The IDI Hospital Summary

The Board of The Papal Foundation recently approved an unprecedented grant of $25 million to a dermatology hospital in Rome. The following summary will explain why both the process by which the grant was given along with the grant itself are disturbing. In my opinion as Chairman of the Audit Committee, these recent actions will make it virtually impossible to recruit new Stewards, or to retain the membership of many current Stewards. In many respects, the decision to grant $25 million to a dermatology hospital in Rome without proper due diligence is a disaster for the Papal Foundation. Not only is the decision process flawed, but the recipient has a dubious past.

Our Normal Grant Process

Every December we normally agree to give the Vatican roughly $8-10 million from our General Fund. (The Flatley Mission Fund and Saeman Scholarship Fund are separate and their $3-4 million are not directly controlled by the board).

A $25M Grant - The IDI Hospital

This year, in the summer, the Vatican contacted Cardinal Wuerl and asked for an immediate $25 million for a three-year loan to the failing hospital in Rome. This was clearly far outside our normal level of giving and also departed from our normal process of voting on grants at our December meeting. Even though the Vatican specifically asked for a loan with the repayments to be used as offsets to our grants in future years, Cardinal Wuerl insisted on making this an outright grant.

The initial $8 million was sent without any supporting documentation for the loan. Subsequently, Sister Keehan, President of Catholic Hospital Association in the U.S visited IDI. After her visit, she presented to the board a 2-1/2 inch thick binder of information (mostly in Italian) on medical procedures, resumes, newspaper articles and the IDI cosmetic division. Sister reported that none of our grant money had been used as of mid October, 2017 and because of Italian tax regulations IDI needs a LOAN, not a grant.

The IDI hospital had been a media and legal disgrace with embezzlement and fraud and bankruptcy. We’ve been told that the bad guys are gone, but so are some of the notable doctors (Red Flag #1). Tinged with scandals, this 147 bed dermatological hospital in Rome has bad morale, inefficient administration and $24 million in unpaid vendor bills (Red Flags #2,3,4). A big problem are 40 unneeded union workers who must stay on the payroll (Red Flag #5). The Vatican hired an Executive Director who resigned after only nine months on the job. (Red Flag #6). The Vatican then hired a lawyer as Executive Director who has been running the hospital since October.

Missing from the binder were two key items: an interview with the former Executive Director to uncover why he jumped ship so suddenly, and a set of financials. There was no Balance Sheet. There was no clear explanation as to how the $25 million would be used. Normal grant requests are fairly specific about how our money will be used. Buried in the thick binder was only a one-page financial projection labelled “Draft for Discussion” showing:

2017  1.6 million Euro PROFIT
2018  2.4 million Euro PROFIT
2019  4.4 million Euro PROFIT

And on this data, our Board of Directors voted to grant this failing hospital $25 million of our hard-earned dollars. To put this in perspective, rarely have we given above $200,000 to a grant request. I pointed out that there was NO PROFESSIONAL DUE DILIGENCE, just a lot of fluff. If the numbers presented were accurate, then this commercial enterprise should go to a bank. They don’t need our money. If the numbers were not
accurate, then a decision could not be made. The three other Stewards on the Audit Committee are unanimously opposed to the IDI grant decision, but they don’t have votes.

The absence of a NEED for our cash; the insistence of a grant, when a loan had been requested; the missing interview of the resigned Executive Director all raise major concerns. Too many Red Flags. This is a badly run business venture, not a helping of our Church or a helping of the poor. Cardinal Wuerl stated that the Holy Father is simply turning to The Papal Foundation for assistance to get through that bridge time while the hospital gets back on its feet. Sounds like a business loan to me.

The Board met in December to discuss the IDI grant. The Papal Foundation had already given $8 million in July to the failing hospital and wanted to give another $17 million over three years. In a carefully choreographed process the 15 bishops outvoted the 9 Stewards with a vote of 15 YES, 8 NO, 1 ABSTENTION (two bishops did not participate). It was a clear out-muscling of the Stewards. Political favor replaced sound stewardship of our resources.

On a subsequent Board conference call on January 4, the Stewards expressed deep concern on this grant and we were able to put a condition on the $25 million grant. That condition, while still sending another $5 million later this month, now requires IDI hospital to send quarterly reports to The Papal Foundation. If the reports show a lack of progress, the Board will merely *reconsider* future disbursements. I tried to delay the upcoming $5 million until we receive financials and an accounting for the $8 million already sent but was blocked from discussion by Cardinal Wuerl.

**Conclusion**

I relayed these matters to the three Steward members of the Audit Committee. They are unanimous in their support of my position as Chairman of the Audit Committee. The decision process is flawed and has ignored proper stewardship of our generosity.

**Audit Committee**