The Present, Past, and Future of LDS Financial Transparency

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Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.[2]

Every April in the Saturday afternoon session of its semi-annual General Conference, the managing director of the Auditing Department of the Church of Jesus Christ of Latter-day Saints (LDS Church) reads his department's[3] report for the prior year. The annual report invariably concludes that "in all material respects, contributions received, expenditures made, and assets of the Church . . . have been recorded and administered in accordance with appropriate accounting practices, approved budgets, and Church policies and procedures."[4] Presenting the Church Auditing Department's reports at General Conference dates back at least to 1906. [5] And today, this annual report provides the sole window into the global finances of the LDS Church.[6]

The LDS Church has not always been so guarded about its finances. At times in the past, the Church's books were apparently "open for the inspection of the Saints."[7] And since its beginnings, the LDS Church has provided members with occasional public accountings of how it has spent its money. For the first eighty-five years of the Church's history, it made these public accountings irregularly.[8] In 1915, though, and continuing until 1959, the church made an annual public disclosure of its finances. As part of the annual April General Conference, somebody—often the president of the LDS Church or one of his counselors—would inform the assembled congregation of how much money the Church had spent in a variety of categories.

In 1959, in the wake of significant deficit spending by the Church and of massive investment losses, the Church ended its detailed public financial disclosure,[9] and instead limited its financial disclosure to the Auditing Department report. As a result of its silence about the details of its finances, members, critics, and the interested public have been left to guess at the Church's wealth and the scope of its charitable spending, among other things. The Church's lack of public financial disclosure bothers some—apologists and critics alike—who have requested, in various ways, that the Church return to its former practice of publicly disclosing detailed financial information.[10]

Those who advocate public financial disclosure tend to ground their arguments in both practical and theoretical bases. Practically, they believe that disclosure is necessary to prevent fraud and abuse; theoretically, they argue that the Church has a moral responsibility to its members to allow them to see how their donations are being used. Others support the Church's current limited financial disclosures, arguing that members do not need to see the internal financial workings of the Church and that no financial chicanery can occur with prophets leading the Church.

These two positions appear, in many ways, to be talking past each other; they also (in their purest forms, at least) misunderstand both what financial disclosure is and what it can do. Disclosure should be instrumental, not an end in itself. Furthermore, disclosure is not binary, to be turned on or off. Rather, it is the selective ordering and presentation of an organization's finances. That selective ordering can take many forms and, in fact, the Church has provided financial disclosure in several forms and continues to provide public financial disclosure.

As a result, the question to ask is not whether the Church should disclose its finances. It is, instead, what form that disclosure should take. To figure out what that form of disclosure should be, it is necessary to evaluate what we want the disclosure to achieve. Without an articulated aim, it is impossible to judge whether any disclosure the Church provides gives valuable information.

Although this article is about financial disclosure, my primary purpose is not to engage the arguments for or against expanded disclosure. Instead, I want to lay out a framework that can underlie those arguments. I will lay out that framework in three parts. First, I will discuss the theoretical underpinnings of financial disclosure, especially as they apply to charities and, more specifically, to churches. As part of that discussion, I will look at the law governing financial disclosure for churches and other tax-exempt organizations, the history of the law, and the theoretical reasons why a church might want to embrace financial transparency in spite of its not being legally mandated.[11]

Second, I will look at the LDS Church's forty-five-year flirtation with the kind of detailed annual financial disclosures that the disclosure advocates seem to prefer. I will look at the motivations for that historical practice, as well as stylistic and substantive evolution of these disclosures. I will explore the practical limits of what benefits these disclosures provided to members of the LDS Church, as well as what benefits they provided to the Church itself. Although this portion of the article will draw on historical numbers and statements, it is beyond the scope of this article to interrogate the motivations of those making or encouraging the disclosures, or to relate it deeply to the surrounding culture. Instead, I intend to illustrate the various ways that disclosure can occur (and, in fact, has occurred) to better understand where the Church stands today.

Third, I will discuss the current and future state of Mormon financial disclosure. In spite of its half-century experimentation with detailed financial disclosure, there is no indication that the Church will return to that practice. Rather, I suspect that, for the near future, LDS practice with regard to financial transparency will be static: without any change in law, the LDS Church is unlikely to face any internal impetus to return to its earlier experimentation with broad financial disclosure. That experiment originally rose from a desire to convince more members to pay tithing; today, the LDS Church appears to be content with the amount of revenue it can raise without being financially transparent.

At the same time, though, I will argue that the level of financial disclosure is far less important—from both a practical and theoretical perspective—than the trustworthiness of the person providing the disclosure. If the person doing the disclosing can be trusted, even the most general level of disclosure communicates valuable information. Conversely, if the person doing the disclosing cannot be trusted, the finest-grain disclosure provides virtually no usable information. In light of the limitations on the value of disclosure, and the unlikeliness that the Church will move toward detailed disclosure, I suggest that advocates of financial transparency look to a second-best solution. Rather than focusing on the type of disclosure the Church provides, then, a sensible and valuable intermediate step would be to focus on who provides the disclosure. Instead of using internal auditors, the Church should engage an external auditor and have that auditor present the state of Church finances.

I. U.S. Charities and Financial Disclosure

The LDS Church is not alone in its financial secrecy. It is true that most public charities in the United States provide public financial disclosure. They do so because the tax law requires them to. Though disclosure can serve a number of purposes,[12] for public charities, it serves essentially two. First, it allows potential donors to evaluate how an organization uses its assets. In that way, these donors can determine whether they approve of the way that the charitable organization will use their money. Second, mandatory disclosure can, theoretically, discourage fraud. If the managers of a charity know that their financial records will be presented to the public, they are less likely to engage in shady transactions.[13]

The tax law's disclosure requirement does not apply to churches, however, even though they automatically qualify as tax-exempt charities. In fact, churches and other charitable organizations have been exempt from federal income taxes since the inception of the modern income tax.[14] Initially, that exemption freed churches, along with other tax-exempt organizations, from virtually any interaction with the tax law. While the tax law required any person liable for tax to file a return, the law was silent with respect to those exempt from taxes.[15]

That changed in 1943. The Revenue Act of 1943 introduced a requirement that tax-exempt organizations file an annual return that laid out the organization's gross income, receipts, and disbursements.[16] The new filing requirement did not apply, however, to "religious organizations" that were otherwise exempt from tax.

The filing requirement does more than just provide financial information about tax-exempt organizations to the IRS and the government. Although the law generally protects the confidentiality of most tax returns,[17] exempt organizations' returns must be available for public inspection.[18] That is, tax-exempt organizations are required, by law, to publicly disclose their finances, and not only to stakeholders, but to anybody interested in looking at the finances. Churches, on the other hand, have no legal obligation to publicize their finances.

The reason Congress decided to require tax-exempt organizations to publicly disclose their finances has, perhaps, been lost to history: there is little legislative history surrounding the return requirement. The history of the public's right to inspect the returns of tax-exempt organizations is more easily discoverable: Congress expanded the availability of disclosure as a result of public concern over several high-profile scandals in which the executives of charities misused charitable funds.[19] Disclosure was meant to ensure public accountability and to assure donors that charities were not misusing their donations.

Because churches were not required to file an information return, they also did not have to make public disclosure. At the time, churches almost lost their return-filing exemption. Had that exemption gone away, churches in the United States would have had to provide public disclosure of their finances. By 1969, many members of Congress felt that the government needed more information about tax-exempt organizations, including religious institutions. As a result, the House version of the Tax Reform Act of 1969 completely eliminated the religious exception to the filing requirement.[20]

This galvanized churches to lobby the Senate for relief. In Senate testimony, a number of church organizations argued against imposing a filing requirement on churches. Ernest L. Wilkinson, president of Brigham Young University, testified regarding the deleterious effects various proposed changes to the tax law would have on universities and donors. Among other things, he opposed the broader return-filing provisions passed by the House, explaining that requiring universities and churches to file information returns would prove "extremely burdensome and costly to the universities and churches with no offsetting revenue to the government because colleges and churches are tax exempt."[21] Wilkinson went on to explain that maintaining the filing exemption for churches (and universities) would not abet tax evasion because donors themselves would still need to include their donations on their returns.[22]

The United States Catholic Conference (USCC) took a different tack in its opposition to the House measure. It explained that fiscal separation between religion and government was a central tenet of the separation of church and state. As such, it made two arguments against the government's requiring churches to file returns. The first was pragmatic: because churches don't make a general appeal to the public for funding, they do not need to provide general financial information to the public. Rather, since they appeal to their particular congregations, they should have the option of making voluntary financial disclosures to their congregations, but should not face a government-imposed obligation to make disclosures to the public at large.[23]

The USCC's first argument is implicitly premised on the idea that financial disclosure by tax-exempt organizations is meant to permit potential donors to make informed choices about where to put their money. If a church is not part of the donor marketplace—because donors feel a religious or spiritual obligation to donate—mandated disclosure may not serve a fundraising purpose. That is, according to the USCC's implicit argument, because churches raise funds from a narrowly-targeted group (their own congregants), providing financial information to the public at large does not serve any purpose for the public at large.[24] As for the congregants who do donate to the church, they may be indifferent to the church's finances (because, for example, they donate out of perceived spiritual obligation or as a requirement of membership). If, however, congregants want to understand how their church uses its money and they will not donate without that information, the church has the option to provide them with that information.

The USCC's second argument follows from, and builds on, its first. It argues that "requiring an information return strikes at the very freedom of churches and religious organizations from intimate, governmental, financial scrutiny."[25] Requiring churches to disclose their finances, according to the USCC, would be constitutionally suspect. Moreover, the USCC pointed out, exempting religious organizations from the filing requirement had a long and harmonious history. Congress had not pointed to any compelling reason to alter that historic relationship.[26] In the end, the USCC "view[ed] with deep concern the proposals that churches be required as a matter of law to file detailed financial information returns."[27]

Though neither Wilkinson nor the USCC addressed the place of disclosure in discouraging fraud, the Senate ultimately complied with churches' requests, though only partially: the filing exemption survived, but in a significantly narrowed form. The Senate's version of the bill, which ultimately became law, no longer exempted "religious organizations from filing information returns. Instead, it exempted "churches" and their "integrated auxiliaries" from the filing requirement.[28]

Notwithstanding the USCC's arguments, the exemption from disclosure that the Senate preserved for churches may have ultimately reduced their revenue. A 2006 study found that ten percent of church-going Christians claimed that they gave less to their churches than they otherwise would have because they were afraid their donations would be wasted or otherwise mishandled. Pastors, too, were concerned that financial scandals involving other religious leaders would tar them, as well, as a result of the lack of financial transparency.[29]

Still, it is unclear whether financial transparency prevents fraud or significantly aids donors in making better-informed decisions. The tax law still requires tax-exempt organizations to file information returns, still requires those returns to be made available to the public, and still exempts churches and their integrated auxiliaries from the filing requirement. Anecdotally, though, financial transparency has not been an obvious success at meeting its objectives.

In 2013, the *Tampa Bay Times* and the Center for Investigative Reporting ran a series of stories about what they dubbed the fifty worst charities in the United States. Topping its list was the Kids Wish Network. Over the previous ten years, the Kids Wish Network had raised $127.8 million from donors, putatively to help dying children and their families. It spent less than three percent of the money actually helping children; nearly $110 million went to for-profit fundraisers to raise more money and $4.8 million went to pay the founder and his consulting firms.[30]

And it was not just the Kids Wish Network; collectively, the fifty tax-exempt organizations flagged by the series paid out just four percent of their donations in direct cash aid. They paid a good portion of the remainder of the donations to for-profit fundraising companies to raise even more money.[31] *And none of this is secret*. The investigative journalists were able to follow the charities' money by reading through the same tax filings that are publicly available to donors.

So why have donors given hundreds of millions of dollars to these disreputable charities? There are undoubtedly several reasons. For example, donors do not necessarily know that charities' financial information is publicly available, and charities (and particularly disreputable charities) may have little incentive to inform potential donors, when soliciting donations, that they could search through the charity's financial disclosures. Even if a potential donor knows that she can see the charity's financial statements, though, actually tracking down the disclosures and reading them requires affirmative effort by the potential donor. The internet has made the process less onerous—websites, including GuideStar's, provide copies of charities' Form 990s—but there is still effort involved.[32]

Even assuming that a potential donor knows that she can access the financial disclosures, knows where to find them, and undertakes the effort to find them, there is no guarantee that the disclosures will provide her with usable information. Most people have little exposure to the balance sheets of large entities, and do not have the background to understand and contextualize the information provided. And the disclosure itself does nothing to make a potential donor's research easier. Notwithstanding the fact that a tax-exempt organization's Form 990 must be publicly disclosed, its principal purpose is not to provide meaningful information to potential donors. On a Form 990, tax-exempt organizations provide financial and yes/no answers to a series of questions. Although this type of disclosure makes it possible to evaluate the financial performance of an organization, it provides essentially no information about whether the organization is achieving its programmatic and charitable goals.[33] At best, the disclosure provides tax compliance information to the IRS; for others, in large part Form 990 can be "impenetrable and . . . of little use."[34]

So the financial disclosure mandated by the tax law ultimately may do little to prevent fraud and mismanagement by charities. Similarly, voluntary tax disclosure may not prevent charities—including churches—from mismanaging their money. The Great Depression forced the LDS Church into deficit spending in 1937 and 1938. The Church lost $1 million on municipal bonds in 1956. It spent $8 million more than its income during 1959.[35] And all of this happened while the Church was voluntarily providing detailed disclosure of its finances (or, in 1959, while it may have reasonably expected to disclose its finances the following year). Even the fact of disclosure, then, did not prevent the Church from making costly financial decisions.

II. The LDS Church, Financial Disclosure, and Moral Imperative

Although preventing fraud and increasing donations are the principal considerations underlying mandatory financial disclosure by tax-exempt charities, churches may have an additional reason to disclose: they may face a moral, ethical, or scriptural mandate that does not apply to non-church charities. And, in fact, a number of churches have chosen to make audited financial disclosures available on the internet. For example, the Evangelical Council for Financial Accountability (ECFA) is an accrediting body for churches. Among other things, for a church to be accredited by the ECFA, it must prepare accurate financial statements reviewed by an independent certified public accountant and it must make those financial statements available upon written request.[36]

ECFA views the policy underlying compliance with its accreditation standards as a fulfillment of scriptural mandates.[37] It also provides for public disclosure for pragmatic purposes: its mission is to enhance trust in member churches[38] by providing "tangible assurance to your donors that their contributions are being handled in accordance with high standards of integrity. Having such assurance, donors will be able to give with confidence to your ministry programs."[39]

The LDS Church similarly has the option to make financial disclosure, whether or not the law demands it. Even without a secular obligation to disclose, the Church might view itself as subject to a divine disclosure mandate. But such a mandate does not explicitly exist in canonized Mormon scripture, and the evidence is strong that Church leaders have never believed they were under such a divine mandate, even at the beginning of the Church.

Early Church leaders—those most intimately acquainted with Joseph Smith and his revelations—apparently did not believe that God required the Church to disclose its finances. The Church did provide occasional financial disclosure during the 19th century, but such disclosures were sporadic. In 1832, Edward Partridge "gave a public accounting of Church finances to a Church conference."[40] According to D. Michael Quinn, the accountings were repeated annually until 1838, but stopped after the Mormons left Missouri. Brigham Young gave occasional financial reports and, after his death, John Taylor proposed to make those reports annual. Six years later, though, facing the federal anti-polygamy campaign, Taylor discontinued the financial reports.[41] Had there been some non-canonized divine imperative to make a financial disclosure, presumably early Church leaders would have felt an obligation to comply with it, and would not have been as inconsistent as they were.

That there was no divine but uncanonized mandate is further supported by the rhetoric that surrounded the re-introduction of financial disclosure. When the church started providing annual financial reports again in 1915, it did not frame its disclosure as an obligation; rather, in preface to his reading the disbursement of tithing dollars, Joseph F. Smith said that he was "taking a liberty that has not been indulged in very much: but there have been so many false charges made against me and against my brethren by ignorant and evilly disposed people, that I propose to make a true statement which will, I believe, at least have a tendency to convince you that we are trying to do our duty the best we know how."[42] Financial disclosure, in Smith's mind, was not the fulfillment of a divine command, but a pragmatic move designed to short-circuit criticism and reinforce the members' trust in Church leadership.

More than merely the practice of Church leaders, canonized scripture supports the idea that the Church is under no divine mandate to disclose its finances. Modern scripture does address financial matters. Doctrine and Covenants 104, for example, deals with the United Firm. In explaining how the Firm would distribute its assets, the scriptures required that "there shall not any part of [the United Firm's money] be used, or taken out of the treasury, only by the voice and common consent of the order" (D&C 104:71). Mormon scripture, then, has sometimes explicitly required specific financial practices—here, consent of the members of the Firm to take money out of its treasury. If the scriptures can articulate this financial requirement with respect to the United Firm, they are equally capable of articulating it with respect to the Church's finances at large. The fact of their silence about financial disclosure (in contrast to other explicit financial directives) can be plausibly interpreted as a signal that the Church is under no scriptural mandate to disclose anything.

Even if Church leaders felt they were under a moral obligation to disclose its finances, there is no reason that the disclosure would—or even should—look like the ECFA-approved disclosure. The ECFA's scriptural basis does not provide a framework for disclosure; rather, as an institution of accreditation, the ECFA had to make substantive judgments about form its members' disclosure would take.[43] It is insufficient, then, merely to say that the Church is morally, ethically, or scripturally obligated to disclose its finances; we must determine what level of disclosure would allow it to meet its obligation.

III. Forty-five Years of Disclosure Broadly

Even though the Church is under no legal or divine obligation to disclose its finances to the public, it chose to do so for just under half a century, providing a fascinating series of snapshots of the development of LDS Church finances during the first half of the twentieth century. But before making a fine-grain analysis of the specific disclosures and what they can tell us, it is worth making a handful of global observations.

First, the Church's financial disclosure practices did not spring, fully formed, from the head of the First Presidency. The corpus of financial statements shows an evolution not only in the Church's finances, but also in the manner in which the Church made its disclosures. I divide the disclosures into four periods, each with distinct information and styles:

1915–1922: Experimentation
1923–1943: Routinization
1944–1951: Magnification
1952–1959: Retreat

These divisions are at least partly arbitrary, of course, and are largely impressionistic. The men who presented the financial disclosures in General Conference certainly did not delineate specific stylistic or content breaks. The Church generally presented each year's statement atomistically, making no mention of previous years' finances.[44] Still, although the way I have divided up the Church's financial disclosure is not absolute and inevitable, looking at the disclosure in this way provides an interesting and valuable, analytical, framework.

Second, the disclosure for a particular year was given in April of the following year. In April, 1918, that is, the Church provided its financial disclosure for 1917. Thus, when I discuss the disclosure itself, I will refer to the year in which it was presented in General Conference. When I discuss the actual expenditures, though, I will refer to the year in which they occurred.

Third, both the informal, experimental manner in which the Church started its financial disclosures and the atomistic nature of such disclosures—especially at first—resulted in inconsistent categorization of expenses from year to year, and certainly from period to period. In the appendices to this article, I have taken the Church's annual financial disclosures and put them into a spreadsheet. But the spreadsheet suffers from some deficiencies. In creating the spreadsheets, I had to decide how to categorize certain expenses. As the Church itself was inconsistent about its categorizations, certain categories of expenses periodically appear and disappear. For example, for the first four years of financial disclosure, the Church listed expenditures on the building and maintenance of hospitals (though in 1917, the category morphed into "Expended for charitable purposes, including hospitals"). Over the next nineteen years, hospitals were only mentioned twice, then reappeared from 1937 to 1942, then entirely fell off the Church's financial disclosures. Presumably the Church continued to own and operate its hospitals, at least during the nineteen-year middle period, which means that the expenditures the Church incurred on hospitals were either folded into another category or excluded altogether from the financial disclosure. I attempted to bring some consistency to the categories but, because I do not have access to what underlies the disclosures, I cannot be sure that my categorizations are completely accurate.

Additionally, the Church went back and forth between separating general fund (tithing) expenditures and non-tithing expenditures. During the years in question, the Church provided welfare not only out of fast offering revenue and Relief Society monies, but also out of tithing funds. In some years, the Church separated the amounts of welfare paid from tithing from the amounts paid from non-tithing sources. In other years it did not explicitly mention non-tithing welfare spending (though it is not clear whether that means it folded such spending in with the tithing spending or just failed to mention that spending). Toward the end of its disclosure—especially in the Retreat period—it explicitly failed to separate the tithing from the non-tithing welfare expenditures.

In addition, for some years, especially during the Magnification period, the Church had a welfare section of its financial disclosure.

While that section would expressly lay out the amounts paid from fast offerings, certain of the expenditure categories looked as if they might also have been listed in the general fund section of the disclosure. In those cases, in listing the non-tithing welfare expenditures, I left out any numbers that might reflect tithing sources of welfare payments. As a result, the welfare column of the non-tithing spreadsheet may undercount the Church's expenditures.

With those caveats, though, the spreadsheets provide an interesting and valuable presentation of the Church's data, allowing us to see general trends in Church expenditures assembled in a single place. Figure 1 uses these data (imperfect though they may be) to graph the Church's expenditures from tithing between 1916 and 1953.[45] Though it does not tell us what it is, the graph illustrates that something significant happened in the mid-1940s.

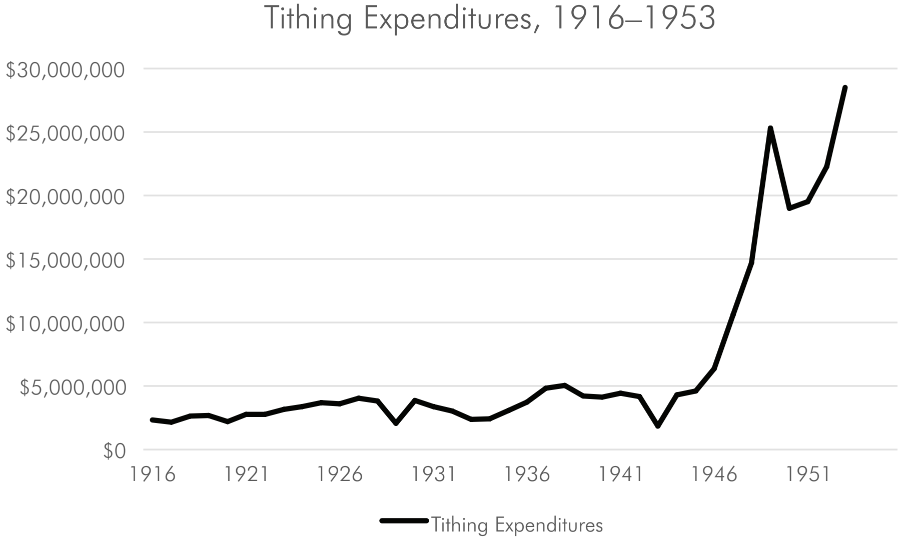

Figure 1

Figure 2 can help explain at least partially, what caused the explosion in expenditures. It shows spending on ward and stake expenses, on missions, on Church schools, and on temples. The data are incomplete—some years the Church failed to list expenditures in certain categories, leaving the lines broken—but they still point toward very specific culprits: wards and stakes. While all categories of expenses started rising in the mid-1940s, spending on wards and stakes exploded, sextupling between 1948 and 1953. And by 1953, stake and ward expenditures, which had been roughly in line with the other three categories, was two to three times as high as any of the other three categories of expenses.

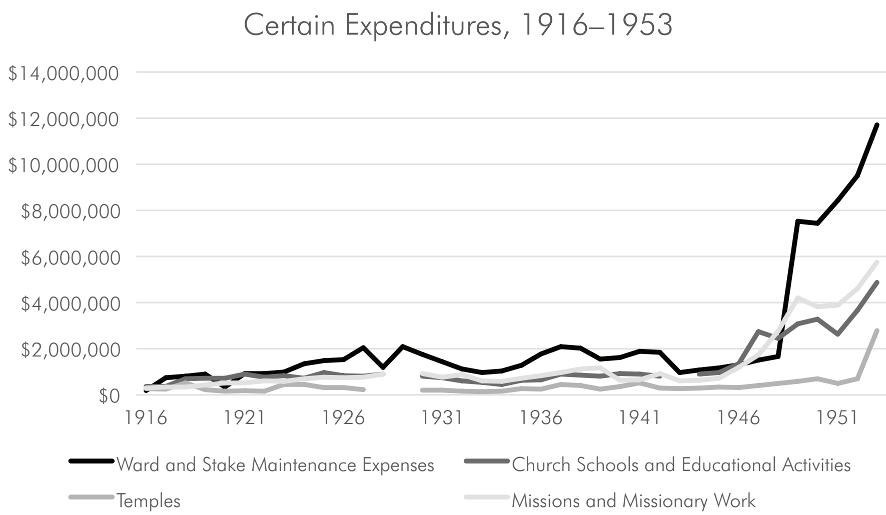

Figure 2

Third, the financial disclosures are virtually devoid of revenue reporting. That is, the Church never disclosed how much it received in tithing nor how much it earned on its various for-profit investments, the tuition it received from Church schools, nor the amounts earned from various Church-owned hospitals. The Church was not *entirely* silent about its revenue, though. It did disclose its fast offering receipts between 1942 and 1950. (Note that this additional disclosure lines up fairly closely with my Magnification period.)

As a result of the Church's virtual silence on revenue during the forty-five-year disclosure period, the Church's detailed financial disclosure did little to inform donors or to prevent fraud. That is, while we know that the Church spent about $6.3 million from tithing funds in 1946, then $10.6 million in 1947, the numbers leave out significant information that we need to evaluate the wisdom of such expenditures. We do not know how much revenue the Church had in 1946 and 1947, and the amount of revenue matters: if its revenue was only $5 million in each of those years, then the Church was engaged in deficit spending, and may not be the ideal recipient of donations. On the other hand, if it had revenue of $20 million each year, it failed to account for half of its revenue, leading to questions about what it did with the additional cash.

In either case, though, even knowing the annual revenue does not give us a perfect picture of whether the Church is financially sound or whether the Church acted fraudulently. The financial statements not only fail to disclose the Church's revenue, they largely do not disclose its assets (with the exception, in some years, of assets held for welfare purposes). Even if the Church spent more than its revenue for two or three years, it may have built up a surplus in prior years, with the intent to use that surplus to fund years with insufficient revenue. Likewise, the Church spending less than its revenue does not mean the Church was engaged in fraud; it may have been building a surplus for just such a rainy day. Disclosing expenditures alone, then, provides very little informational benefit. Expenditures make up only one facet of an organization's financial health. And essentially the disclosure that the Church made for so many years provided almost exclusively a snapshot of the Church's expenditures for a given year.

If the Church were to voluntarily return to providing detailed financial disclosure, there is no reason to think its disclosure would be significantly different from what it gave during the first half of the twentieth century. Those years represent the fullest financial disclosure the Church has ever provided, and, while those reports are tremendously interesting, as we will see, they have little benefit either for regulatory purposes or for donor purposes.

Theoretically, of course, voluntary disclosure is not the only model. Congress could do what the House of Representatives tried to do in 1969: eliminate the exemption for churches from filing information returns. Assuming it could get beyond the lobbying that would accompany such a change and get comfortable with the constitutionality of the change, Form 990 that other tax-exempt entities must file has considerably more information than the disclosure the Church made in the past. On Form 990, the Church would have to disclose its revenue and expenditures, and it would have to provide a balance sheet listing its assets.

Even this involuntary disclosure, though, may be less valuable to potential donors and watchdogs than they might prefer. In the first instance, as discussed above, Form 990 is meant to provide the IRS with the information it needs to ensure that a tax-exempt organization is meeting the qualification requirements for the exemption and is paying the taxes, if any, that it owes. It is not designed to give donors substantive information about how well the organization is meeting its charitable goals.

And Form 990 does not give a complete picture of an organization's financial health. For example, in Schedule D, a tax-exempt organization must list the interests it holds in non-publicly-traded companies. For the LDS Church, those investments would include Deseret Book, Bonneville International Corporation, and any other for-profit entities it owned. In addition to ownership, the Church would have to disclose the value of those entities. But it could choose between market value and cost. So if the Church initially acquired Deseret Book for $1 million, and today it was worth $100 million, the Church could choose either valuation to put on its disclosure (though it would have to say which valuation method it used).[46]

And because its for-profit subsidiaries are not part of the Church itself, their income and liabilities would not go on the financial disclosure. (They would file tax returns but, like most tax returns for non-exempt taxpayers, their returns would be private.[47]) In fact, the Church would almost undoubtedly—and understandably—compartmentalize even further.[48] Right now, for example, it is subject to financial disclosure in the United Kingdom, but the disclosure it makes is solely for its operations in the United Kingdom.[49] Moreover, its mandated UK disclosure in many ways provides less information than its voluntary twentieth-century disclosure did. While the UK disclosure includes revenue, it appears to only require the Church to break out separately its three largest expenditure categories. Again, it provides some valuable information, but that information has limited value in terms of fraud prevention and, given that outsiders are unlikely to donate in any event, even less value in terms of convincing potential donors that the Church will use their donations in the best possible manner.

The First Period: Experimentation (1915–1922)

Presumably, the Church's entrée into the world of financial disclosure came as a surprise to the members attending General Conference in April 1915. In fact, Joseph F. Smith appears to have anticipated the surprise. In introducing the Church finances, he admitted that such disclosure had "not been indulged in very much."[50] Why, then, indulge in it now? According to Smith, one reason, as discussed above, was to combat charges "made against me and my brethren."[51] Though he did not tell what charges were being made against him, in 1911 the House Ways and Means Committee had begun investigating whether the American Sugar Refining Company had violated anti-trust laws. As part of that investigation, it looked at the relationship between American Sugar and the Utah-Idaho Sugar Company, of which Joseph F. Smith was president.[52] The involvement by Church leaders, and the Church itself, in the Utah-Idaho Sugar Company led to accusations that Smith used Utah-Idaho Sugar to benefit the Mormon

Church, and that the Church used its political influence to enact tariffs that benefitted Utah-Idaho Sugar.[53] In fact, as the hearings approached, the *Salt Lake Tribune* "announced that it eagerly awaited the 'exceedingly embarrassing questions' that the sugar authorities would have to answer."[54] Smith's disclosure of Church finances, then, may have been intended partly to counteract this narrative that Church leaders were engaging in fraudulent and illegal transactions, at least with Church money.

But demonstrating the falsity of some people's accusations was only one reason for the disclosure. Smith provided the financials in the opening address of the opening session of General Conference in 1915; prior to reading the financials, he was discussing duty generally, and members' duty to care for the poor specifically. Combining the two strands, he said,

> The trouble with us at present is that there are so many men who are holding membership in the Church, who neglect their duty in so many ways, that we have not the means to provide as amply as we would like for the necessities of the poor. When you look upon a tithing record, a book of large dimensions, containing the names of members of the Church who do not pay their tithing, you do not need to wonder why the Church has not more means to provide for the poor.[55]

He then told the congregation that he was "going to read you just a few little things that we are doing with the means you consecrate to the Lord for the upbuilding of Zion."[56] Disclosing the Church's finances appears to have been motivated at least in part to encourage members to pay their tithing.

Thus, the Church ostensibly began disclosing detailed financial information for the very same reasons that tax law today requires most tax-exempt organizations to disclose their finances: to prevent fraud (or, in the case of the Church in 1915, to demonstrate that it was not engaging in any fraud), and to attract donors.

Smith read the expenditures of tithing funds in nine categories. Interestingly, one of the categories that was paid out of tithing funds—and that continued to be paid out of tithing funds at least until the Church ended its public disclosure—was payments "to the worthy poor." Fast offering and Relief Society monies augmented the Church's tithe-based charitable payments, but did not replace them.

The introduction of financial disclosure not only came as a surprise to members of the church, but it may also have been disquieting for them. Even Smith did not seem entirely comfortable with the new practice: after reading the financials, it occurred to him "that we are talking to you on the Sabbath day, and some people, perhaps, may feel that it is somewhat out of place for us to talk about money and temporalities, about tithing, or the expenditure of means and the uses made of it, on the Sabbath day." Ultimately, though, he felt this new experiment was right because "the Sabbath was made for man, and not man for the Sabbath."[57]

This spirit of experimentation—of trying to figure out how to do disclosure—continued for several years. In 1916, the second year that the Church publicly announced its finances, Smith did not lay out the finances from 1915. Instead, he aggregated the Church's financial expenditures between 1901 and 1915, the years of his presidency. He explained that he did not want to use this disclosure to put himself above prior Church presidents, "but I do think that we have a record that we need not be ashamed of for the last fourteen or fifteen years or more."[58]

The elision of fourteen years of financial history into a single report makes it impossible to compare this report with the prior year's. Still, it seems less like an attempt to suppress information than it does a valedictory celebration for Smith. He mentioned that in 1906, the Church paid off a $1 million debt. He discussed temples that had been and were being built. He mentioned historic sites the Church had purchased during that period. And, again, this was only the second year of disclosure; he was still experimenting, having not yet established a standard template.

Though the first two years differ in terms of categories and time periods, they both lay out expenditures as a table. In 1917, that changed: rather than a table with categories of expenditure followed by the amount expended, Smith provided amounts expended in narrative form.[59] In 1918 he returned to a tabular presentation.[60]

In June 1919, Heber J. Grant's first General Conference as president, he both followed Smith's lead and departed from Smith's format. Grant provided the financial disclosure in tabular form, but he waited until the second day of General Conference to present the information.[61] In 1920 and 1921, Grant returned financial disclosure to the opening address of the first day, but he presented it in narrative form.[62] In the last year of the Experimentation period, Grant presented expenditures in a combination of narrative and tabular formats, leading off with narrative educational expenses and then dropping the financial disclosures until three pages later, when he picked them up again, in what essentially amounts to a table.[63]

These first eight years are interesting, because they show a commitment to financial disclosure while, at the same time, they show the Church experimenting to figure out how to best present the information (and, to some extent, what information to present). Some things were identical from the beginning: during this period, it was always the president of the Church who presented the financial statements and, although the disclosed categories changed marginally from year to year, in general, Church expenditures were divided into a consistent group of categories.

Some things, on the other hand, were more difficult to nail down. The oral nature of the financial disclosure in particular seems to have presented problems. Church leaders settled quickly on two different presentation forms (narrative and tabular), but they switched between the two apparently at random (though, as we will see, they quickly decided that a tabular presentation was better).[64]

The immediate impetus for the Church's beginning to disclose its finances appears to have been to demonstrate the lack of fraud or mismanagement and to encourage increased donations to the Church, precisely what the theory behind disclosures suggests it should be used for. However, we cannot say from the financial disclosures whether the Church was successful, because, while it disclosed its expenditures, it never disclosed its revenues. Successful or not, disclosure instantly coalesced into a regular practice, albeit inconsistent in its details.

The Second Period: Routinization (1923–1943)

Irrespective of its original purposes, by 1923 disclosure appears to have moved from purpose-driven to inertia-driven. Introducing his financial disclosure in 1923 (just nine years after the beginning of consistent disclosure), Grant said, "It has become customary at the April Conference to give some statistics regarding the expenditure of the tithes of the people, our mission work, and other items."[65] In 1924 and 1925, he prefaced his reading of the financial disclosures with the same "customary" language.[66] In 1926, Grant changed his introduction slightly: now it was "generally expected that at the April conference of the Church something shall be given in the nature of statistics regarding the condition of the Church."[67] For the next two years, any such preface disappeared, only for "customary" to show up again in 1929,[68] 1931,[69] and 1932[70] (but not in 1930). After 1933, when Grant was no longer reading the financial disclosure, its presentation in conference came unprefaced by any substantive introduction.

In less than a decade, then, financial disclosure had transformed from a novel and slightly unnerving practice into a customary one. And in less than fifteen years, it had transformed further into an expectation. Although there were minor variations between 1923 and 1943, the financial disclosures during this period stayed remarkably consistent. During this period (and, in fact, for the rest of the Church's financial disclosure), expenses were presented essentially in tabular form. During some years (e.g., 1923–1925), the presentation of finances in the *Conference Report* was literally in a table. During others (e.g., 1926–1927), the written report does not put the description of the expenditure in a separate column from the amount.

But even during those years in the Routinization period that do not use a literal table, the financial disclosure was still essentially a tabular, not a narrative, presentation. In many years during the Experimentation period, numbers were incorporated into detailed discussions of what the Church was doing with the money, with expenditures interspersed within the paragraphs. During the Routinization period, description is limited to what the category of expenditure entails, and each such paragraph ends with a dollar amount.

During this period, Grant, as president of the Church, continued to present the financial disclosure until 1933, when David O. McKay, the second counselor in the First Presidency, took over "at the request of President Heber J. Grant."[71] Other than permanently dropping any introduction to the financial disclosures, McKay's taking over the role of reading them did not present any substantive change in format or content. And, with three exceptions, McKay continued to present the disclosure through the end of the Routinization period. In 1938,[72] 1940,[73] and 1943,[74] Joseph Anderson, Clerk of Conference and secretary to the First Presidency, read the financial reports. There was no substantive difference between the styles of the reports read by McKay and those read by Anderson, which suggests that, irrespective of the presenter, they were written by the same person or persons.

By the end—if not by the beginning!—of the Routinization period, the underlying goals of disclosure appear to have been forgotten. There is no discussion of increasing members' tithe-paying or of calumnious rumors about the mismanagement of funds. Instead, financial disclosure during this period has an inertial feel to it—it is being done, and done consistently, because that is what the Church does and because that is what members of the Church expect. The disclosure becomes less personal and the presenter becomes fungible—what the members hear is the same, whether delivered by the president of the Church, his counselor, or his secretary.

This lack of personality presents a significant advantage to listeners: as the disclosures become routine, and as they shed their idiosyncrasies, it becomes far easier to compare Church expenditures over time. This easy comparison from one year to the next does not provide all of the information a potential donor might want, lacking, as it does, any disclosure of Church revenues. Still, the Routinization period demonstrates that the Church had found what it considered best practices, and that it had professionalized its financial disclosure.

The Third Period: Magnification (1944–1951)

The year 1944 saw a significant stepping-up of the Church's financial disclosure. In April of the year before, J. Reuben Clark Jr., the first counselor in the First Presidency, delivered an address in which he encouraged members to "magnify your calling and live righteously." Members who magnified their callings would have "almost infinite power in [their] hands."[75] And Clark appears to have taken this injunction to magnify his duties seriously with regard to financial transparency.

Even in April 1943, when Anderson delivered the final financial disclosure of the Routinization period, Clark was thinking about Church finances. He explained to the congregation that 95.5 percent of tithe-payers in the Church paid less than $200, and their donations made up two-thirds of total tithing revenue. "Thus," Clark explained, "the tithing is paid by the moderately circumstanced and poor of the Church."[76] In October 1943, the last General Conference before Clark would begin delivering the financial disclosures, he told the assembled congregation that 1941 had represented the largest tithing in the history of the Church; then, in 1942, tithes had increased by more than fifty percent; in the first nine months of 1943, tithes had again increased by more than fifty percent.[77]

Of course, Clark's mentioning the increase in tithes did not provide any substantive information other than that donations were up. Although tithing receipts in 1943 were apparently two and a half times higher than the already-high receipts in 1941, Clark did not quantify the actual receipts. And he did not explain what, if anything, had changed to cause these increases. Nonetheless, he was open about the relative scope of Church revenue over the course of the prior couple years.

And then, in 1944, he began to deliver the financial disclosure for the Church. His method of financial disclosure represented a virtual sea of change in how the Mormon Church presented this information. Up until 1943, the Church had laid out its expenditures in generally stable categories. In 1944, Clark added layers of detail to this model. Rather than merely providing the expenditures, he listed the budget appropriations, the expenditures, and the amount by which expenditures differed from the amount appropriated.[78]

This model—appropriation, expenditure, and the difference between the two—continued throughout the Magnification period (which, it is worth noting, is coterminous with the time that Clark presented the financial disclosure in conference) with one small change: in 1948, Clark added a *fourth* column for supplementary appropriations.[79]

Why this detail? In addition to his dedication to magnifying his calling, Clark appears to have had a remarkable interest in the Church doing the right thing. He does not appear to have been an accounting wonk, delivering in-depth financial statements primarily out of interest in the numbers; delivering these tables orally must have been tedious both to him and to his listeners. In fact, he claimed to believe that "[f]igures are never very interesting"; they are, however, "more interesting when they indicate prosperity, the use of funds in a proper way, for proper purposes than they are at other times." Clark went on to explain that the Committee on Expenditures, made up of the First Presidency, members of the Quorum of the Twelve, and the Presiding Bishopric, "pass on every cent that is covered by the budget," and that the accounts were audited. These procedures ensured that there was virtually no misappropriation of Church funds.[80]

Clark, in other words, saw this in-depth disclosure not only as his duty, but as having an instrumental purpose. Through broad transparency, he could assure Church members—including the poor, whose donations made up so much of the Church's revenue and who presumably sacrificed real consumption to pay their tithing—that the Church was using their donations responsibly. In his mind, the Church owed these tithe-payers an obligation to be careful with the money they donated. And care involved not only spending money on worthy things, but on actually planning how to spend the money and then living within those budgetary constraints.

Though the detailed budgetary disclosure is the principal feature distinguishing the Magnification period from other periods of disclosure, it is not the only distinguishing feature. Two other notable changes occurred roughly within this time period, both of which increased the Church's financial transparency. Beginning in 1944, the annual financial disclosure added the appropriations and expenditures for the Office of the Corporation of the President and the Office of the Corporation of the Presiding Bishop. Expenses in these two categories included, among other things, salaries, office and traveling expenses, and living allowances for General Authorities. Clark made clear that these expenditures came from non-tithing income, though he did not specify the source or amount of the non-tithing income from which these expenditures were made. Also, from 1944–1949, the financial disclosures included a detailed financial report laying out the net value of the assets owned by the Church that were associated with the welfare program.

As previously noted, the Magnification period corresponds with Clark's time presenting the Church's financial disclosure. I did not choose to designate the years between 1944 and 1951 as its own period solely because a single person delivered the disclosure; in 1944, the scope of disclosure changed radically, and it remained roughly constant for the eight years that Clark delivered it. Its constancy, the difference between disclosure between these eight years and the rest of the forty-five years, and Clark's expressed concern about donors feeling comfortable with how the Church used their donations, suggest that the Magnification period bears Clark's fingerprints in a substantive way.

And though one of Clark's underlying goals with this expanded disclosure was undoubtedly to assure tithe-payers that the Church was responsible with their money, this was probably not his only incentive. In 1948, Clark expressed concern about Church expenditures, which he felt were increasing at "a disquieting rate."[81] By laying out publicly the budget for each category of expenditure, and then whether the Church met that budget, he put pressure on those who spent Church money to stay within their budget. The style of disclosure during this period allowed the Church body to know if any department went over budget.

The Final Period: Retreat (1952–1959)

Clark continued as a member of the First Presidency until his death in 1961.[82] In April 1952, however, although attendees at the April General Conference heard Clark speak at the General Priesthood Meeting on the second day,[83] they did not hear him deliver the financial disclosure. Instead, the responsibility fell back to Anderson,[84] who continued to read the financial report until 1959, the last year the Church provided any kind of detailed financial transparency.

Immediately the disclosure began to revert to its pre-Magnification state. Rather than listing the amounts budgeted and the amounts spent, the disclosure returned to the tables of the Routinization period, laying out categories of expenditures and the amount spent. The reversion did not occur all at once, though: in 1952, the financial disclosure continued to include, as separate line items, the expenses related to the Office of the Corporation of the President and the Office of the Corporation of the Presiding Bishopric.[85] But the following year, the Church began to retreat in baby steps from this granular detail: in 1953, these expenses were collapsed into the "Administrative Expenses" category, which included, among other things, salaries of Church employees in the Offices of the Presidency and of the Presiding Bishopric, along with the Tabernacle Choir employees and living and travelling allowances for the General Authorities.[86]

In 1954 there was another significant, albeit quiet, shift in the substance of Church financial disclosure. From the Magnification period through 1953, the disclosure stated that expenses related to the Office of the First Presidency and the Office of the Presiding Bishopric were paid out of non-tithing income; in 1954, those expenses were suddenly in the category of expenditures "which originate directly and indirectly from the office of the Corporation of the President, which expenditures are funded in the main from the tithes of the Church."[87]

Although this final period of financial disclosure retreated from the level of detail provided during the Magnification period, it nonetheless provided some new information. For example, in

1955 and 1956, the Church's financial disclosure told how much of each category of spending came from Church general funds (i.e., tithing) and how much came from other contributions. For example, in 1954, the Church spent $2,808,448 of tithing funds and $265,582 from other contributions on building and equipping new temples.[88] This level of detail confirms that the 1954 shift from funding the Offices of the First Presidency and the Presiding Bishopric out of non-tithing revenue to funding them out of tithing revenue was not a fluke. In 1954 and 1955, the full amount of administrative expenses ($1,765,119 in 1954 and $1,620,198 in 1955) came out of general funds, while none of the payment of administrative expenses came out of other contributions.[89] In 1957, the Church dropped the separation in its disclosure and, for the final three years, simply stated that expenditures came "[f]rom Church general funds and from other contributions."[90]

This same separation between expenditures from the general fund and other contributions provides interesting detail about the Church's welfare expenditures out of tithing. Those expenditures do include directly assisting the needy, but they also include the "erection, purchase, remodeling and repair of bishops' storehouses and other general welfare properties, and for equipment."[91] It should come as no surprise, of course, that charitable funds went not only toward providing aid, but also toward creating and maintaining the infrastructure necessary to store and deliver aid; however, the detail does not show up even in the Magnification period. Even while the Church retreated from, and eventually ended, its financial transparency, it managed to provide new details about how it accounted for and spent the money it received from tithe-payers.

IV. Second-Best Financial Disclosure

The LDS Church's experiment with detailed financial disclosure provides an important lesson for those who argue for financial disclosure: disclosure, standing alone, is meaningless.

That must be an overstatement: how can financial disclosure, which provides the public with some level of information, be meaningless? Financial disclosure is, to a large extent, a process of categorization. Without categorization, disclosure would be a mere data dump, providing hundreds of thousands, if not millions, of line-item expenses. Analyzing and understanding that level of disclosure would take time and training that the vast majority of interested persons does not have.

To be valuable, then, the Church would need to categorize its expenses, which it did during the fifty years explored in this article. But those categories shifted over time, with some categories being absorbed into others, while other categories appeared out of nowhere. The ability to categorize provides the Church—or any other organization—with the ability to reveal or to obfuscate; in any event, financial disclosure provides (necessarily) a false sheen of objectivity.

In addition, the value of disclosure rests on trust. It is important to note that the Church does, in fact, provide annual financial disclosure to its members. Every year in General Conference, the Church Auditing Department reads a statement assuring members that its finances have been handled in accord with accepted accounting practices and Church budgets, policies and procedures.[92] Though this disclosure does not provide any specific details about Church finances, it does, nonetheless, provide financial information about the Church. And if the audit report is somehow untrustworthy, why would a more-expansive disclosure, prepared by the same people, be more trustworthy?

In fact, as long as disclosure is voluntary and the Church faces no consequences for false disclosure, there is no extrinsic reason to believe more-detailed disclosures over less-detailed ones. Moreover, as a practical matter, the Church appears unlikely to voluntarily provide detailed financial disclosure in the near future; it seems content with the amount of tithing it collects and is not facing any substantive rumors of fraud.

This creates a seemingly intractable problem: certain advocates want the Church to provide more disclosure, while the Church (apparently) does not. To the extent one party gets its desires, the other's desires are thwarted.

But there may be a second-best solution that accomplishes many of the Church's goals and of the disclosure advocates', even while it requires both sides to accept only partial satisfaction. That solution? Replace the Church Auditing Department report with a report read by an external auditor.

Presumably, in that case, the content of the report would be similar to what the Church currently presents. It would not provide details about how and where the Church spends money, detail which reformers would clearly prefer that the Church provide. At the same time, though, it could increase trust. While there is no reason to believe that the Church Auditing Department reports are inaccurate, the members of the Auditing Department are Church employees and, as such, face pressures (whether real or imagined) to view things in the manner most favorable to the Church. An external auditor would not face those same pressures, especially if the Church were only one of a number of clients.

Beyond that, an outside auditor's opinion would provide more information to the average Church member than a financial table. Industry-specific auditors have contextual knowledge about their industries that laypeople do not;[93] while knowing how much the Church spends on real estate maintenance would be fascinating, most members have no way of knowing if that number is reasonable, if it is high, or if it is low. An auditor would, however, have that contextual knowledge.

An outside auditor could also provide value to the Church. Because of her contextual knowledge, she would know how the Church's finances were compared to a peer group of similar institutions. The Church could use that knowledge and information to improve its financial practices.

Conclusion

In the near term, the theoretical, political, and historical framework I have sketched here for the debate over whether the LDS Church should become more financially transparent is largely moot. The Church appears unlikely to return to the financial openness of the early-to mid-twentieth century.

On a theoretical level, a church's financial transparency does little to encourage donations by individuals other than its own members. Financial transparency by tax-exempt organizations serves principally to encourage donations by assuring donors that their money is being responsibly spent in ways the donor approves and by discouraging tax-exempt organizations from acting fraudulently. Because the LDS Church, like most churches, raises the majority of its donations from members, members would be the principal audience for such disclosure.

And, in fact, these theoretical considerations seem to have driven the Church's decision to make its finances public a century ago. The ability of voluntary financial transparency to prevent fraud and mismanagement appears limited, though: as demonstrated by the LDS Church's half-century experiment, a voluntary discloser can change the scope and detail of its disclosure, or even quit disclosing altogether. But even if it were required to disclose—as other tax-exempt organizations are—the ability of fraudulent charities to raise significant funds suggests that disclosure has, at best, a highly circumscribed capacity to police financial practices, even when such disclosure is required by law. Unless potential donors pay close attention to the financial disclosures and have the financial literacy to evaluate those disclosures, impact on the disclosing organization will be insignificant.

That the LDS Church does not disclose its finances suggests that it is satisfied with its revenues, and that it has no need to increase them.[94] It is possible, of course, that additional financial transparency might induce some recalcitrant members to pay more tithing, but it is also possible that some current tithe-payers would be dissatisfied with the way the LDS Church spends its money and would reduce their contributions.[95]

Why are members of the LDS Church willing to tithe without knowing how the Church spends its money? There are numerous of possibilities. The Church may have successfully inculcated in members a culture of tithe-paying. In members' minds, identity as a Mormon goes hand-in-hand with paying tithing, irrespective of how the Church uses that tithing. This kind of tithe-paying ethos could reduce the need for the Church to provide a detailed explanation of how it spends its money. Add to that culture an auditor assuring the body of potential donors that the Church is acting in a responsible financial manner, and the marginal value to members of additional disclosure could be vanishingly small.

In addition, paying tithing to the LDS Church is not an entirely altruistic endeavor. Members have been promised blessings—spiritual and, potentially, temporal—in exchange for paying tithing. They can see the tangible results, including meetinghouses and temples. And paying a full tithe has express spiritual and social benefits to members, too—tithe-paying is a prerequisite to attending the temple.[96]

D. Michael Quinn posits another reason that members of the LDS Church may be more willing to pay tithing without financial transparency than theory would lead us to expect. As a result of the Church's lay participation, and its cycling of members through positions that deal with Church finances, "literally millions of LDS men and women today have had experience as stewards over Church funds. These Mormons have personal knowledge of the careful accountability for these funds as overseen by superiors in the line of authority and by Church auditors."[97]

From an institutional and revenue perspective, then, the LDS Church appears to have little to gain by increasing its financial transparency. It can, though, provide valuable information to members and potential members without substantively increasing the amount of information it discloses by engaging an independent external auditor. While this does not perfectly meet the goals of advocates of disclosure, it does provide a second-best solution, one that provides real information to members with potential benefits to the Church as well. Perhaps by giving up the perfect for the good, advocates of financial transparency can, in fact, achieve a portion of their goals.

Appendix A: Expenditures from Church General Funds, 1914–1958

Year	Ward & Stake Maintenance Expenses	Church Schools & Educational Activities	Temples	Missions & Missionary Work	Church-owned Buildings	Church Welfare (tithing)	Hospitals (and certain other charitable expenditures)	Other
1914	$730,960.00	$330,984.00	$117,155.00	$227,900.00	$227,956.00	$116,238.00	$136,727.00	
1915	$5,003,856.00	$3,714,455.00	$1,169,499.00	$266,236.00	$1,716,000.00	$3,279,000.00	$600,000.00	
1916	$184,136.00	$365,832.00	$260,188.00	$297,745.00	$864,562.00	$308,951.00	$33,587.00	
1917	$751,978.00	$368,028.00	$237,781.00	$335,861.00	$154,878.00		$320,963.00	
1918	$814,769.67	$695,561.70	$510,036.17	$345,761.51		$279,244.30		
1919	$902,094.97	$722,353.83	$214,476.51	$420,359.88		$354,283.26	$70,121.00	
1920			$158,715.29	$511,709.97		$450,000.00		
1921	$925,270.00	$893,000.00	$170,000.00	$518,647.00		$266,649.00		
1922	$928,859.00	$771,490.00	$168,371.00	$615,461.00		$273,657.00		
1923	$993,000.00	$835,000.00	$449,000.00	$586,000.00		$171,000.00	$146,000.00	
1924	$1,352,663.43	$727,808.93	$442,018.46	$700,664.09		$175,520.77		
1925	$1,486,351.81	$958,440.67	$319,415.00	$769,926.79		$172,352.74		
1926	$1,530,243.64	$837,810.47	$322,500.36	$738,737.00		$187,570.43		
1927	$2,041,920.46	$805,117.84	$230,110.77	$767,647.80		$196,119.48		
1928	$1,200,000.00	$900,000.00		$900,000.00		$800,000.00		
1929	$2,080,000.00							
1930	$1,750,454.19	$811,622.19	$196,898.81	$916,543.59		$203,091.41		
1931	$1,446,850.46	$751,200.28	$201,833.50	$757,126.76		$224,556.38		
1932	$1,124,793.78	$609,467.95	$166,475.96	$871,908.21		$272,163.64		
1933	$959,162.96	$530,243.19	$136,457.70	$597,577.42		$157,208.88		
1934	$1,033,647.93	$459,580.65	$151,539.91	$593,459.62		$158,149.86		
1935	$1,287,938.43	$632,128.59	$268,857.59	$712,027.52		$183,809.71		
1936	$1,765,621.30	$657,455.23	$238,447.37	$827,132.03		$234,019.17		
1937	$2,088,592.35	$904,305.81	$451,043.33	$975,105.26		$298,807.55	$126,204.00	

(Continued on next page.)

1938	$2,016,300.04	$862,633.98	$404,582.26	$1,116,066.02		$572,898.61	$67,987.67	
1939	$1,544,357.99	$801,414.73	$239,457.65	$1,171,272.56		$429,982.89	$15,183.15	
1940	$1,627,921.15	$924,495.95	$352,423.60	$628,338.03		$594,917.00	$10,665.15	
1941	$1,892,335.54	$895,452.27	$515,269.82	$641,050.10		$462,822.02	$13,105.36	
1942	$1,841,671.00	$819,173.00	$292,774.00	$916,771.00		$307,483.00	$9,446.00	
1943	$965,424.00		$272,197.00	$598,299.00				
1944	$1,069,519.00	$903,941.00	$285,991.00	$624,176.00	$774,329.00	$285,949.00		$360,653.00
1945	$1,167,749.00	$969,846.00	$327,161.00	$721,106.00	$763,878.00	$291,696.00		$390,078.00
1946	$1,301,790.00	$1,343,931.00	$324,537.00	$1,201,476.00	$1,066,259.00	$665,687.00		$441,893.00
1947	$1,509,631.00	$2,745,099.00	$404,105.00	$1,729,542.00	$2,118,905.00	$1,242,123.00		$868,413.00
1948	$1,657,349.00	$2,444,518.00	$496,459.00	$2,762,668.00	$4,622,861.00	$1,547,123.00		$1,164,914.00
1949	$7,529,460.00	$3,086,136.00	$589,331.00	$4,212,138.00	$7,154,016.00	$1,714,280.00		$1,001,618.00
1950	$7,431,223.00	$3,272,403.00	$696,862.00	$3,822,189.00	$1,198,985.00	$1,608,454.00		$966,609.00
1951	$8,420,348.00	$2,627,430.00	$499,042.00	$3,894,826.00	$1,090,561.00	$1,947,653.00		$1,043,065.00
1952	$9,516,508.00	$3,674,086.00	$689,418.00	$4,601,828.00	$1,109,266.00	$1,573,803.00		$1,138,561.00
1953	$11,715,107.00	$4,879,227.00	$2,781,191.00	$5,755,081.00	$552,388.00	$1,514,873.00		$1,294,599.00
1954	$23,634,394.00	$5,608,131.00	$3,499,301.00	$7,120,399.00	$861,546.00	$4,645,684.00		$1,753,249.00
1955	$24,208,722.00	$7,694,274.00	$2,921,506.00	$8,849,697.00	$1,295,259.00	$6,059,361.00		$2,152,051.00
1956	$21,904,676.00	$10,201,140.00	$2,985,790.00	$10,482,511.00	$1,127,089.00	$4,863,513.00		$1,949,316.00
1957	$21,591,703.00	$10,351,171.00	$2,189,040.00	$12,137,175.00	$951,084.00	$6,242,500.00		$2,588,301.00
1958	$28,313,005.00	$15,508,502.00	$2,756,550.00	$13,034,893.00	$1,242,913.00	$6,881,667.00		$2,791,836.00

Appendix B: Non-Tithing Expenditures, 1914–1958

Year	Welfare (Fast Offerings and Relief Society)	Office of the Corporation of the President	Office of the Corporation of the Presiding Bishopric	Misc.
1914	$183,290.00			
1915	Not separated			
1916	Not separated			
1917	Not separated			
1918	N/A			
1919	Not separated			
1920	Not separated			
1921	$459,769.00			
1922	$323,638.00			
1923	$471,000.00			
1924	$489,406.61			
1925	$442,868.07			
1926	$436,055.44			
1927	$441,575.89			
1928	Not separated			
1929				
1930	$464,404.39			
1931	$455,423.46			
1932	$443,680.00			
1933	$355,566.71			
1934	$360,116.40			
1935	$402,938.94			

(Continued on next page.)

1936	$554,349.93			
1937	$388,619.67			
1938	$523,673.73			
1939	$589,102.58			
1940	$608,171.23			
1941	$779,256.80			
1942	$783,162.00			
1943		$272,783.00	$145,402.00	
1944	$872,776.00	$274,722.00	$164,998.00	
1945	$941,058.00	$293,602.00	$171,826.00	
1946	$1,209,359.00	$318,237.00	$227,185.00	
1947	$1,966,881.00	$356,898.00	$288,628.00	
1948	$2,052,828.00	$391,708.00	$379,480.00	
1949	$2,297,654.00	$380,935.00	$397,589.00	
1950	$2,399,390.00	$449,205.00	$458,364.00	$45,305.00
1951	$1,477,540.00	$454,106.00	$517,711.00	$85,080.00
1952	$1,714,202.00	$1,214,665.00*		
1953	$1,459,850.00	$1,407,913.00		
1954		$1,765,119.00†		
1955		$1,620,198.00		
1956		$1,740,836.00		
1957		$2,094,889.00		
1958		$2,264,940.00		

* In 1952, expenditures for the Office of the Corporation of the President and the Office of the Corporation of the Presiding Bishopric were combined into a single category, renamed ge*neral administrative expenses.*

† In 1954, these general administrative expenses shifted from being paid out of non-tithing revenue to being paid out of tithing revenue.

Notes

1. Thanks to Kevin Barney, Angela Clayton, and Spencer Weber Waller for their thoughtful comments on earlier drafts of this article.

2. Louis D. Brandeis, *Other People's Money: And How the Bankers Use It* (New York: Frederick A. Stokes Company, 1914), 92.

3. The Church Auditing Department has existed since at least 1877, when John Taylor presented three names to the attendees at Conference as a committee to audit the Trustee-in-Trust. John Taylor, October 7, 1877, *Journal of Discourses,* 26 vols. (Liverpool and London: LDS Booksellers Depot, 1878), 19:122.

4. See, e.g., *Report of the Semi-Annual Conference of the Church of Jesus Christ of Latter-day Saints*, April 2, 2011 (Salt Lake City: Church of Jesus Christ of Latter-day Saints, semi-annual), 27 (hereafter cited as *Conference Report*). Archive.org hosts scans of *Conference Reports* dating back to October 1897 (plus a copy of the April 1880 Conference Report). These copies of the *Conference Reports* can be found at https://archive.org/search.php?query=%28collection%3Aconferencereport%20OR%20mediatype%3Aconferencereport%29%20AND%20-mediatype%3Acollection&sort=date (accessed March 23, 2015).

5. *Conference Report*, April 8, 1906, 91.

6. Some countries require churches to file annual financial reports. As a result, the LDS Church provides financial disclosure for its operations in those countries, but only in those countries.

7. *Conference Report*, April 6, 1905, 12.

8. D. Michael Quinn, "LDS Church Finances from the 1830s to the 1990s," *Sunstone*, June 1996, 23.

9. Ibid., 25.

10. "The Church maintains that profits from business operations are used to support ecclesiastical efforts but this claim is unverifiable due to the private nature of Church finances. This policy of financial non-disclosure in and of itself raises tension with some societal segments." Seth Payne, "Ex-Mormon Narratives and Pastoral Apologetics," *Dialogue: A Journal of Mormon Thought* 46 (Winter 2013), 93. While this article will focus on voluntary or legislatively-mandated financial transparency, there is a third potential approach. In a number of sexual abuse lawsuits that have been brought against the LDS Church, plaintiffs have demanded that the Church disclose its finances. This type of financial disclosure differs, though, in purpose and result from the type of financial disclosure that this article will evaluate. Associated Press, "Court

Says LDS Church Must Release Long-Veiled Financial Information," *Salt Lake Tribune*, July 12, 2007, http://www.sltrib.com/ci_6357652 (accessed March 23, 2015). When plaintiffs demand financial disclosure, they have strategic reasons for doing so, including putting pressure on the defendant to settle and assuring the jury that the amount of the award they are pursuing is not comparatively outrageous.

11. I will limit the discussion of policies underlying mandatory financial disclosure to those that specifically apply to tax-exempt organizations. There are other reasons for disclosure, too—for example, publicly-traded corporations must disclose their finances in part so that potential and current investors can make informed choices, but, because churches do not have equity investors (and cannot if they wish to be exempt from taxation), these other policies are inapplicable to churches.

12. For example, the law often requires companies that are soliciting investors—or whose equity trades on public markets—to disclose risks they face, strategies they intend to employ, and certain financial information so that potential investors can make an informed decision about whether investing in the company matches their financial goals.

13. Or, at least, are less likely to engage in shady transactions that are easy to understand and follow.

14. Boris I. Bittker and George K. Rahdert, "The Exemption of Non-Profit Organizations from Federal Income Taxation," *Yale Law Journal* 85 (January 1976), 301.

15. Rev. Act of 1936, ch. 690, § 54(a), 49 Stat. 1671.

16. Rev. Act of 1943, ch. 63, § 117(a), 58 Stat. 36–37.

17. I.R.C. § 6103(a) (2012).

18. I.R.C. § 6104(a) (2012).

19. Karyn R. Vanderwarren, "Financial Accountability in Charitable Organizations: Mandating an Audit Committee Function," *Chicago-Kent Law Review* 77 (2002), 969.

20. Charles M. Whelan, "'Church' in the Internal Revenue Code: The Definitional Problems," *Fordham Law Review* 45 (1977), 914.

21. Summary of Statement of Dr. Ernest L. Wilkinson, President, Brigham Young University, on Behalf of American Association of Independent College and University Presidents, Tax Reform Act of 1969, H.R. 13270, Testimony to Be Received Wednesday, September 17, 1969, Committee on Finance, United States Senate, 22 (hearafter cited as *Senate Hearings*).

22. Ibid. Of course, this line of argumentation ultimately proves both too little and too much. Only donors who itemize their deductions need to include their charitable donations on their returns, meaning that without disclosure by churches and universities, the IRS has an incomplete picture of how much money goes to those organizations. At the same time, if disclosure by donors is sufficient for the IRS's purposes, there would be no need for any tax-exempt organization to disclose its finances, because donors who itemize must disclose charitable contributions to any tax-exempt organization.

23. Summary of Statement by United States Catholic Conference, *Senate Hearings*, 93.

24. The obvious counterargument here is that a church's tax exemption represents a general subsidy from taxpayers to the church. As such, the public—which is subsidizing the church's operations—should have access to financial information about the church, both to monitor its actions and to ensure that it is using public monies responsibly.

25. Summary of Statement by United States Catholic Conference, *Senate Hearings*, 93.

26. Ibid., 110.

27. Ibid., 137.

28. An "integrated auxiliary" is a tax-exempt organization that is affiliated with a church, but does not offer goods and services to the general public. Treas. Reg. § 1.6033-2(h)(1) (as amended in 2011). So, for example, an entity that is controlled by a church and has, as its only activity, publishing and selling a newsletter solely to members of the church would qualify as an integrated auxiliary. A religiously-affiliated hospital that serves the general public, on the other hand, is not an integrated auxiliary. Interestingly, the exception for integrated auxiliaries has a significant Mormon antecedent: Senator Wallace F. Bennett of Utah was concerned that the auxiliaries of the Church (including Relief Society and the various Mutual Improvement Associations) would not be recognized as churches for purposes of the filing requirement. As a result, he added "auxiliaries"; ultimately, Congress decided on the phrase "integrated auxiliaries." Whelan, "'Church' in the Internal Revenue Code," 915.

29. John Montague, "The Law and Financial Transparency in Churches: Reconsidering the Form 990 Exemption," *Cardozo Law Review* 35 (October 2013), 246–247. The pastors' concerns ultimately seem strange; although the tax law does not *obligate* churches to disclose their finances, any church concerned about being lumped in with fraudulent behavior by other religious leaders has

the right to make financial disclosures. As the UCCC pointed out, the lack of mandated disclosure does not foreclose voluntary disclosure.

30. Kris Hundley and Kendall Taggart, "America's Worst Charities," *Tampa Bay Times*, June 9, 2013, A1, http://www.tampabay.com/topics/specials/worst-charities1.page (accessed October 13, 2013).

31. It is worth noting that all charities face administrative costs, including fund-raising costs. And there is no absolute bar at which fundraising costs, as a percentage of donations received, become morally repugnant. That said, a charity that spends only 4 percent of its revenues on its charitable purpose is clearly on the wrong side of the moral repugnancy line.

32. For example, GuideStar requires users to register—though the registration is free—before they can search for and read a charity's Form 990.

33. Peter Swords, "The Form 990 as an Accountability Tool for 501(c)(3) Nonprofits," *Tax Lawyer* 51 (Spring 1998), 574–75.

34. Ibid., 582.

35. Quinn, "LDS Church Finances," 25.

36. ECFA Standards 3 and 5, available at http://www.ecfa.org/Content/Standards (accessed March 23, 2015).

37. "ECFA's *Seven Standards of Responsible Stewardship™*, drawn from Scripture, are fundamental to operating with integrity." http://www.ecfa.org/Content/Standards (accessed March 23, 2015). It is worth noting that the scriptures on which the ECFA bases its standards are not an explicit call to financial transparency; rather, they advocate doing right both in the eyes of God and of other people: 2 Cor. 8:21–22.

38. http://www.ecfa.org/Content/MissionStatement (accessed March 23, 2015).

39. http://www.ecfa.org/Content/Join (accessed March 23, 2015).

40. Quinn, "LDS Church Finances," 23.

41. Ibid.

42. *Conference Report*, April 4, 1915, 8.

43. Even the ECFA's scripturally-based standards are not carved in stone. They have changed, albeit infrequently, over time, presumably as the ECFA came to understand what would fulfill its scriptural mandate better. http://http://www.ecfa.org/Content/Standards (accessed March 25, 2015).

44. A significant exception to this context-free presentation was J. Reuben Clark. In 1948, he expressed his unease with the radical jump in Church expen-

ditures; from 1936–1945, he announced, the Church, on average, spent just under $5 million a year from its general funds. In 1946, it spent almost $6.9 million. In 1947, the expenditures from general Church funds had rocketed to $11.3 million. Though he was happy that the Church carried no debt, "in my own view, we must all watch more carefully our spending." *Conference Report*, April 6, 1948, 117.

45. Note that in 1916, rather than disclose the Church's finances from 1915, President Joseph F. Smith instead disclosed expenditures from 1901–1915. In 1954, the Church began to step back from separating general fund expenditures from non-tithing expenditures. As a result, it makes sense to leave out the first two years and the last five in designing the graph.

46. The choice makes sense; unlike publicly-traded corporations, closely-held companies may not have an easily-discernible market value. In that case, it may make more sense for an exempt organization to carry its investment on its books at cost.

47. I.R.C. 6103(a) (2012).

48. Cf. Nathan B. Oman, "International Legal Experience and the Mormon Theology of the State," *Iowa Law Review* 100 (2015), 727 ("As the Church expanded beyond the United States, it has had to fragment its legal personality in order to own property.").

49. The church's 2012 UK disclosure is available at http://apps.charitycommission.gov.uk/Showcharity/RegisterOfCharities/CharityWithPartB.aspx?RegisteredCharityNumber=242451&SubsidiaryNumber=0 (accessed March 23, 2015).

50. *Conference Report*, April 4, 1915, 8.

51. Ibid.

52. Matthew C. Godfrey, *Religion, Politics, and Sugar: The Mormon Church, the Federal Government, and the Utah-Idaho Sugar Company, 1907-1921* (Logan, Utah: Utah State University Press): 51-52.

53. Ibid., 86.

54. Ibid., 55–56.

55. *Conference Report*, April 4, 1915, 7.

56. Ibid.

57. Ibid., 10.

58. *Conference Report*, April 6, 1916, 7.

59. *Conference Report*, April 6, 1917, 8-9.

60. *Conference Report*, April 5, 1918, 6.

61. *Conference Report*, June 2, 1919, 75.

62. *Conference Report*, April 4, 1920, 2-3; *Conference Report*, April 3, 1921, 4-5.

63. *Conference Report*, April 6, 1922, 10, 13.

64. The numbers presented during the *Experimentation* period fail to provide the full picture, though. Occasionally in this period, some offhand remark provided an additional picture of the LDS Church's financial practices, even when that remark was entirely unquantified. For example, in June 1919, Grant asserted that the bishops had handled tithing well. "Very little loss has been incurred," he continued, "except through the failure to find a market for the large potato crop of the year 1917" (*Conference Report*, June 2, 1919, 74). Though he did not provide any numbers, in this short sentence Grant acknowledged that there was *some* mishandling of tithing funds that incurred some amount of loss. We also learn that the Church raised potatoes, that 1917 was a good year for potatoes, but that, apparently, the market was flooded.

65. *Conference Report*, April 6, 1923, 3.

66. *Conference Report*, April 4, 1924, 3; *Conference Report*, April 4, 1925, 2.

67. *Conference Report*, April 4, 1926, 3.

68. *Conference Report*, April 5, 1929, 2.

69. *Conference Report*, April 4, 1931, 2.

70. *Conference Report*, April 8, 1932, 2.

71. *Conference Report*, April 6, 1933, 3.

72. *Conference Report*, April 6, 1938, 74.

73. *Conference Report*, April 5, 1940, 4.

74. *Conference Report*, April 6, 1943, 101.

75. Ibid., 100.

76. Ibid., 96.

77. *Conference Report*, October 3, 1943, 96.

78. *Conference Report*, April 6, 1944, 19.

79. *Conference Report*, April 6, 1948, 119.

80. *Conference Report*, April 5, 1946, 6-7.

81. *Conference Report*, April 6, 1948, 117.

82. David H. Yarn, Jr., "Biographical Sketch of J. Reuben Clark, Jr.," *BYU Studies* 13(3) (1973), 242.

83. *Conference Report*, April 5, 1952, 80-82.

84. *Conference Report*, April 4, 1952, 4.

85. Ibid., 7.

86. *Conference Report*, April 4, 1953, 9.

87. *Conference Report*, April 5, 1954, 65.

88. *Conference Report*, April 6, 1955, 88.

89. Ibid., 89; *Conference Report*, April 6, 1956, 25.

90. *Conference Report*, April 6, 1957, 40.

91. *Conference Report*, April 6, 1955, 88.

92. *See supra* nn 3–4.

93. Kin-Yew Low, "The Effects of Industry Specialization on Audit Risk Assessments and Audit-Planning Decisions," *The Accounting Review* (2004), 201–02.

94. It is also worth noting that on the metric people tend to use in judging charities—fund-raising or administrative costs as a percentage of expenses—the LDS Church does remarkably well. In its British financial disclosure, the Church reported no fund-raising costs on a revenue of £51,105,000, explaining that the Church "does not undertake fund-raising in the traditional sense. It relies on donations." http://apps.charitycommission.gov.uk/SIR/ENDS51%5C0000242451_SIR_20121231_E.PDF (accessed March 23, 2015). Though perhaps inartful in its use of the word "donations," its point is well-taken—because it does not fundraise in a traditional manner, its costs of raising revenue are negligible.

95. If nothing else, members would see large numbers with little way to process them. Although we do not know what the LDS Church's budget currently is, in 1958 its tithing expenditures of $70.5 million were the equivalent of nearly $569 million in 2013 dollars. (To calculate the inflation-adjusted amount, I used the data at http://liberalarts.oregonstate.edu/spp/polisci/research/inflation-conversion-factors-convert-dollars-1774-estimated-2024-dollars-recent-year [accessed March 23, 2015].) In 1958, though, the Church had only 1.6 million members in 273 stakes and 2,513 wards and branches (*Conference Report*, April 6, 1959, 91). By 2013, membership had increased to over 15 million members in 3,050 stakes and 29,253 wards and branches (Brook P. Hales, "Statistical Report, 2013," https://www.lds.org/general-conference/2014/04/statistical-report-2013?lang=eng [accessed March 23, 2015]). With membership and congregations having increased by more than an order of magnitude and its spending per unit—or per member—staying constant, we could expect a $5

billion annual budget. (There is no reason, though, to assume that spending per member or per unit has not risen or dropped since 1958.)

96. Tithe-paying has been a component of worthiness to go to the temple since the Nauvoo period. Edward L. Kimball, "The History of LDS Temple Admission Standards," *Journal of Mormon History* 24 (Spring 1998), 162.

97. Quinn, "LDS Church Finances," 26.