

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

Applicant: Guiding Light Home for Boys, Inc.
(Guiding Light)
25123 Middlebrook Way
Moreno Valley, CA 92551
Riverside County

Loan Amount: \$800,000
Loan Term: 20 years
Annual Interest Rate: 2% fixed
Authority Meeting Date: October 27, 2022
Resolution Number: HII-339

Project Site(s): To be determined (Riverside County)

Facility Type: Short Term Residential Therapeutic Program (STRTP)

Eligibility: Government Code Section 15432(d)(13)

Prior Borrower: No

Background: Guiding Light is a 501(c)(3) public benefit organization that is a licensed STRTP. Guiding Light has two, six-bed residential homes located in Moreno Valley, Riverside County, and accepts both probation and child welfare youth and non-minor dependents ages 14-19. Guiding Light primarily serves youth in San Bernardino and Riverside counties.

Use of Proceeds: Loan proceeds will be used to finance the purchase of a property in Riverside County to relocate an existing STRTP facility.

Financing Structure:

- First lien on the real property to be determined (Riverside County)
- 20-year, two percent (2%) fixed rate loan
- 240 equal monthly payments of approximately \$4,047 (annual payments of approximately \$48,565)
- 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: Guiding Light's robust growth in revenue is supported by a growing revenue base mainly from contracts revenue. Guiding Light's balance sheet continues to grow and exhibits a solid pro-forma fiscal year (FY) 2021 net debt service coverage ratio of 5.64x.

Estimated Sources of Funds:

HELP II loan	\$800,000
Borrower funds	15,000
Total Estimated Sources	<u>\$815,000</u>

Estimated Uses of Funds:

Purchase real property	\$800,000
Financing costs	15,000
Total Estimated Uses	<u>\$815,000</u>

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-339 in an amount not to exceed \$800,000 for Guiding Light Home for Boys, 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

Guiding Light is requesting a HELP II loan to purchase property located in Riverside County to be used as an STRTP facility. Guiding Light plans to relocate one of its existing licensed facilities to the new property. Guiding Light is currently paying approximately \$1,850 per month in rent, and the landlord decided not to extend the lease. Guiding Light’s current facility has three bedrooms and two bathrooms, and it is searching for a bigger facility to accommodate and better serve its residents with the objective of providing individual rooms and space for each client it serves.

***Purchase Real Property* \$ 800,000**

Guiding Light intends to purchase property located in Riverside County with four to five bedrooms and two to three bathrooms. Guiding Light intends to find a property that will provide specialized treatment therapy for the mental health program residents and will accommodate outside game therapy activities, such as basketball and/or other outside activities.

The HELP II loan will be secured by a first (1st) lien position on the property purchased. Additionally, Guiding Light will provide an appraisal for the proposed property, exhibiting 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* 15,000**

Authority Fees \$10,000

Estimated Escrow/Title Fees 5,000

***Total Estimated Uses of Funds*..... \$ 815,000**

II. FINANCIAL STATEMENTS AND ANALYSIS

Guiding Light Home for Boys, Inc.
Statement of Activities
(Income Statement)

	For the Year Ended December 31,		
	2021	2020	2019
Revenues & Support:			
Contracts revenue	\$ 2,018,605	\$ 1,751,159	\$ 1,413,951
CHRIS revenue	242,911	204,132	190,574
Other income	167,584	9,255	14,993
Total revenues & support	<u>2,429,100</u>	<u>1,964,546</u>	<u>1,619,518</u>
Operating Expenses:			
Salaries & wages	1,166,430	915,437	781,713
Taxes & fringe benefits	142,665	118,044	132,509
Total salaries & fringe benefits	<u>1,309,095</u>	<u>1,033,481</u>	<u>914,222</u>
Accounting & audit services	63,550	50,600	47,190
Advertising	10,021	5,499	9,949
Auto expenses	35,946	36,053	48,022
Bank charges	213	11	3,248
Building repairs & maintenance	133,380	100,742	80,681
Contractual services	5,374	16,738	53,455
Consultant	42,190	33,934	34,659
Food	117,192	84,920	96,242
In service training	29,509	12,373	7,242
Insurance - general	57,454	25,379	19,421
Interest expense	99	-	10
Insurance - workers compensation	28,794	45,356	-
Licenses	4,611	1,077	1,292
Membership & subscriptions	336	6,293	3,790
Miscellaneous	-	1,733	35
Office rent & storage	30,855	27,944	23,465
Office supplies	16,945	17,319	22,537
Postage & shipping	1,245	534	614
Print & publication	63	240	355
Rent	60,500	61,950	60,120
Supportive services	156,980	95,690	98,072
Telephone	25,753	23,446	23,605
Travel	2,417	1,197	-
Utilities	22,309	23,622	18,862
Total operating expenses before depreciation	<u>2,154,831</u>	<u>1,706,131</u>	<u>1,567,088</u>
Depreciation	214	215	5,292
Total operating expenses	<u>2,155,045</u>	<u>1,706,346</u>	<u>1,572,380</u>
Excess of revenues & support over operating expenses	274,055	258,200	47,138
Net assets - beginning of the year	538,935	301,595	254,457
Prior period adjustment	-	(20,860)	-
Net assets - end of the year	<u>\$ 812,990</u>	<u>\$ 538,935</u>	<u>\$ 301,595</u>

Guiding Light Home for Boys, Inc.
Statement of Financial Position
(Balance Sheet)

	As of December 31,		
	2021	2020	2019
Assets			
Current Assets			
Cash	\$ 435,277	\$ 344,399	\$ 56,560
Grants receivable	528,122	399,820	331,049
Total current assets	963,399	744,219	387,609
Noncurrent Assets			
Property and equipment, net	3,646	3,860	4,075
Total noncurrent assets	3,646	3,860	4,075
Total assets	\$ 967,045	\$ 748,079	\$ 391,684
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 69,538	\$ 16,000	\$ 51,064
Payroll & related liabilities	82,391	52,844	37,207
Miscellaneous liabilities	1,826	-	1,518
Total current liabilities	153,755	68,844	89,789
Noncurrent Liabilities			
Officers payable	300	300	300
PPP Funding loan	-	140,000	-
Total noncurrent liabilities	300	140,300	300
Total liabilities	154,055	209,144	90,089
Net Assets			
Without donor restriction	812,990	538,935	301,595
Total net assets	812,990	538,935	301,595
Total liabilities and net assets	\$ 967,045	\$ 748,079	\$ 391,684

Financial Ratios:

	Proforma^(a)			
	FYE 12/31/2021	2021	2020	2019
Debt Service Coverage - Net (x) ^(b)	5.64	NA	NA	NA
Debt to Unrestricted Net Assets (x)	0.98	0.00	0.26	0.00
Operating Margin (%)		11.28	13.14	2.91
Current Ratio (x)		6.27	10.81	4.32

^(a) Recalculates FY 2021 audited results to include the impact of this proposed financing.

^(b) No long term debt, therefore debt service coverage - net is not applicable.

Financial Discussion

Guiding Light's robust growth in revenue is supported by a growing revenue base mainly from contracts revenue.

Total revenues and support have grown from approximately \$1.6 million in FY 2019 to approximately \$2.4 million in FY 2021, a 50% increase. According to Guiding Light, it transitioned from being categorized as a group home facility in FY 2019 to being approved as an STRTP facility in FY 2020. The contract rate per client was approximately \$9,000 as a group home facility and increased to more than \$14,000 in FY 2021 as an STRTP facility, which is a 60.1% increase.

Guiding Light did not experience a significant financial impact from the COVID-19 pandemic as it did not lose the placement of any of its clients. Guiding Light did experience increased operational needs with additional payroll, taxes, workers compensation, and supply costs. Guiding Light received a \$140,000 Paycheck Protection Program (PPP) loan in FY 2020, which was forgiven in FY 2021. The PPP loan is reflected in Other income for FY 2021, causing in part an increase from about \$9,000 in FY 2020 to nearly \$168,000 in FY 2021.

Total operating expenses for Guiding Light increased from approximately \$1.6 million in FY 2019 to nearly \$2.2 million in FY 2021, an increase of 37.5%. According to Guiding Light, this was due to the previously mentioned transition from a group home facility to an STRTP facility, which required the hiring of additional staff. Salaries and wages went from approximately \$782,000 in FY 2019 to nearly \$1.2 million in FY 2021. Guiding Light's new program required a Clinical Director, licensed social workers, case managers, a rehabilitation specialist, and direct care qualified staff. Additional benefits and higher salaries were offered to attract qualified staff for the new intensive care program.

Guiding Light's balance sheet continues to grow and exhibits a solid pro-forma FY 2021 net debt service coverage ratio of 5.64x.

Over the review period, Guiding Light had no long-term debt and as such, the debt service coverage ratio for all three fiscal years is not applicable. With the new HELP II loan, Guiding Light's pro-forma FY 2021 debt service coverage ratio displays a strong 5.64x, indicating Guiding Light's ability to repay the debt.

Guiding Light's balance sheet shows an increase of 146.9% in total assets from approximately \$392,000 in FY 2019 to approximately \$967,000 in FY 2021. According to Guiding Light, the increase in cash was due to the new STRTP per client rate previously mentioned, the county Department of Behavioral Health program contract increase, and forgiveness of the PPP loan. Grants receivable increased from just about \$331.0 thousand in FY 2019 to nearly \$528.1 thousand in FY 2021. Guiding Light explains that rates with the State Department of Social Services per client were \$8,950 in FY 2019 and increased to \$14,331 in FY 2021.

III. UTILIZATION STATISTICS

**Clients Served
Fiscal Year Ending December 31,**

	2021	2020	2019
Totals	65	58	55

IV. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of December 31, 2021</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
EXISTING LONG-TERM DEBT			
No existing long term debt	\$ -	\$ -	\$ -
PROPOSED NEW DEBT			
<i>HELP II Loan (2022)</i>			800,000
TOTAL DEBT		<u>\$ -</u>	<u>\$ 800,000</u>

V. BACKGROUND AND LICENSURE

Background

Guiding Light is a 501(c)(3) licensed STRTP. Guiding Light has two residential homes, each with a capacity of six beds, located in Moreno Valley, Riverside County, and accepts both probation and child welfare youth and non-minor dependents ages 14-19. Guiding Light primarily serves youth in San Bernardino and Riverside counties.

Guiding Light works with troubled youth who have histories of trauma, including abuse, neglect, loss, and violence. Guiding Light works to assist the youth to stabilize and be able to transition to a lower level of care. Their services are focused on the reduction of symptoms and maladaptive behaviors to improve their functional impairments in life domains. The youth they serve have severe behaviors, including, but not limited to, aggression, substance use, runaway, depression, anxiety, attention deficit hyperactivity disorder, and legal issues. Guiding Light works to provide a program that is as home-like as possible, understanding the youth come from a place of anger and mistrust. Guiding Light strives to acclimate the youth into the community, assisting with job searches and providing enrichment activities as well as teen-focused fun outings.

Licensure and Accreditation

Each of Guiding Light's facilities are licensed by the State Department of Health Care Services to operate as STRTPs and are certified through the State Department of Social Services to provide STRTP services. They are also certified through the Commission on Accreditation of Rehabilitation Facilities, an independent nonprofit accreditor of health and human services.

VI. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. HII-339 in an amount not to exceed \$800,000 for Guiding Light Home for Boys, 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-339

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, **Guiding Light Home for Boys, 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 a HELP II loan to the Borrower in an amount not to exceed **\$800,000** 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 to be determined (Riverside County);
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 and the Deputy Executive Director are 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 or the Deputy 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: _____