

The MinistryWatch.com's Guidelines of Transparency: Foundation for Donors Understanding

Overview

The MinistryWatch.com's Transparency Grade provides donors with an insight into a ministry's commitment to transparency and help's donors search out those nonprofit Christian ministries that excel in the area of Transparency.

People give to their favorite charities for many reasons – some because they have a heart for the mission, some because they have been helped by the charity, others because they know the people and like the organization. Whatever the reason, in every instance a bond of trust develops between donor and charity. Transparency is at the heart of long-term trust in any relationship. Donors want to make wise giving decisions. Without access to comprehensive ministry information it is not possible for donors or donor advocates like MinistryWatch.com to make optimal giving decisions. Charitable organizations that seek to obscure critical information from scrutiny undermine the faith and trust of the donor and damage donor attitudes that have an impact well beyond their own operations. Accordingly, transparency is a key component to a growing and prosperous Christian Ministry Marketplace and fundamental to long-term ministry success.

How Transparency is Assessed

Transparency is assessed based on four items: **(1)** timelines, **(2)** financials information available, **(3)** foundational clarity, and **(4)** level of cooperation. In order to make this assessment, Wall Watchers requests information and evaluates the response. A score is assigned between 0 and 100, with 0 reflecting worst practice and 100 reflecting best practice. However, each ministry will be considered in light of its own unique circumstances. The following criteria will be used as general guidance for the assessment.

	0 F	70 D	80 C	90 B	100 A
Transparency	Bad	Poor	Fair	Good	Excellent
Timeliness How timely did the organization communicate and/or make information available?	Organization failed to respond to our request.	Organization made financial information available greater than 7 ½ months.	Organization made financial information available between 6 ½ and 7 ½ months after their fiscal year end.	Organization made financial information available between 5 ½ and 6 ½ months after their fiscal year end.	Organization made financial information available less than 5 ½ months after their fiscal year end.
Financial Information What is the quality and amount of financial information?	Organization did not provide financial statements of any kind to MinistryWatch.	Organization provided financial information that was incomplete and/or not understandable.	Organization provided minimal financial information.	Organization provided a reasonable amount of useful financial information.	Organization provided all financial information requested. Information was clear and thorough.
Foundational Clarity How descriptive and abundant was the information provided?	Organization did not make any clarity as to who and what it is about.	Descriptive information was confusing and/or inadequate.	Descriptive information was minimal.	Descriptive information was reasonable.	Descriptive information was abundant and thorough.
Level of Cooperation	Organization did not answer questions.	Answers to questions were confusing and/or inadequate.	Answers to questions were minimal.	Answers to questions were reasonable.	Answers to questions were thorough.

The scores for the four questions are averaged to determine an overall transparency score. For example, if an organization scored a 100 in the first question, a 90 in the second question, a 80 in the third area, and a 80 in the fourth area, its overall transparency score would be 87.50 (350 / 4). The following scale is then used to translate an overall transparency score into a Transparency Grade. In this example, the overall transparency score of 87.50 would translate into a MinistryWatch.com Transparency Grade of B:

Overall Score	Grade
91 - 100	A
81 - 90	B
71 - 80	C
61 - 70	D
0 - 60	F

Functional Purpose of the Transparency Grade

The Transparency Grade exists to provide insight into a ministry's willingness to be transparent in disclosing vital information in a timely manner, and also to encourage ministries to provide information necessary for MinistryWatch.com to produce comprehensive reports for Christian donors. These reports are much like an investment bank's research report on a corporate stock or Morningstar report on a mutual fund and aid the donor in understanding the key issues concerning a ministry's operations. The reports include information on the ministry's [purpose, organizational details, its mission statement, history, program accomplishments, the ministry's current needs](#), as well as [financial efficiency ratings](#). Some also contain an expert subjective analyst report that includes information on the ministry's strengths, weaknesses and theological positions, or a MinistryWatch.com Donor Alert, if one has been produced. Additionally, [financial ratios, historical income statements and balance sheets](#) as well as recent [news items](#) relating to the ministry are displayed. Many of these features would be unavailable or severely limited if the ministries did not provide the requested information. Of course, we are hopeful that ministries, because of the biblical mandates of responsible stewardship and accountability, would be readily forthcoming with information, but that is not always the case. Additionally, the Transparency Grade can be a positive consideration by donors. A ministry with a high Transparency Grade sends the important message to donors that it takes its biblical stewardship and accountability mandates seriously.

Looking Ahead

There are many other factors that could be considered in determining transparency. These other factors include membership in accountability groups, internal policies, and fundraising practices, to name just a few. However, MinistryWatch.com believes that the best indication of an organization's transparency is how it responds when those commitments and policies are actually put to the test. This system tries to assess that commitment within organizations. In the future, more comprehensive assessments of transparency may be possible.

Specifically, MinistryWatch anticipates that factors that might be part of the Transparency Grade in the future include:

- Copy of Policy for Employee Complaints and Protection:
The American Competitiveness and Corporate Accountability Act of 2002, otherwise known as the Sarbanes-Oxley Act, was signed into law on July 30 2002. It requires that nonprofits have policies in place to handle employee complaints and offer protection for whistleblowers. BoardSource reports that nonprofits must develop, adopt and disclose a formal process to deal with complaints and retaliation and must take any employee complaints seriously, investigate the situation and fix any problems or justify why corrections are not necessary. The reason that this document would be requested is because it is key to a ministry's transparency for employees to feel free to question practices. In addition, since it is required by law, it should not a burden to supply a copy.
- Copy of Policy for Document Retention and Destruction:
Part of the Sarbanes-Oxley Act. It requires that nonprofits have policies in place to ensure document retention and protection. BoardSource reports that nonprofits must have a written, mandatory document retention and periodic destruction policy. This applies to electronic "documents" as well. If an official investigation is underway or even suspected, nonprofit management must stop any document purging in order to avoid criminal obstruction charges, BoardSource reports. The reason that this document would be requested is because it is key to a ministry's transparency. In addition, since it is required by law, it should not a burden to supply a copy.
- Policy to ensure the independence of audit committees
- Policy to ensure that the audit committee is composed of board members not compensated for their services, nor have any other financial interest
- Policy to ensure that the audit committee takes steps to guarantee that the audit firm has the requisite skills and functions and that its performance is reviewed
- Policy to ensure that at least one member of the audit committee is a financial expert
- Policy to ensure that board members receive financial literacy training
- Policy to ensure that auditing firms do not provide non-auditing services
- Policy to ensure that the auditing firm (or at least lead reviewing partners) is rotated every five years
- Policy requiring CEO and CFO to sign off on financial statements and annual audits
- A complete and comprehensive report on executive compensation and related party transactions