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Nonprofit Ethics Case

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Title

Healing Arts Initiative: An Organization Far From Healing

Summary

This case study will examine the possible extreme consequences of an unethical culture in Healing Arts Initiative (HAI). We will address an employee's three-year embezzlement scheme, the violent attack on HAI's Executive Director, and the board's negligent actions following those events which ultimately led to its shutdown and bankruptcy.

Applications

This case study allows nonprofit professionals to learn about the following subjects:

- Unethical organizational culture in terms of negligence and personal interest
- Toxic leadership
- Whistleblower policy & retaliation
- Board responsibilities
- Employee theft
- Financial reporting & audits

Outcomes

We hope that this case study will help the nonprofit community further understand the roots of unethical culture in nonprofit organizations and how to prevent them. This case study

highlights the worst-case scenarios of a poor whistleblower policy, system gaps, and board negligence. By learning from the mistakes of William's and the HAI board, nonprofit professionals will be able to better notice signs of unethical behaviors, and board members will be more accountable for their culture building, financial monitoring, and overall leadership.

Video

See below for videos that give an overview of the events and the outcomes:

- <https://abc7ny.com/news/3-charged-in-acid-attack;-allegedly-part-of-embezzlement-c-over-up/1277270/>
- <https://newyork.cbslocal.com/2019/01/17/queens-acid-attack-2/>

Description

The Healing Arts Initiative (HAI) was a nonprofit that incorporated arts to inspire healing, growth and learning for youth and adults. Its mission was “to make the arts accessible to all New Yorkers, especially individuals who are isolated and marginalized due to institutionalization, hospitalization, disability, and illness as well as at-risk youth in low- income neighborhoods.” HAI provided services for the elderly, mentally and physically disabled, children at health and social service facilities and youth in low-income neighborhoods. The agency was found in 1969 by a pianist named Michael Jon Spencer (Newman, 2016) and had grown into a 5 million dollar organization.

The organization, however, started to accumulate a debt of -\$100,000 then later increased to -\$2.2 million within a 3-year time span of 2012 to 2015. Several staff members noticed that there were financial issues when credit cards and checks were being declined. When the CFO attempted to inform the board of the financial inconsistencies, he was fired from the organization. Due to the financial debts, the prior executive director, J. David Sweeny reduced the amount of staff from 28 to 14 employees, and the organization moved to cheaper rental space in Queens, NY (Newman, 2016).

Kim Williams was hired in 2011 as the payroll accountant through an agency called Professionals for Nonprofits. Williams gained more responsibilities and access to the organization's finances after HAI's CFO was fired. It was later discovered that she took about \$1,000 a day from the organization that amounted up to \$750,000 in after three years by dispersing payroll checks to employees that did not exist into personal accounts. This long-running embezzlement scheme was monitor by herself and her best friend, Pia Louallen (Newman, 2016).

In July 2015, Rev D. Alexandra Dyer was hired as the new Executive Director of HAI. During her first few months, Dyer noticed a history of financial irregularities in the system, so she asked the payroll accountant, Kim Williams, and other staff members about it in August 17, 2015 (Wyland, 2016). When Dyer informed Kim Williams of the CFO that was going to be hired to help with the finances of the organization, Kim Williams had a “dental issue” and never returned to work. Two days later on August 19th, Dyer was attacked with a lye-based drain cleaner while walking outside the office building which kept her in the hospital for several months and left her face permanently damaged. After six months of investigation (April 2016),

Kim Williams and her co-conspirators, Jefferson Mohammed (who threw the drain cleaner at Dyer), and Pia Louallen were found guilty by the police and was arrested.

Due to the nature of the illegal activities and injury, Dyer pursued a lawsuit against the board for “negligence that enabled the thefts”. HAI’s board did not support Dyer despite her being the whistleblower. The board’s reasoning for their lack of support to the lawsuit was because “the expenses for program, payroll, and administration had exceeded revenue for many months but that the board did not know the extent of the problem until this week because Ms. Dyer and Mr. William had withheld crucial financial information” (Newman, 2016). HAI’s board showed a lack of accountability and did not try to involve themselves in the conflict. Not many board members commented on the issue, Kitty Lunn commented that she did not suspect Kim Williams of embezzling funds from the organization, but that she was concerned about the credit card and checks that were declined. The president of the Board Leslie Winter did not make any comments in relation to the events that were happening within the organization. As a result, the board fired Dyer and the CFO, Frank Williams for “withholding information that the organization would need to gauge the financial distress of the organization” (Mccambridge, 2016).

After the article, [Former Head of Charity Navigator Takes over at Troubled NY Arts Charity](#), was published on May 10, 2016, HAI closed its doors on May 11, 2016, and was forced to declare bankruptcy. In 2017, YAI, a health and human service nonprofit purchased the programmatic assets of HAI. YAI worked collaboratively with John Keefe, interim executive director and HAI’s attorney Fred Stevens to recruit a new board of directors, secure funding and a partner (Simpierre, 2017). YAI is incorporating HAI’s programs under a newly formed department called HAI@YAI which will provide arts and cultural experiences to health and human services organizations, educational programs for school children and arts programs for seniors and people with disabilities.

Kim Williams was charged with two counts of first-degree assault, two counts of conspiracy, two counts of grand larceny, weapons possessions, falsifying business records and 48 counts of identity theft. Jefferson Mohammed, the individual identified by Dyer as her attacker, was charged with assault, conspiracy and weapons possession. Pia Louallen was charged with grand larceny and conspiracy (Newman, 2016). In 2018, Kim Williams and Jefferson Mohammed pleaded guilty and Queens Supreme Court Justice, Ira Margulis, stated that Kim and Jefferson are sentenced to 17 years in jail, while Pia’s sentence is unknown (Gartland, 2018).

Questions

From a personal (leadership) perspective

- Do you think Dyer took the right approach in suing the board for William’s illegal actions?
- Assuming that the board wasn’t aware of Williams’ illegal actions, based on their reaction to Dyer’s lawsuit, do you think they would’ve reported her?

From an organizational (nonprofit) perspective

- What elements can be integrated into board member recruiting and vetting to help influence a culture of accountability?

- Even with a strong whistleblower policy, do you think Williams' would have still been successful in her theft due to the organization's unethical culture alone?

From a systemic (sectors) perspective

- How does this situation now make you perceive the effectiveness of a whistleblower policy?

From one or more ethical perspective (theory)

- Is there another approach Dyer could have used to solve this issue that would've had less retaliation?

Resources

Since HAI has recently been acquired by YAI, the organization no longer has an active website. See below for a list of websites that will be helpful for further case study analysis:

- <https://nonprofitquarterly.org/2016/05/18/healing-arts-closes-but-the-story-is-likely-far-from-done/>
- <https://nonprofitquarterly.org/2016/05/10/former-head-of-charity-navigator-takes-over-at-troubled-ny-arts-charity/>
- <https://nonprofitquarterly.org/2018/08/07/bad-ethical-nonprofit-culture/>
- <https://www.nytimes.com/2016/05/12/nyregion/charity-whose-leader-was-attacked-with-lye-closes.html>
- <https://www.philanthropydaily.com/healing-arts-initiative-closes-in-the-midst-of-violent-scandal/>
- <https://associationsnow.com/2016/07/healing-arts-initiative-lessons-nonprofit-dramatic-fall/>
- <https://philanthropynewsdigest.org/news/charity-board-fires-ed-who-was-attacked-after-questioning-finances>
- <https://boardsource.org/resources/board-responsibilities-structures-faqs/>
- https://ssir.org/articles/entry/ethics_and_nonprofits
- <https://nynmedia.com/news/yai-acquires-healing-arts-initiative>
- <https://www.nydailynews.com/new-york/queens/ny-metro-acid-attack-guilty-121818-story.html>
- <https://www.yai.org/about>