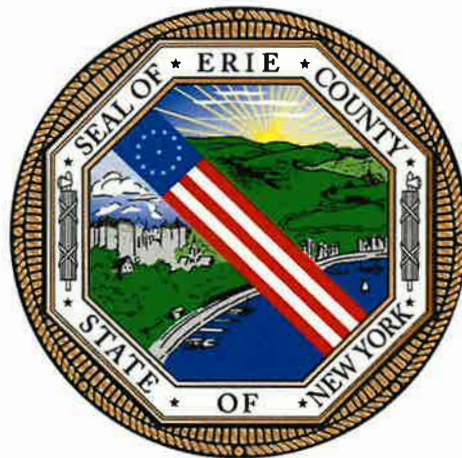


March 2025

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**Erie County Cultural Funding Grant
Monitoring Program
Springville Center for The Arts
January 1, 2020 through December 31, 2022**



**HON. KEVIN R. HARDWICK
ERIE COUNTY COMPTROLLER**

**HON. KEVIN R. HARDWICK
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**



March 25, 2025

Erie County Legislature
92 Franklin Street, Fourth Floor
Buffalo, New York 14202

Dear Honorable Members:

In 2023, the Erie County Comptroller's Office, Division of Audit & Control initiated a regular Monitoring Program of Erie County Cultural Funding Grants. The Erie County Cultural Funding program provides annual grants to non-profit arts and cultural organizations operating within the County. County funds are intended to be limited in their use to current operating expenses including salaries, program costs, fringe benefits, rents, utilities, office supplies, and equipment. Grant funds may not be used for or applied towards capital projects or physical improvements of buildings or facilities, nor as a revenue offset against accounts receivable. No funds received shall be used for any services provided or activities performed outside Erie County. The County's Department of Environment and Planning executes contracts with organizations and is the primary agency charged with monitoring.

Objective

The objective of the Cultural Funding Monitoring Program is to verify that the recipients have utilized County funds according to the terms and conditions associated with the Erie County Cultural Funding grant process and the recipient's contract with the County. In order to verify the proper use of the grant award, a number of agencies were selected in order to review their expenses and financial records.

Scope and Methodology

Approximately 120 different organizations receive funding annually from Erie County. The Comptroller's Cultural Funding Grant Monitoring Program is intended to review organizations that received a minimum of \$5,000 in funding during any of the three prior years. Approximately 80 agencies were identified as receiving \$5,000 or more in grant funding. The list of recipient organizations was split into two groups of approximately 40 agencies. The first batch of letters announcing the commencement of a review was sent to the selected non-profit organizations during mid-February 2023, with a second batch scheduled to be sent in early October 2023. The review of all agencies is expected to be completed by July 31, 2025.

2023 Program

During the interview phase, the Auditor identifies use of funding to narrow down the expenses to be verified. A table of agencies which meet the criteria for review along with the amount of grant awards can be found on the following page.

Monitoring Program – Phase I

ACT	APPROPRIATION	FISCAL YEAR 2016	FISCAL YEAR 2017	FISCAL YEAR 2018
117125	Dog Ears Bookstore	151283	\$ 28,400.00	\$ 36,600.00
118004	African American Cultural Center	113604	\$ 275,450.00	\$ 383,900.00
118012	Arleway Theatre	102340	\$ 8,500.00	\$ 8,500.00
118018	American Legion Band of	100379	\$ 7,500.00	\$ 7,500.00
118017	Amherst Symphony Orchestra	100475	\$ 32,500.00	\$ 26,750.00
118019	Arts Services Initiative of WNY Inc	147159	\$ 26,050.00	\$ 26,050.00
118028	Ballet Arts of WNY Inc	100794	\$ 24,000.00	\$ 24,000.00
118030	Buffalo Arts Studio (Arts Studio of)	101244	\$ 38,000.00	\$ 45,500.00
118044	Buffalo Inner City Ballet Co. Inc	105397	\$ 27,000.00	\$ 27,000.00
118050	Buffalo Music Hall of Fame	113142	\$ 4,500.00	\$ 5,500.00
118051	Buffalo Heritage Carousel	107829	\$ 30,000.00	\$ 30,000.00
118074	Colored Musicians Club	130377	\$ 5,000.00	\$ 12,500.00
118084	El Museo Gallery	109836	\$ 12,585.00	\$ 8,385.00
118104	Graycliff Conservancy	103137	\$ 59,200.00	\$ 59,200.00
118113	Hull House Foundation	743475	\$ 15,375.00	\$ 5,375.00
118139	Jewish Community Center Cultural	111239	\$ 13,500.00	\$ 8,750.00
118150	Just Buffalo Literary Center	105377	\$ 78,100.00	\$ 83,300.00
118152	Louvet St Neighborhood Art Chases	109985	\$ 29,250.00	\$ 25,250.00
118159	Marion House Restoration	124863	\$ 175,500.00	\$ 175,500.00
118159	Marion House Restoration	130815	\$ 49,000.00	\$ 48,000.00
118161	Polish Arts Club of Buffalo Inc	106132	\$ 7,000.00	\$ 7,000.00
118167	Preservation Buffalo Niagara	147509	\$ 4,835.00	\$ 4,835.00
118161	Springville Center for the Arts	113308	\$ 30,505.00	\$ 20,505.00
118164	Southern Wheel	100148	\$ 20,800.00	\$ 20,800.00
118172	Theodore Roosevelt Inaugural Site	104052	\$ 32,320.00	\$ 37,000.00
118176	Umma Company	101017	\$ 83,000.00	\$ 83,000.00
118180	Western New York Artists Group	108295	\$ 6,275.00	\$ 7,750.00
118181	Western New York Artists Group, Inc	133959	\$ 4,640.00	\$ 4,640.00
118184	Young Audiences of WNY	109818	\$ 10,000.00	\$ 10,000.00
118196	Buffalo Niagara Heritage Village	113196	\$ 14,500.00	\$ 18,500.00
118200	Mughan St African Army Heritage	152578	\$ 15,000.00	\$ 15,000.00
118201	General Pulaski Association	105060	\$ 10,000.00	\$ 13,000.00
118204	Ington Place, Inc	116194	\$ 10,000.00	\$ 10,000.00
118211	Hispanic Heritage Council of WNY	135925	\$ 12,000.00	\$ 20,000.00
118211	Black Rock Institute Society (Black			
118213	Rock-Riverside Alliance	170261	\$ 22,500.00	\$ 7,500.00
118213	Centro Culturale Italiano di Buffalo	107000	\$ 25,000.00	\$ 20,000.00
118245	South Buffalo Irish Fest/Can You Dig	113061	\$ 18,000.00	\$ 15,000.00
118256	West Positive D&B The Foundry	140005	\$ 5,000.00	\$ 5,000.00

Monitoring Program – Phase II

ACT	APPROPRIATION	FISCAL YEAR 2016	FISCAL YEAR 2017	FISCAL YEAR 2018
117133	Buffalo Olmsted Park Conservancy	140297	\$ 29,810.00	\$ 29,810.00
118006	Alignments Arts Gallery	147417	\$ 176,000.00	\$ 176,000.00
118009	Art for Kids Project Art Center	147229	\$ 18,250.00	\$ 18,250.00
118025	Assembly House 190, Inc	147747	\$ 5,000.00	\$ 5,000.00
118034	Buffalo & Erie County Botanical Garden	108743	\$ 102,000.00	\$ 102,000.00
118035	Buffalo & Erie County Historical Society	108772	\$ 417,000.00	\$ 417,000.00
118035	Buffalo & Erie County Naval & Servicemen's			
118051	Park	109339	\$ 35,000.00	\$ 35,000.00
118060	Buffalo Philharmonic Orchestra	101012	\$ 104,500.00	\$ 104,500.00
118061	Buffalo Philharmonic Orchestra	109796	\$ 14,500.00	\$ 14,500.00
118064	Buffalo Society Natural Sciences	109787	\$ 955,000.00	\$ 955,000.00
118061	Buffalo Tanning Works, Inc	147953	\$ 5,500.00	\$ 5,500.00
118068	Burnside Penney Art Center	101056	\$ 153,000.00	\$ 153,000.00
118071	Center for Expository and Research	106054	\$ 13,500.00	\$ 15,000.00
118082	Danceability	104439	\$ 3,000.00	\$ 3,000.00
118086	Exposure & More Children's Museum	102718	\$ 42,000.00	\$ 42,000.00
118100	Indelible Contemporary Arts Center	104896	\$ 37,000.00	\$ 37,000.00
118112	Memorial New High Society Park-Dave	103282	\$ 38,314.00	\$ 38,314.00
118115	Orchestra Theatre Company	105727	\$ 83,500.00	\$ 83,500.00
118124	O'Connell College Kennedy Theater	109141	\$ 11,750.00	\$ 5,500.00
118128	Landscape Open House	118482	\$ 45,000.00	\$ 20,000.00
118140	Musicians' Theatre	103508	\$ 44,525.00	\$ 44,525.00
118141	New Phoenix Theatre	109542	\$ 7,000.00	\$ 7,000.00
118144	Road Less Traveled Productions	121043	\$ 63,500.00	\$ 63,500.00
118152	Riverfront One-Act Competition	118119	\$ 30,000.00	\$ 40,000.00
118156	Shakespeare in the Park	106475	\$ 95,000.00	\$ 95,000.00
118168	Theatre of Youth	100888	\$ 89,400.00	\$ 89,400.00
118171	Tam Society Theatre	147417	\$ 20,000.00	\$ 20,000.00
118188	Buffalo Philharmonic Orchestra	104812	\$ 1,500,000.00	\$ 1,500,000.00
118191	Orchestra Park Symphony Orchestra	147747	\$ 4,815.00	\$ 4,815.00
118202	Buffalo Opera Unlimited Incorporated	139873	\$ 2,300.00	\$ 2,300.00
118204	Buffalo Philharmonic Orchestra	122004	\$ 1,750.00	\$ 1,750.00
118205	Overseas/Global Symphonic Orchestra	100177	\$ 7,500.00	\$ 7,500.00
118209	Newstead Historical Society	105118	\$ 5,500.00	\$ 5,500.00
118213	O'Connell & Company Productions	109142	\$ 23,000.00	\$ 23,000.00
118213	Men's Chorus	142043	\$ 3,000.00	\$ 3,000.00
118215	Buffalo Center for Arts and Technology	142017	\$ 3,000.00	\$ 3,000.00
118228	Overseas/Global Historical Association	101111	\$ 2,500.00	\$ 2,500.00
118230	Second Generation Theatre Company	146017	\$ 2,000.00	\$ 2,000.00
118230	Street Plant Museum of Western New York	147740	\$ 2,000.00	\$ 2,000.00
118231	Algonquin Theatre Society	144938	\$ 10,000.00	\$ 10,000.00
118234	Chambers Concert Association	101771	\$ 3,500.00	\$ 3,500.00
118235	Team of Champions	111087	\$ 5,500.00	\$ 5,500.00

BEST PRACTICES

Over the course of the Monitoring Program, the Division of Audit found a number of problematic practices and questionable expense categories on a recurring basis. In order to address issues pertaining to a large number of organizations, certain generally applicable best practices and recommendations are included here.

Alcohol

Several organizations used or appeared to use CGF funds to obtain alcohol. While the Division of Audit does not recommend that CGF awards be made contingent on the absence of alcohol from events hosted by the organization, alcohol should not be purchased with CGF funds. The Division of Audit found dozens of alcohol purchases that appeared to be personal in nature and several more which likely violated NYS Alcoholic Beverage Control Laws. Furthermore, the NYS Comptroller has long held that alcohol is not a "lawful county charge", meaning that government officials and employees may not use taxpayer funds to purchase alcohol. The Division of Audit sees no reason that organizations receiving taxpayer funds should be treated differently.

Debit Cards

Credit cards, particularly with smaller organizations, can provide a critical layer of expense control. The Division of Audit found a large quantity of small-dollar expenses appearing personal in nature. If a debit card is used, the money is gone by the time statements are typically reviewed, while a credit card bill often needs to be paid and approved by the organization's board of directors.

Alternate Funding Sources and Segregation of Accounts

Organizations may have several sources of governmental or philanthropic funding. One way to ensure that CGF funds go farthest is to tailor awards to the needs of the organization. Such an assessment would require applicants to provide certain financial documents covering prior years and a disclosure of current year funding applications. Furthermore, accounts received from Erie County should not be comingled with the other funds of the organization. Having source information upfront and requiring the segregation of accounts substantially decreases the likelihood of wasted CGF funds.

SPRINGVILLE CENTER FOR THE ARTS

Background

Springville Center for the Arts (SCA) is a 501(c)(3) nonprofit organization founded in 1974 as a rural multi-arts center dedicated to fostering community engagement with the arts. Its mission is to promote appreciation for the arts through performances, exhibitions, educational programs, and related initiatives.

Between 2020 and 2022, SCA received Cultural Grant Funding (CGF) as follows:

- \$30,505 in 2020 (including \$10,000 over the executive recommendation)
- \$20,505 in 2021
- \$36,000 in 2022 (including \$5,000 over the executive recommendation)

Additionally, SCA secured \$500,000 in Capital Grant funding from Erie County in 2023-2024, which falls outside the scope of this review.

Auditor's Observations

SCA is a multi-arts community venue located in the heart of downtown Springville, originally established as a collaborative venture between a community theater group and a network of fine artists. SCA was founded by the Springville Players, a group that began producing live community theater in the 1960's. SCA operates year-round and provides access to educational programming, visual arts, after school programs, theatrical and musical performances as well as various art related workshops.

SCA has acquired several buildings and related infrastructure over time, which has allowed it to expand its operations. The main facility for SCA is located in a former Baptist Church and features classroom space, the Carol Mongerson Theater and a gallery area. In addition, SCA owns or is in the process of acquiring four other buildings which house the Art's Café, The Lab, Art's Underground, and a short-term rental property known as The Parsonage and commonly listed on the Airbnb platform.

For the years under review, grants and contributions were the primary sources of revenue for SCA, accounting for much of the organization's annual revenue. Programming and fundraising income accounted for the second largest sources of revenue for the organization. The Art Crawl Afterparty is the main fundraising event for the organization, which takes place yearly. SCA also generated income from mission-related functions such as a summer arts festival and annual membership fees.

SCA generates additional operating revenue through the rental of real estate property owned by the organization. Although the operation of a rental property is not an activity directly related to the organization's mission, income generated from this activity is exempt from Unrelated Business Income (UBI) taxability rules. IRC § 512(b)(3) allows for income generated from the rental of real property by a non-profit organization to be excluded from taxable UBI in the event that no substantial personal service is provided and the property is free of debt-related financing. The Auditor reviewed the organization's records and ascertained that income generated by SCA from rental activities qualified for UBI exclusion as property is only rented as short-term rental, the amount charged to occupants is not based on a percentage of the tenant's income, the rental income generated constitutes less than five percent of the organization's total revenue, no significant services are rendered to the occupants and the property is free of debt-financing.

The COVID-19 pandemic forced SCA to temporarily shut down, leading to a decline in revenue. Despite limited operations, the organization adapted by implementing remote administrative functions and alternative programming while advancing the Arts Café project. Financial losses were partially offset through pandemic-related assistance, including foundation grants, an Economic Injury Disaster Loan (EIDL), and Payroll Protection Program (PPP) funding.

Auditor's Conclusion

During the grant monitoring review process, SCA was able to provide the Auditor with adequate substantiation for its use of the CGF award for all the years under review. The Auditor was informed that the primary operating expenses for SCA include salaries and wages, advertising, insurance, taxes, and contracted services. CGF received by SCA for the years under review was allocated towards the cost of salaries and wage-related expenses. Documentation provided by the organization in order to substantiate expenses and use of grant funding includes copies of bank statements, credit card statements, tax return documents, invoices, payroll records, and other electronic financial information. The expense incurred by the organization for wages paid exceeded the amount of grant funding awarded by the County for each of the years under review.

For-Profit Subsidiaries and Business Structure

SCA has a complex financial structure, incorporating multiple for-profit subsidiaries to manage activities beyond its core mission. These subsidiaries include:

- **Art's Café Springville, LLC (ACS)** – Owns and manages the real estate and renovations.
- **Art's Café Management, LLC (ACM)** – Operates the café and other building spaces.
- **Art's Café Community Owners, LLC (ACCO)** – Secured startup financing for affiliated businesses.
- **SCA X, Inc. (SCAX)** – Holds the mortgage.

As part of the grant review process, the Auditor verified that the unrelated business activities conducted by the for-profit subsidiaries controlled by SCA follow the guidelines established by the Internal Revenue Service (IRS) which require that the for-profit entities supports the nonprofit's exempt purposes, that earnings from the for-profit entities are used to further the nonprofit's mission, and that activities do not constitute substantial unrelated business income. The IRS also requires the for-profit subsidiaries to be a C-corporation or LLC that opts for C-corporation taxation status. Flow-through entities such as LLCs taxed as partnerships or S-corporations do not block revenue from being treated as unrelated income to the non-profit. The multi-layer business structure and complex ownership configuration of SCA's for-profit subsidiaries allow them to be taxed as flow-through entities, as direct control cannot be ascertained. The Auditor reviewed the federal tax and payroll returns for all the for-profit subsidiaries of SCA in order to verify profit & loss distribution as well as to verify compliance.

SCA currently has a Board of Directors consisting of nine members. Directors are limited to two 3-year terms, which can be served consecutively. Officers must step down for a minimum of one year before being eligible to return. The organization affirmed that the Board of Directors is part of the internal controls system for SCA. As indicated by the organization, the Board of Directors reviews expenses incurred, large purchases and tax form 990 prior to filing. The Auditor also reviewed a series of board minutes in order to corroborate what matters are addressed by the Board. SCA employs additional internal control measures such as dual signatures on checks, a procurement policy and approval levels.

At the conclusion of the grant review, the Auditor determined that SCA was fully compliant with all filing requirements, including IRS Form 990, New York State Form CHAR500, and all necessary information return documents.