



UNIVERSITY OF SAN FRANCISCO
CHANGE THE WORLD FROM HERE

MASTER OF NONPROFIT ADMINISTRATION

IRS-SANCTIONED SECRECY FOR RELIGIOUS NONPROFITS Stepstone or Stumbling Block?

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NPA 622-01: Nonprofit Data Analysis Capstone

Spring 2023

Instructor: Dr. Richard Gregory Johnson III



OVERVIEW / INTRODUCTION

- **minister in a church**
- **chaplain for the US Government**
- **co-director of a religious nonprofit**



- **What me? Fundraise? Market? read IRS 990? Participate in extensive research and tools to make orgs better?**
- **Religious nonprofits are hidden from data collection and tools**
- **Transparency = more knowledgeable donors, better understanding of need in this world, more effective care**
- **Better for all? Why not?**

OBJECTIVES

- **Does the choice of religious charity status affect the charity's use of recent advances in beneficial tools and accountability?**
- **Does automatic religious charity status encourage lax policies and practices that become future risk for the charity?**
- **How can religious charities make better choices in fundraising, strategic planning and having protective policies ivo recent research and published literature?**
- **Is there an existential threat to religious charities deserving the attention of leaders?**

VALUES

- **That government not establish a religion**
- **That government not restrict free expression of religious faith**
- **That transparency improves accountability**
- **That transparency aids researchers addressing needs of society**

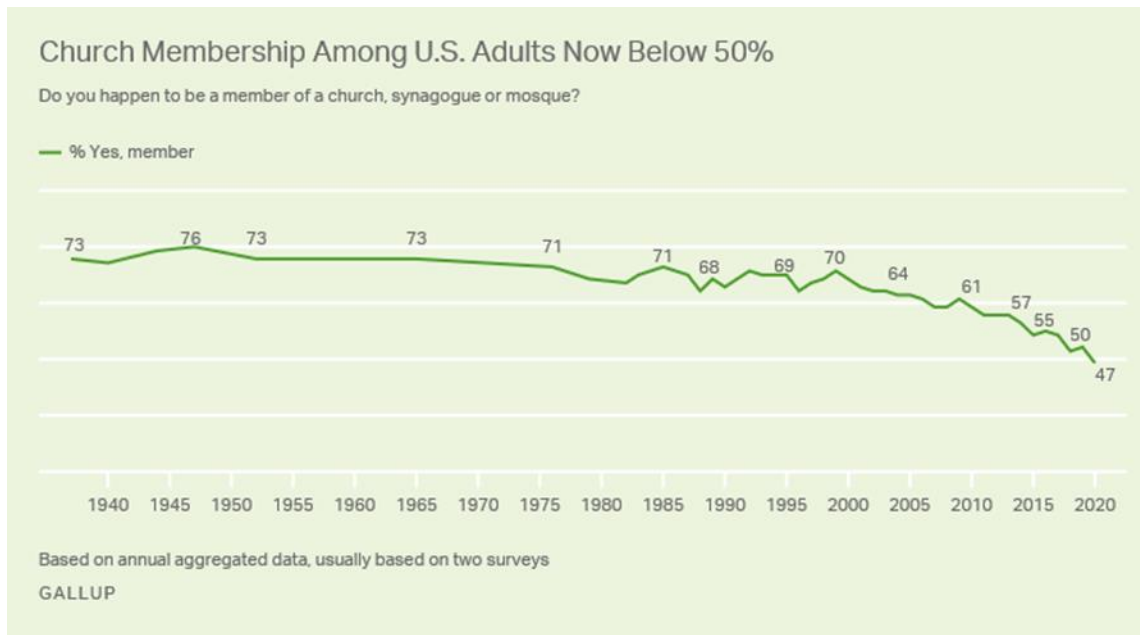
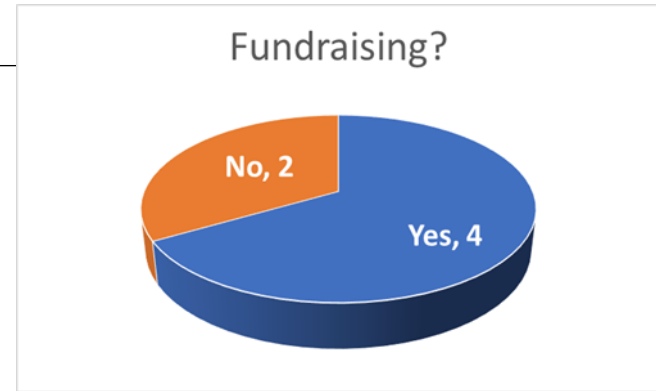
METHODS AND APPROACHES

Surveying US Gov authorized faith group agents who represent more than one denomination, having a choice of nonprofit status, provided an opportunity to understand the research questions

1. Literature review
2. Survey the nine identified organizations endorsing chaplains regarding their nonprofit status, need to fundraise, staffing, strategic planning tools, and protective policies held
3. Interview two lawyers with applicable nonprofit and religious organization experience

DATA ANALYSIS

- **Yes, most need to fundraise**
- **But their prospects are shrinking**



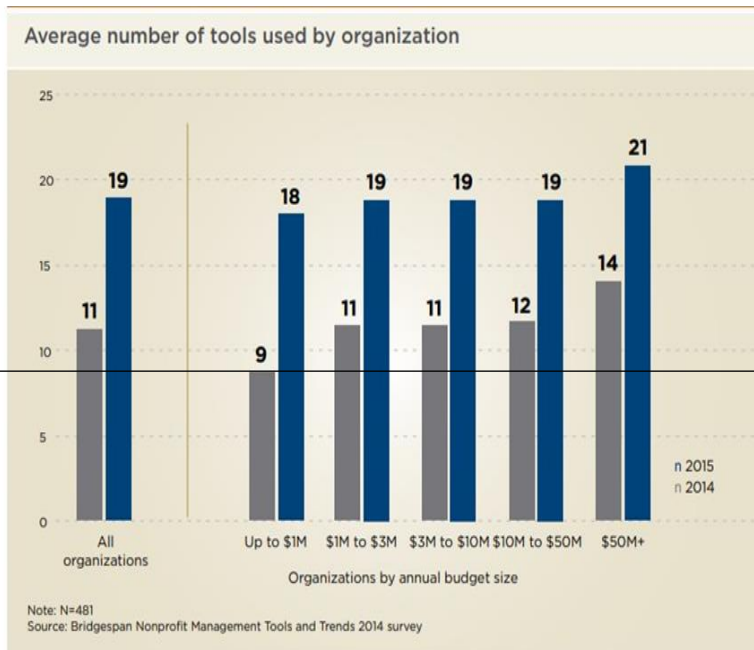
DATA ANALYSIS

- Do they use tools and policies known to help?



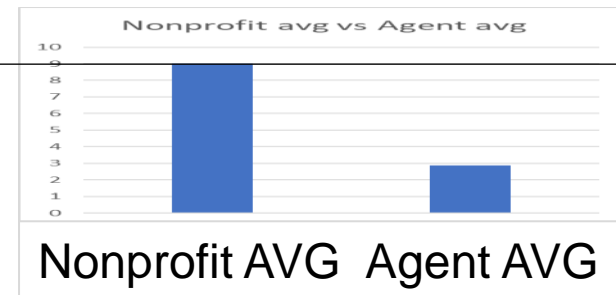
DATA ANALYSIS

Tools used



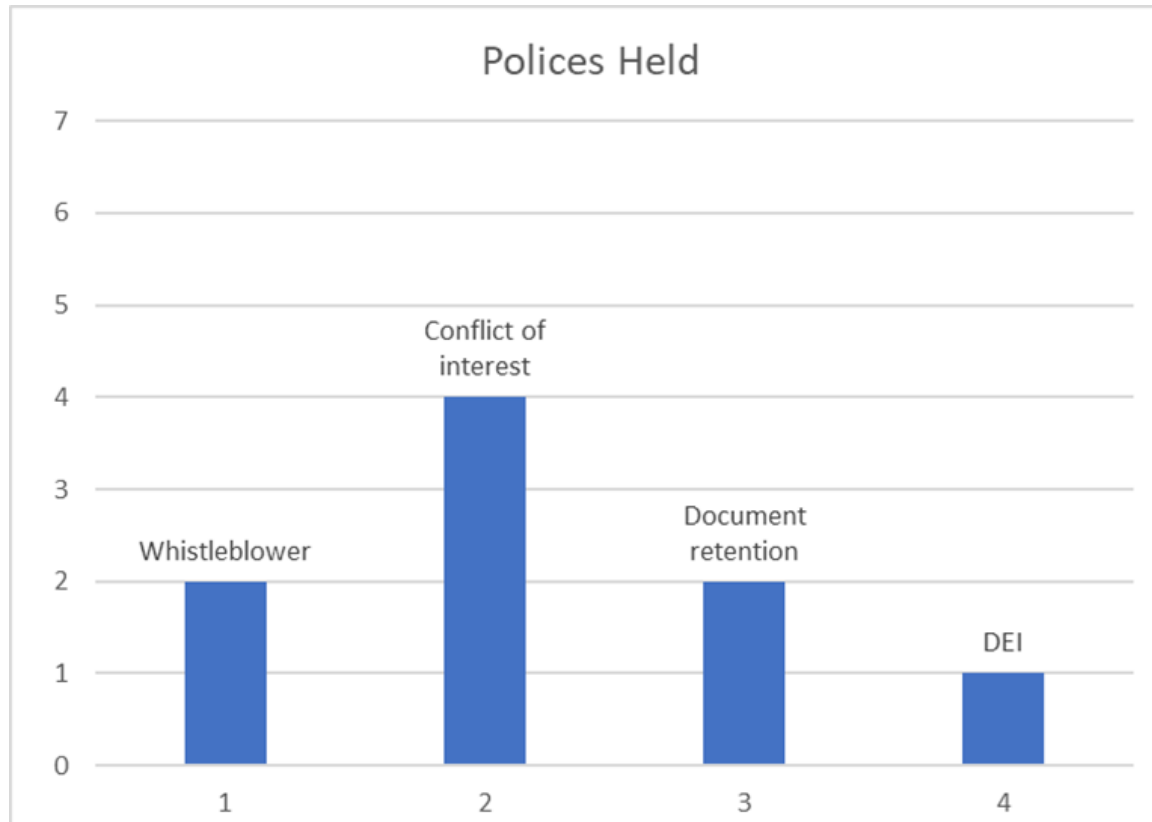
Bridgespan Survey of 481 orgs

Substantially less uptake of tools



DATA ANALYSIS

■ Policies held



DATA ANALYSIS

- **Only one of the nine organizations file IRS Form 990s, preventing meaningful comparisons of nonprofit status choice**
- **Literature review demonstrated scarcity of research into organizations allowed to remain secret, but also demonstrated repeatedly the benefits to organizations and donors of transparency**
- **Unusual employment practices for religious nonprofits were clarified by lawyer interviews to be a no-harm, non-result due to special IRS rules of employment for religious ministers**

IMPLICATIONS

- **Constrained fundraising environment for religious organizations amplifies a need for the added value of transparency, despite the history of the secrecy of the “temple”**
- **Nonprofits show high degree of satisfaction with benefits of strategic planning tools which these organizations are missing**
- **Recent scandals demonstrate the need for accountability in religious organizations and drive a need to demonstrate fair and safe policies**
- **Changes to the special status of religious organizations are a growing discussion point, and some may prohibit these organizations from functioning as multi-denominational**

RECOMMENDATIONS

1. **Transparency**

Religious organizations should choose to make their financials and protective policies public, increasing accountability and donor confidence, and adding to the data available to researchers

2. **Strategic Tools**

Religious organizations should acquire the expertise to apply beneficial tools to the accomplishment of their mission

3. **Fundraising**

The leaders of these organizations should acquire training in fundraising techniques and tools to connect interested and capable donors with the mission of the organization

REFERENCES

Aprill, E.P., Mayer, L.H. (February 2, 2023). 21st century churches and federal tax law. *University of Illinois Law Review*, Forthcoming, Loyola Law School, Los Angeles Legal Studies Research Paper No. 2023-01, Available at SSRN: <https://ssrn.com/abstract=4346286> or <http://dx.doi.org/10.2139/ssrn.4346286>

IRS and DOL websites

Giving USA and Gallup websites

Laurett, R., Ferreira, J.J. (2018). Strategy in Nonprofit Organisations: A Systematic Literature Review and Agenda for Future Research. *Voluntas* 29, 881–897 (2018). <https://doi.org/10.1007/s11266-017-9933-2>

Lindquist, C., Markham, A. (2015). Nonprofit management and tools and trends 2015. <https://www.bridgespan.org>.

Thank you!

“by definition, empirical research in ‘secret’ organisations is scarce.”

Hazelrigg, L. E. (1969). A reexamination of Simmel's 'the secret and the secret society: nine propositions'. *Social Forces*, 47(3), 323-330

Questions?





SUMMARY

Religious organizations are automatically assumed to be 501 (c) 3 nonprofit charities, but without a requirement to file Information Returns (IRS 990), a requirement of all other 501 (c) 3 organizations.

Nine Endorsing Agents which represent multiple denominations, authorized by the Armed Forces Chaplaincy Board, were surveyed on the need to fundraise, strategic planning tools used, and protective policies they held.

Results lead to recommendations for these automatic nonprofits to invest in transparency, strategic planning, and fundraising planning and training to better accomplish their mission.

PURPOSE

- **Societal benefit:** data from the social services provided by religious nonprofits is mostly missing from studies and would be available if the organizations were more transparent. Transparency would also aid in accountability to society
- **Organizational benefit:** Automatic nonprofit status may inhibit uptake of tools and policies that would help the nonprofit in accomplishing the mission.
- **Over the horizon:** Awareness of possible changes in legal requirements deserve the attention of these organizations.

RESEARCH

How can religious charities make better choices in setting up their fundraising, planning and policies considering recent research and published literature?

What concerns about **IRS secrecy** should be rethought?

How do religious charities prepare for public demand to change the special status?

METHODS

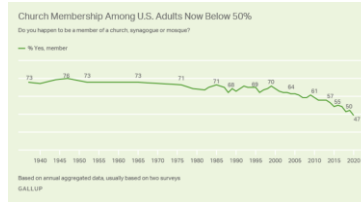
- **Literature review**
- **Survey** the nine identified organizations endorsing chaplains regarding their nonprofit status, need to fundraise, staffing, strategic planning tools, and protective policies held
- **Interview** two lawyers with applicable nonprofit and religious organization experience

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DATA AND ANALYSIS

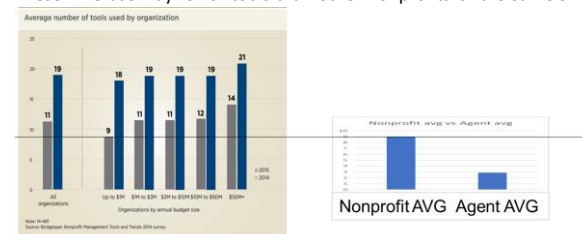
Donations are down, and so is church identification. Fundraisers have a smaller prospect audience.



These nine religious charities exhibit spotty use of strategic planning tools and maintaining policies that protect people and the public.

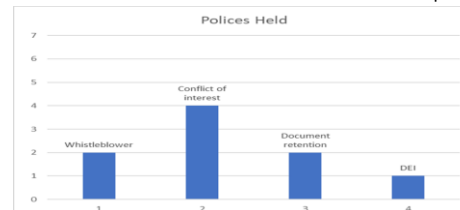


These nine use way fewer tools than other nonprofits of the same size.



Bridgespan Survey of 480 orgs

And less than half have more than one recommended policy.



RESULTS

- Constrained fundraising environment for religious organizations amplifies a need for the **added value of transparency**, despite the history of the secrecy of the “temple”
- Nonprofits show a high degree of satisfaction with the **benefits of strategic planning tools** which many religious charities are missing
- Recent scandals demonstrate the **need for accountability** in religious organizations and drive a need to demonstrate fair and safe policies
- **Changes to the special status** of religious organizations are a growing discussion point, and some may prohibit these organizations from functioning as multi-denominational
- By remaining secret religious charities **deprive donors** of proper visibility of the value of their donations to the social good
- By remaining secret religious charities **deprive researchers** and their readers of valuable data to improve society

RECOMMENDATIONS

- 1. Transparency:** Religious organizations should choose to make their financials and protective policies public, increasing accountability and donor confidence, and adding to the data available to researchers
- 2. Strategic Tools:** Religious organizations should acquire the expertise to apply beneficial tools to the accomplishment of their mission
- 3. Fundraising:** The leaders of these organizations should acquire training in fundraising techniques and tools to connect interested and capable donors with the mission of the organization at a time when interest is down

REFERENCES

April, E.P., Mayer, L.H. (February 2, 2023). **21st century churches and federal tax law**. University of Illinois Law Review, Forthcoming, Loyola Law School, Los Angeles Legal Studies Research Paper No. 2023-01.

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