

Article

Measuring the Financial Transparency of Christian Colleges

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This study measures the financial transparency of 100 U.S.-based Christian schools by assessing 1) their response to a request for IRS Form 990, 2) their response to a request for audited financial statements, and 3) whether or not they have membership in the Evangelical Council for Financial Accountability.

Abstract

This study measured the financial transparency of 100 U.S.-based Christian schools, essentially all members of the Council for Christian Colleges and Universities. Transparency was measured by 1) assessing a school's response to a request for IRS Form 990, 2) assessing a school's response to a request for audited financial statements, and 3) determining a school's membership in the Evangelical Council for Financial Accountability. Each school was graded, and 43 schools earned a grade in either the "A" or "B" range. Disappointingly, 22 schools received a grade in the "D" range or "F." These 100

schools were also measured against legal requirements for transparency, and 47 of the schools did not meet legal requirements related to Form 990.

Measuring the Financial Transparency of Christian Colleges^{1,2}

Accountants and accounting firms, along with major corporations, have faced unprecedented negative publicity in the light of corporate failures at Enron and WorldCom. Not-for-profit organizations (NPOs) have not been exempt from problems. In 1995, the former president of United Way was sentenced to jail for embezzling funds (Eisenberg, 2002). New Era was exposed as a

giant Ponzi scheme in 1995, but only after taking in approximately \$300 million from unsuspecting organizations during the prior 18 months (Logue, 2000, p. 151).

Public accountability has received substantially more attention in the last three decades, increasing especially dramatically after the United Way scandal (Kearns, 1994). With NPOs accounting for 6% of the national economy and 9.3% of all paid non-agricultural workers in the U.S., they can no longer be ignored (Wiener, Kirsch, McCormack, Weber, Zappardino, & Collyer, 2002). While NPOs have guidelines to prepare financial statements, the dissemination of the reports remains largely within the discretion of the organization, unlike publicly traded companies. However, the dissemination of these financial reports leads an organization to greater transparency. An organization is transparent if “its finances and activities are readily visible to the organization’s board, its donors, and the public” (Mayer, n.d.). This paper focuses on transparency to the public.

The Issue of Financial Transparency

Christian Mandates for Transparency

According to White (1999, p. 6), “the ultimate goal of the accounting, or any other profession, must be to honor God in all its activities.” However, even in Christian organizations it is sometimes difficult to understand a Christian perspective of accounting. Because there is little scholarly work in the area of integrating Christianity and accounting, White (p. 10) asserts that “the assumption that accounting is a solely technical activity has remained largely unchallenged.” White suggests that there needs to be a shift from accounting to accountability, and it is through their financial accounting reports that organizations make themselves observable and reportable. Transparency can be looked at as a component of accountability.

Some may argue that a Christian organization has no obligation to release audited financial statements since there is no legal mandate to do so. According to the Evangelical Council for Financial Accountability (*Commentary on ECFA Standard #5*, n.d.), some organizations quote Matthew 7:6 to justify their

refusal to release financial statements. “Do not give dogs what is sacred; do not throw your pearls to pigs. If you do, they may trample them under their feet, and then turn and tear you to pieces.”³ This argument stems from the idea that many people do not know how to read financial statements and will misinterpret the data. Therefore, the organization only releases financial statements to those with a known purpose. However, other areas of Scripture do not support this. The Bible clearly supports transparency.

Greater transparency reduces the appearance of keeping things in secret. While organizations may not be doing any wrong, not freely disclosing financial information gives an appearance of secrecy and impropriety. Fully disseminating financial statements to anyone that requests them gives an appearance of openness and truthfulness.

The Bible gives us guidance in speaking in truth to one another. “If we claim to have fellowship with Him yet walk in the darkness, we lie and do not live by the truth” (I John 1:6). “A truthful witness gives honest testimony, but a false witness tells lies” (Proverbs 12:17). Thus, if an organization claims to be

Christian, it must fully practice open disclosure. “These are the things you are to do: Speak the truth to each other, and render true and sound judgment in your courts” (Zech. 8:16). A similar verse can also be found in the New Testament: “Therefore each of you must put off falsehood and speak truthfully to his neighbor, for we are all members of one body” (Ephesians 4:25).

According to Mayer (n.d.), organizations should focus on “What should we hold as confidential?” rather than focusing on “What do we disclose?” He believes this flows directly from biblical principles. “This is the verdict: Light has come into the world, but men loved darkness instead of light because their deeds were evil. Everyone who does evil hates the light, and will not come into the light for fear that his deeds will be exposed” (John 3:19-20). Openly sending financial statements is consistent with coming into the light.

Transparency also emphasizes being fully truthful, as indicated in Ephesians 5:11-13: “Have nothing to do with the fruitless deeds of darkness, but rather expose them. For it is shameful even to mention what the disobedient do in secret. But

everything exposed by the light becomes visible ...”.

Finally, Christian organizations have a biblical mandate to disclose administration of gifts for which they are responsible. “We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men” (II Corinthians 8:20-21).

The Evangelical Joint Accounting Committee (2001, p. xv) “recognizes that an even higher level of public accountability is mandated by the Scriptures. ... The Bible exhorts Christians to keep their fiscal behavior beyond reproach.”

Secular Mandate for Transparency — IRS Form 990

The Internal Revenue Service (*Form 990*, 2002) requires most NPOs to file Form 990, Return of Organization Exempt From Income Tax.⁴ Form 990 is an informational return; it is used exclusively to provide information. No taxes are calculated or paid with this form. NPOs must make available a copy of their Form 990 to anyone who asks for it.⁵

Surely both Christians and non-Christians should care whether the organizations to

which they contribute pay inflated salaries.⁶ It appears the IRS encourages donors to be aware of the salaries paid by NPOs. Donors can learn about such salaries by examining Form 990.

Form 990 can be confusing. In addition to a plethora of income, expense, asset, and liability information, it also includes specific salary information. On Form 990, Part V, an NPO must report the compensation of each officer, director, trustee, and key employee (Internal Revenue Service, 2002, *Instructions for Form 990 and Form 990-EZ*). Additionally, on Form 990, Schedule A, Part I, an organization must report the names, titles, and compensation of the five highest paid employees other than officers, directors, trustees, and key employees if the compensation for such an employee is more than \$50,000.⁷

Substantial penalties can be assessed against both individuals and organizations. If an organization does not comply with full and complete disclosure of Form 990, the responsible individual, not the organization, is subject to a fine of \$20 per day of non-compliance (maximum of \$10,000) plus

\$5,000 for willful failure to comply. Further, if an organization's Form 990 is incomplete or inaccurate, the organization is subject to a fine of \$100 for each day the failure continues (maximum of \$50,000).⁸ With these legal mandates and penalties, it is clear that the government is calling nonprofits to a higher level of transparency.

Other Calls for Financial Transparency

Several other oversight groups, both religious and secular, are calling for greater transparency in NPOs. There is a recommendation that all Jewish NPOs increase financial transparency and disclosure (Kaminow, 2002). The

National Association of Muslim Lawyers (2003) is spearheading a project which encourages Muslim institutions to increase transparency. Within the U.S. Roman Catholic Church, the leader of Foundations and Donors Interested in Catholic Activities urged the bishops to embrace "clear and transparent financial disclosure" in their dioceses (Feuerherd, 2002, p. 10).

The Wall Watchers organization sponsors a service known as MinistryWatch.com that regularly evaluates the financial transparency of Christian organizations (Wall Watchers, n.d.). Any organization failing to meet their transparency measures is then reported on the MinistryWatch's Web site called "Transparency Watch." According to the Web site, "MinistryWatch.com is committed to the belief that all Christian ministries have a responsibility to be good stewards of the financial resources they have received from donors" (MinistryWatch.com, 2003).

Rusty Leonard, Wall Watchers' founder, said that Wall Watchers asks NPOs for financial information

NPOs must make available a copy of their Form 990 to anyone who asks for it.

because these organizations seek donations from the public and the public is entitled to understand how those donations are being used (Open-Book Ministry, 2003).

An organization called GuideStar (www.guidestar.org) has posted Form 990 on the Web for virtually all organizations that have filed these forms. GuideStar has also prepared "GuideStar

Analyst Reports” for more than 150,000 nonprofits. Many foundations are utilizing this site when making decisions about their donation dollars (What is GuideStar Telling Donors About Your Nonprofit?, 2002).

Congress and the accounting profession have reacted to the for-profit problems with stricter requirements for disclosure and financial transparency, including the Sarbanes-Oxley Act, which requires managers of for-profit organizations to certify the financial results of their organizations. This act does not specifically address NPOs. However, some believe this Act will affect NPOs, as more constituents demand greater accountability from the NPOs on whose boards they serve or which they support financially (PricewaterhouseCoopers, 2003). As recently as January 2003, New York State Attorney General Eliot Spitzer called for greater accountability of NPOs by calling on them to certify the accuracy of their financial reports, as for-profit organizations are now required to do under the Sarbanes-Oxley Act (Ableson, 2003).

Previous Studies

Keating and Frumkin (2003) found that the evidence pointed to

the need of a more reliable and relevant reporting system for NPOs. Their literature review suggested that even with the current availability of IRS Form 990, disclosure to the public is not adequate. They argued (p. 4) that “the nonprofit community’s future economic success depends not only on the quality of its social and economics activities, but also on improving its internal accounting decisions and external financial-reporting systems.”

Gordon, Fischer, Malone, and Tower (2002) examined 100 U.S. institutions of higher education to determine factors associated with extent of disclosure. They found that larger institutions disclosed more information than smaller institutions. However, contrary to the authors’ expectations, they found that public institutions disclosed less information than private institutions and that disclosure was not correlated with size of governing board, size of the auditing firm utilized, or degree of leverage.

Dixon, Coy, and Tower (1991) examined the financial disclosure of seven New Zealand universities over a five-year period. They looked for 52 items in the annual reports of these universities. They found

that two of the seven universities significantly increased disclosure in accordance with the recommendations of the New Zealand Society of Accountants, while five of the universities provided no or only minor increases in disclosure.

Gray and Haslam (1990) examined the financial statements and annual reports of 60 schools in the United Kingdom, also over a five-year period. They looked for 37 particular items for each school for each year. They found that financial disclosure tended to increase over time and concluded that this was due to increased external reporting requirements.

Bothwell (2001) surveyed 51 charity leaders and state regulators. While his study was not evaluated statistically, it did suggest that while much of NPOs' disclosures come from laws and regulations, some additional disclosure is occurring on a voluntary basis.

With limited studies addressing the current level of financial transparency and the call for greater accountability of nonprofit organizations, this study was developed to determine the current level of transparency among Christian colleges and universities.

Method

The financial transparency of Christian colleges and universities was measured using three criteria: 1) response to written request for IRS Form 990, 2) response to telephone request for audited financial statements, and 3) membership in ECFA. Based on these criteria and a grading scale developed by the authors, each school was assigned a letter grade. The following paragraphs discuss in more detail the schools included in the sample, the three criteria, and the grading scale.

Sample

This study measured the financial transparency of a broad spectrum of four-year, predominately liberal arts, evangelical Christian schools. The institutions included in the sample were the 100 U.S. members of the Council for Christian Colleges and Universities (CCCCU) at the time this study was begun.⁹ (See Table 1 on next page.) The non-U.S. members of CCCCU were excluded from the study because they are not obligated to prepare IRS Form 990.

This sample was used primarily because it was a convenient way to select a sample

Table 1

CCCU Members Included in This Study

Abilene Christian University	Gordon College*
Anderson University	Goshen College
Asbury College	Grace College & Seminary
Azusa Pacific University*	Grand Canyon University
Belhaven College	Greenville College
Bethel College (Indiana)	Hope International University
Bethel College (Kansas)	Houghton College
Bethel College (Minnesota)	Houston Baptist University
Biola University*	Howard Payne University
Bluffton College	Huntington College
Bryan College	Indiana Wesleyan University
California Baptist University	John Brown University*
Calvin College	Judson College (Alabama)
Campbellsville University	Judson College (Illinois)
Cedarville University	Kentucky Christian College
College of the Ozarks	King College*
Colorado Christian University*	Lee University
Cornerstone University	LeTourneau University*
Covenant College	Lipscomb University
Crichton College*	Malone College
Crown College	The Master's College & Seminary*
Cumberland College	Messiah College
Dallas Baptist University	MidAmerica Nazarene University
Dordt College	Milligan College
East Texas Baptist University	Montreat College
Eastern Mennonite University	Mount Vernon Nazarene University
Eastern Nazarene College	North Greenville College
Eastern University	North Park University
Erskine College	Northwest Christian College
Evangel University	Northwest College*
Fresno Pacific University*	Northwest Nazarene University
Geneva College*	
George Fox University	

Northwestern College (Iowa)
Northwestern College
(Minnesota)*
Nyack College*
Oklahoma Baptist University
Oklahoma Christian University
Oklahoma Wesleyan University
Olivet Nazarene University
Oral Roberts University
Palm Beach Atlantic University
Point Loma Nazarene University
Roberts Wesleyan College
Seattle Pacific University*
Simpson College*
Southeastern College
Southern Nazarene University
Southern Wesleyan University
Southwest Baptist University
Spring Arbor University*
Sterling College
Tabor College
Taylor University*
Trevecca Nazarene University
Trinity Christian College
Trinity International University
Union University*
University of Sioux Falls
Vanguard University
Warner Pacific College
Warner Southern College
Wayland Baptist University
Western Baptist College
Westmont College*

Wheaton College*
Whitworth College
William Tyndale College
Williams Baptist College

*Also a member of ECFA

of schools that are deliberately Christian. This sample may not be representative of non-Christian colleges or even of other Christian colleges. It excludes numerous four-year, Christian schools and completely excludes one broad category of Christian colleges — Bible colleges — of which there are many.

Criteria #1: Form 990

Each school in the sample was sent a letter requesting the school's most recently completed Form 990. These letters were extremely brief, with no explanation as to why the information was being requested. Additionally, there was no indication that this was part of a study examining each school's response to such requests.

To preserve anonymity, all letters were mailed by someone in a neutral city and state who has no affiliation with any Christian college. This individual collected the responses from the schools and forwarded them to the authors of this study for analysis.

After several months, second letters were sent to those schools which had not responded. To verify delivery, these second requests were sent certified mail, return receipt requested. Also at this time money was sent to those

schools which had requested payment of a nominal fee prior to sending Form 990. As with the first mailing, all correspondence was sent and received by a neutral third party.

Criteria #2: Audited Financial Statements

The second test of transparency was the willingness of the 100 colleges in the sample to send out their most recent audited financial statements. NPOs are not legally required to provide audited financial statements to the public. This was a greater test of transparency because the request was verbal rather than written. Each school was called and, without explanation, was asked to send a copy of their audited financial statements. This phone call was directed to the office of the highest-ranking financial officer of the institution. If no person answered, a voice mail message was left. Colleges that did not respond after several weeks were called again. No attempt was made to convince the organization to send the financial statements. In order to test a high level of transparency, the caller did not provide a reason for the request. An organization demonstrates a high level of

transparency when it is willing to send its financial statements to an unknown party with no connection or affiliation with the school. Financial statements which were received were checked solely for completeness and no evaluation was made of the detail or accuracy of the information presented. Written requests were sent to those schools indicating that the request must be in writing, and payment was sent to those schools which requested payment in advance.

Criteria #3: ECFA Membership

ECFA was formed in 1979 and is a voluntary organization which approximately 1,100 evangelical Christian organizations have chosen to join. According to the ECFA Web site (Evangelical Council for Financial Accountability, n.d., *ECFA History*), “ECFA is committed to helping Christ-centered organizations earn the public’s trust through developing and maintaining standards of accountability that convey God-honoring ethical practices.” In addition to colleges and universities, many missions, ministries, and churches belong to ECFA. While there is no requirement for Christian NPOs to become ECFA members, the

financial standards established by ECFA have become a popular measuring stick which can be used to assess the accountability and transparency of Christian organizations.

In order to be a member of ECFA, an organization must agree with a doctrinal statement and must agree to follow good financial and operational practices. For example, an ECFA member must have an independent board of trustees that meets on a regular basis and that maintains direct contact with the organization’s external auditors. Also, ECFA members must be honest with donors and must abide by donor intent when funds are given for specific purposes. Relevant to this study, ECFA members must have their financial statements audited annually and must provide these financial statements upon written request. Membership in ECFA indicates a commitment to sound financial practices, including financial transparency.

For the schools in this study, ECFA membership was determined by examining a list of members maintained by ECFA online (Evangelical Council for Financial Accountability, n.d., *ECFA Member Directory*).

Grading Scale

Points were assigned to each of the three criteria as shown in Table 2. A school could earn up to eight points for its response to the request for Form 990 and four points for its response to the request for audited financial statements. Points were

subtracted from these maximum amounts for actions which indicated reduced financial transparency. The response to Form 990 was given greater weight because of the legal requirement to provide Form 990.

The total number of points a school earned was converted to a

Table 2

Grading Criteria and Related Point Values

Points Possible

0-8	IRS Form 990 (Schools were not given less than zero points, regardless of their response)
+ 8	Sent response
- 6	Obliterated or removed information
- 4	Did not respond to first request
- 2	Prepared Form 990 erroneously
- 1	Wanted payment prior to sending information
0-4	Audited Financial Statements (Schools were not given less than zero points)
+ 4	Sent response
- 3	Sent something other than audited financial statements
- 1	Sent incomplete information
- 1	Did not respond to first request
- 1	Wanted request in writing
-2, 0, 2	ECFA Membership
+ 2	Belongs to ECFA and did send audited financial statements
0	Does not belong to ECFA
- 2	Belongs to ECFA but did not send audited financial statements

letter grade, “A” through “F,” as shown in Table 3. A school could earn 12 points, a grade of “A-,” by providing its Form 990 and its audited financial statements and doing nothing that resulted in negative points. If a school met minimum legal requirements and provided Form 990 appropriately, but did not provide audited financial statements and did not belong to ECFA, it still received eight points and a grade of “C+.”

A school which did not belong to ECFA received no points for this criteria. But such a school could still receive a

grade of “A-” based simply on the first two criteria. Lack of ECFA membership neither helped nor hurt a school. However, a school which is publicly committed to financial transparency, as evidenced by membership in ECFA, and which followed through on that commitment by providing audited financial statements when requested, received two “bonus” points. On the other hand, a school which belonged to ECFA, which entails a pledge to financial openness, but which did not provide audited financial

Table 3

Number of Points Required for Each Grade and Number of Schools Earning each Grade

Number of Points	Grade	Number of Schools
13, 14	A	7
12	A-	19
11	B+	6
10	B	8
9	B-	3
8	C+	23
7	C	2
6	C-	10
5	D+	3
4	D	9
0-3	F	<u>10</u>
		100

statements, had two “penalty” points deducted.¹⁰

Results

Form 990

Most schools did provide IRS Form 990, however, in numerous instances the information they provided was deficient, as shown in Table 4. The first four categories are especially serious in that they may result in fairly severe financial penalties imposed upon either the responsible individual or the institution.¹¹

While 94 schools did eventually provide Form 990, six of the 100 schools chose to ignore

two requests for their Form 990, the second request having been received via certified mail, return receipt requested.

Fifteen schools did provide Form 990, but also chose to deliberately remove or obliterate information. The Form 990s which were received were reviewed to determine if the school had properly included the two pages which contain salary information (Form 990, Part V, compensation of officers; Schedule A, Part I, compensation of five highest paid non-officers). Some of the schools chose to delete these two pages in the information they sent. Other

Table 4

Responses to Request for Form 990

Number of Schools	Deficiency/Lack of Transparency
6	Did not provide Form 990*
15	Obliterated or removed information*
11	Responded to second request, but did not respond to first request*
25	Prepared Form 990 erroneously**
6	Requested money prior to sending information

*Violation of IRS requirements. Responsible person subject to a fine of \$20 per day of non-compliance (maximum of \$10,000) plus \$5,000 for willful failure to comply.

**Violation of IRS requirements. Organization subject to a fine of \$100 for each day the failure continues (maximum of \$50,000).

schools chose to obliterate salary information by applying “white-out” or “sticky tabs” to the original document before photocopying it.

Eleven schools did not respond to the first request for Form 990, but did respond when they received the second request.

There were 25 schools which reported information erroneously. The instructions for Form 990 clearly state Form 990, Part V should include a list of the names, titles, and compensation of all officers, directors, trustees, and key employees. Many institutions did not include all of these individuals. For example, some institutions just listed the president and trustees. Often these institutions then listed vice presidents in Schedule A, Part I. Vice presidents are officers of a school and should be included in Form 990, Part V. Schedule A, Part I is supposed to be a list of the five highest paid individuals other than officers, directors, trustees, and key employees that earn more than \$50,000 per year. The salary information required on Form 990 and Schedule A is really quite extensive, and some schools inappropriately reduced the scope of what they reported. Incomplete and incorrect information is specifically listed

in Form 990 instructions as items which may result in financial penalties imposed on the school.

Audited Financial Statements

Less than fully transparent responses to requests for audited financial statements are summarized in Table 5 (next page). Unfortunately, 40 of the 100 schools chose to not send any information in response to the request. An additional 11 schools did not respond to the first request but did respond to the second request. In five instances, the school provided either Form 990 or a development office annual report rather than audited financial statements.

Unlike Form 990, these deficiencies are not violations of the law. However, they are not consistent with full financial transparency.

ECFA

As discussed earlier, ECFA membership communicates a desire for financial transparency. Of the 100 schools in this sample, 21 belonged to ECFA. The 79 non-members received no points for this criteria. Of the 21 schools which did belong to ECFA, 19 provided audited financial statements. Each of these schools received two “bonus” points.

Table 5

Responses to Request for Audited Financial Statements

Number of Schools	Deficiency/Lack of Transparency
40	Did not provide any information
11	Responded to second request, but did not respond to first request
5	Provided information, but not an audited financial statement
2	Removed information from financial statements
2	Wanted money or the request in writing before sending it

The two schools who belonged to ECFA but who did not respond to the requests for financial statements each had two “penalty” points deducted from their score.

Grades

Results from the three criteria were combined, and the total number of points was determined for each school. The number of

schools earning each letter grade is shown in Table 3. Summarized below are the number of schools by grade category.

A total of 26 schools earned a grade of “A,” which indicates that many schools in this sample clearly surpassed the minimum acceptable requirements for financial transparency. An additional 17 schools earned a

Table 6

Number of Schools by Grade Category

A grades	26 schools
B grades	17 schools
C grades	35 schools
D grades	12 schools
F	<u>10</u> schools
Total	100 schools

“B,” which indicates meeting or slightly exceeding minimally acceptable requirements. At the other end of the spectrum, 22 schools earned a grade of either “D” or “F.” These schools fall far below acceptable financial transparency requirements.

Discussion

Observations

While it is encouraging that 43 schools achieved “A” or “B” grades, it is equally disappointing that 22 of the institutions fell into the “D” or “F” category. While there may be logical reasons why an institution does not fall into the “A” category, there clearly should be no institution in the “D” or “F” category. These institutions not only ignore the biblical mandate to be transparent; they also fall into legal violations.

Legal Deficiencies

The first four deficiencies shown in Table 4 are each violations of legal requirements. Our sample of 100 schools disclosed 57 such violations. The number of institutions at which either the responsible individual or the institution may be subject to substantial fines is 47. This is less than the total

violations because some schools had more than one violation.

These 47 schools either did not provide the information at all, did not provide it in a timely manner, or provided information which was incomplete. Some institutions may believe such disclosure requirements are unjustified or unreasonable. However, an institution is bound by these requirements only because it has asked for tax-exempt status. If it believes such disclosures are unwarranted, it may give up its tax-exempt status. It then has no obligation to provide Form 990 disclosure. Of course, giving up its tax-exempt status also means that donations to the school will not be tax-deductible for the donor. If an NPO wants to retain its tax-exempt status and all the benefits that entails, it must follow the applicable rules.

These 47 schools are in a predicament. On their next Form 990, these schools must answer question 83a which states, “Did the organization comply with the public inspection requirements for returns and exemption applications?” The instructions for line 83, in their entirety, are “Answer ‘Yes’ only if the organization complied with its public inspection

obligations described in General Instruction M.” It is General Instruction M which states that schools must provide full and complete information in a timely manner. Answering “No” to question 83a waves a large red flag to the IRS, but it seems that these schools cannot honestly answer “Yes.”¹²

Study Limitations

In this study there was no attempt to determine the reasons the institutions responded as they did. While no or inadequate responses may be due to a sinister desire for secrecy, that is probably not the reason for most of the results which were deemed less than fully transparent. An understanding of the reasons why institutions responded as they did would be helpful.

Opportunities for Further Research

While this study measured the financial transparency of the 100 CCCU colleges and universities, the diversity of these organizations was not considered. A further study may be a causal-comparative study which looks at denominational affiliation of the specific schools to determine if there is a correlation between certain denominational traditions

and the response of the institution to the requests for financial data.

Also, this study did not compare the financial transparency of these institutions with any other institutions. Such comparisons would certainly be interesting. There are at least four groups which could be compared to the institutions in this study.

- The financial transparency of CCCU schools could be compared to the financial transparency of other categories of Christian schools (for example, Bible colleges or Christian liberal arts schools which do not belong to the CCCU).

- It would be interesting to compare the financial transparency of CCCU schools to the financial transparency of non-Christian schools. To do this, one would need to select a sample of non-Christian schools which are similar in terms of size and probably geographical location to the schools utilized in this study.

- The financial transparency of CCCU schools could be compared to the financial transparency of Christian organizations other than colleges and universities (for example, Christian missions groups or relief organizations).

• Finally, one could compare the financial transparency of U.S.-based Christian colleges and universities with the financial transparency of non-U.S.-based Christian schools.

Concluding Comments

Financial transparency is firmly grounded in both Christian thought and legal requirements. This study is encouraging in that so many schools in the sample scored so well on the measures of financial transparency used in this study. However, it is discouraging in that some schools appear to have a blatant disregard towards these obligations. Further, it appears that many schools are not well versed in the requirements regarding IRS Form 990.

This article mentions no school by name. However, the authors believe the information gathered during this study is useful and informative. Many readers of this article may be stakeholders in one or more of the schools in this sample. In the interest of transparency, the authors will make school-specific results available upon request.

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ENDNOTES

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²Both authors are employed by institutions which were participants in this research. While this may appear to be a conflict of interest, both authors believed they had the freedom to conduct this research and report the results regardless of the responses of their respective employers.

³All Scripture quotations in this paper are from the New International Version of the Bible.

⁴A tax-exempt organization must file Form 990 unless it meets one of the listed exception criteria. According to the IRS (*Instructions for Form 990 and Form 990-EZ*, 2002), the following religious organizations, among others, are exempt from filing Form 990: churches, schools below college level affiliated with a church, certain mission societies, and organizations whose annual receipts are normally \$25,000 or less.

⁵The request for Form 990 may be either in person or in writing. If an organization receives a written request for Form 990, the organization must mail the document within 30 days from the date it receives the request. An organization is allowed to charge reasonable photocopying and postage expense. If the organization requires prepayment of this

fee, the organization must notify the requestor of the prepayment policy within seven days from the date it receives the request. An organization is not required to provide Form 990 if the organization has made the document widely available on the World Wide Web. However, in this case the organization must provide to anyone who asks for Form 990 the specific Web address where the document can be located.

⁶Although not education related, to cite an egregious example of inflated salaries, the Rev. Jim Bakker, the founder and head of PTL ministries, stated in his autobiography (Bakker, 1996, p. 314) that at the ministry's zenith, he and his wife, Tammy Faye Bakker, received a total of \$3.7 million in compensation over a five-year period. Of the schools in this study, none of the salaries were nearly as large. Presidential salaries were obtained for approximately 75% of the schools in this sample, and the highest salary reported was just over \$200,000.

⁷Form 990, Schedule A also requires an organization to report the total number of employees, in addition to those already listed on Form 990, Part V or Schedule A, Part I, who received annual compensation of more than \$50,000 (Internal Revenue Service, 2002, *Form 990*).

⁸Organizations with annual gross receipts of less than \$1 million are subject to smaller fines: \$20 per day, not to exceed the smaller of \$10,000 or 5% of the gross receipts for the year.

⁹At the time this article was submitted for publication, there were 105 CCCU members. Of the 100 schools included in this study and listed in Table 1, three were no longer members of CCCU. The 105 current CCCU members include five U.S. schools which joined the CCCU after this research had begun and three Canadian schools.

¹⁰ECFA membership requires an institution to provide audited financial statements upon written request. For this study the request for financial statements was by phone. Thus, those ECFA members which did not provide audited financial statements did not violate the letter of ECFA requirements. Nevertheless, penalty points were deducted from the scores of these schools because such a response clearly violates the spirit of ECFA requirements for financial transparency.

¹¹The sanctions against individuals are delineated in sections 6652(c)(1)(C) and (D),

and the sanctions against organizations are listed in section 6652(c)(1)(A) (Internal Revenue Service, 2002, *Instructions for Form 990 and Form 990-EZ*).

¹²Form 990 must be signed by an appropriate officer. Just prior to the signature, the form states, "Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete" (Internal Revenue Service, 2002, *Form 990*).

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