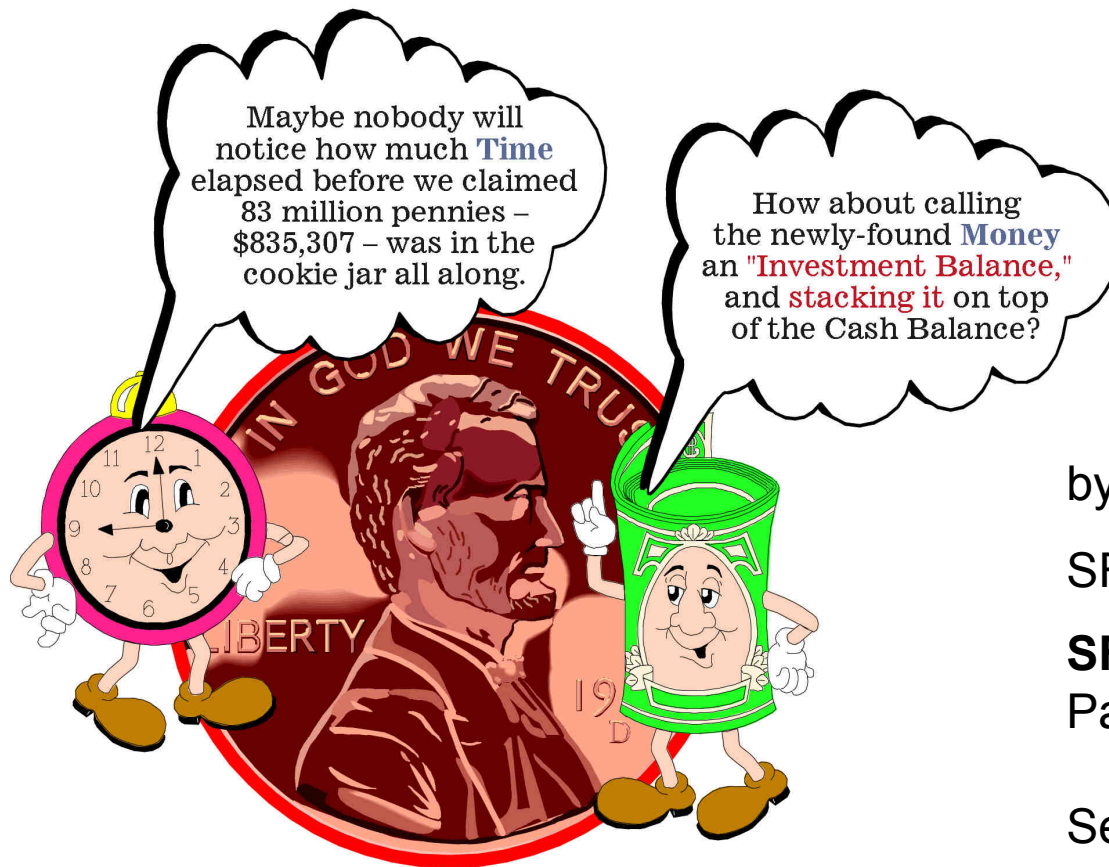


Laguna Honda Hospital's Patient Gift Fund:

*Creative Accounting Suddenly Finds
83.5 Million "Pennies From Heaven"
Nobody Knew of Before September 3*



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Figure 1: LHH's Patient Gift Fund Cash Balance by Fiscal Year End

- When the LHH patient gift fund story surfaced on May 20, 2010 **Marc Slavin**, LHH's Director of Government and Community Relations, said **\$800,000** was in the patient gift fund.
- In June 2010, Deputy City Controller **Monique Zmuda** provided data showing the gift fund had a **balance of \$726,808** as of June 2010.
- On August 25, **Zmuda** again indicated the gift fund **balance was \$726,808**.
- They were referring to the "**cash balance**," which appears to be depleted by \$1.3 million.

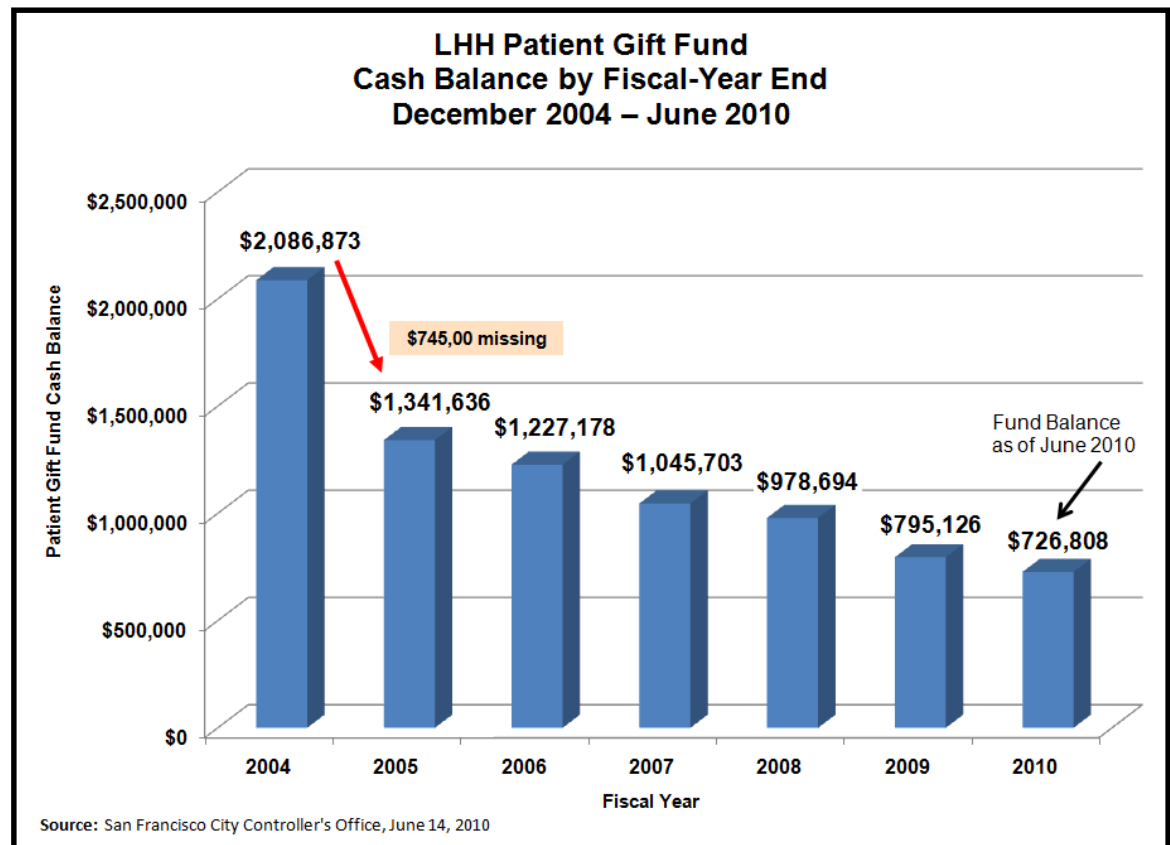


Figure 2: Investment Balance Suddenly Falls From Heaven on September 3

- Between **May and June 2010**, multiple people — including KGO TV's "I Team," Drs. Rivero and Kerr, and this Examiner — placed records requests **seeking balances** in the gift fund's various sub-accounts. In June, Monique Zmuda said the "balance" was \$728,808.
- On **August 25**, Zmuda **didn't indicate** a magical "**Investment Balance**" account existed; instead, she repeated August 25 the gift fund balance was \$726,808.
- Data shown in Figure 2 — were you to believe it — **did not surface until September 3, 2010**.

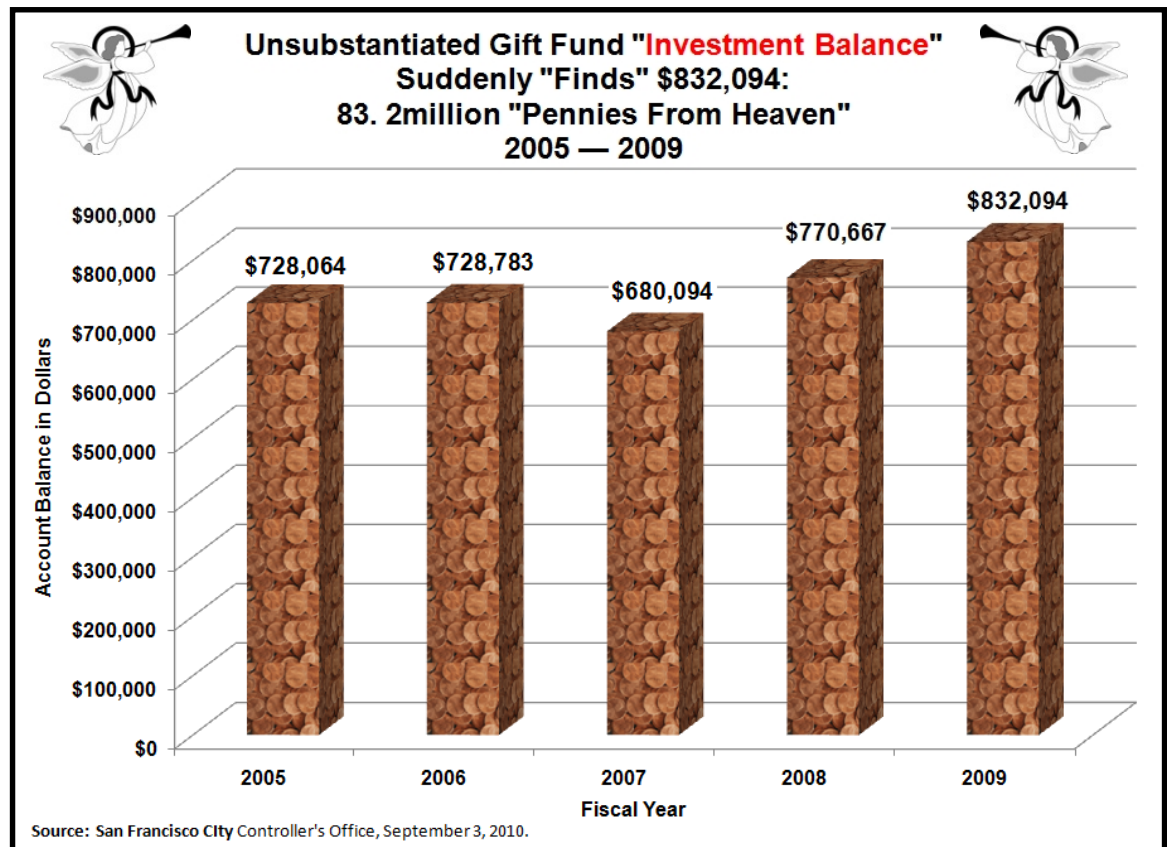


Figure 3: Previously, There Was a Single "Gift Fund"; Now, the City Claims Separate "Cash" and "Investment" Balances

- Reasonable people wonder why City Officials — including Marc **Slavin**, Dr. Mitch **Katz**, Monique **Zmuda**, and Alan **Pavkovic** — **didn't mention between May and September** an "Investment Balance" account even existed.
- Where was this money all this time, and **why did it suddenly fall from heaven** on September 3?
- If the "Investment Balance" existed, why were LHH **staff** repeatedly told the gift fund was "**bankrupt**"?

Why were **patients** told there was "**no money**"?

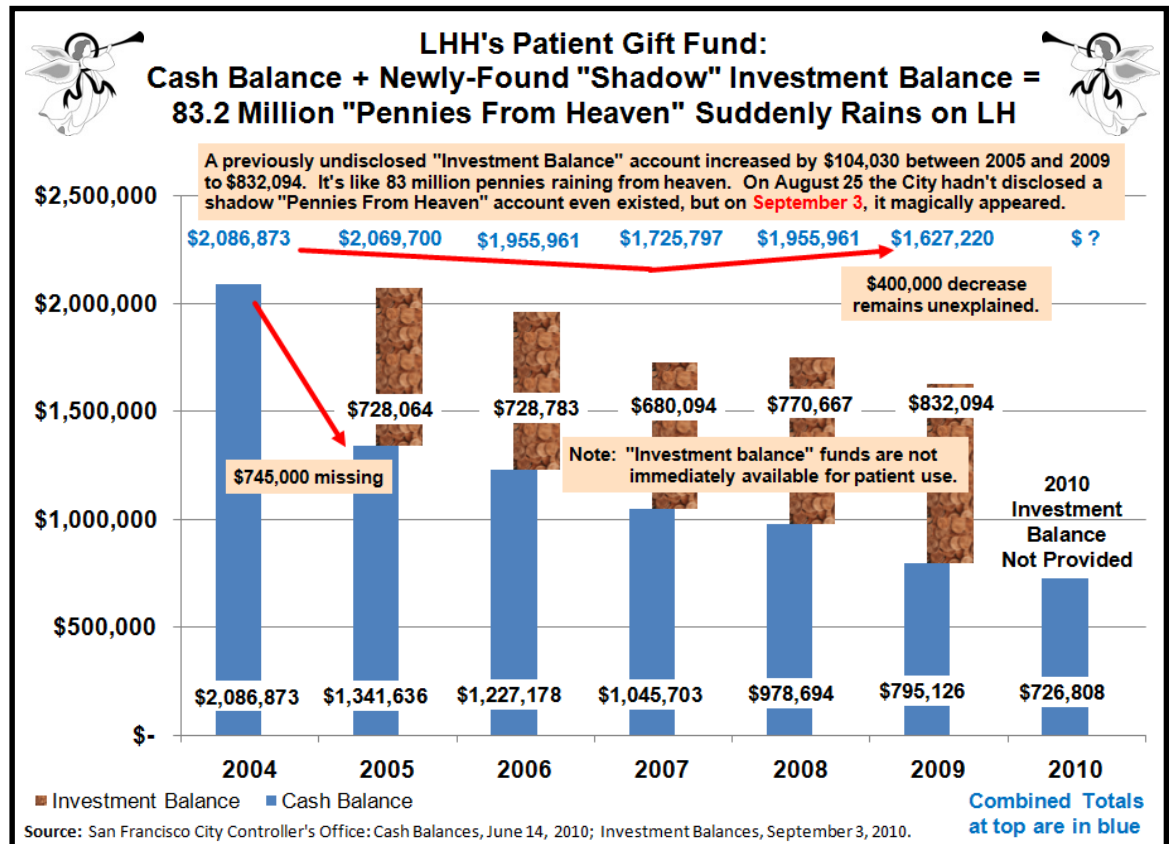


Figure 4: Ten Days After the Investment Account Was First Revealed, It Was Suddenly Revised Upward

- On September 13 — **ten days** later — Alan **Pavkovic** suddenly provided updated “Investment Balance” data.
- Neither the **\$585,688** loss in the “Total Balance,” nor the **\$649,685** loss in the “Cash Balance,” were explained by Pavkovic.
- Since last April and May, DPH and the Controller’s Office was repeatedly asked for the patient gift fund’s “Total Balance” but **the City was unable to provide it until 9/3/10**.
- It’s unclear why the City didn’t disclose the Investment Balance before September 3.

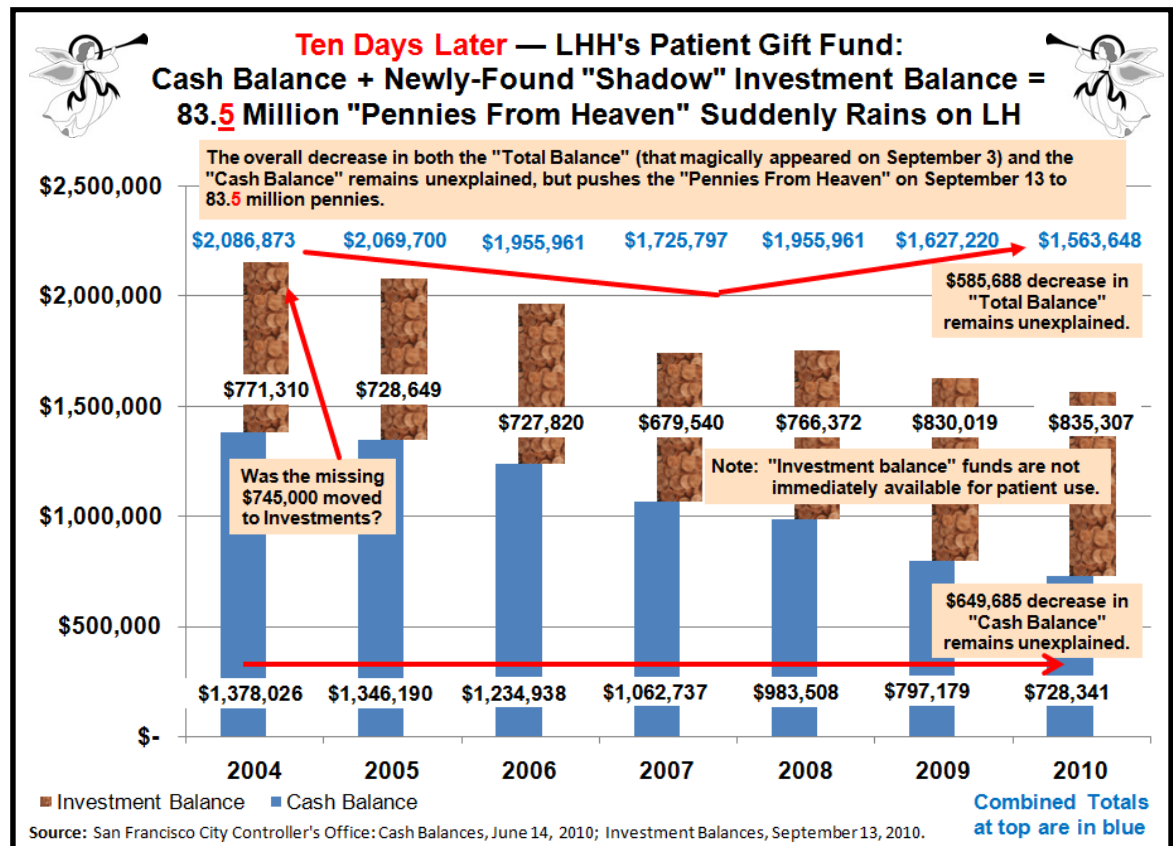


Table 1: Why Is There a New “Investment Balance” ... And What Happened to Major Bequests?

- Long-standing **major bequests to the patient gift fund** — which stipulate the bequests were to add comfort to patient’s well-being — **have been depleted**:
 - Between 2004 and 2005, **\$1,581,882 vanished** from the Big Bequests.
 - By 2010, the Big Bequests **shrank by \$1,956,433**.
- In place of the Bequests, we are now supposed to believe an “Investment Balance” has replaced major bequests — **if you accept the dichotomy** there had been no Investment account prior to 2004. Why were the long-standing assets drained, and an undisclosed and **undocumented “investment” fund** set up ?

Table 1: Depletion of Major Bequest Sub-Accounts

Major Bequest or Account	6/30/2004	6/30/2005	6/30/2010	Variance 2004 – 2010
Martin Heller	\$773,488	\$437,469	\$57,100	
Will Lenahan	\$896,741	(\$144,878)	\$0	
Marie Lewis	\$214,179	\$9,165	\$0	
Comolli Trust	\$67,021	\$67,021	\$0	
Dirovizza Trust	\$62,104	\$62,874	\$0	
Total:	\$2,013,533	\$431,651	\$57,100	(\$1,956,433)

Figure 5: Discrepancy in Amounts Donated to LHH's Patient Gift Fund?

- Although Dr. Katz's September 2 Press Release claimed **\$570,000** had been contributed to the "patient gift fund" between fiscal years 2004–2005 through 2009–2010, **donations to the patient gift fund through fiscal year 2009–2010 totaled \$698,769**, according to the City Controller on 9/13/10.
- Why is Katz under-reporting** the amount contributed to the patient gift fund by at least \$128,769?
- Katz claims **\$37,102 will be restituted** to the gift fund, **ignoring restitution of \$100,485** in earned interest siphoned from patients.

