



City Council Report

City Council Meeting: January 8, 2013

Agenda Item: 8-A

To: Mayor and City Council
From: Karen Ginsberg, Director of Community and Cultural Services
Subject: Discontinue On-Going Funding to Pico Youth and Family Center (PYFC), a Grantee of the Human Services Grants Program (HSGP) through the Expiration of the "Last Chance Agreement" with Social and Environmental Entrepreneurs (SEE)

Recommended Action

Staff recommends that the City Council:

1. Discontinue on-going funding of Pico Youth and Family Center (PYFC), a grantee of the Human Services Grants Program through the expiration of the "Last Chance Agreement" with Social and Environmental Entrepreneurs (SEE), a California-based non-profit corporation; and
2. Authorize the City Manager to negotiate and execute a modification to Contract No. 9605 in an amount not to exceed \$78,805 with SEE to close-out outstanding financial and reporting obligations including compensation (up to three months) for PYFC staff.

Executive Summary

On June 12, 2012, Council approved a "Last Chance Agreement" (Contract No. 9605) with PYFC. That agreement provided continued support for the organization in the form of fiscal sponsorship and organizational oversight by SEE in order to enhance PYFC's administrative capacity and governance. Along with providing support, the "Last Chance Agreement" restricted the FY 2012-13 PYFC grant to a six-month period intended to either significantly improve PYFC's performance or provide the foundation for funding termination. However, the deficiencies evident for many years have persisted. Therefore, based on the facts summarized in this report and the City's intent to ensure the efficacy of its expenditures in this difficult financial climate, staff recommends a discontinuation of funding for PYFC. As part of a phase out, \$78,805 is recommended for SEE to close out existing obligations and conclude the City's financial relationship with PYFC. This close-out funding includes up to three months compensation for PYFC staff.

City staff will ensure that programming will continue without interruption through collaborative efforts with key non-profit providers.

Background

In July 1999, the City issued a Request for Proposals (RFP) to fill a specifically defined gap in services for the hardest-to-reach, vulnerable gang involved youth in Santa Monica. Targeting ages 16-24, youth were to meet one or more of the following criteria: dropped out of local schools; enrolled in Olympic Continuation School after dismissal from Santa Monica High School; formerly incarcerated; identified as serious habitual offenders; or on parole or probation.

Since June 2000, the City has funded PYFC to serve this important segment of the youth population through concentrated focus and attention, employing a community based model of intervention in partnership with other local and regional organizations and institutions. Through the years, PYFC has broadened the population of youth and has undertaken social justice and community organizing activities that have diverted program focus and resources away from the original intent of City funding. Over twelve years, the City has identified numerous serious and persistent organizational, financial and programmatic deficiencies.

History of City Support

Throughout the past twelve years, the City has made an unprecedented effort to ensure administrative accountability, organizational structure, and adequate oversight to support and strengthen PYFC and its programs. Since 2000, more than \$4 million in City General Funds has been invested in the organization in the following ways:

Capacity Building Through Fiscal Sponsorship:

Between 2000 – 2004 the City supported the development of PYFC through three well-established non-profit management entities – Community Partners (January 2000 – June 2001), Woodcraft Rangers (July 2001 – August 2003), and Public Health Foundation Enterprises (PHFE) (September 2003 – August 2004). Each organization was tasked with providing training, program development assistance, administrative and financial support to PYFC. Despite their efforts, all three agencies terminated their

relationships with PYFC citing concerns regarding the viability of PYFC and expressing their inability to provide the level of oversight required to address PYFC's administrative and organizational deficiencies (May 22, 2012 Staff Report, Attachment G).

Direct Funding of PYFC:

By June 2004, PYFC had applied for its 501(c) 3 status as an independent non-profit. Recognizing the need for services for the hardest-to-reach, vulnerable gang involved youth, the City gave PYFC yet another opportunity to provide these services through approval of a direct grant for the period of September 1, 2004 – June 30, 2005. The grant was awarded based on assurances from the PYFC Advisory Board (Board) that it was positioned to assume full responsibility for the contract and Center operations. The Board was required to put mechanisms in place to provide for adequate staff supervision including written assurances to the City that the Board would be responsible for oversight and performance of the Project Director in his transition to Executive Director of PYFC.

Furthermore, since 2004, and consistently for the ensuing seven years, the City has provided PYFC staff and Board with technical assistance regarding organizational, administrative, financial and program operations. This includes added funding for executive coaching, Board development, and staff training. No other HSGP grantee has received anything approaching this level of guidance, training, monitoring, feedback and support from City staff and consultants. Despite these efforts, PYFC has continued to exhibit on-going and serious deficiencies.

Last Chance Agreement:

On June 21, 2011, in order to address the long-standing concerns about PYFC's governance, financial and administrative capacity, the Council-approved HSGP included the following funding condition: "The PYFC Board of Directors will implement significant administrative changes to ensure accountability, adequate fundraising, and program development – this includes assessing the feasibility of merging with a larger community

based non-profit.” City staff worked closely to monitor compliance and consistently communicated its feedback to PYFC representatives. Despite the City’s significant efforts to provide assistance and the Board’s commitment to implement improvements, by February 2012 it was clear that PYFC had not developed an effective strategy for making these improvements. They also had not identified an organization to merge with and the Executive Director communicated that he did not believe that this was the right direction for PYFC to take.

The circumstances demonstrated that PYFC would not be able to meet the multiple conditions of their grant by the end of the fiscal year. Accordingly, staff recommended a final opportunity for PYFC through a “Last Chance Agreement” which was presented on May 22, 2012, as part of the Council Budget Study Session. The agreement required PYFC’s commitment to accept the assistance of new independent oversight to increase fiscal, administrative and programmatic accountability. City staff conducted research and contacted several organizations with experience in working with agencies with similar missions as PYFC. City staff identified Social and Environmental Entrepreneurs (SEE) given their 17 years of experience in incubating and providing administrative support and oversight to non-profit organizations.

On June 12, 2012, the “Last Chance Agreement” was approved by Council for the period July 1, 2012 through December 31, 2012. This agreement included funding in the amount of \$157,610 for SEE to provide independent oversight of PYFC for program operations and organizational oversight, and \$25,000 for services of an organizational development consultant to provide SEE and the Board with assistance with oversight of the Executive Director, training for staff and the Board in program development, leadership and agency oversight including the establishment of benchmarks to increase administrative capacity and program refocus. The “Last Chance Agreement,” also specified that failure to document significant improvement in the grantee’s performance would lead to a recommendation to terminate funding.

On December 7, 2012, staff received the final Organizational Assessment Report (Assessment) prepared by the organizational development consultant pursuant to her scope of work with SEE (Attachment A). In this Assessment the consultant expressed her significant concerns regarding the viability of PYFC due to tremendous discord between the Executive Director, PYFC staff and the Board over issues of leadership, mission and purpose. On December 21, 2012 the City received formal notice from SEE, transmitting letters of resignation from six members of the Board (Attachments B1-B6) as well as a letter of resignation from the organizational development consultant (Attachment C). The Assessment and Board resignation letters demonstrated that PYFC's organizational structure had collapsed, indicating that the organization likely could neither meet the requirements of the "Last Chance Agreement" nor fulfill the City's funding goals in the future. The City Manager exercised his authority to extend the contract agreement with SEE through January 31, 2013 while staff gathered documentation to support a final recommendation regarding future funding of PYFC.

Discussion

The "Last Chance Agreement" imposed conditions for continued funding. Staff believes that these conditions were not met in spite of the combined and strenuous efforts of SEE, the organizational development consultant and the Executive Committee of the Board, especially the former Board Chair. Furthermore, the primary focus of SEE in the past six months has been on fiscal management of PYFC. This has proven ineffective in addressing the fundamental organizational challenges. The PYFC requires more on-site administrative oversight and supervision than is available through resources existing within SEE. Furthermore, SEE is the fourth organization that has been brought in for this purpose. It is clear that none of these organizations have been able to address the fundamental organizational, financial and administrative challenges of PYFC. This demonstrates that PYFC does not have the ability to stand on its own and operate responsibly as an independent non-profit.

Therefore, staff recommends discontinuation of funding to PYFC based on the organization's demonstrated inability to meet minimum standards of non-profit

governance and operation. Concerns identified in the May 22, 2012 staff report to Council persist unabated and they fall within the following categories: governance and administration; financial management and oversight; and program effectiveness.

Governance and Administration: PYFC has failed to remedy the serious governance and administrative concerns that led to the “Last-Chance Agreement.” Despite some initial success in meeting its terms, the Assessment indicates that “conflicts have escalated to the demise of relationships at every level of the organization and beyond.” Recent events point to an agency in turmoil. This includes the resignation of six Board members including the Board Chair, Board Treasurer, Board Secretary, Chair of the Program Committee, Chair of the Board Membership Committee and a member at large with extensive non-profit management experience. In their resignation letters (Attachment B1-B6) these Board members expressed their strong commitment to the overall mission of serving at-risk youth but regrettably found that they could no longer continue to be associated with PYFC given recent actions of the Executive Director and PYFC staff which fostered a destructive climate characterized by misinformation and deep mistrust. Further, several of the resignation letters cited racial concerns, echoed in a recent letter from the local chapter of the NAACP (Attachment D).

On December 20, 2012, the Organizational Development consultant contracted by SEE to assist with governance training, assessment, and oversight of the Executive Director, submitted a letter of resignation to SEE citing damaging remarks made by the Executive Director and one of the remaining board members that called into question her professionalism and credibility. As a result, she stated, “it is no longer possible to maintain a productive working relationship directly with PYFC” (Attachment C).

The Assessment indicates that serious conflicts began to arise among Board members and PYFC staff in late October, impairing the Board’s ability to effectively govern the organization. The Assessment goes on to state that the Executive Director has taken actions that have fostered conflicts and misinformation between the Board and staff.

In August 2012, the PYFC Board developed a nominating committee and board recruitment process. The December 18, 2012 meeting was the first meeting following the resignation of the six active board members mentioned above. While four of the remaining six board members were present, the Executive Director was out of town and joined the meeting intermittently via Skype. The one remaining board officer (Vice-Chair) was not present. Two PYFC staff and seven new board candidates attended the meeting. Two additional board candidates joined the meeting late. It does not appear that the established board recruitment and nominating process was followed.

On December 21, 2012, SEE reported to the City (Attachment E), that nine new board members were elected at this meeting. Board officers were not elected. As of January 2, 2013, neither the City nor SEE has been provided with Board minutes reflecting the official actions at this meeting, or a new Board roster with affiliations and contact information as required by the City contract. This leaves the agency deficient of Board leadership at a critical time; raising significant concerns regarding effective governance of the non-profit organization. This includes but is not limited to providing oversight of the Executive Director. The PYFC has a Board Vice-President; however, that individual has not attended Board meetings during this contract period with the exception of calling in to vote on a particular item in November and December. Of the nine new board members one is a contracted employee of the Santa Monica-Malibu Unified School District (SMMUSD), presenting a conflict of interest as the PYFC Executive Director is an elected member of the SMMUSD Board of Education, thereby an employer of all SMMUSD staff. In 2004, the PYFC Executive Director was informed that for this reason SMMUSD employees could not be PYFC Board members (at that time resulting in the removal of another SMMUSD employee from the PYFC Board).

Furthermore, at the December 18, 2012 Board meeting, attended by City staff, the Executive Director submitted a Transition Plan (Attachment F), prepared on an outdated City HSGP RFP form, to the Board containing guidelines for selection of a new

Executive Director; retention of the current PYFC mission; setting forth expectations for the PYFC Board; and for the use of funds received. As drafted, this Transition Plan clearly demonstrates a lack of understanding of the difference between the role of the executive director and the role and responsibilities of the Board. For example, the Transition Plan states that "the Board cannot make any decision where the 1.6 million will go" and that "PYFC youth shall decide where to put a fraction of the money." The content of the proposed Transition Plan and its unquestioned acceptance by the new Board, demonstrate both the lack of administrative skills necessary to manage a non-profit agency on a daily basis and the lack of the oversight skills necessary for the Board to discharge its duties.

Concerns remain over the eligible activities of the Executive Director while paid to conduct PYFC business. The attached letter from SEE to the Executive Director dated December 20, 2012 (Attachment G) states that PYFC closed the center for two days in November 2012 without notifying SEE, the PYFC Advisory Board or the City, as specified in the Contract Agreement. On at least one of those days, November 30, the Executive Director was out of town on official SMMUSD Board business. However, his time card indicated he was working on behalf of PYFC. SEE notified the Executive Director of this discrepancy and will rectify it with a payroll adjustment. As an off-site fiscal sponsor, SEE relies on PYFC administrative staff to review and verify accuracy of time cards signed by PYFC employees. Had the Board Chair not visited the Center on November 30, the inappropriate salary expense to the City grant would not have been discovered. This falsification of his timecard by the Executive Director is another example of the need for strong governance and administrative oversight currently lacking at PYFC.

Financial Management & Oversight: The PYFC has failed to implement sufficient internal controls resulting in incorrect recordkeeping and inaccurate accounting practices. The City retains an Independent Certified Public Accountant (The Fiscal Monitor) to ensure accountability within the Human Services Grants Program (HSGP).

As indicated in the Fiscal Monitor's report (Attachment H), the Fiscal Monitor has repeatedly noted significant issues relating to PYFC's financial management and oversight. In the December 26, 2012 report, the Fiscal Monitor stated that PYFC "management does not appear to have adequate accounting knowledge regarding the internal control systems that are needed to facilitate proper management of a non-profit organization." Additionally, there remain the following unresolved fiscal irregularities and an over-reliance on City grant funds to support the organization as further described below.

- **Unresolved Fiscal Irregularities:** PYFC has had four different bookkeeping or accounting firms in the last seven years. Frequent turnover of accountants hired by the PYFC has resulted in lack of internal controls, incorrect recordkeeping and inaccurate accounting practices. On July 11, 2012, City staff sent a letter to PYFC requesting a response on several outstanding fiscal matters including duplicate payroll checks and excess retirement contributions. Extensive efforts by the PYFC Board Chair resulted in the resolution of some outstanding fiscal matters. Now that the PYFC Board Chair has resigned, City staff have again requested resolution of these matters from the PYFC Executive Director. However, as of January 2, 2013, these matters remain unresolved.
 - Duplicate Payroll Checks: In November 2011, the City found that duplicate payroll checks were issued in 2010 to PYFC staff including the Executive Director and Office Manager. PYFC staff repaid the agency these excess payroll checks after the City brought it to the attention of the PYFC Board Chair. In May 2012, while attending a PYFC Board meeting, City staff learned that additional duplicate payroll checks were issued in 2009 to PYFC staff, including the Executive Director. To date and despite repeated requests, PYFC has not provided sufficient explanations and documentation for discrepancies in salary amounts reported in the FY 2009-10 year-end fiscal status report as compared to their payroll tax returns and budgeted line items.
 - Retirement Contributions: PYFC lacks understanding of the regulatory and financial requirements for managing employee retirement accounts. In the process of researching the duplicate payrolls, the City determined that PYFC made \$17,878 in ineligible retirement contributions on behalf of employees over a five-year period. PYFC submitted its final reimbursement for ineligible retirement contributions to the City on September 27, 2012. Despite identifying this problem in November 2011, the incorrect reporting of pension expenses and reimbursement requests persisted throughout FY 2011-12. The City is working with SEE and PYFC to finalize reimbursement of FY 2011-12 ineligible retirement

expenses to the City. Further, the November 15, 2012 Fiscal Status Report submitted by SEE indicated that PYFC had not met its current obligation for pension payments despite repeated requests by SEE to the Executive Director.

- **Non-City Revenue Sources:** As noted in the Assessment, for ten years, over 75% of PYFC funding has come from the City. The overall reliance of any agency on one funding source is contrary to best practices and indicates a lack of agency capacity to be successful and sustainable over the long term. In addition, PYFC has been inconsistent in raising the required minimum 25% cash match for its program. PYFC is the only City grantee to consistently not meet its required minimum cash match. In its Program Budget for July 1 through December 31, 2012, PYFC projected \$74,367 in matching funds to support its program. According to SEE, as of December 19, 2012, only \$18,233 has been raised in matching funds (Attachment I). While a \$1.6M endowment was offered to PYFC in September, City staff has learned that the estate is withholding the transfer of that gift at this time. This understanding is supported by statements contained in the Assessment (Attachment A, Appendix 1).

Program Effectiveness: While PYFC has made some improvements during the last six months with oversight from SEE and the Organizational Development Consultant, the letters of resignation and the final Assessment highlight a continued lack of administrative capacity to effectively operate a non-profit organization as well as concerns over the organization's capacity to meet the City's expectations for effective programming. A lack of evaluative data upon which to base program outcomes and outputs continues to persist.

City staff performed a PYFC Program Site Visit on October 4, 2012 as part of a regular evaluation process for the City's 2011-15 HSGP. During that site visit, staff could not verify program outcomes, as not all programs had been launched and outcome measures had not been completed. Staff found that case management notes and client progress sheets with goals and benchmarks were incomplete, reflecting an inconsistency in documentation of information to verify outcomes, a concern also addressed in FY 2011-12. Staff recommended case management training for PYFC staff who, by in large, did not have case management experience prior to working at PYFC.

When City staff returned to PYFC on December 13, 2012 to review client files related to case management and program outcomes, inconsistencies in documentation of information were again found making it difficult to document and quantify program outcomes and effectiveness. Youth attendance in program activities could not be consistently verified against client case files and case management notes still did not reflect progress in achieving goals. Although PYFC reported case management training had taken place, files had not been adequately supervised by PYFC administration to ensure application of training and improvement in case management documentation. This reflects a continued lack of understanding on the part of PYFC administration on the importance of documenting program activity and effectiveness for the purpose of reporting to funders, whose responsibility it is to account for the spending of public funds.

As noted in the Assessment, the Executive Director has been consistent in his dedication to community organizing and advocacy and believes "these strategies are more powerful and effective than the provision of direct services. He has been equally vocal about his lack of skills or interest in being an administrator." Further, with the resignation of the most active board members has come the dissolution of the Board's fledgling Program Committee. The Program Committee was tasked to work with PYFC staff to support and strengthen programs, and it is unclear what steps, if any, will be taken to rebuild this committee.

Significant issues with PYFC's fiscal, administrative, and organization health create a lack of confidence in the ability of PYFC to be a viable independent organization over the long term. Furthermore, PYFC has repeatedly demonstrated its inability to sustain a productive and effective relationship with well-established non-profits for organizational support in spite of four attempts by the City over the past twelve years. City staff recommends that no further City funding be provided to PYFC beyond a three-month close-out grant with SEE for up to \$78,805 to close out existing payment obligations,

including PYFC employee compensation. The City will work with SEE and PYFC to ensure continuity of services to older youth through collaborative efforts between the City and identified key non-profit youth service partners as detailed in this report under Next Steps.

Next Steps

City staff will pursue all measures necessary to ensure that there is no disruption in services for youth served by PYFC. City staff will be assigned immediately to oversee service delivery. Additionally, City staff will convene a team of key service providers from among current HSGP grantees to provide core services including collaborative case management; group and individual counseling; employment readiness and placement; drug and alcohol prevention; re-entry services, and other contracted enrichment programs. Providers would include St. John's Youth Development program, CLARE Foundation, the Santa Monica Police Department, Chrysalis; the Off Campus Learning Center, the Los Angeles County Probation Department and Jewish Vocational Services. Transition of services, outreach and youth input would begin immediately.

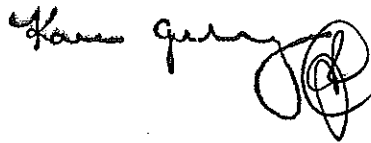
In order to finalize reporting and any outstanding operational and financial obligations, City staff will work with SEE to develop a budget for all close-out activities. The City recognizes that it provides the majority of PYFC's funding. With this in mind, in the event that PYFC is unable to secure alternative funding to continue as an independent 501(c) 3, the City will work with SEE to ensure that a portion of the close-out funding includes compensation (up to three months) for staff. Additionally, with the likelihood that PYFC would be unable to continue to lease the space at 715 Pico Boulevard without ongoing City funding, City staff is prepared to pursue discussions with the property owner to explore transitioning the lease to the City in order to keep the facility open in the interim until a long term plan is put into place.

Financial Impacts & Budget Actions

The contract modification to be negotiated with SEE is not to exceed \$78,805 for a new contract total not to exceed \$291,851. The contract will be charged to account 012627.562601. Funds are available in the FY 2012-13 budget in the Human Services Division (division 262).

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Attachments:

- A: PYFC Organizational Assessment Reports (December 2012 & September 2012)
- B1-6: PYFC Advisory Board Resignation Letters (December 4 - 12, 2012)
- C: Organizational Development Consultant Resignation Letter (December 20, 2012)
- D: NAACP Letter to the City (December 21, 2012)
- E: SEE Correspondence Regarding Outstanding Issues (December 21, 2012)
- F: Transition Plan – January 2013: Presented to PYFC Board (December 18, 2012)
- G: SEE Correspondence Regarding PYFC's Time Reporting (December 19, 2012)
- H: Fiscal Monitor's Report (December 26, 2012)
- I: SEE Correspondence Regarding Matching Funds (December 19, 2012)

Pico Youth and Family Center

Organizational Assessment

December 7, 2012*

**(Appendix 1: updated December 21, 2012 to December 13 correspondence from Sultan&Sultan, Attorneys at Law)*

**Conducted by
Judy Spiegel
Consulting for A Change**

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Introduction

In July 2012 Judy Spiegel was hired by Social and Environmental Entrepreneurs (SEE) to provide organizational capacity building consultation to Pico Youth and Family Center (PYFC) as part of the City of Santa Monica (City) agreement with PYFC and SEE for the period of July 1 through December 31, 2012. Consultant responsibilities were to deliver a written assessment of PYFC's organizational health and sustainability, and to conduct a 360-degree interview process to gather input on the general status of PYFC and operations. The consultant was to assist in supervising and providing guidance to the executive director and staff, assist them with program development and evaluation, and provide guidance and training to the board of directors.

The first organizational assessment report was delivered September 17, 2012. That report was based on a variety of strategies including PYFC document review, staff, board, and consultant interviews, and observation. The report described key findings in a number of principal organizational factors including administration, infrastructure, systems, staff leadership and management, programs, and governance. The report culminated in a set of recommendations in eight key areas: strategic planning, fiscal accountability, confidentiality, records maintenance and retention, personnel and contracting, case management, programs, and fundraising.

This report provides updates on the actions taken on the initial recommendations and recent observations and findings. Between September 17 and December 5, the consultant attended a sampling of staff and case management meetings; attended the October and November Board of Directors meetings; attended monthly meetings with the City, the PYFC board chair and SEE, and had periodic meetings and communications with the executive director, staff members, and the PYFC board chair.

This report is divided into two main sections:

1. *Organizational Assessment since September 17*: describes new observations and findings since September 17, 2012.
2. *Status of September 17 recommendations*: reviews initial organization recommendations to strengthen administration, programs, and governance and provides status of actions taken on each.

Organizational Assessment Since September 17, 2012

This section provides an organizational update since the September 2012 Organizational Assessment Report. From September through November 1, 2012, PYFC demonstrated progress in a number of areas: board governance was improving as demonstrated by its enhanced committee involvement and overall oversight at board meetings, the program committee was working closely with the staff to strengthen program development and evaluation, case managers were getting additional in-service training, and the agency was well on its way to achieving the goal of 50 youth participants in case management. The board was working with the executive director on a mutually agreeable transition plan to be effective mid-December. Lastly, PYFC received an approximate \$1.6 million endowment from which it could draw up to 10 percent each year.

With a late-October board mini-retreat to discuss the PYFC mission, conflicts began to arise. Two primary factors contributed to these conflicts: one was a transitional consulting agreement that the board was negotiating with the executive director; the other was the executive director's concern that the board would change the mission statement. The conflicts have escalated to the demise of relationships at every level of the organization and beyond. (For a history detailing the series of incidents, please see Appendix 1 on page 10).

Although the board voted in October to work with Oscar on a year-long consulting agreement to begin immediately after his proposed December resignation, his delays and continued requests for contract modifications led to a split among board members. After the November 20 board meeting, the executive director reached out for support to the estate attorney responsible for executing the \$1.6 million endowment. This led to further questions from and communication with that attorney. The PYFC board met again in closed session the following week to review the executive director's contract modification requests. At each board meeting since October the board left with a set of agreements; and at each subsequent meeting, the agreements were modified.

In November 2012, the PYFC executive director and staff publically raised concerns that the board had changed the mission of the agency, and requested that the board retain the existing mission statement and its focus on "social justice". The executive director and staff protested outside of the PYFC board's closed board meeting on November 20, and the staff posted a web-based petition on Change.org asking the board to retain the existing mission. The petition resulted in more than 100 emails being sent to each board member's personal email address; one board member's personal email was posted on the website.

The final eruption occurred at a meeting between the board and executive director on Monday, December 3 when Oscar de la Torre announced to the PYFC board that he had no intention of leaving PYFC. The contents of the meeting have not been made public, but outcomes include: (1) Oscar de la Torre will remain the executive director, (2) two board members have resigned, and (3) at least three more have indicated that they intend

to resign before year-end. The board members that have stated their intent to resign include some of the most involved board members.

In addition to the fractured board, productive relationships between staff and board have been injured. The staff does not trust the board. The program committee had been working with staff to support and strengthen programs, but that will have to be rebuilt with either new staff, new board members, or both. The staff has told the board members that they feel the board is unsupportive and fails to attend PYFC activities. Board participation in cleaning the agency was described as insulting, and board member attendance at activities such as *Dia de los Muertos*, the recent fundraising car wash, and weekly "mic" sessions were disregarded.

The recent incidents demonstrate continued communication and leadership challenges at the board and executive levels. The executive director seems to foster misunderstandings between board and staff, rather than correct them. The staff was under the impression (as stated in its petition and letter to the PYFC board) that the board was transitioning Oscar out against his will and lacking any transition plan. Later they said that they knew the plan was to replace him with a particular board member--another misperception. When asked by a board member where they got this misinformation, they chose not to respond.

The discord and disintegration of so many PYFC relationships is unfortunate; but from an organization development perspective it is not entirely surprising. The most positive thread in all of this is that every party is committed to the Santa Monica youth served by PYFC--the City of Santa Monica, the PYFC board, the staff, and executive director. How PYFC should or can most effectively serve those youth remains a splitting point.

Oscar has been consistent and adamant in his dedication to community organizing and advocacy as a means for a disenfranchised community to gain power and input in the public theater. He has frequently voiced his belief that these strategies are more powerful and effective than the provision of direct service--including at the board mini-retreat. He has been equally vocal about his lack of skills or interest in being an administrator.

Despite its persistent concerns about governance, administration, and programs, the City of Santa Monica supported PYFC with considerable and stable financial support over the last ten years, and more recently with tools to strengthen PYFC governance and infrastructure. Consequently, many underlying issues at PYFC surfaced. In the September organizational assessment, the consultant noted that many board interviews indicated individual concerns that had not been discussed among the entire board. As issues were brought forth and the board became engaged in discussing them, differences of opinion and approach became evident. Although every board member has stated his or her belief in "peace, unity and social justice" and a desire to help the at-risk youth in Santa Monica, two distinct and incompatible camps have emerged. About half of the board is likely to resign by year-end.

Whether or not the remaining leadership can continue to move the agency forward remains an open question. For the most part, these are the members with the least



experience in nonprofit board governance and only three of the six have consistently attended board meetings in the last six months; two individuals' first board participation in the last six months was to support the retention of the executive director.

To this consultant, it appears that the executive director's priority of grassroots community organizing agency conflicts with the City's desire to provide core services to at-risk youth who might benefit from educational assistance, rigorous case management, and employment assistance.



Status Report on September 17, 2012 Recommendations

This section is intended to provide a status report on the actions taken in response to the September 17 recommendations. For further detail and background, please refer to the September 17, 2012 organizational assessment report.

Strategic Planning

Board members, staff, and the executive director had different interpretations of the mission statement. The executive director focused on the community organizing and advocacy elements, the staff focused "peace, unity and social justice," and the board shared its desire to help high-risk youth focus on academic achievement, jobs, and self-sufficiency. The board was encouraged to conduct a board retreat to create a unified vision of what it would look like if the agency were successful in achieving its mission in order to enhance its operations and programmatic decisions.

Status: The board held a mini-retreat on October 28, 2012 to review the mission statement and build a cohesive vision. The executive director and eight board members participated. The group reviewed basic demographics and data (based on the Santa Monica Youth Wellness Report Card), with a particular focus on youth crime, single mothers, and academic achievement. Each board member presented his or her interpretation of the PYFC mission. From those interpretations, the group agreed on what it believed to be the core components of the mission. No further action has occurred as a result of the November board and staff conflicts.

Fiscal Accountability

The PYFC board needs to take an active role in creating the agency budget and reviewing it on a regular basis. The treasurer and finance committee need to regularly receive and review standard fiscal reports, including a balance sheet, profit and loss statement, and budgets that show project versus actual variances.

Status: The PYFC board receives and reviews at each board meeting the monthly profit and loss statements and budget variance reports. The consultant has provided training to the board on how to review the reports, types of questions to ask, and how all of the reports relate to one another. The board has commented that SEE's reports are clear and easily understandable.

Confidentiality

The PYFC board should have policies that clarify and guard client confidentiality. All staff, interns and volunteers should sign and honor confidentiality agreements. All confidential information related to finances, personnel, and clients should be locked. Staff computers and certain electronic documents should be password protected and any non-staff use of their equipment and desks prohibited.

Status: Technically PYFC under SEE employee policies that include a section on confidentiality. However, PYFC has not created confidentiality policies or agreements for

interns and volunteers. Case management files are generally kept in a locking filing cabinet. On a November visit to PYFC, however, the consultant found a stack of about 25 closed case files sitting on top of a desk in the front office. The consultant was told that these files were intended to be shredded. There was only one staff member in the office at that time, and it is unclear if the files sat on the table while youth were in the office.

Records Maintenance and Retention

PYFC administrative files are very unorganized. Most importantly, corporate and fiscal documents need to be appropriately filed, labeled, and accessible. Signed board minutes need to be complete and retained in chronological order. These are official corporate records and the formal documents demonstrating that the Board of Directors is operating with due diligence and as proscribed by law. The original filing documents and approvals from the State of California and IRS, bylaws and articles of incorporation should be maintained in separate, clearly marked files.

Status: The state and federal nonprofit approval documents are in a clearly marked binder. The board minutes from PYFC inception have not been compiled. The original filing documents (Articles of Incorporation) and bylaws have not been compiled in a separate file or binder.

Personnel and Contracting

Personnel policies should include how open jobs are recruited, posted, references checked, and formal engagement letters. When an employee leaves, a policy and procedure should be in place requiring the employee to sign a document assuring that keys have been returned, COBRA has been addressed, and any other procedural issues related to confidentiality, security, and benefits.

Status: Draft policies are in progress. They need to be finalized and reviewed approved by the PYFC board.

Case Management

PYFC case managers are extremely dedicated to helping participants with all aspects of their lives and would benefit from a series of in-service trainings related to boundary setting, reportable conditions, drug and alcohol use, prevention, and treatment, and dealing with trauma. St. Johns has the expertise and ability to provide most of this training.

Status: St. Johns is providing in-service trainings for staff and leading case management team meetings on a periodic basis.

Programs

PYFC operates a number of valued programs, including GED preparation, the popular music program, life skills and leadership, and job assistance. Based on staff and board input, the programs could be more structured and provide more in-depth assistance. The



staff should take time to research other agencies that have strong models, and create a more formalized structured approach in each area. This would include clearly defining the results PYFC wants to achieve in each area, developing a structured curriculum, identifying speakers and resources in advance for each segment, defining client participation requirements, and evaluating the results based on the goals and curriculum. The PYFC Program Committee should make this a priority.

Status: The consultant and the PYFC Board Program Committee have worked with staff to try and incorporate a stronger curriculum with clearly defined objectives and guidelines for program completion and evaluation. The staff has incorporated stronger evaluation tools into the programs. Further program definition needs to occur, but has been disrupted due to staff/board tensions.

Fundraising

For ten years, at least 75 percent of PYFC funding has come from the City of Santa Monica. That is nearly unheard of for most nonprofit organizations. If PYFC is to be successful and sustainable, it must raise substantially more funding from other resources—including foundations, corporations, and individuals.

Status: PYFC received an endowment of approximately \$1.6 million; up to 10 percent can be used annually. No other major fundraising has occurred. Given the public nature of the recent conflicts within the agency and the disruption of the board, other funding entities might be concerned about making an investment in PYFC until it demonstrates greater stability and program results. The estate attorney who executed the \$1.6 million endowment asked for the check to be returned to her while PYFC issues are resolved. She will need to assess the most responsible disposition of the funds.

Appendix 1: History of PYFC Internal Conflict

1. At its October 16, 2012 meeting, the PYFC board agreed to begin negotiating a one-year consulting agreement with Oscar de la Torre as part of a transition strategy to celebrate his PYFC accomplishments and enable him to move forward in his career. He had frequently expressed an interest and desire to transition, a lack of interest and skills in administration, and his dedication to community change. The executive committee was authorized to work out an agreement with him.
2. On October 28, 2012, the executive director and eight board members participated in a mini-retreat to review the mission statement and build a cohesive vision. The group reviewed basic demographics and data (based on the Santa Monica Youth Wellness Report Card), with a particular focus on youth crime, single mothers, and academic achievement. Each board member presented his or her interpretation of the PYFC mission. From those interpretations, the group agreed on the core components of the mission. Two people took on the responsibility to create some initial drafts to be circulated to the board for further discussion. The group agreed with the values of "peace, unity and social justice", but found that the phrase "social justice" was often misinterpreted and wanted to find a way to express the intent with more accessible language. There was considerable discussion and questions about to what degree PYFC's thrust was community organizing or helping young people build the individual skills necessary for a stable future and ability to lead in the community. No specific changes to the mission statement were drafted or circulated following the meeting.
3. In November 2012, the PYFC executive director and staff publically raised concerns that the board had changed the mission of the agency, and requested that the board retain the existing mission statement and its focus on "social justice". The executive director and staff protested outside of the PYFC board's closed board meeting on November 20, 2012, and the staff posted a web-based petition to the same effect on Change.org. The petition resulted in over 100 emails being sent to PYFC board members. One board member's personal email address was posted on the website.

Several board members raised concerns that staff was misinformed and that it would lead such a public response. Many board members were concerned that the staff might have made their personal emails accessible to the public, rather than having communication sent to via the PYFC office (as is typically done in nonprofits). The executive director reported to a board member that he had no knowledge that the staff was planning to or had posted the petition. He did not, however, take any steps to correct the information or have the petition removed from the web site. The board had dozens of emails and telephone communications regarding the incident. Some interpreted Oscar's refusal to correct the public

information as insubordination, others as an acceptable grassroots strategy.

It would have shown more leadership and sparked more timely and productive communication if the executive director had encouraged open dialog with the staff and board prior to protesting the board meeting or posting a public petition. Had the board anticipated such actions, it would no doubt have taken the lead in meeting with staff and PYFC youth (as they suggested following the protests and petition).

4. On November 21, the consultant received a telephone call from the estate planning attorney that had set-up the \$1.6 million endowment for PYFC. She asked a number of questions to gain an understanding about the conflict between the executive director and the PYFC board. She confirmed that the executive director had reached out to her for support and possible intervention, and she had information about the board's vote in its closed session--indicating that at least one board member did not maintain the confidentiality of the board's executive session and shared information with Oscar de la Torre.
5. At Oscar's request, the board extended the consulting contract negotiation period. On December 3, 2012 in a private meeting with the PYFC board, he declared that he did not intend to transition from PYFC. After tumultuous discussion, one board member resigned and others indicated their intention to resign. Since that time the PYFC board treasurer has also resigned.
6. On December 4, 2012 following conversations with the PYFC board chair the estate attorney's agreed to hold the \$1.6 million check. The following is a quote from an email that Sonya Sultan sent to Oscar de la Torre and the PYFC board on December 13, 2013: "when we learned of the disarray, resignations and allegations of possible misconduct within the organization, we agreed, upon request, to hold the check pending clarification of the organization's status and/or instructions from the Attorney General or from the Court...We have consulted with and received guidance from the Attorney General of the State of California and we intend to proceed on that basis."

Appendix 2: Top Ten Administrative Benchmarks

The following benchmarks were pulled from the September 17, 2012 organizational assessment. These were mutually agreed upon by the PYFC executive director and board chair to be completed by December 2012.

	Recommendation	Status as of December 5, 2012
1.	Create confidentiality policy and agreement to be signed by staff, volunteers, and interns. Include shredding of confidential documents. Check HIPPA language in City of Santa Monica agreement.	In progress.
2.	Create technology policies for staff, PYFC participants, interns, and volunteers--use of computers, security, software use, email For staff include policies and procedures for protecting confidential records on computers.	In progress. Staff policies are included in SEE Personnel Manual. Need policies for interns, volunteers and participants.
3.	Create hiring policies and procedures. Include recruitment, posting, interview, reference check and other screening tools.	In progress
4.	Draft formal letter of engagement.	In progress
5.	Standardize staff exit process. Create sign-off memo re: keys, COBRA, final check (with accrued vacation), confidentiality	In progress
6.	Review and lock personnel files in locking filing cabinet. Review the manner in which files are kept. Active and closed files. Must be in locked filing cabinet.	Completed.
7.	Create formal agreement for non-PYFC agencies offering programs at PYFC. Include purpose of use, hours, set-up and clean-up, condition of use, waiver of risk.	Not done.
8.	Draft field trip proposal/assessment methodology/form and field trip participation agreement.	Not done.
9.	Organize corporate records in protected and easily accessible location.	In progress. Nonprofit approval documents are in binders; the Articles of Incorporation and bylaws are not.
10.	Organize signed board minutes since PYFC inception.	Not done.

Pico Youth and Family Center

Organizational Assessment

September 17, 2012

**Conducted by
Judy Spiegel
Consulting for A Change**

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Introduction

In July 2012 Judy Spiegel was hired by Social and Environmental Entrepreneurs (SEE) to provide organizational capacity building consultation to Pico Youth and Family Center (PYFC) as part of the City of Santa Monica agreement with PYFC and SEE for the period of July 1 through December 31, 2012. Consultant responsibilities were to deliver a written assessment of PYFC's organizational health and sustainability, and to conduct a 360 degree interview process to gather input on the general status of PYFC and operations. This report is intended to highlight strengths, challenges, and recommendations to support sustainable quality programs and operations.

This report is divided into three main sections:

Introduction: provides background on purpose of the report and how the organizational assessment was conducted.

Findings: provides a breakdown of the research results in a number of principal areas including administration, infrastructure, systems, staff leadership and management, programs, and governance.

Recommendations: prioritizes specific suggestions to improve organizational processes, programs, and leadership--ultimately leading to sustainability.

The assessment included a variety of strategies including PYFC document review, staff, board, and consultant interviews, and observation.

Document Review

In order to get a deeper understanding of PYFC's background, strengths and challenges, a variety of documents were requested. The list of documents requested and received is below. It is worth noting that many of these were not as easily accessible as might have been expected. This will be discussed later in the report.

Organizational Documents

Received	Bylaws
Received	Conflict of Interest Policy and Compliance Form

Board Documents

Received	Board Member list with affiliations, contact info
Does not exist	Board Policy Book
No package exists	Board Orientation
Received	Board Meeting Agendas (past six meetings)
Received	Board Minutes (past six meetings)
No active committees	Committee List and Descriptions
Does not exist	Board Member Description

Financial Documents

Received	Most recent audit
Not received	Monthly financial statements (for 3 months)

Infrastructure

Received	Organizational chart
Received	List of jobs and staff
Pending	Staff resumes

Interviews

The interviews were intended to get a sense of how all staff and board members experience PYFC in organizational, program and leadership areas. The interviews were conducted with an agreement of anonymity and confidentiality. Without exception, every individual was extraordinarily thoughtful, candid, and inspiring. All staff members were interviewed. All but four board members were interviewed; the four did not respond to emails or telephone calls.

The interviews surveyed the following areas:

1. Understanding of individual's background and prior involvement with nonprofits at volunteer, staff or board level.
2. Insight into what motivated each to get involved with PYFC.
3. Interpretation of the PYFC mission and how it is reflected in programs.
4. Assessment of strengths, challenges, and recommendations related to administration, operations, and programs at PYFC.
5. Assessment of staff leadership.
6. Assessment of board governance.
7. Recommendations regarding programs, operations, and leadership.

Observation

To get a better sense of operations and governance, the consultant participated in weekly PYFC staff meetings, case management team meetings, and board meetings. In addition, the consultant evaluated certain physical attributes of space, including filing systems, retention of required corporate minutes and documents, and use of the facilities.

Observing meetings revealed different aspects of the organizational effectiveness, efficiency and leadership skills. In particular, observing various staff and board meetings surfaced areas of strength and needing improvement, such as:

1. Agenda setting and prioritization.
2. Communication content and skills.
3. Comprehension of roles and responsibilities.
4. Policies and procedures.
5. Group cohesiveness.



Findings

By way of introduction, every staff member and board member interviewed was extraordinarily open and candid in their comments, passionate about the organization and their desire to help the youth improve their lives, and dedicated to improving the operations and governance of Pico Youth and Family Center. The consultant found the PYFC office very inviting. Besides staff, PYFC participants were always friendly, welcoming, and communicative with the consultant.

Because of these attributes, the consultant believes that the organization has potential to be successful in working with the high-risk youth if a number of steps are taken. These steps and recommendations will be elucidated in the recommendations section.

The organizational assessment findings are based on all of the strategies described above: document review, interviews and observation. This section is broken down into the following operations and governance areas.

Operations Assessment includes:

1. Overall comprehension of PYFC mission and purpose.
2. Staff roles and responsibilities, and morale.
3. Administration: internal policies and procedures, adherence to typical and expected administrative standards.
4. Program: program planning, implementation, and evaluation.
5. Infrastructure: technology, equipment and facilities.

Governance Assessment includes:

1. PYFC mission and strategic direction
2. Overall comprehension of board roles and responsibilities.
3. Executive oversight: supervision and evaluation of executive director.

Operations Assessment

This section focuses on PYFC operations and its components. It describes the findings related to staffing, administration, programs, and infrastructure issues.

PYFC Mission and Purpose

With the exception of the Executive Director, staff members consider "*peace, unity, and social justice*" to be the mission of the organization. They view the purpose as moving high-risk youth into a place of self-respect and self-sufficiency. For most staff members, that translated to education and employment—with jobs being the highest priority. Nearly all staff reflected that the greatest challenges and needs were to help "hard core members" get jobs, a GED, or to graduate from high school and go to college.

Staff Roles, Responsibilities and Morale

All staff members were interviewed and were extraordinarily receptive and open to discussing their roles, responsibilities, and their assessment of the organization. Not surprisingly, they talked about a sense of humiliation related to the incidents that transpired in the public eye with the City of Santa Monica. Perhaps more importantly, they all reported a desire and need to have more support, attention, and direction from the Executive Director, particularly during this time of transition and heightened expectations. At the same time, they expressed that his strength is working with the youth. He has a strong knowledge of the community and the young people that come to the Center. When he speaks to them individually or as a group, he is inspiring.

Staff members described PYFC as being a welcoming place for the youth that they serve. This is also evident when one spends time in the agency. Young people are eager to come through the doors and spend time there. It is very much like a youth drop-in center. The youth energy and comfort levels are palpable. At the same time, at least one staff member expressed that the Executive Director could be both a galvanizing and polarizing force affecting working relationships with some community agencies.

While all of the staff members are passionate and well intentioned about the work and the agency, none have had formal training or direct prior experience in their jobs. This increases the need for support and guidance from the Executive Director, structural support and systems, and a strong in-service training plan. The staff have had limited to no exposure to other youth organizations that are grappling with the same issues, purpose, and population, many of which have developed far more substantial programs. In addition, staff members reported that upon hiring they received no orientation regarding their specific duties, overall agency information, or policies and procedure. Each had to find his or her own way, for the most part. It is worth noting that before he left to go to graduate school, Angel made a point of organizing case management information and worked with the new case management staff to orient them and transition his duties.

All staff members discussed a desire for more structure, accountability, and reliability throughout the agency and its programs. They wanted more structure and substance in staff meetings. This is something that has indeed begun to improve since the consultant has been working with PYC. The Executive Director now speaks to each staff member prior to staff meetings and builds an agenda. Case management and outreach to achieve the goal of 50 clients is always the highest priority item. The use of staff meetings as a tool to plan, ensure a common understanding of the organizational programs, and discuss common issues is definitely improving.

With the departure of Angel, case management has been transitioned to the two case managers and the program director. This is a new responsibility for the program director and takes time away from some of her other program oversight and planning responsibilities. On the one hand, her familiarity with the clients is a plus. On the other hand, it creates a potential gap in the program arena. The Executive Director and staff are



working on solutions for this, and trying to determine the best use of all staff skills, experience and time.

Role clarification between the Executive Director and the Board of Directors also lacks some clarity. When it came to developing the new fundraising plan, there seemed to be confusion about whether the Board or Executive Director should create it. He was not available when it was due, so the Board took the lead with input from the office manager, grant writing consultant, and organizational development consultant. Other follow-up issues related to reports were equally unclear to the Executive Director.

Administration

Administration is probably the weakest link in the organization, and the Executive Director admits that this is not his strength. The organization lacks clear policies and procedures in many areas, including staff time sheets and personnel policies, finances, basic risk management concerns, handling of confidential materials, and filing and retention of records.

One primary concern is the manner in which confidential records are maintained. Neither personnel records nor case management files are currently locked. The organizational development consultant raised this issue with the Executive Director as a major breach and potential risk. Old donated furniture and limited funding is often cited as the underlying problem here.

Corporate records are disorganized. Board minutes have not been routinely kept in chronological order and with appropriate meeting attachments for quite some time. Many of the Board minutes found in a notebook in the office had handwritten notes all over them. No complete set could be found from the founding of PYFC. This is a serious breach of nonprofit code. Moreover, it took the consultant and office manager quite some time searching through files to find the original state incorporation papers. The files were poorly labeled and incomplete.

Personnel policies are outdated and not enforced. It appears that no one was aware that the policies state that PYFC operating hours are from 10 am to 8 pm, and that staff are to take a 30-minute lunch break. With the exception of the office manager, full-time staff have been working from 11 am to 7 pm. In a recent meeting, the consultant identified this issue to the Executive Director and staff. They are coming up with a new plan to rectify this situation. In truth, staff rarely take time away from the office for lunch, so there is no doubt that they work an eight-hour day. Nonetheless, the personnel policies and staff schedule need to be addressed. On a related issue, staff have not routinely completed time sheets, nor does the agency have a staff sign-in/out sheet. This has been recommended to the Executive Director. A final note on the human resource arena is the need for standard policies and procedures regarding recruitment, hiring, and terminating staff. Recruitment questions remain about the posting of staff vacancies and selection process for consultants, routinely checking references, providing engagement letters to selected candidates, and a formal exit process when employees leave PYFC.



The organization sometimes hosts other programs on its campus (such as an after-hours martial arts class) and takes participants on field trips, yet policies related to risk management are absent. While PYFC does require a waiver from all participants that come to the Center, it is unclear who assumes the risk if individuals participate in a non-PYFC program. If participants are to travel off the PYFC campus, there are no formal protocols about behavior or expectations. Besides being administrative issues, these are risk management issues to be addressed by the Board.

Program and Evaluation

Board and staff were in agreement that they would like to see PYFC programs have more structure and have a deeper and more measurable impact for participants. All were committed to the providing programs that will ultimately help participants skills and personal strength to be productive members of society, complete some form of schooling (a GED or high school diploma), and get a job. The main PYFC programs include Life Skills and Leadership Development (recently combined into one program), and Academic Support through tutoring and GED preparation. Case Management and support/therapy groups are also available. Job referrals are integrated into the case management system. A major programmatic interest in nearly every interview was jobs.

Board and staff had many ideas in common about how programs could be strengthened. These included a structured path for each program that would result in clear accomplishments. In the music program, for example, a couple of people suggested that if the objective is to get a job in the music industry, that the courses be structured to gradually give each participant specific skills, bring in professionals to talk about the industry and how to get in, and institute some type of internship or employment linkage program with the music industry. Some people thought that the academic tutoring program would be more successful if there were formal homework checks and if there was more privacy for students to concentrate on their work.

To staff's credit, they have ideas about tightening up the programs, but need more support to accomplish this. Having a consultant or colleague work with them to flush out a methodical plan for each program would be helpful. The staff does implement a level of evaluation through pre- and post-surveys developed in the past by an evaluation consultant, and basic demographic and quantitative information is collected. A more clear and methodical program plan would enable more practical evaluation that could be used to inform future program enhancements and decisions.

The current program plan includes field trips up to twice a month. PYFC has a few recreational field trips that it has taken annually. These are very popular with the youth. The consultant found no criteria or formalized philosophy for what would constitute an appropriate field trip for the participants beyond popularity. For instance, should some number be aligned with the program objectives, perhaps exposing participants to job opportunities? Should some aim to provide multi-cultural education (such as Museum of Tolerance or "the great wall" mural created by SPARC)?

Infrastructure: Facilities, Technology, and Equipment

Virtually none of the agency's physical infrastructure is up to par. As of this writing, the computers have not yet been networked. The current phone system does not allow for individual staff members to have voicemail. It is unclear if the agency has adequate filing space, and it lacks locked filing cabinets for confidential files. Because of the openness of the office and easy access to computer terminals, participants could easily view confidential information. Despite an emphasis on case management, the only truly private space is the music room. Virtually all of the furniture is donated, and most of it is in disrepair.

Networked computers would enable all staff to share electronic files, calendars, and contacts. Paperwork (and file space) could be reduced. Core documents--whether policies, procedures, or forms--could be easily shared over one system. That said, once the computers are networked, systems need to be created about how information will be organized, password-protecting confidential documents, and other organizational and security protocols. Similarly, a phone system that was capable of voicemail would enable staff to get messages from off-site and allow case management participants to leave confidential messages for staff. At this time, case managers and the Executive Director appear to be readily available to clients via text or voice on their personal mobile phones.

The lack of investment in the physical infrastructure lessens the efficiency, security, and even effectiveness of much of the work that PYFC is attempting to accomplish. The Executive Director explained that there have never been funds to upgrade the technology or improve the physical surroundings. PYFC needs to actively fundraise for the resources to support its infrastructure.

Governance Assessment

This section focuses on the Board of Directors. Primary responsibilities of nonprofit boards are setting the agency mission and direction, ensuring appropriate management and fiscal oversight, hiring and supervising the executive director, and in some cases, fundraising. The discussion below highlights the Board's understanding of the agency mission and purpose, the Board's roles and responsibilities in providing executive and fiscal oversight, its role in developing and overseeing policy implementation, and planning.

PYFC Mission and Direction

Most board members viewed the PYFC mission and purpose as helping youth from high-risk situations into jobs and completing some form of education. One individual considered PYFC "a place where kids can come and build community...and connect with things that will help them make better decisions about their lives." Another framed the mission as "providing direction and help to at-risk youth in a community that encourages youth to go out in the real world, find their passion, and a job." Another individual focused on the agency's motto of "peace, unity, and social justice" and interpreted that

has building cross-cultural or multi-cultural understanding and sense of community across ethnicities. No one raised community advocacy as an element of the mission.

PYFC has not conducted any sort of strategic planning in the last 10 years. That has contributed to its lack of cohesiveness regarding the mission, purpose and goals of the agency. Without an overarching vision of organization—both literally and figuratively, the agency has physically deteriorated and programs lack programmatic rigor. The agency would benefit from a complete review of mission, vision, and organizational values that could more strongly guide agency administration, program implementation, and facility usage.

Board Roles and Responsibilities

Virtually all of the board members interviewed were fully committed to serving high-risk youth in Santa Monica; their passion was evident during the interviews. Most board members have had some nonprofit experience. In fact, many have worked with high-risk youth.

Few individual have participated on nonprofit boards of directors, but they are eager to learn to be more knowledgeable and effective. They all expressed a desire to work together, learn about each other's backgrounds and strengths, and recruit additional board members that will strengthen PYFC. An experienced new board member, in fact, was elected to the board at its August 2012 meeting.

Until recently, PYFC has not had active Board committees. At its August 2012 meeting, the board instituted a number of committees to facilitate the board's roles in public relations, program evaluation, and nominations. The organizational development consultant will work with each committee chair to create a charter and formalized ways of working and accomplishing responsibilities.

Fiscal accountability: Based on the interviews and the concerns raised in the last audit, it is clear that the board has either not had the financial reports and information it needed to appropriately assess its fiscal position, or it did not know how to interpret the financial information. To the positive, the board found the profit and loss statement provided by SEE in August 2012 much easier to understand. Prior to the Board meeting, the Chair, Executive Director and consultant reviewed the profit and loss statement to ensure complete understanding of all line items. The consultant walked through the report with the Board to point out areas where they might need more information to understand the data and explained the reasons behind the numbers. The Board has not regularly received a complete complement of financial information, such as balance statements or budgets showing variances. These are important for having a complete financial picture and exerting fiscal responsibility.

Policies: The Board of Directors has the policies required by the IRS for nonprofits with budgets over \$250,000. It is missing a number of policies that would enhance organizational operations and provide staff with the guidance it needs to make decisions.



Some of the gaps that surfaced during this assessment include: operational policies and procedures in the absence of the Executive Director, updated personnel policies, records maintenance and retention, emergency procedures, case management, volunteer policies and procedures, public relations, field trip and off-site events, use of PYFC facilities by other agencies.

Executive Supervision: A key responsibility for all nonprofit boards of directors is the hiring, supervision, and evaluation of the executive director. A challenge of nearly all nonprofit agencies with a long-time founding director is the capacity to balance power, responsibility, and accountability. Oscar de la Torre, the founding Executive Director, stepped in to take on the admirable and difficult job of starting a nonprofit. However, starting an organization and growing require different strengths, skills, and strategies.

Nonprofit organizations mature at different rates, but they tend to follow a common process. In their infancy, their prominent qualities are creativity, passion for the cause, and "just getting things done". The original board members are usually people who have tremendous passion and do a lot of hands-on work. As organizations grow-up and receive funding, they have an increased need for policies, procedures, and accountability measures. This usually requires a different type of board—one that focuses on policies, planning, and executive director accountability. PYFC is in this difficult transition stage, and it is fraught with common tensions and growing pains between the roles of executive director and the board of directors.

Interviews with board members revealed that many have had individual conversations with the executive director about various operational concerns or recommendations to strengthen programs. Board members have had individual conversations with each other about these same concerns. Only recently, however, is the Board having the conversations with its entire membership and exerting its authority with the executive director. With the new contract with the City of Santa Monica, the Board has indeed stepped up its role and expectations of the Executive Director. Two examples include its performance evaluation and recent decision to disallow a last minute field trip that lacked a staff evaluation of the program, budget, and risk management implications.

Recommendations

Based on the organizational assessment, the following recommendations are in priority order.

Strategic planning

The Board of Directors should hold a one-day strategic planning retreat that could guide PYFC for the next three years. The Board needs to reexamine the mission and modify it to clearly reflect its desire to help high-risk in academic achievement, jobs, and self-sufficiency. The board should develop a unified vision of what it would look like if the agency were successful in achieving its mission, and core values that would enhance its

operations and programmatic decisions. Following the planning process, the Board and Executive Director should institute a formal methodology to review progress and make any necessary refinements on a quarterly basis.

The strategic plan needs to be based on solid data—both fiscal and programmatic. This would include a staff report on the demographics of the neighborhood and an accurate projection of the number of youth and their families that could benefit from PYFC services. The Board and staff would benefit from a review of other well-established nonprofit organizations that do similar work or work with similar populations. Locally, that might include the Bresee Foundation, LA Conservation Corps, Homeboy Industries, or YouthBuild programs. To staff's credit, it is collaborating with Venice YouthBuild in some programs.

The agency currently operates with a budget of about \$400,000, but that is not sufficient for it to operate effectively. It would probably take about \$700,00 to address the infrastructure issues identified above. The planning process should look at what it would actually take to achieve organization vision and goals. Then the Board and Executive Director could determine if it, in fact, has the ability, resources, and drive to achieve this. If the board has the commitment and desire to move forward, then the plan should incorporate a fundraising and staffing model that would enable it to grow. If not, the Board should examine alternative models or partnerships that would improve and sustain the outcomes for the youth.

The strategic plan would ultimately provide guidance to staff and board regarding how resources are used, how the board works with committees, how committees could provide oversight and guidance regarding programs and operations, and how program decisions could be made to provide the strongest outcomes.

Fiscal Accountability

PYFC has a fragmented history working independently and under fiscal sponsorship. When operating independently, it often has had weak accounting policies, practices and/or practitioners. Whether an independent nonprofit or under fiscal sponsorship, the Board needs to take an active role in creating the agency budget and reviewing it on a regular basis. The treasurer and finance committee need to regularly receive and review standard fiscal reports, including a balance sheet, profit and loss statement, and budgets that show project versus actual variances. When budget modifications are required, they should be made on an informed basis by the Board and with staff input. Decisions about any financial services contract should be reviewed and approved by the Board.

Confidentiality

PYFC has volumes of confidential information on youth participants. The Board should have policies that govern confidentiality issues. Among the policies should be staff, intern and volunteer confidentiality agreements. All confidential information related to finances, personnel, and clients should be locked. Staff computers and certain electronic

documents should be password protected and any non-staff use of their equipment and desks prohibited.

Records Maintenance and Retention

PYFC administrative files are very unorganized. Most importantly, corporate and fiscal documents need to be appropriately filed, labeled, and accessible. Signed board minutes need to be complete and retained in chronological order. These are official corporate records and the formal documents demonstrating that the Board of Directors is operating with due diligence and as proscribed by law. The original filing documents and approvals from the State of California and IRS should be maintained in separate, clearly marked files.

Personnel and Contracting

While position descriptions and personnel policies exist, they have not been reviewed for quite some time. These should be reviewed and updated by the board. Clear hiring and contracting policies should be created. Personnel policies should include how open jobs are recruited, posted, references checked, and formal engagement letters. When an employee leaves, a policy and procedure should be in place requiring the employee to sign a document assuring that keys have been returned, COBRA has been addressed, and any other procedural issues related to confidentiality, security, and benefits. Additionally, the Board should set policy guidelines for contracts to ensure competitive bids for activities over a certain budget amount, and ensure that there are clear descriptions for and agreements with any outside consultants hired to provide services.

Case Management

PYFC case managers are extremely dedicated to helping participants with all aspects of their lives. While commendable, this also raises some challenges to maintaining professional boundaries. Most of the staff providing case management services have no formal training or background in that field. They would benefit from a series of in-service trainings related to boundary setting, reportable conditions, drug and alcohol use, prevention, and treatment, and dealing with trauma. St. Johns has the expertise and ability to provide most of this training.

St. Johns has provided excellent support to the case managers meeting with them weekly and providing guidance. If possible and affordable, PYFC would benefit from engaging St. Johns for more hours and perhaps formal supervision. Alternatively, PYFC might consider hiring or contracting with a licensed professional on a part-time basis to provide case management supervision.

Programs

PYFC operates a number of valued programs, including GED preparation, the popular music program, life skills and leadership, and job assistance. Based on staff and board input, the programs could be more structured and provide more in-depth assistance. The staff should take time to research other agencies that have strong models, and create a more formalized structured approach in each area. This would include clearly defining

the results PYFC wants to achieve in each area, developing a structured curriculum, identifying speakers and resources in advance for each segment, defining client participation requirements, and evaluating the results based on the goals and curriculum. The Board Program Committee should make this a priority.

Similarly, staff should develop a field trip plan at the beginning of each year. In the past, there has been a mix of recreational and program-related field trips. The field trips should be linked to the PYFC community building and program goals. In addition to creating a calendar of field trips linked to the program, policies and procedures need to be developed that address budget, staffing and risk management issues. If overnight field trips are planned, policies should address the suitability of accommodations and behavior expectations or rules for participants.

Academic support is a key PYFC program, and case managers work closely with participants who want to go to college. Staff knowledge of scholarship and loan programs is uneven. Participants might benefit if staff had in-service training on scholarship and loan resources or if a professional could present to participants on some timely basis.

Less critical, staff should look for ways to publically celebrate PYFC participant successes. Many organizations use this as a way to encourage others and provide role models. Some organizations, like Chrysalis, ring a bell when a client gets a job. Others have a bulletin board where successes are highlighted. Whatever the strategy, this can be motivational and a morale builder for all.

Fundraising

As mentioned above, PYFC is undercapitalized for the work that it wants to accomplish. For ten years at least 75% of its funding has come from the City of Santa Monica. That is nearly unheard of for most nonprofit organizations. If PYFC is to be successful and sustainable, it must raise substantially more funding from other resources—including foundations, corporations, and individuals. There are a number of private foundations that support similar programs for high risk youth. In order to access these funds, however, PYFC needs to have a clear plan, better data about the needs of the local population (including demographic data described in the planning section), and implement more structured program plans. If the Board of Directors is interested and committed to building a sustainable organization, it needs to get involved in creating and overseeing a broad fundraising plan. Until additional funds are raised, the organization cannot institute the recommended infrastructure improvements, nor does the organization have the freedom to alter its programs beyond City requirements.



AMANDA M. SEWARD

December 12, 2012

Re: Board Resignation

Dear PYFC Board Members:

I hereby submit my resignation as Chair of the Board of the PYFC, effectively immediately. I have lost all faith in the ability of Oscar de la Torre as executive director of the PYFC. His actions in creating more community strife and, in my view, his misuse of his special leadership role in the community have created an untenable situation in which the viability of the organization is seriously threatened.

In May, this year, the City of Santa Monica, which provides at least 75% of the funding for PYFC, determined that continued PYFC funding was contingent on a last chance agreement, requiring independent oversight to increase accountability and refocusing service delivery to the most vulnerable at risk youth ages 16-24. As part of the last chance agreement, the City provided funding for an organizational development consultant to work with the Board and the staff to help us in the governance and operation of the organization, and the City also engaged Social & Environmental Entrepreneurs (SEE) to provide fiscal oversight and to act as a financial sponsor. The Board certainly stepped up; Board members became more active and we recruited additional experienced Board members who had special expertise needed by the organization. The staff seemed to be well engaged with the organizational development consultant.

Oscar had spoken with some of us for about a year about wanting to transition out of the organization, and the executive committee of the Board had worked out a transition plan in which Oscar would become a consultant to the organization beginning December 1. He subsequently changed his mind and wanted the agreement to start December 21 "to coincide with the Mayan calendar," he said, which we agreed to do. Then, after additional negotiations the start date was to be January 1, 2013. During the interim, he stalled, countered with unrealistic terms, and finally on December 3, informed the Board that he had changed his mind and wanted to stay on as executive director of the organization.

Meanwhile, he riled up the troops so that the Board was inundated with a Change.org petition, staff protest, and community dissent based on misconceptions and falsehoods. There were charges that 1) we were pushing him out at the behest of the City, when he had been talking about a transition for at least a year and had agreed that the consulting agreement was the best option for a transition; 2) the Board was trying to move the organization away from the motto "Peace, Unity, and Social Justice" and take it from the community; and 3) that there was division amongst the Board based on racial conflicts.

In this atmosphere, threats were made against individual Board members and little else got done in the interim. Eventually, the Board voted to rescind previous motions and to keep him on as the executive director.

The current situation today, December 12, 2012, is: Oscar is executive director, six Board members have resigned, including three officers, two committee chairs, and some of the most active and experienced Board members. A \$1.6 million endowment is in jeopardy. The PYFC is short a case manager. And the organization has received an unfavorable report from the independent organizational development consultant. Still, Oscar accepts no responsibility for the current situation and continues to rationalize, justify, and minimize the harm done.

Transition in Leadership at PYFC Required.

I accept responsibility for pushing the consultancy agreement. I thought it represented a "win-win" situation in which Oscar could continue to be involved in the organization that he co-founded many years ago. The organization needed new leadership, something Oscar acknowledged on many occasions. There was mismanagement of funds, failure to meet administrative responsibilities, and the continued compromise of his PYFC duties with his position on the School Board and other responsibilities.

The report I prepared on the excess payroll runs and retirement payments was kind. In connection with the Board's investigation of the duplicate payroll and excess retirement payments, Oscar told me he did not even know a retirement account had been set up, yet his signature was on at least three check requests for the initial payment, which should have suggested to him there was something wrong with the way it was set up and this should have triggered a closer review on his part. Further, a lot of people would not have accepted that Oscar did not know that he had received an extra payroll payment. In the case of the excess payroll runs and retirement payments, a better supervised employee would not have been able to do those things.

I was absolutely horrified to learn that no background check had been performed on an employee who ended up selling drugs at the Center. Oscar was specifically asked to inform the Board of all prospective new hires so that we could have some involvement in the hiring process, but he did not do it. And when I was informed he recently had hired two new case managers without Board review, I had to ask him three times for their resumes.

He had been notified in writing that whenever the center was to be closed, he had to notify the City and the Board. This was one of the grant conditions. We were very concerned that the Center stay open to kids and families that expected certain hours of service. What would happen to youth who came to the door and found it closed? Where would they go, and what would they do? When I came by the Center on Friday, November 30, there was a note on the door saying it was closed. When I asked Oscar about it he said the PYFC had not been closed, the door was locked because the lock had

just been malfunctioning. When I asked about the sign on the door; he said he would check into it and then reported that the Center had been closed because City policy required the Center close whenever there was neither a case manager nor the executive director present. On that Friday, Oscar was in San Francisco on School Board business, I learned, and it is unclear why two case managers who are on staff were not present.

Programs are started and not completed, the film program a recent example. There is always an excuse, "we can't find the personnel," "we sent the kids to another program to complete the work," etc.

Additionally, I have been concerned with the turnover of staff, some of whom have certainly gone on to better things, but still there have been too many changes to provide stability. Often staff did not have the experience required for the work and that is why we wanted Board involvement in the hires. There has been too much turnover in accounting and auditing services, as well, sometimes because the outside firm is not providing the required services, but too often because PYFC is just too much work to manage and the contractor terminates the arrangement. The list goes on, some small things, others more fundamental. In light of these circumstances, Oscar had agreed it was time for him to transition out of the PYFC because he did not have the energy to continue working in a position where administration was a key part of the job and he wanted to earn more money for his family. He said also he found it difficult and less rewarding to focus on providing services to the most at risk gang involved older youth population, which was a condition of the City of Santa Monica grant.

His talk of transitioning out during the last year set up the situation where we avoided more scrutiny of his position. There seemed no point in harping over the deficiencies if he were leaving. I respected his role as a founder of the organization and the leadership role he played in the community and with the youth and wanted to find a way for him to leave graciously, have the opportunity to redeem his reputation, which had taken a hit because of the press coverage of the reasons behind the last chance agreement, prepare for a new job, stay involved with the PYFC in a role better suited to his talents, and allow for a smooth transition in leadership. A year consulting agreement at roughly his same salary, which allowed his continued association with the PYFC and still allowed him to work for others was under the circumstances a blessing. The consulting agreement had Oscar involved in the hiring of staff, program planning and developing a plan for community organizing. We also asked that he develop a plan to bring together communities throughout the region to reduce gang conflict. Further, it had him leading, together with the Board and staff, two community meetings for discussion of the direction of the PYFC and the services needed by the community.

We had discussed a Board position, but that would have meant he could not get paid for his services. We discussed another position with the organization, but that would have seemed like a demotion. The consultancy role, Oscar acknowledged, was the ideal role given the circumstances. Instead of negotiating in good faith the terms of the proposed consulting agreement, Oscar instigated a campaign to retain control over the PYFC.

The Misconceptions and Falsehoods Generated to Retain Oscar's Control Over PYFC Has Created A Toxic Atmosphere.

The campaign waged to retain Oscar's control over the PYFC was based on misconceptions and falsehoods. One, there were charges that the Board was acting at the behest of the City in an effort to close the PYFC, when the only goal was to improve the services at PYFC and to make it a stronger organization.

Two, Oscar charged that we were trying to take the PYFC from him, when the truth was that the administration of the organization had not been in accordance with the requirements of nonprofit organizations, nor met the best practices required of our major funder, and we wanted only a win-win situation that would allow him to stay involved, but at the same time ensure the PYFC could move forward.

Three, Oscar riled up people with talk of a change in the mission statement when he knew there were no nefarious reasons for this review. In fact, a consultant, a Mr. Patrick Salazar, whom Oscar engaged to work with the Board in April 2012, recommended the review of the mission statement. Further, I had asked Oscar prior to the Board's retreat in October to organize a community meeting in which the mission statement could be discussed so that we would be able to take into consideration the views of the community prior to our initial discussion on the subject. I asked him twice about it and each time he said he thought this was a good idea and would be sure to get it done prior to our Board retreat, which was scheduled for October, 2012. He did not do it.

Oscar also knew there was a need to consolidate the various mission statements used by the organization into a single statement. There was one mission statement in the bylaws, a different one in the articles of incorporation, and another on the website. There were also different statements of vision and purpose in various grant applications. At the retreat the Board adopted no mission statement, but agreed unanimously among the Board members present that we wanted to keep "Peace, Unity and Social Justice" as a motto for the organization. Yet, Oscar spread the wrong impression that we were against social justice.

Four, it was very disturbing to hear statements of an alleged racial conspiracy on the Board, particularly given the PYFC's core message of unity. The PYFC was founded to help alleviate the conflict between the Latino and African American community in Santa Monica, not exacerbate it. It was irresponsible to engage in this kind of race baiting.

Oscar also went so far as to demonize well-intending people in order to minimize the Board's capacity. An easy target was the Santa Monica police captain on our Board. Oscar now claimed Captain Shirley was a spy for the City. The truth is that Captain Shirley was suggested to the Board and came highly recommended by our then student member, Emilio Sanchez who vouched for Captain Shirley's heart and said that Captain Shirley had always respected him and helped keep him out of trouble. Prior to joining the Board, Captain Shirley had talks with Oscar and other Board members to make sure we wanted him to join the Board given his role as a police officer. Oscar thought it was a

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great idea, and so did I. One of the major issues for youth of color is their mistrust of and profiling by police officers. We are concerned that too many police officers also look at youth of color not as individuals but as troublemakers. This was a way of breaking down those barriers. Captain Shirley became one of our most active Board members, taking on leadership on a committee and often stopping by the center in and out of uniform to play pool and interact with the youth. He was planning a series of discussions in which he would invite some of the more community minded police officers over to the Center for an open dialogue with the youth.

I saw the same with former Board member Ana Jara, who challenged some of Oscar's actions at a public community meeting. She was one of our more active Board members and a Secretary of the Board of the PYFC. When she resigned, Oscar accused her of not wanting to work with him because of her unsuccessful challenge of him in a School Board race. Ana had worked tirelessly on the Board and for the PYFC and never had I heard her talk about a Santa Monica School Board race. Her motivations were simply to help the youth of the community and she joined other members of the Board in giving Oscar one benefit of the doubt after another. Today, I cannot help but think of what she said in her resignation letter in May, "Now with a clear mind, and precisely because I am looking out for the youth we serve, I must resign from the board effective immediately. I can no longer stand by or continue to support the Executive Director's leadership. I am afraid that he has now become a bull in a china shop and will jeopardize all that we have worked so hard to achieve and I will not take part in that."

Another Board member, Oscar claimed, wanted his job, presumably merely because she had experience in serving as an executive director of a nonprofit. The Board member was white and the word was spread that this was a grab by the establishment of "our" organization.

Oscar demonized the organizational development consultant engaged by the City when it was perceived by him that she was critical of his leadership. Oscar claimed she did not like the social justice mission and did not like the Malcolm X portrait on the wall because Malcolm was Muslim and she was Jewish. Oscar also said that she wanted the PYFC to fail because she was on the board of an organization that received an endowment from the Peggy Bergman estate and would stand to benefit with additional monies if the PYFC went under. The charges were ridiculous.

Further, Oscar chose to overlook all the help the consultant had given him, the staff and the Board over a six month consulting period. Her work was excellent. She was always accessible, she answered every question we had, led training session after training session to help us provide the Board governance necessary to meet our grant conditions and fiduciary duties, and gave helpful pointers on our policies and procedures.

If she emphasized the role of providing services to the at most risk youth, it was because this was the requirement of the City grant. As I informed Oscar many times, the Board understood and appreciated the social justice and community organizing role of the PYFC, but we wanted the issues to be addressed to come from the youth and their

December 12, 2012

families, not from Oscar in an effort to form an army to advance his own agenda. We also wanted these goals to be tied to inspiring leadership, community involvement amongst the youth, and skills-building. All of this was ignored.

Conclusion.

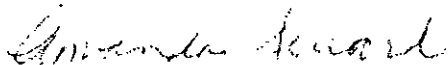
I am very disappointed that it has come to this. I grew up in Santa Monica, as the oldest in a family of five children raised primarily by a divorced mom, two blocks from the PYFC. I went to elementary school, junior high, and high school in Santa Monica and valued the programs that were available to youth like myself in Santa Monica. I welcomed the opportunity to work with an organization like PYFC to make a difference in the lives of the most at-risk youth in our community. I thought we could be effective in Santa Monica, given its resources and population generally disposed to making sure everyone has a chance.

I also was supportive of the social justice mission. I was one of the leaders of the Black Students Union at Samohi that got a black studies history class included in the curriculum many years ago. And I left a secure job as Senior Vice President of Business Affairs and Operations at Warner Bros. Animation, in part, to do more community oriented work. One of the first things I did after leaving Warner Bros. was to work on saving Lincoln Place Garden Apartments in Venice and the tenancies of the senior and disabled tenants who were threatened with eviction. We fought and won against one of the largest apartment owners in the country.

When I first joined the PYFC Board, I thought Oscar was the right man for the job, but I must register my grave concerns about his leadership and profound disagreement with his tactics and the modeling it provides the youth.

I will provide a report on the outstanding matters and if you like, I also am willing to work outside the Board to complete the outstanding matters that may require my involvement.

Sincerely,



Amanda M. Seward

Date: December 4, 2012

To: Amanda Seward, Chair of the Pico Youth and Family Center

Re: Resignation of Board Member, Jan Book

Dear Madame Chair and Board Members:

Before I joined the Board of Directors for the Pico Youth and Family Center, I believed and expected that PYFC would be a center that would encourage and enable the youth within the community to come together and participate together in the various programs offered by PYFC: music, computer, job development and placement, tutoring and college preparatory, leadership training and service learning, and counseling and support groups. However, I soon discovered that the PYFC mission statement is misleading... PYFC is primarily a Latino clubhouse, dominated by large paintings of Latino art and populated by Latino employees and community members. And while other non-Latino members of the community are not turned away, PYFC does not have the rainbow of faces and cultures I had hoped it would have because there is no place for them at the center.

During the time which I have been Treasurer of PYFC, I have witnessed repeatedly the inappropriate behavior of the PYFC Executive Director, Oscar de la Torre. While he may mean well, he is an activist at heart and as such, he looks for opposition and conspiracies, encourages resistance, and employs divisive tactics in order to get his way. Unfortunately, this kind of leadership teaches the youth that the end justifies the means.

While Oscar enjoys using the PYFC mantra of Peace, Unity and Social Justice, his behavior these past four weeks has demonstrated that these words only apply to him, and not to others. On November 20, 2012, Oscar and the PYFC Staff tried to attend a closed session of the Board, and as a result, by his actions Oscar destroyed the Peace and Unity which had existed between the Staff and the Board.* And when Oscar verbally insulted several of our

Board members with racial, religious and/or ethnic slurs, Oscar demonstrated that the right to have Social Justice does not apply to everyone.

Finally, Oscar was invited last night to attend another closed Board Session to discuss his future as PYFC Executive Director and the proposed Consulting Agreement. During the meeting, (1) Oscar admitted that he "would never say PYFC was a Chicano Center out loud", (2) Oscar refused to have the Change.org Petition * taken down unless the Board voted to keep him as Executive Director, (3) Oscar said he would sue the Board if they fired him, and (4) when it came time for the Board to vote, Oscar openly asked the Latino Board Members to come outside with him "to assure they knew how to vote."

I do believe that Peace, Unity and Social Justice applies to everyone, and I will not participate or support any person or organization which does not actively demonstrate this belief. Therefore, with this letter I resign as a member of the PYFC Board of Directors.

Sincerely,
Jan Book

* Oscar intentionally misinformed and misled the PYFC Staff to believe the Board was changing the PYFC mission statement to remove the words, Peace, Unity and Social Justice, and thus the meaning and purpose of PYFC. Oscar also misinformed and misled the PYFC Staff into believing that the Board was suddenly pushing Oscar out as Executive Director; when in fact, since February 2012, the Board and Oscar have been working on a transition plan for Oscar because he does not have, nor is he interested in acquiring, the administrative skills necessary to be the PYFC Executive Director. As a result of this misinformation, the Staff created a Change.org Petition accusing the Board of the above misinformation and listed all of the personal email addresses of the Board Members which resulted in each Board Member receiving over 243 emails from all over the US and several foreign countries.

Ira McAliley

Amanda Seward, Board Chair
Pico Youth & Family Center

December 6, 2012

Greetings Amanda,

I am writing to you to announce my resignation from the Advisory Board of the Pico Youth And Family Center, effective immediately.

It has been both a pleasure and a challenge to be affiliated with the PYFC over the past few years. I am an advocate for youth, and I'm committed to helping them realize their potential, especially in environments and conditions where they are not supported by traditional systems. My volunteer work and interaction with the youth at the PYFC has been enjoyable, as I have seen youth grow beyond what they believed to be possible for them.

The challenge, for me, has been working with some of the adults involved with the PYFC. It is sad to me that the leadership of the organization, both on the staff side and the board side have a fight and defend mentality. Instead of engaging in respectful dialogue, a culture of mistrust has developed, which has led to a series of actions and reactions based on misguided speculation.

For me, the energy that it takes to support and grow an environment where youth can thrive has become exhaustive. It is my prerogative and choice to take my energies elsewhere.

I wish well to all those involved, and hope that the organization can continue to have a positive influence on the youth and community that it serves.

Be Well
Ira McAliley

Shelly Wood, JD
ShellydWood@gmail.com~310.702.9674

December 6, 2012

Ms. Amanda Steward, Board Chair
Pico Youth and Family Center (PYFC)

RE: Resignation from the Board of Directors at PYFC

Dear Amanda:

Please accept my resignation as the Pico Youth and Family Center, Secretary and Board member, effective immediately. The behavior that I have observed by the Executive Director and Founder, Oscar de la Torre, is disturbing and unacceptable.

At our October board meeting, it was decided, and Oscar agreed, that it was in the organization's best interest that he transition into a consulting position, allowing his best skill sets to be utilized to help the agency to grow and move forward, working towards the goals and objectives stated in the grant received by the City of Santa Monica. We agreed that this plan would remain confidential until a consulting agreement was signed by Oscar. At which time, the board, with Oscar's input, would devise a plan to share with staff and the community as to what our intentions for moving forward were. This never happened. Oscar did not sign the Consulting agreement. On November 20th, Oscar contacted me via telephone, requesting two more weeks to review the contract. He stated that rather than having the Consulting Agreement start on December 1st, that he would like it to start on December 21st, the start of the Mayan Calendar, and that he needed more time to review the agreement. We decided to hold a closed meeting on November 20th, so that the board could review his request for more time, and evaluate additional options for moving forward. I still believed, and was told directly by Oscar, that he definitely wanted to transition into a consulting position, but needed more time and felt that the 21st of December would be acceptable.

On November 20th, I was shocked to see PYFC staff and Oscar, picketing outside of the board meeting. It was at this time, that I realized Oscar had breached the confidentiality that we had agreed to. I soon learned that Oscar had been lobbying board members throughout the day, prior to the meeting. We were also given a letter, signed by staff, and a Motion, demanding certain things from staff.

A petition, generated by PYFC staff, was started on Change.org. Again, confidentiality was compromised because the person or persons who started this petition attached all of the board members personal e-mails to the petition. Every time someone signed the petition, board members received an e-mail. To date, I've received over 200 e-mails. The Petition itself was written with false information, and made false accusations about the board. Oscar was asked several times, as the Executive Director, to write a response that would reflect the truth of what was happening. He

indicated that he would do this, and to date, no response has been posted. I continue to get e-mails. Again, a breach of agreements made between Oscar and the board.

What I've seen, is that the truth is irrelevant. I believe that Oscar thrives on dishonesty and manipulates the truth for personal gain. He justifies behavior, and stated that the petition was a way for young people to express themselves, showing concern for what was happening at the Center. The problem with this is that it was based on lies, and Oscar, as Executive Director, did not seem to care that the youth and community were being mis-informed.

As a board, we decided to meet with Oscar on Monday, December 3rd, so that we could ask questions and discuss with him how we had gotten to this point. I expected that as a group, we could come to some understanding that would allow us to move forward with Oscar agreeing to sign a consultant agreement, and begin to discuss the plans for transitioning him out as Executive Director, and to begin the search for a new Executive Director. Oscar's behavior at this meeting was despicable. He tried to polarize the board and make it a racial issue between the African American board members and the Latino board members; he felt no need to clear things up or apologize to board members for the petition that was generated, he did not adequately explain discrepancies of over-payments of salaries to himself, he informed us that he was not going to sign a consulting agreement and that he was going to stay on as executive director and if we fired him that he would sue us personally, he demanded that we vote on the matter that evening and prior to the vote, asked certain board members to go into the hall way to talk to him privately before the vote. It appeared to me, that Oscar was trying to intimidate and bully the board by his behavior, again, traits not becoming for an executive director and leader.

I can no longer support an organization under the leadership of Oscar de la Torre. While I've questioned his abilities to effectively lead this organization from an administrative standpoint, I am now convinced that he should not be in a position where he can influence and lead young minds. Oscar's behavior has been egregious and unethical and for these reasons, I must resign.

Thank you.

Shelly Wood

JILL MONIZ, PhD

PO Box 4911 Culver City, CA 90231 jilllthmoniz@gmail.com 310.890.JILL

December 4, 2012

Amanda Seward, Board Chair
Pico Youth & Family Center

Madame Chair,

I hereby resign from the Pico Youth and Family Center Advisory Board, effective immediately. I cannot condone the gross misconduct of PYFC executive director Oscar de la Torre. His undue and illegal influence in board governance witnessed at our last closed session, December 3, 2012, specifically his request to speak to certain board members privately during a closed session meeting and the resulting presentation of the attached signed "votes" of absentee board members with dates previous to our closed session meeting is violation of nonprofit statutes that prohibit any behavior that directly and financially benefits any one member of the organization. I have attached copies of these letters as evidence of this misconduct.

These actions are in direct violation of the US and California State Attorneys General oversight of 501 (c) 3 ethical conduct. These actions are further problematic due to the \$1.6 million bequest given to the board in October that has been referenced as threatened "inheritance" by certain PYFC board members and staff in items attached herein. These additional items that were given to board members to present during the November 20, 2012 closed session board meeting demonstrate a pattern of behavior that at best is unethical, at worst illegal.

During our closed session meeting on November 20, 2012, board members were told repeatedly not to discuss the details of the conversation or the voting. However, Oscar was equipped with the knowledge of how everyone voted, which he then used to further his agenda of a racial divide. What is more troubling is the board member who abstained from voting received threats from the community because her vote could have swung the decision the other way. These violations of ethical conduct are further evidence of Oscar's interference with board governance.

In addition, the executive director admitted to stirring misperceptions of a racial divide on the board to the community in an effort to gain support for his desire to remain executive director, despite his contract negotiations to step down and become a consultant to the organization. He further incited the community with

false claims that the board was changing the mission of the organization (instead of simply making the mission *statement* less convoluted). The irony being that he betrays his mantra of *peace, unity and social justice*, by misinforming the public, making threats against the personal safety of the board and attempting to instigate racial unrest so that his personal desire to lead PYFC became a mandate from the community instead of a simply request to the board to remain the organization's leader.

Further evidence of such behavior is noted when the same executive director threatened me and another black board member in a private meeting if we did not support him fully on the board. Oscar alluded to these threats during December 3, 2012 closed session by referencing said meeting as proof that I wasn't "on his side" despite his warning.

When Oscar was questioned about the aforementioned issues and many other troubling issues, he refused to answer any questions directly. Instead, he restated every question within the framework of his own perspective and gave answers that supported his beliefs and desires, including giving you, the board chair copies of bank statements as "proof" that the overpayment of salary into his checking account was reversed. Upon your inspection of said documents, it was clear that the information provided did not specify whether there had been a reversal of the excess payment and did not answer the question as to whether he owed the organization the money. He simply deflected any agreement to these facts by stating that the board owed him money for legal expenses so it would "even out". Again, at best is unethical, at worst illegal.

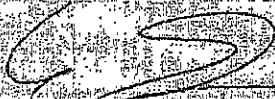
I joined the board in late August 2012 to help the organization with its documentation and evaluation processes, its strategic planning and fundraising. However, after 3 months of my own hard work that was met with nothing but open hostility from Oscar and his staff, I cannot support this organization any further. It would be equally unethical of me not to report this misconduct to the Attorney General. I will have to weigh this action in my conscience.

Thank you for your leadership and patience during this incredibly challenging moment.

Respectfully,

jill moniz, phd

1. Emilio Sanchez as an active member of the Pico Youth & Family Center Board of Directors/Advisory Board vote to rescind the Board's action of November 20th to terminate the current Executive Director on December 1st as planned.



Emilio Sanchez November 29, 2012

1. Emilio Sanchez as an active member of the Pico Youth & Family Center Board of Directors/Advisory Board vote to extend the contract and enter into negotiations with the current Executive Director to retain him in this position.



Emilio Sanchez November 29, 2012

I, Sal Galvan as an active member of the Pico Youth & Family Center Board of Directors/Advisory Board vote to rescind the Board's action of November 28th to terminate the current Executive Director on December 1st as planned.



Sal Galvan November 29, 2012

I, Sal Galvan as an active member of the Pico Youth & Family Center Board of Directors/Advisory Board vote to extend the contract and enter into negotiations with the current Executive Director to retain him in this position.



Sal Galvan November 29, 2012

I vote to support the PYFC Advisory Boards decision to keep Oscar de la Torre as Executive Director and develop a reasonable transition plan that strengthens the PYFC.

Respectfully,

Clad Sells

PYFC Board Member



12/3/12

Motion:



1. I move that the PYFC Board supports Oscar de la Torre in having reasonable time (December 15, 2012) to review the consultant agreement presented to him and respond to our offer with his legal council to provide input and negotiate in good faith.
2. I move that the PYFC Board support the current mission statement and direct the consultant Judy Speigel to organize trainings to educate all Board members on the importance of respecting the mission on PYFC.
3. I move that PYFC staff, youth and community with the current ED have a 51% say in the hiring of the new Executive Director.
4. I move that the PYFC Board unite with the staff, youth and community to present a positive report to the City Council on December 11, 2012 to highlight the good work and growth that has occurred during the six month "last chance" agreement.

The PYFC staff will resign immediately if these measures are not respected. The inheritance money will be jeopardized if the ED is removed arbitrarily and if the PYFC mission is eliminated.



Oscar de la Torre
Founder/Director

Board of Directors

Amanda Seward
Board Chair
Attorney

Sal Galvan
Board Vice-Chair

Shelly Wood
Board Secretary
Grant writer/Juvenile Justice
Expert

Jan Book
Board Treasurer
Attorney, Former CPA

Craig Losoya
Labor Compliance
Coordinator

Emilio Sanchez
PYFC Youth Participant

Clara M. Sells
Graphic Designer

Ruben
Pacheco
Film & TV
Production

Ira McAtley
Producer

Lella Steinberg
Executive
Director,
Assemblies in
Motion

Wendell J. Shirley
Captain of Santa Monica Police

Jill Moniz,
PhD
Arts Educator

Veronica Lopez
Community
Member

November 20, 2012

Let it be known, the staff of the Pico Youth and Family Center, does not support any change of the PYFC mission statement without a comprehensive community engagement process. We also do not support the removal of the Executive Director without an appropriate plan and timeline in place in order to ensure a manageable transition.

The PYFC was created through a community effort when 1,000 people came together to demand an end to violence in the Santa Monica Community. The very essence of the PYFC is the involvement of the many facets of the community. If the PYFC board chooses not to engage with the staff on central decisions that effect the very essence of the organization, then the Pico Youth and Family Center as we know it will cease to exist.

We respectfully request that the board commit to support the current mission of the organization and come up with a realistic transition plan with a fair and reasonable timeline, in order to protect the integrity of the PYFC.

phone: (310) 396-7101 • fax: (310) 396-7104
715 Pico Boulevard • Santa Monica, California 90405
www.picoyouth.org

Setareh Yavari

From: Amanda Seward, Art Vista <amandaseward@artvista.net>
Sent: Friday, December 14, 2012 2:10 PM
To: jennifer@saveourplanet.org; Julie Rusk; Setareh Yavari
Subject: Fw: Resignation - PYFC Advisory Board.

----- Original Message -----

From: Wendell Shirley
To: 'Amanda Seward, Art Vista'
Sent: Monday, December 10, 2012 2:22 PM
Subject: FW: Resignation - PYFC Advisory Board.

Amanda Seward, Chair of the Pico Youth and Family Center,

I hereby resign from the Pico Youth and Family Center Advisory Board effective immediately. I have truly enjoyed working with the entire Board, and wish everyone nothing but the best.

I would like to also thank everyone their commitment and dedication, in helping our youth/young adults build productive lives. Your efforts are noticed and greatly appreciated.

Be well.

Wendell J. Shirley



December 20, 2012

Jennifer Hoffman
Executive Director
SEE
22231 Mulholland Hwy, Suite 209
Calabasas, CA 91302

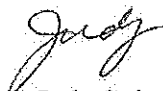
Dear Jennifer,

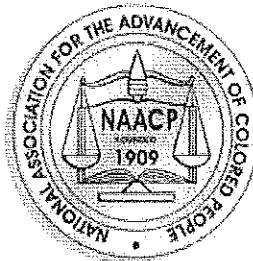
I am writing to express my reluctance to provide any further consulting services directly to PYFC. In the last couple of months, Oscar de la Torre and one board member have communicated and shown a lack of respect and trust of my work. Furthermore, both Oscar and the board member have made disparaging remarks about my work, professionalism and credibility. In a letter to the PYFC board, this board member made several unfounded allegations—among them that I was only interested in working with PYFC because I wanted the role of executive director, and that I took this consulting job because I wanted to redirect the endowment funds to the YWCA Santa Monica/Westside. Of course, these allegations couldn't be further from the truth. I have a successful consulting practice that I have no desire or intention to close, and the YWCA already received an endowment for one of its youth programs.

It is no longer possible to maintain a productive working relationship directly with PYFC. That said, if the City or SEE would find my consulting services useful in any other work, I would be happy to continue those relationships.

I want to close by saying how glad I am that I had the opportunity to work with PYFC. The project appealed to me because of shared ideals to help disenfranchised youth and their families overcome challenges. I am sorry that so many internal conflicts arose in October causing so much strife and disruption among the board and staff.

All my best wishes,


Judy Spiegel



December 21, 2012

Rod Gould
 City Manager of Santa Monica
 1685 Main Street, Suite #209
 Santa Monica, California 90401

Re: Pico Youth and Family Center (PYFC)

Dear Rod,

I have discussed my concerns regarding the PYFC with the NAACP Santa Monica Venice Branch Executive Committee members and the consensus is that we cannot support the Executive Director or the center in its current configuration. Up until a few weeks ago we tried to support the PYFC by offering support for youth to join Heal The Bay and civic engagement with voter registration. Recently over the past several weeks we stressed a need for outreach and participation of at risk, older African American youth. We offered and supported unity with pizza to create dialogue among Latino and African American youth. The Executive Director of any at risk program in the City must be able to generate inclusive participation of both Latino and African American youth in our community. The consequences in our community are too great not to have this outreach as was demonstrated last year in conflicts affecting all youth. The current administration has not demonstrated this ability to generate inclusive participation between African American and Latino at risk youth.

Recently the PYFC Executive Director's actions and statements in relation to those of other cultures that are not supported by facts are proving to be divisive in our community. We are in receipt of some letters of resignation by PYFC Board members inspired by the Executive Director's actions and statements. There is the concern that if the Executive Director cannot show respect, support, or collaboration with African American leadership on his board, it may speak to the lack of its support and outreach to the African American population that does not feel valued at the center, indeed they have expressed fear about coming to the center. This is coupled with the City's finding a lack of accountability that echoed concerns by our community members who once served on the PYFC Advisory Board. Furthermore, this lack of multicultural support, that was apparent in how a consultant who happened to be Jewish was accused of trying to destroy the PYFC and to give the recovered grant funds to the YWCA, is counter-productive to what we see as building towards a community that is inclusive.

We are supportive of the resignation letters that we have received as we have witnessed the actions and statements that provoked these letters. We cannot support the current PYFC structure. If the PYFC continues in this format in our community to serve all youth of color, it could present more challenges. We are concerned that if the City opts not to fund PYFC that it immediately establish an interim program that is inclusive of at risk participants as well as receptive to community input about how to fill the void until a viable, hopefully community based structure for the center can be aligned and formalized.

Very truly yours,

Darrell Goode, President

Cc: NAACP Executive Committee



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HUMAN SERVICES DIVISION

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DEC 26 11 02

December 21, 2012

Dear Setareh,

In response to the requests made by the Human Services Department of the City of Santa Monica, please see details below on outstanding matters concerning our grant contract from July 1, 2012 – December 31, 2012.

1.) PYFC Advisory Board Resignation Letters

December 4th - December 12th SEE received 6 resignations, attached with this letter. The letters show a level of frustration with the organizational leadership during the past few months. Four of the letters express grave concerns about the executive leadership of the organization, trustworthiness and accountability.

Of the resignations, three of the six resignations were board officers; PYFC currently has no board officers. A PYFC board meeting was held Tuesday December 18th; PYFC Office Manager notified SEE that nine new board members were voted onto the board. This results in a total of 15 board members.

2.) Organizational Assessments Conducted by Consultant

Attached are the two organizational assessments conducted by the organizational development consultant. The first assessment was documented and distributed to the PYFC board and SEE on September 17, 2012. It includes findings and recommendations related to administration, program development and evaluation, and board governance. The second assessment was distributed December 7, 2012 and focuses on PYFC board and staff relationships and effectiveness.

3.) Matching Funds

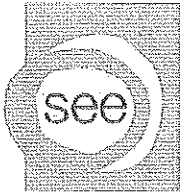
As of December 19th, PYFC has not raised the full amount required for the Matching fund condition of the grant. An email was sent on Friday December 14th alerting the PYFC Board and Director of this, accompanied by updated financial statements.

A second email was sent to the PYFC Advisory Board and Director on December 19th alerting them that as of now the funding condition still stands to meet the Matching revenue by December 31st.

The content of the second email was also sent as a hard copy letter to the PYFC Director. A copy is attached here.

4.) Payroll Issue

It was stated in the PYFC November Program Status Report that the center closed for two days in



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November. SEE was not notified of this closure in advance. PYFC has reported to SEE on December 20th that the center had to close to youth on Wednesday November 21st and Friday November 30th due to the Program Director, Case Manager and Executive Director not being present. Although the center was closed to youth, SEE was informed that staff were present at the center on November 21st with the Organizational Development Consultant and a Board Member and the Office Manager and Music Consultant were present in the center on November 30th.

The Director was out of the office Friday, November 30th on non-PYFC business. SEE was notified by the Director prior to the 30th that he would be out that day. Payroll records indicate that the Director was paid for 8 regular hours that date. The Director was notified by SEE on December 19th that an adjustment will be made to deduct those hours from accrued vacation time. This adjustment will take place in the pay period ending December 28th.

5.) Organizational Development Consultant

Please note that the Organizational Development Consultant has submitted a letter to SEE stating she is unable to continue to provide consulting services directly to PYFC staff and board. She states the disparaging remarks and unfounded allegations made by the Director and one board member have demonstrated that any further effort put forth would not prove productive at this point. Please see the letter attached.

If you have any questions or need additional information please feel free to contact me.

Thank you,

Jennifer Hoffman
Executive Director

*Prepared and distributed by PYFC staff to PYFC Board at the December 18, 2012 Board Meeting.

Transition Plan - January 2013

Organization: *Pico Youth & Family Center's Advisory Board*

Program: *Pico Youth & Family Center*

Period: *January 2013*

Section B: Summary of Position, Executive Director

The PYFC Staff, youth and community would like to see a successful transition. In order for this to occur, we are asking you to support the following requirements. Prior to hiring the new Executive Director, we would like to see:

1. Help set up a hiring committee to include: staff, youth, parent, community, city and advisory board representation (2 of each).
2. No board member (past or present) and/or City of Santa Monica consultant shall serve as Executive Director.
3. Initiate a holistic hiring process, which will include:
 - a. Credentials
 - b. Face to face interview
 - c. Youth interaction
4. Allow the current Founder & Executive Director, Oscar de la Torre, to have the deciding factor in the hiring process.
5. Ensure that Oscar de la Torre trains and screens the new Executive Director.
6. Probation period of six months set, in which the following requirements are taken into consideration.

Essential Duties, Qualifications and Responsibilities:

Must have knowledge and experience in:

- Working within urban, marginalized, low-income neighborhoods
- Familiar with the Pico Neighborhood
- Relate with (at-risk) youth of color and/or gang involved youth
- Social justice issues

Section II Program & Mission

1. Keep current PYFC Mission Statement intact

a. Support our current mission statement:

To equip disenfranchised youth and their families with the leadership and advocacy skills needed to strengthen and sustain the community in which they live. To promote peace, unity, and social justice by modeling cooperation and advancing educational and economic opportunity. Through creative programs we will work to instill hope in our youth by engaging them in creating solutions to our community's problems.

i. Re-commit and sign PYFC Mission Statement Memorandum of Understanding (MOU)

b. Acknowledge the History and Community of PYFC

c. Keep the infrastructure intact, including:

i. The building and posters

ii. Programs and services

1. Case management

2. Gender specific support group

3. Music production

4. Leadership development

iii. Staff, consultants and volunteers

1. Support current staff members, consultants, and volunteers

Section III Admission and Accountability

1. Board expectations:

a. Support our community events and attend one PYFC youth sponsored event

b. Promote PYFC mission statement

c. No City of Santa Monica official (including SMPD) will serve as a board member

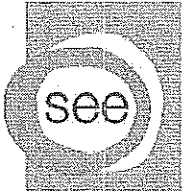
- d. Instate a current PYFC youth participant, parent and community member on the board
- e. MUST ATTEND MANDATORY retreat with PYFC staff and youth
- f. Fundraise and/or apply to grants

2. Board requirements:

- a. Allow PYFC Executive Director and Staff host an orientation and interview process with individual board members
- b. Allow PYFC staff and youth to survey, screen and evaluate board progress
- c. Every month member should introduce themselves and check into PYFC youth programming once a month (schedule site visit with Program Director)
- d. Host round table discussions and forums if issues (before problematic situations occur/arise)
- e. Have ALL board meetings take place at the Pico Youth & Family Center
- f. No undisclosed meetings shall take place, especially if it concerns PYFC

Section IV: Fundraising & Events

1. The board cannot make any decision where the 1.6 million will go
2. PYFC youth shall decide where to put a fraction of the money
3. Keep all cultural events relevant to program plan, including:
 - a. Ethnic studies workshops and community teach-ins
 - b. Malcolm X Week
 - c. Cesar Chavez Service Learning Day
 - d. Dia de los Muertos
 - e. Thankful for Peace (Thanksgiving Holiday)
 - f. Hip Hop Concerts and music studio



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December 19th, 2012

Dear Oscar,

I wanted to follow up regarding the program status report, in the Challenges section it was indicated that PYFC had been closed for two days in November. Can you please let us know what two days the center closed, as SEE was not notified in advance of this closure it's important we have the dates for our records.

Also, you had informed SEE that you were to be out of town and therefore not at the center on Friday November 30th. The payroll timesheet indicates 8 hours of regular pay for you on that date. Please note we will have to adjust those hours to be deducted from your vacation accrual.

We may have to make further adjustments depending on the two days the center closed.

Thank you,

Jennifer Hoffman
Executive Director

FISCAL MONITOR'S REPORT

December 26, 2012

The City of Santa Monica has engaged a certified public accounting firm (Monitors) that specializes in non-profit organizations for the purpose of monitoring the accounting systems and internal financial controls of grant recipients. There have been numerous reports issued in regard to Pico Youth and Family Center from the period covering year end June 30, 2000 to year end June 30, 2012 indicating issues regarding the accounting and management of government grant funds.

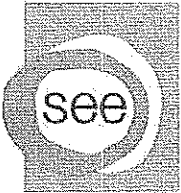
Throughout the monitoring process, the reports have indicated that the internal control environment at PYFC is poor. Management does not appear to have adequate accounting knowledge regarding the internal control systems that are needed to facilitate proper management of a nonprofit organization. PYFC consistently did not have sufficient accounting procedures and controls in place to assemble, analyze and report transactions properly, and to maintain adequate accountability. Documents provided during the monitoring process indicated that accounting data was not recorded in an accurate, timely or complete manner.

The management at PYFC has not taken the fiduciary responsibility for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. They have not shown an ability to also be responsible for management decisions and functions; nor for evaluating the adequacy and results of accounting services provided to the Organization and accepting responsibility for them.

In numerous Monitor's reports it was noted that PYFC did not account for expenditures as required by the City of Santa Monica contract and did not submit accurate grantee fiscal status reports. The fiscal reports were not based on general ledger accounting data, nor did they agree to the Pico Youth & Family Center's audited Financial Statements. The Fiscal Status Reports also could not be cross-referenced to detailed invoices or quarterly payroll tax returns provided at the fiscal review.

The Monitors noted that the City of Santa Monica provided PYFC with funding for retirement expenses claimed for the periods June 30, 2006 to June 30, 2010. PYFC provided documents indicating that it did not adopt a qualified retirement plan until 2009. In addition, the eligible amount of retirement funds allowable for the periods June 30, 2006 to June 30, 2010 were less than amounts funded by the City. Regardless of repeated correspondence from the City regarding the incorrect reporting of pension expense and reimbursement requests, the audited financial statements of PYFC stated in footnote 8 that "PYFC did not fund the \$2,922 contributions due to the IRA for the year ended June 30, 2012". It appears that PYFC was still trying to charge the City for unpaid pension amounts as recently as June, 2012.

The City has received monitoring reports regarding the accounting systems at PYFC beginning in January, 2001 to December, 2012 and has provided PYFC with technical assistance and fiscal management oversight. Despite having had numerous outside fiscal managers, PYFC still has not implemented an adequate system of internal controls needed to facilitate effective management and fiscal accountability of the Organization.



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December 19th, 2012

Dear PYFC Advisory Board and Director,

Please note that I confirmed with the City of Santa Monica today that even though the funding will be extended for one more month in January, the funding conditions for this agreement from July 1 - December 31st must be met by the end of this month.

This means that PYFC must meet the Matching fundraising goal of \$74,367.00 as listed on the Budget Modification approved by the City on October 30th. See attached.

Thus far, \$18,232.93 has been raised in Matching, therefore, an additional \$56,134.07 must be raised by December 31st in order to meet that condition. The Matching expenses have been paid to date by the \$18,232.93 raised during this grant period along with the carry over equity that was transferred to SEE in September in the amount of \$57,875.23. The City has confirmed that the equity amount is not considered as Matching revenue.

Based on the financials that SEE provided on December 14th, an assessment must be forecasted for January expenses as well. Please note SEE does not create budget forecasts for projects, as the fiscal sponsor SEE manages the funds and presents information on financial spreadsheets to projects. Interpretation and analysis of the information must be done by the PYFC staff and advisory board, particularly because if staff had to be laid or salaries reduced those directives must come from PYFC.

In summary, I wanted to alert each of you that the City confirmed that funding conditions to raise Matching revenue still stands with a December 31st deadline and as of now that revenue is short by \$56,134.07.

Please confirm receipt of this email and let me know if you have any questions.

Thank you,

Jennifer Hoffman
Executive Director