

How a Nonprofit Can Attract A Regulatory Probe ... Fast

06.08.23 | Linda J. Rosenthal, JD



There are about 1.5 million 501(c)(3) organizations in the United States. “Most do great work and are operated cleanly and ethically. Others ... not so much.”

If even a small percentage of the nation’s charities behave badly, it strains the capacity of underfunded and under-staffed government regulatory offices. Many miscreants escape scrutiny and consequences for a long time ... or perhaps entirely.

So which cases catch and hold the attention of oversight officials? Ordinarily, it’s the most egregious situations like the one showcased eight years ago in [A Recipe for How To Get Noticed by the California Attorney General](#) (May 1, 2015). A successful older gentleman in Napa, California, had real property and assets but no heirs. He established a testamentary trust for educational purposes, appointing two close friends – (one, an attorney) – to manage his estate according to his charitable directives.

But these co-trustees abused their powers, gustily devouring the bequest, morsel by morsel, to satiate their greed. It took a while before the stench emanating from this cauldron of betrayal and corruption wafted all the way to Sacramento. And it was a few years more before officials in the Charitable Trusts Section of the Attorney General’s Office fully stopped these perpetrators and recouped the massive financial diversions.

Given how slowly the wheels of justice turned in this outrageous California case, it’s all the more remarkable that a situation of charity wrongdoing in New York took a mere two weeks last month to blow up so spectacularly that the State Attorney General, the Mayor of New York City, and a local D.A. or two, all clamored for immediate investigations.

Let's call it ... the Case of the Phony Outrage.

Setting the Stage

Unless you've been living under a rock, you know that certain red-state governors have been shipping off some refugees/asylum seekers to far-away locations in "blue" states including New York. The purpose is to burden large blue cities with the costs and responsibilities of caring for the refugees. Bus or plane loads of refugees appear without prior notice or permission and without any arrangements for their temporary care and housing.

Recently, New York City Mayor Eric Adams, a Democrat, bused a small group of asylum seekers to a suburban hotel as the city's homeless shelter system struggled to accommodate an influx of migrants from the U.S. border with Mexico. This transfer "...prompted a political backlash from Republican county officials, who accused the mayor of trying to offload his problems on unprepared communities."

"Then, the founder of a small charity in the area added an explosive claim: To make way for the migrants, a hotel in Newburgh, New York, evicted nearly two dozen homeless veterans."

Tossing Gasoline on the Fire

Sharon Toney-Finch is a military veteran and advocate. She is the CEO of the Yerik Israel Toney Foundation (YIT), a nonprofit that aids homeless veterans and low-income people. After telling a *New York Post* reporter on May 12, 2023, about the hotel evicting veterans in favor of refugees, she talked about how YIT Foundation had come to the rescue. They had "... made arrangements to find alternative lodging" for the displaced men. "We didn't waste any time." YIT placed them "in another hotel due to what's going on with the immigrants." See also *Not-for-profit leader reports homeless vets were displaced to make room for migrants* (May 13, 2023) *Mid-Hudson News*.

The May 12th story in *The New York Post* "stoked outrage for days" and was "quickly followed by Fox News, Newsmax and other conservative news outlets."

"The saga of the displaced veterans received national attention when Assemblyman Brian Maher stepped in to denounce the hotel's actions and grabbed headlines along with an appearance on a conservative tv network to raise money for the YIT Foundation, which claims had housed the homeless veterans at the hotel." He also "introduced legislation that would prohibit the displacement of homeless veterans. In an appearance on Fox News, he called the purported evictions an 'absolute embarrassment on all fronts.'"

To bolster her allegations, Sharon Toney-Finch subsequently produced not only hotel receipts to back up this assertion but witnesses as well: about fifteen men who claimed to be among the group of evicted veterans.

Cracks in the Story

But Ms. Toney-Finch's story soon fell apart: "Cracks in the story emerged after..." a local newspaper, the Mid Hudson News, began digging into it. In particular, the Newburgh, New York hotel accused of throwing out the homeless vets to make way for the new migrants, denied it all, casting doubt on a

“sloppily-doctored receipt” that the foundation CEO had produced. See [Questions remain as to if vets were displaced from hotel by asylum seekers](#) (May 17, 2023) *Mid-Hudson News*; and [Hotel says “displaced veterans” story is a “lie”](#) (May 18, 2023) *Mid-Hudson News*.

But the final blow was delivered by the “witnesses” themselves the following week when they told reporters what really happened. Several men staying at a homeless shelter in Poughkeepsie, New York, “... had come forward to say they were recruited to pretend they were among the veterans [allegedly] kicked out of the hotel” and “were offered \$200, food and alcohol to take part in the ruse.” They told reporters that “... they met with Toney-Finch, then participated in a meeting at a veterans center in Orange County with local chamber of commerce officials.” [Homeless men recruited for veteran hotel scam](#) (May 19, 2023) *Mid-Hudson News*.

More particularly, they relayed how “...[t]wo people came into the shelter saying they had work and needed 15 men between the ages of 40 and 60, to take a trip to meet with an elected official for a discussion on homelessness. They were each promised \$200 along with food and alcohol. They were familiar with one of the recruiters, Diana, claiming she had previously stayed at the shelter.”

“Once recruited, the men were loaded in vehicles and transported to the Daily Planet Diner in LaGrange where they were joined by a third person, now identified as Sharon Toney-Finch.” She “introduced herself and told us we could have whatever we wanted and she would pick up the tab.” One man who asked to remain nameless said: “We ate like kings.” [Longtime advocate lied about vets getting kicked out of NY hotels for migrants: pol](#) (May 18, 2023) Bernadette Hogan, et al, *New York Post*.

After eating and drinking, Ms. Toney-Finch gathered the men in the parking lot to explain the actual “work” they were about to perform. She told them they were going to a meeting where she would be explaining how they had been kicked out of a hotel to make room for migrants. “She told us to act like we were the veterans that had been displaced. And she told us that if asked, we were supposed to say we had been kicked out and Sharon found us rooms in Fishkill.” This man noted, too, that “men who were unwilling to answer were told to respond with ‘I am too traumatized to talk about it,’ if asked.”

But some of the men were wary about participating; one man, on parole, didn’t want to participate in anything illegal. But wariness turned to anger when the promised \$200 cash did not materialize. See also [Group accused of making up story about homeless vets being evicted to make room for migrants](#) (May 19, 2023) Bobby Caina Calvan, *Associated Press*.

In short, “the foundation and its director, Sharon Toney-Finch, appear to have fabricated the entire story, causing (GOP legislator) Maher to admit yesterday that he had been duped by Finch and her lies.” When Rep. Maher asked her “... why she would make something like that up, she said, ‘I had to help the veterans.’”

Fallout

By Friday, May 19, 2023, NYC Mayor Adams was [calling for an investigation](#), as were one or two local District Attorneys from the Mid-Hudson area. Rep. Maher “who helped spread the story is now calling for an investigation, saying he and others were duped.”

Also expressing concerns and intent to take a look at the sordid episode was New York State Attorney General, Letitia James, who we all know has lots of other pressing matters on her plate right now.

Conclusion

So ... how exactly does a low-profile, small 501(c)(3) organization with a formerly good reputation suddenly jump to the head of the line for scrutiny by government regulators?

Pull a politically charged and stupid stunt like this one.

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