

# Doing Ministry the **501(c)3** Way

**How nonprofits are giving churches greater access to their communities**

STAN FRIEDMAN

**O**n any given Sunday fewer than fifty people attend Monroe Covenant Church in the rural community of Monroe, Washington—yet the congregation serves a hot meal to 150 people each Tuesday night, provides sack lunches on Mondays, Wednesdays, and Fridays, operates an after-school tutoring program that draws about forty elementary students each day, ministers to homeless teens, provides shelter to the homeless on nights when temperatures drop below freezing, offers multiple life skills classes, helps with utility assistance, and directs people to any other needed community resources.

The church accomplishes all this through Take the Next Step, the nonprofit it created in 2005 that operates out of a two-story home in the center of the town of roughly 17,000 people.

Monroe Covenant is just one of the increasing number of churches who have created separate 501(c)3 organizations as a way to reach their community. The ministries are diverse—neighborhood coffee shops, health clinics, food pantries, and even an apartment building.

Several factors have contributed to the recent trend of churches creating nonprofits, says Joy Skjegstad, author of *7 Creative Models for Community Ministry* and *Starting a Nonprofit at Your Church*. She helped start Sanctuary Community Development Corporation while at the same time

starting Sanctuary Covenant Church in Minneapolis.

“I think the economic crash in 2008 created a ‘new normal’ for many churches that has meant being more creative with less money,” she says. “With more focus on being missional and the externally focused church, many congregations are looking for new ways to connect to the community and are exploring different models that are out there.”

Quest, a Covenant congregation in Seattle, started Q Café, a coffee shop, in 2002. In a video interview published on his website, Pastor Eugene Cho says, “It got started really because we as a church, as an institution, wanted to be a good neighbor.... I’d like to think that we’re a friendly church and we were trying intention-



ally to get to know our neighbors, but in the first few days that we opened this café, we probably met more neighbors than we had in the entire first year as a church plant.”

While it might be natural to assume that it is primarily larger congregations that are starting community development nonprofits, that’s not necessarily the case. Nearly all of the churches that attended a North Pacific Conference roundtable for churches operating nonprofits or considering the option had average weekly attendances of fewer than 100 people.

One major reason congregations start nonprofits is to expand funding opportunities. Take the Next Step has a budget of \$100,000, which pays for a full-time director and four part-time employees whose hours don’t add up to a single full-time staff member, says Donna Larson, chair of the organization’s board. “There’s no way we could afford that ourselves.” The nonprofit draws its funding through donations from local churches, businesses, civic organizations, and foundations as well as volunteers.

Josh Hibben, who works half-time

as a youth pastor at Grace Covenant Church in Chicago, is heading up North Side Youth Collision (NSYC), a unique program that provides large group events and small-group discipleship programs for ten Covenant congregations on Chicago’s North Side.

Most of those congregations can only support part-time youth pastors or none at all.

The program has grown to more than 100 students in the past two years. Currently, it is funded by many of the participating churches and a contribution from the Central Conference, which provides Hibben with a small stipend. If the organization is to have long-term sustainability and grow, however, it will need more secure financial footing, Hibben says.

The ministry has decided to pursue becoming an official 501(c)3 organization to increase fundraising opportunities and make it easier for people to donate. Currently, donations are sent to the Central Conference, which then distributes the money to NSYC.

“It can be confusing,” Hibben says. The funding will be used primarily to pay for the monthly events and retreats.

Forming a nonprofit can give churches the opportunity to raise funds from sources that might not give directly to churches, says Cecilia

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Williams, ministry initiatives director for the Covenant’s Department of Compassion, Mercy, and Justice. She notes that relatively few foundations provide grants directly to churches. “Secular” organizations and individuals who don’t attend a particular church are more likely to partner with a nonprofit, adds Williams, who previously served on staff at Sanctuary Covenant and worked as a coordinator and director for a number of nonprofit institutions. Creating a broader-based nonprofit

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can help alleviate concerns that a congregation's primary goal is to attract new members through the services being provided.

That doesn't necessarily mean that the nonprofit must hide the fact that it is part of the church's outreach though. Williams advises churches to be clear that their work is rooted in their faith.

River City Community Church, a Covenant congregation in Chicago, has multiple partnerships in the city, but might not have as many without having a separate nonprofit, says Pastor Dan Hill. "They do know we're faith-based though."

Tim Smith, pastor of Keystone Covenant Church, a small congregation in one of Pittsburgh's most poverty-stricken neighborhoods, has been open about the faith-based nature of their nonprofit, Center of Life, which includes a renowned music program that also provides numerous educational and athletic activities. Still, it has been able to attract funding from major corporations and foundations such as the Heinz Endowment, which awarded Center of Life a \$1.35 million grant. The grant will enable Center of Life, which previously operated on less than \$100,000 a year, to hire and train new staff as well as develop further partnerships, such as with local contractors to repair houses for low-income homeowners and rehab vacant homes for resale. It partners with Duquesne University to sponsor a summer science camp.

Forming a nonprofit also can expand a church's volunteer base and bring in outside expertise as a ministry grows. Most of the people who help with Take the Next Step come from the community, says Larson, adding that one larger local church encourages its members and a lay pastor to participate. Altogether about 140 people volunteer at the nonprofit—almost triple Monroe Covenant's weekly attendance.

Larson never planned to form a nonprofit. "We had an empty



Girls participate in a science day sponsored by Keystone Covenant's Center of Life and Duquesne University.

parsonage and just wanted to help people who had needs," she says. "We thought it would be much better if they could talk about their needs over a cup of coffee and a cookie than standing in a [Department of Human Services] line." But one relationship and one activity led to another until the ministry expanded beyond what the church could handle on its own.

Despite the advantages of forming a nonprofit, churches should be aware of the potential for significant challenges, Skjegstad says. Operating a nonprofit necessitates a significant administrative commitment—filling out paperwork and addressing specific legal requirements—and some people may feel that it takes too much time away from doing actual ministry, she explains. The requirements for forming and operating a nonprofit vary from state to state, but federal tax laws will apply to all.

Each nonprofit also must have its own board of directors, and churches need to consider whether they are comfortable having people from outside the congregation help make operational and strategic decisions. As a nonprofit expands, there is a greater risk that it will "drift away" from the church's faith focus, Skjegstad says. The church and the nonprofit board must be sure to communicate so that the vision is held in common even if activities change over time.

One way to mitigate that risk is to stipulate that the nonprofit board include several members from the church, Skjegstad says. At the same time churches also must be intentional about empowering people from outside the congregation to help guide the nonprofit. Otherwise, there may be little advantage to forming the organization.

Skjegstad also cautions against starting a nonprofit unless a large majority of the church agrees with the idea. Nonprofits are "long haul" undertakings that require a lot of ongoing support from the congregation. If only a handful of people are invested, then the chances of failure are greater.

Churches should be sure to consider other ministry options before plunging into forming a nonprofit, Skjegstad says. In her latest book, *7 Creative Models for Community Ministry*, she encourages congregations to consider options that include donating goods or money, mobilizing volunteers, partnering with other organizations, advocating around public policy, engaging in community organizing, and developing a specific ministry program. She emphasizes that none have to be mutually exclusive, and a congregation need not be limited to one type of outreach. Each has its advantages and disadvantages.

Regardless of the model, churches must consider the needs of the community, what resources they can offer, and how their actions fit with their vision. At the core, however, is the transformation of lives that comes from relationships, Skjegstad says. "I tell churches that if they participate in an activity, it may be good, but if there isn't a relational opportunity, it's not transformative."

Williams agrees. "It has to be about sharing the love of Jesus." ■

For more stories on Covenant nonprofits, go to [covenantcompanion.cm](http://covenantcompanion.cm).