

Grace to You Ministry Response to Wall Watchers Rating

The management of Grace to You appreciates the opportunity to respond to the Wall Watchers' Ratings.

MinistryWatch Overall Rating

Grace to You disputes the rating received from Wall Watchers. We have the following overall concerns:

1. Grace to You disagrees with the financial philosophy of Wall Watchers.

Wall Watchers Leadership/Staff

To understand the corporate mindset of Wall Watchers, it is important to know and understand the perspective of the founder and his advisors.¹ These individuals come from an environment of secular financial management – mostly investment portfolio management and mostly with Templeton. Reading the information on the Wall Watchers website reveals that the entire board of directors and the staff are apparently devoid of any nonprofit financial training, expertise or experience.² This helps to explain Wall Watcher's skewed view of ministries and their donors. The following statements cause us great concern as to the perspective of the Wall Watchers analysts:

“Wall Watchers believes that the tools and infrastructure which exist to support the for-profit marketplace (investors and corporations) are currently being created to support a nonprofit marketplace (donors and nonprofits).³”

“Wall Watchers views the ECFA (and other standard setting bodies) as the nonprofit counterpart to the National Association of Securities Dealers . . .”

“Once minimum standards are established and broadly accepted, nonprofits will be motivated to produce a prospectus-type document to inform their potential donors about their organization.”

“Wall Watchers will become the nonprofit counterpart to Morningstar and Value Line in the stock and mutual fund markets.”

These seem to us to be the perceptions of investment portfolio managers trying to force Christian ministries through their financial grid and into their mold.

¹ See accompanying chart: “Key Board Member Professional Experience”

² One might expect to see endorsements or a “board of reference” with such names as Richard Larkin, Richard Capin, Richard Hammer, Dan Busby or Bruce Hopkins (to name a few).

³ Unless otherwise indicated, all Wall Watchers quotations are taken from their websites: www.wallwatchers.org and www.ministrywatch.com.

Grace to You

Revised Ministry Response to Wall Watchers Rating

Wall Watchers View of Donors

Wall Watchers believes that donors to ministries need “an independent source of information on Christian ministries to aid them in making their giving decisions.” They believe their rating system “is only part of the evolving nonprofit information marketplace that will ultimately provide for a more efficient allocation of resources and make nonprofits more responsive to donors.” Grace to You believes that donors already have readily at their disposal fairly extensive information to properly inform their decisions to give or not to give to ministries.⁴ One goal of Wall Watchers is stated as: “bringing improved levels of disclosure and accountability to Christian ministries.” Grace to You believes that ministries are already very accountable to the public and to the government and already have a legally and/or ethically mandated high level of disclosure responsibility.⁵

Wall Watchers views donors to Christian ministries as “consumers”: “We would add that modern consumers are considerably more demanding/skeptical than ever before, and as such are looking for information to assist them with the decisions they make.” Grace to You believes that “consumers” purchase commercial products and their needs, interests and responsibilities are vastly different from the stewardship and godly attitude mandated in Scripture for those who give to ministries.

Wall Watchers views donors as being similar to investors: “An examination of forprofit (sic) capital markets, complete with their investment advisors, ratings organizations, regulatory bodies, and online transaction brokers, provides a good picture of how an information marketplace can facilitate this kind of efficiency.” Grace to You believes that there are significant fundamental differences between investors purchasing stock or mutual funds and donors supporting a Christian ministry:

- 1) An investor retains an ownership interest (stocks, bonds, etc.) when making an investment. A donor legally relinquishes all ownership interest when making a bona fide (and potentially tax-deductible) contribution to a ministry.
- 2) An investor expects a financial return on his investment, while a donor expects his contribution to be used to support the mission of the ministry to which he contributes.
- 3) An investor accepts the risk of loss of all or part of his investment, while a donor has already given up ownership and thus has no further risk.

⁴ See attached chart “Nonprofit Organizations Accountability Ratings.” The difference between these sources of ratings and Wall Watchers is that the current sources set a standard that an organization either meets or does not meet. The organizations that set these standards allow a broad leeway to the organization for how it operates its financial and operational affairs under the standards.

⁵ IRC § 6104 and Treasury Regulation § 301.6104(a)-1 provide rules and regulations that tax exempt organizations must follow to disclose information (essentially Forms 990 and 1023) to the public. ECFA’s Seven Standards of Responsible Stewardship for Members, #5 states: “Every member organization shall provide a copy of its current audited financial statement upon written request.”

Grace to You Revised Ministry Response to Wall Watchers Rating

- 4) An investor operates according to “Prudent Man” (or in some states “Prudent Investor”) principles or rules in making his investment, while a donor operates under biblical principles of giving and stewardship.

Grace to You believes that Wall Watchers does not respond appropriately to these differences in their stated views of donors.

Wall Watchers state on their website that: “We believe that people want to give – they just don’t know why to give, or who to give to, or how to give in a confident way.” This statement assumes that donors to ministries are basically ignorant, misinformed and confused. This seems to contradict the statement made by Wall Watchers in another section of the website: “This argument demonstrates very little faith in the intelligence and common sense of donors.” Grace to You believes that the ratings provided by Wall Watchers do not properly address any of these issues.

Wall Watchers View of Ministries

Wall Watchers state that the 5 Star Rating system is “based upon a certain theoretical understanding of nonprofit and forprofit (sic) organizations.” After stating that the two types of organizations have similar financial activities, but different goals, Wall Watchers states: “Nonprofit and forprofit (sic) organizations share a basic structure that can be likened to a manufacturing process in a factory.” Wall Watchers then presents a matrix of corresponding financial measures in for-profit and nonprofit organizations according to the manufacturing elements of: Input, Infrastructure, Mortgage, Throughput, Bi-products and Output. Although this produces an interesting analytical concept for a particular nonprofit organization, Wall Watchers takes a quantum leap to assuming that various nonprofit organizations can be rated and compared according to various ratios reflective of their input, output and throughput in merely statistical financial terms. Grace to You rejects this assumption. The final quantum leap is the application of “risk and return” concepts as “the primary determinant of efficiency” of nonprofits. The fallacy of this assertion is explained below in the detailed discussions of each ratio.

2. Grace to You believes that the analytical methodology of Wall Watchers is fundamentally flawed.

Financial Ratios

In an excellent recent article, “Making Sense of Your Financial Data,” some recognized experts in nonprofit accounting comment:

“What the exhibit [contained in the article for illustration] does *not* include, however, are standard or normal values. Unlike the comparable indicators for businesses, no standard values exist, or would be meaningful to any particular organization if they did, in the not-for-profit sector. Some industry statistics have been compiled, and there are a few accepted measures in

Grace to You Revised Ministry Response to Wall Watchers Rating

common use, but in general, the most value can be obtained by tracking an association's own indicators over time."⁶

The kinds of ratios used to produce the ratings generated by Wall Watchers can produce irrelevant if not misleading results. "People who read financial statements of businesses have developed various standard ratios and other measurements of organization performance. Some of these include current ratio, gross margin, net profit ratio, inventory turnover, debt to equity, return on assets, and return on investment. While it is theoretically possible to compute these indices for [a] not-for-profit entity, all of them mean different things for such an entity than they do for a business. Additionally, they do not indicate the financial condition and performance for an association as effectively as they do for a business."⁷

GuideStar has recently weighed in on the issue in an article titled, "Why Ratios Aren't the Last Word." Their general comment regarding using ratios to evaluate nonprofits is that "these figures can be more misleading than helpful." They go on to state that without proper context, "ratios can be misleading and even destructive."⁸

Ratings

Wall Watchers goes to great length on its website to defend its use of ratings. Wall Watchers tries to claim that the ratings they issue do not "place us in a position of judgment over ministries," that "a rating is merely an assessment of an organization according to certain criteria." Grace to You considers these statements to be mere semantics. The ratings given by Wall Watchers are by their own admission a judgment by Wall Watchers of the "financial efficiency"⁹ of the ministry. The ratings purport to provide "insight into how successful each ministry has been at meeting similar challenges."

Grace to You takes exception to the Wall Watchers statement: "A rating is not a recommendation for or against giving to a nonprofit." The recommendation may not be explicit, but it is certainly implicit.¹⁰ For example, if one is dining in Los Angeles County, will he be

⁶ Malvern J. Gross, Jr., Richard F. Larkin and John McCarthy, *Financial and Accounting Guide for Not-For-Profit Organizations, Sixth Edition, 2001 Supplement*, (Somerset, NJ: John Wiley & Sons, Inc., 2001), 15, (Article reprinted by permission from *Elected Leader*, 1987 IAAMC).

⁷ Ibid.

⁸ Chuck McLean and Suzanne E. Coffman, "Why Ratios Aren't the Last Word," Philanthropic Research, Inc., October, 2001. <http://www.guidestar.org/news/features/ratios.stm>.

⁹ The terms "Financial Efficiency" and "Efficiency Rating" are inventions of Wall Watchers. A quick check of the index or glossary some standard resources where one might expect to find such terminology reveals that it does not exist in the nonprofit world outside of the Wall Watchers. (*The Complete Guide to Nonprofit Management; Budgeting for Not-for-Profit Organizations; StreetSmart Financial Basics for Nonprofit Managers; Managing the Nonprofit Organization: Principles and Practices; Nonprofit Law Dictionary; Nonprofit Corporations, Organizations & Associations; Financial and Accounting Guide for Not-for-Profit Organizations; Almanac of Business and Industrial Financial Ratios: 2001 Edition*). Two resources use the term "efficiency" in a different context than Wall Watchers: *Nonprofit Investment Policies* in the context of market performance of securities and *Financial & Strategic Management for Nonprofit Organizations* in the context of target funding levels to meet organization budgets.

¹⁰ Grace to You is not alone in this concern. In a recent article titled "By the Book?" in *The Chronicle of Philanthropy*, June 28, 2001, pp. 46-47, the author presented a similar concern shared by Paul Nelson of ECFA:

Grace to You Revised Ministry Response to Wall Watchers Rating

more likely to patronize the establishment with the Health Department “A” in the window or the one with the “C?” Given the same price per room, will a person chose the hotel with “3 diamonds” or “4 diamonds” in the AAA book?

Wall Watchers president, Mark Long, has stated: “groups deemed to be most financially efficient are those that are able to ‘get the most mission-related activity out of the least amount of financial resources.’”¹¹ Grace to You believes that Wall Watchers ratings fail to fairly measure the “financial efficiency” of ministries or to determine the “mission-related activities” of ministries.

Grace to You believes that these statements and the analyses that follow reveal that Wall Watchers is at best naïve regarding the financial workings of the nonprofit ministries they purport to rate. Accordingly, we reject the mediocre connotations of the Wall Watchers’ three star (vuv) overall rating of Grace to You.

Fund Acquisition Decision

There are two ratios that were used to establish this rating of how Grace to You raises support.

Fundraising Cost Ratio¹²

This is defined as a “Risk (lower is better)” ratio of Fundraising Expense/Total Revenue. According to Wall Watchers, having higher fundraising costs as reported on the Form 990, Part II (or equivalent schedule on the audited financial statements) is a negative indicator of “financial efficiency.” We see two fundamental problems with the use of this ratio:

1. The concept of a ministry expending its resources toward the raising of funds being a negative efficiency factor is an unsupported assertion of Wall Watchers. There are many situations for particular organizations when the expenditure of additional resources toward the raising of funds is prudent, a far more relevant issue than whether that action is “efficient.”
2. The allocation of expenses to the fundraising classification has been an area of tremendous inconsistency between organizations since the issuance of SOP 78-10 over 20 years ago¹³. Grace to You takes a very conservative position in following the

“some critics worry that won’t prevent visitors from simply looking at how many stars a charity receives and deciding whether it is a worthy recipient based just on that.”

¹¹ *Chronicle*, 46.

¹² GuideStar comments: “The fund-raising ratio is perhaps the least useful of the ratios for several reasons. First, there is ample evidence that nonprofits do not report fund-raising expenses reliably—about 60 percent of the public charities that file a Form 990 report no fund-raising expenses at all. Second, unique circumstances facing a nonprofit might make its fund-raising ratio higher or lower than that of another organization. For example, nonprofits that can rely largely on foundation funding will have much lower fund-raising costs than organizations that must raise money through many smaller contributions.” Chuck McLean and Suzanne E. Coffman, “Why Ratios Aren’t the Last Word,” Philanthropic Research, Inc., October, 2001. <http://www.guidestar.org/news/features/ratios.stm>

¹³ The July 2001 issue of *The Exempt Organization Tax Review* contains an insightful article by Peter Swords titled, “The Importance of the Form 990.” On page 34, Mr. Swords comments: “The integrity of much of the expense

Grace to You Revised Ministry Response to Wall Watchers Rating

instructions to IRS Form 990¹⁴ by “reporting all expenses, including allocable overhead costs” incurred in fundraising. Without casting aspersions on any particular organization, the recipients reporting 0% or very low percentages of fundraising expenses are likely applying very different criteria in their allocations. This undermines if not destroys the comparability of the data for ratings purposes. Wall Watchers has attempted to defend its use of “imperfect information” by stating that “to ignore information because it is incomplete or imperfect will only leave us in a state of ignorance and paralysis.” Grace to You disagrees with this statement. The use of faulty information by Wall Watchers is creating faulty ratios, which lead to faulty ratings of ministries. This is a major contribution to the misleading nature of the Wall Watchers ratings.

Contribution Reliance Ratio

This is defined as a “Return (higher is better)” ratio of Contributions/Total Revenue. According to Wall Watchers, having more revenue come from contributions (versus other forms of revenue such as sales of materials, conference fees, membership dues, interest, dividends, etc.) is preferred for ministries. We see two fundamental problems with the use of this ratio:

1. It is perfectly allowable, acceptable and sometimes most prudent for some organizations to receive a significant portion of their revenue from sales of materials (or other sources) related to the organization’s tax-exempt purpose. We are not convinced of Wall Watcher’s contention that this type of revenue is not “efficient” or not deserving of a higher rating than revenue derived from contributions¹⁵.
2. The classification of a transaction between a donor and an organization as either a “sale,” a “membership fee,” or a “contribution” is very defined and technical. How each organization raises its funds depends on many factors related to the philosophy, methods, and programs of each organization. It seems unwarranted to us to assign more “merit” to funds raised via contributions to funds generated from other sources.

portions of Form 990 depends on how accurately compensation expenses are allocated between program services, management, and general fundraising. An important context point for this subject is the fact that compensation makes up the largest expense for many, if not most, nonprofits. These compensation allocations are based in turn on how we report our time. As the world learns how to read the Form 990 and learns that it is best if an organization’s fundraising ratio is small, say, less than 25 percent of total expenses, and that it’s good to have a high program-services ratio, when we come to complete our time sheets, the pressure to review how we have spent our time in a way that will produce good ratios will be heavy indeed. This is an enormous problem. There is no practical way of policing how we make our time allocations and the tendency to tilt how we spend our time in a favorable light is pure human nature – hardly a capital offense. Today I am honestly not sure how to address this quandary.”

¹⁴ Even the IRS acknowledges the problem of inconsistent reporting on Form 990: “The knowledgeable Form 990 reader is well aware that the amounts reported in columns B, C, and D of part II may be subject to a considerable amount of manipulation. There is a desire to maximize amounts classified as “program services” and minimize amounts reported in the other two categories, particularly fundraising costs.” *IRS Exempt Organizations Technical Instruction Program for FY2002* (Department of the Treasury, Internal Revenue Service, Training 4277-053 Rev. 8-2001, Catalog Number 86865P), page 239.

¹⁵ *Chronicle*. ““Their formulas give a strong preference to money that’s raised via public contributions,” said Daniel Borochoff, president of the American Institute of Philanthropy, in Bethesda, Md. . . . “Why would you say that’s better than any other way of raising money?””

Grace to You

Revised Ministry Response to Wall Watchers Rating

The assignment of two stars (vv) to Grace to You sends the message to prospective donors that Grace to You makes poor decisions relative to the acquisition of funds for the ministry. We dispute that implication. The growth in our revenue (as displayed on the Wall Watchers website) shows an increase from just over \$6.1 million in fiscal year 1996 to almost \$9.1 million in fiscal year 2000. GTY must be doing something right, even if the effort earned us only two Wall Watchers stars.

Resources Allocation Decision

This category uses two ratios to rate how Grace to You spent its resources in the current period on “mission-related activities.”

Spending Ratio

This is defined as a “Risk (lower is better)” ratio of Total Expenses/Total Revenue. The following is our response:

1. If Grace to You is spending less of its total revenue on the expenses of the ministry (to earn a better rating – “lower is better”), the result will be an accumulation of net revenue in excess of expenses. The accumulation of reserve funds in excess of normal operating needs can be problematic for any nonprofit organization. Looking at the last five years (as reported on the Wall Watchers’ website), GTY has had varying “spending ratios” from 90% to 97% depending upon the goals and directives of the Board of Directors based on the need for reserves (e.g.: large in the year we produced the *MacArthur Study Bible* and consumed in the year we constructed a new building).

Program Output Ratio

This is defined as a “Return (higher is better)” ratio of Program Expenses/Total Revenue. The following is our response:

1. This ratio is helpful to know for any organization, including Grace to You. However, we believe that it is not appropriate to use as a comparison between organizations, due to differing administrative and fundraising requirements of different organizations (see discussion supra under “Fundraising Cost Ratio”).

Grace to You has received three stars (vvv) from Wall Watchers out of a best possible rating of five stars. We believe that this sends a misleading message to prospective donors that GTY is mediocre in the allocation of the resources entrusted to us by our donors. We reject that implication. The accomplishments of our ministry goals using those resources speak to the stewardship we have exercised in the area of “resource allocation.”

Asset Utilization Decision

This rating claims to measure how Grace to You uses its assets to “further its operations in the future.” This is done using two ratios.

Grace to You Revised Ministry Response to Wall Watchers Rating

Degree of Long-Term Investment

This is defined as a “Risk (lower is better)” ratio of Total Assets/Current Assets. We have problems with this ratio being used as a criterion of GTY’s “efficiency.”

1. This ratio is related to the “spending ratio” discussed above. In 1999, GTY had a “good” ratio of 1.75 due to the accumulation of reserves in preparation of the construction of our new building. The ratio “declined” in 2000 to a less favorable 3.09 due to the use of current assets (i.e.: cash) to buy land and begin the construction project. Unfortunately for GTY, this has negatively impacted our “degree of long-term investment ratio” with Wall Watchers.
2. Another problem with this ratio is that various organizations are not always consistent with how they classify assets as “current.”¹⁶ Beyond that fact, wide variations will exist between organizations needing to keep varying levels of liquid (current) assets available, depending upon their short-term and long-term goals and needs. To encourage every organization to manage their assets with a view toward improving their Wall Watchers’ rating is not only unfair, in some cases it could cause the organization to violate its own investment policies or legal “prudent investor” rules.

Current Asset Turnover

This is defined as a “Return (higher is better)” ratio of Total Expenses/Current Assets.

1. While this may be a useful ratio for a ministry to monitor, the problem again is comparability between different ministries is not useful. Another helpful perspective on this issue is provided by noted management “guru” Peter Drucker: “We need to remind ourselves again and again that the results of a non-profit institution are always outside the organization, *not* inside. One needs to define performance for each of the non-profit’s key areas. Think through the key performance areas for this organization – not for *an* organization – for *this* one, and focus on them.”¹⁷ This is difficult advice to heed while focused on how many “stars” you were given by Wall Watchers.

Grace to You considers the implications of mediocrity in the management of the ministry’s assets implied by the three star (vuv) rating from Wall Watchers to be an inappropriate assessment.

3. Grace to You Has Concerns that Extend “Beyond the Stars”

¹⁶ GuideStar has commented: “we urge caution in using ratios. Accounting practices among nonprofits vary widely, so that what appears to be discrepancies in the ratios for different organizations might merely reflect divergent accounting methods.” Chuck McLean and Suzanne E. Coffman, “Why Ratios Aren’t the Last Word,” Philanthropic Research, Inc., October, 2001. <http://www.guidestar.org/news/features/ratios.stm>.

¹⁷ Peter F. Drucker, *Managing the Non-profit Organization: Principles and Practices* (New York: HarperCollins Publishers, 1990), 140-141].

Grace to You Revised Ministry Response to Wall Watchers Rating

Biblical Issues

The Name “Wall Watchers”

Grace to You is concerned about the biblical assertions and assumptions presented by Wall Watchers. They have stated: “Our name reflects our desire to be a “watchman on the wall” (Ezekiel 33: 1-12) for those who give to Christian ministries.”¹⁸

Ezekiel’s commissioning to a unique prophetic role is described in chapter 3, verses 16-21. The analogy used is that of a “watchman” in Old Testament times. “This analogy came from the custom of putting guards on the city wall watching for the approach of danger, then trumpeting the warning”¹⁹:

- ❑ He stood on the wall of the city as a sentry²⁰
- ❑ His duty was to carefully watch inside and outside the city for signs of danger²¹
- ❑ He was required to sound an alarm to give timely and faithful warning to the people²²

This is a vivid picture of Ezekiel’s ministry. “This role was spiritually analogous to the role of a watchman on a city wall, vigilant to spot the approach of an enemy and warn the residents to muster a defense. The prophet gave timely warnings of approaching judgment”²³:

- ❑ He was appointed by God (3:16-17; 33:7)
- ❑ He was informed by God (3:17; 33:7)
- ❑ He was a spokesman for God (3:17; 33:7)
- ❑ He was accountable to God (3:18-21; 33:8-9)
- ❑ His message was a warning (3:19,20; 33:10,11)

This raises significant questions regarding what Wall Watchers intends to signify by their name:

- 1) Do they claim to be appointed by God?
- 2) Do they claim to be informed by God?
- 3) Do they claim to be spokesmen for God?
- 4) Do they claim to be accountable only to God?
- 5) Are they sounding a warning to donors and/or ministries?
- 6) What are the “dangers” they are announcing?

¹⁸ Letter dated August 2, 1999 from Mark A. Long and Rusty & Carol Leonard to GTY Executive Director Phil Johnson.

¹⁹ John MacArthur, *The MacArthur Study Bible* (Nashville, TN: Word Publishing, 1997), 1198.

²⁰ Frank E. Gaebelein, gen. ed., *The Expositor’s Bible Commentary, Volume 6* (Grand Rapids, MI: Zondervan Publishing House, 1986), 765.

²¹ Ralph Alexander, *Ezekiel* (Chicago: Moody Press, 1976), 16.

²² Patrick Fairbairn, *Commentary on Ezekiel* (Grand Rapids, MI: Kregel Publications, 1989), 49.

²³ *The MacArthur Study Bible*, 1156.

Grace to You Revised Ministry Response to Wall Watchers Rating

Grace to You believes that Wall Watchers is obligated to provide a clear answer to the questions and implications raised by their biblical name rather than to leave the answers to inference and speculation.

Wall Watchers' Use of Scripture

The Wall Watchers website states: "What is a good scripture (sic) to describe MinistryWatch.com? 1 The. (sic) 5:21-22 (sic) 'Prove all things; hold fast to that which is good.'"

The plain meaning of this verse is a "call for careful examination and discernment . . . in response to the command of v. 20. One is never to downplay the proclamation of God's Word, but to examine the preached word carefully. What is found to be 'good' is to be wholeheartedly embraced. What is 'evil' or unbiblical is to be shunned."²⁴

If Wall Watchers means by their statement that they call donors to be discerning of the message proclaimed by a ministry as a determiner of their giving decisions, Grace to You would agree. However, in the context of the Wall Watchers material, what is being examined is not the content of the ministry, but rather its "financial efficiency" or "operating efficiency." 1 Thessalonians 5:21 is not a "good Scripture" to call donors to financial discernment and prudence. It is entirely possible and even probable, that some of the ministries earning high financial ratings from Wall Watchers are not accurately proclaiming the Word of God.

Grace to You suggests that Wall Watchers would more appropriately cite to the stewardship principles taught in Proverbs 27: 23-27 and the accountability principles illustrated in 2 Corinthians 8:16-21 as biblical support for their activities.

Philosophical Issues

Wall Watchers proposes to develop "Analyst Comments" on the philosophical basis of what is termed "the 4 P's:" Program, People, Process, and Performance. In order to analyze an organization, Wall Watchers will examine the following "key elements" (with the concerns of Grace to You listed for each element):

- **Ministry's Mission and Core Values**

As under-qualified as Grace to You believes that Wall Watchers is to rate ministries in the financial area, we believe that they are totally unqualified to assess theological issues. Grace to You is concerned that Wall Watchers would propose to comment in such issues as a ministry's "place on the theological spectrum."

- **Ministry's Programs, Goals and Objectives**

Grace to You is concerned about the criteria used to determine "what does the future hold in store?" and to evaluate whether there is "clarity of vision."

²⁴ Ibid. 1850.

Grace to You Revised Ministry Response to Wall Watchers Rating

❑ Ministry's Program Effectiveness

Grace to You is concerned about the criteria that will be employed to measure "the effectiveness of each program."

❑ People and Governance

The ECFA and certified auditors already evaluate the governance of Grace to You. We would be concerned about the criteria used to measure the "accountability and competency among key personnel." There are no human resources professionals listed in the staff and board of Wall Watchers. Grace to You is concerned about the results of evaluations made by analysts without the qualifications to make those evaluations. Grace to You believes that Wall Watchers is not qualified to assess "the overall character and competence of key people, the qualifications and experience of Board members and senior management, the commitment of employees to the ministry, and the professionalism of personnel involved in key roles."

❑ Operational Process and Procedural Issues

Everything listed in this area is covered by the examination of the internal control systems each year by our certified auditors and reported in the auditors' management letter. Grace to You is concerned that Wall Watchers proposes to comment on "performance measurement systems, cash controls, the allocation of indirect expense, accounting policy, administrative efficiency, and the general control environment" without conducting an audit of the organization.

❑ Financial Performance

Many of these issues are examined by our certified auditors and reported in our audited financial statements. Other issues are part of the 5 Star Ratings (see comments supra).

❑ Fund Raising Effectiveness and Issues

These issues are adequately addressed by the compliance of Grace to You with ECFA Standard #7 (Fund Raising). This comprehensive standard addresses twelve issues²⁵:

- 1) Truthfulness in Communication
- 2) Communication and Donor Expectation
- 3) Communication and Donor Intent
- 4) Projects Unrelated to a Ministry's Primary Purpose
- 5) Incentives and Premiums
- 6) Reporting
- 7) Percentage Compensation for Fund Raisers
- 8) Tax Deductible Gifts for a Named Recipient's Personal Benefit
- 9) Conflict of Interest on Royalties
- 10) Acknowledgement of Gifts in Kind
- 11) Acting in the Interest of the Donor
- 12) Financial Advice

²⁵ ECFA Evangelical Council for Financial Accountability 2000 Annual Report.

Grace to You
Revised Ministry Response to
Wall Watchers Rating

Grace to You is concerned that the Wall Watchers “analyst attempts to assess the credibility and quality of the organization and its representatives.” The analyst will be “forming an opinion” which will become part of “the published Ministry Ratings Profile.” Grace to You considers the publishing of such an “opinion” to be potentially misleading.