

## LIVING WORD CHRISTIAN CENTER

In preparing this summation of events, allegations and responses, it seemed to me there should be three principle subdivisions:

1. A recent history and current status of our interaction with the IRS
2. A clear and concise context within which we must view individual allegations
3. The allegations themselves

### Background on "Rare IRS Audit"

In February 2007, a liberal "watchdog" group, Citizens for Responsibility and Ethics in Washington (CREW), sent a letter to the IRS alleging that the Church had improperly engaged in political campaign intervention (perceived endorsement of Michele Bachmann). CREW also forwarded to the IRS a stolen copy of a strictly confidential church loan application document containing financial information for 2001-2003 (years prior to the years in question) and six months of 2004.

On April 20, 2007, the IRS mailed a letter notifying LWCC of the purported commencement of a church tax inquiry with respect to the years 2004-2006. The letter was signed by a mid-level IRS employee. The letter raised concerns about an improper political campaign intervention by the Church (perceived endorsement of Michele Bachmann). On June 8, 2007, LWCC responded to those concerns. The IRS has since told the Church that the political issue has been completely resolved.

The IRS letter also asked for details about transactions between the Church and Pastor Hammond. The Church voluntarily responded to the IRS questions.

On October 19, 2007, the same mid-level IRS employee mailed a letter to the Church announcing the opening of an IRS examination of the Church. On November 30, 2007, the Church informed the IRS that it would not respond to additional questions unless the IRS followed the provisions of the law (Section 7611 of the Internal Revenue Code) that establish procedures designed to protect the separation of church and state and the special relationship of a church to its members. These procedures were not followed when the mid-level IRS employee, without the authorization that the law requires (approval of the deputy commissioner or commissioner of the IRS), opened an examination of the Church.

On March 21, 2008, the IRS issued an administrative summons to LWCC, which was addressed to me. On April 4, 2008, we responded and explained why the IRS had no authority to use a summons to compel the production of documents and testimony from the Church. The IRS then petitioned the District Court for enforcement, and the Court issued an Order to Show Cause on August 12, 2008. The Church intends to file a response and the issue will be heard on October 2, 2008.

Since the IRS began their inquiries of the Church, initially based upon the Bachmann issue, our responses to the IRS have been handled within defined timelines and following customary procedures in dealing with the IRS.

We believe that this investigation of the IRS is completely unfounded and politically motivated. Our books are clean and we have done what the IRS requires of a nonprofit

organization. Pressure from outside organizations as well as media interpretation of these events has triggered the audit.

#### Context Within Which Allegations/Attack Must Be Viewed

There is a very clear effort, national in scale, to discredit, defame, and intimidate ministries and preachers of what has come to be called the "prosperity message" – which in actuality is nothing more than the gospel – the good news that God is good and our covenant of blessing will provide increase in every area of our life. Those behind these attacks we will, for the moment, only identify as enemies of the gospel, often politically motivated. They are fearful not only of the moral imperative communicated by these ministries, but the growing wealth and influence of those constituencies. In the natural world, money is power and influence, so a wealthy church (individually and collectively) is without question going to gain increasing visibility and influence in its city, state, and nation. The opponents of Christian ideology rightly understand that to limit our influence, they must limit our growing wealth – and to accomplish this goal, they must undermine and corrupt the commitment of the donor base.

This rationale would indicate that the best way to undermine the commitment of a donor base is to call into question the motivation or integrity of the leadership. They do so by first of all calling upon the erroneous, but historical Christian perspective that clergy should be poor, or at least not wealthy, because if they are wealthy then certainly their motive in ministry must be suspect.

Of course, the Bible presents a much different truth: that "those who labor in the Word and doctrine are worthy of double honor" (I Tim. 5:17) – this includes compensation. This isn't because God loves them more or is a respecter of persons, but as Jesus said, the disciple will not rise above his teacher. In other words, a teacher cannot impart to anyone else what is not true for his own life. So the opposition's strategy first centers on keeping the clergy poor through embarrassment or intimidation!

That is the effort being made against our ministry through these allegations – to embarrass, intimidate, and discredit. The media allegations mean little or nothing if you keep the larger context in mind: our individual level of wealth, according to God (Eph. 3:20) can potentially exceed what we can even ask or think, limited only by the power of faith that works in us. Since God is no respecter of persons, that certainly includes the clergy. I refuse to ever be embarrassed or apologetic for the level of God's blessing upon my life, and believe every day that my preaching will have the same effect upon your life.

There is of course, an inherent danger in the financial increase that God will bring, which He warns us of in His Word (Deut. 8:17-18, Rev. 3:17): a lessening dependence on God and lukewarmness toward Him. The solution is to be a generous giver, always ready to abound to every good work (II Cor. 9:8). I try to live my life accordingly:

1. At the outset of the ministry, I had enough personal resource to do without a salary for a long period of time (somewhere between one and two years), and to bear the expense of ministry operation as well.
2. Over the 27 year history of this ministry, Lynne and I still remain the largest single donors, even though the ministry has been blessed with individual gifts in excess of \$1,000,000.00 on two separate occasions. Over the last six years, our gifts have totaled just under 2.5 million dollars. Yes, that means God has blessed us with a substantial income, but it also means I'm determined to be

generous and keep God first in my financial life. It really isn't so much about "how much" a man makes, but rather what he does with what he has.

3. Approximately 75% of my net worth has not come from the church, but rather investment equities through the 1990s to date. The ultimate source, of course, is still the blessing of God, so it's all available to Him. I am in the process, at the moment, of liquidating a substantial portion of my asset base for the sole purpose of putting it directly into the church, if that need arises. I would, and will if ever necessary, put every dime I have into the church, but never just to satisfy the baseless accusations of the media and/or others outside of the church.

Regardless of the fact that it is the will of God for us to prosper and the level of that prosperity to be determined only by our faith, the Internal Revenue Service has assumed the rather questionable responsibility of deciding how much compensation a minister should receive. Under the guise of setting "reasonable" limits on operators of non-profit, tax-exempt organizations, a government bureaucracy has placed a limit on what a minister should be compensated – even though a core tenant of our Christianity is that we live by faith. It seems an apparent violation of the separation of church and state. The Bible also says however, we are to obey the laws of the land, so until the constitutionality of the law is tested in our judicial system someday, we will certainly make every effort to abide by the restrictions imposed by the IRS on ministerial compensation.

Accordingly, all monies that Lynne and I have ever taken from this ministry (whatever the vehicle may have been: Compensation, loans, or aircraft leases) has been approved by the Board of Directors in accordance with the IRS Guidelines for Ministerial Compensation. Our approved compensation (the total received by us through any method or vehicle) has never violated these guidelines. As a matter of fact, we've never chosen to receive the full amount of approved compensation.

This may then raise the question, "Why not cooperate with the IRS audit?" Aside from the fact that they violated their own regulation, designed to protect us from such a politically motivated audit, there are other considerations. Although I am sure there are honest IRS auditors who strive to be objective, I am equally sure there are those who don't like what we stand for, and whose objectivity would be compromised by preconceived notions. It's quite likely they would have been affected by the shameful media distortion of truth that we've all just experienced. Additionally, the potential that such an audit has for generating thousands of dollars in legal and accounting fees, monopolizing countless hours of staff time means we must oppose this with passionate conviction.

It is within this larger context of understanding that we must consider the media allegations.

#### Allegations

1. Aircraft leases – Aircraft leases are set at fair market value by an independent aircraft evaluator. Any income to me personally generated by the lease falls within the level of total compensation approved by the Board of Directors. The church benefits from such a lease; if LWCC owned the aircraft as a non-profit, there would be no tax write-off to offset actual depreciation. As an individual owner leasing to the church, I can offset the financial effect of depreciation through a tax write-off, saving the church that potential loss at time of sale. Such

a vehicle is a legal and commonplace tax shelter in the corporate world – why shouldn't a ministry and ministers be able to do the same?

2. Personal loans – There have been occasions during the course of ministry when board approved compensation could be provided, without generating any income tax liability, through a loan at market interest rates to be repaid over a period of time. In the one or two instances when such a loan was forgiven (in part or in whole), that full amount was declared compensation and tax paid accordingly. Again, that compensation always falling under board approved levels, established using IRS guidelines. There have been no such outstanding loans for a number of years.
3. My past business history – Whether it be my air cargo business or previous dealings with the IRS, both are of little relevance today to the calling of God on my life to pastor. The media, of course, has little interest in relevance, only in embarrassing and discrediting. For the record, there has never been a personal or business bankruptcy in my life. Bankruptcy is defined as an elimination of debt without repayment; under the bankruptcy law, there is something called Chapter 11 Reorganization which provides for a repayment of debt over an extended term. I declared a Chapter 11 in my business for that purpose, and during the process personally assumed a corporate liability to the IRS for approximately \$100,000.00, which I paid in full over the next 10 years without contesting it or asking for a settlement. I "owe no man.."
4. Lastly, the issue of a previous board member – The media also brought to light Living Word's connection with Mr. Robert Beale. It's been over ten years since Mr. Beale was an advisory board member (never on the legal corporate board) of our church. Contrary to the *Star Tribune* article, Living Word didn't wait to distance itself from Mr. Beale until after he was arrested. In actuality, over ten years elapsed between Mr. Beale resigning as a board member and his arrest. Living Word never endorsed Mr. Beale's behavior or decisions and in actuality counseled him continuously to honor his obligations. Upon his arrest and conviction, Living Word has continued to reach out to Mr. Beale in a pastoral care capacity.

This has been a lengthy dissertation. Thank you for your time. The significance of these events, and how we handle them, cannot be overestimated. Again, thank you for your effort to be here next Sunday.

God bless you,

Pastor Mac