

Mormon Church has misled members on \$100 billion tax-exempt investment fund, whistleblower alleges

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A former investment manager alleges in a whistleblower complaint to the Internal Revenue Service that the Church of Jesus Christ of Latter-day Saints has amassed about \$100 billion in accounts intended for charitable purposes, according to a copy of the complaint obtained by The Washington Post.

The confidential document, received by the IRS on Nov. 21, accuses church leaders of misleading members — and possibly breaching federal tax rules — by stockpiling their surplus donations instead of using them for charitable works. It also accuses church leaders of using the tax-exempt donations to prop up a pair of businesses.

The church did not respond to detailed questions from The Post about the complaint and said in a statement Monday that it does not discuss specific financial transactions. On Tuesday, after the first version of this story was published, the church said it takes seriously its responsibility to care for members' donations.

“Claims being currently circulated are based on a narrow perspective and limited information,” said a statement attributed to the church’s First Presidency, its top governing body. “The Church complies with all applicable law governing our donations, investments, taxes, and reserves.”

The complaint provides a window into the closely held finances of one of the nation’s most visible religious organizations, based in Salt Lake City. It details a church fortune far exceeding past estimates and encompassing stocks, bonds and cash.

The complaint was filed by David A. Nielsen, a 41-year-old Mormon who worked until September as a senior portfolio manager at the church’s investment division, a company named Ensign Peak Advisors that is based near the church’s headquarters.

Nonprofit organizations, including religious groups, are exempted in the United States from paying taxes on their income. Ensign is registered with authorities as a supporting organization and integrated auxiliary of the Mormon Church. This permits it to operate as a nonprofit and to make money largely free from U.S. taxes.

The exemption requires that Ensign operate exclusively for religious, educational or other charitable purposes, a condition that Nielsen says the firm has not met.

In a declaration signed under penalty of perjury, Nielsen urges the IRS to strip the nonprofit of its tax-exempt status and alleges that Ensign could owe billions in taxes. He is seeking a reward from the IRS, which offers whistleblowers a cut of unpaid taxes that it recovers.

Nielsen did not respond to repeated phone calls and emails seeking comment.

His twin brother, Lars P. Nielsen, provided a copy of the complaint to The Post, along with dozens of supporting documents. Lars Nielsen, a health-care consultant in Minnesota, said he prepared the complaint with his brother and helped him submit it to the IRS.

Lars Nielsen said in a statement to The Post that his brother asked him to write an exposé on his former employer.

“Having seen tens of billions in contributions and scores more in investment returns come in, and having seen nothing except two unlawful distributions to for-profit concerns go out, he was dejected beyond words, and so was I,” Lars Nielsen wrote.

He said he was coming forward without his brother’s approval because he believed the information was too important to remain confidential. “I know that sometimes newspapers use anonymous sources,” he said. “But that is usually not best for a story.”

In remarks last year, a high-ranking cleric in the church, Bishop Gérald Caussé, said it “pays taxes on any income it derives from revenue-producing activities that are regularly carried on and are not substantially related to its tax-exempt purposes.”

The church typically collects about \$7 billion each year in contributions from members, according to the complaint. Mormons, like members of some other faith groups, are asked to contribute 10 percent of their income to the church, a practice known as tithing.

While about \$6 billion of that income is used to cover annual operating costs, the remaining \$1 billion or so is transferred to Ensign, which plows some into an investment portfolio to generate returns, according to the complaint.

Based on internal accounting documents from February 2018, the complaint estimates the portfolio has grown in value from \$12 billion in 1997, when Ensign was formed, to about \$100 billion today.

The church also owns real estate worth billions of dollars, according to the complaint, which focuses on surplus tithing money and says that the church may have additional holdings not managed by Ensign.

While accumulating this wealth, Ensign has not directly funded any religious, educational or charitable activities in 22 years, the complaint said. No documents are provided to support this claim, which is attributed to information David Nielsen gleaned from working at the company.

Philip Hackney, a former IRS official who teaches tax law at the University of Pittsburgh, said the complaint raised a “legitimate concern” about whether the church’s investment arm deserved its tax-exempt status.

“If you have a charity that simply amasses a war chest year after year and does not spend any money for charity purposes, that does not meet the requirements of tax law,” Hackney said in an interview. Hackney, who served in the IRS chief counsel’s office, has been retained by The Post to analyze the whistleblower documents.

IRS rules dictate that a nonprofit organization must carry out charitable activity that is “commensurate in scope with its financial resources” to maintain its tax-exempt status. No threshold for this test is specified, and the agency instead considers examples case by case.

In its statement Tuesday, the church said the “vast majority” of the funds it receives from donations are “used immediately to meet the needs of the growing Church,” including temples, education and missionary work.

“Over many years, a portion is methodically safeguarded through wise financial management and the building of a prudent reserve for the future,” the statement said. “This is a sound doctrinal and financial principle taught by the Savior in the Parable of the Talents and lived by the Church and its members. All Church funds exist for no other reason than to support the Church’s divinely appointed mission.”

Details of the church’s expenditures on charitable work are not publicly available, but in a lecture at the University of Oxford in 2016, a senior elder said the church had spent about \$40 million a year over the past 30 years on welfare, humanitarian aid and other international projects. He did not mention Ensign. The church said in a report last year that its charitable arm had spent \$2.2 billion in assistance since 1985, but did not provide a breakdown on spending.

While declining to discuss the extent of their holdings, church leaders have sought to explain the practice of continuing to collect tithes while accumulating financial reserves.

In a speech in March 2018, Caussé linked the church’s financial strategy to the “prophecies about the last days.” Just as the church maintains grain silos and emergency warehouses, Caussé said, so it “also methodically follows the practice of setting aside a portion of its revenues each year to prepare for any possible future needs.”

According to the complaint, Ensign’s president, Roger Clarke, has told others that the amassed funds would be used in the event of the second coming of Christ. Clarke did not respond to an email seeking comment.

Nielsen’s complaint is sharply critical of church leaders for continuing to ask for tithes, even from members who are struggling financially, while the church sits on a fortune. “Would you pay tithing instead of water, electricity, or feeding your family if you knew that it would sit around by the billions until the Second Coming of Christ?” he wrote in a 74-page narrative that accompanied his complaint.

He suggests church leaders favor continuing to collect tithes to avoid “losing control over their members’ behavior” by releasing them from their financial obligations. In June, the church raised the monthly charge paid by most families to cover the cost of their children serving as missionaries from \$400 to \$500 per month.

Leaders have consistently tried to downplay speculation about the extent of the church's wealth. Quoting a former church president during the speech last year, Caussé, said: "When all is said and done, the only real wealth of the church is in the faith of its people."

When interviewed by a German reporter in 2002 about suggestions that the church had amassed billions, then-President Gordon B. Hinckley said: "Yes, if you count all of our assets, yes, we are well-off. But those assets, you have to know this, are not money-producing. Those assets are money-consuming."

Unlike other nonprofits, religious organizations are not required to publicly report their income or assets.

Nielsen's estimate of Ensign's assets places the Mormon investment organization among some of the country's wealthiest companies and charities. Microsoft, Alphabet and Apple each hold between \$100 billion and \$136 billion in cash, according to the most recent company filings, while Harvard University has the country's largest academic endowment at \$40.9 billion. The Bill and Melinda Gates Foundation is the largest private philanthropic foundation in the world at \$47.8 billion.

In addition to criticizing the scale of wealth accumulated by the church, Nielsen's complaint accuses church leaders of acting improperly on the rare occasions that funds have been paid out from the investment division.

According to Nielsen, \$2 billion from Ensign has been used over the past decade to bail out a church-run insurance company and a shopping mall in Salt Lake City that was a joint venture between the church and a major real estate company.

Citing an internal presentation that he includes as an exhibit, Nielsen alleges that in 2009, Ensign spent funds on rescuing the insurance firm, Beneficial Life, which was suffering from its exposure to mortgage-backed securities amid the financial crisis.

At the time, a church-owned newspaper reported that a different commercial church company, Deseret Management, had injected \$594 million into Beneficial Life to make up its deficit. Mark Willes, Deseret Management's president and chief executive, was reported to have said that no tithing money was used in the transaction.

Yet the internal presentation supplied to the IRS by Nielsen refers to a \$600 million "withdrawal" from Ensign to Beneficial Life in 2009, citing a page from an Ensign slide presentation entitled "Framework and Exposures" and dated March 2013. Nielsen said the funds were taken specifically from the Ensign account that receives surplus tithing. Nielsen said the transfer was not treated as a loan and was not recorded as an investment on Ensign's balance sheet.

Despite the bailout, Beneficial Life announced it would terminate 150 of its 214 Utah workers and stop writing new insurance policies.

Neither Willes nor an official from Beneficial Life responded to messages seeking comment.

Nielsen's complaint further alleges that between 2009 and 2014, Ensign pumped \$1.4 billion in several installments into the City Creek Center, a shopping mall in downtown Salt Lake City featuring a retractable roof. The mall, partly owned by the church, had also been hit by the financial crisis.

Amid complaints from members about the church venturing into retail, church leaders have repeatedly made assurances over several years that no money from tithes would be spent on developing the mall, a joint venture with the Taubman real estate group.

"I wish to give the entire church the assurance that tithing funds have not and will not be used to acquire this property. Nor will they be used in developing it for commercial purposes," Hinckley said when plans for the mall were unveiled in 2003.

On Monday, the church told The Post that through its involvement in the City Creek mall, it had "increased local economic activity during a financial downturn and attracted visitors and residents to Salt Lake City's historic downtown."

A Taubman spokeswoman declined to comment.

Hackney, the University of Pittsburgh tax law expert, said the payments would raise red flags if they were indeed made to for-profit entities that were separate from Ensign and not recorded as investments.

While the church may argue Ensign contributes to a broader religious and charitable mission, as a separate corporate entity, it must show that "it furthers a charitable purpose exclusively on its own," Hackney said.

"Once that money comes in, it's gotta go back out," he said. "They have to come up with a justification based on the entity alone. Looking at the other organizations shouldn't be a means of justifying hoarding."

IRS rules state that nonprofits "must not provide a substantial benefit to private interests" and that the earnings of registered religious organizations must not benefit "any private individual or shareholder" to avoid jeopardizing tax-exempt status.

The Mormon Church's wealth and investment acumen has been widely reported. A Time magazine cover story, "Mormons, Inc.," published in 1997, estimated the church's total assets at \$30 billion or more. A 2012 Reuters article reported that the church owned "about \$35 billion worth of temples and meeting houses around the world, and controls farms, ranches, shopping malls and other commercial ventures worth many billions more."

Nielsen's complaint comes as many Mormons across the United States are engaged in discussions with their bishops,

traditionally held in December, to “settle” their dues to the church. His estimate of \$7 billion in annual revenue points to a relatively high rate of contributions from the 15 million members. By comparison, the Catholic church in the United States was reported in 2005 to receive \$8 billion in annual tithes. There were 75 million Catholics in the U.S. in 2010, according to Pew Research Center.

The complaint filed by Nielsen comprised a signed Form 211, the formal piece of IRS paperwork for reporting tax avoidance, a notarized cover letter to officials, plus the 74-page narrative document co-written with his brother in which he detailed his allegations at length.

These documents were sent to the IRS whistleblower office in Ogden, Utah, together with a thumb drive containing digital versions of documents and emails that Nielsen collected during his time at Ensign, the complaint says. He also provided information on Ensign’s bank accounts and a list of employees whom officials should contact.

Nielsen told Ensign in a resignation letter dated Aug. 29 that his employment had become unworkable after his wife and children left the Mormon Church and asked him to follow them, according to a copy of the letter provided by Lars Nielsen. David Nielsen offered to continue working until Oct. 4.

Ensign’s human resources director told him in a reply that managers had decided it would be best to terminate his employment Sept. 3.

“We appreciate your years of service and the contributions you have made for the church,” the letter concluded.

The complaint describes an aggressive guarding of information by leaders at Ensign. Ensign employees “are trained to be especially sensitive” about data flowing outside the corporation, the complaint states. “Of course, all corporations need to guard their information, but the lengths that [Ensign] goes to borders on paranoia.”

Only four senior Ensign executives are permitted to see the company’s full financial statements, according to the complaint, and investment staff members may access information only on the Ensign assets relating to their own area of work.

Little has been publicly disclosed by Ensign, whose website address redirects readers to the church’s homepage.

The company files abbreviated annual tax returns that report the taxes it paid on the small fraction of its investment activity that is taxable. The returns, which are publicly available, show that in some recent years, the company has reported losses of millions of dollars — a period in which, according to the complaint, a fuller accounting of its operations would have shown billions of dollars in profits.

This limited type of tax return requires Ensign to disclose the total value of its holdings, which the complaint asserts, has for years run to tens of billions of dollars. On those returns, Ensign has sometimes stated that it held \$1 million, other times “more than \$1,000,000,” and it once left this section of the paperwork unfilled.

During his 2002 interview with a German reporter, Hinckley was told that several major denominations in Germany published records of their finances. Why not the Mormons?

“We simply think that information belongs to those who made the contribution, and not to the world,” said Hinckley, who died in 2008.

Correction: An earlier version of this story misstated the number of Catholics in the U.S., a population of 75 million in 2010, not 170 million. A graphic accompanying this story overstated the size of Harvard’s endowment, which is \$40.9 billion, not \$49.3 billion. The story has also been updated to include additional statements from the church about its charitable giving.

Steven Rich and Alice Crites contributed to this report.
