

Case 4: Saving Souls and Selling Sandwiches: True Bethel Baptist Church

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Introduction

Going out for a sandwich after church is not unusual for many people, but buying and eating that sandwich at the church is a little unusual – except for those who attend True Bethel Baptist Church in Buffalo, New York. In September 2004 the church opened a SUBWAY® sandwich shop in the church. In fact, part of the church's choir stand had to be moved to make way for the retail sandwich business.

The SUBWAY® shop was the brainchild of Pastor Darius Pridgen. The goal of the business is to provide opportunities for the youth in the area. "I expect none of them to work here for more than a year; that's my goal," Pridgen said. The restaurant has done well – better than Pridgen had anticipated. Shortly after it opened, the pastor had to ask for bread from another SUBWAY® to get through a busy day.

But making money is not the objective. "Money just follows the mission" according to Pridgen. The mission of the ministry is to "Affect positive change in a negative society by whatever means necessary." He felt this mission was being accomplished but not to the level he would like to see. The mission is not to build a business or make money for the church, but to help people find jobs and learn how to work.

The church is located in a part of Buffalo that experiences the problems associated with many inner-cities – crime, drugs, and high levels of unemployment. Pridgen conducted approximately two funerals a month at the church for young people who were caught up in the violence of this impoverished neighborhood. The violence was a result of the hopelessness of an inner-city area in a Rust Belt city that had few opportunities for its young people. Pridgen hoped that the training provided by the sub shop would return some hope to the young people.

Pastor Pridgen and True Bethel Baptist Church

True Bethel Baptist Church began in 1961 with eight members meeting in a home. The name True Bethel means "True House of God."

In 1962 the group moved to a location on Genesee Street in Buffalo. In 1993 True Bethel was in search of a pastor. After hearing Pridgen preach three times, the chairman of the church deacon board offered Pridgen a two-year trial at the church. After nine months, the church voted Pastor Pridgen in as its full-time pastor.

Since Pridgen's arrival in 1994, True Bethel has grown from 25 members to well over 2,000. When he started, he was charged with growing the congregation. "I decided to focus on young people. Most of the churches in the neighborhood at that time, whether they knew it or not, were attracting older people who were already churchied," Pridgen said. The other thing Pridgen felt he was called to do was help the community by providing jobs and job training.

The church moved to a larger building. At an auction, they bought an old supermarket that could house the church and the SUBWAY® franchise.

The church also sponsored local television and radio broadcasts. Like many pastors, Pridgen had a vision to train, equip, and empower the church to share God's Word with those who are already Christians as well as those who are not. He and the church ministered to the needs of those who were hurting, shared God's Word with all people, and ensured that the city of Buffalo was exposed to the gospel of Jesus Christ. True Bethel Baptist's vision was to spread the gospel in a way that a child could understand. It also emphasized that a person's outside appearance is not what matters to God, but rather the heart is the center of His attention. The SUBWAY® ministry was helping to spread the gospel in a unique way.

Pridgen said he is a "businessman at heart." He grew up in the church's neighborhood. He started studying business in undergraduate school but was convinced by those in the church that had ordained him to change to a major more appropriate for a pastor. He earned his undergraduate degree in criminal justice at Livingstone College. When he returned to the Buffalo neighborhood to minister, he saw that his business background could be used to provide jobs and, more importantly, job training for those in the community.

SUBWAY® Sandwich Shops

Was it risky for an international franchisor like SUBWAY® to open a location in an inner-city church? Apparently not, according to Les

Winogard, spokesperson for SUBWAY®. SUBWAY® had no problem opening the shop in the church. “If there’s room and it fits within the zoning board requirements, we’re happy,” Winogard stated.

Fred DeLuca and Pete Buck founded SUBWAY® in 1965. By 1974 they owned and operated 16 units throughout the state of Connecticut. In that same year the pair decided to expand through franchising. By the year 2004, the SUBWAY® chain had become the world’s largest submarine sandwich chain with more than 21,000 franchisees in 75 countries. In the year 2005, SUBWAY® operated more units in the U.S. and Canada than McDonald’s did. SUBWAY® emphasized the healthy aspects of its products in its advertising and other promotions. Its spokesperson, Jared Fogle, lost 245 pounds eating nothing but SUBWAY® sandwiches for almost a year.

In the year 2000, Pridgen was approached by an owner of a SUBWAY® store in Buffalo about the possibility of the church buying a franchise. “I didn’t realize it at the time, but I think SUBWAY® had asked him to help them find other possible franchisees,” Pridgen said. The church explored many other franchising opportunities before deciding to open the sub shop. “SUBWAY® responded quickly. They were flexible enough to work with us. Their (lower) franchise fee was an easy fit financially for us,” according to Pridgen.

One reason the business had succeeded so far was a lack of competition in the area. There was only one other black-owned franchise of any kind at all in Buffalo. People in this inner-city neighborhood were looking for a place to eat and help the community at the same time. People were more trusting of businesses that were owned and operated by others in the community. And for the 2,000 plus who worshiped at True Bethel Baptist, eating at the SUBWAY® helped their church.

Nonprofits and For-Profit Businesses

Nationwide, there has been a push for nonprofit organizations to operate businesses. Some nonprofit boards of directors urged their organizations to become financially self-sufficient. They saw the generation of earned income as a way to create sustainability for these nonprofits.

The True Bethel Church SUBWAY® is unique among businesses that are involved with nonprofit organizations. Most nonprofit

organizations that earn money by running businesses do so under their nonprofit umbrella, thereby avoiding having to pay income tax and other taxes. Despite these tax advantages, most nonprofits fail to generate profits in these endeavors.

The SUBWAY® shop and two other businesses that provide training opportunities are separate for-profit businesses owned by True Bethel Baptist Church. Pridgen created the separate for-profit businesses for several reasons. First, he felt the church should pay its own way when it comes to taxes. “Except for tax breaks that we get for being in an economic development zone, we pay the same taxes as any other business,” he explained. Any business operating in the area would have received the same development zone tax break that the church’s SUBWAY® store did. Pridgen believed the business needed to make a contribution to the Buffalo tax base. Also, hopefully, paying taxes avoids potential tax problems for the church and business. “I know some people don’t understand that [the for-tax businesses], but it’s the way I think about things,” he said.

Second, the SUBWAY® start-up was partially financed through a \$10,000 grant provided by the city of Buffalo. Typically this relationship between government and church would be illegal, but because the SUBWAY® was a separate business from the church, it was possible for the city to provide the grant money to the start-up. Pridgen said the city of Buffalo approached the church about applying for the grant.

Third, the for-profit aspect of the SUBWAY® business kept its finances and other assets separate from the church. Pridgen believed that the separation of the entities (and the accounting for each) minimized the criticism the church might be subject to if the entities were combined. There were no questions about the division of assets between the organizations.

The church also owns a trophy and awards business as well as an office cleaning service that employs from six to 10 people. Like the SUBWAY® shop, these are separate for-profit businesses. The church also operates a bookstore on its premises as part of its nonprofit operation.

Despite a few anecdotal exceptions, most nonprofits that have operated businesses in the U.S. are not profitable. There are a number of reasons these nonprofits do not generate profits in their business

ventures. First, a nonprofit's concern for its nonprofit objectives can get in the way of earning a profit. Conflicts can exist between the organization's business and other objectives. They may pay employees higher wages than their for-profit competitors or they may hire and keep less competent employees. While the True Bethel SUBWAY® has these conflicts, they do not appear to be a problem. Pridgen cited examples of employees that in a normal business situation would be fired. But because of the mission of the SUBWAY® ministry, instead of firing them, he provides them with more training and attempts to help them. "I'm losing money with people like that, but it's the mission," Pridgen remarked.

Another problem is nonprofits' misunderstanding of the difference between revenue and profit. Often nonprofits ignore overhead or fixed expenses when determining the cost of products or services they sell. This

... True Bethel Church's venture into the business world had some detractors.

exaggerates profits being generated by the endeavors. Pastor Pridgen's business experience appears to be a factor in keeping True Bethel from this error. The separation of the businesses from the church's accounting may also have forced the SUBWAY® to be more accountable than businesses that were operated as part of a nonprofit organization.

A third reason nonprofits fail in business is their reliance on indirect customers. Indirect customers are clients of the nonprofit organization. Unfortunately many of these indirect customers may not be able to afford the products being sold; thus they do not buy as much as is needed for the business venture to survive or flourish. Again, the True Bethel SUBWAY® appears to have avoided this problem. The lack of other competing businesses in this relatively depressed area may help. Also, the SUBWAY® shop is selling a product that is relatively inexpensive and is something people need – food for lunch or dinner.

Finally, nonprofits fail at running businesses because they are reluctant to pull the plug when it becomes obvious they are not making money. Instead, what often happens is money from other parts of the nonprofit are thrown at the business, making it even more difficult to evaluate the business' success or failure. If the SUBWAY® shop encounters this problem, it should be easier to evaluate because it is a separate entity from the church.

Nonprofits need to determine whether or not a business is part of the mission. If not, the nonprofit's business could fail and take down the rest of the organization and its mission with it. "Churches shouldn't start businesses to make money," according to Pridgen. He argued that mission came first and the money, in this case, followed.

Criticisms of the Church and Business

As might be expected, True Bethel Church's venture into the business world had some detractors. Pridgen said there have been a few critics in the local community, but not as many as might be expected. Some conservative media and talk shows in the Buffalo area questioned the church's business endeavors. People outside the inner-city complained about problems such as crime in the area and then complained again when something was done to attempt to improve conditions in the area. "I can get pretty fired up about that issue," Pridgen said.

Some had suggested that the church went into business to fund its other ministries. On the contrary, the church was doing just fine financially by itself. "Actually it's been just the opposite of what people said. The church loaned money to the SUBWAY® to get it started," Pridgen said. He believes the separation of the church and the for-profit businesses helped minimize the criticism. Pridgen said he didn't have time to worry about the criticism that came his way. People fear change, especially when they don't understand what is happening.

This is not a ministry that would work in every church. Some congregations are in communities that do not have people who need to learn these kinds of job skills. Churches with older congregations may not need this type of ministry, Pridgen believes.

Mixing Church and Business

Much has been discussed and written about the connection between Christians' spiritual lives and work lives. The idea that the church (and more specifically clergy) is disconnected from business activities has its roots in the philosophies of Plato and Augustine. Both of these philosophers made the distinction between what Plato called the "upper-level" or "form" thinking that deals with spiritual matters and "lower-level" or "matter" thinking that has to do with work and everyday activities. Augustine made a similar distinction between the

“contemplative” (higher-level thinking) life that deals with church-related concerns and the “active” (lower-level thinking) life that addresses activities that are more secular. In both cases, business and work are relegated to these lower levels of thinking. Many of the misconceptions clergy have about business are traced back to the ideas that were first stated hundreds of years before the birth of Christ.

Business people challenge this philosophy, as they want to be able to integrate their work and spiritual lives. The distance that many have seen between the church and business disturbs those who want to make their business work count for God. The SUBWAY® ministry of True Bethel Baptist Church and others like it may have helped bridge the gap between these two worlds.

Pridgen said the SUBWAY® ministry was built on biblical principles. “I can guarantee when I went to the congregation with ideas about starting businesses that they wanted to know how I was justifying it,” he noted. Genesis 2:15 is one verse he used to explain the mission. Adam was told by God to keep up the garden, to keep up his area: “The Lord God took the man and put him in the Garden of Eden to work it and take care of it.” By teaching job skills to those who work for SUBWAY®, the church helps its employees maintain the areas in which they live.

Another Scripture passage Pridgen used to demonstrate the connection between the SUBWAY® shop and the church was Christ’s parable of the talents found in Matthew 25:14-30. Christ tells of a man who before going on a journey left his property or talents with three of his servants. He gave five talents to one servant, two to the second, and one talent to the third. Upon his return, the ones to whom he had given the most talents had invested them and were able to return more than what they had been given by the master. The master was pleased with each of the two who had invested and made a return on his property. “Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things.”

The third servant to whom the fewest were given did not invest the talents and was only able to return what was given to him. The master was very angry with the servant who had only buried his talents and made no attempt to earn a return on his investment. “Take the talent from him and give to the one who has the ten talents. For everyone who has will be given more, and he will have an abundance. Whoever does

not have, even what he has will be taken from him. And throw that worthless servant outside, into the darkness, where there will be weeping and gnashing of teeth.” Pridgen believed that a business like the SUBWAY® shop was a way to apply this parable and show people how to use their talents.

The Future of True Bethel Baptist and SUBWAY®

There are no plans for future expansion of the SUBWAY® or other businesses owned and/or operated by True Bethel Baptist. Pridgen said he does not think much about such things, preferring to take things one day at a time. He believes that focusing on the future would make a hands-on approach to managing the businesses and expansion more difficult.

The one thing Pridgen would have done differently if he had the chance to start the SUBWAY® business over was build a bigger space. The shop has become a popular place for young people to hang out and for bands to give evening concerts. “Sometimes it’s difficult for customers to get in and get their subs,” said Pridgen.

The church is also fulfilling its mission of helping the community by helping other black-owned businesses. In what Pridgen referred to as “drive-by shopping” during the Christmas season, busloads of people are taken to struggling black-owned businesses to shop. Pridgen said some of the business owners are shocked to see a busload of customers appear at their doors and are not sure they can handle all of the business.

Should Your Church Operate A Business?

Assume someone at your home church has read about the success of True Bethel Baptist, and, as a result, your church is considering operating a business of its own. Your home church has hired you as a consultant to determine if it is a good idea for your church to operate a business.

What would you tell the board member about the concept of a church going into business? Does operating a business coincide with the mission of your church? What biblical principles, other than the ones Pridgen cited, could be used to support or reject the concept of a church operating a business? Should the mission of a church include the training of its members for the workplace? Or is that best left to the

government or private sector? Are there biblical principles that support your position? Do you think the verse Pridgen cited (Genesis 2:15) supports his position?

If your church decided to start a business, what specific guidelines would you recommend your church use to choose the type of business to operate? Should your church own a franchise, or would starting some other business make more sense? If your church wants to buy a franchise, as True Bethel Baptist did, what specific criteria would you use for choosing a franchisor? Should the church consider buying an existing business as opposed to starting from scratch?

If your church wanted to start a business like True Bethel Baptist did, would it take away sales from other businesses in the area where your church is located? Would this be fair to other owners of similar businesses to have to compete with a church? How would businesses in your community respond to your church competing with them? Could your church operate its business in a different part of the city or town from which the church is located?

Assuming your church decided to start a business, would you recommend that it establish the business as a separate for-profit entity apart from the church as True Bethel did, or should it be part of the nonprofit operation of the church? Should your church run the business as a separate entity, or should the church use its tax-exempt status to make more profit for the church? What is your opinion of Pridgen's reasons for setting up True Bethel's businesses as separate for-profit entities owned by the church? Are his reasons consistent with what Jesus says about paying taxes in Matthew 22:15-22? What about Pridgen's argument that making the SUBWAY® a separate entity keeps the business' accounting records separate from the church? Is that a legitimate reason for doing this?

If your church decided to operate a business as a separate for-profit business, should it seek government grants or other funding as True Bethel did? Or would you suggest that your church seek other financing for the business? What are some other possible sources of financing? Explain any potential problems your church-owned business might encounter if it seeks and/or accepts money from government agencies.

Bethel Baptist Church loaned money to its SUBWAY® business to get it started. Do you think God approves of a church lending money to a business and then accepting the profit – even if that profit goes back

to the church and is used to further its mission on earth? Are there biblical principles to support your position?

Earlier in this case a number of problems were cited that nonprofit organizations encounter when operating businesses. Some of these problems include conflicts between the organization's business and other objectives, nonprofits' misunderstanding of the concepts of revenue and profit, reliance on indirect customers, and reluctance to pull the plug when it becomes obvious the business is not making money. What would you recommend to your church to avoid or work through these problems?

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