



Sibley Historic Site Endowment Expenditures

SPECIAL REVIEW
December 19, 2019

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

State of Minnesota
Office of the Legislative Auditor

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December 19, 2019

Members of the Legislative Audit Commission:

In May 2019, our office received a complaint from a person who has donated substantial sums to the Minnesota Historical Society (MNHS) over the years. The donor alleged that MNHS has not spent endowment funds at the Sibley Historic Site in accordance with donor wishes.

In response to this complaint, our office conducted a special review. Our conclusions—presented in a memorandum to the Minnesota Historical Society—address several specific questions. The memorandum is also copied to two legislators to whom the donor's original complaint was directed, as well as the chairs of the House and Senate state government finance committees.

In our view, the complainant raised reasonable questions about the use of endowment money at the Sibley site. MNHS has spent endowment money at the site in accordance with legal agreements, but we think the donor's desire to see the money used for tangible items that supplement routine site expenditures deserves serious consideration by MNHS.

We received full cooperation from MNHS during this review.

Sincerely,

James Nobles
Legislative Auditor

Joel Alter
Director, Special Reviews





OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

DATE: December 3, 2019

TO: Kent Whitworth, Director and Chief Executive Officer
Minnesota Historical Society

FROM: James Nobles, Legislative Auditor
Joel Alter, Director of Special Reviews

SUBJECT: Sibley Historic Site endowment expenditures

CC: Senator Matt Klein, Senate District 52
Representative Rick Hansen, House District 52A
Senator Mary Kiffmeyer, Chair, Senate State Government Finance and Elections
Committee
Representative Michael Nelson, Chair, House State Government Finance Division

Background

In May 2019, Robert Minish wrote letters to the Office of the Legislative Auditor and state legislators whose districts included the Sibley Historic Site in Mendota. He expressed concerns about the Minnesota Historical Society's (MNHS) use of endowment funds from people—including Minish and his wife, Marveen—who have contributed money for the benefit of this site.

Minish is a long-time donor to MNHS. Under MNHS policy, MNHS establishes a separate fund in the name of the donor when MNHS receives gifts of \$50,000 or more. The Robert and Marveen Minish Fund, established in 2001 to benefit the Sibley site, is such an account.¹ The box at the right shows the pledged contributions the Minishes have made to MNHS over the years. In addition to the donations made by Minish and his wife, Minish has actively helped raise other endowment funds for use at the Sibley site—such as through the Minnesota Historic Sites Endowment Challenge, initiated by MNHS in 2012. As of June 30, 2019, the market value of the Minish Fund was \$82,606, and the value of all endowment funds for the Sibley site exceeded \$400,000. Minish estimates that the Friends of the Sibley

Pledged Contributions by the Minishes to the Historical Society

Year	Amount
2001	\$13,395
2002	1,000
2004	500
2005	100
2006	13,600
2007	6,500
2009	5,316
2011	3,098
2012	20,000
2014	8,000
2016	250
TOTAL	\$71,758

NOTE: Amounts do not sum to the total due to rounding. Of the pledged amounts, all but \$4,000 has been received.

¹ The Minishes did not reach the \$50,000 threshold for having a “named fund” for many years, but the Minnesota Historical Society established a fund for the Minishes that was initially pooled with other endowments for the Sibley site; the Minish Fund was pulled out of the pooled fund once it surpassed the threshold.

Historic Site organization, in which he has been a leader, has helped to secure \$1 million for the Sibley site since 1991.²

As described on the MNHS website, the Sibley site is “home to the oldest structures still standing in Minnesota.”³ The site has several structures that were used during the region’s fur-trading activities during the early 1800s, including the former home of Henry Sibley, who became Minnesota’s first governor. The site was managed by the Daughters of the American Revolution for many years, but it was transferred to the State of Minnesota and MNHS in 1996.

Minish has expressed particular concern about the use of endowment funds at the Sibley site during the period since July 1, 2015, when MNHS entered into the first of several agreements to have the Dakota County Historical Society (DCHS) manage the site. Minish believes that MNHS used endowment funds to substitute for state revenues at the Sibley site—specifically, to pay for portions of the DCHS management agreements. He told us there was “no deliberate attempt [by MNHS] to deceive the donors” who contributed in response to the 2012 fundraising initiative, noting that the agreements with DCHS did not exist at the time MNHS undertook this fundraising. However, Minish said he and his wife would not have made their contributions if they knew those gifts would replace state resources for the management agreements. He also expressed concern that MNHS has been unable to provide him with complete information about spending at the Sibley site in the years immediately prior to the 2015 agreement. Minish requested that our office audit MNHS’s use of endowment funds at the Sibley site and other historic sites.

MNHS contends that it has spent the Minish Fund and other Sibley site endowment funds in a manner that is consistent with legal requirements. According to MNHS director Kent Whitworth, “Every dollar generated by the investment of Mr. and Mrs. Minish’s endowed fund has been used in accordance with the Memorandum of Agreement creating the fund and signed by both Mr. and Mrs. Minish on December 10, 2001.”⁴ He said this conclusion was confirmed by an attorney retained by MNHS in 2018 to examine this issue.

Scope of Our Review

In response to Minish’s concerns, we did not conduct a financial audit of MNHS. Rather, we conducted a “preliminary assessment” of Minish’s complaint.⁵ We interviewed the complainant and officials from MNHS. We obtained documents from MNHS, such as the MNHS endowment policies, the agreement that established the Minish Fund, and MNHS’s management agreements with DCHS. We also reviewed revenue and expenditure data for the Sibley site for fiscal years 2012-

² Minish’s estimate includes a \$500,000 legislative appropriation in 1994 to stabilize and repair buildings at the Sibley site, for which the Friends organization actively advocated.

³ Minnesota Historical Society, “Sibley Historic Site,” <https://www.mnhs.org/sibley>, accessed October 7, 2019.

⁴ Kent Whitworth, Director and Chief Executive Officer, Minnesota Historical Society, letter to James Nobles, Office of the Legislative Auditor, May 20, 2019.

⁵ When our office receives a complaint or allegation, we conduct a preliminary assessment to determine whether to do a broader review. During a preliminary assessment, we consider whether our office has jurisdiction to conduct a review. We also consider the nature and potential impact of the allegations, and the importance of the issues relative to other complaints we have received.

2019, and we reviewed MNHS's correspondence with Minish during that period of time. We did not solicit input from individuals other than Minish who have made contributions to the Sibley site.

We did not review MNHS's use of endowment funds at state historic sites other than the Sibley site. However, the concerns raised regarding the Sibley site could pertain to other sites.

Question 1: Did MNHS's expenditures at the Sibley site comply with the legal requirements?

We concluded that MNHS's expenditures at the Sibley site appear to have been consistent with requirements set forth in legal agreements.

We reviewed (1) the MNHS memorandum of agreement that established the Minish Fund in 2001, (2) the 2002 MNHS memorandum that established the general endowment fund for the Sibley site, and (3) the agreements MNHS entered into with DCHS for fiscal years 2016 through 2021.

We observed that those agreements have given broad latitude to MNHS regarding expenditures at the Sibley site. For example, the 2001 agreement that established the Minish Fund said: "Income from the [Minish] Fund may be used to support a variety of activities related to Sibley Historic Site, including public programs, school programs, exhibitions, building maintenance and improvement projects, acquisition and conservation of collection items, ongoing operations and other activities that enhance the mission of this site."⁶ Likewise, the 2002 MNHS memorandum that established the "Sibley Historic Sites Endowment Fund" listed a nearly identical set of activities for which payouts from the fund could be used.⁷

In 2015, MNHS entered into the first of a series of agreements with DCHS for management of the Sibley site. That initial agreement said: "As consideration for its duties and responsibilities under this Agreement, the Manager [DCHS] shall receive funds from the Society to be spent for the operation, general housekeeping, and interpretation for the site."⁸ Subsequent management agreements between MNHS and DCHS have had similarly broad language.

Based on our review, MNHS's expenditures at the Sibley site appear to have been within the boundaries of these broad requirements. MNHS has used a combination of state appropriations and endowment revenues to fund basic site maintenance, building repairs, and the costs of interpretive and educational programs at the Sibley site.

⁶ Minnesota Historical Society, "Memorandum of Agreement: The Robert and Marveen Minish Fund for Sibley Historic Site," December 2001. The 2001 agreement has not been subsequently amended.

⁷ Deborah Mayne, Finance Manager, Minnesota Historical Society, memorandum to Bill Keyes, Assistant Director for Historic Sites, "Non State Restricted Account," November 21, 2002. The only difference between the two lists of activities is that the Minish Fund agreement included "exhibitions" in its list, while the Sibley Historic Sites Endowment Fund memorandum did not.

⁸ Minnesota Historical Society, "Historic Site Management Agreement [with Dakota County Historical Society for Fiscal Years 2016 and 2017]," 3.

MNHS officials believe that the overriding issue in this dispute should be whether MNHS spent endowment money for legally authorized purposes. One official commented to us that donated money ceases to be the individual donor's money; it is MNHS's money to spend within the constraints set by legal documents. In our view, as we discuss below, the expenditure of funds for legally authorized purposes is essential, but it need not be the only consideration in an organization that relies considerably on the generosity of its donors.

Question 2: Did MNHS substitute endowment money for state resources at the Sibley site? If so, was this appropriate?

We concluded that MNHS has substituted endowment funds for state revenues at the Sibley site to a certain extent, although the net impact of this practice is hard to discern.

MNHS annually pays DCHS to manage the Sibley site, under the terms of agreements between MNHS and DCHS. Those agreements have required MNHS to pay DCHS \$26,000 in fiscal years 2016 through 2019, and \$30,000 in fiscal years 2020 and 2021.

Minish has suggested that the annual expenditures pursuant to these agreements represent basic investments in the site's maintenance and programming, which he believes MNHS should support with its state appropriations. He said he wants to see MNHS maintain a baseline commitment of state resources at the site—including, at a minimum, paying for the DCHS maintenance agreement from the MNHS state appropriation. He believes that MNHS should use endowment funds not to pay for this agreement—but, rather, for expenditures that go beyond the boundaries of a state-funded management agreement.

Exhibit 1 shows the revenue sources MNHS used to pay for the DCHS management agreement in recent years. MNHS used investment revenues generated by the Sibley site endowment funds during fiscal years 2016 through 2019 (\$55,808) to pay for a portion of the costs of the management

Exhibit 1: Revenue Sources for Sibley Historic Site Management Agreement, Fiscal Years 2016-2019

Revenue Source	Fiscal Year			
	2016	2017	2018	2019
State Appropriations	\$16,443	\$10,842	\$ 9,891	\$16,026 ^a
Endowment Revenue	7,567	15,158	16,109	16,974
Other	1,990	—	—	—
Total	\$26,000	\$26,000	\$26,000	\$33,000 ^a

NOTE: The Minnesota Historical Society entered into an agreement with Dakota County Historical Society in 2015 to manage the Sibley Historic Site. The revenues shown in this table cover the cost of that agreement, but the Minnesota Historical Society makes additional expenditures at the Sibley site from its state appropriations that are not shown in this table.

^a The management agreement for Fiscal Year 2019 required MNHS to pay DCHS \$26,000. However, in response to Minish's concerns that endowment funds had been used to replace state appropriations to pay for this agreement, MNHS decided to pay DCHS an additional \$7,000 from its state appropriations in that fiscal year—in effect, increasing the state share of support for the management agreement.

SOURCE: Minnesota Historical Society.

agreement. Between fiscal years 2016 and 2018, endowment revenues paid for an increasing share of the management agreement costs, while state appropriations paid for a declining share. MNHS officials told us that they have, by design, first applied the endowment revenues toward the cost of these agreements, and then they have paid for any remainder with state revenues. According to MNHS's chief development officer:

[D]espite our significant state appropriation, that money is spent throughout our site network, education programs, collections conservation and all the other work we do. Whenever we can we spend endowment money, in full accordance with donor instruction, first and then use our state appropriation to make up the rest of the expenses. If we chose to allocate money the other way around we simply would not have enough state appropriation to keep all of our activities operating at the level they are today.⁹

MNHS's agreements with Minish and DCHS do not prohibit endowment funds from being used to pay for the cost of the management agreement. Thus, we see nothing illegal in MNHS's decision to spend endowment revenues for the management agreement costs.

However, Minish questions why a donor would contribute money to MNHS if that money would merely substitute for MNHS's state revenues, rather than adding to those revenues. He told us that donors to the Sibley site were told that their contributions would supplement existing spending at the site. In fact, a brochure for MNHS's Sibley site endowment campaign—which started in 2012—said:

The Sibley House Historic Site Endowment Fund *will augment the site's normal operating budget*, providing a predictable source of annual income for site programs, educational opportunities, exhibits, maintenance, building projects, acquisition and conservation of artifacts, and other activities that enhance the work and mission of the site.¹⁰ [Emphasis added.]

MNHS officials told us that it is difficult to define the “baseline” spending for a historic site. They said MNHS constantly faces difficult decisions about how to allocate state funds to these sites, and that there are no guarantees about the annual operating budget for a given site.

It is unclear to us whether MNHS's use of Sibley endowment funds has led to any overall reduction in the use of state appropriations at the Sibley site. The MNHS-DCHS management agreement represents only a portion of the MNHS expenditures at the Sibley site. Aside from the expenditures of state revenue for the management agreement, MNHS has relied on state revenues to pay for larger repairs at the site—such as a \$16,000 expenditure in Fiscal Year 2018 for masonry restoration. Also, the annual total expenditures at the Sibley site have been variable over the past four fiscal years, ranging from a low of \$60,656 in Fiscal Year 2017 to a high of \$98,904 in Fiscal Year 2016. As a result, it is difficult to judge the impact, if any, that endowment funds for the Sibley site have had on state or overall expenditures at the site. It is conceivable that MNHS's use of endowment funds to help pay for the MNHS-DCHS management agreement have allowed MNHS to use its state

⁹ Brenda Raney, Chief Development Officer, Minnesota Historical Society, e-mail message to Joel Alter, Office of the Legislative Auditor, “Re: Follow-up Question,” September 19, 2019.

¹⁰ Minnesota Historical Society, “Sibley House Historic Site Endowment Fund,” undated brochure.

appropriations to fund other investments or activities at the Sibley site that would not otherwise have occurred, but we cannot conclusively demonstrate that.

We think MNHS should strive to ensure that its expenditures of endowment funds at the Sibley site are consistent with the wishes of the donors. If donors do not want their contributions to pay for the cost of the site's management agreement, MNHS should consider other uses for the endowment funds. We did not solicit input from people other than Minish who have contributed to the Sibley site's endowment funds, so we cannot say exactly what the wishes of those donors are.

Question 3: Has MNHS been sufficiently transparent with donors about its use of endowment funds?

MNHS has not provided enough information to Minish to assure him that his donations have been well used. It is reasonable to expect MNHS to communicate more clearly.

We examined the letters MNHS has written to Minish annually in recent years about the fund he and his wife established. The letters—each one page—specify the amount MNHS spent from the fund each year. The letters typically have general statements about improvements MNHS has made to the Sibley site or its programming. For example, a November 2017 letter said: “Your endowment plays a key role in our partnership with the Dakota County Historical Society and in our joint ability to offer open public hours and unique special programs to growing audiences.”¹¹ The letter does not itemize specific purposes for which the endowment funds were spent.¹² MNHS told us it has not provided Minish or other donors with budgets for the sites to which they have contributed. An MNHS official said the organization's other donors have not requested the type of information that Minish has requested.

MNHS periodically holds lunch meetings for groups of large donors, and Minish said he has not been satisfied with MNHS's information at these events. He said MNHS provides good information regarding MNHS's overall investment returns, but it has not provided specific information about how endowment funds have been used.

In our view, the annual MNHS letters to Minish have provided limited information. Minish said he contributed with the expectation that his donations would have a clear, positive impact. In a letter to two state legislators, Minish said: “In fact, during all the years that my wife and I have donated funds to the Sibley endowment, not once has MNHS told us of any specific tangible benefit that the Sibley Site ever received from an endowment payout.” If a large donor—like Minish—questions MNHS's use of the endowment funds or the effect on overall site spending of the endowment funds, it would be reasonable for MNHS to provide additional details to the donor.

¹¹ Beth Naughton, Senior Major Gifts Officer, Minnesota Historical Society, letter to Robert and Marveen Minish, November 30, 2017.

¹² In 2018, in response to Minish's complaints about how endowment funds had been used, MNHS told Minish in its annual letter that it had solicited outside legal counsel to examine MNHS's use of the endowment funds. The letter told Minish that, in the view of the counsel, MNHS expenditures were consistent with the terms of MNHS's 2001 agreement with Minish.

Recently, MNHS leaders told our office that they are considering providing Minish with the multi-year revenue and expenditure summary for the Sibley site that MNHS assembled in response to requests from our office. In our view, that would be a good starting point.

Question 4: Did MNHS have adequate records of its expenditures at the Sibley site in the years prior to 2015?

In response to requests from the donor and our office, MNHS had some difficulty retrospectively documenting expenditures that were specific to the Sibley site for 2012-2014.

As noted earlier, Minish expressed concern that MNHS was unable to provide him with complete information about spending at the Sibley site in the years immediately prior to the 2015 management agreement.

MNHS staff told us that MNHS merged the management of its Fort Snelling and Sibley historic sites sometime during the 2010-2012 period. They said the sites were geographically close, and this action was intended to produce efficiencies at a time when state resources were tight.

When MNHS staff initially provided us with a history of spending data for the Sibley site, they said they were unable to completely separate out which expenditures from that joint management period should be assigned to each of the two sites. For this reason, MNHS told us that the Sibley site expenditure data it provided to our office for fiscal years 2012 to 2014 were incomplete. Later, MNHS found hourly staffing data from that period that allowed them to estimate costs more fully.

We understand that organizations like MNHS sometimes need to structure their operations to make dollars go further. MNHS has the latitude to make these types of decisions, as needed. But MNHS should also ensure that these arrangements—such as joint management of historic sites—do not compromise accountability to the Legislature, donors, and the public. When major donors question MNHS about the impact of their contributions, MNHS should have expenditure data that allow it to provide detailed responses.

Next Steps

The dispute we examined involves a small part of a large, statewide organization. MNHS oversees 26 historic sites and museums. The Historical Society's Fiscal Year 2019 expenditures totaled \$59.1 million, and its net assets are valued at over \$250 million.

Nevertheless, MNHS should strive to ensure that its expenditure of endowment funds at the Sibley site—and other sites—is reasonably consistent with the wishes of donors. Minish believes that he has not seen tangible evidence of the impact of his contributions. He would like to see his donations used to supplement routine spending—perhaps by helping to make capital improvements, or by enabling Dakota County to hire a full-time site supervisor.

Minish's complaint to us did not merely suggest that MNHS should modify its practices going forward. Minish told us that he believes MNHS should repay the Sibley endowment funds at least a

portion of the funds (\$55,808) that were spent in recent years to support the MNHS-DCHS management agreement. Minish told us that he (and the site's Friends organization) played a significant role in the site's fundraising efforts, and that he urged individuals to make financial sacrifices to support the Sibley site endowments. Now, he believes he has betrayed the confidence of those individuals because he cannot show that the donations had tangible impacts, and he fears that the endowment funds have merely substituted for state revenues.

Minish discussed his concerns with MNHS officials in 2018, and they responded by increasing MNHS's financial support for the MNHS-DCHS management agreement for Fiscal Year 2019 by \$7,000.¹³ Minish believes MNHS officials promised him they would repay over time the full amount of the endowment funds that had been spent on the MNHS-DCHS agreement, and he contends that they subsequently reneged on that commitment.

In our view, MNHS should reach a negotiated agreement with Minish and perhaps other Sibley site donors to repay a portion of the Sibley site endowment funds. MNHS has spent Sibley endowment funds for purposes that are consistent with existing requirements, but it is unclear that MNHS has spent these funds in a manner consistent with the donors' wishes. We have no evidence that MNHS's use of Sibley endowment revenues has enabled MNHS to spend its state revenues for purposes other than the Sibley site, but we also cannot rule out that possibility.

The issues related to the Sibley endowment money may suggest lessons for other MNHS endowments. If large donors—particularly those contributing more than \$50,000—have strong feelings about how their endowments should (or should not) be used, they should work with MNHS to incorporate language into their endowment agreements that establish expenditure restrictions. Minish told us that, although he is an attorney, he did not seek to amend the Minish Fund agreement because he thought he could trust MNHS officials to act in his interests. In our view, MNHS should amend the 2001 Minish Fund agreement to better reflect Minish's preferences.

MNHS should avoid disputes with its donors, when possible. It can do this by using endowments in a manner that is consistent with the reasonable wishes of its donors (particularly those who have contributed large amounts of money), and it should be transparent with donors about how it is using endowment revenues. MNHS officials told us the expectations of the donor in this case have been unreasonable, and that it is appropriate for MNHS to substitute endowment money for donor money to pay for a historic site's basic expenses. But we think the donor in this case raised some valid questions, and we urge MNHS to consider more than just the requirements of legally binding agreements when determining how to best use public donations at the Sibley site.

¹³ The negotiated cost of the Fiscal Year 2019 MNHS-DCHS management agreement was \$26,000, but MNHS agreed—in response to Minish's concerns—to pay DCHS an additional \$7,000 in state funds beyond the total amount it was obligated to pay. For Fiscal Year 2020, MNHS will pay DCHS \$30,000 under the terms of a renegotiated management agreement.

Responses

The Office of the Legislative Auditor (OLA) provided the two parties in the dispute—the Minnesota Historical Society and donor Robert Minish—with an opportunity to respond to OLA’s memorandum. Kent Whitworth, Director and Chief Executive Officer of the Historical Society, submitted a letter and attachment on behalf of that organization. In addition, Whitworth and Minish submitted a joint letter. Those letters appear on the following pages.



December 12, 2019

James Nobles, Legislative Auditor
Joel Alter, Director of Special Reviews
Office of the Legislative Auditor
658 Cedar St.
St. Paul, MN 55155

Dear Mr. Nobles and Mr. Alter:

Thank you for the opportunity to provide a response to your draft Special Review dated December 3, 2019. In general, while we agree with your conclusion that *"MNHS's expenditures at the Sibley site appear to have been consistent with requirements set forth in legal agreements"* we do not fully agree with the conclusions for the other three questions. We are providing more detailed responses in the attached document.

In addition, we have taken to heart the suggestion that we work further with Mr. Minish to find common ground on how the Sibley site is funded and operated. To that end, we have agreed upon a joint response with Mr. Minish to the draft Special Review, which we are submitting along with our more specific responses to the Review.

Overall, we are proud of the work that we have accomplished at the Sibley Historic Site along with our partners, Dakota County Historical Society and the Friends of the Sibley House. While we wish that more resources were available for this and other historic places, we are presenting a strong historic program at our network of historic sites and museums, within existing resources, that we are charged with managing. Our commitment of state and non-state resources to this site has remained strong and consistent, and we hope that it will continue to be for many years to come.

Sincerely,



Director and Chief Executive Officer

Question #1 posed in the Special Review was "Did MNHS's expenditures at the Sibley site comply with the legal requirements?" and your conclusion was "that MNHS's expenditures at the Sibley site appear to have been consistent with requirements set forth in legal agreements." We believe that this conclusion does sum up our actions in regard to the Sibley Historic Site and that the report could end at that point. Mr. Minish asked the Office of the Legislative Auditor to investigate the use of endowment funds at the Sibley site during the period since July 1, 2015. Your review clearly concludes that our use of those funds comply with legal requirements. Those legal requirements include the written expression of the wishes of the donor, the endowment agreement. All of the expenditures made at the Sibley Historic Site from endowments comply with the letter and spirit of donor agreements, including specific expenditure areas named in the agreement. Your opinion concurs with an opinion we sought with our attorneys when Mr. Minish initially began raising the claims of misused funds in 2018. Since we now have two opinions agreeing that Mr. Minish's claims of misused funds are inaccurate, we believe that we should move forward focusing our attention on how to best serve the public at this site in the future.

Question 2 asked if MNHS substituted endowment money for state resources at the Sibley site, and if so, was that appropriate.

Response: The Minnesota Historical Society is given the responsibility, by both the legislature and donors, to make difficult decisions in operating a statewide network of facilities and programs. In a time of declining or flat resources, particularly on the public side, we must balance a desire for more programs, longer open hours, the responsibility to preserve facilities and greater accessibility to historic resources, with finite resources. This requires, in some cases, determining the appropriate mix of public and private resources, as well as the level of funding for any given activity. We are given this flexibility by both public and private funders.

In the case of the Sibley Historic Site, **we have maintained an overall level of effort from state funds at the site when state expenditures for all purposes, including facilities and maintenance costs, are considered.** Table 1's footnote states "...the Minnesota Historical Society makes additional expenditures at the Sibley site from its state appropriations that are not shown in this table." We have attached information that demonstrates that the level of state funding has remained at constant levels. (As discussed later in the Review and this response, FY14 represents one of the years when the site was managed jointly with Historic Fort Snelling, so levels of management and staffing may not be fully reflected, particularly on the revenue side.)

In addition, the commentary to this question goes on to state: "We think that MNHS should strive to ensure that its expenditures of endowment funds at the Sibley site are consistent with the wishes of the donors." Your response to Question 1 concluded that expenditures are consistent with the legal agreements with donors to Sibley site, which is the formal, written

expression of the donors' wishes,¹ so this statement contradicts the conclusion of the first question.

This presumes that the practice of using endowment funds to support activities aligned with donor intent but previously funded by state money is inappropriate when, in fact, it not only is the best way to achieve Mr. Minish's stated objectives for the endowment fund he established, it is also the most prudent use of state funds in an era of stable or declining resources and increasing costs.

Question 3 asked if MNHS has been sufficiently transparent with donors about its use of endowment funds. The Special Review states that "MNHS has not provided enough information to Minish to assure him that his donations have been well used."

Response: We disagree with this conclusion. In addition to the written correspondence you reviewed, we have had very extensive additional communication from multiple MNHS departments with Mr. and Mrs. Minish through personal meetings, staff time spent with the Friends of the Sibley House organization, with which the Minishes have been closely involved and other communications. We believe that we have been transparent in communicating our actions and have provided extensive levels of information. Our more recent efforts to find common ground with Mr. Minish demonstrate this commitment.

Question 4 asked if MNHS had adequate records of its expenditures at the Sibley site in the years prior to 2015. The draft Special Review concludes that "MNHS had some difficulty retrospectively documenting expenditures that were specific to the Sibley site for 2012-2014."

Response: We acknowledge the challenges in assembling a full picture of the finances of this site, which has had a variety of management structures in the last decade.

As noted in the report, in a time when state budgets were reduced significantly, MNHS management took actions to create efficiencies. One of these actions was to merge the management and operations of the Historic Fort Snelling site and the Sibley site since they are located in close proximity. We provided detailed information on expenditures of the site, which demonstrates accountability on how state and non-state funds were spent at this combined site. We did not include a detailed estimate of salary and benefits initially in our submission as we thought this unnecessary and we thought the level of detail provided was acceptable. After reviewing the draft Review's conclusions, we further analyzed labor records at the joint site and determined the salary cost for Sibley, based on the cost for the site supervisor, custodian and interpreters' time. ***The results of this analysis are summarized below and show a 44% increase in average Sibley site expenditures for Sibley from FY12-15 to the four years***

¹ Donor agreement for the Minish fund states that "Income from the Fund may be used to support a variety of activities related to the Sibley Historic Sites including public programs, school programs, exhibitions, building maintenance and improvement projects, acquisition and conservation of collection items, **ongoing operations** and other activities that enhance the mission of this site."

from FY16-19 (see Exhibit 1-changes from previous information highlighted). This increase in expenditure was executed in a period where MNHS total state operating funding increased at 1% per year. Our Sibley site expenditures supported the program expansion and critical preservation activities.

<u>Sibley Site Total Expenditure</u>		
<u>FY12-15</u>	<u>FY16-19</u>	<u>Percent</u>
<u>Average</u>	<u>Average</u>	<u>Increase</u>
54,997	79,468	44%

"Next Steps" / Additional Issues

The report's conclusion encourages MNHS to "reach a negotiated agreement with Minish and other Sibley site donors to repay a portion of the Sibley site endowment funds." We disagree with this suggestion for several reasons. Most importantly, only Mr. Minish has expressed any dissatisfaction with the way any of our 200 endowment funds are used. To include other donors in this opinion in no way reflects what we've heard from any of them. Also, an endowment agreement is made by two parties in perpetuity and brings significant tax implications for the donor. If a donor retains an interest or control in how the gift is used, beyond the original signed gift agreement, it is not considered a completed gift for tax purposes and any allowed deductions are cancelled. To renegotiate this agreement with Mr. Minish about how to use the funds at this time vs. at the time he signed his endowment agreement not only weakens our reputation as a trusted organization in the eyes of donors and regulators, it also puts Mr. Minish's tax position at risk. Losing this trust and reputation among future donors will make the concept of endowments, and the perpetual support they offer by their structure, obsolete at MNHS. It would have a seriously damaging effect on our ability to use this vehicle for private fundraising to support the organization. We acknowledge that the relationship between Mr. Minish and MNHS has faltered and look forward to continuing conversations with him to repair the relationship in the future. We welcome the opportunity to include the Friends of the Sibley House in discussions of goals and priorities for the site. However, we are bound legally and ethically by his signed endowed fund agreement and intend to continue honoring it as we have since its inception.

Sibley Site Total Expenditure

FY12-15 Average	FY16-19 Average	Percent Increase
54,997	79,468	44%

Revenue and Expenses Related to the Sibley House Historic Site Minnesota Historical Society 12/10/19 Update

Revenue Type	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
State Operating	50,707.98	66,853.45	45,163.67	76,465.02	51,788.56	5,542.38	29,094.75	46,135.54
Legacy Funds	124.00	7,340.00	-	-	809.80	-	-	-
Admissions	-	-	-	-	2,308.00	379.00	1,623.00	2,480.00
Store Sales	-	-	-	-	777.28	322.16	1,957.04	2,527.57
Program Fees	-	-	-	1,164.00	-	-	2,610.00	4,077.00
Auxiliary	-	-	-	-	100.00	-	-	-
Donations	-	-	120.00	-	180.00	5.00	-	10,000.00
Endowment	16,974.00	15,882.00	9,120.00	7,567.00	4,376.00	2,312.00	3,035.00	1,703.80
Other	37.20	167.40	-	16.25	1,581.25	-	-	-
Yearly Total	67,843.18	90,242.85	54,403.67	85,212.27	61,920.89	8,560.54	38,319.79	66,923.91
Expense Type	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Salaries & Wages	-	-	-	2,392.74	24,716.90	7,977.50	14,686.75	13,886.34
Benefits	-	-	-	787.34	8,323.85	2,632.58	4,846.63	6,304.74
Rent	-	-	-	1,011.69	1,484.97	-	-	-
Repairs	2,564.16	43,230.29	6,840.29	17,498.86	10,420.27	2,758.00	11,462.69	29,029.06
Printing	-	-	-	-	205.02	-	640.00	-
Prof & Tech Services	-	510.00	-	-	-	-	-	991.00
Purchased Services	48,598.31	30,917.86	39,092.00	54,463.68	6,002.37	5,404.88	1,987.42	3,234.89
Speaker Fees	-	-	-	650.00	270.00	-	-	-
Communications	-	-	-	289.75	2,983.03	2,915.88	2,799.10	2,763.09
Employee Travel	-	-	-	-	26.26	-	-	-
Utilities	15,023.05	13,755.11	12,918.01	12,278.52	14,530.12	10,239.59	14,336.63	10,757.13
Other Expenses	37.20	167.40	334.80	-	-	-	-	-
Supplies	1,620.46	1,889.19	1,471.37	2,917.32	1,276.60	94.32	-	-
Equipment	-	-	-	2,779.00	-	-	-	-
Cost of Goods Sold	-	-	-	3,835.38	-	-	-	-
Yearly Total	67,843.18	90,469.85	60,656.47	98,904.28	70,239.39	32,022.75	50,759.22	66,966.25
Net Sibley Operations	-	(227.00)	(6,252.80)	(13,692.01)	(8,318.50)	(23,462.21)	(12,439.43)	(42.34)
Other Funding/(Surplus)	-	227.00	6,252.80	13,692.01	8,318.50	23,462.21	12,439.43	42.34

Notes:

Salary and benefits are included for 2013-2014 based on an estimate of Sibley staffing (Actual supervisor, guide and custodian hours spend on site)

2019 Fiscal is now actual

Other Funding/(Surplus) denotes funding from other operating sources (state funding or earned revenue)

Sibley Staffing Estimate

Hours

	FY13	FY14
Supervisor Hours	395	242
Staffing/Guide hrs	577	235

Notes:

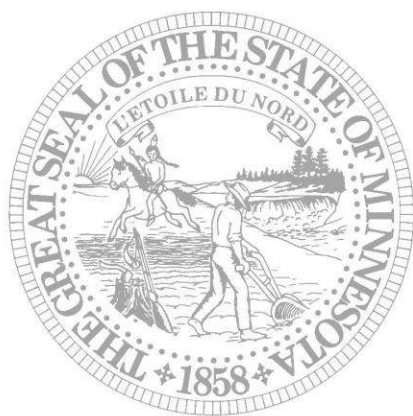
Scheduling for Sibley was taken over by HFS Program managers in FY14

Site Custodian	1,040	1,040	Custodian living on site - half time compensation
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Dollars

Salary	14,687	7,978
Benefits	4,847	2,633
Total	19,533	10,610

Source: Ted Bores Report



TO: James Nobles, Legislative Auditor
Joel Alter, Director of Special Reviews

DATE: December 12, 2019

Thank you for the opportunity to provide our viewpoints in response to the special review of the operations of the Sibley Historic Site.

While we regret that our differences of opinion and approach have become contentious and moved to a more public arena, the Special Review of the operations and finances of the Sibley Historic Site has given us an opportunity to reflect on how the site is operated and how we communicate moving forward.

What we agree on fundamentally is the importance of Minnesota history and the significant educational opportunities provided by historic sites, in this specific case, the Sibley Historic Site.

We acknowledge the stewardship activities of the Friends of the Sibley House, and the Sibley House Association / Daughters of the American Revolution, which preserved and operated the site for decades.

We acknowledge the responsibility of the Minnesota Historical Society as the entity with primary responsibility for the site today. This includes decision-making for allocating state resources for a statewide network of facilities as well as stewardship responsibilities for private funds, entrusted to MNHS to make sometimes difficult decisions on allocating resources in challenging times. We acknowledge the hard work of the Dakota County Historical Society (DCHS), in providing a welcoming environment to visitors on a day-to-day basis.

In order to move forward, we have agreed to have a more formal means of communication to share aspirations and goals for operating the site. While decisions on site operations and finances rest ultimately with the Minnesota Historical Society, along with its partner the Dakota County Historical Society, we value the input and advice of stakeholders such as the Friends of the Sibley House.

Beginning in 2020, the MNHS, the DCHS and the Friends of the Sibley House have agreed to at least twice-yearly meetings to review how site operations and plans for programming will be supported and implemented.

Although both parties reserve the right to provide additional responses to the information and conclusions reached in the Special Review of the Sibley Historic Site, we felt it important to include a joint response to reflect the common ground that does exist.

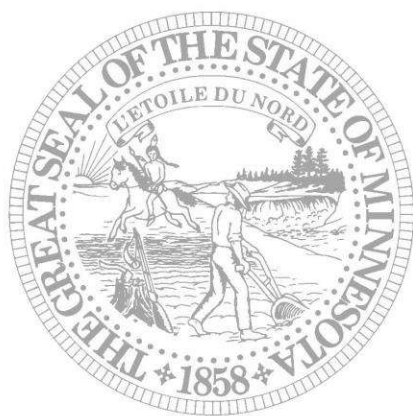
Sincerely,



Kent Whitworth



Robert Minish



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