



## Ministry Red Flags

Ministry name: \_\_\_\_\_ Date: \_\_\_\_\_

### Instructions

For each item, if the answer is “yes,” circle the check mark, if it is “no,” circle the red flag. If you don’t know, leave it blank. If you are not quite sure, place a question mark in the margin to seek more information. Circle “N. A.” if the item is not applicable to the ministry you are assessing.

Many items are compound, containing several related components numbered thus: (i), (ii), etc. In these cases, the answer is “yes” if ALL the components are true—if one or more components is “no,” circle the red flag.

The list has been prepared for global use and is not limited to the U.S., thus terminology and factors from foreign countries are used throughout. However, standards are different overseas and grace and contextual understanding should be used.

### Christian



1. Does the organization have a statement of faith that (i) is available to donors and (ii) is consistent with historic Christian creeds?



2. If the organization teaches biblical content, the theology espoused is free from heresy that contradicts, or fails to align with, traditional teachings of the Church.

### Family Ties



N.A.

3. If family members of employees are hired, do they (i) participate in the organization’s standard hiring process that is (ii) led by a non-family member, and (iii) report to a non-family member?



N.A.

4. Does every employed family member of a senior leader (i) hold a regular position that would be filled by another hired person if the family member left? Does the position (ii) have a job description and (iii) pay grade consistent with other positions, and (iv) does the family member receive regular performance reviews by a non-family member?



N.A.




5. Are family members of the founder and senior executive/pastor only hired following formal board approval?








N.A.

6. Is provision of paid travel for non-employed family members (i) controlled by a board-approved policy and (ii) limited to not more than four trips per year? Is the value of such travel (iii) reported as income (in the U.S., typically as 1099 income)?



## Conflict of Interest

-  7. Does the organization require management personnel to disclose any conflict of interest, or indicate that there is none, in a written statement each year?
-  N.A. 8. If the organization requires annual conflict of interest disclosure, are all written conflict of interest disclosures reviewed by an independent individual or group (not a family member)?
-  9. Does the organization buy products and services only from vendors who are not associated with employees or their families, unless the board, acting independently, authorizes the details of the purchase?

## Transparency

-  10. Is the organization's annual audit (if one is prepared), or its Form 990, or other financial statements, readily made available to the public (e.g., posted on a website, or provided immediately upon request)?
-  11. Does the organization respond (i) promptly and (ii) appropriately to external requests for information?
-  N.A. 12. Are complaints regarding the accuracy of external communications dealt with (i) promptly and (ii) comprehensively to fully correct any misstatements?
-  13. Does the organization readily provide information to inquiring donors on total compensation paid to senior executives/pastors and family members? Total compensation includes:
- a. Regular salary (in the U.S., W-2 income)
  - b. Contract income in addition to regular salary (in the U.S., 1099 income)
  - c. Benefits (health, disability and life insurance, "company car," etc.)
  - d. Retirement contributions (including, in the U.S., a Rabbi Trust)
  - e. Personal use of organizational assets (e.g., vehicle, plane, home)
  - f. Personal use of organizational employees
  - g. Royalties received on books purchased by the organization from publishers
  - h. Income from the direct sale of books to the organization
  - i. Honoraria received in the course of doing ministry work
  - j. Fees received for services provided or rental income
  - k. Savings due to a discounted interest rate or forgiveness of a loan from the organization
-  N.A. 14. Does the organization disclose information to inquiring donors on payments to companies in which senior executives/pastors, family members, and board members have an ownership interest?

## External Communications

-  15. Are the organization's external communications to clients, donors, prospective donors, the community, government agencies, watchdog groups, etc. honest, accurate, and complete?
-  N.A. 16. Are claims of costs (e.g., the cost to feed a child for a year) and achievements (e.g., the number of churches planted in a region) (i) based on "hard data" or careful projections with (ii) source records or calculations available to inquirers?

  
N.A.

17. Does the organization meticulously avoid deceptive practices such as, but not limited to: (a) showing photos that include the work of another organization without disclosing the other organization's role, (b) claiming achievements that are in fact joint achievements without disclosure of the other party, or (c) reporting achievements without a clear statement of the time period during which they were accomplished, so the same outcomes are reported multiple times?

### Fundraising & Donors

  
N.A.

18. Are restrictions placed by a donor on a gift fully honored by maintaining records and a system that ensures donor intent is carried out?

  
N.A.

19. Are the terms of conditional lead gifts, matches, etc. explained to other donors with clarity and honesty?



20. Do donors have ready access to observe the ministry carried out by their investments?

### Stewardship & Compensation



21. Are compensation levels for the founder and/or senior executive/pastor set and reviewed (i) at least every two years (ii) by the board or an independent compensation committee that (iii) uses national or regional statistics as a guide?



22. Is the total compensation paid to the founder, senior executives/ pastors, president, and family members, reasonable in relation to, and as a proportion of, compensation paid to others in the organization? (See item 13 above at Transparency for what is included in total compensation.)



23. Does the organization have a (i) policy and (ii) practice of not lending money to employees?

  
N.A.

24. If any loans have been made to employees, was (i) market-rate interest charged, and (ii) were they fully repaid or will they be?

  
N.A.

25. Do employee authors contract with their publishers to provide books to the organization at a high discount (typically around 75-80%), induced by the employee's forgoing royalties on books sold by the publisher to the organization?

  
N.A.

26. If an employee author sells books to the organization, does he/she sell them at a price equal to or less than that offered by the publisher, or a price that typically would be offered by a publisher to an organization?



27. Does the organization *not* (i) own or (ii) lease a private aircraft, or (iii) have a fractional interest in one, that is primarily used for travel by the organization's leaders? (This does not refer to aircraft used to deliver humanitarian aid.)

  
N.A.

28. If the organization owns or leases an aircraft, is it used exclusively for ministry purposes, not for personal private use such as vacations or family travel?

  
N.A.

29. Do all employees, including the founder and senior executives/pastors, and family members of employees, reimburse the organization for any personal portions of travel and accommodation paid for by the organization, or have it reported as income (in U.S., as 1099 income)? Such reimbursable travel services may be provided commercially or by use of organizational assets (plane, vehicle, condo, etc.).

### Financial Operations & Policies

  
N.A.

30. If the organization has a “benevolent” or “discretionary” fund that makes grants to individuals, are disbursed funds reviewed by an individual other than the grantor?



31. Has the organization implemented internal accounting controls to prevent and detect fraud? This includes separating duties such as opening mail and receiving checks, preparation of bank deposits, and recording accounting entries and having them performed by different persons or by two persons who monitor each other’s work.



32. Does the organization have a board-approved policy that is monitored by the board (or the treasurer and reported to the board), that addresses authorization to make payments such as checks, bill-pay, EFTs, expense reimbursements via payroll, etc.?



33. Do major purchases or investments (e.g., securities, real estate, another organization, etc.) require board approval?

### Financial Reporting



34. Does the organization (i) prepare financial statements according to Generally Accepted Accounting Principles (GAAP, issued by the Financial Accounting Standards Board (FASB) for the U.S.) or International Accounting Standards (IAS, issued by the International Accounting Standards Board), and (ii) clearly report any variations from these standards within financial statements?



35. Does the organization have a (i) qualified accountant—internal or external—prepare (ii) regular financial statements (iii) without undue influence from management?



36. Are the organization’s financial statements provided to the board on a regular schedule, at least quarterly?

  
N.A.

37. If annual revenue exceeds \$0.5 million (USD), (i) does an unrelated, certified accounting firm prepare an annual audit (ii) in a timely manner?







  
N.A.

38. If the organization has related entities, including foreign ones, (i) are consolidated financial statements prepared (according to GAAP or IAS) and (ii) provided to the board?








### Legal



39. For U.S. organizations, does it currently have active 501(c)(3) tax-exempt status with the IRS? Or, if it is located outside the U.S., is it a registered charity, trust, or business in the country where it is located?

<input checked="" type="checkbox"/>  N.A.	40. For U.S. organizations, is the organization either registered with the IRS as a (i) nonprofit organization that is not a church, or (ii) church, and the organization's <i>primary</i> purposes are to conduct the sacerdotal functions of a local church (preaching, baptism, offering sacraments, marriage, funerals, etc.) and function as a parish congregation, or as a group of such congregations?
<input checked="" type="checkbox"/>  N.A.	41. For U.S. organizations, has the organization filed a Form 990 with the IRS within the past 23 months?
<input checked="" type="checkbox"/> 	42. For the past five years, has the organization been free of lawsuits or administrative actions filed against it by an employee, client, board member, vendor, donor, or other related party?
<input checked="" type="checkbox"/> 	43. During the past five years, has the organization been the subject of a lawsuit, administrative hearing, investigation, or accusation by a government office, department, or agency?
<input checked="" type="checkbox"/> 	44. Is the organization in compliance with government laws and regulations at local, regional, and federal levels, including making required filings?
<input checked="" type="checkbox"/>  N.A.	45. If the organization has operations within the European Union, does it adhere to the General Data Protection Requirements and, if it has operations in the UK, does it adhere to the Data Protection Act. (GDPR governs how EU residents' personal data may be stored and managed, and DPA has similar provisions for the U.K.)

### Founder or Senior Executive/Pastor Profile




<input checked="" type="checkbox"/> 	46. Is the founder and/or senior executive/pastor a humble person who is not commonly viewed as a "celebrity" with a devoted following?
<input checked="" type="checkbox"/>  N.A.	47. If the founder or a family member of the founder is employed at the organization, is he/she <i>not</i> "protected" by a provision that largely guarantees his/her ongoing employment?
<input checked="" type="checkbox"/> 	48. Does the organization have a name that does not refer to the founder, and a purpose that is not expressed in terms of carrying out the ministry of an individual?
<input checked="" type="checkbox"/>  N.A.	49. Does the organization refrain from publicizing meetings and influence the founder and/or senior executive/pastor has with governmental leaders or heads of state?
<input checked="" type="checkbox"/> 	50. Does the founder and/or senior executive/pastor have a variety of healthy relationships with persons outside the organization and meet or connect with them regularly?
<input checked="" type="checkbox"/> 	51. Is the life of the founder and/or senior executive/pastor, including his/her calendar and travel schedule, generally open to scrutiny by at least one other person who holds him/her accountable? (He/she does not use non-ministry communication devices or software for his/her work, does not do "business travel" for unknown purposes or to unknown places, and does not have inexplicable personal appointments.)
<input checked="" type="checkbox"/> 	52. Is the founder and/or senior executive/pastor viewed, by those who know him/her well, to be free from characteristics that are commonly associated with personality disorders? (E.g., an unrealistic view of oneself, lack of empathy for others, arrogance, manipulateness, impulsiveness, mood swings, delusions, etc.)

## Senior Leadership Team

53. Do the organization's senior leaders manifest a visible, personal commitment to Jesus Christ, and are leaders actively involved in a local church congregation?
54. Are the organization's senior leaders fully devoted to the organization and not significantly involved with outside business interests?
55. Do senior leaders exhibit a Christ-like leadership style that does not manifest the characteristics of toxic leadership (negativity, criticism, unreasonable demands, duplicity, use of factions, gossip, etc.)?
56. Do senior leaders create a climate of openness and positive engagement with others rather than one characterized by fear, intimidation, bullying, or uncertainty?
57. Are senior leaders free of accusations of sexual harassment or impropriety?
58. In the past five years, have changes in senior leadership and board composition been for reasons other than a dispute with the founder and/or senior executive/pastor?  
N.A.





## Governance

59. Does the organization have a governing board with at least five members, and not more than 15?
60. Do board meetings typically consist largely of active discussion by board members of mission, strategy, policy, and finances, and typically do not consist primarily of presentations from organizational leaders or others on their behalf.
61. Does the board have (i) no more than two non-independent members, and (ii) at least four independent members for every one non-independent member? An independent member is one who is not an employee or contractor, has no familial relation to any employee or another board member.
62. Does the board (i) meet at least two times per year with (ii) at least one meeting in-person?
63. Is the board chair an independent board member, not the founder or senior executive/pastor?
64. Do board members generally have moral courage and the ability to hold leaders accountable and confront them when necessary—rather than excuse poor performance or behavior?
65. Based upon corporate bylaws (or, outside the U.S., other governing documents), are board members subject to term limits (except one senior leader who may be appointed by virtue of his/her position), ensuring that new directors with fresh perspectives regularly join the board?
66. Are there no persons (e.g., a founder) with a “lifetime appointment” to the board or requirement to be elected? This does not refer to ex officio appointment to the board that is dependent of the person's position with the ministry.
67. Does the board provide orientation and training for its members?

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| <input checked="" type="checkbox"/>   | 68. Does the board regularly engage in a process of self-evaluation?                                |
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| <input checked="" type="checkbox"/>  | 69. Do all board members have first-hand, field-based experience with the work of the organization? |
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| <input checked="" type="checkbox"/>  | 70. Are the names and credentials of the organization's board of directors made public?             |
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### **Corporate Culture & Board Culture**

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| <input checked="" type="checkbox"/>          | 71. Is the rate of staff turnover reasonable and in line with similar organizations (e.g., less than 10% per year)?  |
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| <input checked="" type="checkbox"/> <br>N.A. | 72. If allegations of wrongdoing are brought against the founder or senior executive/pastor—even when they do not align with his/her image—are the allegations (i) taken seriously and investigated in a professional manner, with (ii) complete information provided to the full board? |
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| <input checked="" type="checkbox"/>          | 73. Among the senior leadership and/or within the board, is there a spirit of humility and openness where questions, concerns, or issues can easily be raised and discussed/debated without fear or defensiveness?   |
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| <input checked="" type="checkbox"/> <br>N.A. | 74. Are board members able and encouraged to talk with each other and discuss ministry matters outside the boardroom?  |
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### **Allegations of Wrongdoing**

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| <input checked="" type="checkbox"/>            | 75. Have there been no public accusations of misdeeds against the organization, founder, senior executive/pastor, or board members during the past five years?  |
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| <input checked="" type="checkbox"/> <br>N.A. | 76. Have all known “watch dog” or “rating” organizations (e.g., in the U.S., Charity Navigator, Ministry Watch, Charity Watch, etc.) given the organization and/or its leadership a favorable rating (or no rating) during the past five years? |
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