August 28, 2025

ANALYSIS AND REVIEW OF DIOCESE OF GAYLORD LOAN(S) TO DIVINE MERCY PARISH (CATHOLIC COMMUNITY OF MANISTEE - CCM) AND COLLECTION OF UNPAID SCHOOL TUITION

EXECUTIVE SUMMARY

It cannot be conclusively shown what level or amount of past loans and unpaid tuition should be attributed to the operations of Manistee Catholic Central (MCC) School, due to the shared flow of parish funds across multiple campuses during the 2000s. As Father James Bearss stated in his August 15, 2025 message: "Divine Mercy Parish will make no claim for the payment of any past debt." What follows are the results of the financial forensic analysis and review that was conducted.

INTRODUCTION

The St Lazurus Group, formed to explore the feasibility of purchasing and operating the former Manistee Catholic Central (MCC) School as an independent Catholic school, has requested that I analyze and review any and all debt that may be currently attributed to the former MCC school. The focus of this report are three loans made to, at the time, St Joseph Parish Manistee, (Divine Mercy Parish, (DMP)) and the current efforts to collect unpaid tuition.

GOAL OF THIS REVIEW

This review is being undertaken with the goal of determining the percentage of the outstanding loan debt that is attributed to Manistee Catholic Central Schools as well as review the collection of unpaid tuition.

DIOCESE OF GAYLORD LOANS TO CATHOLIC COMMUNITY OF MANISTEE, (DMP)

During the review of what was thought to be one large loan from the Diocese of Gaylord to the Catholic Community of Manistee for the payment of bills for operations, insurance, maintenance and large repairs for Manistee Catholic Central, St. Joseph Parish campus, Guardian Angels Parish campus and St. Mary's Parish campus, were actually three loans. The dates of these loans and their amounts are as follows:

October 2009 $137,283.00 (Note: It appears that this amount may have been taken from the parish assets and was not a "loan")

June 10, 2014	$335,640.22
September 10, 2015	$230,535.00
TOTAL	**$703,458.22**

The current loan balance is: $306,447.43. DMP continues to make monthly payments to the Diocese of Gaylord for these loans. According to the current payment schedule it is anticipated that this loan will be repaid in full in early 2032.

REVIEW OF DMP FINANCIAL RECORDS

A review of the DMP (CCM) financial records, that were available, was analyzed to understand why it was necessary to obtain the three loans (two loans and one distribution from parish assets) from the Diocese of Gaylord. In addition to financial records a review of the parish bulletins from these time periods was conducted.

2009 Distribution of Funds from Parish Assets ($137,283)

In the November 15, 2009 Catholic Community of Manistee (CCM) Bulletin Father John McCracken writes the following report concerning the Annual Financial Report Fiscal Year Ended June 30, 2009:

"Dear Parishioners,

We share with you the end-of-the-year report for the Catholic Community of Manistee that was recently sent to the Diocese. As you review this report you will see that our expenses exceeded our revenue. This shortfall was met by taking $137,283 from our assets in the Diocesan Deposit and Loan Program, leaving $199,404 in assets. We as a community also fell short in our 2008 CSA target by $32,504. Since this money has to be paid back in full, we have begun to send $1,000 a week from our operational funds to the CSA office in Gaylord to pay off this shortfall. We encourage that every household in the Catholic Community of Manistee to prayerfully consider their weekly sacrificial contribution to support and continue the work of the Lord here in Manistee, as well as their commitment to the diocesan and universal work of the Church through CSA.

Father John and members of the CCM Finance Council"

Based on this report and a review of the existing financial records I could not find any extra-ordinary information indicating that MCC was responsible for any of this $137,283 distribution from the parish assets.

June 10, 2014 Loan of $335,640.22 from the Diocese

In February 2014 both Guardian Angels Church and St. Mary's of Mount Carmel church are closed in Manistee.

In the March 16, 2014 CCM bulletin, the February Financial Report shows the CCM continuing to fall farther and farther behind financially. In fact, the report states that Total bills due by February 28th was $366,217.88 after paying what the CCM could for February. In this financial report Father McCracken states:

"In reviewing the report, we are receiving income to meet payroll and health insurance and pay some of the current monthly bills. However, we are still not able to pay down past bills. A majority of the aged payables are fixed costs: property insurance on our eleven buildings*, retirement for our priests and lay employees, as well as our CSA shortfall. We realize that responding to this financial challenge will not be accomplished overnight and that it may get worse before it gets better. Some of our cost-cutting measures will require time to make an effect.

We thank the parishioners who have increased their weekly offering. We ask those parishioners who have not done so to prayerfully considering (SIC) doing so, and finally we encourage those parishioners who are unhappy with recent decisions that were made and have lowered or stopped their contributions to reconsider, as it is not helping our response to this financial challenge."

*NOTE: A large error went un-noticed for a long time in that property and liability insurance was not paid for the eleven buildings for the CCM nor was the monies for the retirement fund paid. This resulted in a very large amount owed to the Michigan Catholic Conference (insurance and benefits provider).

In the April 20, 2014 bulletin the March Financial Report defines the extent of the insurance money owed to the Michigan Catholic Conference: The total of aged payables due was listed as $366,217.88. Father John writes: “The major portion of our aged payables is owed to the Michigan Catholic Conference. Here is a breakdown of what is owed to them:

Property Insurance (11 buildings):	$115,534.11
Priests’ Retirement	$17,345.25
Lay Retirement:	$77,132.01
Unemployment Insurance:	$11,639.77
Total	**$221,651.14**

While these amounts are what we owe them from past months, the totals will continue to increase with current monthly billings of fixed costs.”

Father John reports in the July 20, 2014 bulletin on the June financials which include the following:

“Above is a summary of the June Financials for the parish. June represents the final month of the fiscal year.

Please notice the substantial reduction the balance of “Total Bills Due May 31st and June 30th ($357,479.61 down to $15,955.06). Funds received from our recent five-year diocesan loan enabled us to pay off these past obligations. Monthly repayments for the five-year loan will be reflected in next year’s operating budget, also shown in this bulletin.”

Based on this information and a review of the existing financial records I could not find any extraordinary information indicating that MCC was responsible for, nor could I assign a reasonable amount from this loan and attribute it with any confidence to MCC.

September 10, 2015 loan of $230,535 from the Diocese

In the April 26, 2015 bulletin Father John McCraken reported that the Total Bills Due, March 31 were $78,722.61. In the May 24, 2015 bulletin Father John reported that the Total Bill Due, April 30th had grown to $120,094.11. In both bulletins he stated “You may notice that payables have been increasing the last few months. It remains difficult to keep up with our obligations. Although weekly collection goals are being met, unanticipated repairs and maintenance are above expectation. This condition is expected to persist until year end.”

The last financial report that Father John made before his retirement on July 1, 2015 he stated that Total Bills Due, May 31st were $138,781.48. Father John reported: “We will have to carry the Aged Payables into the new Fiscal Years planning.” The Finance Council will be working on a solution to the shortage.”

Father John McCraken retires on July 1st and Father Richard Schaeffer becomes pastor of St Joseph Church and the Catholic Community of Manistee on July 1st.

It is uncertain when the request was made to the diocese for the loan of $230,535 however the money was transferred to the parish on September 10th.

Father Schaeffer reports on the monthly finances for December 2015 and for the fiscal year through December 2015 as follows:

“December Results – Budgeted revenue was lower than expected due to missing funds from the robbery. Expenses came in slightly below expectations. Capital expenditures were associated with required improvements in the rectory.”

“Year to Date – Revenue is lower than anticipated in large part because of funds missing due to the robbery and late tuition payments. Expenses are lower than expected due to a delay in Diocesan loan payments and timing of salary payments. Unforeseen capital expenditures, mainly roof repairs at MCC and necessary improvements for the rectory, resulted in net cash costs of $45,253 year to date. Overall, the parish is operating at net surplus of $17,252 year to date, which is $58,285 behind budget.”

“Diocesan Loan Update - Balance = $575,446.34   Monthly Payment = $8,287.43/month”

Based on this information and a review of the existing financial records I could not find any extraordinary information indicating that MCC was responsible for, nor could I assign a reasonable amount from this loan and attribute it with any confidence to MCC.

REVIEW AND STATUS OF UNPAID MCC TUITION

Unpaid MCC tuition, conservatively in the tens of thousands of dollars and by some estimates in the hundreds of thousands of dollars, was caused by a lack of proper management and follow-up to ensure payments were being made. In particular the business manager/parish administration did not develop a process to ensure that tuition was being collected, nor monitored, nor provide follow-up for late or non-payment of tuition.

The parish has contracted with a debt collection agency, Central Professional Services. This company is responsible for collecting unpaid tuition, to the extent possible. The parish receives a monthly report from the agency describing the debt collected each month and the amount paid to DMP. For all debt collected the agency receives 50% and DMP receives 50%.

DMP will continue to manage the debt collection with the agency and receive all applicable money due them after collection of debt.

CONCLUSION

A review of loans received from the diocese of Gaylord to DMP and disbursements from the assets of DMP was conducted. This review resulted in determining that no specific portion of the loans or disbursement could be attributed to MCC school. Therefore, the goal of this review, determine how much of the existing debt could be assigned to MCC school as a percentage, could not be determined. In conclusion, DMP will continue to assume the existing debt and make payments on this debt until it is retired.

A review of unpaid tuition from MCC was conducted. This unpaid tuition is being collected and managed by a collection agency. DMP will continue to work with the collection agency on this unpaid tuition and receive its allotted portion per contract with the agency.

Respectively Submitted:

Donald E. Kuk, Chair of Divine Mercy Parish Finance Council