

Report on the Burton Endowment Fund

7 April 2001

Executive Summary

A review of Burton Endowment Fund 1997-2000 invoices and 1994-1999 audits shows that substantial sums—\$114,613 or 27.6 percent of all Burton Endowment Fund invoiced expenses—were spent on either Rare Book Department purchases or other items not covered by the terms of the endowment. This review also found evidence of possible inappropriate commingling of funds. Such spending practices clearly violate Clarence M. Burton's 1914 gift of his collection and the 1921 endowment agreement. His endowment fund was to be used to enhance his donated collection of American and Canadian history and genealogy. He would not have approved of his fund being used to pay for rare books of general literature or to cover normal operating expenses. Furthermore, Mr. Burton and the Detroit Library Commission made it very clear that his collection was to be kept separate from other departments.

Freedom of Information Act Requests

The Advocates for the Burton Historical Collection are concerned about the presently frozen Burton Endowment fund and its apparent uses. As a result of these concerns, on 21 December 2000, through the Michigan Freedom of Information Act, we obtained photocopies of all Burton Endowment Fund invoices from 1 July 1997. We also acquired through the same act photocopies of the audits of the Burton Endowment Fund from 30 June 1994 to 30 June 1999. Lastly, we reviewed the minutes of the Detroit Library Commission to acquire information about the Burton Endowment Fund warrants.

Mr. Burton's Gift and Endowment

Before proceeding with the analysis and summarizing our findings, it is first necessary to explain the origins of the Burton Historical Collection and the Burton Endowment Fund. Clarence M. Burton, a Detroit and renowned local historian, donated his immense collection of American and Canadian history and genealogy, as well as his house, to the Detroit Public Library on 1 March 1914. In the gift agreement, a copy of which is found at <http://habitant.org/bhc/gift.htm>, Mr. Burton made the following points:

- He was donating his "library of Americana." (He apparently did not want it to become a general rare book collection.)

- Should his house be sold, "The Commission shall not divert the avails for other uses of the Commission..." (He was specific in not wanting funds spent for purchases by other library departments, including the Rare Book Department.)
- He also insisted that the Detroit Library Commission not use any funds from the sale for "... the running expenses of the Burton Library." (This would exclude using the funds for day-to-day operations of the Burton Historical Collection or the Detroit Public Library.)
- Mr. Burton explicitly stated that "Books not of a historical nature, such as novels, books of general literature, dictionaries, etc., ... are to be retained by me." (He thus excluded many items found in a Rare Book Department.)
- He insisted that "The library is to be retained as an entirety to perpetually bear the name of Burton...." (Mr. Burton clearly wanted his library kept together and not disbursed in any way or merged with other departments.)

When accepting Mr. Burton's valuable gift, the Detroit Library Commissioners agreed to the following points:

- "We will accept the donation and will keep the library as an entity." (This is a promise not to disperse or mix the Burton Historical Collection with other departments.)
- "Whenever it is deemed desirable to remove the collection from the present quarters we will provide other suitable fire-proof rooms or building, and will not mingle the books with other books in the General Library." (This collection is to be treated as a separate entity. The present merger with the Rare Book Department violates the agreement not to mingle it with books from other departments.)
- "We agree to extend and increase the collection by adding books on American history, genealogy and kindred subjects, and especially by obtaining and preserving manuscript collections that relate to a American and Canadian history and to the history of Detroit." (Clearly, the Detroit Library Commissioners understood that purchases for the Burton Historical Collection were to be dedicated to American and Canadian history and genealogy, not to general literature rare books.)

On 17 October 1921, the Detroit Library Commissioners returned his house to Mr. Burton in exchange for an endowment of \$50,000. A copy of the Burton Endowment Fund agreement can be found at <http://habitant.org/bhc/endowment.htm>. The agreement setting up the Burton Endowment Fund includes the following points:

- In mentioning his donation of a collection of "valuable historical data," Mr. Burton was making an indirect reference to the 1914 gift agreement. (Thus, it would seem that the 1921 agreement is an extension of the 1914 agreement.)
- Mr. Burton wanted the interest on the fund to be used for "... the purchase from time to time of books, papers, pamphlets and any other form of historical data, which, in its [the Detroit Library Commission's] judgement are suitable for said Collection...." (This is not carte blanche for the commissioners to spend the endowment earnings on just anything; it has to be appropriate for the collection, that is, historical data, not general works of literature. Moreover, the money is to be used for acquisition of historical data, not for equipment, supplies, travel, training, staff, buffets, etc.)

These legal agreements show that the Burton Historical Collection and Endowment Fund were given to the Detroit Public Library with very specific restrictions. As a result of these provisions, the Burton Historical Collection has continued to grow in prestige and significance. Scholars have long known the Burton Historical Collection as an important research center dedicated to American and Canadian history and genealogy with a special emphasis on Detroit, Michigan, and the Great Lakes Region.

Analysis of the Audits

As required by the 1921 Burton Endowment Fund agreement, the Detroit Public Library conducts an annual audit of the fund. The following table summarizes the annual audits from 30 June 1994 to 30 June 1999. The 2000 audit was not yet available at the time of this report.

Table 1
Summary of Burton Endowment Fund Audits
30 June 1994 to 30 June 1999

	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
Revenues						
Income from Securities and Donations	-985 [sic]	254,849	442,586	385,494	502,790	296,877
Restricted Contributions	4,680	10,705	5,460	5,460	14,830	55,600
Total Revenues	3,695	265,554	448,046	390,954	517,620	352,477
Expenses						
Library materials	60,853	39,908	34,817	111,904	66,452	29,289
Manuscripts	8,360	20,804	31,619	127,216	49,791	19,764
Trustee fees	13,316	15,060	18,017	29,214	20,964	22,049
Rare books				20,623	19,414	46,890
Expenditures of restricted contributions	6,970	7,600	7,000	7,000	8,605	14,300
Dues and subscriptions	7,675	6,848	7,646	2,742	8,653	9,369
Professional fees	4,500	4,700	0	3,750	4,000	4,200
Other	11,155	5,776	6,550	11,032	33,006	5,526
Total Expenses	112,829	100,696	105,649	313,481	210,885	151,417
Excess of Revenues over Expenses	-109,134	164,858	342,397	77,473	306,735	201,060
Fund Balance, Beginning of Year	1,923,139	1,814,005	1,978,863	2,156,402	2,233,875	2,540,610
Fund Balance, End of Year	1,814,005	1,978,863	2,156,402	2,233,875	2,540,610	2,741,670

An immediate concern emerges from a review of this table; \$86,927 has been spent on Rare Book Department expenditures between 1997 and 1999. This is in clear violation of the 1914 gift and 1921 endowment agreements.

With the possible exception of 1993-1994, the money spent has been from the interest on Mr. Burton's investment and not the principle. The 1993-1994 figure might be the result of an unexplained accounting device. In general, it would appear that the principle is not being touched. Mr. Burton's endowment has grown from \$50,000 in 1921 to \$2,741,670 in 1999.

In the analysis of the invoices that follows, we will refer back to some of the figures in the audits.

Analysis of Burton Endowment Fund Warrants

In the minutes of the Detroit Library Commission the authorized expenditures of the Burton Endowment Fund are referred to as warrants. The following table gives a summary of the expenditures found in the warrants.

Table 2 Summary of the Burton Endowment Fund Warrants 1 July 1995 to 30 June 2000			
Fiscal Year	Warrant Expenses	Audit Expenses	Difference
1995-1996	71,190	105,649	-34,459
1996-1997	216,837	313,481	-96,644
1997-1998	222,602	210,885	11,717
1998-1999	178,473	151,417	27,056
1999-2000	35,954	NA	NA
Total	725,056		

There is a discrepancy between the warrants and audit figures. Possibly the warrants are authorized, but not audited, in the same year. Also, the warrants may not include some of expenses, for example, the trustee fees found in the audit.

We have learned that in the past the Burton Historical Collection spent around \$100,000 a year from the endowment fund. However, there was a steep climb in warrant and audit expenses between 1996 and 1999. While the stock market was kind to the fund during these years, this is also the period in when the fund was being used for Rare Book Department purchases.

Analysis Burton Endowment Fund Invoices

The Burton Endowment Fund invoices were reviewed and data entered into a spreadsheet for analysis. There were a total of 1,178 invoices for the period 1 July 1997 to 21 December 2000.

The following categories were established to group the invoices:

1. Appropriate: Purchases that Mr. Burton referred to as "historical data." This would include books, periodicals, pamphlets, videos, CD-ROMs, photographs, and manuscripts.
2. Unsure: Materials appropriate to either the Burton Historical Collection or the Rare Book Department. Some titles can not be classified from the

information on the invoice.

3. Rare Books: Works of general literature, such as, novels, poetry, bibles, engravings, etc. Also, books or periodicals about rare books.
4. Sports: Materials relating to the sports and probably associated with the Ernie Harwell Collection of the Burton Historical Collection.
5. Thurber Papers: Money spent on a consulting archivist to process the papers of Donald Thurber. Mr. Thurber donated money to the Burton Historical Collection to pay for the processing of his papers.
6. Inappropriate: Expenditures not allowed by either the 1914 or 1921 agreements, including, travel, training, office supplies, equipment, buffets, etc. Some of these expenses were reportedly reimbursed by other funds.
7. Audits: Fees paid to outside firms for the annual audit of the Burton Endowment Fund.

It would be difficult to break the invoices into a year-by-year analysis. Often the invoices only contain the issuance date of the vendor and the receipt date of the library's Technical Processing Department. The actual payment date for an invoice could be months later. Therefore, we only present summary information for the period from 1 July 1997 to 21 December 2000 in the following table:

Table 3 Summary of Invoice Expenses 1 July 1997 to 21 December 2000		
Invoice Category	Amount	Percent
Appropriate	240,586	57.8
Unsure	16,558	4.0
Rare Books	90,897	21.9
Sports	3,530	0.9
Thurber Papers	25,150	6.0
Inappropriate	23,716	5.7
Audits	15,460	3.7
Total	415,897	100

While the vast majority of these expenses appear to be legitimate (for books, periodicals, manuscripts, etc., involving American and Canadian history and genealogy), we would like to make the following points regarding this data:

- In Table 2, warrant expenses between 1 July 1997 and 30 June 2000 total \$437,029, while in Table 3, invoice expenses between 1 July 1997 and 21 December 2000 are \$415,897. The latter period is longer than the former; yet warrant figures exceed the invoice amounts by \$21,132. There is no explanation for this significant discrepancy. (Trustee fees, though not invoiced, equal \$43,013 for 1 July 1997 through 30 June 1999 and are twice the \$21,132 disparity.) We would like to have a clear explanation of this discrepancy.
- A sum of \$90,897, or almost 22 percent of the endowment fund expenses, was spent the Rare Book Department items. In addition, some of the items in the Unsure category are probably Rare Book Department acquisitions. These Rare Book Department expenditures are not for rare historical or genealogical books. Instead they are for first editions or rare editions of literary works, such as novels and books of poetry, by William Shakespeare, Henry James, Rudyard Kipling, Herman Millville, Mark Twain, James Joyce, Robert Lewis Stevenson, Alfred Tennyson, Robert Browning, Walt Whitman, and T. E. Lawrence (Lawrence of Arabia). All are worthy of placement in a rare book collection, but are not appropriate Burton Endowment Fund purchases.
- Through the Freedom of Information Act, we requested any and all documents justifying the Burton Endowment Fund being used for Rare Book Department purchases, which were formerly funded by the Friends of the Detroit Public Library. We were told that no such documents exist.
- Commingling of funds appears to be occurring. An obvious example of this is funding of the Donald Thurber papers. We found that \$25,150, or 6 percent, of the Burton Endowment Fund, was used to pay a consulting archivist hired to arrange these papers even though Mr. Thurber donated monies for that purpose. If the Thurber donation was placed in the audit's "restricted contributions," the Burton Endowment Fund agreement still precludes its use for personnel payments.
- There are a number of expenses that definitely exceed the wishes of Mr. Burton in the original 1914 gift and the 1921 endowment agreement. Some of these include:
 - Catering for the Local History Conference and rare book meetings, \$7,145.
 - Staff travel and conference expenses for genealogy or rare book meetings, \$5,648.
 - Speakers for two genealogical conferences, \$2,000.

- VCR equipment, \$697.
- Restoration work, \$4,554 (though essential to preserve the damaged material, this work should still have been paid for out of another source).
- Office supplies, including \$2,225 for 15,000 pencils.

These are not historical data in the sense of being books, periodicals, manuscripts, etc. The Burton Endowment Fund definitely does not allow for expenses relating to entertainment, travel, training, supplies, or equipment. Nor does it cover restoration.

It is important to understand that some of these expenses are reimbursed from other funds. For example, the VCR equipment was reportedly paid for through the Petcher Fund. Also, we have been told that the Burton Family Association reimburses the annual buffet associated with the Local History Conference. We simply do not know if the other expenses in the inappropriate category are likewise reimbursed. Nevertheless, even if this is the case, such a use of the fund in this fashion is unwise. It increases the possibility of abuse because it makes tracking expenses more difficult.

While these expenses are an inappropriate use of the Burton Endowment Fund, they are appropriate library expenditures. They should simply have been covered by other sources, for example, the regular department budget, the Friends of the Detroit Public Library or, possibly, in the future the Advocates for the Burton Historical Collection.

- The review of these invoices makes the harm caused by the freeze on the Burton Endowment Fund very clear. Many of the genealogical publications and historical manuscripts the Burton Historical Collection purchases are ephemeral. They are here today but not necessarily available tomorrow. Many genealogical works, especially family histories and record abstractions, are published privately or by small societies and individuals in limited numbers. These are by their nature available for only a short time. Locating and acquiring copies after the initial run is sold can be extremely hard and expensive. Likewise, manuscripts involving American and Canadian history are not offered all the time and when they are on the market they can go quickly. Because of the freeze, the Burton Historical Collection has had to pass on significant Michigan related Civil War diaries.
- The invoices also show that the people hurt the most by the freeze are groups who have come to genealogy recently. Many works on African-American, Indian, and Eastern European genealogy, as well as some of the newest guides, have not been purchased over the last two years because of this freeze. Limited access to such works makes it difficult to research minority issues and history whether by genealogists or historians.

Conclusion

The Burton Endowment Fund is a major source of financial support for the Burton Historical Collection. We would like to know why the income from the fund is no longer being used as Mr. Burton intended. We believe it should only be used to purchase materials that pertain to the collection's theme of American and Canadian history and genealogy. It should never be used for operating expenses including equipment, supplies, training, travel, or food.

The use of this fund for other than its intended purposes damages the whole mission of the Burton Historical Collection. It harms the ability of the Burton Historical Collection to maintain its international reputation as a premier collection of American and Canadian history and genealogy materials.

We would like to know why the commingling of funds is allowed in the Burton Endowment Fund. Mr. Burton had very specific ideas on how earnings from his fund were to be spent. We believe that monies donated to the Burton Historical Collection for other purposes should be assigned to a separate fund to avoid the problems associated with the commingling of funds.

It is clear from our analysis of the invoices that there is a role for the Advocates for the Burton Historical Collection. As a Friends group, we could raise funds to be used for special expenses not covered by the Burton Endowment Fund and act in an advisory capacity.

Lastly, we would like to make it very clear that we think the Rare Book Department is a valuable collection for the Detroit Public Library to maintain and enhance. However, we believe that Rare Book Department spending of Burton Endowment Funds should stop immediately. We regard the 9 May 1997 merger of the Rare Book Department with the Burton Historical Collection as a violation of Mr. Burton's directive that his collection be kept separate from other Detroit Public Library departments. After consultation with Rare Book Department patrons, who remain dissatisfied with the merger, we are in agreement with them that this department should be removed from the Burton Historical Collection and re-established in its previous location with appropriate funding and staffing.

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