

# The Salt Lake Tribune

## The money behind the Mormon message

*Faith and finances • From malls to media, ranches to real estate, the LDS Church rakes in billions.*



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Bloomberg Businessweek

October 5, 2012  
● 12:18 pm

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In late March, the LDS Church completed an ambitious project: a megamall. Built for about \$2 billion, the City Creek Center stands across the street from the faith's iconic Salt Lake Temple.

The mall includes almost 100 stores and restaurants, ranging from Tiffany's to Forever 21. Walkways link the open-air emporium with the church's manicured campus. Macy's is a stone's throw from the offices of church President Thomas S. Monson, whom Mormons see as a prophet.

On the morning of its grand opening, thousands of shoppers thronged downtown, eager to elbow their way into the stores.

When it came time to cut the mall's pink ribbon, Monson, flanked by Utah dignitaries, cheered, "One, two, three, let's go shopping!"

While watching a religious leader celebrate a mall may seem surreal, City Creek reflects the spirit of enterprise that animates modern-day Mormonism. The mall is part of a vast church-owned corporate empire that LDS leadership says will help spread its message, increase economic self-reliance and build God's kingdom on Earth.

Urban renewal • "The Church of Jesus Christ of Latter-day Saints attends to the total needs of its members," said Keith B. McMullin, who for 37 years served within the Mormon leadership and now heads a church-owned holding company, Deseret Management Corp., or DMC, an umbrella organization for many of the faith's for-profit businesses. "We look to not only the spiritual but also the temporal, and we believe that a person who is impoverished temporally cannot blossom spiritually."

McMullin said City Creek exists to combat urban blight, not to fill church coffers. "Will there be a return?" he asked rhetorically. "Yes, but so modest that you would never have made such an investment — the real return comes in folks moving back downtown and the revitalization of businesses." Pausing briefly, he adds, with deliberation, "it's for furthering the aim of the church to make, if you will, bad men good, and good men better."

It's perhaps unsurprising that Mormonism, a U.S.-born religion, would also adopt the nation's secular faith in money. What is remarkable is how varied the church's business interests are — and, at a time when Mitt Romney, a former LDS bishop, is running for president as the Republican nominee, that so little is known about the faith's financial interests.

Despite a recent public-relations push aimed at combating the perception that it is "secretive," the LDS Church remains tight-lipped about its holdings and offers little financial transparency, even to its members, who tithe 10 percent of their income.

The LDS Church is hardly the only religious institution to be less than forthcoming about its wealth; the Catholic Church has been equally opaque. On the other hand, said historian D. Michael Quinn, who is working on a book about the LDS Church's finances and businesses, "the Mormon church is very different than any other church."

"Traditional Christianity and Judaism make a clear distinction between what is spiritual and what is temporal," Quinn said, "while Mormon theology specifically denies that there is such a distinction."

To Latter-day Saints, opening megamalls, running a Polynesian theme park and operating a media and insurance empire are all part of doing God's work, Quinn said. "In the Mormon worldview, it's as spiritual to give alms to the poor, as the old phrase goes in the biblical sense, as it is to make a million dollars."

While Mormons make up only about 2 percent of the U.S. population, the church's holdings are vast. First among its for-profit enterprises is DMC, which reaps an estimated \$1.2 billion in annual revenue from six subsidiaries, according to Hoover's Company Records. Those subsidiaries run a newspaper, 11 radio stations, a TV station, a publishing and distribution company, a digital media company, a hospitality business and an insurance business with assets worth \$3.3 billion.

AgReserves, another for-profit Mormon umbrella company, together with other church-run agricultural affiliates, reportedly owns about 1 million acres in the continental U.S., on which the church has farms, hunting preserves, orchards and ranches. These include the \$1 billion, 290,000-acre Deseret Ranches in Florida, which, in addition to keeping 44,000 cows and 1,300 bulls, also has citrus, sod and timber operations.

Outside the U.S., AgReserves operates in Britain, Canada, Australia, Mexico, Argentina and Brazil. Its Australian property, valued at \$61 million in 1997, has estimated annual sales of \$276 million, according to Dun & Bradstreet.

The church also runs several for-profit real estate arms that own, develop and manage malls, parking lots, office parks, residential buildings and more.

Hawaii Reserve, for example, owns or manages more than 7,000 acres on Oahu, where it maintains commercial and residential buildings, parks, water and sewage infrastructure, and a cemetery.

Utah Property Management Associates, a real estate arm of the church, manages portions of City Creek Center. According to Spencer P. Eccles, of the Utah Governor's Office of Economic Development, the mall cost the church an estimated \$2 billion. It is one part of a \$5 billion church-funded revamping of downtown, according to LDS Church-owned KSL.

"They run their businesses," Eccles said, "like businesses, no bones about it."

Hawaiian connection • The church owns several nonprofit organizations, some of which appear to be lucrative. They include the Polynesian Cultural Center, a 42-acre tropical theme park on Oahu's north shore that hosts luaus, canoe rides and tours through seven simulated villages. General-admission adult tickets cost \$49.95.

In 2010, the center had net assets worth \$70 million and collected \$23 million in ticket sales alone, as well as \$36 million in tax-free donations. The center's president received a salary of \$296,000.

At the local level, the center, opened in 1963, began paying commercial property taxes in 1992, when the Land and Tax Appeal Court of Hawaii ruled that the theme park "is not for charitable purposes" and is, in fact, a "commercial enterprise and business undertaking." Nevertheless, the tourist destination remains exempt from federal taxes, because it claims to be a "living museum" and an education-oriented charity that employs students from church-run Brigham Young University-Hawaii.

"There are religious groups that own radio stations, but they don't also own cattle ranches. There are religious groups that own retreats, but they don't also own insurance companies," said Ryan Cragun, a sociology professor at the University of Tampa and co-author of *Could I Vote for a Mormon for President?* "Given their array of corporate interests, it would probably make more sense to refer to them as The Church of Jesus Christ of Latter-day Saints Holdings Inc."

As a religious organization, the LDS Church enjoys several tax advantages. Like other faiths, it is often exempt from paying taxes on the real estate properties it leases out, even to commercial entities, said tax lawyer David Miller, who isn't Mormon. The church also doesn't pay taxes on donated funds and holdings.

Romney and others at Bain Capital LLC, the private equity firm he co-founded in 1984, gave the Mormon church millions of dollars' worth of stock holdings obtained through Bain deals, according to Reuters. From 1997 to 2009, these included \$2 million in Burger King and \$1 million in Domino's Pizza. Under U.S. law, churches can legally turn around and sell donated stock without paying capital-gains taxes.

Church's worth • A recent investigation by Reuters in collaboration with sociology professor Cragun estimates that the LDS Church is likely worth \$40 billion today and collects as much as \$8 billion in tithing each year.

If anyone is in a position to know the ins and outs of the LDS business empire, it's Keith McMullin. Until last April, he was second counselor in the church's Presiding Bishopric, a three-man team that oversees church business endeavors, and now presides over DMC.

McMullin said the LDS Church has "two or three or four for-profit entities under the Presiding Bishopric," and names DMC, AgReserves and Suburban Land Reserve. He says DMC has about "2,000 to 3,000 employees." In late May, he confirmed the Hoover's estimate that DMC has annual revenue of about \$1.2 billion. A church spokesman later said McMullin retracted his estimate, saying that \$1.2 billion is "vastly overstated." He didn't offer a new estimate.

DMC is overseen by 10 directors: the members of the First Presidency, the Presiding Bishopric, three senior apostles and McMullin. "They give direction to the overall or umbrella company, but they do not give direct supervision to the corporate enterprises," McMullin said. "That's done through the respective boards and their executive teams."

DMC's decision-making process is fairly standard. "I can make decisions up to a certain level," McMullin explained, "either determined by financial implications or strategic or tactical implications, and once that limit as defined is met, I go on to the board of directors for further guidance."

At that point, he said, "strategic questions are posed, asked and charted, so the board has a clear idea what the pluses and minuses are. Those closest to the problems will make recommendations, and they will be discussed. Often the recommendations will be accepted. Not always."

That was the process, for example, when DMC decided last year to sell 17 of its 28 radio stations for \$505 million and focus more on Internet ventures.

Besides having final say on major transactions, the church owns all of DMC's shares. Each year the holding company, like all church businesses, donates 10 percent of its income to a church fund.

In some cases money flows in the opposite direction, from the church's treasury to the businesses.

Sheri Dew, CEO of the DMC subsidiary Deseret Book, pulled the publisher and distributor out of the red 10 years ago. It's now profitable.

"There's, like, nothing worse on the planet than to go back to your owner and say, 'Uh, we didn't do what we told you we'd do,' especially because one of the interesting things we deal with is that the owner is also an ecclesiastical leader whom we revere," she said. "That's the toughest thing about an organization that's owned by the church, because you don't want to disappoint them, and you don't want them to have to worry about what you're doing, because they have better things to think about."

Other than the unique pressures and joys of working for their spiritual leaders, church executives said their enterprises aren't so unusual.

"Do we go around in frocks and pray all the time? The answer is no, we run these like businesses," McMullin said. "I have over there a set of scriptures — see those black books over there? Do I consult those scriptures every time I make a decision? The answer is no. Do I look to them for guiding and eternal principles on which good, sound decisions are made? The answer is yes."



Entrepreneurial rigor • Mormons use their businesses in part to spread church values.

"The reason to have businesses is to communicate and try and have influence, whether it's through a book, or through a blog, or a website, or a TV station, or radio stations, a newspaper, whatever it is," Dew said. "We here at Deseret Book think families are important, and kids are important, marriage is important, and values are important. If there are ways we can communicate it, whether through nonfiction or fiction, we want to do it."

Many Mormons see their church's economic success as a sign of good stewardship. At least a few said they are uneasy about the price tag of the new Mormon mall, the church's lack of transparency and its centralized finances.

"The money may be perfectly administered, for all we know," said Ron Madson, 57, a lawyer and lifelong Mormon. "When we see these expenses for the City Creek mall, for the hunting preserves, these commercial enterprises ... we don't know where it's going."

McMullin said not one penny of tithing goes to the church's for-profit endeavors. Specifically, the church has said no tithing went toward City Creek Center.

Daymon M. Smith, a Mormon anthropologist, pointed out that new tithing slips read, "Though reasonable efforts will be made globally to use donations as designated, all donations become the church's property and will be used at the church's sole discretion to further the church's overall mission."

According to an official church Welfare Services fact sheet, the church gave \$1.3 billion in humanitarian aid in more than 178 countries and territories during the 25 years from 1985 to 2010. A fact sheet from the previous year indicates that less than a third of the sum was monetary assistance, while the rest was in the form of "material assistance."

"Members of our faith are very generous and very sacrificing, very charitable — they pay tithes and fast offerings, and when they see needs, they address those needs," Madson said. "When we see the church not doing the same things it asks the members to do, we recoil. We wonder, 'Is this looking more and more like a corporation and less and less like a church?' "

Micah Nickolaisen, a 29-year-old photographer and devout Mormon, said City Creek catalyzed his growing concern about the church's corporate empire. He worries that the church gives too little money to humanitarian causes.

Asked about the \$1.3 billion estimate of the church's humanitarian efforts over the past quarter-century, LDS Church spokesman Michael Purdy said in an email: "Though the church's monetary donations are significant, much of the 'value' of our service is not monetary, but in the hundreds of thousands of hours of service and the talent and expertise given by church members to help others around the world."

Value of values • In Dew's Deseret Book office, a lunch meeting began with bowed heads.

"We ask you to bless our business discussions and our food," one attendee prayed. The small group then launched into a conversation about potential new titles for the publisher's general audience imprint, Shadow Mountain.

For each proposal, Dew asked, "How does this fit us?" at which point a pitch is made about the book's treatment of faith, family, marriage — or at the very least themes as general as the battle between good and evil.

Dew is striving to bring both honor and profit to the church. Munching on salads and turkey club sandwiches from City Creek's Cheesecake Factory, Dew and her colleagues consider aggressive marketing strategies for an author who has contracts with Deseret and Simon & Schuster.

"Who wouldn't want to show up Simon & Schuster?" Dew asked. "I mean, this is capitalist America, isn't it?" —

### Mormon leaders respond

The LDS Church issued a strong critique of July's Bloomberg Businessweek piece, posting a response on its website.

"The key to understanding church finances," the response emphasized, "is to understand that they are a means to an end. They allow the church to carry out its religious mission across the world."

The statement then outlined five "key" uses for Mormon tithes, noting they:

- Provide thousands of buildings or places of worship for members around the world.
- Provide education programs, including support for church universities and its seminary and institute programs.
- Support the church's worldwide missionary program.
- Build and operate nearly 140 temples around the globe and administer the world's largest family history program.
- Support the church's welfare programs and humanitarian aid, which serve people around the world — Mormons and others.

"The bedrock principles underlying the church's welfare and humanitarian efforts are Christlike service and self-reliance," the statement said. "Those who attempt to define the church as an institution devoted to amassing monetary wealth miss the entire point: The church's purpose is to bring people to Christ and to follow his example by lifting the burdens of those who are struggling."

Source: LDS Church (<http://tinyurl.com/7t5km86>) —

About the Businessweek story

This story originally appeared in Bloomberg Businessweek in mid-July. It was titled "How the Mormons Make Money" and is reprinted here, and edited for length, with permission.

