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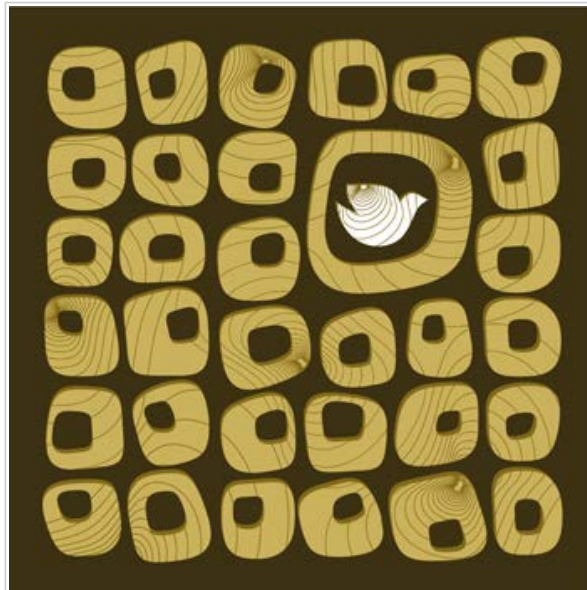
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Should your church start a nonprofit?

A successful church program can become a “caged bird” -- constrained by the structure of a single congregation. By starting a separate nonprofit, a congregation can let its programs fly, writes Joy Skjegstad.

by [Joy Skjegstad](#)



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December 21, 2009

Enrollment in a 20-year-old church preschool program grows, but tuition no longer covers expenses. An afterschool program that once served 20 children now serves 200. A congregation wants to do development work in Haiti but needs support from other churches.

It may be time to start a nonprofit if church programs such as these have become like caged birds -- the policies, structure and limited resources of the church prevent the programs from growing and thriving. The congregation just can't provide the funding, volunteers, management expertise or even a facility that will sustain the program and move it forward.

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To really “fly,” the church may need to set up the program as its own nonprofit organization. In my work as a speaker, teacher and consultant in the nonprofit management and ministry development field, I’ve found that many churches with schools or preschools consider this model, and it is also commonly used for community development activities such as affordable housing, youth development, job training and health clinics.

This path does involve some risks, of course, but for many congregations the advantages of the nonprofit outweigh the disadvantages. Using examples -- some real, some hypothetical -- I will explore some of the issues involved, which are explained in more depth in my book “[Starting a Nonprofit at Your Church](#).”

Let’s say First Church of Everytown, USA, has been running a preschool out of its basement for 20 years. As the preschool grows in popularity, the number of students increases. While in previous years, the preschool has been fully funded by tuition and gifts from church members, that’s no longer the case.

A nonprofit entity could be very useful in this situation, for several reasons: Because the preschool is growing, it needs outside resources (like grant funds) to sustain it. Tuition revenue has actually declined (even though the number of students has grown) because many new families need scholarships. The church is committed to providing care to whoever needs it, regardless of income. Because outside funders are generally more receptive to supporting a separate nonprofit than a church, a nonprofit may allow the preschool to get the money it needs to grow.

As a nonprofit, the preschool also can set up its own board of directors instead of being governed by the church board. The nonprofit board can focus on preschool business (rather than church business), and the preschool can recruit board members with expertise in early education or nonprofit management in addition to representation from the church. Similarly, a housing program may need “governors” with expertise in real estate acquisition and property management.

Often, congregations know it is time to consider this model when a church-based program has become bigger and more complex than when it was founded. Just imagine that an afterschool program that started 10 years ago as a gathering of 20 kids twice a week has grown into a full-fledged youth development program that operates 15 hours a week, providing academic support, sports and arts programs to 200 youth in grades K through 12. Such a large program may have outgrown the small or medium-sized congregation with which it originated.

I recently met with a congregation that is establishing a nonprofit to do community development work in Haiti. One of its goals is to attract funding and volunteers from other congregations, which was proving difficult when the project was organized under their church alone. By establishing a nonprofit, the congregation is helping persuade those other churches that the vision for the project extends far beyond the work of one church -- it requires a large group of Christians to do the work.

Having outlined some advantages of church-based nonprofits, I must note that this model is not for every congregation, and there are some disadvantages.

Some congregations find the additional reporting and administration required distracts from their ministry. One of my students once said: “All I really want to do is work with the families in our neighborhood. I don’t want to spend my time working with a board and fundraising. It’s not what I’m good at.”

Separate nonprofits also can create a distance between the program and the church. Sometimes the nonprofit drifts away from the faith focus of the church. (One way to avoid “faith drift” is to structure the nonprofit to stay connected to the church by requiring at least some board members to be from the church.)

Another concern is that church members may feel less ownership for programs under a separate nonprofit. They may assume that outside funders, volunteers and nonprofit staff can provide everything the programs need. As a result, donations of time and money from church members may decline if the work of the church nonprofit isn’t kept in front of the congregation.

The church-nonprofit model has great potential for helping congregations extend their programming and outreach by taking advantage of money, volunteers and expertise outside the congregation. That said, it’s important that each congregation undertakes an intentional process of weighing this model’s

benefits and risks.

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