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St. Paul-Minneapolis archdiocese releases financial records

by Brian Roewe

Abuse-related expenses for the St. Paul-Minneapolis archdiocese surpassed \$400,000 in the last two years and have totaled more than \$6 million in the past decade, according to financial documents released Thursday.

The records, including everything from donations to education costs, represented the first time the archdiocese has made public its full audited financial report. The move is the latest effort toward greater transparency and accountability amidst a clergy sex abuse scandal that has seen Twin Cities church leadership charged with mishandling allegations and even led to the suspension of its archbishop from public ministry.

"We are doing this because we are accountable to the people we serve," said Auxiliary Bishop Lee Piché in *The Catholic Spirit*, writing a guest column in place of Archbishop John Nienstedt, who remains out of public ministry while local authorities investigate an allegation of abuse against him.

"Without the time, talent and treasure of the hundreds of thousands of Catholics who support the ministry of this local Church, we could not live out our mission to make the name of Jesus Christ known and loved," Piché wrote.

The report, conducted by an independent Minneapolis-based firm, spans the 2012 and 2013 fiscal years and covers financial information exclusively for the Chancery Corporation, which includes all archdiocesan administrative and program offices. Parishes and several other organizations, including Catholic Charities and most Catholic high schools, function under financial independence, as per state law.

While operating revenue increased from \$32.1 million in 2012 to \$35.5 million in 2013, so did operating

expenses (\$28.1 million to \$30.8 million), and a net \$1.5 million surplus in operating activities in 2012 turned into a \$3.9 million deficit in 2013. In his own report on the finances, Chief Financial Officer Thomas Mertens largely attributed the deficit to an increase of nearly \$4 million in litigation reserves to cover potential civil suit liabilities.

As for abuse-related costs already incurred, the archdiocese spent a total of \$224,739 in 2013 and \$176,086 in 2012 for expenses and services related specifically to the sexual abuse of minors by clergy. In a supplemental statement, it did not list specific settlement figures for those years, though it noted \$2.3 million in settlement payouts in the past decade, about a third of a total of \$6.2 million related to the sexual abuse of minors. Other sums included \$1.8 million toward victim support and counseling, \$1.5 million toward living expenses for priests credibly accused and no longer in ministry, and \$566,318 in legal services.

Mertens said the archdiocese, numbering more than 825,000 Catholics, remains in solid financial condition, even with pending litigation related to what he called "the unprecedented third 'open window' " in the state's statute of limitations related to sexual abuse. In May, Minnesota lawmakers lowered the statute for three years to allow adults abused as children to file suits.

Because of the window, Mertens said the archdiocese was not able to determine projected amounts for unknown claims and could not look for examples in other states "because no other state has had as many 'open windows' during which the civil statute of limitations has been lifted."

He clarified that the accruals listed in the audit -- \$5.3 million in 2013; \$650,000 in 2012 -- are management's estimates and not indicative of actual legal outcomes.

"Losses from unknown claims could be substantial," he said, adding that the archdiocese will turn over such costs to insurers when possible, but said some claims could extend beyond a time when insurance was available or, at most, minimal. Among known claims, a majority date back 20 to 30 years.

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The accounts containing abuse-related expenses, categorized under clergy services (at \$8.4 million the largest expense of 2013), had come under scrutiny locally, with some media reports casting them as part of a "stealth financial system" to pay abusive priests to leave ministry and cover settlements.

Though the total abuse costs have not emerged, what the archdiocese has spent to date pales to the bills paid by other dioceses. In Los Angeles, two separate global settlements eclipsed \$700 million, with legal costs still unclear; in Milwaukee, legal fees themselves are estimated to have totaled \$12 million; and in Helena, Mont., terms of their recent bankruptcy have set aside \$15 million in settlement funds.

Outside the abuse of minors, the archdiocese has spent an additional \$2.6 million related to priest misconduct in the last decade and approximately \$500,000 in the past two years. Those expenses include treatment, services and living expenses for priests dealing with addictive or behavioral issues -- such as gambling, alcoholism, and sexual conduct with adults -- as well as counseling and settlements for adult victims of misconduct. In all, the \$8.8 million spent on clergy misconduct in the last 10 years equated 2 percent of revenues.

In terms of giving, the archdiocese saw increases of 4 percent (\$14.1 million in 2013) from parish contributions and 6 percent (\$8.1 million) from its Catholic Services Appeal. Despite the gains, it remains

unclear how resistant donations will remain in light of the abuse scandal, which snowballed in late September.

By November, several prominent donors made public their intentions to halt their contributions until Nienstedt is replaced. In his report, Mertens noted that beginning in 2014, an independent nonprofit oversees the appeal funds and their use solely in designated ministries, a possible attempt to hedge off donor concerns that their contributions would cover potential litigation costs.

Other expenses from fiscal year 2013 included \$6.5 million on Catholic education; \$2.4 million in community services (largely assistance for area poor, homeless and special needs persons, as well as emergency parish relief); and \$1.3 million for its marriage, life and family department.

Also of note was the rapid growth of its communications and community relations services. In 2012, the departments' expenses totaled \$731,541, lowest among all programs and services. A year later, the expenses spiked to \$3.6 million -- greater than that of parish services (\$2.2 million) and of the general and administrative costs (\$3.1 million), which includes the archbishop, auxiliary bishops, and its financing and accounting.

In his summary of the audit, Mertens notes that on July 1, the *Spirit* newspaper and other diocesan publications became part of the communications office. Also in 2013, the office launched the Rediscover initiative, an outreach program.

The timeline of the jump also aligns with the archdiocese's participation in a statewide campaign supporting a state amendment defining marriage as the union of one man and one woman. Voters ultimately rejected the amendment, and seven months later, the state Legislature legalized same-sex marriage in Minnesota. Estimates have the Twin Cities archdiocese spending close to \$1 million on the campaign between 2010 and 2012.

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