

Laguna Honda Volunteers, Inc.

IRS Form 990 Tax Returns¹ Calendar Years 2002 – 2009

... a Content Analysis

by Patrick Monette-Shaw, March 27, 2011

Form 990 Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2007
Open to Public Inspection

A For the 2007 calendar year, or tax year beginning and ending

B Check if the organization is:

C Name of organization
LAGUNA HONDA HOSPITAL VOLUNTEERS, INC.

D Employer identification number
94-6065339

E Telephone number (415) 974-5466

F Accounting method: Cash Accrual

G Website: WWW.LAGUNAHONDAVOLUNTEERS.ORG

H and I are not applicable to section 527 organizations.

J Organization type: 501(c)(3) 501(c)(2) 501(c)(29)

K Check here if the organization is not a 501(c)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Gross receipts: Add lines 8b, 9b, and 10b to line 12 **1,306,285**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

1	Contributions, gifts, grants, and similar amounts received			
2	Contributions to donor advised funds			
3	Direct public support (not included on line 1a)		231,160	
4	Indirect public support (not included on line 1a)			
5	Total public support (add lines 3 and 4)		231,160	
6	Other revenue	1,075,125		
7	Total revenue (add lines 5 and 6)	1,306,285		
8	Program services			38,854
9	Management and general			37,102
10	Fundraising			38,811
11	Other expenses			<1,709
12	Total functional expenses (add lines 8 through 11)			114,567
13	Other expenses (Statement 5)			331,296
14	Total expenses (add lines 12 and 13)			445,863
15	Change in net assets or fund balances			860,422

Form 990 (2007) LAGUNA HONDA HOSPITAL VOLUNTEERS, INC. 94-6065339 Page 2

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.

	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ 0 = noncash \$ 0)				
22b Other grants and allocations (attach schedule) (cash \$ 0 = noncash \$ 0)				
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A	0	0	0	0
25b Compensation of former officers, directors, key employees, etc. listed in Part V-B	0	0	0	0
25c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c				
27 Pension plan contributions not included on lines 25a, b, and c				
28 Employee benefits not included on lines 25a - 27				
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies				
34 Telephone				
35 Postage and shipping				
36 Occupancy				
37 Equipment rental and maintenance				
38 Printing and publications				
39 Travel				
40 Conferences, conventions, and meetings				
41 Interest				
42 Depreciation, depletion, etc. (attach schedule)				
43 Other expenses not covered above (itemize):				

- “Direct Public Support”
- Fundraising
- Management and General
- “Program Services”
- Total “Functional Expenses”
- “Other Expenses” (Statement 5)

¹ Laguna Honda Hospital Volunteers, Inc.’s Form 990’s are available on <http://www2.guidestar.org/> for calendar years 2007, 2008, and 2009. The Form 990’s for calendar years 2002 through 2006 were obtained via a public records request to the IRS.

Laguna Honda Volunteers, Inc.
IRS Form 990 Tax Returns
Calendar Years 2002 – 2009

... a Content Analysis

As this reviewer wrote in the summer of 2010^{2, 3, 4, 5, 6, 7}, donors considering supporting Laguna Honda Volunteers, Inc. should consider the old adage, “buyer beware.” An analysis of the organization’s tax returns raises many concerns about the organization’s stewardship of charitable donations intended for Laguna Honda Hospital’s vulnerable residents.

Volunteers, Inc. has refused to disclose for fully nine months how much its June 24, 2010 black-tie gala⁸ fundraising dinner actually raised — ostensibly to support Laguna Honda Hospital’s (LHH) patients — or how much professional fundraiser Nichelle Lyons was paid to promote LHH’s June 24 fundraising dinner.

But we now know from Volunteers, Inc.’s 2009 Form 990 IRS tax return that it paid Ms. Lyons \$10,000 in 2009 to conduct “fundraising,” although we don’t know yet how much more Volunteers, Inc. may have paid her in 2010.

In addition, Community Initiatives — a third non-profit which is the “fiscal sponsor” for Lousie Renne’s separate Laguna Honda Foundation — reported on its IRS Form 990 for the period ending in 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. Of the \$151,650 reported as crab fest gross receipts, the \$42,998 paid to Ms. Lyons represents fully 28.3% of the charitable donations raised. Nichelle Lyons has been paid \$53,000, at minimum, to raise funds for LHH causes, but we don’t know yet whether she was also paid nearly one-third of the estimated \$400,000 in receipts raised by the Black Tie Gala Dinner fundraising event.

Nichelle Lyons has been paid \$53,000, at minimum, to raise funds for LHH causes.

As of June 2010, the California Attorney General’s Registry of Charitable Trusts’ *Commercial Fund Raiser Database* did not list Ms. Lyons, or Lyons and Associates, as a registered commercial fundraiser, and the Black Tie Gala Dinner RSVP invitation posted on Laguna Honda Hospital’s web site did not indicate that the fundraising was being conducted by a professional fundraiser, potentially violating IRS rules.

IRS Form 990 forms require that charitable non-profits report how much is spent on “Program Services” — in Volunteers, Inc.’s case, to patients at Laguna Honda Hospital, and to support LHH’s volunteers — versus spending on “Fundraising” and “Management and General.” The reporting requirements are designed to help the charity-donating public evaluate the financial performance of charities. The Program Services

For the first time, Volunteers, Inc.’s tax return for calendar year 2009 shows that the proportion of funds spent on actual “program services” plummeted to just 56.9 percent of its total spending.

² Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/adage-buyer-beware-applies-to-laguna>

³ Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/donors-beware-part-2-laguna-honda-hospital-s-june-24-fundraising-dinner-grows-scarier>

⁴ Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/donors-beware-part-3-volunteers-inc-board-refuse-demanding-audit-of-hospital-s-patient-gift-fund>

⁵ Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/donors-beware-part-4-will-attorney-general-contact-volunteers-inc-board-over-patient-fund-abuse>

⁶ Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/donors-beware-part-5-san-francisco-s-laguna-honda-hospital-fundraising-event-remains-a-mystery>

⁷ Examiner.com article at <http://www.examiner.com/hospital-in-san-francisco/donors-beware-part-6-a-san-francisco-s->

⁸ The June 24, 2010 Black Tie Gala Dinner’s RSVP form was billed as supporting Laguna Honda Volunteers, Inc., but as it turned out — as keen observers predicted would likely happen — the fundraising event would be “shared” with Louise Renne’s separate Laguna Honda Foundation, although potential event-goers and donors were not told that on the RSVP form.

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Analysis of Laguna Honda Volunteers, Inc. IRS Form 990 Tax Returns — Calendar Years 2002 – 2009

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category includes the main purposes for which an organization is awarded non-profit status by the IRS as a 501(c)(3) tax-exempt organization.

GuideStar.org, and other charity watchdog groups, ***suggest that charities should spend at least 70 percent of expenditures on Program Services.*** For the first time, **Volunteers, Inc.’s tax return** for calendar year 2009 shows that the proportion of funds spent on actual “Program Services” ***plummeted to just 56.9 percent*** of its total spending.

Suddenly, news broke on March 24, 2011 that Laguna Honda Volunteers, Inc. — after 54 years of admirably serving the LHH community under its current name — is now conducting a “rebranding” campaign and intends to change its name to “Friends of Laguna Honda.”

If you’re thinking your donation to benefit Alzheimer’s patients on an LHH dementia ward, or donations you want restricted to patients with traumatic brain injuries for off-site restaurant bus trips will be honored, **think again.**

Donors who remain interested in supporting LHH’s actual residents should consider making donations directly to LHH’s patient gift fund — placing specific restrictions on use of funds — instead of to Volunteers, Inc.

Donations to support LHH’s many dedicated volunteers should be made to Volunteers, Inc. but with specific restrictions on donation use.

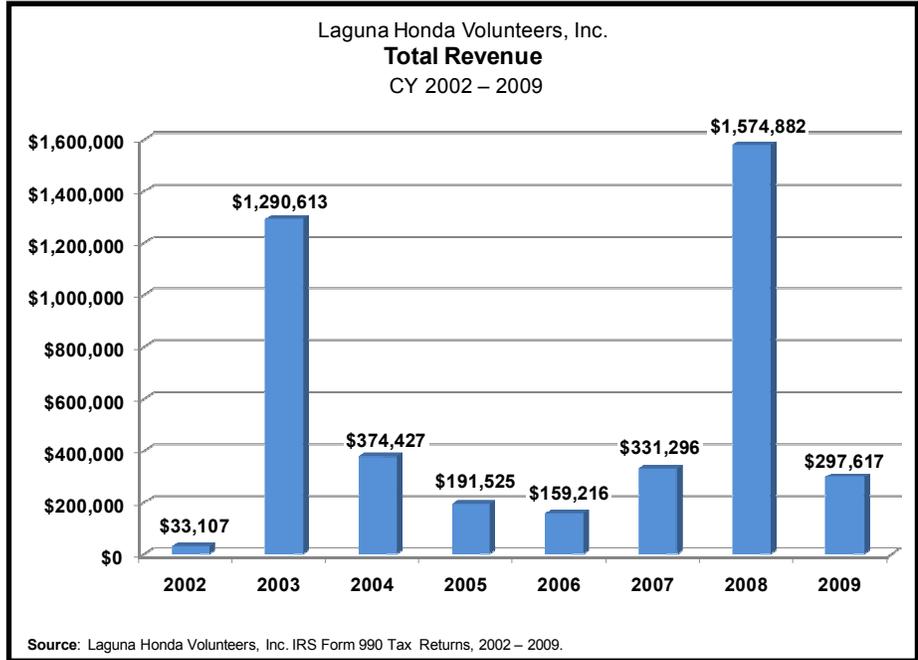
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This content analysis of Volunteers, Inc.’s IRS Form 990 tax returns for the eight-year period between calendar years 2002 and 2009 concludes with recommendations for the public on how to restrict giving to Volunteers, Inc. to ensure donations actually benefit LHH’s patients and hospital volunteers.

Analysis of Revenue and Net Assets

Volunteers, Inc.’s “Total Revenue” shown in Figure 1 is all over the map, including two outliers in calendar years 2003 and 2008, during which years the sale of investments appears to have inflated Total Revenue.

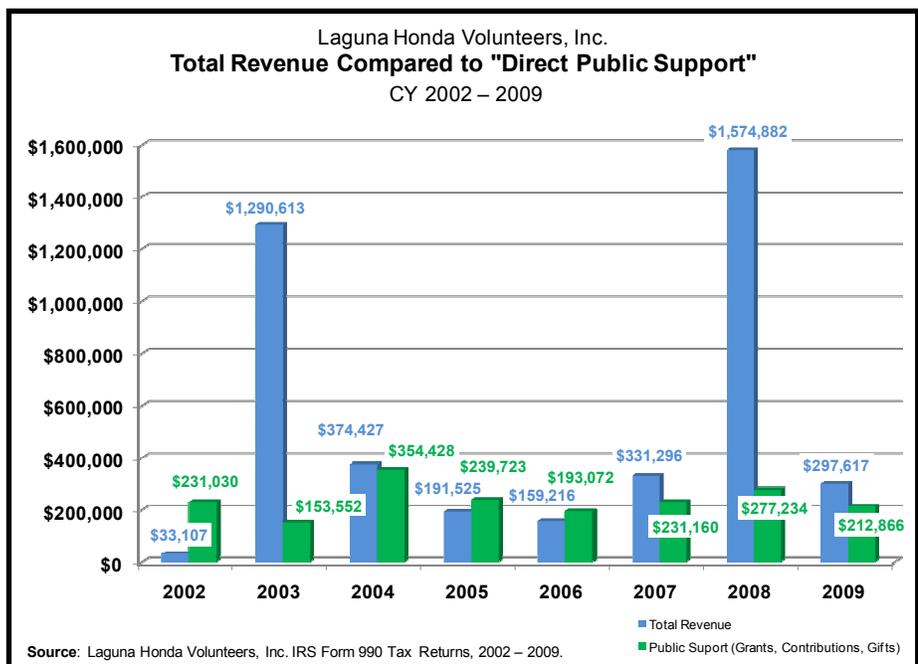
Figure 1: Total Revenue



- “Total Revenue” in 2009 — \$297,619 — was the fourth-lowest amount of Total Revenue reported during the eight-year period.
- The two outliers — in 2003 and 2008 — were not due to increased public donations, but from “Investment Income” and the sale of assets.
- Details of what may have happened to any major bequests has not been released by Volunteers, Inc.

Figure 2 illustrates that comparing “Total Revenue” to “Direct Public Support,” in several years the loss from sale of investments exceeded the amount of Total Revenue raised.

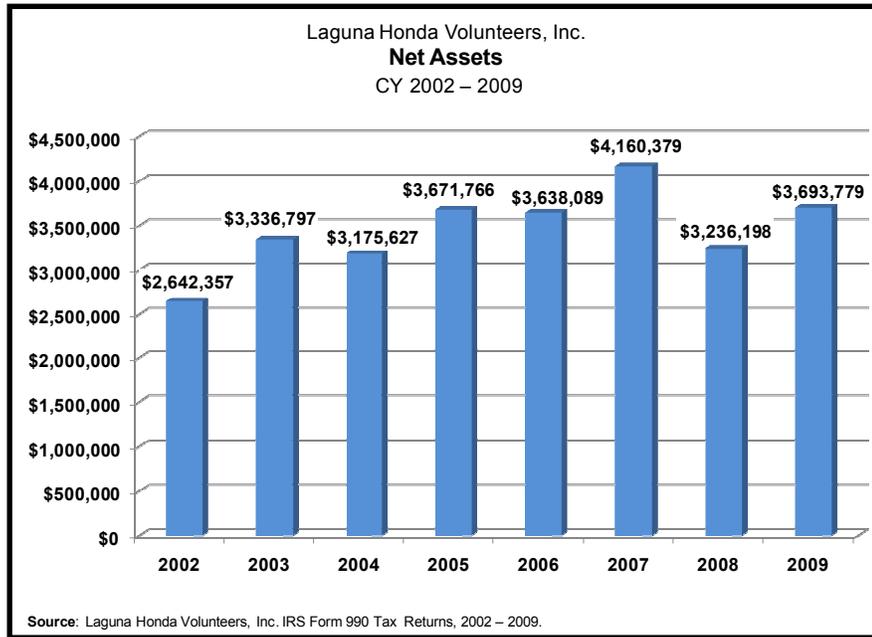
Figure 2: Total Revenue Compared to “Direct Public Support”



- For the three years where the green bars are higher, it indicates the loss from investment income reduced the Total Revenue available to **below** the amount of direct Public Support earned.
- Between 2008 and 2009, direct Public Support dropped by almost \$55,000, to \$212,866, the lowest amount in the past three years ... and the second lowest amount of Public Support across the eight-year period.

As shown in Figure 3 below, Volunteers, Inc. seems to have maintained Net Assets at high levels, possibly by reducing the amount of direct **Program Services**.

Figure 3: Net Assets

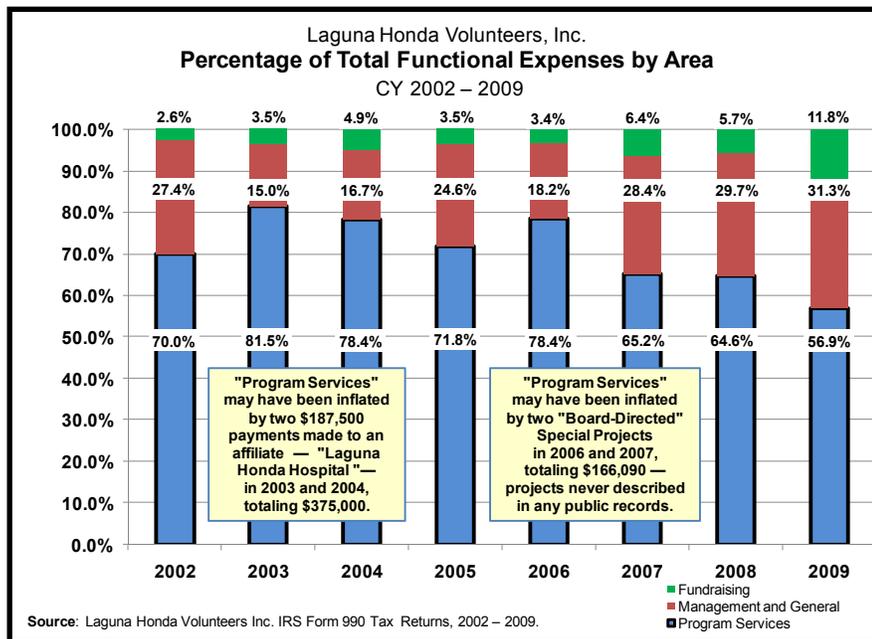


- The \$1.3 million investment income **increase** in calendar year 2008 (shown in Figures 1 and 2) resulted in a \$924,181 loss in Net Assets in 2008.
- In calendar year 2009, Volunteers, Inc.’s Net Assets was 17 times higher than the \$212,866 earned in Direct Public Support, and 18 times higher than spending on direct Program Services.

Analysis of Expenditures

Figure 4 shows that, overall, the amount of Volunteers, Inc.’s “Program Services” expenditures plummeted to an eight-year low, to just 56.9 percent of all spending, well below the 70 percent threshold recommended by non-profit charity watchdog organizations. Two separate \$187,500 “expenses” appear to violate Volunteers, Inc.’s own charter⁹.

Figure 4: The Percentage of Expenditures for Actual Program Services Plummeted to 56.9% in 2009, While the Percentage for Management and General + Fundraising Climbed to 43.1%

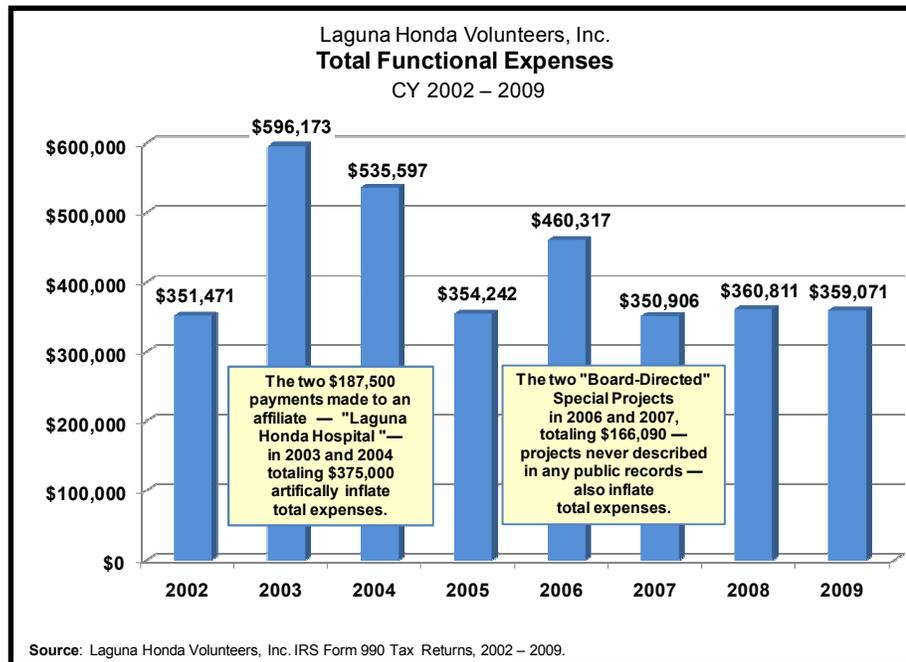


- Spending on Program Services plummeted to just 56.9 percent — only \$204,349 — of total expenditures in 2009.
- Two \$187,500 expenses in 2003 and 2004 appear to have been allocated to patient and volunteer “Program Services,” although the two expenditures may have been used to hire a CEO for the separate non-profit organization *Laguna Honda Foundation*.
- The two “Board Directed Special Projects” in 2006 and 2007 also appear to have been allocated to Program Services.

⁹ The two \$187,500 “grants” Volunteers, Inc. made as claimed were expenses for “Program Services” — apparently first to Laguna Honda Hospital and later “re-gifted” to the Laguna Honda Foundation — appear to violate its own Charter, since Volunteers, Inc.’s sole purpose is to raise funds for patients and volunteers, not to fund administrative overhead of separate non-profit organizations.

Figure 5 shows that expenditures in 2003, 2004, and 2006 were substantially higher than in the remaining years, due to questionable expenditures.

Figure 5: Total Functional Expenses Have Remained Relatively Flat, Adjusting for 2003, 2004, and 2006



- The two \$187,500 expenses in 2003 and 2004 were made as a “donation to affiliate, Laguna Honda Hospital,” according to “Statement 5” of each year’s Form 990; why the statements indicate payment to Laguna Honda Hospital, rather than Laguna Honda Foundation, isn’t known.
- The “Board Directed Special Project” in 2006 of \$133,063, also inflated total expenditures, but Volunteers, Inc. hasn’t explained what the special projects in 2006 and 2007 were for, despite a records request placed inquiring about the two expenses.

Minutes of a San Francisco’s Health Commission subcommittee¹⁰ show that Laguna Honda Volunteers, Inc. committed it would donate \$375,000 to the separate Laguna Honda Foundation to fund the salary of the Foundation’s CEO position to cover expenses when former City Attorney Louise Renne formed her “Laguna Honda Foundation” in 2004 (which was formed without a written “Memorandum of Understanding” with the City). *It is not clear whether IRS rules permit* one organization — Volunteers, Inc. — *to fund salaries of directors or other staff of separate non-profits* — in this case, salaries for a CEO and other staff Renne hired to run her Foundation.

Renne’s Foundation obtained its IRS non-profit designation on March 18, 2004 for the express purpose of mounting a \$15 million “capital campaign” to raise funds to purchase furniture, fixtures, and equipment (FFE) for LHH’s replacement facilities, and to fund research. Her Foundation did not raise any money towards the purchase of FFE.

Figure 6: Volunteers, Inc. Added Louise Renne to Its Board in 2003 For a One-year Stint

LAGUNA HONDA HOSPITAL VOLUNTEERS, INC.		94-6065339		
LOUISE RENNE	DIRECTOR			
329 THE HEARST BUILDING	5	0.	0.	0.
SAN FRANCISCO, CA 94103				
BARNEY SCHLEY	DIRECTOR			
329 THE HEARST BUILDING	5	0.	0.	0.
SAN FRANCISCO, CA 94103				
TOTALS INCLUDED ON FORM 990, PART V		0.	0.	0.

- Louise Renne claimed to this author in August 2010 that she couldn’t remember what year(s) she had served on Volunteers, Inc.’s Board of Directors. Their Form 990 returns show she was a Board Member in 2003.
- Renne served as a Board Member of Volunteers, Inc. for only one year, in 2003. Typically, Board Members serve multiple-year terms at most non-profits.

¹⁰ Minutes of the Laguna Honda Hospital Joint Conference Committee, a Health Commission subcommittee; January 23, 2003, available at <http://beepdf.com/doc/88539/minutes.html> and at <http://www.sfdph.org/dph/comupg/aboutdph/hc/JCCmtgs.asp> in a file named “JCCLHHM01232003.pdf,” which minutes read: *“Once established, the Foundation can receive the \$375,000 gift from the Laguna Honda Volunteers, Inc. to fund the Executive Director’s position for three years.”*

Renne formed and opened her Foundation in late-2004, after receiving another \$162,000 grant from the Gordon and Betty Moore Foundation in May 2004 to help launch her Laguna Honda Foundation. By May 20, 2005 — in response to a public records request seeking the IRS non-profit application that formed the LHH Foundation — Susan Cook Hoganson, Executive Director of Renne’s Foundation wrote this author: “The operations of the Laguna Honda Foundation have been suspended.”

Renne’s Foundation hasn’t announced since 2005 that it resumed its operations, but LHH’s web site instructs site visitors that further information about Renne’s Foundation can be obtained by calling LHH’s Community Relations Office, an office currently staffed by Renne’s former City Attorney spokesperson, Marc Slavin, who as a City employee earned \$132,470 in 2010 as LHH’s *Director of Government and Community Relations*.

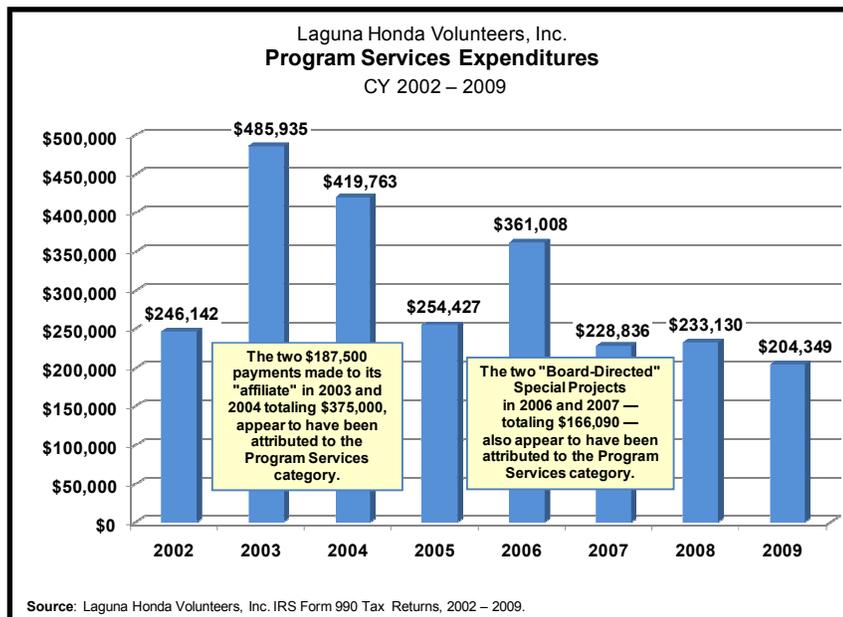
Why a non-profit organization such as Renne’s Foundation is referring callers to City employees — public servants working on the taxpayer’s dime, ostensibly to conduct City business — is not known.

It is also not known why Renne’s Foundation only continued its operations for approximately six to nine months after it first opened, following its award of \$162,000 in start-up funding from the Gordon and Betty Moore Foundation, and after its probable award of the additional \$375,000 in funding from Volunteers, Inc., neither of which organization was audited by the City Controller’s November 2010 audit of LHH’s patient gift fund.

It is also not known whether Renne’s Foundation returned any of the combined \$537,000 in start-up funding to either of the two non-profits after suspending operations of her Foundation. Renne’s Foundation has chosen to use a “fiscal sponsor” — “Community Initiatives” — to handle its finances, but Renne still files a Form 990 tax return. No data about expenses of her Foundation have ever been released to the public by Renne or Community Initiatives¹¹.

Spending on actual Program Services reached its lowest level in 2009 during this eight-year period is shown in Figure 7.

Figure 7: Program Services Expenditures



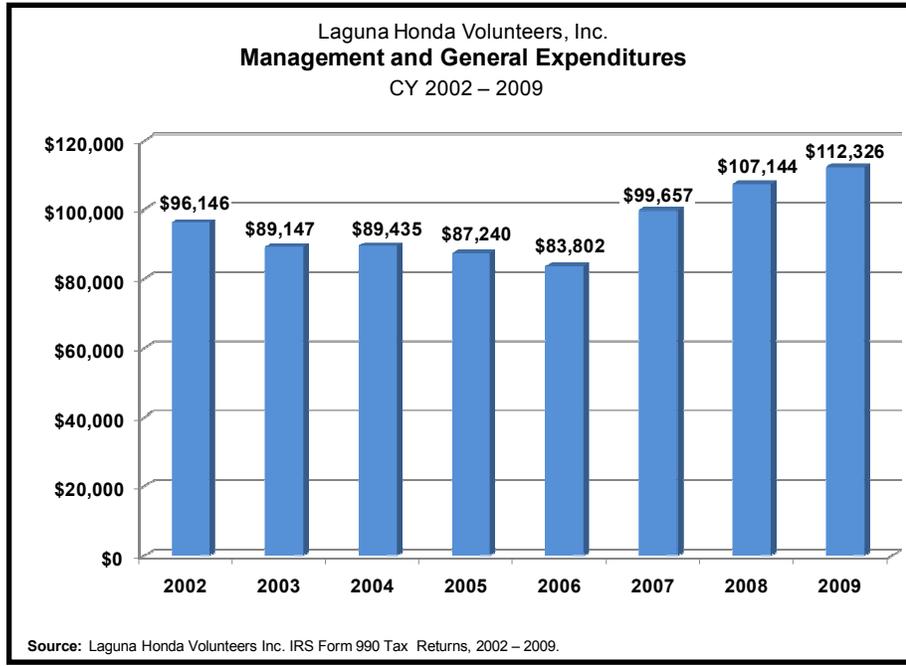
Why a non-profit organization such as Renne’s Foundation is referring callers to City employees — public servants working on the taxpayer’s dime, ostensibly to conduct City business — is not known.

- Expenditures on actual Program Services for Volunteers, Inc.’s tax-exempt purposes dropped in 2009 to the lowest level across this eight-year period, to just \$204,349 of \$359,071 in Total Expenses.
- The Program Services spending in 2003, 2004, 2006, and 2007 appear to be inflated based on the Board Directed projects and the payments to “affiliate” LHH.
- Spending on actual Program Services dropped by \$28,781 — a 12.3% decrease — between 2008 and 2009.

¹¹ On August 4, 2010, Melanie Beene, President and CEO of Community Initiatives (CI), e-mailed this author stating: “I spoke this morning with Louise Renne, CI’s project director of the Laguna Honda Foundation, and she asked that all requests for information be directed to her.” Beene would not release financial data for “Program Services,” “Fundraising,” or “Management and General” for CI’s “client” — Renne’s Laguna Honda Foundation — without Renne’s permission, which Renne demurely declined to provide during a phone call with this author, claiming she didn’t want to put anyone through a “busy work” exercise to provide the data. Renne’s Foundation claims to the IRS on its separate Form 990 tax returns **that it is operating as a “project of CI,” not as an “independent exempt organization.”** CI confirmed that **Renne’s Foundation is one of the few “projects” CI operates that has its own IRS 501(c)(3) tax-exempt status.** CI “rolls up” Renne’s Foundation financials in CI’s own Form 990 filing with the IRS.

Figure 8 shows spending for Management and General has climbed steadily since 2006 to a larger proportion of overall spending.

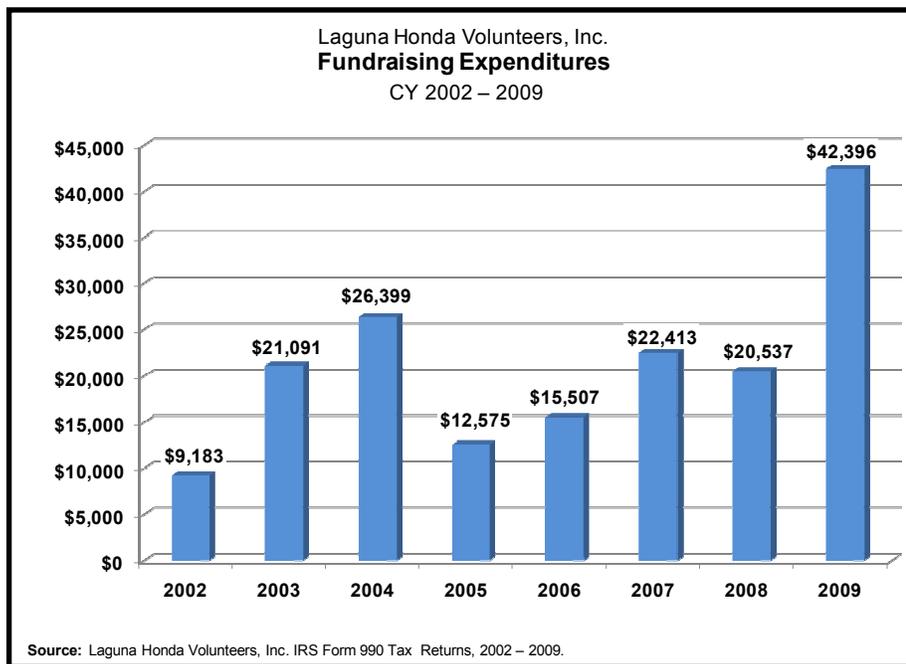
Figure 8: Management and General Expenditures



- Between 2006 and 2009, Management and General spending climbed by \$28,524.
- For an organization that apparently has no paid staff, — and has reported no rent for office space on its IRS Form 990's — it is unclear why **Management and General** expenditures continue to climb.

Figure 9 shows spending for Fundraising increased nearly 3.5 times more than fundraising spending in 2005.

Figure 9: Fundraising Expenditures



- Between 2002 and 2007, Volunteers, Inc. did not report on its Form 990 Line 30 in **Part II, Statement of Functional Expenses**, any “Professional Fundraising” fees at all.
- When the IRS changed its Form 990 forms in 2008, Volunteers, Inc. did not report any “professional fundraising” fees on **Line 11-e in Part IX, Functional Expenses**.
- It was only in 2009, that Volunteers, Inc. first reported on Line 11-e in Part IX, that it had paid \$18,250 for professional fundraising fees (\$10,000 of which was paid to Nichelle Lyons) out of its \$42,396 fundraising expenses. As noted on page 1 of this report, Lyons was paid an additional \$42,998 to raise funds for Elsbernd’s February 2009 crab fest.

To recap, Table 1 summarizes spending in the three main categories of Volunteers, Inc.’s expenditures.

Table 1: Summary of Expenditures by Category (Tabular Data of Bar Chart in Figure 4)

	2002	2003	2004	2005	2006	2007	2008	2009
Program Services	70.0%	81.5%	78.4%	71.8%	78.4%	65.2%	64.6%	56.9%
Management and General	27.4%	15.0%	16.7%	24.6%	18.2%	28.4%	29.7%	31.3%
Fundraising	2.6%	3.5%	4.9%	3.5%	3.4%	6.4%	5.7%	11.8%
Total	100.0%							

Table 1 illustrates (in tabular form the data shown in the bar chart in Figure 45) that while the proportion of spending on actual program services has plummeted to just 56.9 percent of all expenses, Volunteers, Inc.’s spending on Management and General, and on Fundraising, has risen drastically since 2002.

Among other data, Table 1 shows that between 2006 and 2009, “Fundraising” + “Management and General” has climbed from 21.6% to 43.1% of total expenditures, an increase of almost 22%, while spending on actual Program Services dropped a corresponding 22%.

Although the IRS changed its reporting forms in 2008, data about specific expenditures by Volunteers, Inc. remains available, much of it disturbing.

Before the IRS changed its forms, Volunteers, Inc. had reported spending for the “Volunteer Services Department” and for “Patient Refreshments, Recreation and Other” Patient expenditures as Program Accomplishments. Table 2 shows Volunteers, Inc. stopped reporting that data in 2008.

Table 2: Program Accomplishments — Section III, Statement of Program Accomplishments

	2002	2003	2004	2005	2006	2007	2008	2009
"Program Accomplishments" in Section III								
Patient Refreshments, Recreation and Other	\$213,634	\$453,717	\$389,312	\$225,979	\$333,299	\$201,558		
Volunteer Services Department	\$32,508	\$32,218	\$30,451	\$28,448	\$27,709	\$27,278		
Subtotal		\$485,935	\$419,763					
Grants and Allocations		\$187,500						

Among other things, Table 2 also shows that although Volunteers, Inc. reported on line 22 in **Part II, Statement of Functional Expenses** for both 2003 and 2004 that it had awarded “cash” grants of \$187,500 on the “Grants” line in both years (see Figure 10) — and that both donations in each year had gone exclusively to “Program Services” — only on its tax return in 2003 did Volunteers, Inc. report in **Part III, Statement of Program Accomplishments** that “Patient Refreshments, Recreation and Others” had been awarded a \$187,500 grant (see Figure 11).

Figure 10: Part II, Statement of Functional Expenses on Both 2003 and 2004 Form 990's

		(A) Total	(B) Program services	(C) Management and general
22	Grants and allocations (attach schedule)			
	cash \$ 187,500 on cash \$	187,500	187,500	STATEMENT 5
23	Specific assistance to individuals (attach schedule)			

Figure 11: Part III, Statement of Program Service Accomplishments, 2003 Form 990 Only

Part III Statement of Program Service Accomplishments What is the organization's primary exempt purpose? SEE STATEMENT 4		Program Service Expenses (Required for 501(c)(3) and (4) orgs. and 4947(a)(1) trusts, but optional for others)
a PATIENTS REFRESHMENTS, RECREATION AND OTHERS. SEE ATTACHMENT 1		
(Grants and allocations \$ 187,500		453,717.

Also notably, Table 2 on the previous page shows that between 2003 and 2004, the amount Volunteers, Inc. reported spending on actual program services in *Part III, Statement of Program Services Accomplishments* plummeted from \$485,935 to \$419,763, a drop of \$66,172 across a single year.

In 2008, when the IRS changed its reporting format, Volunteers Inc. stopped reporting anywhere in its Form 990's how much it had donated to LHH for volunteer functions versus its donations for patient refreshments and recreation.

Figure 12 shows that in both 2003 and 2004, Volunteers, Inc. listed on page 19 of its Form 990's it had made the two \$187,500 expenditures to "Laguna Honda Hospital," not to Renne's "Laguna Honda Foundation." Although Volunteers, Inc. reported a "donation" to an affiliate, it claimed it had no Donee "relationship," which is patently ridiculous, since all these entities are extremely closely entwined, drawn together by its lowest common denominator — Louise Renne.

Gallingly, Volunteers, Inc. appears to want it several ways: It alternatively claims the two \$187,500 donations totaling \$375,000 went exclusively to "Program Services" for actual patients, and also claims the same two donations went to Laguna Honda Hospital, which are thought to have been further diverted to Louise Renne's Laguna Honda Foundation to fund staff salaries.

Figure 12: Statement 5 of "Cash Grants and Allocations" on Both 2003 and 2004 Form 990's

FORM 990		CASH GRANTS AND ALLOCATIONS			STATEMENT 5
CLASSIFICATION	DONEE'S NAME	DONEE'S ADDRESS	RELATIONSHIP	AMOUNT	
DONATION TO AFFILIATE	LAGUNA HONDA HOSPITAL		NONE	187,500.	
TOTAL INCLUDED ON FORM 990, PART II, LINE 22				187,500.	

Gallingly, Volunteers, Inc. appears to want it several ways: It alternatively claims the two \$187,500 donations totaling \$375,000 went exclusively to "Program Services" for actual patients, and also claims the same two donations went to Laguna Honda Hospital, which are thought to have been further diverted to Louise Renne's Laguna Honda Foundation to fund staff salaries. Staff salaries are typically reported to the IRS under the "Management and General" category, which Volunteers, Inc. did not report.

Further Analysis

Even though the IRS changed its Form 990 reporting requirements in 2008, itemized expenses are still available for analysis. Table 3 shows standard itemized expenditures that had been reported on page 2 of the Form 990's between 2002 to 2007 in *Part II, Statement of Functional Expenses*, and continue to be reported in *Part IX, Statement of Functional Expenses* beginning in 2008; they've simply been moved from one section on the Form 990's to another.

Volunteers, Inc. has never reported "Occupancy," (a.k.a., "Rent") in any of the eight years of itemized expenses.

Among other things, Table 3 shows that Volunteers, Inc. claimed the two \$187,500 expenses were grants to other organizations, not funds supporting actual patients at, or volunteers of, Laguna Honda Hospital.

Table 3: Itemized Expenditures Still Required by the IRS

Itemized Expenses	2002	2003	2004	2005	2006	2007	2008	2009
Grants to other organizations		\$187,500	\$187,500				\$71,574	\$67,214
Professional fundraising								\$18,250
Depreciation								\$15,826
Postage and Shipping	\$3,547							
Equipment Rental and Maintenance	\$13,253	\$60,780	\$23,991	\$7,859				
Printing and Publications		\$3,111	\$3,356	\$3,722	\$3,801			
Conferences, conventions, meetings	\$4,082	\$4,131	\$3,205					
Subtotal "Itemized Expenses"	\$20,882	\$255,522	\$218,052	\$11,581	\$3,801	\$0	\$71,574	\$101,290

Table 3 also shows a spike in "Equipment Rental and Maintenance" in 2003 and 2004 **totaling \$84,771**, which by unconfirmed report, may have potentially funded acquisition of computer equipment for Renne's Laguna Honda

Foundation on top of the \$375,000 in so-called “grants” it may have been awarded, not equipment for Volunteers, Inc. Notably the spike in Equipment Rental and Maintenance first occurred in the year Renne served on Volunteers, Inc.’s board of directors.

Between 2002 and 2007, Volunteers, Inc. further broke out specific expenses in a “*Statement 3 — Other Expenses*,” (not shown in this report for each of the eight years), and on *Lines 24(a) through 24(f), Other Expenses*, an page 10 of the revised 2008 and 2009 Form 990’s. Table 4, below, presents this data in tabular format.

Table 4: “Other Expenses”

	2002	2003	2004	2005	2006	2007	2008	2009
"Other Expenses"								
Recreational Activities	\$59,257	\$49,027	\$43,889	\$62,613	\$43,573	\$44,465		
Christmas Gifts	\$31,910	\$33,319	\$26,852	\$39,042	\$35,099	\$35,313	\$31,253	\$24,930
Christmas Show	\$23,379	\$31,865	\$24,496	\$33,002	\$33,191	\$9,186		
Refreshments	\$4,197	\$3,643	\$3,557	\$3,703	\$3,630	\$3,053		
Plan Beautification	\$10,855	\$7,393	\$9,393	\$7,393	\$7,393	\$7,393		
Aquarium	\$6,660	\$6,660	\$6,660	\$6,105	\$7,215	\$5,550		
Volunteer Functions	\$17,508	\$17,218	\$15,451	\$13,423	\$14,376	\$13,945	\$19,333	\$13,312
Professional Fees	\$69,217	\$74,151	\$80,105	\$84,460	\$85,730	\$92,814	\$122,432	\$109,863
Insurance	\$3,402	\$3,474	\$1,916	\$3,172	\$3,343	\$3,440		
Taxes and Licenses	(\$354)	\$75	\$69					
Laguna Honda Express	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$29,802		
Miscellaneous Expenses	\$11,806	\$9,100	\$9,849	\$8,098	\$9,715	\$9,771		
Recreational Equipment	\$2,573	\$14,330	\$2,159					
Publicity	\$60,899	\$60,396	\$63,149	\$51,650	\$47,257	\$55,400	\$68,392	\$48,623
Board Directed Special Projects					\$133,063	\$33,027		
Director's Meetings					\$2,931	\$4,816		\$13,355
Office Expense						\$2,931	\$9,606	
All Other Expenses							\$38,221	\$47,698
Subtotal "Other Expenses"	\$331,309	\$340,651	\$317,545	\$342,661	\$456,516	\$350,906	\$289,237	\$257,781

- There has been no explanation why Volunteers, Inc. stopped itemizing “Recreational Activities” beginning in 2008.
- The drop in funding for Christmas Gifts between 2008 and 2009 may be, or may not be, due to the drop in LHH’s patient census from approximately 1,100 patients down to approximately 780 patients during 2008.
- The drop, and then elimination, of funding for the LHH Christmas Show in 2008 is thought due to the closure of Gerald Simon Auditorium, located in the old buildings at LHH, which was closed for seismic, and other, renovation during construction of LHH’s new facilities.
- Volunteers, Inc. stopped reporting itemized donations for “Refreshments,” “Plan Beautification,” and the “Aquarium” in 2007.
- Financial support for actual “Volunteers Functions” at Laguna Honda Hospital in 2009 was the lowest amount in the eight-year period, shrinking by almost one-third between 2008 and 2009.
- “Professional Fees” — the vast majority of which for the past eight years has largely been allocated by Volunteers, Inc. to either “Management and General” or to “Fundraising” — crossed the six-figure line in 2008, spiking at \$122,432 in 2008 out of the total \$289,237 in “Other Expenses.” Fully 42.3 percent of “Other Expenses” in 2008 was reported as Professional Fees.
- Volunteers, Inc. stopped reporting in 2008 “Other Expense” funding for the *Laguna Honda Express* — bus services to transport residents to off-site outings (that expense appears to have been cost-shifted from Volunteers, Inc. to Laguna Honda’s Hospital’s separate patient gift fund). It does not appear that Volunteers, Inc. cost-shifted the *Laguna Honda Express* expense to its “Grants to other organizations” in Table 3 on the previous page; it is not clear whether LHH will continue to provide bus outings for residents as a *required* expenditure from its patient gift fund.
- In 2008, Volunteers, Inc. stopped reporting itemized “Other Expenses” for either “Recreational Equipment,” or for “*Miscellaneous Expenses*,” and instead introduced a new category titled “**All Other Expenses**,” which had not previously been itemized or reported.
- Strangely, Volunteers, Inc. itemized “Office Expenses” for only two years — 2007 and 2008 — but not other years.

- Expenses for “Directors Meetings” — reported for only three of the eight years — were almost five times higher in 2009 than when first reported in 2006.
- “Office” expenses were reported in only two years (2007 and 2008); how could there be “Office expenses,” when there were no Occupancy (Rent) expenses?
- Volunteers, Inc. started reporting in 2008 a whole new “All Other Expenses” category at the same time it stopped reporting any “Miscellaneous Expenses.” Aren’t they the same thing?
- Miscellaneous Expenses” that had averaged \$9,723 annually between 2002 and 2007 suddenly shot up to \$38,221 in 2008, and then to \$47,698 in 2009 in the new “All Other Expenses” group, fully five times more than the six-year average.

Table 5 compares the “Itemized Expenses” to “Other Expenses.” In 2003 and 2004, the “Itemized Expenses” included the two \$187,500 expenditures to fund staffing for Renee’s Laguna Honda Foundation, and in 2008 and 2009 grants to other organizations also artificially inflated Itemized Expenses. As Table 4 illustrates, Volunteers, Inc. stopped providing greater detail about the “Other Expenses” category when it stopped including a detailed “Statement 5.”

Table 5: Total “Functional Expenses” Revisited

	2002	2003	2004	2005	2006	2007	2008	2009
Subtotal “Itemized Expenses”	\$20,882	\$255,522	\$218,052	\$11,581	\$3,801	\$0	\$71,574	\$101,290
Subtotal “Other Expenses”	\$331,309	\$340,651	\$317,545	\$342,661	\$456,516	\$350,906	\$289,237	\$257,781
Total	\$352,191	\$596,173	\$535,597	\$354,242	\$460,317	\$350,906	\$360,811	\$359,071

Shifting Reporting From “Miscellaneous Expenses” to “All Other Expenses”

It is clear from Table 4 that Volunteers, Inc. suddenly stopped reporting “Miscellaneous Expenses” in 2007, and switched to reporting “All Other Expenses.”

The new Form 990 forms the IRS introduced in 2008 very clearly state in the instructions for **Line 22, Other Expenses**, in **Part IX, Statement of Functional Expenses**:

”Expenses grouped together and labeled ‘miscellaneous’ may not exceed 5% of total [functional] expenses reported on line 25 below.”

The amount on Line 25 is the same amount reported in “Total Expenses” reported on the new Line 18, in **Part I, Summary**. Clearly, in 2008 and 2009, the new “All Other Expenses” on Line 24(f) in Part IX on page 10 exceeded the 5 percent threshold. In contrast, although the IRS may not have had the 5 percent restriction prior to 2007, the yellow shading in Table 6 provides a “what-if” estimate of what a 5 percent restriction would have looked like.

Table 6: More on the “All Other Expenses” New Category

	2002	2003	2004	2005	2006	2007	2008	2009
5% Threshold to “Miscellaneous”	3.4%	1.5%	1.8%	2.3%	2.1%	2.8%		
5% Threshold to “All Other Expenses”							10.6%	13.3%

It is troubling that Volunteers, Inc. chose to circumvent the IRS’ new 5% reporting restriction — **by cleverly creating a new category called “All Other Expenses” within the “Other Expenses” main category** — and is not providing details about what the \$47,698 “All Other Expenses” in 2009 funded, since that involved fully 13.3 percent of its total spending in 2009.

Donors to Volunteers, Inc. deserve to know what the large amount of “All Other Expenses” spending actually funded in 2009.

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Cost-Shifting Volunteers, Inc.'s Publicity Expenses

Although the “Publicity” expenses line in Table 4 above does not appear to vary much from year to year, details of how Publicity was allocated between “Program Services,” “Management and General,” and “Fundraising” across the eight-year period shown in Table 7 is also troubling.

Table 7: “Publicity” Expenditures

	2002	2003	2004	2005	2006	2007	2008	2009
“Publicity”								
Program Services	\$30,000	\$30,000	\$30,000	\$30,050	\$26,666	\$26,666	\$55,843	\$46,228
Management and General	\$27,749	\$15,305	\$15,000	\$15,025	\$13,334	\$13,334		
Fundraising	\$3,150	\$15,091	\$18,149	\$6,575	\$7,257	\$15,400	\$12,549	\$2,395
Total	\$60,899	\$60,396	\$63,149	\$51,650	\$47,257	\$55,400	\$68,392	\$48,623
Publicity Percent on Program Services	49.3%	49.7%	47.5%	58.2%	56.4%	48.1%	81.7%	95.1%

- In 2008, Volunteers, Inc. stopped reporting itemized “Publicity” for Management and General completely. Why Publicity for Management and General averaged \$16,625 across the six-year period, and then sank to zero spending, is not known.
- Publicity spending for “Fundraising” reached its lowest level in the eight-year period in 2009.
- There is no explanation why Publicity spending for Program Services more than doubled between 2007 and 2008. Why Publicity for Program Services would reach 95 percent of the total Publicity spending in 2009 is not known.

A Final Word on the Two \$187,500 Expenses to Fund Renne’s Laguna Honda Foundation

The two separate \$187,500 “grants” Volunteers, Inc. made in 2003 and 2004 shown in Figure 10 that were ostensibly made to provide seed money to Louise Renne’s Laguna Honda Foundation deserve a little more commentary.

First, if Volunteers, Inc. actually made two separate \$187,500 grants to Laguna Honda Hospital, as reported on their 2003 and 2004 Form 990’s, San Francisco’s Charter and its Administrative Code requires that the Board of Supervisors accept any gifts to the City valued at more than \$25,000; any gift over \$25,000 typically are first approved by a controlling Commission, in Laguna Honda’s case, the [Public] Health Commission.

When she served as City Attorney, Louise Renne issued Opinion Number 87-19, “Acceptance of Gifts” regarding the San Francisco Public Library. Surely she knew of other restrictions regarding the City’s acceptance of gifts. Typically, gifts to City Departments of less than \$25,000 may be accepted and expended by a Board or Commission, such as the Health Commission. But gifts in excess of \$25,000 typically require acceptance by the full Board of Supervisors.

Agendas of both the Health Commission and the Board of Supervisors do **not** report anywhere during their meetings in 2003 or 2004 acceptance of two Laguna Honda Volunteers, Inc. \$187,500 gifts or grants to Laguna Honda Hospital totaling \$375,000^{12, 13}.

Had the City accepted two \$187,500 gifts from Volunteers, Inc. — and then later dispersed that money to a non-profit agency such as Renne’s Laguna Honda Foundation — it should have been scheduled on multiple agendas of the Board of Supervisors.

The potential failure to report acceptance of, and subsequent disbursement of, the two \$187,500 grants may explain why the City Services Auditor restricted its November 2010 audit of the LHH patient gift fund to the period of November 1, 2004 to June 30, 2010, so it would not have to audit the two \$187,500 donations.

¹² Indeed, a search of the agendas for 50 Health Commission, and 82 Board of Supervisors, meetings held across 2003 and 2004 posted on their respective web sites show that the only “gift” from Volunteers, Inc. in 2003 and 2004 involved an “accept and expend” resolution permitting the City to accept a van from Volunteers, Inc. valued at \$37,587. The two \$187,500 Volunteers, Inc. “grants” were never placed on the agendas of either the Health Commission or the Board of Supervisors.

¹³ The \$187,500 “grant” Volunteers, Inc. made in 2003 — before December 2003 — was likely made to Laguna Honda Hospital, not to Laguna Honda Foundation, because Renne’s Foundation IRS Form 1023 application to the IRS was dated February 4, 2004, and it did not receive tax-exempt approval until March 18, 2004. Its 2004 application included an April 15, 2003 letter indicating it had received a “pledge” from Volunteers Inc., and the Form 1023’s **Part IV, Financial Data** showed it only had net assets of \$77,705.

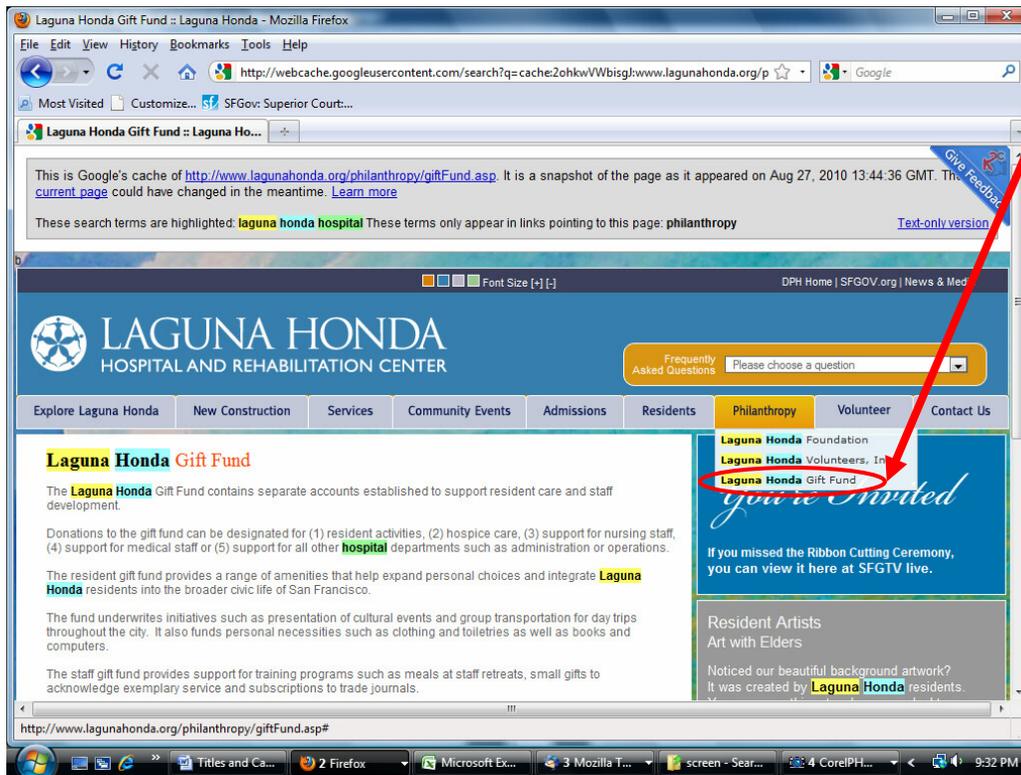
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About Laguna Honda Hospital’s Web Site for Charitable Donations

Laguna Honda Hospital’s City-funded website had — until September 2010 — contained three links for how donor’s could support philanthropic giving, including donating directly to LHH’s patient gift fund.

That same web site now informs donors of only two opportunities, having removed the link on how to donate directly to the patient gift fund. The City-funded web site now points only to the two non-profit organizations.

Figure 13: Screen Capture of Laguna Honda Hospital’s “Philanthropy” Internet Presence



- On August 27, 2010, LHH’s web site included a link to its patient “Gift Fund.”
- In early September 2010, the link to the Gift Fund donation instructions web page had been removed from LHH’s web site, and has not been re-instated, despite numerous appeals to the Health Commission to have it re-instated.
- The web site now instructs donors only on how to contact the two non-profit organizations to make donations.

Volunteers, Inc. Suddenly Decides to Change Its Name

After 54 years of exemplary service to Laguna Honda’s patients and volunteers, Volunteers, Inc. has suddenly decided to change its name. Joe Lehrer, Volunteers, Inc.’s present is resigning. It isn’t known what precipitated these sudden changes, or whether they are another casualty of the LHH patient gift fund scandal.

Figure 14: Extract From Laguna Honda Hospital Executive Administrator’s Report to the Health Commission’s LHH-Joint Conference Subcommittee, Dated March 24, 2011

Friends of Laguna Honda

The Laguna Honda Volunteers, Inc. announced a new branding initiative at its March board meeting in the Kanaley Community Center. The re-branding includes a name change to Friends of Laguna Honda. The organization has been a long time benefactor of Laguna Honda residents. It began its philanthropic work in 1957, providing resident amenities such as clothing, personal items, assistive devices, aquariums, and other goods and services that help to create comfort and safety. The Volunteers are perhaps best known for their annual Laguna Honda Holiday Show broadcast on local cable TV and performed in the hospital’s Gerald Simon Theatre.

Also at the March meeting, Volunteers, Inc. president Joe Lerer passed the mantel to new president Bruce Nelson of Union Bank. The hospital’s executive staff looks forward to working with Bruce over the coming year.

Recommendations for Donors

It should be apparent to donors that they should clearly place restrictions on donations to Volunteers, Inc. Every non-profit knows that donors have a choice between restricted giving, and un-restricted giving. That’s why they have “restricted” accounts, and “unrestricted” accounts.

Just as “location, location, location” is important business advice, so too is “restricted, restricted, restricted” when it comes to charitable giving.

Whether donors want to contribute to help actual LHH patients, or to help the volunteers who give so freely of their time, donors should place restrictions in a written letter when they make a contribution to Volunteers, Inc. Specify exactly how you want your donations to be spent, and on what.

If you want your donation to cover only Christmas Gifts, say so. If you want your donation to cover a volunteer luncheon, say so. If you want your donation to cover recreational activities, say so. If you want your donation to help fund off-campus outings to culturally-appropriate restaurants, say so, putting restrictions on the “Memo” line of your check.

Donate Directly to LHH’s Patient Gift Fund

Better yet, if you want your donation to go directly to LHH patients, consider bypassing Laguna Honda Volunteers, Inc. entirely, donating directly to the Laguna Honda Hospital patient gift fund, again specifying restrictions on your charitable donations.

If your concern is for Alzheimer’s patients, consider placing an explicit restriction your donation is for LHH’s Dementia program.

If your concern is for Hospice patients, consider placing an explicit restriction your donation is for LHH’s Hospice.

If your concern is for Asian or AIDS patients, tell them so, specifically, when you donate. Table 8 contains the current sub-accounts within LHH’s patient gift fund to contribute towards.

Table 8: Accounts, and Account Codes, Within LHH’s Patient Gift Fund

Grant code	Description	Purpose / Intent
HLACTH	Activity Therapy	Activity Therapy program related expenses
HLADDY	LHH Adult Day Health Center	Adult Day Health Center program related expenses, e.g. special food and beverages, flowers and sundries for participants NOTE: Why this fund is maintained, when LHH shut down its Adult Day Health Center in 2008 or 2009, is not known.]
HLAIDF	LHH AIDS Fund	Positive Care program related expenses, e.g. special food and beverages, flowers and sundries for {HIV/AIDS} residents
HLASIA	LHH Asian Focus	Chinese language focus program related expenses, e.g. special food and beverages, Chinese newspaper, flowers and sundries for residents
HLDTIA	LHH Dementia Program	Memory Care (Dementia) program related expenses, e.g. special food and beverages, flowers and sundries for residents
HLHSPC	Hospice	Hospice program related materials and supplies, e.g. special food and beverages, flowers and sundries for residents
HLMGFT SA	Substance Abuse Treatment Services (SATS) Program	SATS program related expenses, e.g. special food and beverages, flowers and sundries for residents
HLMHBQ	Martin Heller Bequest	Resident related expenses, e.g. special food and beverages, flowers and sundries for residents
HLTBIG	Traumatic Brain Injury Group	Traumatic Brain Injury Group related expenses,
HLXPRF	LHH Express Fund	Bus trips for residents, evening and weekend outings
HLMISC	Miscellaneous Gift Fund	Resident related expenses

If you want your donations to help support the many dedicated volunteers at LHH, donate to Volunteers, Inc., but tell them exactly how you want your donations used to support the volunteers.