CHFFA HELP II PROGRAM
EXECUTIVE SUMMARY

Applicant:	California Family Life Center ("CFLC") 930 N. State Street Hemet, CA 92543 Riverside County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$346,700 15 year fixed July 28, 2011 HII-265

Project Site: 14950 Ranch Creek Lane, Valley Center, CA 92082, San Diego County
Facility Type: Group Home
Prior HELP II Borrower: Yes (February 2009), outstanding balance: $285,172 as of June 30, 2011, current on HELP II loan payments.

Background: CFLC is a non-profit organization, incorporated in 1982, with 29 years of experience serving juvenile offenders, group home youth, foster children, kin care youth, high school dropouts, and pregnant/parenting teens. Through its residential treatment program, CFLC serves over 153 adolescent boys and girls every year. Along with its corporate office and three group homes located in Riverside County, CFLC also operates two group homes in San Diego County.

Uses of Loan Proceeds: Loan proceeds will be used to purchase a 2,844 square foot house for use as a group home to provide residential based services to 'at risk' youth. This purchase will allow CFLC to replace one of its existing group homes that is currently being leased, located at 31510 Valley Center Road, Valley Center, CA 92802.

Financing Structure:

- 15-year fixed rate loan. 180 equal monthly payments of approximately $2,394 (yearly payments of approximately $28,731).
- First (1st) lien position on the property located at 14950 Ranch Creek Lane Valley Center, CA 92082.
- Loan to value ratio not to exceed 95% (estimated loan to value ratio of 95%).
- Corporate gross revenue pledge.

Financial Overview: CFLC's income statement appears to exhibit significantly improved operating results during the review period FY 2008 to FY 2010. CFLC's financial strength appears sound with a pro-forma debt service coverage ratio of 17.56x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
HELP II loan	$	346,700	Purchase real property	$	365,000
Borrower funds		25,300	Authority loan fees		4,334
			Other closing costs		2,666
Total Sources	$	372,000	**Total Uses**	$	372,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Community Service Obligation, Seismic, and CEQA documentation. All documentation satisfies the Authority's requirements.

Parties of Interest: Escondido Realty, Krueger Realty, Centennial Escrow

Staff Recommendation: Staff recommends approval of Resolution Number HII-265 for California Family Life Center in an amount not to exceed $346,700 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurs with the Authority's staff recommendations.

I. PURPOSE OF FINANCING:

CFLC will transfer current clients from an existing facility that is being leased ($2,250 per month) to an owned facility (proposed HELP II loan payment of $2,394 per month). The owner of the leased home has unfortunately been unresponsive to requests for property improvements which would have enhanced the environment and services to children. This project will enable CFLC to invest in an agency-owned home and create an ideal environment for its clients.

Purchase of Real Property ***$365,000***

CFLC seeks to purchase a 2,854 square foot home for $365,000 to provide residential based services to 'at risk' youth. The home is situated on two acres of land and was built in 1989. It is located at 14950 Ranch Creek Lane, Valley Center, CA.

Children placed at CFLC are from various backgrounds, which often include neglect, some form of abuse, and abandonment. They have little or no involvement from their parents who are often drug addicted, mentally ill, incarcerated, deceased, or absent from the child's life. Home-based services include: individual counseling, group discussion forums, daily living skills, personal responsibility, job coaching, and healthy living practices.

As a non-profit, CFLC has learned that mortgage financing for a residential property, which will be utilized as a business, is not available through typical commercial bank lending. Small business loans, which might be available to CFLC, have cost prohibitive interest rates resulting in payments that would overburden the monthly budget for a six-bed group home.

CFLC is currently in the process of having the property appraised. The proposed loan is subject to receipt of an acceptable appraisal.

Financing Costs ***7,000***

Authority Fees..	$4,334
Title and Escrow	2,666

Estimated Uses of Funds ***$372,000***

II. FINANCIAL STATEMENTS AND ANALYSIS

California Family Life Center
Statement of Activities

	For the Year Ended June 30, 2010	2009	2008
Unrestricted Net Assets:			
Support and revenues:			
Contributions	$ 21,065	$ 30,811	$ 36,813
Board and care fees	3,182,782	2,786,251	2,837,280
Foster care fees	1,828,020	1,795,235	2,514,970
Other governmental assistance	4,529,535	2,404,594	1,864,904
Interest	2,376	6,611	8,655
Administrative fees	59,981	-	-
Miscellaneous	12,973	21,820	29,193
Subtotal support and revenues	9,636,732	7,045,322	7,291,815
Net assets released from restrictions:			
Satisfaction of program restrictions	267,638	$40,519	$62,251
Total support and revenues	9,904,370	$7,085,841	$7,354,066
Expenses:			
Salary and wages	4,808,007	3,581,031	3,519,891
Payroll taxes and employee benefits	921,468	592,411	543,506
Advertising and recruting	12,329	12,106	22,918
Program service and supplies	1,503,812	1,379,893	1,657,068
Client events	28,888	35,469	24,154
Conferences and training	117,528	92,003	91,585
Equipment leases and expenses	15,353	16,137	21,313
Fundraising costs - other	3,341	3,656	4,575
Insurance	107,388	115,187	97,770
Postage, mailing and other supplies	17,020	17,800	25,613
Professional fees and licensing	99,662	85,946	86,388
Facilities rent	393,070	413,155	359,294
Repairs and maintenance	239,681	189,831	198,137
Vehicle expenses	83,829	55,340	43,082
Telephone and utilities	207,256	183,570	170,922
Miscellaneous	70,600	90,018	71,569
Interest expense	9,323	2,089	-
Depreciation	66,041	51,811	46,376
WIA subcontractor payments	341,076	186,660	168,881
Improvement espenses	36,708	59,415	22,775
Bad debt expense	772	982	61
Connect to achieve expenses	-	-	35,538
CDBG expenses	-	10,500	4,000
Total expenses	9,083,152	7,175,010	7,215,416
Increase (decrease) in unrestricted net assets	**821,218**	**(89,169)**	**138,650**
Temporarily restricted net assets:			
Support and revenues:			
Contributions	50,803	112,494	119,308
Net assets released from restrictions	(267,638)	(40,519)	(62,251)
Change in temporarily restricted net assets	(216,835)	71,975	57,057
Increase (decrease) in net assets	**604,383**	**(17,194)**	**195,707**
Net assets:			
Beginning of year	1,452,185	1,469,379	1,273,672
End of year	$ 2,056,568	$ 1,452,185	$ 1,469,379

California Family Life Center
Statement of Financial Position

	As of June 30,		
	2010	2009	2008
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 1,506,647	$ 1,038,407	$ 1,008,945
Accounts receivable - net	1,007,699	847,599	817,347
Prepaid expenses	58,287	73,692	25,232
Total current assets	2,572,633	1,959,698	1,851,524
Property and equipment:			
Net of accumulated depreciation	597,338	576,116	198,525
Deposits	15,763	17,764	17,763
Total assets	$ 3,185,734	$ 2,553,578	$ 2,067,812
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	$ 338,830	$ 383,301	$ 298,369
Accrued expenses	336,144	303,038	238,139
Current portion of long-term debt	17,719	17,050	-
Deferred revenue	92,431	49,190	-
Other accrued liabilities	60,366	47,274	61,925
Total current liabilities	845,490	799,853	598,433
Long-term debt	283,676	301,540	-
Total liabilities	1,129,166	1,101,393	598,433
Net assets:			
Unrestricted	1,980,339	1,159,121	1,248,290
Temporarily restricted	75,379	292,214	220,239
Permanently restricted	850	850	850
Total net assets	2,056,568	1,452,185	1,469,379
TOTAL LIABILITIES AND NET ASSETS	$ 3,185,734	$ 2,553,578	$ 2,067,812

Financial Ratios:

	Proforma (a) FYE June 30, 2010	2010	2009	2008
Debt service coverage (x)	16.50	35.79	(4.28)	
Debt/Unrestricted Net Assets (x)	0.33	0.15	0.27	
Margin (%)		8.29	(1.26)	1.89
Current Ratio (x)		3.77	3.19	3.46

(a) Recalculates 2010 audited results to include the impact of this proposed financing.

Financial Discussion – Statement of Activities (Income Statement)

CFLC's income statement appears to exhibit significantly improved operating results during the review period from FY 2008 through FY 2010.

CFLC experienced improved operations during FY 2010, with an increase in unrestricted net assets of $604,000, representing a healthy 8.29% operating margin. This increase was due to an increase in property and equipment and the 32% group home rate increase. The federally mandated 32% group home rate increase went into effect in 2010 and was due to a periodic cost of living increase. The increase has remained steady from year to year.

Particular Facts to Note:

- Total support and revenues have grown by 34% over the review period from $7.35 million in FY 2008 to $9.9 million in FY 2010 while expenses have increased by only 28%, from $7.2 million in FY 2008 to $9.1 million in FY 2010. This change is due to the increase of foster placements and the 32% group home rate increase.

- Other governmental assistance revenue increased from $2.4 million in FY 2009 to $4.5 million in FY 2010 due to The Workforce Investment Act. The Workforce Investment Act provides increased flexibility for state and local officials to establish broad-based labor market systems using federal job training funds for adults, dislocated workers and youth. The reason funding was increased was due to CFLC taking over administration of a 3rd Youth Center (Center) in Rubidoux, CA, and transitioning to operating the Center in February 2009. CFLC expects other governmental assistance revenues to be consistent with FY 2010 going forward.

- Group home revenues including board and care fees remained constant from FY 2008 to FY 2009 averaging $2.8 million a year. CFLC group homes received a 32% increase from the Federal Government in December 2009, averaging $265,000 per month in the current fiscal year and projected annual revenues for FY 2011 are $3.18 million.

- CFLC management has indicated that funding for group homes will not be impacted by the new state budget. CFLC is also looking into fundraising and private funding options.

Financial Discussion – Statement of Financial Position (Balance Sheet)

CFLC's financial strength appears sound with a pro-forma debt service coverage ratio of 16.50x.

CFLC has minimal long-term debt. Currently, the only long-term debt is the HELP II loan from FY 2009.

Particular Facts to Note:

- Cash and cash equivalents remained strong throughout the review period, cash increased from $1.08 million in FY 2008 to $1.5 million in FY 2010, representing a very solid 60 days cash on hand. CFLC is very careful with outgoing cash and values a high reserve account.

- CFLC is relatively lowly leveraged with a long-term debt to unrestricted net assets ratio of only .15x.

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EXHIBIT 1

UTILIZATION STATISTICS

Clients Served for Period Ending December 31,

	2010	2009	2008
Totals	153	175	149

EXHIBIT 2

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding* As of June 30, 2011	Estimated Amount Outstanding after Proposed Financing
Existing Long-Term Debt:			
California Health Facilities Financing Authority (CHFFA) HELP II Loan, 2009	$320,000	$ 285,172	$ 285,172
Proposed			
CHFFA HELP II Loan, 2011		N/A	**346,700**
TOTAL DEBT		**$ 301,395**	**$ 631,872**

* Includes current portion of long-term debt.

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

CFLC is a non-profit agency incorporated in 1982. In the beginning, the group homes were the core services for youth that otherwise would have been out on the streets or placed in juvenile hall. CFLC continues to provide residential treatment facilities housing for 32 adolescent girls. Also, CFLC acquired two residential treatment homes for 12 adolescent boys in the Escondido area. Through residential treatment program (Group Homes), CFLC serves over 153 adolescent boys and girls every year. CFLC currently operates five group homes and a corporate office in Riverside and San Diego counties.

Other CFLC programs include: job training and education, foster family agency services, a parents as teachers program, and a My L.I.F.E program (Living Independently Fostering Excellence). These programs provide additional and continuing services to group home and other 'at risk' youth.

Licensure, Certification and Accreditation

CFLC is licensed by the California Department of Social Services to operate and maintain Group Homes. The facility being purchased will be licensed by the California Department of Social Services as a Group Home.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Program

Resolution Number HII-265

RESOLUTION APPROVING EXECUTION AND DELIVERY OF HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN PARTICIPATING HEALTH INSTITUTIONS

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the "Act") to make secured or unsecured loans to participating health institutions, as defined;

WHEREAS, the Authority has previously established a HELP II Program to make loans to finance or refinance, among other things, all or a portion of the cost of acquiring certain equipment or constructing certain capital improvements (the "Project") as authorized by the Act;

WHEREAS, **California Family Life Center** (the "Borrower"), a California nonprofit corporation and participating health institution, has applied to the Authority for a loan for the financing of the Project, and the application has been reviewed by the staff of the Authority and must be approved by the Authority;

WHEREAS, final approval of the loan by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower, in the amount of **$346,700** for a term not to exceed **15 years** to purchase a group home as described in the application filed with the Authority, but solely to the extent there are available proceeds of the HELP II Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 15-year fixed rate loan;

2. First (1st) lien position on the property located at 14950 Ranch Creek Lane, Valley Center, CA 92082;

3. A satisfactory appraisal of the property;

4. Loan to value ratio not to exceed 95%; and

5. Corporate gross revenue pledge.

Section 2. The Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan approved pursuant to Section 1 hereof, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loan may not be increased above the amount approved by the Authority and provided further that the loan continues to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding, or that the Executive Director determines shall be funded from the HELP II Program. Any notice to an applicant approved hereunder shall indicate that the Authority shall not be liable to the applicant in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the HELP II Program fund not to exceed those amounts approved by the Authority for the Borrower approved in Section 1. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower in Section 1 any and all documents necessary to complete the transfer of funds.

Section 4. The Authority hereby finds that the loan approved in Section 1 is for a Project eligible for financing pursuant to provisions of the Act.

Section 5. The Executive Director of the Authority is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 6. This resolution expires one year from the date approved.

Date Approved: ____________________________