

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)  
EXECUTIVE SUMMARY**

**Applicant:** Silence Aloud, Inc. (Silence Aloud)  
11875 Pigeon Pass Road, Suite B13  
Moreno Valley, CA 92557  
Riverside County

**Loan Amount:** \$1,200,000  
**Loan Term:** 20-year fixed  
**Annual Interest Rate:** 2%  
**Authority Meeting Date:** August 25, 2022  
**Resolution Number:** HII-336

**Project Site:** To Be Determined (Riverside County or San Bernardino County)  
**Facility Type:** Community Care Facility  
**Eligibility:** Government Code section 15432(d)(13)  
**Prior HELP II Borrower:** No

**Background:** Founded in 2006, Silence Aloud is a not-for-profit, charitable organization dedicated to providing housing, foster care, advocacy, and mental and behavioral health services for children, adolescents, and young adults who are victims of abuse.

**Use of Loan Proceeds:** Loan proceeds will be used to finance the purchase of a facility located in either Riverside County or San Bernardino County that will be operated as a community wellness center providing mental and behavioral health services for youth.

**Financing Structure:**

- First lien on the real property purchased with HELP II funds
- 20-year, two percent (2%) fixed rate loan
- 240 equal monthly payments of approximately \$6,071 (annual payments of approximately \$72,852)
- A current appraisal that exhibits a loan-to-value ratio not to exceed 95%
- Corporate gross revenue pledge
- Executed purchase contract
- Verification of borrower funds to close escrow

**Financial Overview:** Silence Aloud's income statement appears to exhibit positive operating results with an increase in net assets in each year of the review period. Silence Aloud appears to display a satisfactory balance sheet, with a pro-forma FY 2020 net debt service coverage ratio of 1.11x.

**Estimated Sources of Funds:**

HELP II loan	\$ 1,200,000
Borrower funds	60,000
<b>Total Estimated Sources</b>	<b><u>\$ 1,260,000</u></b>

**Estimated Uses of Funds:**

Purchase real property	\$ 1,243,000
Financing costs	17,000
<b>Total Estimated Uses</b>	<b><u>\$ 1,260,000</u></b>

**Due Diligence:** Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority's (Authority) requirements: Eligibility, Legal Review, and Religious Affiliation Due Diligence.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. HII-336, in an amount not to exceed \$1,200,000 for Silence Aloud, Inc., subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority staff's recommendation.

**STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION**

**I. PURPOSE OF FINANCING**

In an effort to reduce youth involvement in the foster care and criminal justice systems, Silence Aloud is embarking on a project to expand preventative behavioral and mental health services as well as provide various resources to youth that are struggling with social and familial instability. Silence Aloud is requesting a HELP II loan to finance the purchase of a building to operate a community wellness center to benefit children and young adults. The desired property is expected to be centrally located in the city of Moreno Valley, within Riverside County but may alternatively be located in San Bernardino County.

***Purchase real property* ..... \$1,243,000**

Silence Aloud intends to purchase an approximate 5,000-square-foot building located in Riverside County or San Bernardino County. The community wellness center will serve youth ages 12-17 as well as transition age youth ages 18-25. The center will offer traditional mental and behavioral health services, which will include counseling, therapy, substance abuse prevention, peer support, and LGBTQ support. The center will also integrate alternative holistic healing approaches and youth-informed facility design to improve resilience, emotional health and safety, and suicide prevention.

In addition to the expansion of mental and behavioral health services, Silence Aloud plans to incorporate a co-located resource program. The resource program will ensure that service referrals for various resources, such as food, housing, tutoring, and vocational support services, are efficiently offered and readily available. The program is expected to be able to collaborate with and offer a multitude of resources from the Riverside County Department of Mental Health, the Moreno Valley Unified School District, the Riverside County Office of Education, the Riverside Community College District, and local public and private economic development agencies.

The HELP II loan will be secured by a first (1<sup>st</sup>) lien position on the real property purchased. Additionally, Silence Aloud will provide an appraisal of the proposed real property that exhibits a loan-to-value ratio not to exceed 95% before the time of closing as well as an assurance of meeting the other security terms and conditions set forth in the resolution.

***Financing Costs* ..... 17,000**  
    Authority Fees ..... \$15,000  
    Estimated Escrow/Title Fees ..... 2,000  
**Total Uses of Funds ..... \$1,260,000**

## II. FINANCIAL STATEMENTS AND ANALYSIS

The following analysis displays fiscal year (FY) 2020 as the most current audited financial statements. Staff and TAP International have seen the preliminary FY 2021 financials, which do not raise any concerns at this time.

**Silence Aloud, Inc.**  
**Statement of Activities**  
**(Income Statement)**

	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Revenues and Support</b>			
Foster care income	\$ 699,291	\$ 626,612	\$ 596,388
Other income	10,010	-	12,926
CHRIS revenue	66,503	-	-
Donations	4,620	-	-
Total revenues, gains, and other support	780,424	626,612	609,314
<b>Expenses</b>			
Salaries & fringe benefits	424,190	336,041	319,881
Accounting & audit expense	22,700	16,437	12,001
Advertising	2,081	1,589	3,609
Auto expense	7,751	11,830	22,577
Bank service charges	604	604	410
Building & equipment expense	13,791	19,021	15,837
Contract services	2,110	4,649	250
Consultants	57,441	52,252	9,072
Dues & subscriptions	1,481	1,035	432
Food cost	22,746	30,491	19,273
In-service training	1,383	1,360	264
Insurance	25,089	34,579	18,862
Miscellaneous	1,315	4,121	3,185
Interest expense	5,005	5,007	21,678
License & fees	422	695	5,057
Office expense	1,392	3,854	2,065
Postage & shipping	769	1,072	406
Rent	28,800	28,350	27,326
Storage	3,092	2,968	-
Supportive services	43,116	37,578	47,607
Telephone	8,113	7,476	11,456
Travel	2,308	2,627	3,146
Utilities	12,256	13,000	8,973
Depreciation	9,382	9,132	1,118
Total expenses	697,337	625,768	554,485
Excess (deficit) of revenues and support over operating expenses	83,087	844	54,829
Net assets, beginning of the year	34,888	29,300	(44,769)
Prior period adjustment	(4,196)	4,743	19,240
Net assets, end of the year	\$ 113,780	\$ 34,888	\$ 29,300

**Silence Aloud, Inc.**  
**Statement of Financial Position**  
**(Balance Sheet)**

	As of December 31,		
	2020	2019	2018
<b>Assets</b>			
Current Assets			
Cash	\$ 275,108	\$ 22,210	\$ 29,044
Grants receivable	118,413	53,700	46,290
Other receivable	1,850	1,850	3,668
Deposit	-	2,450	450
Total current assets	395,371	80,210	79,452
Noncurrent Assets			
Deposit	2,450	-	-
Property and equipment - net of accumulated depreciation costs	20,245	34,218	3,224
Total noncurrent assets	22,695	34,218	3,224
Total assets	\$ 418,066	\$ 114,428	\$ 82,676
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 21,920	\$ 19,810	\$ 17,243
Payroll and related liabilities	30,979	23,501	29,100
Officer's payable	253	253	-
Loan payable	-	3,383	-
DSS overpayment	8,992	-	-
PPP loan payable	65,980	-	-
SBA EIDL loan (current portion)	4,487	-	-
Vehicle loan payable (current portion)	8,772	6,432	-
Total current liabilities	141,383	53,379	46,343
Noncurrent Liabilities			
Loan payable	-	-	7,033
SBA EIDL loan	145,513	-	-
Vehicle loan payable (non-current portion)	17,390	26,161	-
Total noncurrent liabilities	162,903	26,161	7,033
Total liabilities	304,286	79,540	53,376
<b>Net Assets</b>			
Without donor restrictions	113,780	34,888	29,300
Total net assets	113,780	34,888	29,300
Total liabilities and net assets	\$ 418,066	\$ 114,428	\$ 82,676

	FYE December 31,			
	2020	2020	2019	2018
Debt Service Coverage - Net (x)	1.11	6.58	2.99	1.53
Debt to Unrestricted Net Assets (x)	12.67	2.13	1.03	0.24
Margin (%)		10.65	0.13	9.00
Current Ratio (x)		2.80	1.50	1.71

## **Financial Discussion**

### **Silence Aloud's income statement appears to exhibit positive operating results with an increase in net assets in each year of the review period.**

Silence Aloud appears to exhibit positive operating margins over the review period, most recently posting a margin of approximately 11% in FY 2020. Total revenues grew from approximately \$609,000 in FY 2018 to just over \$780,000 in FY 2020, an overall increase of 28%. It appears that much of this increase was caused by increases in foster care income and Children's Residential Intensive Services (CHRIS) Program revenue. Silence Aloud's management attributes this increase to a change of its facility license type in July 2020 from a group home to a Short-Term Residential Therapeutic Program (STRTP), which resulted in a 56% increase in its per client contracted rate. Furthermore, Silence Aloud's management explains that revenue also increased because of a new Medi-Cal mental health services contract for the CHRIS Program. Total expenses also increased over the review period by 26%, which appears to be caused by salaries and fringe benefits increasing 33% from approximately \$320,000 in FY 2018 to just over \$424,000 in FY 2020. Silence Aloud's management explains that the increase was due to hiring qualified staff who could provide additional mental health services after becoming a STRTP, which required the volume of mental health services provided to increase.

The COVID-19 pandemic caused Silence Aloud to face extended vacancies in its residential beds during FY 2020 due to several of its clients and employees contracting the virus. Additionally, COVID-19 significantly impacted the availability of employees and resulted in Silence Aloud offering hazard pay in an effort to retain its staff during the heart of the pandemic. Silence Aloud applied for and received a Paycheck Protection Program (PPP) loan and an Economic Injury Disaster Loan in FY 2020, both of which helped Silence Aloud offset some of these challenges. Silence Aloud's PPP loan was forgiven in September 2021.

### **Silence Aloud appears to display a satisfactory balance sheet, with a pro-forma FY 2020 net debt service coverage ratio of 1.11x.**

Over the three-year review period, Silence Aloud appears to have demonstrated a strong ability to repay its debt, with a net debt service coverage ratio, strengthening from 1.53x in FY 2018 to 6.58x in FY 2020. Although the proposed HELP II loan significantly affects its net debt service coverage ratio, Silence Aloud's pro-forma FY 2020 ratio remains acceptable at 1.11x. In FY 2020, Silence Aloud appeared to be highly leveraged with a debt to unrestricted net assets ratio of 2.13x. However, the Authority and TAP International, Inc., the Authority's financial analyst, have reviewed Silence Aloud's unaudited FY 2021 financial statements and feel confident that with its consistent and upcoming increases in net assets, Silence Aloud will be able to meet its future debt obligations. With the proposed HELP II loan, the pro-forma FY 2020 debt to unrestricted net assets ratio increases to 12.67x. Silence Aloud's management explains that it is comfortable incurring additional debt because of recent increases in contract amounts and an expansion of programs and services offered.

Silence Aloud's indicators of financial liquidity appear to be strong, posting a current ratio of 2.8x in FY 2020. Cash increased significantly, growing from just over \$29,000 in FY 2018 to approximately \$275,000 in FY 2020. Silence Aloud's management explains that the positive change in cash was caused by increased foster care income, an increase in Medi-Cal mental health contract revenue, and COVID-19 financial assistance programs during FY 2020.

**III. UTILIZATION STATISTICS**

**Clients Served / Patient Visits  
Fiscal Year Ending December 31,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Totals</b>	11 / 190	8 / 391	14 / 116

**IV. OUTSTANDING DEBT**

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding as of December 31, 2020</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b><i>-EXISTING LONG-TERM DEBT:</i></b>			
Economic Injury Disaster Loan (2020)	\$ 150,000	\$ 150,000	\$ 150,000
Lexus Financial (2018)	41,806	26,162	26,162
<b><i>-PROPOSED NEW DEBT</i></b>			
<i>HELP II Loan (2022)</i>			1,200,000
<b><i>-TOTAL DEBT</i></b>		<u><u>\$ 176,162</u></u>	<u><u>\$ 1,376,162</u></u>

## **V. BACKGROUND AND LICENSURE**

### **Background**

Founded in 2006, Silence Aloud is a not-for-profit, charitable organization dedicated to providing housing, foster care, advocacy, and support in all forms necessary for children, adolescents, and young adults who are victims of physical, emotion, sexual, or substance abuse. Since incorporation, its mission has expanded to include all youth victims of any form of abuse.

From 2009 to 2012, Silence Aloud operated its Healing Environments by Applying Revolutionary Thought (HEART) Center transitional housing program, which served emancipated foster youth in a time when turning 18 and “aging out” of the foster care system meant becoming homeless. The project was funded by donations from community corporations as well as private and personal grants. HEART Center was comprised of eight small single-family residences and was capable of providing housing for up to 20 young adults at any given time. In 2013, the organization opened a licensed children’s residential facility (group home), now known as the Search Light Center for Healing. The Search Light Center for Healing (SLCH) is an STRTP licensed by the State of California to provide 24-hour residential treatment services in a compassionate home environment. Since 2017, SLCH has been a certified Medi-Cal mental health clinic and serves males ages 13-21 with histories of physical, emotional, and/or sexual abuse who also have substance abuse challenges. Many of Silence Aloud’s clients have a history of abuse and neglect and have a co-occurring mental health diagnosis. All clients receive intensive therapeutic services, independent living skills, family treatment services, mentoring, and substance abuse prevention services.

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

Silence Aloud is licensed by the State Department of Social Services to operate facilities as Short-Term Residential Therapeutic Programs. Additionally, all Silence Aloud facilities are certified through the State Department of Health Care Services to provide mental health services.

## **VI. STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution No. HII-336, in an amount not to exceed \$1,200,000 for Silence Aloud, Inc., subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)**  
**Resolution Number HII-336**

RESOLUTION APPROVING EXECUTION AND DELIVERY OF  
HELP II 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 (Gov. Code, §15430 et seq.) (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 HELP II (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Silence Aloud, 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 **\$1,200,000** for a term not to exceed **20 years** for the purposes 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. First lien on the real property purchased with HELP II funds;
2. 20-year, two percent (2%) fixed-rate loan;
3. A current appraisal that exhibits a loan-to-value ratio not to exceed 95%;
4. Corporate gross revenue pledge;
5. Executed purchase contract; 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 those amounts.

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 that the Executive Director deems necessary or advisable to effectuate the purposes of this resolution and the transactions contemplated hereby, and that have heretofore been approved as to form by the Authority.

Section 5. This resolution is repealed six months from the date of approval.

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