

You Asked ... We Answered

- Is there a difference between the sale of the property and the transfer of ownership?
 - Transfer of ownership will involve a sale to a new owner of some or all buildings and may involve the area of the campus adjacent to the building(s). Transfer of the care of the land could also involve placing the land or a parcel of land in a land trust or conservancy.

- What is included in the property as we look to the future – the Academy? Houses on Elm Avenue?
 - The initial proposal will include the Motherhouse and Academy together with property up to the portion transferred to LZBoy. Houses on Elm Avenue will not be sold while sisters continue living there.
 - Regarding the organic garden and back property, one of the possibilities also being considered is putting the property in a land trust, preserving this parcel of land for the future.

- The video presentation referred to a five-year process. Is that “carved in stone” or could this proceed in a more expeditious manner?
 - As defined, the 2019 critical issue states that “during the next five years, there will be continued study ...” The Coordinating Council expressed the hope that decisions would be made before the end of the current term of the Leadership Council. If the process of transfer of ownership of buildings and surrounding property can be completed earlier in a way that meets all IHM stipulations, there would be no reason to not move forward. It is possible that parcels of land would be handled separately.

- Will there be an assessment of the property and contents?
 - Yes, in the process of negotiating the purchase amount, we will have the property, building, furniture and equipment assessed.

- What is the approval process for the sale of the property? Does this involve alienation of property? Will the Archdiocese of Detroit be involved in the process?
 - Following the direction of the Coordinating Council, the Leadership Council is moving forward with the critical issue regarding the future ownership of the Monroe campus. The Process and Oversight Committee (POC) is stewarding the process and involving the members of the community at various levels. The members of the community will be kept informed on a regular basis. The Process and Oversight Committee is developing a communications plan. It is anticipated that the Process and

Oversight Committee, with appropriate consultants if needed, will make a recommendation to the Leadership Council for approval. The Process and Oversight Committee will regularly consult with the Coordinating Council and the governance circles.

- It is doubtful that, following an assessment of the land and buildings, that the amount meets the threshold to need the approval of Rome. The Archdiocese will be notified of any transfer of ownership of the buildings and land.
- What is involved in the sale of the property, specifically the “contents” of the building – Chapel, etc.?
 - This will be worked out in the Request for Qualifications that will be sent to various groups. At this time, it seems that the congregation will retain some of the assets (contents of the Chapel, organ, office furniture, etc.). Other furniture and equipment will be transferred to the new owner (furniture and equipment in the health care center, etc.). This is a topic that will be further explored in the process.
- What will the relationship be with IHM residents and the new owner?
 - IHM residents will continue to be residents of IHM Senior Living Community. As such, the IHM congregation will pay the monthly cost for care of the residents. This will vary depending on the level of care (independent living, assisted living, memory care and skilled care). This is currently the practice.

What will be the cost to SSIHM?

- Currently the IHM congregation pays the following monthly costs per sister: \$1,905 for independent living; \$4,950 for assisted living; \$6,510 for memory care; \$9,600 for skilled care. It is anticipated that these costs will be the same with the usual increase per year.

Will any of the costs be covered by Medicare, Medicaid, etc.?

- If a sister qualifies for Medicare or other insurance, the insurance will pay the allocated cost per day. If a sister qualifies for Medicaid, this amount will be applied to the cost per day. The amount covered by Medicaid does not cover the daily cost and this will be part of the budget for the new owner.

How will the care of the sisters be done in the future?

- The congregation will work this out with the new owners. One of our non-negotiables is that care of IHM Sisters will be met at all levels.

➤ How is Trinity involved in this process?

- Trinity, as one of the organizations that might be interested in future ownership of the building and grounds, will be sent the Request for Qualifications. Their interest will be considered with other organizations that might be interested.

- What are the next steps in the process?
 - The Leadership Council established the Process and Oversight Committee to address the critical issue related to the future ownership of the Monroe campus. The members of the Process and Oversight Committee include: Jane Aseltyne, Paula Cooney, Jane Herb, Pat McCluskey, Lenore Pochelski and Janet Ryan.
 - The Process and Oversight Committee (POC) is committed to transparency and regular communication. There will be monthly updates from the POC to sisters and associates.

The work of the Chapter Act Committee was to help the congregation to understand our financial situation. Much information was provided over the past year and can be accessed on the private side of the website. What follows is a further attempt to provide clarity around various financial issues.

- What is the status of the congregation's current loans?
 - Motherhouse renovation: (2000): The current amount still owed on this debt is approximately \$7.8 million. (See Note 1)
 - Apartment construction (2020): The amount borrowed was up to \$10 million. The cost thus far has been a little over \$9 million. (See Note 1)
 - Marygrove line of credit (2015 –2017): Marygrove requested that IHM guarantee its line of credit (a type of loan) of \$4.8 million. The request was granted. The line of credit was extended to Marygrove by Huntington Bank. Because of Marygrove's closure, it was not able to pay back the line of credit and the IHM congregation became responsible. In 2020, on the recommendation of the Finance Committee, the IHM Corporation Board (Leadership Council) decided to obtain a loan from Huntington to repay the line of credit instead of paying the debt in full at that time. This decision allowed the congregation to invest the \$4.8 million with Huntington's investment team thereby offering the congregation the opportunity to earn income on the loan, which would help pay the loan off. The current amount still owed on the loan is approximately \$4.5 million. It is scheduled to be paid off in March 2029.
 - Riverview Property (2017): The current amount still owed is approximately \$1.1 million. This is a no-interest loan that is projected to be paid off in 2027.

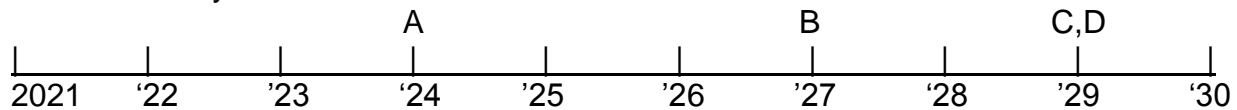
Note 1: At the time the apartment construction loan was negotiated with Huntington Bank, we were able to do some layering of the Motherhouse renovation loan and the apartment loan, enabling us to keep the community's monthly principle payments at approximately \$200,000 (the interest will be more until after the MH loan is paid off in 2024). This is almost the same monthly principle amount we have been paying on just the Motherhouse loan. The completion of both loans is anticipated to be April 1, 2029

- Did the congregation extend a loan to Marygrove College, and, if so, what is the status of that loan?

There are two answers to this question.

- **Marygrove Buildings and Grounds:** The congregation sold the Marygrove buildings and grounds to Marygrove College for \$7.8 million in July 2009. Marygrove College transferred the buildings and grounds to the Marygrove Conservancy in 2018. The Marygrove Conservancy assumed this debt to the congregation. The Marygrove Conservancy Board is currently negotiating a payment plan with the IHM congregation. In December 2020, the IHM congregation received a payment of \$1 million from the Conservancy on the debt.
- **Marygrove line of credit:** See number 3 above

Loan Summary:



- A: Motherhouse renovation loan paid off
- B: Riverview loan paid off
- C: A-Wing renovation loan paid off
- D: Marygrove line of credit loan paid off

- Does the IHM congregation have an annual audit?
 - The congregation has an annual financial **review** rather than an audit. Probably the two biggest reasons for SSIHM having a review instead of an audit are:

1) SSIHM's bank has not required an audit

An audit provides the highest level, but not complete, assurance that the financial statements are free from material misstatement. With an audit, the CPA firm is required to obtain an understanding of the company's internal controls and assess the fraud risk. It is also required to corroborate figures and disclosures included in the statements by obtaining "audit evidence." Banks often require audits, especially in the case of for-profit companies. With this additional fieldwork, the cost of the audit is usually substantially higher.

2) Cost

A review is substantially narrower in scope but is done pretty much with the same detail as an audit. Because it does not require the amount of fieldwork as an audit, a review is much less costly. Therefore, because a review is perfectly acceptable to our banks, we do an annual financial review instead of an audit as a cost-saving measure.