

A NCMI White Paper



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Connection and Control of Church-sponsored FBOs/NGOs

*By Tom Nees*



## Connection and Control of Church-sponsored FBOs/NGOs

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There are several reasons for congregations, districts and regions to organize parallel organizations with the capacity to implement compassionate ministry projects. Although legally separate organizations they are aligned with the message and mission of the C/N.

- In the US they are described as FBOs (Faith-Based Organizations), registered within individual States as nonprofit corporations and upon approval by the Federal IRS (Internal Revenue Service) eligible to receive tax-deductible contributions as 501.c.3 organizations.
- In other world areas they are referred to as NGOs (Non-Government Organizations) subject to in-country laws and regulations.

There are several reasons to create such organizations, including:

1. To shield the denominational from liability

Legal separation shields congregations, districts, regions and the General Church from liability. Liability becomes more of an issue with projects that serve people without regard to their relationship to the Church.

2. To receive external funding

While government agencies, corporations and foundations are willing if not eager to fund humanitarian projects sponsored by churches they are unwilling to support churches directly and prohibit the use their funds for evangelism and church development.

In addition, external funders require documents that may not be available from church agencies such as independent outside audits and tax returns (990 in the US).

3. To provide for country registration

In some world areas where the Church is not registered, separately incorporated church-sponsored NGOs have been approved to engage in a variety of compassion projects.

#### 4. To broaden board and staff development

Separately incorporated church-sponsored agencies provide a way to select board members and hire staff members from beyond the denomination as needed.

#### **Connection and Control**

Along with these reasons for creating FBOs/NGOS there are questions and concerns about connection to and control by the church organizations – congregations, districts, regions, etc.

The connection between the church and a church-sponsored FBO/NGO is typically defined in its mission statement and programs.

#### **Connection without Control**

Some FBOs/NGOs are connected to but not controlled by church agencies. Most of the FBOs identified as Compassionate Ministry Centers in the US and Canada are connected to but not controlled by the church. Connection to the denomination is certified by the NCM director in USA/Canada region office upon recommendation of district superintendents on whose districts they are located. Upon certification these CMC are approved as “Mission Specials” with contributions from churches counted toward their Ten Percent giving goals. Most of these CMCs have self-perpetuating boards.

Without direct control these CMC pose no liability to the denomination, however there is always the calculated risk of disconnection.

#### **Connection with Control**

Control of church-sponsored FBOs/NGOs by the church is usually through the incorporating legal documents, constitutions and/or bylaws. Since FBOs are accountable to boards, denominational control is maintained by electing board members. For instance, bylaws may require that some if all of the board members be elected or appointed by a church agency – congregations, districts or the General Board of the C/N.

The risk with control is compromising the liability shield, one of the primary reasons for creating parallel organizations. While the board may be elected by the sponsoring church agency, after election the board must remain independent to avoid “piercing the corporate veil” which could expose the denomination to unwanted liability.

There are other tests of separation that must be met for agencies controlled by church to prevent creating unwanted liability. It is important to seek legal advice on liability issues before creating any organization to be controlled by a denominational agency.