

Laguna Honda Hospital Scandal

Laguna Honda Hospital's 2010 Fundraising Dinner: Black-Tie Gala Event's \$260,788 Expenses

by Patrick Monette-Shaw

Who knew that it took spending a over a quarter of a million dollars to throw a fundraising party that barely returned 34% of event proceeds to benefit actual patients?

Although Laguna Honda Hospital, and its two affiliated non-profits — Laguna Honda Volunteers, Inc. (recently renamed Friends of Laguna Honda) and the Laguna Honda Foundation run by former City Attorney Louise Renne — have refused for over 18 months to release financial information about its June 2010 fundraising *Black Tie Gala Dinner*, the truth was bound to come out eventually, since truth always trumps myth and secrecy.

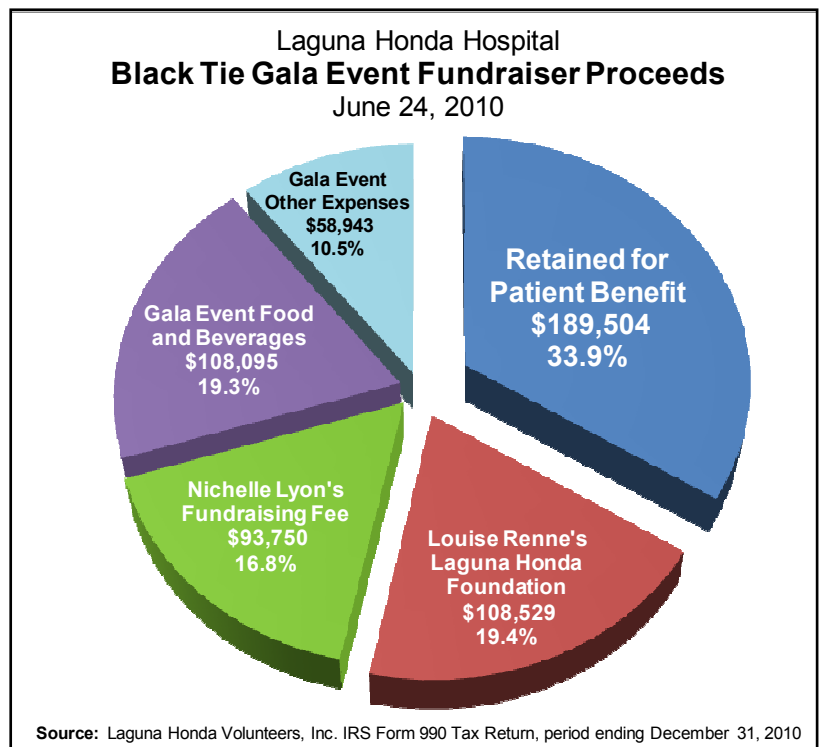
Here it is a year-and-a-half following the June 2010 event, and the public is just now learning about the event's financial shenanigans.

In December 2011, the IRS provided a copy of Laguna Honda Volunteers, Inc.'s Form 990 tax return for the period ending December 2010. The tax return exposes the myth that the *Black Tie Gala Dinner* would principally benefit Laguna Honda's patients, since facts in the return show that only \$189,504 (34%) of the \$558,821 raised by this event appears to have been retained by Volunteers, Inc. whose mission is to support patient benefit.

It is unknown how many party-goers attended the Black Tie Dinner event, so the cost-per-head may never be known to explain why the dinner cost \$108,095 just for food and beverages, nor why there was an additional \$58,943 in other non-food expenses, totaling \$167,038 in event expenses, fully 30% of the event's proceeds.

But that's without the lucrative professional fundraising fee of \$93,750 paid to Supervisor Sean Elsbernd's preferred event fundraiser, Nichelle Lyons, who snagged nearly 17% of the Gala Dinner's event proceeds for conducting "fundraising" (Volunteers, Inc.'s 2010 Form 990, Schedule G, Part I, Line 2b). Her steep fees, perhaps guaranteed for a percentage of the take, is eerily reminiscent of the fundraising scandal involving the San Francisco AIDS Foundation and its former fundraiser, Pallotta and Associates. After being gouged by excessive fundraising fees for years by Team Pallotta, SFAF had to go to court to end its unholy contract with its fundraiser.

I reported last February that Volunteers, Inc.'s 2009 Form 990 IRS tax return showed it had paid Lyons \$10,000 in 2009. In addition, Community Initiatives — Lousie Renne's so-called fiscal sponsor for her Lagund Honda Foundation — reported on its IRS Form 990 for the period ending June 2009 that it had paid Ms. Lyons another \$42,998 for fundraising related to Supervisor Sean Elsbernd's 2009 crab fest to raise funds for Renne's Foundation. While Elsbernd's 2009 Crab Fest raised a total of \$151,000, Lyon's fundraising fee took almost one-third from that event's purse, returning just \$108,652 to Renne's Foundation.



The 2009 tax returns show Lyons had been paid at least \$53,998. Tack onto that the \$93,750 Ms. Lyons earned from LHH's Black Tie Dinner reported on Volunteers, Inc.'s 2010 tax returns, and she's nearing the \$150,000-in-fundraising-fees pinnacle.

Beyond the \$260,788 spent in 2010 just to throw this fundraising party, including Ms. Lyon's fee, Volunteers, Inc.'s tax return for 2010 shows that it also awarded a \$108,529 "grant" to Louise Renne's Laguna Honda Foundation. Before the Black Tie event, Supervisor Elsbernd tried to push off on party goers that the June 2010 Gala event would benefit Laguna Honda Volunteers, Inc., apparently exclusively, even though Melanie Beene, CEO of Community Initiatives (the fiscal sponsor for Renne's Foundation) had indicated that there may have been a pre-event revenue-sharing agreement in place with Renne's Foundation.

The purpose of the 2010 Volunteers, Inc. "grant" awarded to Renne's Foundation is reported to be to "support the new Laguna Honda Hospital building and other hospital patient services," but that is not the primary exempt purpose for which Ms. Renne's Foundation had been formed. When she applied for non-profit status, Ms. Renne told the IRS she would raise \$15,000,000 for furniture, fixtures and equipment for LHH's new digs (which she never did, and which appears to be funded by taxpayers through the General Fund and perhaps "Certificates of Participation"), and to raise funds for long-term care research. There was never any mention that Renne's Foundation would be involved in providing services to hospital patients, or in supporting the hospital's new buildings.

Unfortunately, Volunteers, Inc.'s tax return does not reveal whether Renne's separate Foundation received not only the \$108,529 grant, but perhaps also received a portion of the Black Tie event's proceeds in addition, since Ms. Beene had indicated Renne's Foundation was on track to share donations to the event.

In stark contrast, Volunteers, Inc. donated just \$48,7432 in cash grants in 2010 to Laguna Honda Hospital to make resident outings possible, spending about half for resident outings than it paid to Nichelle Lyons for "fundraising." Another way of looking at this is that Volunteers, Inc. also spent over twice as much on a grant to Louise Renne's Foundation — for God only knows what purpose — than it spent for patient outings.

Between overhead for throwing the Black Tie Gala Dinner and the "grant" to Renne's Foundation, fully 66% of the Black Tie event's proceeds appear to have been spent on everything **but** patient amenities.

Although Volunteers, Inc. claims it spent \$409,240 on actual program services in 2010, \$108,531 is attributed to "Laguna Honda Hospital and Rehabilitation Center 'Promotions'," a new category not previously reported and not defined, an amount just \$2 more than the \$108,529 reported as having been awarded to Renne's Foundation. Nobody has a clue yet what the "Promotions" category of spending is intended to fund, or how it is "Program Services" — or whether the "Promotions" spending was the same funds given to Renne's Foundation.

Only 63.5% (\$409,240) of Volunteer, Inc.'s 2010 expenditures in 2010 were for actual program services (which may be inflated by the giving to Renne's Foundation). The remainder — 36.5% (\$235,228) — was spent on "management and general" and "fundraising," almost evenly split at 18% each. This is the first year that Volunteers, Inc.'s fundraising expenses reached 18.5% (\$119,148) of all expenditures.

Has Laguna Honda Hospital, and its affiliate non-profit organizations, forgotten that Sunshine always trumps secrecy?

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