



Digging culture: The fine art of investigating the business of museums and collectors

JAMES V. GRIMALDI grimaldij@washpost.com

<http://www.facebook.com/wpjamesvgrimaldi> Follow me @jamesvgrimaldi

TAX RETURNS -- Most galleries, museums, symphonies, opera companies and many art organizations are 501c3 public charities under the Internal Revenue Code, which requires them to produce their tax returns, known as **990s**, to anyone who asks. If you want to look them up online, you can get the 990s for most tax-exempt organizations on Guidestar at www.guidestar.org. Free, registration required, and for advanced version, you can get an IRE discounted rate. Guidestar will work with reporters.

GUIDESTAR's arrival in many ways replaced the practice of obtaining 990s and filings from state attorneys general, such as California's Registry of Charitable Trusts site at <http://caag.state.ca.us/charities/>. It is still good at some of the harder-to-find stuff. Some states require charities to make additional filings, such as their telemarketing pitches and fundraising materials. Some require special filings for property exemptions.

The Foundation Center www.fdncenter.org has tax returns and financial info on charities/trusts. Click on Foundation Finder, <http://lnp.fdncenter.org/finder.html>, which has details and tax returns on 70,000 private and community foundations, or to the 990-search engine, http://lnp.fdncenter.org/finder_990.html

Try the Economic Research Institute for nonprofit searching; has nonprofit executive pay searching. This was found by a colleague and I have not used it much, but it looks very promising: <http://www.eri-nonprofit-salaries.com/index.cfm?FuseAction=NPO.Search>

Here's an easier URL: <http://www.eri-nonprofit-salaries.com/index.cfm>

FIVE RED FLAGS – Potential problems for nonprofits you can spot on 990s

- 1) **Murky mission.** Can you immediately and clearly tell what the charity does? Is the mission vague? Does it meet the laugh test or smell test? Does it duplicate the mission of a larger, more-established charity? How does it meet its goals, deliver results? Look at 4a, 4b and 4c, where do they spend their money? **(Part III and on the Form 1023, request for nonprofit status.)**
- 2) **Paying board members.** Professional staff members deserve salaries, but serving on the board of a worthwhile charity should not require payment beyond actual expenses. Loans or grants to current or former officers, directors, trustees or key employees are questionable; what are the terms and why didn't they go to a bank? In June 2005, the Panel on Nonprofits, created by the Independent Sector at the

- request of the Senate Finance Committee, made recommendations for nonprofits, including "no compensation for board members other than reimbursement for expenses directly related to board service." (**Schedule L – Part IV – 26 or 27**)
- 3) **Insider dealing.** Hiring board members as consultants, transactions with board members or some kind of dealing that is not an arm's length transaction. (**Schedule L – Part IV – 28a**)
 - 4) **Family members.** The hiring of relatives or friends is concerning. Why was the family member hired? What does he or she do? Is this a no-show position? Is real work produced? (**Schedule L – Part IV – 28b**)
 - 5) **Political connections.** Look for lawyers, lobbyists and lawmakers on the board of directors. Does it appear there is a pattern of connections? Are the lobbyists using the charity to patronize politicians or benefit a lawmaker's favorite cause?

ANNUAL REPORTS – compare the group's official reports, publications, fundraising brochures and **Web sites** to their 990 tax returns. Does it add up?

LAWSUITS – look for disgruntled employees, jilted contractors, and other disputes that could lead to good stories or **whistleblowers**.

GOVERNMENT OVERSIGHT – Does your museum get local, state or federal grants? Are there **reporting** requirements? Those might be **documents you should FOIA**. Congress created the Smithsonian. Smithsonian includes the chief justice, vice president and six members of Congress. Also, committees of jurisdiction: House Administration Committee and Senate Rules Committee; appropriations committees
After the Post's stories in 2007, a special commission investigated and issued this report:
http://www.si.edu/regents/documents/IRC_report.pdf



Here is a link to most of The Washington Post's accountability stories on the Smithsonian
www.washingtonpost.com/smithsonian_scandals

AUDITORS -- Smithsonian Inspector General's office www.si.edu/oig/ and the General Accountability Office have published a number of investigations + audits. Some GAO audits are here <http://www.si.edu/About/GAO>. The National Academy of Public Administration conducted a review of Smithsonian physical plant about 10 years ago. The National Academies of Science reviewed animal deaths we uncovered at the National Zoo; when the academies investigate, all documents are public information under Section 15 of the Federal Advisory Committee Act. Contact the Public Access Records Office. <http://www8.nationalacademies.org/cp/>