

Financial Transparency in the US Catholic Church What Can We Learn from Diocesan Financial Reports?

VOTF Assembly
Hartford, CT
April 18, 2015

Pope Francis has called for greater financial transparency and accountability in the church.

During the clerical sex abuse crisis we learned that lack of financial transparency was a key element of the cover-up.

Diocesan financial transparency is NOT required by law, but since the Pope is calling for it, many Bishops are providing financial reports in response and perhaps in the hope of increasing giving.

VOTF has been working for almost 5 years to enhance financial transparency and help lay Catholics understand Diocesan Finances.

The percentage of Diocese in the US providing financial reports have greatly increased in that time.

Your Diocesan website can be a major source of information about the financial transparency and financial health of your diocese – or NOT!

During this workshop we plan to review some of the tools VOTF has assembled for you to assess church finances and take a closer look at one Diocese that has been in the news...

Last Year at The Assembly We Focused on Bishop Michael Warfel of Great Falls-Billings



Last year at this finance workshop we focused on financial malfeasance in the Diocese of Great Falls-Billings. We learned that Bishop Michael Warfel expressed pastoral attitudes but turned a blind eye to financial impropriety and clerical sexual abuse. As background, his Diocese was established in 1909 when the Vicariate of Montana (founded in 1883) was split in two. It has 51,629 Catholics with 15 schools (12 primary 3 high schools). This year we are traveling thousands of miles to a very different Diocese, led by a very different kind of Bishop...

This Year We Will Turn Our Sights on Bishop Frank Dewane of Venice in Florida



The Diocese of Venice in Florida is one of the newest in the US, founded on July 17, 1984 when Pope John Paul II formed the Diocese of Venice in Florida from parts of the Archdiocese of Miami, the Diocese of St. Petersburg and the Diocese of Orlando. It has 227,055 members – many more than in Great Falls-Billings - but only 13 schools (10 primary and 3 high school) compared to 15 in the Montana diocese.

Bishop Dewane was a late vocation. Prior to entering the seminary, he worked for the National Broadcasting Corporation (NBC) in Moscow, Russia, and then for a subsidiary of PepsiCo in New York City.

He brings a strong business background to the management of his Diocese...



And a less than humble assessment of his role, *“presiding in place of God”* over his flock.

This attitude has not made him popular with all the members of the flock, including some of his priests.

Problems with Priests

The Diocese of Venice in Florida Pastors and Priests

January 17, 2014

Your Excellency Archbishop Carlo Maria Viganó
The Apostolic Nunciature to United States of America
3339 Massachusetts Avenue, N.W.
Washington, DC, USA 20008

Dear Archbishop,

May our Lord grant you ever deeper peace and joy as we work together to spread the Good News of our Lord Jesus Christ at home and throughout the world.

We are pastors and priests in the Diocese of Venice in Florida who place ourselves into your hands and earnestly request that this letter remain confidential with regard to the following grave concerns.

Since the appointment of Bishop Frank J. Dewane and his subsequent installation here in the Diocese of Venice on January 19, 2007, the behaviors described below have increasingly demoralized both the clergy and the laity in the wake of his administration. Aware of many letters of concern which have been sent to both the Apostolic Nunciature and the Congregation for Bishops in Rome, we come before you now as a united group to say our situation worsens with time and has become intolerable.

- 1) The Diocesan finance council as mandated in Can. 492 is not being used by the bishop as the law envisions. There is no financial transparency in the bishop's office. Of particular concern, for example, is the acquisition of properties which are reported in news journals but are kept secret from clergy and the laity of the diocese. There are many examples of excessive and apparently impulsive spending of diocesan funds which appear unmonitored by the customary controls.

These priests have sent a letter to the Papal Nuncio (still awaiting a response) calling attention to what they identify as violations of Canon 492 among other concerns. Canons 492 to 494 are entitled "The Finance Council and Finance Officer." Joseph Finn has written a good summary of lay governance issues in financial matters entitled "Lay Governance in the Church Under Canon Law" which is available on the VOTF website.

Bill Donohue, President of the Catholic League for Civil and Religious Rights, claims Bishop Dewane's critics are dissidents who "have declared war on Bishop Frank Dewane," but to some it appears that Bishop Dewane is the aggressor.

Note that the priests' letter also refers to "acquisition of properties which are reported in news journals but kept secret from the clergy and laity of the Diocese". Concern about lack of transparency in the real estate dealings of the diocese has also been expressed by the local VOTF affiliate.

Lots of Real Estate Deals

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Church buys 465 acres on S.R. 72

By Michael Braga

Published: Thursday, October 11, 2012 at 1:00 a.m.
Last Modified: Wednesday, October 10, 2012 at 8:22 p.m.

Related Links

Map: All Saints Cemetery

More Videos



SNH: Home Invasion Leaves Suspect Dead in North Sarasota



SNH: Another Arrest in a Manatee County Sex Sting



SNH: ...

SARASOTA COUNTY - A company owned by the Catholic Diocese of Venice has bought 465 acres on State Road 72 for about \$2.9 million.

That translates into about \$6,230 per acre.

All Saints Catholic Cemetery Inc. bought the property at 8990 S.R. 72 from LT Partners LLLP, a Sarasota company managed by Charles H. Turner, records show.

Latimer Turner had paid \$2.365 million, or \$5,090 per acre, for the land in December 1998.

All Saints Catholic Cemetery is subsidiary of the diocese and is managed by Rev. Frank J. Dewane, Rev. Stephen McNamara and Volodymyr Smeryk.

In May, in another real estate deal, the diocese transferred a 3,931-square-foot office building at 5055 North Tamiami Trail in Sarasota to its subsidiary -- Catholic Charities Diocese of Venice Inc. -- in a deal valued at \$330,000, records show. The Diocese paid the same price for the building in August 2009.

Before that, it belonged to Cosmo Enterprises LLC, a Sarasota

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- Sarasota woman dies from car-accident injuries
- Longboat Key man created clothing and company to sell it
- The new 'living room' for Ringling College

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This newspaper article is just one example. Local VOTF members have learned a lot about these real estate dealings and have several questions about the purchases and about real estate taxes paid by the diocese.

6

And Potential Financial Problems



In addition to complaints about Bishop Dewane's authoritarian leadership style and questions about his real estate dealings, there are reports of lawsuits such as this one which might affect the Diocesan financial situation. The Diocese did not mention this lawsuit in its 2014 Finance report, but may have decided that it had no merit.

We have heard lots of
troubling things, but
finances are about FACTS

How do we get the facts
when we are dealing with
Diocesan finances?

We could assume (and might WANT to assume) that where there's smoke, there's fire and Bishop Dewane's arrogance is accompanied by financial skullduggery, but we need to move beyond rumor to financial facts.

What are the FACTS about his financial leadership of the Diocese of Venice in Florida?

Go to Programs Select Financial Accountability



Let's first talk about some new tools VOTF has been developing to make it easier to find the facts.

To find the VOTF Finance Portal, go to the Programs section on the VOTF website and select Financial Accountability.

Keep the Faith, Change the Church.
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OF THE FAITHFUL

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Financial Accountability

Since our founding in 2002, Voice of the Faithful® has worked consistently to support increased transparency and accountability for Church finances at the parish and the diocesan levels. We realized then that the lack of financial transparency, especially at the diocesan level, allowed the crimes of clerical sexual abuse to fester unnoticed for decades.

Lack of open accounting does not necessarily indicate malfeasance, but it certainly makes it easier. Further, it represents an abdication of responsibility on the part of lay people. We should exercise responsible stewardship and ensure that the resources we provide to advance the mission of the Church are applied properly.

VOTF's Financial Working Group (FWG) provides guidelines, background information, and do-it-yourself **tools that help you** work towards financial transparency and accountability at both the parish and the diocesan level.

We also provide you with a **central repository for all publicly available financial information** provided by each diocese and eparchy in the U.S. that reports such data online. Use our web portal to check on your diocese, compare it with others, and open links to the financial data they make available. Just **click here**, click Guest, and choose DIOCESE_DATA.

Diocesan Finances

After 2002, many dioceses made significant progress in reporting their finances to the lay faithful who provide that support. For example, it is no longer considered acceptable in many parts of the country for the bishop to take financial gifts from faithful members of the diocese without some level of accountability even though bishops still hold all legislative, executive, and judicial authority within a diocese.

In places where professional diocesan financial reports are provided, it is no longer possible for the leadership of a diocese to pay huge legal settlements or provide large sums of money for legal fees without the faithful of the diocese being alerted to the ways in which their contributions are used.

But progress has varied greatly across the United States. **Here are tools** that can help you obtain greater transparency and accountability in your diocese.



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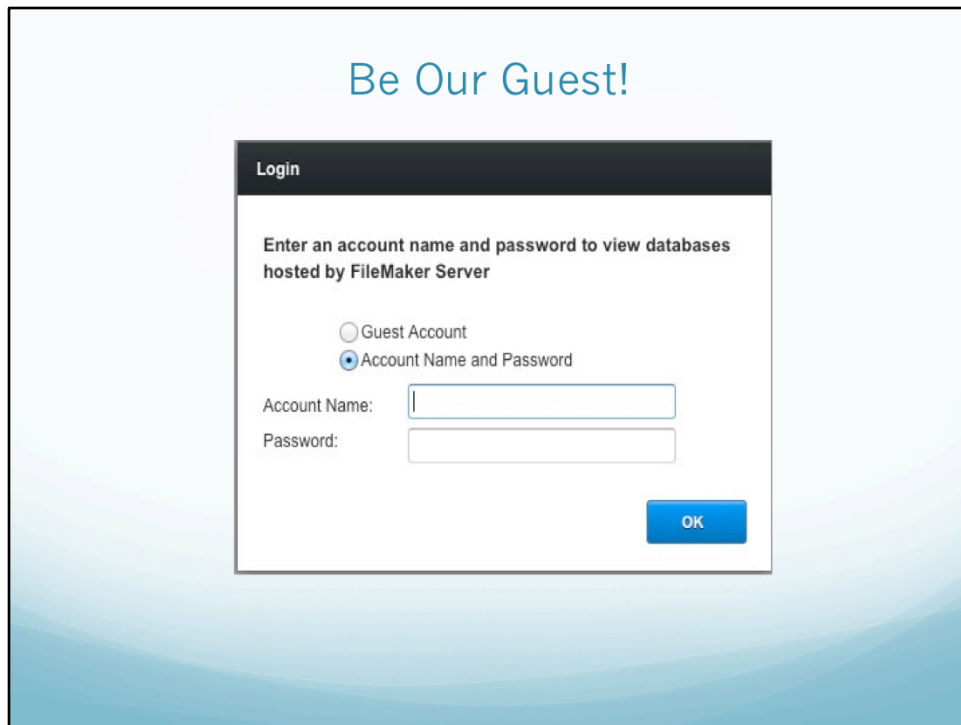
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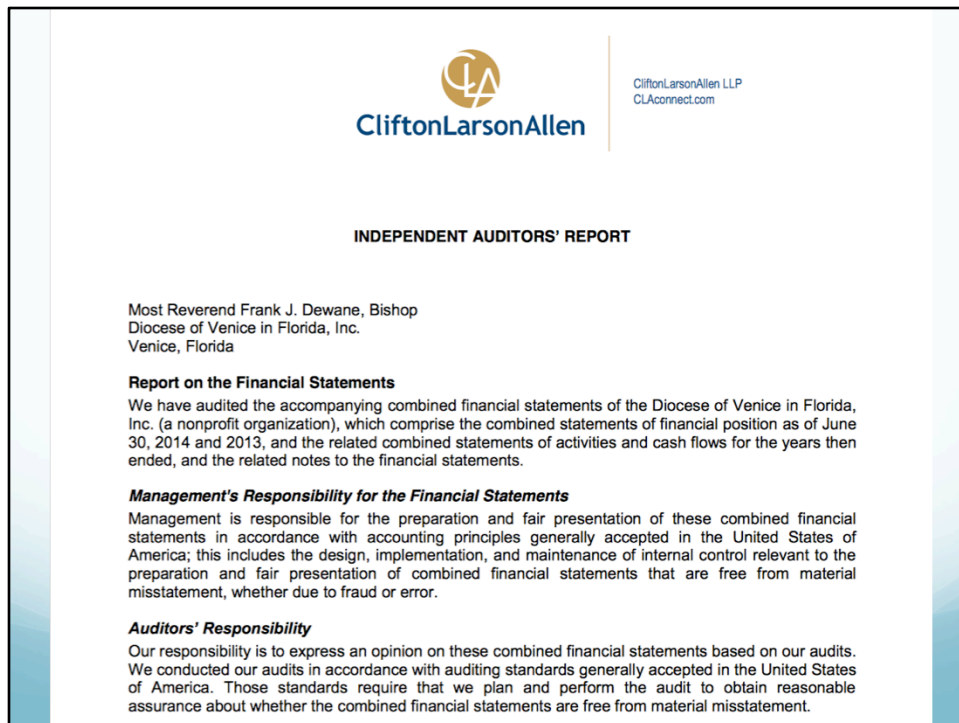
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Sign in as a guest and explore the Website.

Hand out the Portal Guide and step through the features of the Portal.



Now we will review the most recent financial report from the Diocese of Venice to learn more about the financial health of the Diocese and assess to what extent the Diocesan finances could be considered transparent

•
Pass out the Guide to reading finance reports and start with a couple of introductory remarks:

Remember that Bishop Dewane is under no legal obligation of financial transparency, BUT he has chosen to report.

Financial transparency has no benefit unless someone is paying attention. As financial supporters of a diocese, we must make an effort to understand what is being reported to us.

So what can we learn about the Diocese of Venice, and what could we learn about our own Diocese?

The guide says the most important first step is that a diocesan financial report should be audited.

This is an AUDITED report – That's good

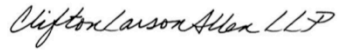
Most Reverend Frank J. Dewane, Bishop
Diocese of Venice in Florida, Inc.

Basis for Qualified Opinion

As discussed in Note 17 to the combined financial statements, the accounts of the All Saints Catholic Cemetery, Inc. have not been included in the accompanying combined financial statements of the Diocese of Venice in Florida, Inc. In our opinion, accounting principles generally accepted in the United States of America require those accounts be included in the accompanying combined financial statements.

Qualified Opinion

In our opinion, except for the effects of not including the accounts of All Saints Catholic Cemetery, Inc., deemed to be an entity under common control, as discussed in the Basis for Qualified Opinion paragraph, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Diocese of Venice in Florida, Inc. as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CliftonLarsonAllen LLP

Fort Myers, Florida
October 10, 2014

The Guide says an unqualified opinion from the auditor is best.

But the auditors have given the Diocese of Venice in Florida a “qualified opinion”.
What does that mean?

It means that they have found significant transparency deficiencies according to
“generally accepted accounting principals” or GAAP.

It is interesting that we need to look at the Notes (see Note 17) to learn details of
this deficiency and to understand its possible significance.

Notes are written by the Diocese and reviewed by the auditor.
A lot of really interesting things can be found in the Notes.

**DIOCESE OF VENICE IN FLORIDA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Diocese of Venice in Florida was established by Pope Saint John Paul II in 1984 from parts of the Archdiocese of Miami, Diocese of Orlando, and the Diocese of St. Petersburg, and is geographically comprised of the ten counties of Southwest Florida. The Chancery offices of the Diocese conduct business through the Diocese of Venice in Florida, Inc. (the "Diocese"), which consists of the Office of the Bishop and his Curia or support staff, who minister to parishes, schools, and other institutions within the geographical Diocese of Venice in Florida. The Diocese's accounts do not include the assets, liabilities, net assets, revenues, or expenses of parishes, missions, schools, Catholic Charities of the Diocese of Venice, and low income housing units, among others. Certain institutions within the Diocese are separately incorporated as nonprofit corporations under the laws of the State of Florida. The Diocese does include assets, liabilities, net assets, revenues and expenses of the outreach and support service programs that are under the direct administrative operations of the Diocese.

The Most Reverend Frank J. Dewane, in his capacity as Bishop, holds title to all real property within the geographical Diocese including its parishes, missions, schools, and certain Institutions under both the Laws of the State of Florida and the Laws of the Roman Catholic Church in trust for these entities. He is empowered under both civil and Ecclesiastical law to receive and hold title to real property, administer all real property, and to dispose of all real property of each and every entity in the geographical Diocese, for the benefit and use of those entities. Deeds for all real property for parishes and schools are in the name of "Frank J. Dewane as Bishop of the Diocese of Venice in Florida, His Successors in Office, a corporation sole." A corporation sole is not a statutory corporation. It exists under the common law doctrine that is recognized in the State of Florida by Florida Statute §2.01. Authority is referenced to Reid v. Barry, 112 So.846 (Fla). Under the doctrine, the Bishop "solely" is the corporation and is the only interested person. Since it is not a statutory corporation, there are no articles of incorporation, by-laws, or any officers or directors. Real property assets held by the Corporation Sole in trust for the Diocese are included in the accompanying combined financial statements.

We can learn a lot from this first note.

We learn that the audit does not include many subsidiary operations of the diocese.

We can also read Bishop Dewane's definition of Corporation Sole.

Diocese of Venice in Florida “GAAP Departure”

DIOCESE OF VENICE IN FLORIDA, INC. NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 17 GAAP DEPARTURE

All Saints Catholic Cemetery, Inc. (ASCC) was incorporated during the year ended June 30, 2013. ASCC has three voting members: the Bishop, the Vicar General, and the Chancellor of the Diocese. Although ASCC is a separate legal corporation, accounting principles generally accepted in the United States of America require that an entity such as ASCC be included in the financial statements of the Diocese of Venice in Florida, Inc. If ASCC had been included in the combined financial statements of the Diocese at June 30, 2014, total land, buildings, and equipment would have increased \$3,002,873; mortgages and other notes receivable would have decreased \$3,244,475; interest revenue would have decreased \$147,124; and total net assets – end of year would have decreased \$242,002. If ASCC had been included in the combined financial statements of the Diocese at June 30, 2013, total land, buildings, and equipment would have increased \$3,002,873; mortgages and other notes receivable would have decreased \$3,109,851; interest revenue would have decreased \$106,977; and total net assets – end of year would have decreased \$106,977.

Note 17 explains the GAAP departure identified by the auditor. It is associated with a newly established corporation called All Saints Catholic Cemetery. In fact there was a similar GAAP departure in previous diocesan audited reports associated with another separate corporation called the Catholic Community of Southwest Florida. The diocesan financial statement and an Independent auditors' report prepared by Natherson and Company, P.A., for the years ended June 30, 2011 and 2010 states that the Catholic Community of Southwest Florida “administers and invests endowed gifts for the parishes, schools and other entities of the Diocese”. There is no indication in this report of the activities of the All Saints Catholic Cemetery in this 2013/2014 report beyond the corporation name.

Statement of Financial Position or Balance Sheet

DIOCESE OF VENICE IN FLORIDA, INC. COMBINED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 28,218,906	\$ 18,086,237
Accounts Receivable	2,928,639	2,835,080
Investments	63,798,506	55,527,901
Loans and Accrued Interest Receivable from Diocesan Entities, Net	26,766,320	32,522,682
Mortgages and Other Notes Receivable	9,764,179	10,759,577
Land, Buildings, and Equipment, Net	7,548,691	7,154,036
Other Assets	1,873,253	2,188,965
Land Held for Expansion	27,436,919	27,431,918
Total Assets	\$ 168,335,413	\$ 156,506,396

Financial Health:

Let's use the Guide to evaluate the financial health of the diocese, starting with the statement of financial position, often called a balance sheet because it "balances" assets and liabilities.

The Guide asks

Does the Diocese have a significant level of cash compared to current liabilities?

Assets:

It had \$18M in 2013 and \$28M in 2014 in cash and cash equivalents. The first two categories (cash/cash equivalents and accounts receivable) are the most liquid of assets.

In 2013 the diocese had more than \$20M in these two categories combined.

In 2014 it had more than \$30M.

LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	\$ 1,423,163	\$ 1,413,349
Insurance Claims Payable	1,137,454	2,914,468
Savings on Deposit from Diocesan Entities	50,787,696	47,814,275
Deferred Revenue	13,438,464	12,106,359
Funds Held for Others	3,270,082	3,118,371
Other Liabilities	1,558,475	1,653,945
Mortgage Notes Payable	6,210,374	7,362,380
Total Liabilities	77,825,708	76,383,147
NET ASSETS		
Unrestricted:		
Designated for Outreach	576,941	451,178
Designated Endowment	4,728,428	3,991,513
Designated for Land, Buildings, and Equipment	7,548,691	7,154,036
Designated for Future Expansion	40,593,782	40,606,947
Undesignated	35,309,350	26,177,769
Total Unrestricted	88,757,192	78,381,443
Temporarily Restricted	152,513	141,806
Permanently Restricted	1,600,000	1,600,000
Total Net Assets	90,509,705	80,123,249
Total Liabilities and Net Assets	\$ 168,335,413	\$ 156,506,396

See accompanying Notes to Combined Financial Statements.

What are liabilities corresponding to cash/cash equivalents and accounts payable?

Current liabilities are those due within a year, so look at accounts and claims payable:

Accounts payable were \$1.4M both years

Claims payable were \$3M in 2013 and \$1M in 2014

The ratio of assets to liabilities in 2014 was 30 to 1. In 2013 it was 4.5.

YES, the Diocese is VERY healthy and getting healthier!!

Plus they have a strong line of credit (Note 8)

They have a VERY positive Net Assets (\$88M in 2014)

And many of their assets are unrestricted.

**DIOCESE OF VENICE IN FLORIDA, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Support and Revenues:				
Parish Assessments	\$ 11,364,171	\$ -	\$ -	\$ 11,364,171
Insurance Program Revenue	14,208,582	-	-	14,208,582
Contributions and Collections	870,024	10,707	-	880,731
Investment Income	9,264,694	-	-	9,264,694
Miscellaneous	413,723	-	-	413,723
Other Property Revenue	243,580	-	-	243,580
Total Support and Revenues	36,364,774	10,707	-	36,375,481
Net Assets Released from Restrictions	-	-	-	-
Total Support and Revenues	36,364,774	10,707	-	36,375,481
Expenses:				
Program Services:				
Pastoral Ministries	199,793	-	-	199,793
Education and Faith Formation	649,546	-	-	649,546
Mission and Apostolate Support	2,989,813	-	-	2,989,813
Catholic School Support	1,453,893	-	-	1,453,893
Vocations and Clergy Formation	1,101,074	-	-	1,101,074
Canonical Services	231,807	-	-	231,807
Insurance Program Expenses	11,017,811	-	-	11,017,811
Interest Paid on Savings Deposits	1,081,839	-	-	1,081,839
Total Program Service Expenses	18,725,576	-	-	18,725,576
Support Services:				
Temporal Services	5,617,564	-	-	5,617,564
Stewardship and Development	421,486	-	-	421,486
Total Support Service Expenses	6,039,050	-	-	6,039,050
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	11,600,148	10,707	-	11,610,855

Next, the Statement of Activities:

Start at the bottom – Does the Diocese have a positive change in net assets?

Positive \$10M change in net assets!

CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	11,600,148	10,707	-	11,610,855
NON-OPERATING ACTIVITIES				
Doubtful Accounts Expense	<u>1,224,399</u>	<u>-</u>	<u>-</u>	<u>1,224,399</u>
CHANGE IN NET ASSETS	10,375,749	10,707	-	10,386,456
Net Assets - Beginning of Year	<u>78,381,443</u>	<u>141,806</u>	<u>1,600,000</u>	<u>80,123,249</u>
NET ASSETS - END OF YEAR	<u>\$ 88,757,192</u>	<u>\$ 152,513</u>	<u>\$ 1,600,000</u>	<u>\$ 90,509,705</u>

See accompanying Notes to Combined Financial Statements.

(4)

The Diocese has a change in net assets of over \$10M , so it is clearly not operating at a loss.

So you can use the Guide and review the rest of the statement when you have more time, but here is what we've learned so far:

Bishop Dewane has voluntarily
produced an audited report (good)

The Diocese is financially health
maybe uber-healthy (good?)

The report indicates significant
deficiencies in transparency
(not good)

So we have learned that Diocese of Venice in Florida has produced audited reports of financial statements despite being legally required to do so.

Based on this reporting it is clear that financial health of the Diocese is very strong.

The auditing agency found GAAP deficiencies in transparency in the current and previous reports

These corporations which are not fully reported upon may have some dealings with the real estate holding of the Diocese.

Beyond these conclusions, more study and investigation will be required to clarify the role of the current corporation, The All Saints Catholic Cemetery/ How might we go about doing that?


What is this “GAAP Departure”

corporationwiki

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A Brita Pitcher Can NOT Filter This...



Texas man discovers new pitcher that filters out fluoride, heavy metals and prescription drugs... [See The Secret Here](#)

[Graphic Demo]

Overview of All Saints Catholic Cemetery, Inc. in Venice, FL

All Saints Catholic Cemetery, Inc. filed as a Domestic Non Profit Corporation in the State of Florida on Tuesday, January 31, 2012 and is approximately three years old, as recorded in documents filed with Florida Department of State. The filing is currently active as of the last data refresh which occurred on Sunday, September 1, 2013.

Key People

Volodymyr Smayk serves as the Director and has interests in other corporate entities including St. Vincent Depaul Housing, Inc., Trinity Enterprise Holdings, Inc. and thirteen more corporations.

Frank Dewane is the Director of All Saints Catholic Cemetery, Inc.. Frank's additional corporate interests include Diocese of Venice in Florida, Inc., The Foundation for The Care of The Migrant Poor, Inc. and four more corporations. Frank's past corporate affiliations include The Florida Catholic of Venice, Inc., Venice Catholic Communications, Inc.

The registered agent for the company is Joseph A. Divito. Also known as a statutory or resident agent, the registered agent is responsible for receiving legal notifications regarding court summons, lawsuits, and other legal actions involving the corporate entity.

Key People & Organizations for All Saints Catholic Cemetery, Inc.

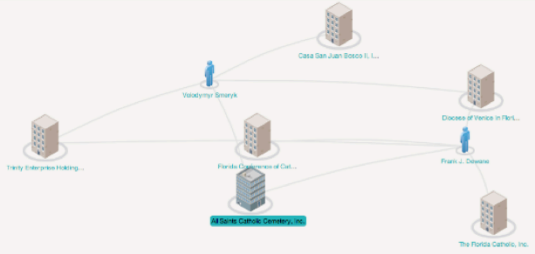
All Saints Catholic Cemetery, Inc.
Venice, FL **Active**

2 Active Members Found **Download Company Report**

Key roles for All Saints Catholic Cemetery, Inc.

Volodymyr Smayk DIRECTOR	Active
Frank J. Dewane DIRECTOR	Active

1 records have been suppressed from this profile per our opt out policy.



The diagram illustrates the corporate network of All Saints Catholic Cemetery, Inc. (center). It is connected to several other entities:

- Trinity Enterprise Holdings, Inc.
- St. Vincent Depaul Housing, Inc.
- Casa San Juan Bosco II, L.L.C.
- Diocese of Venice in Florida, Inc.
- Frank J. Dewane
- The Florida Catholic, Inc.
- Florida Department of Corrections

Corporate Wiki is one good source to investigate the corporations associated with GAAP deficiencies in this report. **Demonstrate the capabilities of the website.**