



MASTER OF NONPROFIT ADMINISTRATION

Change the World with Nonprofit Leadership

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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership

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1. Title

“As Long As There is Plenty, Poverty is Evil”: Anti-Poverty Nonprofit Leader Leads Youth Policy Institute (YPI) to Bankruptcy.

2. Summary

This case study focuses on Youth Policy Institute (YPI) and reviews the unethical practices and behavior of its CEO of 23 years, Dixon Slingerland. Timeline of this case includes years of misrepresentation, hidden information, and alternative motives that involve the Democratic party. YPI’s lack of ethical leadership and financial governance proves Robert F. Kennedy correct, *“as long as there is plenty, poverty is evil.”* An independent audit requested by the Board identified multiple deficiencies, including Slingerland’s misuse of company funds for personal expenses and inappropriate lobbying activities since 2014 (the audit didn’t focus on prior years). The case study brings forward the different reasons why in 2019 (after 30 resilient years of service) YPI shocked the public by announcing the firing of Slingerland, hiring of a new CEO: Dan Grunfeld and subsequently filing bankruptcy.

*“The closure of these locations creates a tremendous void for our youth,
for our families throughout the city of Los Angeles,
and it’s had an incredible ripple effect everywhere in the city.”*

-Los Angeles City Councilwoman Monica Rodriguez, 2019

*“YPI...lacked the proper financial controls
and the systems needed to manage its cash flow.”*

-Los Angeles Times, 2019

3. Applications

Application 1: Failed Ethical Leadership

The YPI case is a clear example of how power and money in the hands of unethical leaders can bring a nonprofit to closure. There were numerous federal, state and organization violations under CEO Dixon Slingerland's leadership of 23 years. There was no accountability or respect to the public, donors or communities served as he participated in various unethical compliance issues. The issue of misusing funds is what is most commonly highlighted in the selected articles that one is still able to find on YPI. Most notably between the years of 2014 and 2019, Slingerland directed \$1.7 million of YPI funds into his personal account and towards the Democratic Party. Throughout his leadership he misused YPI funds and paid personal property taxes, children's tutoring, and wife's retirement contributions, out of pocket medical contributions, among other luxuries.

Application 2: Compliance Issues

Top three compliance issues found in the YPI case include illegal lobbying expenditures, company policy violations and lack of accountability, and grant funds reporting violations. YPI lobbying activities ended up being against Federal lobbying regulations with them not reporting all lobbying expenditures to the IRS. Company policy violations were expected when YPI employees themselves did not fully understand company policies. Additionally, for many years the board, the IRS nor the government held YPI accountable until an audit was completed that led them to close and file bankruptcy.

Application 3: Government Influence

In the YPI case, government influences came up in various instances. From YPI hiring key employees with previous government work experience to using federal funds to help support political activities under the Democratic Party.

4. Outcomes

Program participants and employees were immediately and negatively impacted in more than one way. Leadership had personal motives and did not keep people served by YPI in mind when it unethically brought YPI to bankruptcy. Key learnings and takeaways to remember from this case study include the following:

Better Oversight: There is a need for nonprofit board of directors and top leadership to take responsibility for ethical governance. There should be intensive and multiple reviews of financials, assets and any program developments/services. Especially when there are government contracts and reimbursements involved. There should also be constant salary review and oversight. They should ask themselves if salary levels are aligned with AFP.

Better Internal Policies: In addition to the usual company policies required to ethically and properly run an organization, nonprofits need to make sure they have clear Finance & Development practices & procedures, ethical hiring practices, transparent MOUs with its partners, ongoing program and funding review policies and a whistleblower policy in place.

Culture of Ethical Compliance: There is a need for nonprofit leadership, employees, and its volunteers to feel empowered enough to report any perceived and/or actual fraud/wrongdoing. It's important for other nonprofits to consider the YPI violations because if individuals connected to a nonprofit ignore regulations and do not come forward when something doesn't seem right, it can continue for years until it is discovered and negatively impacts more people than it should. If someone would have brought up YPI's issues or pointed them out in an audit, YPI could have been warned and they could have potentially fixed the issues before it was too late.

5. Video

<https://www.youtube.com/watch?v=YgVJOsUSJFc>

6. Description

The Youth Policy Institute (YPI) was founded in 1983 with funds from the Robert F. Kennedy Memorial to accomplish its mission of, "transforming LA neighborhoods using a holistic approach to reduce poverty by ensuring youth and families have access to high-quality educational and economic opportunities, enabling a successful transition from cradle to college and careers." In 1996, YPI transferred from Washington, DC to Los Angeles where Dixon Slingerland became President & CEO. YPI evolved from a small nonprofit organization to a \$47 Million nonprofit due to Slingerland's aggressive government contract approach. YPI was first granted the Federal Promise Zone Grant starting 2012 with \$30 million.

YPI's approach allowed them to have a preferential advantage over other nonprofits for competitive government contracts including those led by the White House Obama Administration. YPI's internal and external trust, funding revenues, and best-in-class anti-poverty programs including after school programs, job training, tax preparation, and other services to vulnerable communities quickly placed YPI as one of the best nonprofits in Los Angeles. They were serving over 110,000 individuals through its, "holistic approach to breaking the cycle of intergenerational poverty by ensuring access to high-quality education, workforce training, and essential services for youth and families." It was operating 138 programs across LA with over 1,5000 dynamic staff members. Its work was focused on 'place' through its signature strategies Los Angeles Promise Zone and Promise Neighborhoods.

The issues that led to the closure of YPI include Federal, State, and Organization's violations including incorrect Annual 990s (lobbying activities and program actual vs. reported expenses), Federal Tax Law Violation of \$24,000 for not reporting YPI's contributions to Political Campaigns, Federal & State Individual employee (Slingerland's) unreported (and illegal) benefits, and falsification of records and misuse of company funds. By the time YPI closed its doors, former CEO Slingerland was earning an annual salary of \$400,000. After seven consecutive clean audits, the Board, determined to rotate the auditor for the 2017-2018 audit. During the 2017-2018 fiscal year alone, YPI spent \$1.3 million more than it earned, and many financial documents were found to be incomplete, insufficient and delayed.

In early 2019, a special committee was formed that conducted interviews with Slingerland and that eventually hired Covington & Burling LLP to do the audit that included a five-year review

from 2014-2019. The audit concluded that Mr. Slingerland had been misusing YPI's funds for his personal use over an extended period of time, and at least since 2014. A total amount of \$1.7 Million of YPI's funds were identified as being spent on Slingerland's personal account and towards the Democratic Party.

By mid 2019, the committee decided that Slingerland needed to cease charging certain expenses to YPI and directed him to suspend his use of the YPI American Express card for any personal expenses. Eventually after multiple follow-up requests, Mr. Slingerland began providing Covington with the requested documentation, purportedly in support of his expenses. In September 2019, Dixon was fired with CEO Daniel Grunfeld taking his place. At this time YPI's CFO resigned on his own. In October YPI closed its doors and filed for bankruptcy in November 2019.

7. Questions

- 1) Does Dixon Slingerland know he made unethical decisions?
- 2) What power did Dixon Slingerland have at YPI besides being the President & CEO that Leadership failed to address the unethical practices he engaged in?
- 3) There is substantial amount of feedback from current (at that time) and former employees on Glassdoor regarding YPI's upper management questionable practices, how should the Board use this type of feedback?
- 4) When should a nonprofit "stop-and-evaluate" the amount of government funded programs? Who should initiate this evaluation?
- 5) Can you think of other nonprofits that were highly influenced by the government or a specific administration?
- 6) Is 23 years as President & CEO too long? What are the benefits and disadvantages of longevity in leadership and direct services roles?
- 7) An organization shut its doors, all of the employees were directly impacted, the community was again defrauded, and Dixon Slingerland only requirement is to back-pay \$1.7M, should there be additional consequences to him and leaders who commit the same ethical violations?
- 8) The Audit only reviews financials from 2014-2019, does the Board have an ethical responsibility to review additional information pre 2014?

8. Resources

- 1) IRS, Charities and Nonprofits Lobbying Resources:
<https://www.irs.gov/charities-non-profits/lobbying>
- 2) California Attorney General's Guide for Charities:
https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/publications/guide_for_charities.pdf
- 3) Association of Fundraising Professionals' Code of Ethical Standards:
<https://afpglobal.org/ethicsmain/code-ethical-standards>

- 4) Independent Sector's Principles for Good Governance and Ethical Practice: <https://independentsector.org/programs/principles-for-good-governance-and-ethical-practice/>
- 5) Board Source: A global network of leaders committed to providing support to nonprofit organizations. <https://boardsource.org/>

9. Endnotes

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