

Review Group's Report on Dick Grafer's Analysis of Diocese of Rockville Centre's Financial Statements

An independent group of accountants and consultants was brought together by our Finance Committee to review the work of accountant H. Richard Grafer whose analysis of diocesan financial statements concluded that the Diocese of Rockville Centre has significant "free" cash reserves, or surplus funds, on hand and that "free" cash reserves continue to grow from year to year. You may find some background on why this review group was assembled, and what we hope to accomplish by publishing the group's findings helpful.

Most of you are familiar with Voice of the Faithful's three goals: to support those who were abused; to support priests of integrity; and to bring about structural change in the church. Our pursuit of goal three here on Long Island led us to call on Bishop Murphy to support an elected Representative Diocesan Finance Council, along with complete openness and transparency in financial matters. An elected council would operate along side, but independent of, the bishop's appointed council whose expertise in investment management we do not question. An elected council would bridge the gap between the bishop's appointed council and the faith community by looking at finances from the perspective of spending priorities. It would also be a step forward by responding to the pervasive call for accountability.

We sent our proposal for an elected Representative Diocesan Finance Council to the diocese in 2004. We also presented it to the bishop's representatives with whom our liaison team met in January 2005. We received no response. A copy of our proposal that includes the formation, mission, and responsibilities of the elected council is on our website (see Financial Accountability). We conducted an independent survey of Long Island Catholics and on September 12, 2006, we presented 7,000 signatures to the diocese calling on the bishop to approve an elected council. We have yet to receive a response.

While LIVOTF was pursuing an elected Representative Diocesan Finance Council, H. Richard Grafer undertook an analysis of diocesan financial statements as they became available for fiscal years 2003, 2004, and 2005 (the latest available). For each year, he reported "free" cash reserves were substantial, and they continue to increase from year to year. Mr. Grafer's reports provided a clear example for why the diocese needs an elected Representative Diocesan Finance Council to represent the interests of the entire faith community. Yet, the diocese called Mr. Grafer's analyses flawed, and on September 6, 2006 it published an article in the *Long Island Catholic* dismissing his findings. We then decided to resolve the issue by seeking out a group of volunteer professionals to independently review the materials involved and render an opinion on whether or not Dick Grafer's analysis is supportable.

Independent Review Group Members:

The group was formed in January 2007 and includes four members:

1. **Ronald S. Jendras** - A financial consultant and treasurer of an award-winning non-profit organization. Former VP/Controller of a major LI corporation.
2. **Joseph Claude Harris, MBA** - Author and consultant. Former Chief Financial Officer for St. Vincent de Paul Society in Seattle, WA and controller for an aircraft parts manufacturing firm. Has written extensively on financial and staffing issues in the American Catholic Church. A resident of Seattle.
3. **Carlos Gutierrez** - Executive director of a bank consulting firm. An accountant with over 17 years experience as a bank examiner.
4. **Joseph Finora** - Retired accountant specializing in taxation.

The group makes clear in its letter of transmittal for the report that "...the members of this volunteer group are not members of the Voice of the Faithful and their views are not necessarily the views of this group."

Principal Objectives of the Group:

1. Determine whether accountant H. Richard Grafer's report on the existence of "free" cash reserves or surplus diocesan funds is supportable.
2. Determine whether the diocesan response to Mr. Grafer's report, published in the September 6th issue of *the Long Island Catholic*, is consistent with the audited financial statements.

What the Group Found:

1. Mr. Grafer's report is supportable, and his conclusions are reasonable.
2. There is no evidence that the diocese has a clear, specific and measurable policy or plan for managing surplus funds.
3. Better communications between the diocese and LIVOTF could resolve the issues.

What Does the Review Group's Report Mean and What Does LIVOTF Hope to Achieve by Publishing It?

To appreciate what motivates LIVOTF to undertake this independent review, one need understand that we are an organization of faithful Catholics. We are deeply concerned for our church. This has not been an exercise in insubordination, or worse yet, outright rebellion against the leadership of our diocese or the Roman Catholic Church. Our members accept the church as hierarchical and sacramental. We also accept, as an expression of the will of the Holy Spirit, Vatican II and its call for active participation by all in the faith community. We truly believe that this exercise in financial stewardship is an expression of the rights extended and encouraged by Vatican II. We believe the review group's report will benefit the diocese by encouraging closer attention to financial planning, and we have no doubt that better planning will result in more efficient use of resources and improvement in services for those with the greatest physical and spiritual needs.

Our fervent hope is that this report will encourage Bishop Murphy to approve formation of an elected Representative Diocesan Finance Council in the diocese. The formation of such a council would represent a major step forward in reconciling the diocese and the lay community it serves.

Finally, we would like to extend our deep appreciation to the members of the review group, and Dick Grafer, for the time and effort they devoted to this unusual (for our Church) exercise in financial stewardship.