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Important information you should see about about a RACP application you have supported

1 message

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To: "Cooper, Shari" <SCooper@pahouse.net>, "Sappey, Christina D." <csappey@pahouse.net>

Dear Representative Sappey

Our community of Kennett Square has benefited greatly from RACP grants to our new library and police station - thank you! I am writing to you today because I reviewed a RACP grant (attached) now being considered for another Kennett entity - Square Roots Community Partnership (SRCP) - and I have since had the chance to gather information from 990s and other publicly available documents on SRCP and its affiliated entities. I have discovered information in the application that I felt might be relevant when you weigh its merits. Here are my questions - more detailed supporting information supporting my concerns is provided further down.

- Is it typical for RACP to fund more than 80% of construction costs when an applicant appears to have access to plenty of money - in the case of SRCP, at least \$12M and potentially more than \$32M - already designated for charitable purposes?
- Is it typical for RACP to provide funding to an organization (like SRCP) that does not appear to have any documented record or capacity to provide the services they claim the grant will make possible?
- Is it typical for RACP to fund a project benefitting a private business (like the Creamery) that claims they will support local charities when they have little record of having done so in the past?

The list of RACP applicants reveals just how important this program is in closing gaps in essential education, public safety, healthcare, and other services that Pennsylvanians desperately need. My developmentally disabled daughter volunteers for another 2023 RACP applicant - Kennett Area Community Services (KACS). I have reviewed KACS 990's and their RACP application: they leave no doubt that every dollar that might be provided through RACP will ultimately translate into many dollars of benefit to area residents - in this case, residents with nowhere else to turn. A glance through the list of other 900+ RACP applicants statewide also suggests that many of the other projects proposed offer much clearer benefits than those claimed by SRCP. This includes the other RACP applicants in our district, like the new school that Kennett Consolidated School District or the police station that East Fallowfield Township hope to build. I am concerned that more worthy applicants here and elsewhere across the Commonwealth will be overlooked in favor of a private business that appears reluctant to tap into up to \$32M of existing funds its backers have ostensibly set aside for charitable purposes, and that has no clear record of delivering the services or charitable contributions it claims the grant would make possible.

Of course, it is possible that there is information I have missed, and so I will reach out to SRCP directly for answers to these questions and will share what I learn. I am available at any time to answer any of your questions, and provide the detailed documentation supporting everything that I have laid out below. Thank you for hearing my thoughts. And thank you for everything you do for our residents!

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Documentation supporting concerns raised about the RACP application submitted by Square Roots Community Partnership

1. Is it typical for RACP to fund more than 80% of construction costs when an applicant has access to at least \$12M - and potentially more than \$32M - in assets already designated for charitable purposes? SRCP has requested that state funds cover more than 80% of the anticipated \$2.4M construction costs (SRCP is using the existing value of the building as a "match"). SRCP claims (see p. 11 of the attached application) that it "does not have the funds to complete the structural restoration and is therefore requesting \$2 million in RACP funding to support this effort". 990's for the SRCP (listed as 501(c)4) suggests that this claim may not be accurate, revealing that the applicant had almost \$12M in assets at the end of 2022. Could SRCP draw on more of these funds? In 2021, the applicant reported bringing in more than \$9M, which seems to also demonstrate their capacity to raise significant amounts of funding very rapidly.

One potential source of funds is a second related foundation - White Horse Group Foundation (WHGF) - which reported almost \$20M in net assets in 2022. WHGF's officers - Michael and Dorothy Bontrager - are listed as having founded the Square Roots Collective. It appears reasonable to assume that the single anonymous donor who seeded SRCP in 2021 with over \$9M (p. 15 of the 2021 SRCP pdf) is Michael or Dorothy Bontrager: their daughter Stephanie Almanza is listed as VP of SRCP; this daughter, her husband, and a second daughter are employees of Square Roots; their assistant (Allison DeAngelis) serves as Treasurer of WHGF, and; the \$1.5M of disbursements made by WHGF beginning in 2020 map closely to the priorities of SRCP, and appear to have been the primary source of seed funding for the 2 major 501(c)3s associated with SRCP (Kennett Trails Alliance and Voices Underground). The company founded by Michael Bontrager - Chatham Financial - recently reported more than \$1 trillion in financial transactions annually.

2. Is it typical for RACP to provide funding to an organization with no documented record or capacity to provide the services they claim the grant will make possible? SRCP claims that on p. 3 that they are a "social services provider". But I can find no evidence that SRCP provides social services or meaningfully funds other entities that do so.

- None of the officers of SRCP appear to have any history of - or training in - providing social services. Their experience (centered in finance, marketing, and property management) fits with the private businesses (real estate / restaurant) that appear to underwrite SRCP.
- Only \$20K of the \$148K dispersed by SRCP in 2022 went to an entity that supports social services (United Way). This represents only about 10% of total expenses, and a meaningless proportion of the \$12M in available assets.

It is possible that SRCP characterizes the activities of its Voices Underground 501(c)3 as a "social service". I would be happy to review other questions I have about their record. In sum, Voices Underground has already received more than \$1.5m from state, foundation, and individual funders since 2021. Compensation paid to its officers (two in 2021 and one in 2022) exceeded \$550K while only about \$170K was reported as having been spent on direct charitable activities during those years.


3. Is it typical for RACP to fund a private business that claims they will support local charities when they have little record of having done so in the past (despite ample resources)? The applicant claims that "SRCI's Creamery of Kennett Square Restoration project (Project) will address these issues by restoring the structural integrity of a historic building, so that it can be returned to productive economic and community use and to create a sustainable revenue source that can be deployed for charitable uses to improve greater Kennett Square." (p. 8) Presumably, revenues accrued through the Creamery would be dispersed as charitable contributions through SRCP. This raises several questions

- The Creamery itself (the restaurant that would expand into the renovated space funded through RACP) is not a non-profit - it is a business. How can we know what revenue becomes profit for its owners, represents unreasonable levels of compensation for its directors, or results in a level of charitable giving worthy of \$2M of public support. There is no mechanism for documenting the extent to which any private individual might benefit personally from the expansion of the Creamery.
- There is nothing in SRCPs 990s from 2021 or 2022 to indicate that any funds were transferred from the Creamery to SRCP, even though it appears that the Creamery and real estate ventures associated with the parent group managed significant levels of assets and revenues: the compensation of just the officers of SRCP who also work for the parent private businesses topped \$700K in 2022.
- Available information also suggests that the amount disbursed directly by SRCP for charitable purposes is marginal: the total disbursed in 2022 (\$148K) only represents about 2% of SRCPs existing assets (\$12M).
- It is also worth noting that data from 2022 returns suggests that less than 15% of SRCP's charitable giving is directed towards truly independent charities: giving is directed almost exclusively towards either its own affiliated 501(c)3s (over 33%), or to their partners in existing projects (20%), or towards the Borough of Kennett Square (33%) to fund a grant writer for projects that benefit SRCP.

Regards,

Peter

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 **SQCP RACP 2023 application.pdf**
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