

## CHFFA HELP II LOAN PROGRAM EXECUTIVE SUMMARY

<b>Applicant:</b> Community SeniorServ, Inc. (CSS) 1200 North Knollwood Circle Anaheim, CA 92801 Orange County	<b>Loan Amount:</b> \$1,490,000 <b>Loan Term:</b> 20-year fixed <b>Annual Interest Rate:</b> 2% <b>Authority Meeting Date:</b> October 29, 2020 <b>Resolution Number:</b> HII-326																
<b>Project Sites:</b> 1152, 1154, 1156, 1158 North Knollwood Circle, Anaheim, CA 92801 <b>Facility Type:</b> Adult Day Health Care <b>Eligibility:</b> Government Code Section 15432(d)(7) <b>Prior HELP II Borrower:</b> No																	
<b>Background:</b> CSS is a 501(c)(3) non-profit agency, founded in 1967 as Feedback Foundation, that provides a continuum of community-based nutrition and care services. The purpose of CSS’ community-based health program is to delay or prevent institutionalization and maintain individuals in their homes and communities for as long as possible. Through all of its various services, CSS serves more than 10,000 older adults each year throughout 20 Orange County cities.																	
<b>Use of Loan Proceeds:</b> Loan proceeds will be used to finance the purchase of a four-unit facility, three units of which CSS is currently leasing for their adult day health care center and a fourth that would expand its administration space.																	
<b>Financing Structure:</b> <ul style="list-style-type: none"><li>• First lien on the real property located at 1152, 1154, 1156, 1158 North Knollwood Circle, Anaheim, CA 92801</li><li>• 20-year, two percent (2%) fixed rate loan</li><li>• 240 equal monthly payments of approximately \$7,538 (annual payments of approximately \$90,452)</li><li>• A current appraisal that exhibits a loan-to-value ratio not to exceed 95%</li><li>• Executed purchase agreement</li><li>• Corporate gross revenue pledge</li><li>• Verification of borrower funds to close escrow</li></ul>																	
<b>Financial Overview:</b> CSS’ income statement exhibits stable net income with positive gains over the period in review. CSS’ balance sheet appears strong with a net pro-forma debt service coverage ratio of 4.21x.																	
<table><tr><td colspan="2"><b><u>Estimated Sources of Funds:</u></b></td><td colspan="2"><b><u>Estimated Uses of Funds:</u></b></td></tr><tr><td>HELP II loan</td><td>\$ 1,490,000</td><td>Purchase real property</td><td>\$ 1,900,000</td></tr><tr><td>Borrower funds</td><td>440,000</td><td>Financing cost</td><td>30,000</td></tr><tr><td><b>Total Estimated Sources</b></td><td><b>\$ 1,930,000</b></td><td><b>Total Estimated Uses</b></td><td><b>\$ 1,930,000</b></td></tr></table>		<b><u>Estimated Sources of Funds:</u></b>		<b><u>Estimated Uses of Funds:</u></b>		HELP II loan	\$ 1,490,000	Purchase real property	\$ 1,900,000	Borrower funds	440,000	Financing cost	30,000	<b>Total Estimated Sources</b>	<b>\$ 1,930,000</b>	<b>Total Estimated Uses</b>	<b>\$ 1,930,000</b>
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<b>Due Diligence:</b> Staff has received and reviewed the Eligibility, Legal Review, and Religious Affiliation documentation. All documentation satisfies the Authority’s requirements.																	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution Number HII-326 for Community SeniorServ, Inc. in an amount not to exceed \$1,490,000 for a term not to exceed 20 years, and contingent upon financing terms acceptable to the Authority. TAP International, the Authority’s financial analyst, concurs with the Authority’s staff recommendation.																	

## I. PURPOSE OF FINANCING:

CSS is seeking a HELP II loan to finance the purchase of a four-unit building, three units of which CSS is currently leasing as its adult day health care center and a fourth unit that is currently vacant. If CSS does not purchase the building, the owner intends to sell the units to developers to be converted into individually owned condominiums, and the adult day health care center will have to close. By purchasing the units, CSS will be able to expand its administrative offices into the fourth unit, providing the opportunity to have expanded areas in the original three units for participant therapies and activities. Although there are no expected monthly savings from the purchase compared to renting the units, once the HELP II loan is paid off, CSS intends to invest those funds into adding more services and updates to the facilities.

***Purchase of Real Property .....*** ***\$1,900,000***

Loan proceeds will be used to purchase four contiguous industrial condominium units, totaling approximately 6,912 square feet located within the Woodland Business Park, in Anaheim. CSS' Adult Day Health Care (ADHC) division currently provides medically based services at the property for at-risk, low-income older persons, veterans and other adults with chronic medical, cognitive or mental health conditions and/or disabilities that are at risk of needing institutional care. Services include medically supervised day care, including nursing, physical therapy, occupational therapy, nutritional support, social worker support, and social and cognitive engagement. The facility is licensed for a total capacity of 75 clients and served 146 unduplicated clients in FY 2019.

The HELP II loan will be secured by a first (1st) lien position on the property. An appraisal completed on October 9, 2020 valued the property at \$1,900,800, resulting in a loan-to-value ratio of 78%.

***Financing Costs .....*** ***30,000***

Authority Fees .....	\$18,625
Estimated Escrow/Title Fees .....	<u>11,375</u>

**Total Uses of Funds .....** **\$1,930,000**

## II. FINANCIAL STATEMENTS AND ANALYSIS:

**Community SeniorServ, Inc.  
Statement of Activities  
(Income Statement)**

	<b>For the Years Ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>			
Community support			
Grants and awards	\$ 6,453,623	\$ 5,330,799	\$ 5,619,166
Contributions and donations	518,357	569,756	634,617
Department of Education meal revenues	160,178	139,252	111,475
Direct mail and fundraising revenues	776,596	647,264	684,141
Participant fees	142,160	84,817	52,617
Total community support	8,050,914	6,771,888	7,102,016
Revenues			
Sales of food products	2,559,046	2,551,544	2,157,722
Insurance/government reimbursements	2,950,648	2,856,596	2,420,458
Investment income, net	88,847	26,430	79,611
Other income	177,792	200,852	162,864
Total revenues	5,776,333	5,635,422	4,820,655
Net assets released from restriction	712,376	712,594	445,480
Total support and revenues	14,539,623	13,119,904	12,368,151
<b>Expenses</b>			
Program expenses			
Contract expenses	1,869,772	1,534,610	1,477,314
Food and supply costs	3,225,123	3,206,014	3,179,739
Insurance	762,771	733,133	588,561
Other program expenses	117,316	88,291	71,564
Personnel expense	4,752,170	4,332,591	4,061,786
Transportation and travel	971,516	987,454	855,912
Vehicle and fuel	129,548	130,850	133,528
Total program expenses	11,828,216	11,012,943	10,368,404
Support expenses			
Depreciation	271,628	264,061	240,904
Employment expense	47,036	47,456	54,008
Direct mail and fundraising expenses	317,005	317,860	298,120
Insurance	134,177	152,164	139,368
Miscellaneous	135,754	139,279	140,149
Office expense	136,128	104,648	103,840
Professional fees	54,628	117,773	85,820
Rent	151,589	149,885	144,965
Repairs and maintenance	212,551	142,774	110,852
Small equipment	23,214	-	-
Technology	167,642	124,443	136,579
Telephone and utilities	247,489	251,188	250,139
Total support expenses	1,898,841	1,811,531	1,704,744
Other expenses			
Interest expense	41,455	47,017	45,500
Total other expenses	41,455	47,017	45,500
Total expenses	13,768,512	12,871,491	12,118,648
Increase in net assets without donor restrictions	771,111	248,413	249,503
Net position - beginning of year	6,150,473	5,902,060	5,652,557
Net position - end of year	\$ 6,921,584	\$ 6,150,473	\$ 5,902,060

**Community SeniorServ, Inc.**  
**Statements of Financial Position**  
**(Balance Sheet)**

	<b>As of June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,291,119	\$ 2,155,649	\$ 2,427,807
Accounts, grants and awards receivable	1,542,455	1,492,399	1,415,643
Inventory	193,971	176,375	143,061
Prepaid expenses	82,640	76,809	73,156
Board-designed restricted investments	2,174,939	2,086,370	2,060,908
Total current assets	<u>6,285,124</u>	<u>5,987,602</u>	<u>6,120,575</u>
Non-current assets			
Property, plant and equipment			
Land	500,000	500,000	500,000
Building and improvements	2,478,263	2,694,529	2,694,529
Equipment, furniture and fixtures and vehicles	3,840,908	3,577,183	3,487,342
Construction in progress	16,038	77,225	18,298
Less: Accumulated depreciation	(4,159,598)	(4,343,208)	(4,139,307)
Other assets			
Deposits	23,334	23,334	23,334
Debt service restricted cash	167,248	168,063	168,063
Total non-current assets	<u>2,866,193</u>	<u>2,697,126</u>	<u>2,752,259</u>
Total assets	<u>9,151,317</u>	<u>8,684,728</u>	<u>8,872,834</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 477,413	\$ 478,570	\$ 500,734
Accrued liabilities	1,095,732	929,586	858,119
Note payable, current portion	132,917	125,833	117,917
Total current liabilities	<u>1,706,062</u>	<u>1,533,989</u>	<u>1,476,770</u>
Long-term liabilities			
Note payable	356,250	489,167	615,000
Total long-term liabilities	<u>356,250</u>	<u>489,167</u>	<u>615,000</u>
Total liabilities	<u>2,062,312</u>	<u>2,023,156</u>	<u>2,091,770</u>
Net assets			
Without donor restrictions	6,921,584	6,150,473	5,902,060
With donor restrictions	167,421	511,099	879,004
Total net assets	<u>7,089,005</u>	<u>6,661,572</u>	<u>6,781,064</u>
Total liabilities and net assets	<u>\$ 9,151,317</u>	<u>\$ 8,684,728</u>	<u>\$ 8,872,834</u>

	<b>Proforma</b>			
	<b>FYE June 30, 2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Debt Service Coverage - Net (x)	4.21	6.48	3.39	3.43
Debt to Unrestricted Net Assets (x)	0.29	0.07	0.10	0.12
Margin (%)		5.30	1.89	2.02
Current Ratio (x)		3.68	3.90	4.14

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

**CSS' income statement exhibits stable net income with positive gains over the review period.**

CSS' revenue exhibits a positive upward trend, increasing by approximately 18% from approximately \$12.4 million in FY 2017 to \$14.5 million in FY 2019. According to CSS' management, this increase in revenue is primarily due to an increase in grants received to address hunger in CSS' senior population and an increase in clients in the ADHC centers. During the same period, operating expenses also show an increasing trend, increasing by approximately 14% from approximately \$12.1 million in FY 2017 to \$13.8 million in FY 2019. According to CSS' management, this increase in expenses was attributable to the costs of servicing additional clients and an increase in personnel costs due to minimum wage increases. Together, the 18% increase in revenue in relation to the 14% increase in expenses demonstrates increasing growth in net assets overall, and is further reflected in a strong margin of 5.3% in FY 2019.

Since the beginning of the COVID-19 pandemic, CSS has experienced greater demand and need for its programs for seniors than in previous years, and subsequently, there has been more government support and funding as well as community donations for the services CSS provides. More specifically, CSS' Meals on Wheels program has almost doubled in size, and its ADHC rate increased from \$79 per day per participant to \$86 per day per participant. Overall, CSS's operations have experienced higher revenue and profit levels since the start of the pandemic.

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

**CSS' balance sheet appears strong with a pro-forma debt service coverage ratio of 4.21x.**

CSS displays a strong ability to repay long-term debt with a debt service coverage ratio of 6.48x in FY 2019. With the proposed new HELP II loan financing, CSS' pro-forma debt service coverage ratio would decrease slightly to 4.21x as expected with a new money transaction. Additionally, CSS has demonstrated a low reliance on debt financing, with CHFFA bonds issued in 1992 as its only current outstanding debt. CSS had a debt to unrestricted net assets ratio of 0.12x in FY 2017 that decreased to 0.07x in FY 2019. CSS' pro-forma debt to unrestricted net assets ratio increases to 0.29x, which again demonstrates the new debt nature of this loan but also exhibits ample readiness to take on the new debt.

Furthermore, CSS appears to display financial stability in the balance sheet as total liabilities remained almost the same with a slight decrease of approximately 1%, from approximately \$2.09 million in FY 2017 to \$2.06 million in FY 2019. Moreover, total assets increased by approximately 3%, from approximately \$8.9 million in FY 2017 to \$9.2 million in FY 2019.

### III. UTILIZATION STATISTICS:

**Clients Served\***  
**Fiscal Year Ended June 30,**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Totals	146	130	116

- Client data for the ADHC facility in Anaheim only.

### IV. OUTSTANDING DEBT:

	<b>Date Issued</b>	<b>Original Amount</b>	<b>Amount Outstanding As of June 30, 2019</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>-EXISTING LONG-TERM DEBT:</b>				
CHFFA Insured Revenue Bonds 1992 Series A	12/11/1992	\$2,140,000	\$489,167	\$489,167
<b>-PROPOSED NEW DEBT</b>				
<b>HELP II Loan (2020)</b>				<b>1,490,000</b>
<b>-TOTAL DEBT</b>			<b>\$489,167</b>	<b>\$1,979,167</b>

## **V. BACKGROUND AND LICENSURE:**

### **Background**

Community SeniorServ, Inc. is a 501(c)(3) non-profit agency, founded in 1967 as Feedback Foundation, that provides a continuum of community-based nutrition and care services. The ADHC division, which includes community-based adult services and Program of All-Inclusive Care for the Elderly (also known as PACE) Expansion services, provides medically based services for at-risk, low-income older persons, veterans and other adults with chronic medical, cognitive or mental health conditions and/or disabilities that are at risk of needing institutional care. The purpose of its community-based health program is to delay or prevent institutionalization and maintain individuals in their homes and communities for as long as possible by providing medically supervised day care, including nursing, physical therapy, occupational therapy, nutritional support, food security, social worker support, and social and cognitive engagement. Through its various services, CSS serves more than 10,000 older adults each year throughout 20 Orange County cities.

### **Licensure, Certification and Accreditation**

CSS is licensed by the California Department of Public Health to operate and maintain an Adult Day Health Care Center.

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

## The HELP II Loan Program

### Resolution Number HII-326

#### 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, **Community SeniorServ, Inc.** (the “Borrower”), a California 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 the loan to the Borrower, in an amount not to exceed **\$1,490,000** for a term not to exceed **20 years** for the purposes described in the application filed with the Authority (the “Projects”), 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. 20-year, two percent (2%) fixed rate loan;
2. First lien on the real property at 1152, 1154, 1156, 1158 North Knollwood Circle, Anaheim, CA 92801;
3. A current appraisal that is acceptable to Authority staff exhibiting a loan-to-value ratio not to exceed 95%;
4. Executed purchase contract;
5. Corporate gross revenue pledge; and
6. Verification of Borrower’s funds to close escrow.



Section 2. The Executive Director and the Deputy Executive Director are hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loans, 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 loans may not be increased above the amount approved by the Authority and provided further that the loans continue 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 and the Deputy Executive Director are 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 and the Deputy Executive Director of the Authority are 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: \_\_\_\_\_