cases assigned a particular code. This prevents a small category’s reliability score counting as much as a larger category. For the uncondensed activity codes, the unweighted average was .58 and the weighted average was .62.
Again, after compute reliability scores any discrepancies were investigated and corrected.

The coding process also assessed whether the organization operated on an international level, whether it was affiliated with some religious tradition (e.g. Lutheran, Baptist, etc.) and whether it was named after someone listed as an officer on the 990 form. The same reliability scores for each of these were computed and are shown below:

Table A1-3 Reliability of International Activity, Faith Tradition, and Officer-Named Codes

<table>
<thead>
<tr>
<th>Kappa</th>
<th>International Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No International Activities Mentioned</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
</tr>
<tr>
<td></td>
<td>South\Central America (inc. Mexico and Caribbean)</td>
</tr>
<tr>
<td></td>
<td>Africa</td>
</tr>
<tr>
<td></td>
<td>Europe (inc. Russia)</td>
</tr>
<tr>
<td></td>
<td>Middle East</td>
</tr>
<tr>
<td></td>
<td>Asia</td>
</tr>
<tr>
<td></td>
<td>Australia (inc. New Zealand)</td>
</tr>
<tr>
<td></td>
<td>Unspecific, but International Activities Mentioned</td>
</tr>
</tbody>
</table>

Affiliated with Faith Tradition

| Kappa       | Named After Officer                                         | .85 |

|
Finally, each coder entered the number of board members or officers listed on the 990, the presence of certain leadership titles among the officers (e.g. CEO), and the compensation package of the highest paid officer. Some of these measures cannot be assessed using Kappa since they are continuous measures (e.g. salary, number of officers), so for these I provide Cronbach’s Alpha.

<table>
<thead>
<tr>
<th>Officers\Board</th>
<th>Kappa</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Officers</td>
<td>--</td>
<td>.95</td>
</tr>
<tr>
<td>Number of “Board Members”</td>
<td>--</td>
<td>.94</td>
</tr>
<tr>
<td>Number of “Executive Directors”</td>
<td>--</td>
<td>.94</td>
</tr>
<tr>
<td>Number of “Presidents”</td>
<td>--</td>
<td>.96</td>
</tr>
<tr>
<td>Number of “Vice Presidents”</td>
<td>--</td>
<td>.97</td>
</tr>
<tr>
<td>Number of “Chairs”</td>
<td>--</td>
<td>.92</td>
</tr>
<tr>
<td>CEO Present?</td>
<td>.94</td>
<td></td>
</tr>
</tbody>
</table>

| Highest Paid Officer                |       |                  |
| Salary                               | --    | .95              |
| Benefits                             | --    | .97              |
| Expenses                             | --    | .99              |
EIN Number: __________________________   Name of Organization (abbrev): ______________________
Box:__________________

1. Number of Board Members, Officers, Etc.:
a. CEO:___       b. Exec Director:_____       c. President____       d. Vice-Pres:_____ 
e. Treasurer:____   f. Secretary:____       g. Chair:____       h. Vice-Chair:___
i. Board/Trustees:___   j. Other: ____       k. Total officers listed: ______

2. Number of paid officers/board members:____  Highest Salary: ________  Benefits:_________
Expenses:________

3. What is/are the mission(s) and activities of the organization:
   All          One
A.  ☐ Relief and Development
     1.  ☐ ☐ Child Sponsorship, Orphanages, Adoption
     2.  ☐ ☐ Economic and Infrastructure Development
     3.  ☐ ☐ Humanitarian Aid and Relief
B.  ☐ Financial Aid, Grants, Support
     4.  ☐ ☐ Fundraising & Grant Making
     5.  ☐ ☐ Pastor Support/Sponsorship
C.  ☐ Education, Training, and Consultation
     6.  ☐ ☐ Consulting, Technical Support, Organizational Services
     7.  ☐ ☐ Leadership Training & Education
     8.  ☐ ☐ Other or Unspecific Religious Education & Training
D.  ☐ Evangelism
     9.  ☐ ☐ Crusades or Revivals
    10.  ☐ ☐ Preaching, Speaking, Teaching
    11.  ☐ ☐ Music, Film, Drama, Other Entertainment
    12.  ☐ ☐ Other or Unspecific Evangelism, Spreading Gospel/Christianity/etc
E.  ☐ Missions and Missionary Work
    13.  ☐ ☐ Church Planting
    14.  ☐ ☐ Missionary Support & Services
    15.  ☐ ☐ Short-Term Mission Trip Programs & Coordination
    16.  ☐ ☐ Other or Unspecific Missions/Missionary Work
F.  ☐ Publishing and Media Production
    17.  ☐ ☐ Publishing & Distribution, Bibles/Tracts/Other Scriptures (including translation)
    18.  ☐ ☐ Publishing & Distribution, Print Resources (study guides, training tools)
    19.  ☐ ☐ Publishing & Distribution, Books and Periodicals (magazines, newspapers, newsletters, journals)
    20  ☐ ☐ Publishing & Distribution, Multimedia (CDs, DVDs/videos, websites, software)
    21.  ☐ ☐ Other or Unspecific Publications, Media, Resources
G.  ☐ Television & Radio
    22.  ☐ ☐ Television & Radio
H.  ☐ Advocacy
I. Fellowship and Personal Development
   25. Fellowship, Social, Professional Associations
   26. Personal Support, Counseling, Development and Enrichment

J. Other
   27. Other (Specify) ________________________________

K. Missing
   28. Unspecific or Unclear (ANSWER BELOW IF POSSIBLE)

4. If the organization pursues international activities, what region(s) does it include: (CHECK ALL THAT APPLY):
   - No International Activities Mentioned
   - Canada
   - South\Central America (including Mexico & Caribbean)
   - Africa
   - Europe (including Russia)
   - Middle East
   - Asia
   - Australia (including New Zealand)
   - Unspecific, but International Activities Mentioned

5. Is the organization affiliated with any faith tradition (e.g. Baptist, Lutheran, Catholic, etc.)? If YES, Specify:
   __________________________________________________

6. Does the organization state that its programs are exclusively focused on serving:
   - Women
   - Men
   - A particular race\ethnicity…Specify: ________________________
   - Seniors\elderly
   - Children\Youth
   - Families\Couples
   - Congregations\Churches
   - Ministers\Priests\Pastors
   - Missionaries
   - Disabled\Blind\Deaf
   - A particular profession\social group….Specify: ________________________
A particular religious group…Specify: _______________________

Some other specific population…Specify: ____________________________

7. Are any of the following words used in the organization’s narrative:

- Bible\Biblical
- Christ\Jesus\Jesus Christ
- Christian\Christianity
- Church\Churches\Congregations
- Disciple\Discipleship
- Evangelism\Evangelize\Evangelical
- Faith
- Fellowship
- God
- Gospel

- Great Commission\Commission
- Lord
- Message
- Ministry\Ministries
- Mission\Missions\Missionary
- Religion\Religious
- Scripture\Scriptural
- Spirit\Spiritual
- Witness
- Word (“Word of God”)
References


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NCCS. “Guide to the National Taxonomy of Exempt Entities.” [http://nccs2.urban.org/ntee-cc/](http://nccs2.urban.org/ntee-cc/)

NCCS. “National Taxonomy of Exempt Entities-Core Codes.” [http://nccs2.urban.org/ntee-cc/summary.htm#x](http://nccs2.urban.org/ntee-cc/summary.htm#x)


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AWARDS, FELLOWSHIPS, HONORS

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2007 Student Paper Award – American Sociological Association’s Section on Religion – “Organizational Niches and Religious Markets: Uniting Two Literatures.”