

Family Care Foundation
and
The Family / Children of God

Exploring the Connections

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Executive Summary

Exploring the Connections documents how Family Care Foundation (FCF), a California public benefit corporation, is an illegal front organization for The Family, an unregistered high-demand, secretive, apocalyptic religious group with a long history of promoting the sexual abuse of minors and practicing religious prostitution. FCF has deliberately concealed its close working relationship with The Family from the IRS, other regulatory agencies, and the public. Formed in 1997, FCF is controlled by an all-Family Board of Directors and was initially funded by The Family. The FCF president and executive director have secretly collaborated closely with top Family leadership on a number of projects. These include using FCF funds to finance Family ventures, collecting Family tithes, paying Family apologists, and according Family members preferential treatment.

Exploring the Connections also provides information about other Family front organizations, explaining how they are interlinked. Suggestions for further research are offered, including several websites, as well as contact information of the various organizations mentioned in the report.

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Exploring the Connections

Introduction

This document explores the relationship between the high-demand apocalyptic religious group known as The Family (formerly the Children of God) and Family Care Foundation (FCF), a public benefit corporation based in Dulzura, California (EIN 33-0734917). It is assumed that the reader already has a knowledge of The Family – their history, beliefs, and practices.

Origins of Family Care Foundation

The top leaders of The Family formed FCF in early 1997 in order to advance their goals and interests.

In 1996, Family leadership was exploring ways in which The Family could become a tax-exempt legal entity in the U.S. This was desirable for a number of reasons.

The Family could solicit large donations and broaden their base of financial support.

The Family could mass-market their publications and videos, spreading the message and obtaining income.

It would provide legitimacy and credibility for those Family members who were becoming active in charitable activities but could not attract tax-exempt donations. They wanted to be affiliated with a legitimate, credible organization. It was risky to publicly identify oneself as a member of The Family a heretical "church" that did not officially exist and had a sordid history of promoting religious prostitution and the sexual abuse of minors.

(David Berg [1919-1994], the founder of The Children of God/Family, advocated adult-child sexual contact in his published writings. His wife/mistress Karen Zerby (*aka* Queen Maria) is the current leader of the Family, along with her husband Chris Smith (*aka* Steve Kelly, Peter Amsterdam, King Peter). They both live in hiding. Zerby and Smith promoted Berg's sexual doctrines and practices.

(From the late 1970's until the late 1980's, Family members sexually abused thousands of children in Family communities. While adult-child sexual contact is no longer officially tolerated, Zerby and Smith deliberately conceal the extent to which it occurred and their part in promoting it. They also refuse to pay the victims any compensation.

(Religious prostitution, or "flirty fishing," was a fundamental doctrine and practice of The Family from 1976 until the mid 80's, when it was banned due to AIDS. The practice raised millions of dollars for the group. Zerby contends that flirty fishing was never intrinsically wrong.)

Zerby and Smith considered having the Family become a registered tax-exempt church. They rejected this option for several reasons.

The IRS' stringent conditions for granting tax-exempt status to churches might disqualify The Family.

It would demand an unacceptable level of financial and administrative scrutiny and accountability.

It would expose The Family to lawsuits and criminal charges by former members, many of who had been sexually abused as children in the group. This abuse occurred as a direct result of Berg and Zerby's teachings.

A meeting with a consultant led to the idea of forming a non-profit foundation, known as a public benefit corporation. Zerby, Smith, and Grant Montgomery, their Prime Minister and the third-ranking Family leader, saw several advantages to forming a foundation.

It generally had a better chance of receiving tax-exempt status than a church.

Less information was required. No need for doctrinal statements or names of church officers and pastors. A few people, identifying themselves as directors, could apply.

There was no need for a connection to The Family and its controversial practices.

Family members could become "project managers" of a squeaky-clean foundation and fundraise under a tax-exempt umbrella.

It could legally and respectably mass-market Family videos and books.

It could raise substantial tax-exempt funds that could, with a little creative bookkeeping, be used to finance ventures that Zerby and Smith controlled through World Services (WS), the administrative arm of The Family.

Zerby, Smith, and other Family leadership could continue to operate free of any third party scrutiny and accountability.

Legal firewalls between the foundation and The Family could blunt potential lawsuits and criminal charges against The Family.

Incorporation of Family Care Foundation

In early 1997, FCF incorporated in California. During the application process, no mention was made of The Family and its support of FCF, nor that the President of FCF, Grant Montgomery, was the Prime Minister of The Family. To acknowledge any connection with The Family would have doomed the application. A few months later, the IRS granted FCF 501(c) 3 status.

Board of Directors

The Directors of FCF, with one exception, have always been trusted Family members. Some chosen for their ability, all for their tried and proven loyalty to Zerby and Smith.

The President of FCF is Grant Montgomery (*aka* Gary or Paul Papers in The Family). Prior to starting FCF, Montgomery had been Prime Minister of The Family for seven years,

during which time he lived with Berg, Zerby, and Smith, helping create and enforce Family policies and practices. Internal Family publications of the time make frequent reference to him. Montgomery remained Prime Minister *after* FCF incorporated and conferred regularly with Zerby and Smith on a wide range of issues. Again, this is documented in internal Family publications.

In August 1997, Zerby and Smith published Family Specials Magazine (FSM) # 320, in which they and some FCF/Family members officially introduced FCF to Family members worldwide. Describing the process, an FCF staffer wrote

This paperwork took almost three months to complete, at which time it was sent in to the IRS for approval. After incorporating in January 1997, in March the Foundation was approved by the IRS as a separate and independent tax-exempt, non-profit legal entity named "Family Care Foundation" (FCF). The decision-making body of the Family Care Foundation is its Board of Directors, *of which Gary is president* (italics added).

In the May 15, 1997 edition of the Family newsletter *Grapevine* (#19), Montgomery's upcoming wedding was announced under the byline "WS News." (Italics added)

Up-and-coming wedding bells!

We're happy to announce that *our dear Prime Minister* and longtime WS bachelor of 15 years, Gary, is heading down the marriage aisle! He met his lovely bride-to-be, Sharon (24, of Arthur and Becky), then a single mother with three children, in California about nine months ago.

Earlier in April, the *Grapevine* (#17) reported that Montgomery had traveled to Japan, where he had extensive talks with Smith (King Peter).

After his visit to the HCS [Family community in Japan], Peter spent three days with Gary, discussing, praying and hearing from the Lord regarding the GPU, and their working relationship with the IVM and music departments, and the myriad of business details and decisions to be made on those fronts.

Montgomery resigned as Prime Minister in 1998, but continues to be influential in the group and communicates regularly with Zerby and Smith.

Montgomery and FCF executive director Lawrence Corley are the "engines" driving FCF. Corley has been a Family member for over 20 years. Some of the current Directors are "rubber stamps," showing up for meetings and approving Montgomery's proposals.

FCF's first registered principal place of business was the residence of another Family member and FCF Director, Dr. Chris Mlot. Her large villa (10612 S. Morada Drive, Orange, California 92869-1505) was also the western headquarters of The Family, known as the LAMB (Los Angeles Missionary Base). At any given time, 30-50 Family members lived there, including Tom Hack (*aka* Abner), an FCF Director and top Family leader for the U.S. The Family operated its official toll-free 800 telephone line at this address.

Firewalls

Montgomery and Corley knew that FCF had to build and maintain legal firewalls for two reasons.

1. To conceal the extent to which Family leadership funded FCF's operations.
2. To conceal the extent to which Zerby and Smith directly and decisively influenced how FCF operated and managed its finances. Zerby and Smith regularly corresponded with Montgomery, collaborating on different ventures. This relationship had to be concealed so that FCF would not be exposed as an illegal front organization of the Family.

To this end, Montgomery and Corley regularly sought legal counsel to ensure that they followed correct procedures. For their part, Zerby and Smith exercised caution in how they referred to FCF in internal Family publications. In FSM 320 they explained that some Family members, led by Montgomery, had decided to form a foundation, and that Zerby and Smith morally supported them in their efforts.

Montgomery and Corley built firewalls into the FCF financial accounts. They had to conceal the considerable extent to which The Family financed FCF, especially in 1997. Housing the 15 adult Family members, the fulltime "volunteer" staff of FCF, cost \$3,000 a month just for rent. Family officers creatively laundered these funds. For a while, mysterious Japanese donors (Family officers) sent untraceable International Money Orders to FCF. The FCF accounts will not reveal the Family's financial support, but it existed.

Family Tithes and FCF

For a period of time, FCF was an off-the-record collector of tithes for The Family. (All Family members must tithe 11% of their cash income to WS.) This situation arose due to complaints by Family members about double taxation.

Typically, a few Family members would apply to become an FCF "charitable project," submitting an operating plan. FCF would approve the application and authorize the new "project managers" to fundraise in the name of FCF. Donations for that project would go to FCF, who deducted an 11% handling fee and passed the remainder to the project managers.

Soon there were hundreds of projects, and some complained that they had to pay both WS and FCF a "tax" on every donation. To remedy this, Zerby, Smith, and Montgomery struck an off-the-record deal that any donation to FCF was exempt from the WS tithe. The 11% handling fee was another way that The Family financially supported FCF. This method required that The Family and FCF bookkeepers exchange information regularly.

FCF's Exclusive Help to Family Members

FCF almost exclusively promotes Family products and assists Family members. This obvious sponsorship of The Family is one of their Achilles' heels, as it reveals FCF's role as a front organization for The Family. To provide an illusion of transparency, in 1999 the Directors passed a resolution stating that FCF favors and gives special consideration to projects sponsored by Family members. This resolution, documented in the meeting minutes, provides more evidence of the working relationship between FCF and The Family.

FCF Funds WS Projects

FCF actively solicits large donations from the public. Such donations are often "undesignated," in that FCF can use them however it sees fit. After some large undesignated donations to FCF materialized in 1998, Zerby and Smith suggested that Montgomery and Corley use the funds to finance some WS ventures.

(Zerby and Smith use the tithe money to finance projects they view as vital to the Family. This includes but is not limited to: 100% funding of their residence and large staff; 100% support of the staff and dependents of WS offices that produce essential Family publications; several Family field officers; and some "missionary" endeavors.)

Zerby and Smith asked Montgomery to use FCF funds to finance two WS projects. The first was the East Europe Mail Ministry office in Hungary. For years this operation, staffed by Family members and funded by WS, had translated, printed, and mailed Family publications to hundreds of thousands of people in Eastern Europe and the former Soviet Union. The second was a similar operation in Thailand.

Montgomery and Corley agreed to Zerby and Smith's request. To facilitate the process, both groups applied for and were immediately granted FCF project status. The East Europe Mail Ministry office became the "East European Christian Correspondence Center (EECCC)," project No. 98-E03. The Thai operation became Asia Vision, project No. 98-A03, still on the FCF website. In 1998 and 1999, FCF gave the EECCC \$63,000 from their general fund. In the period 1998 – 2002, FCF gave \$43,000 to Asia Vision.

These figures can be found in the FCF 990 forms for the respective years and in the FCF Annual Report for 2000. The Annual Report can be viewed at the FCF website. The 990 forms can be viewed online at:

1998: Page 21. <http://documents.guidestar.org/1998/330/734/1998-330734917-1-9.pdf>

1999: Page 29. <http://documents.guidestar.org/1999/330/734/1999-330734917-1-9.pdf>

2000: Page 36. <http://documents.guidestar.org/2000/330/734/2000-330734917-1-9.pdf>

2001: Page 27. <http://documents.guidestar.org/2001/330/734/2001-330734917-1-9.pdf>

2002: Page 23. <http://documents.guidestar.org/2002/330/734/2002-330734917-1-9.pdf>

This freed over \$100,000 of WS funds for other vital Family projects.

FCF has also given money to an apologist for The Family, J. Gordon Melton. In 2000, FCF gave \$10,065.83 to Melton, an academic who has defended The Family for years.

(Page 38. <http://documents.guidestar.org/2000/330/734/2000-330734917-1-9.pdf>).

The Family funded and edited Melton's 1994 book about The Family, *Sex, Slander, and Salvation*, and advertise it on their website. His latest work is *The Children of God* (Signature Books. 2004) The Family website also lists Melton as an "expert."

(<http://www.thefamily.org/dossier/books/book1/toc.htm>

<http://www.signaturebooks.com/children.htm>

<http://www.thefamily.org/dossier/referrals/index.html>)

Other Family Front Organizations: The FCF - Aurora Productions - Activated - Family Connection

Further evidence of the strong FCF – Family connection can be found by examining some other Family front organizations.

For several years FCF marketed the video *Countdown to Armageddon* as well as the video series *Treasure Attic*. The Family produced these videos in Tateyama, Japan. Robert Fernandez, a Director of FCF and Family member, is the star character of *Treasure Attic*. Several other Family-controlled organizations also promote these videos.

Aurora Production AG. (www.auroraproductions.com) Zerby and Smith started this secretive company, based in Zug, Switzerland, in 1998. It owns the copyrights of all revenue-producing Family music, publications, and videos (including *Countdown to Armageddon* and *Treasure Attic*), and licenses them to Family projects, such as Activated.

Activated Ministries. (www.activated.org www.activatedministries.org). A Family–operated charitable foundation in Escondido, California (EIN 33-0857142). All the Directors are Family members. Tom Hack, a high-ranking Family officer and former director of FCF, is the President. Activated is a licensed distributor of Aurora products worldwide, including the magazines *Activated* and *The Wine Press*, both of which promote Family beliefs and practices. It is The Family's largest outreach operation. Activated openly acknowledges its support of The Family and links to The Family website. Activated has also made at least one cash donation to FCF.

(P.13 <http://documents.guidestar.org/2002/330/857/2002-330857142-1-9.pdf>)

The Family (www.thefamily.org) promotes Aurora and Activated, according each organization a web page and providing links. It also markets *Treasure Attic*.

<http://www.thefamily.org/products/publications.php3>

<http://www.thefamily.org/products/activated.php3>

<http://www.thefamily.org/products/>

The Family's newsletter, *The Grapevine*, also documents the Aurora – Activated – Family connection. The July 2000 edition, contained statistics for the three public websites.

www.thefamily.org

Distinct Visits: 18,299

Daily Average: 590

Total Downloaded: 3.5 gigs

www.activated.org

Distinct Visits: 1,492

Daily Average: 48

Total Downloaded: 74 MB

www.auroraproduction.com

Distinct Visits: 733

Daily Average: 23

Total Downloaded: 69 MB

TEAM Foundation

The Family also runs a lesser-known foundation in Texas, Teaching, Education and More (TEAM) Foundation (EIN 75-2790783). Its Directors are all Family members. Gayle Kelly (*aka* Abi, Abigail, Damaris) is the wife of King Peter and a top US leader of The Family. David Forsberg (*aka* Simon) is also a leader.

Find Out More

Ask FCF for a copy of their incorporation papers, by-laws, and minutes of their Board of Director meetings. The IRS requires that FCF keep these at their principal place of business and make them available for public inspection. Members of the public may also request that FCF copy and mail such documents to them.

Contact FCF and request details of the relationship that exists between The Family and FCF. Why are the FCF Directors all members of The Family? Why is Ken Kelly, the biological brother of Chris Smith, husband of Chris Mlot, and a Family member, on the Board of Directors? Why does FCF support The Family?

Ask FCF why it no longer sponsors projects in the U.S. It previously had several dozen domestic projects, and they suddenly vanished. What happened to them?

Call The Family and request information on the relationship between FCF and The Family.

Learn more about The Family. Do a search engine query for The Family, Children of God, and David Berg.

Do a search engine query for Family Care Foundation. Ask charities that partner with FCF if they are aware of the FCF — Family connection, and if so, do they approve of it.

Ask the San Diego media if they are aware of the FCF — Family connection.

Contact Information

Family Care Foundation

Lawrence Corley
1373 Marron Valley Road
Dulzura, CA 91917
United States of America
Telephone: (619) 468-3191
Fax: (619) 468-6996
Email: larryc@familycare.org
Website: www.familycare.org
Brookside Farm
Website: www.brooksidefarm.net/index.html

Aurora AG

Website: www.auroraproductions.com
Email: licensing@auroraproduction.com
Fax: 0041-41-7106745

TEAM Foundation

P.O. Box 797804
Dallas, TX 75379 USA
Phone: (972) 931-9335
Fax: (972) 380-6923
Toll Free (in the USA): 888-871-8388
E-mail: mail@teamfoundation.com
Website: www.teamfoundation.com

Activated (USA)

Activated Ministries
P.O. Box 462805
Escondido, CA 92046 – 2805
USA
Website: www.activated.org
E-mail: activatedUSA@activated.org
Phone: 1-877-862-3228 (Toll Free)
For orders please call: (760) 739-1196.
All other questions call: (760) 739-1240

Activated (Europe)

Bramingham Park Business Center
Enterprise Way
Bramingham Park
Luton, Beds. LU3 4BU
England
E-mail: activatedEurope@activated.org
Phone: (+44) 07801 442-317

The Family (USA)

Tel: 800 - 423 - 2645
Email: family@thefamily.org
Website: www.thefamily.org

For more information about The Family, visit:

www.movingon.org

www.exfamily.org

<http://www.angelfire.com/clone/charityalert/>

<http://www.arts.ualberta.ca/~skent/childrengod.html>

www.geocities.com/magicgreenshirt