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by

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INTRODUCTION

Corporations organized and operated exclusively for religious purposes are exempt from taxation under section 501(c)(3) of the Internal Revenue Code. These organizations include churches, television ministries, religious broadcasters, and evangelical associations. With some exceptions, they are required to use Form 990, "Return of Organization Exempt From Income Tax," to provide the Internal Revenue Service (IRS) with the information required by section 6033(a)(1) of the Code. The exceptions are, among others, churches and religious organizations that are not churches, but whose gross revenues are normally not more than $25,000.

Recent allegations of financial abuses and lavish spending by some television evangelists have prompted public interest concerning the operations of tax-exempt religious organizations and possible private inurement. Private inurement is prohibited under section 501(c)(3) to maintain tax-exempt status. The effectiveness of the review process administered by the IRS to monitor religious organizations for tax compliance has also been questioned. Congress investigated the review process based on the report by the General Accounting Office that there are some obstacles in monitoring religious organizations' compliance. Congress also recommended that the IRS revise Form 990 and other related forms, and better coordinate its programs for examinations of information and unrelated business income returns of exempt organizations.[1] A recent report released in 1990 by the House Ways and Means Committee shows that a majority of nonprofit organizations failed to comply with disclosure rules.[2]

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[1] *See GAO Sees Obstacles to IRS' Monitoring of Exempt Organizations' Compliance,* TAX NOTES TODAY, September 20, 1988 at 32; *Ways and Means Leaders Tell IRS to Improve Information Reporting and Data Collection to Detect Tax-exempts' Unrelated Business Income,* TAX NOTES TODAY, October 19, 1988at 6.

[2] *See Most Nonprofits Do Not Comply with Disclosure Rules, Schulze Says,* TAX NOTES TODAY, August 23, 1990.

The major purpose of this article is to analyze the Forms 990 filed with the IRS by some religious organizations including television evangelists. Specifically, this article (1) examines the financial operations of religious organizations, such as revenue generation, spending, investment and borrowing; (2) investigates their accounting practices and conformance to generally accepted accounting principles; and (3) discusses the usefulness of Form 990 in monitoring tax-exempt religious organizations. The results of this study will provide evidence on whether the Form 990 filed by religious organizations conforms to generally accepted accounting principles and fairly represents their financial operations. The results will also be useful to the IRS and other governmental agencies in determining the informational value and usefulness of the current Form 990.[3]

FORM 990: PURPOSES AND FILING/REVIEW/INSPECTION PROCESS

Prior to the Tax Reform Act of 1969, the IRS required only a few tax-exempt organizations to file a return and did not release the information to the public. The Tax Reform Act of 1969 required all exempt organizations to file a Form 990, with a few exceptions such as churches. Since then, the form has been revised three times, in 1979, 1981 and 1989, in an attempt to serve the needs of the IRS, states and the public. The purposes of the revised form are: (1) to obtain financial and other information from tax-exempt organizations to determine their compliance with federal laws and regulations, (2) to provide state regulatory authorities with a nationwide uniform annual report for regulated charities, and (3) to provide informative reports to the public.

The completed Form 990 must be sent to one of seven IRS service centers by the 5th month after the end of the organization's accounting period. The service centers are located in Brookhaven, Philadelphia, Atlanta, Austin, Kansas City, Cincinnati, and Fresno. Once the form is received, service center personnel undertake a number of checks for accuracy and consistency. After these checks are completed, information extracted from the form is sent to the IRS National Computer Center for posting to the exempt organization master file.

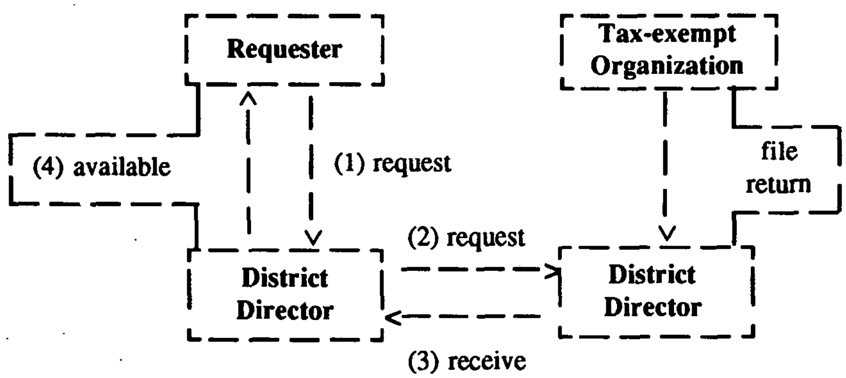
Completed Forms 990 and attachments of tax-exempt organizations are available for public inspection as required by section 6104(b). A request for inspection must be sent in writing to the District Director (Attention: Disclosure Officer) where the requester desires to inspect the form. Then the District Director contacts the IRS office in the district where the organization is located to obtain the requested forms. Once the forms are received by the requester's local IRS office, the forms are available in the IRS office for the requester. This procedure, depicted in

[3] For more detailed discussion on the purposes of the new form, see Steinwurtzel, *The New 990*, THE CPA JOURNAL, May 1980; Steinwurtzel, *The New 990 of 1981--Part I*, THE CPA JOURNAL, February 1982 at 9; Steinwurtzel, *The New 990 of 1981--Part II*, THE CPA JOURNAL, April 1982 at 37; Steinwurtzel, *The New 990 of 1981--Part III*, THE CPA JOURNAL, May 1982 at 36.

Figure 1, takes a long time, as will be discussed later. For public inspection purposes, IRS requires that forms and attachments be clear enough to photocopy legibly.

Figure 1

The Procedure of Obtaining Form 990



Religious organizations, like other tax-exempt organizations, may be selected for inspection by the IRS for several reasons. First, some organizations can be selected based on selection formulas that are designed to identify the most noncompliant organizations. The IRS also selects a random sample of returns for detailed examination in order to determine taxpayer compliance characteristics and to improve its selection formulas. Some organizations may be examined as a result of information received by IRS field offices. Finally, some organizations could be inspected as part of special emphasis programs in which IRS targets for examination specific types of organizations. The IRS has stated that, for the five fiscal years 1984 through 1988, the IRS has not had any special emphasis programs for religious organizations.[4]

SAMPLING AND DATA COLLECTION PROCESS

Sample Selection

For the purpose of the study, the following five television ministries were initially selected:

Jim Bakker: Praise The Lord, Charlotte, NC.
Jimmy Swaggart: Jimmy Swaggart Ministries, Inc., Baton Rouge, LA.
Robert Schuller: Crystal Cathedral, Garden Grove, CA.
Oral Roberts: Oral Roberts Evangelistic Association, Tulsa, OK.
M.G. (Pat) Robertson: Christian Broadcasting Network, Virginia Beach, VA.

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[4] *See GAO Sees Obstacles to IRS' Monitoring of Exempt Organizations' Compliance,* TAX NOTES TODAY, September 20, 1988at 32.

At one time, these preachers were probably the most popular television preachers in the United States. They are also well known in many other countries due to their wide geographical coverage and to the recent scandals of some famous television preachers. None of these, however, are members of the Evangelical Council for Financial Accountability (ECFA), which is a well-regarded watchdog of religious charities. In fact, none of the top 10 TV preachers belong to the Council.[5]

As a voluntary association of more than 500 nonprofit Christian ministries, the ECFA emphasizes and encourages public disclosure of finances and programs.[6] The disclosure must include audited financial statements available on request to the general public. In addition, a member organization must be governed by a board whose majority are neither employees of the organization nor related to one another by blood or marriage. For the purpose of this study, the following five largest organizations in terms of public donations were initially selected from the members of the ECFA:

World Vision, Inc., Monrovia, CA.
Campus Crusade for Christ, Inc., San Bernardino, CA.
Billy Graham Evangelistic Association, Minneapolis, MN.
Wycliffe Bible Translators, Inc., Huntington Beach, CA.
MAP International, Brunswick, GA.

Presumably, the public disclosure required of the ECFA member ministries would cause them to present more reliable financial statements. Interestingly, none of the top five members has been involved recently in the public scandals.

Data Collection

The initial letter for this study was sent to the IRS in June 1987, requesting copies of Forms 990 filed by the sample organizations during the period of 1981 to the present. The year 1981 was chosen because Form 990 was last revised in 1981 and only the new form has been used since then. Some of the requested forms were received in November, 1987, and some of the remaining forms were received subsequently. The most current year available was 1985, which limited the scope of this study to five years. The final notice from the IRS office was received in August 1988 concerning their collection of the requested Forms 990. Table 1 shows the request forms received and those unavailable for public inspection.

[5] Martz, *God and Money*, NEWSWEEK, April 6, 1987, at 21.

[6] In 1977, legislation was proposed in the House of Representatives requiring strict regulation of nonprofit organizations. There was growing concern that money donated to the charitable ministries was not always being spent for its intended purposes. In an attempt to avoid government intervention on the activities of nonprofit ministries, in 1979 some major evangelical organizations formed the Evangelical Council for Financial Accountability. Since its inception, ECFA has worked to develop ethical codes for its members, such as the ECFA Standard for fund raising and the ECFA's Seven Standards of Responsible Stewardship. The most important rule is that all members are required to prepare financial statements audited by an independent public accounting firm, and to provide these statements upon written request.

Table 1
Data Collection

Name	1981	1982	1983	1984	1985
WV	received	received	received	received	received
CCC	received	received	received	received	received
BGEA	received	received	received	received	received
WBT	received	unavailable	unavailable	unavailable	unavailable
MAPI	received	received	received	received	received
PTL	church	church	church	church	church
JSM	received	church	church	church	church
CC	unavailable	unavailable	unavailable	unavailable	unavailable
OREA	received	received	received	received	received
CBN	unavailable	received	received	received	received

KEY:

WV:	World Vision
CCC:	Campus Crusade for Christ
BGEA:	Billy Graham Evangelistic Association
WBT:	Wycliffe Bible Translators
MAPI:	MAP International
PTL:	Praise the Lord
JSM:	Jimmy Swaggart Ministries
CC:	Crystal Cathedral
OREA:	Oral Roberts Evangelistic Accociation
CBN:	Christian Broadcasting Network

Two major difficulties were experienced in the process of collecting the data on the sample organizations. The first problem was that the forms for many of the sample organizations could not be obtained, as demonstrated in Table 1.[7] First, Jim Bakker's Praise The Lord was not required to file Form 990 with the IRS because it was classified as a church. Some other sample organizations have been trying to obtain church status to exempt themselves from filing Form 990. Jimmy Swaggart Ministries, for example, became a church in 1982 and therefore, Form 990 had not been filed since 1982. In 1981, World Vision filed regular financial statements with the IRS for the period of October 1980-September 1981, not Form 990, arguing that World Vision is a religious organization, which qualifies it as a church. In the letter accompanying Form 990,[8] it stated: "However, as a protective matter while waiting

[7] Churches are not only exempted from filing annual information returns but also excused from filing for tax-exempt status. They are not required to apply for tax-exempt status, even though some churches voluntarily do. apparently the IRS views religious broadcasters either as churches or as religious organizations that are not churches. IRS determines on a case-by-case basis whether a particular religious organization constitutes a church. Churches must meet the criteria for tax exemption under section 501(c)(3). However, there is no clear definition of church for tax purposes in law or regulation. Hence, IRS has developed 14 additional standards and, in addition, considers any other facts and circumstances that may bear upon a particular organization's claim to church status. For more detailed information concering the IRS guidelines, see H. GODFREY, HANDBOOK ON TAX-EXEMPT ORGANIZATIONS, at 41-43 (1983).

[8] In Form 990, only total amounts of revenue, expenses, assets and liabilities were recorded. It appears their application for church status was denied because completed Form 990 was filed subsequently up to 1985.

for the Internal Revenue Code, World Vision files the attached Form 990 (not completed) and a copy of its audit report for the fiscal year ended September 30, 1980." (Parentheses are added). But as a general rule, IRS does not accept any form as a substitute for one or more parts of Form 990.

Neither was the Form 990 of Robert Schuller's Crystal Cathedral available from the IRS. For some other organizations as well, such as Wycliffe Bible Translators and Christian Broadcasting Network, Forms 990 for some years during the investigation period were not available. The IRS office stated that it is prohibited from disclosing the specific reason or reasons why a return is not available.

The second problem was the time it takes for a local IRS office to collect the forms. In spite of its diligent effort, it took almost 17 months to collect the requested forms.

Consequently, the final sample of this study consists of five members of the ECFA and three nonmembers. These five members are not only current members, but also those who have maintained their membership during the 5-year study period. Whenever appropriate, comparisons will be made between members and nonmembers of the sample organizations.

ANALYSIS OF FORM 990

Since the Form 990 for some organizations is not available for all five years as shown in Table 1, the total amounts for each item listed in Form 990 for the five-year period could not be computed for all the sample organizations. Therefore, it was necessary to use average annual amounts in analyzing revenue, expense, asset and liability items to enhance the comparability of those items across these organizations. Also, the ending balance of some asset and liability items in some organizations fluctuated significantly from one year to another. For example, the allowance for bad debt expense of Christian Broadcasting Network was \$235,000 in 1985 and \$4.705 million in 1984. Prepaid expenses and deferred charges of World Vision increased from \$222,000 in 1984 to \$5.989 million in 1985. Hence, the average balance of those items (rather than the ending balance of 1985) better represents the correct amount of those items. All figures were adjusted for inflation, unless otherwise noted, using the 1985 Consumer Price Index.

Form 990 permits the free choice of accounting method as long as the method of accounting used is stated, such as cash, accrual or other. All of the sample organizations, however, reported on the accrual basis. This is probably because most states that accept Form 990 in lieu of their own forms require the use of accrual basis accounting.

Revenue

Average annual revenue for each organization is reported in Table 2 along with the percentage figures in parentheses. Each organization is listed on the basis of the magnitude of its total revenue. The percentage of each item relative to its total revenue is shown in the parentheses. Contribution and program service revenue were taken directly from Part I (lines 1 and 2 respectively). Investment revenue consists of interest, dividends, rents and other investment income (lines 4-7). Sales revenue consists of sales of assets other than inventory (line 8) and sales of inventory (line 10); other revenue consists of membership dues, special events and other sales (lines 3, 9 and 11). Total annual revenues range from $146.934 million for the Christian Broadcasting Network to $19.097 million for MAP International. The sample group average was $68 million per year.

Table 2
Average Annual Revenue during 1981-85
Expressed in 1985 Dollars (in thousands)

Name	Contribution	Program service	Investment	Sales Revenue	Other revenue	Total (annual)
CBN	120897 (82.2)	7982 (5.4)	3166 (2.1)	6626 (4.5)	8263 (5.6)	146934
WV	119929 (97.9)	47 (0.0)	2428 (2.0)	-97 (0.0)	196 (0.2)	122503
CCC	83254 (88.8)	4337 (4.6)	2656 (2.8)	2000 (2.1)	1458 (1.5)	93705
BGEA	49430 (95.8)	297 (0.5)	1773 (3.4)	27 (0.0)	68 (0.1)	51595
OREA	45023 (95.3)	0 (0.0)	1245 (2.6)	-33 (0.0)	961 (2.0)	47196
JSM	44946 (92.0)	2595 (5.3)	174 (0.3)	-168 (0.0)	1257 (2.5)	48804
WBT	35599 (97.8)	208 (0.5)	234 (0.6)	92 (0.2)	239 (0.6)	36373
MAPI	18054 (94.5)	679 (3.5)	11 (0.0)	0 (0.0)	353 (1.8)	19097

Note: The numbers in the parentheses represent the percentage of total revenue. The total of percentages of each organization may not add up to 100 percent due to rounding.

Even though the major source of the revenue is public contributions, ranging from 82.2 percent to 97.7 percent, some organizations raised a large amount from other sources. For example, the Christian Broadcasting Network earned on average $3.166 million per year (2.1 percent of its total revenue) from investments, $6.626 million per year from sales of other assets (4.5 percent of total revenue) and $8.263 million from other revenue. Other revenue reported in the 1985 form was $19.424 million, including $7.623 million from program sales, $9.201 million from P.I. commissions, and $1.316 million from intercompany income. For all sample organizations, revenues from income-producing activities had increased significantly during the study period. Total revenue from sources other than public contributions were, unadjusted for inflation: $12.702 million (15.4 percent) in 1983, $30.030 million (18.7 percent) in 1984, and $38.670 million (21.8 percent) in 1985. This represents an annual growth of 45.5 percent.

Note that three organizations reported net loss from sales of securities, other investments and inventory (Sales revenue column in Table 2). According to the Instructions for Form 990, a separate schedule listing each asset sold or exchanged should be attached to Form 990. The attachment should show for each asset: (a) date acquired, date sold and to whom sold; (b) gross sales price; (c) cost, other basis or if donated, value at time acquired; (d) expense of sale and cost of improvements made after acquired; (e) if depreciable property, depreciation acquired. For sales of securities through a broker, the amounts can be aggregated. World Vision, however, did not attach the schedule, and Christian Broadcasting Network, which reported net loss from security transactions every year during the investigation period, enclosed the schedule in 1985 only.

Expenses

Expenses are grouped into four categories in lines 13-17 of Form 990: program services, management and general, fundraising and payments to affiliates. The average annual amounts of the sample organizations in each category are listed in Table 3 along with the percentage figures in parentheses. It can be seen that a significant amount was spent on program service (from 71.9 percent to 93.8 percent of the total expenses) and almost none on payments to affiliates. It appears that the large organizations spent much more money on fundraising than did the small organizations. Christian Broadcast Network and World Vision, the two largest sample organizations in terms of revenue, spent more than $15 million and $22 million per year in fund raising (11.1 percent and 18.3 percent of total expenses, respectively). From Tables 2 and 3, it can be shown that, on average, 95.7 percent of the total revenue of the sample organizations was spent during the 5-year period under investigation.

Table 3
Average Annual Expenses during 1981-85
Expressed in 1985 Dollars (in thousands)

Name	Program service	Management & general	Fund raising	To affiliate	Total (annual)
CBN	103495 (75.6)	18061 (13.2)	15178 (11.1)	0 (0.0)	136734
WV	87267 (71.9)	11291 (9.3)	22197 (18.3)	553 (0.5)	121308
CCC	76218 (81.9)	7954 (8.5)	8794 (9.4)	0 (0.0)	92966
BGEA	45018 (88.1)	2602 (5.5)	3457 (6.7)	0 (0.0)	51077
OREA	37979 (79.6)	6083 (12.7)	3608 (7.5)	0 (0.0)	47670
JSM	30066 (76.9)	5185 (13.2)	3831 (9.8)	0 (0.0)	39082
WBT	29652 (82.5)	4690 (13.0)	1579 (4.4)	0 (0.0)	35831
MAPI	17637 (93.8)	425 (2.2)	727 (3.8)	0 (0.0)	18789

Note: The numbers in the parentheses represent the percentage of total revenue. The total of percentages of each organization may not add up to 100 percent due to rounding.

Table 3 also shows that nonmembers spent relatively more in the management and general category and less in program service. Nonmembers spent, on average, 77.4 percent of total expenses in program service and 13.0 percent in management & general, while members spent 83.7 percent and 7.6 percent of their total expenses respectively.

Part II of Form 990 is the Statement of Functional Expenses, in which the expenses are classified into more detailed categories. Some of the expense items of each organization are shown in Table 4 along with percentage figures in parentheses. Grants represent line 22 in Form 990, which include award and grants to individuals and organizations selected to receive the grants by the filing organization. Three of the sample organizations denoted more than $15 million per year: $15.495 million by Christian Broadcasting Network, $70.236 million by World Vision, and $29.508 million by Wycliffe Bible Translators. These organizations are required to attach a schedule of amount reported on line 22 showing (a) each class of activity, (b) donee's name, address and amount given, and (c) relationship of donee to the organizations. According to the attached schedule, Christian Broadcasting Network donated to more than 35 organizations in 1985, including $8.785 million to CBN University and $3.693 million to National Freedom Institute. The appropriate attachment by World Vision and Wycliffe Bible Translators could not be found with the Forms 990 filed by each organization.

Table 4
Average Functional Expenses during 1981-85
Expressed in 1985 Dollars (in thousands)

Name	Grants	Personnel	Accounting	Interest	Other expenses
CBN	15495 (11.3)	33394 (11.3)	167 (0.1)	980 (0.7)	58832 (43.0)
WV	70236 (58.1)	13697 (11.2)	0 (0.0)	570 (0.0)	18551 (15.3)
CCC	2581 (2.7)	57148 (61.3)	89 (0.0)	1036 (1.1)	17792 (19.1)
BGEA	9222 (18.0)	8762 (17.1)	44 (0.0)	8 (0.0)	19287 (37.7)
OREA	1907 (4.0)	10357 (21.7)	708 (1.4)	237 (0.4)	18617 (39.0)
JSM	593 (1.5)	6388 (16.3)	88 (0.2)	80 (0.2)	18104 (46.3)
WBT	29508 (82.3)	4217 (11.7)	19 (0.0)	35 (0.0)	587 (1.6)
MAPI	213 (1.1)	1784 (9.4)	3 (0.0)	108 (0.5)	15784 (84.0)

Note: The numbers in the parentheses represent the percentage of total revenue. The total of percentages of each organization may not add up to 100 percent due to rounding.

The personnel expense category in Table 4 covers lines 25 through 29: compensation of officers and directors, other salaries and wages, pension, other benefits, and payroll taxes. These expenses also differ significantly from one organization to another. Campus Crusade for Christ spent as much as $57.148 million per year (61.3 percent of total expenses), while MAP International spent only $1.784 million (9.4 percent of total expenses). As a general principle, personnel expenses would increase as an organization becomes larger, but the relative portion of personnel expenses to total expenses would decrease. This principle, however, does not apply to the sample organizations. MAP International, the smallest organization, spent 9.4 percent as personnel expenses, while Christian Broadcasting Network, the largest organization, spent 24.4 percent as personnel expenses. World Vision did not report the categories of pension, other benefits, and payroll taxes (lines 27, 28, and 29) separately, including instead as other salaries and wages (line 26).

The compensation of officers and directors of the sample organizations (excluding pension and other benefits) constitutes from 0.1 percent up to 1.0 percent of total expenses. The detailed information presented in Table 5 includes the number of officers, directors and highly-paid employees in each organization along with salary figures. In terms of 1985 dollars, the highest salary was $122,000 and the lowest less than $1,000. It is interesting that the president of each organization was not necessarily its highest-paid member. For example, M.G. Robertson, the part-time (70 percent) president of Christian Broadcasting Network, received $60,000 when the highest salary in the organization was $122,000. Jimmy Swaggart, the full-time president of Jimmy Swaggart Ministries, was lowest paid ($22,000 per year) among its officers and directors. Another interesting point is that the president of the Oral Roberts Evangelistic Association was (as of 1985) Richard Roberts, who was paid $45,000, and that Oral Roberts, the well-known leader of that organization, was the part-time chairman of the board and received no compensation from the Association. Table 5 also shows the number of employees paid over $30,000. Christian Broadcasting Network and Campus Crusade for Christ had the largest number: 210 and 263 employees respectively.[9]

Table 5
Personnel Expenses, Ending Balances for 1985
(Dollars in thousands)

	Salaried Officers and Directors					Employees Paid over $30	
Name	Number	Highest	Lowest	President	Average	Number	Highest
CBN	16	$ 122	$ 32	$ 60	$ 68	210	$106
WV	5	95	61	95	71	73	55
CCC	7	33	1	28	21	263	84
BGEA	8	78	68	78	72	41	54
OREA	2	56	45	45	51	28	55
JSM	3	70	22	22	51	29	65
WBT	5	38	15	38	23	2	39
MAPI	3	52	23	52	37	3	32

Note: This table is prepared based on Form 990 filed in 1985. For the two organizations whose latest Form 990 received was before 1985 (see Table 1), the dollar figures are adjusted for inflation up to 1985.

[9] It is difficult to evaluate private inurement based on published salary figures because unreported perks could proliferate. For some stories on unreported perks of television ministers, see Martz, *God and Money*, NEWSWEEK, April 6, 1987 at 21.

The accounting expenses of most organizations are relatively small, as demonstrated in Table 4. This is probably because of the reduced reporting requirements of the public charities. Since most states also accept Form 990 for their own reporting purposes, the Form is the only accounting report required from these charities by governmental units. In addition to filing Form 990, the ECFA members must submit audited financial statements to the ECFA. Hence, it can be expected that ECFA members spend relatively more on various accounting functions than non-members do. Surprisingly, however, the actual data in Table 4 show that three non-members (Christian Broadcasting Network, Oral Roberts Evangelistic Association, and Jimmy Swaggart Ministries) spent much more in terms of both percentage and dollar amount. Especially, Oral Roberts Evangelistic Association paid $2.198 million in 1985 in accounting fees. It should be noted that World Vision is a member of the ECFA, but did not report accounting expenses in Forms 990 filed during 1981-1985. In the 1981 Form 990, it is stated that accounting expenses (line 31) are included in legal expenses (line 32). Hence, it can be inferred that the same practice was used subsequently.

The next two columns in Table 4 report interest expenses and other expenses (lines 41 and 43). Interest expenses of the sample organizations were not significant. The average interest expenses of all eight organizations constitute only 0.36 percent of total expenses. On the other hand, other expenses of the sample organizations, except for Wycliffe Bible Translators, are quite significant. For example, Christian Broadcasting Network reported an average of $58.832 million per year as other expenses, and MAP International reported the average of 84 percent of total expenses as other expenses. Since other expenses are itemized in Form 990, a more detailed analysis on itemized other expenses follows.

The following are itemized other expenses in Form 990 of 1985 of Christian Broadcasting Network (in thousands):

Advertising	$ 7,912
Affliate air time	28,395
Transponder and remote lines	4,090
Utilities	1,247
Professional fees	3,060
Tape dubbing and conversion	967
Cast and talent	917
Program license	9,772
Production services	2,751
Premium offers	1,836
Other	8,228
Total	**$ 69,175**

Basically, the same expense items appeared in Form 990 filed prior to 1985. Other expenses still constitute a large portion of itemized other expenses. Other expenses contained within itemized other expenses were $8.228 million in 1985 as shown above, $12.613 million in 1984, and $11.035 million in 1983. In 1982, however, the organization reported a very detailed statement on other expenses in which only $89 thousand was classified as miscellaneous expenses. Among itemized other expenses, a large amount was written off every year as bad debt expenses (in thousands): $1,332 in 1984, $1,403 in 1983, and $227 in 1982. The bad debt expenses of 1985 were not reported in Form 990 as a separate account of itemized other expenses and may have been included in $8.228 million of other expenses. As is discussed in the next section, the Christian Broadcasting Network had a zero balance in pledges receivable and grants receivable, and these bad debt expenses represent the write-offs of accounts receivable and notes and loans receivable mainly due from affiliated entities.

World Vision had $18.551 million in itemized other expenses on average, of which television program expenses were about 90 percent of total other expenses every year. In the 1985 Form 990, $17.048 million were reported as itemized other expenses. In itemizing the amount, other expenses were represented by a negative $296,530. According to the audited financial statements attached, the negative other expenses seem to represent the net of reimbursed expenses. However, the amounts reported in Form 990 and in the financial statements do not match and, therefore, no definite answer could be found. A similar case was the Oral Roberts Evangelistic Association discussed in the next paragraph. Three major items in itemized other expenses (in thousands) taken from the 1985 Form 990 of the Campus Crusade for Christ are:

Foreign staff subsidies	$7,283
Other professional services	7,663
Bad debt expenses	1,968

No detailed information was provided concerning foreign staff subsidies and other professional services. Bad debt expenses represented the write-offs of accounts receivable and notes and loans receivable.

Itemized other expenses of the Billy Graham Evangelistic Association are mainly radio, T.V., and film expenses. The following are three major itemized other expenses (along with the 1985 figures in thousands) of the Oral Roberts Evangelistic Association:

Media time	$ 17,708
Inventory adjustment	1,004
Reimbursed expenses	-1,551

Note that reimbursed expenses were negative expenses and sometimes reached as high as $6.897 million (1982). Prior to 1984, these expense were called expenses charged to affiliated companies. Combining these two terms, it seems that these were the expenses initially charged to affiliated companies but paid by the Oral Roberts Evangelistic Association, and then reimbursed later by the affiliated companies. If this is the case, these expenses should have been initially recorded as receivables rather than expenses, and these reimbursed expenses should also appear in Form 990 as revenue. The major other expense item for Jimmy Swaggart Ministries and Wycliffe Bible Translators was radio/TV broadcasting costs. For MAP International, distribution of commodity and hospital supply constituted the largest portion of itemized other expenses, and the organization reported $52,000 of bad debt in 1985 only.

Assets

Table 6 contains the asset items taken from Part V of Form 990. Most large organizations held over one million dollars of cash in their accounts, representing up to $5.350 million in dollars and 13.6 percent of total assets. The average cash balance of the Wycliffe Bible Translators was negative during the investigation period. Cash balances at the end of 1981 and 1982 were $1.669 million and $1.022 million respectively. According to the instructions for Form 990, cash (line 45) is defined as non-interest bearing funds in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest bearing accounts. No specific explanations were given in the Forms 990 filed with the IRS concerning the negative balances.

Table 6
Average Organizational Assets during 1981-85
Expressed in 1985 Dollars (in thousands)

Name	Cash	Receivables	Investment	Fixed assets	Other assets	Total
CBN	2220 (1.5)	32659 (22.1)	39345 (26.6)	57757 (39.1)	15697 (10.6)	147678
WV	5350 (13.6)	5630 (14.3)	8365 (21.3)	15918 (40.6)	3944 (10.0)	39207
CCC	1515 (3.7)	12943 (31.9)	7962 (19.6)	13167 (32.5)	4879 (12.0)	40466
BGEA	1248 (3.6)	2079 (6.1)	23495 (68.5)	5716 (16.6)	1717 (5.0)	34273
OREA	743 (2.9)	5622 (21.9)	11384 (44.5)	3379 (13.2)	4441 (17.3)	25569
JSM	226 (0.6)	3598 (10.4)	3667 (10.6)	18787 (54.4)	8209 (23.8)	34487
WBT	-1085 (-0.9)	1133 (9.5)	7021 (59.3)	4486 (37.9)	272 (2.3)	11828
MAPI	121 (0.7)	241 (1.4)	981 (5.7)	1315 (7.7)	14263 (84.2)	16921

Note: The numbers in the parentheses represent the percentage of total revenue. The total of percentages of each organization may not add up to 100 percent due to rounding.

Receivables in Table 6 consist of accounts receivable, pledges receivable, receivables due from officers and key employees, and other notes and loans receivable (lines 47 through 51). However, except for the Oral Roberts Evangelistic Association in 1982 and 1983 and Campus Crusade for Christ in 1982, none of the sample organizations had pledges receivable or grants receivable during the 5-year period. Christian Broadcasting Network had the largest amount of receivables, amounting to $32.659 million, and Campus Crusade for Christ had the largest percentage of receivables, amounting to 31.9 percent of total assets. Most of the receivables of the Christian Broadcasting Network were due from affiliated entities, such as CBN University, CBN Continental Broadcasting Associates, CBN Cable Productions and Christian Broadcasting Associates. The amount of receivables due from each of these entities was sometimes more than $10 to $30 million.

The items included under Investment in Table 6 are savings and temporary cash investments (line 46), investment on securities (line 54), investment on long-term assets (line 55) and other investments (line 56). Christian Broadcasting Network had $39.345 million in these accounts, which represented 26.6 percent of their total assets. Billy Graham Evangelistic Association and Wycliffe Bible Translators invested 68.5 and 59.3 percentages of their assets, respectively, in various accounts. The amount of fixed assets (line 57) that includes land, building and equipment also varied significantly form one organization to another. They ranged from $57.757 million to $1.315 million or from 54.4 percentto 7.7 percent of total assets.

Other assets in Table 6 represent inventories for sale (line 52), prepaid expenses and deferred charges (line 53), and other assets (line 58) of Form 990. Some major items in this category were film broadcasting rights of the Christian Broadcasting Network, prepaid expenses and deferred charges of the World Vision, intercompany receivables of Campus Crusade for Christ, inventories for sales of Oral Roberts Evangelistic Association and MAP International and radio station licenses of the Jimmy Swaggart Ministries.

Liabilities

The liabilities of each sample organization, taken from lines 60 through 66 in Part V of Form 990, are shown in Table 7. Accounts payable, including accrued expenses, was the major expense category for the most sample organizations. Christian Broadcasting Network had, on average, the largest amount of $17.599 million in that account and reported $25.376 million in 1985. Only a few organizations had small amounts in grants payable, and future revenue (support and revenue designated for future periods) and loans from officers and directors accounts were rarely used. Both Christian Broadcasting Network and Campus Crusade for Christ had a relatively large amount in mortgages and notes payable. With two exceptions, other liabilities constitute a large portion of the total liabilities, up to 81.4 percent of Billy Graham Evangelistic Association. These other liabilities included deferred fiduciary income for Christian Broadcasting Network, annuity payments payable for World Vision, deferred giving program for Billy Graham Evangelistic Association, deferred pledge revenue for Oral Roberts Evangelistic Association and accrued stewardship liability for the Jimmy Swaggart Ministries.

Table 7
Average Liabilities during 1981-85
Expressed in 1985 Dollars (in thousands)

Name	Accounts payable	Grants payable	Future revenue	Loan from officers	Mortage & note payable	Other	Total
CBN	16661 (41.4)	164 (0.4)	0 (0.0)	0 (0.0)	17599 (43.7)	5760 (14.3)	40184
WV	5137 (36.4)	2420 (17.1)	0 (0.0)	0 (0.0)	1815 (12.8)	4715 (33.4)	14087
CCC	9295 (53.6)	0 (0.0)	0 (0.0)	0 (0.0)	7956 (45.9)	79 (0.1)	17330
BGEA	1934 (13.7)	669 (4.7)	0 (0.0)	0 (0.0)	0 (0.0)	11426 (81.4)	14029
OREA	4994 (41.3)	0 (0.0)	0 (0.0)	0 (0.0)	1485 (12.3)	5587 (46.3)	12066
JSM	4961 (54.2)	0 (0.0)	0 (0.0)	0 (0.0)	406 (4.4)	3772 (41.2)	9138
WBT	2842 (52.4)	1466 (27.0)	1027 (18.9)	0 (0.0)	89 (1.6)	0 (0.0)	5423
MAPI	356 (13.4)	3 (0.1)	10 (0.3)	337 (12.7)	1660 (62.6)	286 (10.7)	2652

Note: The numbers in the parentheses represent the percentage of total revenue. The total of percentages of each organization may not add up to 100 percent due to rounding.

Financial Ratios

Table 8 demonstrates some financial ratios of these organizations. The average debt-to-asset ratio of the Oral Roberts Evangelistic Association was the highest, 47.2 percent during the 5-year period, followed by 45.8 percent of the Wycliffe Bible Translators. Two other organizations whose debt ratios were over 40 percent are Campus Crusade for Christ and Billy Graham Evangelistic Association. The actual debt ration of the Billy Graham Evangelistic Association should be much lower than the ratio reported here because the major portion of its liabilities is in the deferred giving program, which is not a liability in the ordinary sense. This is evidenced by the very low interest expense (about $8,000 per year from Table 4) of the organization. It is difficult to evaluate the ratio of an organization without an external standard, but debt ratios of more than 40 percent seem too high for nonprofit organizations. Since these organizations are tax-exempt, they do not have the relative tax advantage of using debts.

Table 8
Average Financial Ratios during 1981-85
(in percentage)

Name	Debt/ Asset	Revenue/ Asset	ROI	Receivable/ Allowance	Expense/ Revenue
CBN	27.2	99.5	8.0	8.8	93.1
WV	35.9	312.5	9.2	1.4	99.0
CCC	42.8	231.6	14.4	6.1	99.2
BGEA	40.9	150.5	5.0	3.0	99.0
OREA	47.2	184.6	5.9	0	101.0
JSM	26.5	141.5	3.3	0	80.0
WBT	45.8	307.5	1.0	0	98.5
MAPI	15.7	112.9	0.9	9.6	98.4

Note: In computing ROI, captail gains or losses from securities (line 8 in Part I) were not included. This item was insignificant for most organizations.

The next ratio, revenue divided by assets, measures how efficiently the assets were used to generate revenue. Christian Broadcasting Network had the lowest revenue-to-asset ratio of 99.5 percent. Two highest ratios were 312.5 percent and 307.5 percent of the World Vision and the Wycliffe Bible Translators, respectively. Return on investment (RO1) was computed by taking investment revenue in Table 2 and dividing by investment assets in Table 5. As noted before, most organizations invested a large amount in various assets, including stocks and subsidiaries. Christian Broadcasting Network, the largest investor, earned 8.0 percent return, and some organizations earned a return less than 3 percent. Such low returns were probably due to, in part, the fact that they invested in assets that did not generate any revenue.

Four organizations reported an allowance for bad debt in the balance sheet. The allowance-to-gross receivables ratio of these organizations, which represents the average percentage of receivables uncollectible, was 8.8 percent for the Christian Broadcasting Network ($3.177 million per year), 1.4 percent for World Vision ($81,000), 6.1 percent for Campus Crusade for Christ ($852,000), 3.0 percent for the Billy Graham Evangelistic Association ($66,000), and 9.6 percent for the MAP International ($26,000). Finally, the expense-to-revenue ratio measures the proportion of revenue that was used for expenses. All organizations, except for Jimmy Swaggart Ministries, who used 80 percent of the revenue, spent more than 90 percent of their revenue for various activities. Oral Roberts Evangelistic spent on average more than 100 percent of its revenue. Total expenses, in particular, exceeded total revenue in 1985 and 1982.

CONCLUSION

Forms 990 filed by some religious charities were analyzed, and the results are reported in this article. First, the process of obtaining Forms 990 is lengthy, and Forms 990 (or any kind of financial reporting) for popular charities are not quickly available to the public for various reasons. Second, even though the sample organizations used the accrual basis, specific accounting methods used by each organization must have been quite different. This is evidenced by the negative assets and the negative expenses reported in Form 990 by some organizations. Thus, enforcing a uniform format does not necessarily result in uniform accounting practices. Considering the number of organizations filing Form 990 and the increasing public interest in financial reports of charities, more standardized accounting guidelines are needed.

Third, even though the IRS conducts several levels of review of completed Forms 990, a more stringent review process is required. Arithmetic errors are common in the reported Forms 990, and some forms are hand-written and difficult to read. Some organizations changed account names in the Form 990 for their own use and sometimes changed them back to the original account names in later years. Some accounts were aggregated without proper explanations. The amount of information reported in the various attachments differs significantly from one organization to another, and from one period to another within an organization. Some required schedules were often not attached to Form 990.

The Form 990 was revised three times in an attempt to enhance the public's understanding of the financial reports of charities, and to improve the comparability of reports of the different charities for governmental units. The results of our analysis of Forms 990 of these representative religious charities indicate that there is some doubt as to whether the new Form 990 serves its two main purposes. Despite the fact that many evangelistic ministries have not complied as carefully as they should have in reporting on the Form 990, it cannot be concluded that they violated the prohibition against private inurement.