

**CHFFA HELP II PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Eggleston Youth Centers, Inc. (“Eggleston”) 13001 Romona Blvd, Suite E Irwindale, CA 91706 Los Angeles County</p> <p><b>Project Site:</b> 10806 Rose Avenue, Ontario, CA 91762 - San Bernardino County 13133 and 13135 Waco Street, Baldwin Park, CA 91706 - Los Angeles County</p> <p><b>Facility Type:</b> Group Home</p> <p><b>Eligibility:</b> Government Code section 15432(d)(14)</p> <p><b>Prior HELP II Borrower:</b> No</p>	<p><b>Amount Requested:</b> \$1,000,000</p> <p><b>Requested Loan Term:</b> 15-year fixed</p> <p><b>Authority Meeting Date:</b> August 29, 2013</p> <p><b>Resolution Number:</b> HII-282</p>
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**Background:** Eggleston is a nonprofit social services agency that has been providing services to children and families in Los Angeles County since 1974. Eggleston provides services in five (5) program areas: residential treatment, foster care/adoption, family preservation and day treatment, mental health and substance abuse education and treatment. In FY 2012, Eggleston had approximately 531 patient visits.

**Uses of Loan Proceeds:** The HELP II loan proceeds will be used to purchase three (3) residential homes located at 10806 Rose Avenue, Ontario, CA 91762 and 13133 and 13135 Waco Street Baldwin Park, CA 91706 (2 homes on one lot), to be used as group homes for foster youth to replace existing homes being leased by Eggleston. The three (3) residential homes will accommodate approximately 13 bedrooms. This transaction will result in an estimated cash flow savings of approximately \$8,632 per month or \$104,000 annually. The HELP II loan proceeds will not be used for foster family agency purposes.

**Financing Structure:**

- 15-year fixed rate.
- 180 equal monthly payments of approximately \$6,905 (yearly payments of approximately \$82,869).
- Corporate gross revenue pledge.
- First (1st) lien position on the properties located at 10806 Rose Avenue, Ontario, CA 91762 and 13133 and 13135 Waco Street, Baldwin Park, CA 91706.
- Loan to value ratio not to exceed 95% (estimated loan to value ratio of 90%).

**Financial Overview:** The income statement for Eggleston appears to exhibit improving operating results during the review period. Eggleston appears to be financially healthy with a proforma debt service coverage ratio of 2.42x.

**Estimated Sources of Funds:**

HELP II Loan	\$ 1,000,000
Borrower Funds	132,500

**Estimated Uses of Funds:**

Purchase of real property	\$ 1,115,000
Financing costs	17,500

<b>Total Estimated Sources</b>	<b>\$ 1,132,500</b>
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<b>Total Estimated Uses</b>	<b>\$ 1,132,500</b>
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**Due Diligence:** Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through and Community Service Requirement documentation. All documentation satisfies the Authority’s requirements.

**Parties of Interest:** Traditional Escrow, USA National Title Company and Tradewinds Escrow

**Staff Recommendation:** Staff recommends approval of Resolution Number HII-282 for Eggleston Youth Center, Inc. in an amount not to exceed \$1,000,000 for a term not to exceed 15 years, contingent upon financing terms acceptable to the Authority. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, concurs with staff recommendation

**I. PURPOSE OF FINANCING:**

Eggleston plans to replace two leased facilities and purchase three (3) residential group homes which will result in a cash flow savings of approximately \$8,632 per month or \$104,000 annually.

***Purchase two existing facilities in Baldwin Park..... \$700,000***

Eggleston plans to purchase two residential homes on one lot (collectively 3,406 square feet) located at 13133 and 13135 Waco Street, Baldwin Park, CA to be operated as a group home and office space. The two residential homes will offer eight (8) beds per home for foster youth. According to Eggleston’s management, the two residential homes will be licensed as group homes by the California Department of Social Services.

***Purchase an existing facility in Ontario..... 415,000***

Eggleston plans to purchase a 2,884 square foot residential home located at 10806 Rose Avenue, Ontario, CA to be used as a six-bed group home for foster youth and serve/house approximately 10 clients. According to Eggleston’s management, the residential home will be licensed as a group home by the California Department of Social Services.

The HELP II loan will be secured by a first (1<sup>st</sup>) lien position on the properties located at 13133 and 13135 Waco Street, Baldwin Park, CA 91706 and 10806 Rose Avenue, Ontario, CA. Based on the purchased price, the properties have a total estimated current market value of approximately \$1.15 million, leading to an estimated loan to value ratio of 90%. A full appraisal acceptable to Authority staff for each property will be required before the loan may be funded.

***Financing Costs..... 17,500***

Authority Fees .....	\$12,500
Title and Escrow Fees .....	<u>5,000</u>

***Total Uses of Funds..... \$1,132,500***

**II. FINANCIAL STATEMENTS AND ANALYSIS**  
**EGGLESTON YOUTH CENTER, INC.**  
**CONSOLIDATED STATEMENT OF OPERATION**  
**(UNRESTRICTED)**

	As of December 31,		
	2012	2011	2010
Revenue			
Group homes	\$ 3,770,448	\$ 3,999,273	\$ 3,820,739
Foster family agency	2,483,546	1,839,987	1,478,149
Day treatment program	530,514	589,397	901,184
Drug/alcohol	103,680	-	-
Day/night upfront assessments	75,789	171,171	-
Mental health program	-	-	756,572
After school program	77,000	38,000	-
Positive parenting program	72,350	-	-
Breakfast/lunch program	54,709	61,188	60,164
Clothing allowance	55,719	65,709	61,427
Contributions & donations	7,749	327	3,316
Miscellaneous income	657	100	868
Insurance refund	-	900	13,690
Interest & dividends	729	1,449	1,204
Total revenue*	<u>7,232,890</u>	<u>6,767,502</u>	<u>7,097,313</u>
Expenses			
Salaries	3,414,199	3,369,080	3,507,969
Payroll taxes	256,554	257,100	263,503
Benefits	404,862	447,363	329,513
Foster family payments	1,236,511	913,361	718,195
Building rents	376,221	366,357	377,159
Other expenses	196,884	197,435	173,319
Contract services	164,638	64,220	154,289
Vehicle related expenses	125,483	138,890	111,490
Food	152,220	139,518	108,730
Social worker contract services	50,665	132,185	-
Building, equipment, repair & maintenance	50,592	64,634	104,657
Mileage & travel	61,791	77,687	85,289
Clothing expense	79,112	94,595	74,311
Telephone	57,532	75,472	74,164
Insurance	90,709	64,216	70,331
Utilities	67,065	48,924	46,040
Depreciation	36,338	47,692	42,534
Building contract services	33,145	33,567	-
Accounting services	66,053	32,840	36,700
Office supplies	28,129	32,091	35,439
Allowance & behavior modification	26,075	24,042	25,472
Equipment leases & rentals	28,294	28,320	23,926
Total expenses	<u>7,003,448</u>	<u>6,649,590</u>	<u>6,363,030</u>
Change in unrestricted net assets	<b>229,441</b>	<b>117,912</b>	<b>734,283</b>
Unrestricted net assets at beginning of year	502,135	384,223	(323,215)
Prior period adjustments	-	-	(26,845)
Unrestricted net assets end of year	<u>\$ 731,576</u>	<u>\$ 502,135</u>	<u>\$ 384,223</u>

**\*Revenue for FYE December 31, 2012**

<b><u>Payers Source</u></b>	<b><u>Percent</u></b>
Group homes	52
Foster family agency	34
Day treatment program	7
Others	2
Drug/Alcohol	1
Day/night upfront assessments	1
After school program	1
Positive parenting program	1
Total	<u>100</u>

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**EGGLESTON YOUTH CENTER, INC.  
CONSOLIDATED BALANCE SHEET**

	As of December 31,		
	2012	2011	2010
<b>ASSETS</b>			
Current assets			
Cash	\$ 542,963	\$ 653,389	\$ 671,190
Account receivable	940,494	953,796	803,059
Prepaid expenses	42,515	45,069	12,280
Total current assets	<u>1,525,972</u>	<u>1,652,254</u>	<u>1,486,529</u>
Property and equipment			
Furniture & equipment	204,391	200,056	182,725
Vehicles	376,243	340,698	315,178
Leasehold improvement	29,358	29,358	30,016
Accumulated Depreciation	<u>(524,964)</u>	<u>(488,626)</u>	<u>(441,594)</u>
Total property & equipment	85,028	81,486	86,325
Other assets			
Deposits	12,965	11,915	8,940
Total assets	<u>\$ 1,623,965</u>	<u>\$ 1,745,655</u>	<u>\$ 1,581,794</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable & accrued expenses	\$ 161,362	\$ 192,256	\$ 115,475
Accrued payroll & payroll taxes	139,560	192,649	159,288
Accrued vacations	107,782	111,956	14,809
Overpayments payable	112,499	149,574	182,822
Notes payable	34,543	72,227	-
Current portion-long term debt	<u>30,151</u>	<u>60,960</u>	<u>25,171</u>
Total current liabilities	585,897	779,622	497,565
Long-term debt			
Vehicle loans payable	69,866	55,226	55,427
Loans from executive director	266,775	469,632	669,750
Less: current portion-long term debt	<u>(30,151)</u>	<u>(60,960)</u>	<u>(25,171)</u>
Total long term debt	306,490	463,898	700,006
Total liabilities	<u>892,387</u>	<u>1,243,520</u>	<u>1,197,571</u>
Net assets			
Unrestricted	731,576	502,135	384,223
Total net assets	<u>731,576</u>	<u>502,135</u>	<u>384,223</u>
Total liabilities and net assets	<u>\$ 1,623,963</u>	<u>\$ 1,745,655</u>	<u>\$ 1,581,794</u>

**Financial Ratios:**

	Proforma <sup>(a)</sup>			
	<u>FYE March 31, 2012</u>			
Debt Service Coverage - Operating (x)	2.42	2.27	2.35	9.78
Debt to Unrestricted Net Assets (x)	1.79	0.42	0.92	1.82
Margin (%)		3.17	1.74	10.35
Current Ratio (x)		2.60	2.12	2.99

(a) Recalculates FY 2012 audited results to include the impact of this proposed financing.

## **Financial Discussion – Statement of Activities (Income Statement)**

**Eggleston's income statement appears to exhibit positive operating results during the review period.**

Eggleston's income from operations appears to exhibit positive operating results ranging from \$734,283 in FY 2010, \$117,912 in FY 2011 and \$229,442 in FY 2012. According to Eggleston's management, the improved operating results can be attributed to an increase in foster family agency utilizations which grew approximately from 80 foster youths in FY 2010 to 133 foster youths in FY 2012, a 62.25% increase.

### **Particular Facts to Note:**

- In FY 2010, Eggleston had prior period adjustments of \$26,845 due to an overpayment owed to the Los Angeles County Department of Children and Family Services.
- According to Eggleston's management, the revenue from the Day Treatment Program and the Day and Night Up-Front Assessments (UFA) were combined in FY 2010 for approximately \$901,184. In FY 2011 and FY 2012, the revenues were separated into two different line items as displayed for Day Treatment Program and the Day and Night Up-Front Assessments. The combined revenue is approximately \$760,568 in FY 2011 and \$634,194 in FY 2012. According to Eggleston's management, the decline is primarily due to their discontinuation of the UFA because it was no longer cost effective.
- According to Eggleston's management, the Mental Health Program subcontract agreement with Pacific Clinics ended in FY 2010. Therefore, there were no mental health revenues for FY 2011 and FY 2012.
- Eggleston does not anticipate any major changes or adverse conditions that could negatively impact its funding sources. In FY 2012, Eggleston entered into a Legal Entity Agreement with the Los Angeles County Department of Mental Health. The annual contract amount is approximately \$897,000 each year over the next three fiscal years beginning January 1, 2013. The agreement will provide Eggleston with additional funding independent from Aid to Families with Dependent Children – Foster Care (AFDC-FC), which makes up approximately 75% of their total funding source.

## **Financial Discussion – Statement of Financial Position (Balance Sheet)**

**Eggleston appears to be financially healthy with a proforma debt service coverage ratio of 2.42x.**

Eggleston's total unrestricted net assets increased from \$384,223 in FY 2010 to \$731,576 FY 2012, a 90% increase. Eggleston primarily attributes the increase to the decrease of overall long-term debt from \$700,000 in FY 2010 to \$306,490 in FY 2012. With the proposing financing, Eggleston's unrestricted net assets ratio will remain highly leveraged at 1.79x, while the proforma debt service ratio remains solid at 2.42x, indicating Eggleston should be able to repay the HELP II loan.

### **Particular Facts to Note:**

- According to Eggleston's management, cash decreased from \$671,190 in FY 2010 to \$542,963 in FY 2012 (equates to 28 days cash on hand, slightly below the health care industry target ratio for days cash on hand) due to paying down existing outstanding loans. Nevertheless, Eggleston anticipates the new contract with the Los Angeles County for Department of Mental Health and anticipated debt service savings on the replacement facilities will improve Eggleston's cash position.
- Eggleston does not anticipate any future payments related to unallowable costs to the foster family agency. On a regular basis, Eggleston reviews and complies with the Office of Management and Budget (OMB) Circular A-133 guidelines regarding costs that are allowable and not allowable.
- Eggleston does not anticipate any future overpayments to the Los Angeles County. To safeguard any future overpayments, Los Angeles County notifies Eggleston every month if there are any overpayments due from the prior months. When Eggleston receives a notice that an overpayment has been made, a full payment is made within five business days. This process helps reduce the likelihood of an accumulation of overpayments.

**EXHIBIT 1**

**UTILIZATION STATISTICS**

**(Client Served/ Patient Visits)**

	<b>As of December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total	157/(531)	163/(424)	168/(354)

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**EXHIBIT 2**  
**OUTSTANDING DEBT**

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding <sup>(a)</sup> As of December 31, 2012</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>-EXISTING LONG-TERM DEBT:</b>			
Note Payable, June 2011 Vehicle	\$ 27,998	\$ 20,729	\$ 20,729
Note Payable, June 2012 Vehicle	35,886	32,569	32,569
Note Payable, 1999 Prior Executive Director <sup>(b)</sup>	261,682	202,857	202,857
Overpayment Payable, October 2001 Los Angeles County	234,778	112,499	112,499
<b>- PROPOSED NEW DEBT:</b>			
<b>CHFFA, HELP II Loan</b>			<b>1,000,000</b>
<b>- TOTAL DEBT</b>		<b>\$ 368,654</b>	<b>\$ 1,368,654</b>

(a) Includes current portion of long-term debt.

(b) In prior years, the former Executive Director made loans to the agency to offset the losses of the foster family agency dating back to 2002 to 2005.

Eggleston plans to pay off the outstanding balance owed to the prior Executive Director in December 2017.

## EXHIBIT 3

### BACKGROUND AND LICENSURE

#### **Background**

Eggleston Youth Centers, Inc. is nonprofit social service agency that has been providing services to children and families in Los Angeles County since 1974. Eggleston's mission is to expand opportunities and enhance the quality of life of children and families by providing support, guidance and comprehensive residential, foster family and adoption, family preservation mental health and substance abuse services that are spearheaded by a philosophy of Children and Families First.

#### **Program Services:**

1. Residential Treatment Program (Group Home) is a 24 hour, 46 bed, structured residential treatment facility for abused, neglected or delinquent foster youth between the ages of 12 and 17.
2. Foster Family Agency/Adoption provides children with a stable, supportive home environment, clinical and case management services while preparing them for reunification or permanent placement.
3. Day Treatment provides probation youth with formal instruction in a non-public school setting, daily transportation to and from school, case management, individual and group counseling and substance abuse education and treatment. In addition, this program conducts Up-Front Assessments on parents for an assessment of mental health, substance abuse and /or domestic violence concerns.
4. Mental Health is a prevention mental health service utilizing the Triple P (Positive Parenting Program) for parents who have children from ages infants to preteen presenting with behavioral issues ranging from temper tantrums, fighting, lying, bullying, and swearing.
5. Substance Education and Treatment is an outpatient services to youth ages 12 to 18 with substance abuse programs. Services include crisis intervention, assessment, individual, group and family counseling, and drug testing.

**Licensure, Certification and Accreditation**

Eggleston Youth Centers, Inc. is certified to operate as Drug and Alcohol Treatment Facility by Department of Alcohol and Drug Programs and licensed to operate three (3) Group Homes and four (4) Foster Family Agency by the State of California Department of Social Services.

**Particular Facts to Note:**

The new facilities are currently not licensed as group home. Eggleston will not be able to apply for licensure from the State of California Department of Social Services (CDSS) until the three properties located at 13133 and 13135 Waco Street, Baldwin Park, CA and 10806 Rose Avenue, Ontario, CA are purchased.

According the Eggleston's management, they do not foresee any problems obtaining licensing for the three properties to be operated as group homes. The licensing process may take approximately 45 days to be completed after escrow is closed. Eggleston plans to submit the application to CDSS on August 26, 2013. Eggleston will be required to submit a proof of licensing to the Authority within 90 days of the loan closing under the Loan and Security Agreement.

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# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

## The HELP II Loan Program

### Resolution Number HII-282

#### 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 provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the HELP II Loan Program (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Eggleston Youth Centers, Inc.** (the “Borrower”), a California nonprofit corporation and participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, 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 an amount not to exceed **\$1,000,000** for a term not to exceed **15 years** for the purpose described in the application filed with the Authority (the “Project”), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 15-year fixed rate;
2. First (1st) lien position on properties located at 10806 Rose Avenue, Ontario, CA 91762 and 13133 and 13135 Waco Street, Baldwin Park, CA 91706;
3. Loan to value ratio not to exceed 95%;
4. Corporate gross revenue pledge;
5. HELP II loan will not be used for foster family agency purposes;
6. Verification of estimated borrower’s funds of approximately \$132,000 to close escrow;
7. Adequate assurance that documentation has been submitted to the appropriate licensing agency.
8. Proof of licensing shall be provided to the Authority within 90 days of the loan closing; and
9. Completed appraisal acceptable to Authority staff.

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, 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. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower 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 Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems 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 5. This resolution expires six months from the date of approval.

Date of Approval: \_\_\_\_\_