

Attorney General Ellison reaches settlement with charter school over misuse of funds by three former leaders

State alleged self-dealing by former Executive Director Abdiaziz Shafii Farah and governance shortcomings by previous boards of directors

December 8, 2023 (SAINT PAUL) — Minnesota Attorney General Keith Ellison announced today that a Burnsville charter school will enact reforms to address issues involving its former leaders, including insufficient board oversight of the former executive director.

An investigation by the Charities Division of the Attorney General's Office found that Abdiaziz Shafii Farah, founder and executive director of Gateway STEM Academy, violated his fiduciary duties to Gateway by steering nearly \$300,000 to companies owned or controlled by three of the school's directors or officers, including a company that Farah co-owned.

The investigation also found that previous directors or officers violated their fiduciary duties to Gateway by failing to sufficiently oversee Farah and failing to have policies and procedures that would have detected and prevented the conflicts of interests.

"Nonprofit charter schools must use their resources to further their educational mission, not to benefit insiders," Attorney General Ellison said. "The clear self-dealing by Gateway's former executive director and some members of its board is extremely disappointing, as are the governance failures that allowed the misuse of funds to happen. I am encouraged that Gateway's new leadership cooperated with our Office's investigation, put controls in place to protect the school and its charitable mission going forward, and agreed to additional measures proposed by my office to help ensure a strong fresh start for the school."

Farah, a founder and longtime executive director of Gateway, was indicted last year by a federal grand jury on several charges related to improper acquisition and use of child-nutrition funds, including wire fraud, money laundering, and conspiracy to commit those offenses. After news went public in January 2022 of Farah's alleged role in the food-fraud scandal, Gateway accepted his request for a leave of absence and then replaced him as executive director.

The AGO's investigation, launched under Minnesota's civil nonprofit corporation, charitable solicitation, and charitable trust laws, found that Gateway funds were paid to companies headed by Mahad Ibrahim (\$173,602.65) and Mukhtar Mohamed Shariff (\$117,255) while they served as Gateway board members in 2021 and 2022. Ibrahim and Shariff were charged in the same federal child nutrition fund-fraud indictment as Farah.

Under the terms of an Assurance of Discontinuance ("Assurance") filed in Dakota County, Gateway agrees to, among other actions, work with its charter-school authorizer to perform an internal investigation of how the improper transactions occurred; ensure sufficient training for directors and officers regarding their duties under state and federal law; and not work again with the former directors and officers named in the Assurance.

The AGO's Charities Division has civil enforcement authority over the state's nonprofit corporation, charitable-solicitation, and charitable-trust laws. The Charities Division does not enforce criminal laws. Under Minnesota law, nonprofit board members and executives owe fiduciary duties to act in the best interests of the charities that they serve, including putting the interests of the nonprofit above any personal financial interests. Information about these fiduciary duties, and other resources to help nonprofit leaders properly serve their organizations, is on the AGO's website at www.ag.state.mn.us/Charity/InfoNonProfits.asp.

The public may submit complaints to the Attorney General about nonprofit directors and officers putting their own interests before the charity's interests. Complaints may be submitted by using a form on the Attorney General's website, or by calling (651) 296-3353 (Metro area), (800) 657-3787 (Greater Minnesota), or (800) 627-3529 (Minnesota Relay).