

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
The H.E.L.P. Group (THG)
Staff Summary

Resolution No. 2010-03

June 24, 2010

BACKGROUND:

This summary concerns the following entities: The H.E.L.P. Group Child and Family Center (formerly known as Los Angeles Center for Therapy and Education), New School for Child Development, Project Six (which includes, by merger, Southern California Living Centers), Summit View School, and The Help Group West (doing business as the HELP Group) (THG). These entities were previously loaned the proceeds of Authority bonds issued in 1998 and 2000 in the amount of \$17,275,000 and \$17,620,000 respectively (THG was party to only the 2000 bond transaction). Both bond issues were insured by the Office of Statewide Health Planning and Development of the State of California (Cal-Mortgage). Bond proceeds were used for the purposes of purchasing and renovating a building in North Hollywood, refunding CHFFA Series 1991, and the refinancing of 11 bank loans on 10 residential properties.

Certain revenues of THG were pledged to the trustee and Cal-Mortgage under the documents governing the bond transactions. Under those documents, Cal-Mortgage can consent to future encumbrances on those pledged revenues.

On March 22, 2004, THG obtained a \$3.5 million line of credit (LOC) from Mellon Bank. As part of Mellon Bank's LOC requirement, THG, the bond trustee, Cal-Mortgage and the Authority entered into a Subordination Agreement subordinating the security interest of the bond trustee and Cal-Mortgage in certain of THG's net accounts receivables to the security interest of Mellon Bank. THG uses the LOC for operating expenses and currently does not have a balance.

At this time, THG is in the process of replacing its current banking institution from Mellon Bank to American Business Bank. American Business Bank is offering a credit facility to THG. As a result, American Business Bank is seeking a new Subordination Agreement. THG is requesting that the Authority execute a Subordination Agreement subordinating the security interest of the bond trustee and Cal-Mortgage in certain of THG's collateral to the security interest of American Business Bank in connection with the new credit facility. The bond trustee and Cal-Mortgage will be parties to the Subordination Agreement which contemplates that they will provide consent to the new encumbrance.

The proposed Subordination Agreement has no material impact on the Authority's operations.

FINANCIAL ANALYSIS:

There has been no significant change in THG's financial condition. THG's income statement appears to exhibit positive operating income during FY 2009 and THG's financial strength appears sound with good liquidity of approximately \$6.2 million in cash and \$32.1 million in total net assets. THG's debt service coverage ratio is healthy at 2.78x.

STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution Number 2010-03 for the execution and delivery of a Subordination Agreement for The H.E.L.P. Group.

FINANCIAL STATEMENTS

The Help Group Statement of Activities (Unrestricted)

	For the Year Ended June 30,		
	2009	2008	2007
Revenue and public support:			
Revenue			
Program fees	58,713,018	\$ 58,148,296	\$ 54,738,473
Rental income	353,158	378,970	363,313
Interest income and other	669,821	1,012,215	732,308
Total revenue	59,735,997	59,539,481	55,834,094
Public Support			
Special events	819,108	1,172,385	1,152,824
Philanthropic support	1,185,486	1,476,772	1,094,705
Net assets released from donor restrictions	994,200	-	-
Total public support	2,998,794	2,649,157	2,247,529
Total revenue and public support	62,734,791	62,188,638	58,081,623
Expenses:			
Program expenses			
School	33,284,551	33,347,649	32,362,217
Mental health	16,908,124	16,766,896	15,608,939
Residential	2,498,849	2,766,596	3,206,249
Foster care	-	-	-
Total program expenses	52,691,524	52,881,141	51,177,405
Functional expenses			
Supporting services	4,578,126	4,990,499	5,257,951
Fundraising	191,590	289,783	255,813
Total functional expenses	57,461,240	58,161,423	56,691,169
Change in unrestricted net assets	5,273,551	4,027,215	1,390,454
Unrestricted net assets, beginning of year	26,556,119	22,681,099	21,290,545
Unrestricted net assets, end of year	\$ 31,829,670	\$ 26,708,314	\$ 22,681,099

The Help Group
Financial Position

	2009	2008	As of June 30, 2007
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,288,930	\$ 5,053,906	\$ 3,559,176
Short-term investments	5,471,868	4,223,158	4,156,634
Accounts receivable	11,729,128	12,418,248	11,333,687
Current portion of assets limited as to use	1,418,930	2,046,293	2,346,943
Current portion of pledges receivable	279,337	135,000	145,000
Prepaid and other assets	605,428	808,767	584,686
Total current assets	25,793,621	24,685,372	22,126,126
Assets limited as to use, less current portion	4,594,797	4,278,402	4,031,154
Pledges receivable, less current portion	-	17,195	118,494
Property and equipment, net	45,822,589	36,753,273	36,775,176
Deferred financing costs, net	687,385	733,429	779,472
Other long-term assets	30,436	3,030,436	33,236
Total assets	\$ 76,928,828	\$ 69,498,107	\$ 63,863,658
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and other current liabilities	\$ 2,766,869	\$ 2,528,789	\$ 3,281,863
Accrued payroll and benefits	3,813,237	3,670,396	3,040,027
Current maturities of long-term debt	1,311,545	1,154,244	1,123,184
Line of credit	-	2,750,000	-
Deferred revenue	119,204	276,904	390,317
Total current liabilities	8,010,855	10,380,333	7,835,391
Long-term debt, less current maturities	36,798,966	32,409,460	33,347,168
Total liabilities	44,809,821	42,789,793	41,182,559
NET ASSETS			
Unrestricted	30,329,670	26,556,119	22,417,605
Unrestricted - Board designated	1,500,000	-	-
Temporarily restricted	279,337	152,195	263,494
Total net assets	32,109,007	26,708,314	22,681,099
TOTAL LIABILITIES AND NET ASSETS	\$ 76,918,828	\$ 69,498,107	\$ 63,863,658