Charity report about: Federal ID # 41-0693915
Minneapolis Society of Fine Arts
d/b/a Minneapolis Institute of Arts
2400 Third Avenue South
Minneapolis, MN 55404
Phone: 612-870-3131 Fax: 612-870-3253
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Web: www.artsmia.org

The Minneapolis Institute of Arts does not meet standard 2E.
The organization meets all other standards of the Charities Review Council.
(Date of final report: August 21, 2003, last revised August 6, 2004.)

CHARITY PROFILE

The Minneapolis Society of Fine Arts, which does business as the Minneapolis Art Institute ("the Institute"), was founded in 1883 by 25 residents of the Twin Cities. Today the Institute is considered one of the top ten fine arts museums in the United States. The Institute collects works from the past 5,000 years that represent cultures throughout the world. The Institute has grown to include 30,000 member households and maintains a permanent collection of 100,000 pieces. The Institute is also one of the only American museums that offer free general admission to all.

The Institute is a tax-exempt charitable organization under section 501(c)3 of the IRS Code. It is eligible to receive tax-deductible contributions. The Institute is current in its annual reporting to the Minnesota Attorney General's Charities Division.

MISSION/PURPOSE

The Institute states its mission as follows:

> The Minneapolis Institute of Arts is dedicated to national leadership in bringing art and people together to discover, enjoy, and understand the world's diverse artistic heritage.

The Institute states its motto as follows:

> Bringing Art to Life for Everyone.

ORGANIZATIONAL STRUCTURE

Principal Board Member:
Dr. Ford W. Bell, Chair of Board
Principal Staff Member:
Dr. Evan M. Maurer, Director and President

According to its articles of incorporation, the Institute is governed by a board of trustees consisting of not less than 20 or more than 60 individuals. At the time of this review, there are 61 individuals serving on the board. Most trustees are elected by a majority vote of the Institute's membership at the organization's annual meeting. The Institute also maintains ex-officio positions on the board of trustees for individuals occupying various local offices.

The Institute has multiple levels of membership (individual, family, student, corporate, …). Each of the membership positions requires payment of an annual membership fee and entitles holders to special privileges relating to exhibitions, programs, lectures, and other Institute activities.

The Institute has 327 paid staff members and benefits from the assistance of 380 volunteers.

AWARDS, HONORS, ACCREDITATIONS

Awards won by the museum's interactive media:

- 2002: American Association of Museum's MUSE Award (Silver) – Arts of Asia
- 2001: Art Directors Club Merit Award – Modernism Kiosk Installation
- 2000: American Association of Museum's MUSE Award (Gold) – Modernism Online

PROGRAMS

Fiscal Year 2002 Programs:

Curatorial and Exhibitions
The Institute maintains a permanent collection that is separated in eight divisions:

- Classical and Ancient Near East;

- Africa, Oceania, and the Americas;
- Architecture, Design, Decorative Arts, Craft and Sculpture;
- Asian Art;
- Paintings and Modern Sculpture;
- Photographs;
- Prints and Drawings; and
- Textiles.

These curatorial departments rotate their exhibitions to allow the public to view a variety of art throughout the year. The Institute also sponsors the Minnesota Artists Exhibition Program (MAEP) that displays the work of living Minnesotan artists.

The Institute participates in a number of educational initiatives. These programs include the Museum Guides program and Teacher Resources. They are conducted at the Institute, in local classrooms, or online. Arts and cultural resources are available to scholars and visitors through the museum's research library, slide library, and print study room.

The Institute supports a variety of programming through the Visitor Information Division. These programs include: Pubic Programs, Visitor Information Services, Interactive Media, Special Events, and Food Services. Further, the organization sponsors a full calendar of lectures, symposia, adult and youth classes, films, tours, and Family Days each year. Programs collaborating with community groups extend the museums reach.

(Cost of Curatorial and Exhibitions = $27,829,745, which represents 100% of total program expenses.)

SELF-EVALUATION

When asked to describe the methods and procedures used to evaluate its program work, the Institute responded:

> Education programs at the Institute have a long history of success and are at the core of the Institute's mission to bring art and people together to discover, enjoy and understand the world's diverse artistic heritage. Education programs are systematically evaluated through user surveys and written evaluations. An active Teachers' Advisory Council also provides valuable input about program effectiveness. Finally, qualitative measures and teacher comments and interviews are a vital part of the museum's ongoing commitment to strengthening education offerings. The museum is currently implementing a multi-year evaluation project to measure and interpret usage of its online education programs.

PUBLIC DISCLOSURE (Standards 1A - 1D)

The Minneapolis Society of Fine Arts responded to the Council's request for information by providing a completed Disclosure Form with requested attachments.

The Institute attested that it has not violated any applicable state or federal charity laws or regulations. The Council concludes that the organization meets standard 1A.

Standard 1B requires that the organization provide the upon request the following:

- an annual report that includes:
  - (a) a description of the organization's purpose;
  - (b) a description of its program activities, accomplishments, and geographic area served;
  - (c) a summary of the total cost of each major program (to the extent required in the IRS Form 990); and
  - (d) a list of the organization's board of directors.
- Annual financial statements prepared in conformance with generally accepted accounting principles [audited when required].

The Institute's 2002 annual report includes all of the items required by standard1B.

The Institute undergoes an independent audit each year. For fiscal year 2002, its audited financial statements conformed with auditing standards generally accepted in the United States.

The Council concludes that the Institute meets standard 1B.

In accordance with standard 1C, the Institute provides specific, objective information about its accomplishments related to its stated mission through informational brochures, newsletters for volunteers and teachers, its annual report (which is distributed to donors who give $250 or more), and web site (www.artsmia.org).

Standard ID requires:

> Program names, activities and financial information listed in the annual report, audited financial statement, and IRS Form 990 are consistent.

The Council examined the program names and activities, as well as the financial information, in the Institute's 2002 annual report, audited financial statements, and IRS Form 990. The program names and activities were consistently described among these three documents. The financial information presented in the three documents was also

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consistent. The Council concludes that the organization meets standard 1D.

GOVERNANCE (Standards 2A - 2E)

Standard 2A requires:

> The governing board meets at least three times per fiscal year with a quorum present, and maintains written minutes of each meeting.

The board of trustees of the Institute met six times in fiscal year 2002, with a quorum (one-third of the number of elected trustees) present at each of the meetings. Minutes were taken at all meetings. The Council concludes that the organization meets standard 2A.

Standard 2B requires:

> The organization addresses director (trustee), officer, and key staff conflicts of interest pursuant to a written policy that:
> (1) requires full disclosure of all material facts to the appropriate decision makers, and
> (2) prohibits the interested party from approving or voting on the conflicted transaction.

A policy that addresses conflicts of interest helps to ensure that no person benefits inappropriately from any transactions in which the organization is involved. The Council believes that, due to the nature of nonprofit boards and staffs, conflicts of interest are inevitable and unavoidable. A policy that merely prohibits conflicts of interest is inadequate. A conflict of interest, in and of itself, may not necessarily be inappropriate. The manner in which the organization handles conflicts of interest when they arise is important. Disclosure alone is inadequate; the person with the conflict must not vote on or approve the conflicted transaction.

The Institute has, within its bylaws, a conflict of interest policy that covers its board of trustees. This policy requires a trustee with a possible conflict of interest to disclose it to the full board. The policy also prohibits the trustee from voting on the conflicted transaction. Further, trustees are required to complete and sign a Conflict of Interest Disclosure Form.

In August 2002, the Institute reported that it did not have a conflict of interest policy covering its staff (including key staff).

The Council concluded that the Institute met standard 2B, contingent on the organization, within one year, adopting a conflict of interest policy for its key employees that (1) requires full disclosure of all material facts to the appropriate decision makers and (2) prohibits the interested party from approving the conflicted transaction.

In October 2003, the organization provided a copy of its policy, which is included in the Employee Handbook. The policy requires a staff member with a possible conflict of interest to disclose it to his or her supervisor. The policy also prohibits the staff member from taking part in the conflicted activity. The Council concludes that the Institute meets standard 2B.

The Institute's trustees receive no compensation for board service other than reimbursement of board-related expenses, which is compliant with standard 2C.

In accordance with standard 2D, no staff members serve on the board of the Institute, and no staff members serve as board chair or treasurer.

Standard 2E requires:

> No elected member of the governing board serves for more than five years without standing for re-election.

Limits on board terms help to ensure that the board is accountable. Changes in board membership also allow for greater participation by the community being served.

Trustees elected by the organization's membership serve three-year terms. An elected trustee may stand for election for up to two consecutive terms, with one exception. A member of the Executive Committee in the third year of his or her second term may be re-elected for a third consecutive three-year term. (Under special circumstances, this restriction may be waved allowing an individual to serve on the board of trustees for unlimited additional terms provided that the person is re-evaluated before being re-nominated.) The Institute's board also includes several ex-officio positions, primarily for individuals who hold certain government positions. (Ex-officio positions are not considered when applying standard 2E.) The Institute's board of trustees may elect Life Trustees as the highest level of recognition for an individual. Life Trustees have "all the privileges of elective trusteeship for their lifetime including the right to vote." Because the Institute does not impose any term limits on Life Trustees, the Institute does not meet standard 2E.

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FINANCIAL ACTIVITY (Standards 3A - 3D)

2000-2002 income and expenses as reported on the organization's IRS Forms 990:
(Percentages and dollar amounts are rounded to the nearest whole number.)

	Year Ending 6/30/2000		Year Ending 6/30/2001		Year Ending 6/30/2002		Three-year Average	
Income/Expense Statement								
Total Support & Revenue	$ 42,980,110		$ 34,279,415		$ 21,521,214		$ 32,926,913	
Total Expense	27,701,504		29,466,666		32,608,328		29,925,499	
Change in Net Assets	$ 15,278,606		$ 4,812,749		($11,087,114)		$ 3,001,414	
Functional Expenses		%		%		%		%
Program Services	$ 23,056,781	83%	$ 24,775,060	84%	$ 27,829,745	85%	$ 25,220,529	84%
Management/General	2,982,941	11%	3,215,170	11%	3,020,460	9%	3,072,857	10%
Fundraising	1,661,782	6%	1,476,436	5%	1,758,123	5%	1,632,114	5%

Standard 3A requires:

At least 70% of the organization's annual expenses are for program activity and not more than 30% for management/general and fundraising combined.

As detailed in the preceding table, for fiscal years 2000 - 2002, the Institute reported spending an average of 84% of its total expense on Program Services, 10% on Management/General, and 5% on Fundraising. When determining compliance with standard 3A, the Council considers the organization's joint costs allocations[1]. For the prior three years, the Institute reported negligible joint costs (all within the fundraising cost center) which have no bearing on the organization's compliance with this standard. The Council concludes that the Institute meets standard 3A.

Standard 3B requires:

Unrestricted net assets available for current use are not more than twice the [annual] expenses.

On 6/30/2002, the Institute had unrestricted net assets of $70,004,316. The Council does not consider fixed assets (land, buildings, and equipment) to be "available for current use." Subtracting this amount ($40,911,998) from unrestricted net assets leaves $29,092,318 available for current use. This is less than twice the total expense of $32,608,328 for fiscal year 2002. The Council concludes that the organization meets standard 3B.

Standard 3C requires:

The organization does not have persistent or increasing operating deficits.

For the purposes of applying this standard, the Council defines "persistent" as three or more years. Per the preceding table, the Institute had a deficit (decrease in net assets) in 2002, but had a surplus (increase in net assets) in 2001 and 2000. The Council concludes that the organization meets standard 3C.

In response to it's preliminary report, the Institute stated that the method used by the Council to determine compliance with standard 3C is not consistent with the Institute's "balanced operating budget." The Institute does consider the activity in its endowment as part of its operating fund. The Institute stated that is saw a decline in the market value of its endowment fund over the last two years, but that it's operating fund was balanced during that time period.

To determine compliance with standard 3C, the Council uses the information reported on an organization's IRS Form 990, which includes all financial activity of the organization. The Council does so because there is no standard definition for what constitutes "operating" and "non-operating" – different organizations define these terms differently. The Council believes it

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[1] Joint costs activities occur when an organization conducts a campaign (by mail, telephone, broadcast media, or any other means) that simultaneously solicits contributions and provides educational material or other information that furthers the organization's tax-exempt purpose. For example, if an organization creates and mails a newsletter that not only calls for specific mission-related action but also solicits a contribution, the organization might be able to allocate the newsletter's costs between program expense and fundraising expense.

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is in the best interest of the giving public to examine and report on a reviewed organization's financial activity in its entirety, and to do so in a manner that is consistent among reviewed organizations.

Standard 3D requires:

> The governing board approves an operating budget prior to the beginning of each fiscal year and receives financial reports, at least quarterly, comparing actual to budgeted revenue and expenses.

The Institute's board approved the budget for fiscal year 2003 (7/1/2002 – 6/30/2003) on May 29, 2002 – before the start of the fiscal year. The Institute's board receives financial reports comparing actual to budgeted revenue and expenses at each of their monthly meetings. The Council concludes that the organization meets standard 3D.

Major types of income as reported on 2002 IRS Form 990	**% of Total Income**
Contributions	119%
Program service revenue	5%
Membership	8%
Interest, dividends, & gain/loss on investments	22%
Special events (net of direct expenses)	0%
Merchandise sales (net of cost of goods sold)	3%
Other (Sale of assets other than inventory)	-59%

FUNDRAISING (Standards 4A - 4C)

The organization reported the following information for fiscal year 2002:

Total contributions from:	
Individuals	60%
Foundations & corporations	13%
Indirect sources[2]	0%
Government grants[3]	27%
Contributions *from individuals* raised through:	
Direct mail	0%
Telemarketing	7%
Door-to-door canvassing	0%
On-line / web-based	0%
Personal appeals	82%
Renewal through mail	6%
On site	2%
In-bound phone	1%
Other	3%

Percent of the board of directors that made contributions to the organization: 88%.

[2] Indirect sources include contributions through the United Way and other federated fundraising agencies, as well as contributions from a parent, subordinate, or other closely associated organization.

[3] Does not include income from government sources for contracted services – which is considered a program service revenue, not a contribution.

The Council reviewed sample fundraising materials provided by the Institute, including appeals to members, exhibition announcements, symposium invitations, and membership newsletters. The Council concludes that the materials:

(1) clearly identify the charity and the purpose for which contributions will be used and
(2) contain information that is accurate and not misleading or likely to make most donors feel unduly threatened or intimidated.

The Council concludes that the organization meets standard 4A.

Standard 4B requires, in part, that:

> The charity maintains a written policy to discontinue contacting any person upon that person's oral or written request directed to the organization, its professional fundraiser, or other agent.

In August 2003, the Institute reported that it respects the wishes of those requesting discontinued contact, but had no such written policy. The Council concluded that the Institute met standard 4B contingent upon the organization, within one year, adopting a written policy to discontinue contacting any person upon that person's oral or written request directed to the organization, its professional fundraiser, or other agent. In June 2004, the organization did so. The Council concludes that the Institute meets standard 4B.

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Standard 4C requires, in part:

> Solicitors who are not employees or volunteers of the charity identify themselves in each solicitation as professional fundraisers and, upon request, provide the name and address of their employer or contracting party.

This standard is based on the Council's belief that donors are entitled to know who is soliciting their gift and what portion of their gift will be received by the charity.

The Institute contracted with companies for assistance with direct mail membership acquisition and campaign consultation. Exhibitions and programs were sponsored through company support. The benefits of sponsorship were limited to acknowledgement of the company's support. The organization does not participate in telemarketing or promotions that involve the use of their name in cooperation with the marketing of goods and services of a private company. Therefore, standard 4C does not apply.

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