

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

<p><b>Applicant:</b> Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men (Walt's Home) 9556 Langdon Avenue North Hills, CA 91343 Los Angeles County</p> <p><b>Project Site:</b> To be determined (Kern County)</p> <p><b>Facility Type:</b> Short Term Residential Therapeutic Program &amp; Mental Health Center</p> <p><b>Eligibility:</b> Government Code Section 15432(d)(13) and (16)</p> <p><b>Prior Borrower:</b> No</p>	<p><b>Loan Amount:</b> \$522,500</p> <p><b>Loan Term:</b> 20 years</p> <p><b>Annual Interest Rate:</b> 2% fixed</p> <p><b>Authority Meeting Date:</b> December 7, 2023</p> <p><b>Resolution Number:</b> HII-348</p>																
<p><b>Background:</b> Willie Young's Home for Young Men, Inc. was established in 2004 and became Walt's Home for Young Men (Walt's Home) in 2009. Walt's Home is a nonprofit 501(c)(3) corporation that provides services at two short-term residential therapeutic program (STRTP) licensed facilities in Kern County, serving male youth ages 10-17. Walt's Home provides an array of professional services, which includes psychological evaluation, family and or individual counseling, referral to community based mental health specialists, and individual educational plans.</p>																	
<p><b>Use of Proceeds:</b> Loan proceeds will be used to finance the purchase of a property located in Kern County, to be used for the relocation of one of Walt's Home's current STRTP facilities.</p>																	
<p><b>Financing Structure:</b></p> <ul style="list-style-type: none"> <li>• First lien on the real property purchased with HELP II funds (Kern County)</li> <li>• 20-year, two percent (2%) fixed rate loan</li> <li>• 240 equal monthly payments of approximately \$2,643 (annual payments of approximately \$31,719)</li> <li>• A current appraisal that exhibits a loan-to-value ratio not to exceed 95%</li> <li>• Corporate gross revenue pledge</li> <li>• Executed purchase contract</li> <li>• Verification of borrower funds to close escrow</li> </ul>																	
<p><b>Financial Overview:</b> Walt's Home's robust growth in revenue is mainly supported by increasing contract revenues. Walt's Home's balance sheet continues to grow and exhibits a strong pro-forma FY 2022 net debt service coverage ratio of 12.3x.</p>																	
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<p><b>Due Diligence:</b> Staff has confirmed the following documentation provided by Walt's Home satisfies the California Health Facilities Financing Authority's (Authority) requirements: Eligibility, Legal Review, and Religious Affiliation Due Diligence.</p>																	
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution No. HII-xxx in an amount not to exceed \$522,500 for Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.</p>																	

**STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION**

**I. PURPOSE OF FINANCING**

Walt’s Home is requesting a HELP II loan to purchase a property located in Kern County to be used as a licensed STRTP and Mental Health Center. Walt’s Home currently leases two facilities used as STRTPs, with each facility serving six clients. Walt’s Home intends to relocate one of its two STRTPs to provide greater stability by owning the facility rather than leasing. Walt’s Home is paying about \$2,200/month in rent at the current facility, and the landlord shared that rent would increase to \$2,800/month in January 2024. The monthly loan payment on the HELP II loan will be about \$2,600/month, and the savings will go toward maintenance of the facility. Walt’s Home also plans to use the new location to expand mental health services to better serve its clients.

**Purchase Real Property ..... \$550,000**

Walt’s Home plans to purchase a residential property in Kern County that will be approximately 1,800 - 2,100 square feet, with 2 - 2.5 bathrooms, 3 - 5 bedrooms, and a minimum lot size of 6,500 square feet. The larger facility will include an additional private room dedicated for mental health therapy treatment, and the larger lot size will allow for more outside activities for the residents.

The HELP II loan will be secured by a first (1<sup>st</sup>) lien position on the property purchased. Additionally, Walt’s Home will have to 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 ..... 10,000**

Authority Fees ..... \$6,531  
Estimated Escrow/Title Fees ..... 3,469

**Total Estimated Uses of Funds ..... \$560,000**

## II. FINANCIAL STATEMENTS AND ANALYSIS

### Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men Statement of Activities

	For the Years Ended December 31,		
	2022	2021	2020
<b>Revenues and support</b>			
Contract revenues	\$ 1,867,571	\$ 1,131,718	\$ 1,096,836
Other income	111,229	80,000	-
Total revenue & support	<u>1,978,800</u>	<u>1,211,718</u>	<u>1,096,836</u>
<b>Expenses</b>			
Salaries and wages	1,033,938	738,213	613,894
Taxes & fringe benefits	90,273	139,238	70,400
Total salaries & fringe benefits	<u>1,124,211</u>	<u>877,451</u>	<u>684,294</u>
Accounting	22,293	18,833	15,022
Advertising	-	28	-
Auto expenses	22,802	45,093	25,859
Bank charges	173	74	143
Building repairs & maintenance	42,651	33,880	25,755
Consultant	9,000	13,190	7,535
Contractual services	34,325	25,500	39,200
Food	51,284	53,315	32,894
In service training	58	510	780
Insurance- general	24,638	14,696	12,891
Insurance- worker's compensation	36,135	21,023	-
Interest	287	79	46
Membership & subscriptions	7,477	673	4,695
Miscellaneous	-	4,254	2,044
Office supplies	12,063	5,590	6,328
Postage	1,385	1,221	918
Print & publication	-	50	-
Rent	36,250	37,800	25,100
Storage	121	2,071	-
Supportive services	57,231	27,816	44,584
Taxes & licenses	1,496	1,899	554
Telephone	6,274	8,379	9,341
Travel	1,477	478	208
Utilities	20,143	22,564	12,075
Total expenses before depreciation	<u>1,511,774</u>	<u>1,216,467</u>	<u>950,266</u>
Depreciation	6,912	4,820	6,829
Total expense	<u>1,518,686</u>	<u>1,221,287</u>	<u>957,095</u>
Change in net assets	<u>460,114</u>	<u>(9,569)</u>	<u>139,741</u>
Net Assets, beginning of year	<u>230,328</u>	<u>239,897</u>	<u>100,156</u>
Net Assets, end of year	<u>\$ 690,442</u>	<u>\$ 230,328</u>	<u>\$ 239,897</u>

**Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men**  
**Statement of Financial Position**

	<b>As of December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Current assets			
Cash	\$ 494,527	\$ 169,201	\$ 193,057
Grant receivable	177,866	96,818	124,872
Other receivable-related party	14,000	14,000	21,625
Total current assets	<u>686,393</u>	<u>280,019</u>	<u>339,554</u>
Noncurrent Assets			
Deposit	17,000	17,000	17,000
Property and equipment-net	50,771	13,096	11,416
Total noncurrent assets	<u>67,771</u>	<u>30,096</u>	<u>28,416</u>
 Total assets	 <u>\$ 754,164</u>	 <u>\$ 310,115</u>	 <u>\$ 367,970</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 11,007	\$ 12,286	\$ 10,038
Payroll & related liabilities	46,767	67,501	38,035
Total current liabilities	<u>57,774</u>	<u>79,787</u>	<u>48,073</u>
Noncurrent Liabilities			
Vehicle loan payable	5,948	-	-
Loan payable	-	-	80,000
Total noncurrent liabilities	<u>5,948</u>	<u>-</u>	<u>80,000</u>
Total liabilities	63,722	79,787	128,073
Net assets			
Without donor restrictions	690,442	230,328	239,897
Total net assets	<u>690,442</u>	<u>230,328</u>	<u>239,897</u>
 Total liabilities and net assets	 <u>\$ 754,164</u>	 <u>\$ 310,115</u>	 <u>\$ 367,970</u>
	<b>Proforma<sup>(a)</sup></b>		
	<b>FYE 12/31/2022</b>	<b>2022</b>	<b>2021</b>
Debt Service Coverage - Net (x)	12.3	74.9	(59.1)
Debt to Unrestricted Net Assets (x)	0.8	0.0	0.0
Margin (%)		23.3	(0.8)
Current Ratio (x)		11.9	3.5
		7.1	

<sup>(a)</sup> Recalculates FY 2022 audited results to include the impact of this proposed financing.

## **Financial Discussion**

### **Walt's Home's robust growth in revenue is mainly supported by increasing contract revenues.**

Total revenue & support has grown from approximately \$1.1 million in FY 2020 to approximately \$2.0 million in FY 2022, an 80% increase. Walt's Home's primary source of revenue comes from contract revenues, accounting for 94.4%, 93.4%, and 100% of total revenues for the FY's 2022, 2021, and 2020, respectively. According to Walt's Home, contract revenues consist of government grants and contracts with Kern County and increased over the review period due to a county supported program expansion. In 2021, Walt's Home expanded its program to a second facility for an additional six beds. Walt's Home's client reimbursement fees have increased every year from \$14,035, \$14,331, and \$15,281 for FY 2020, FY 2021, and FY 2022, respectively. Other factors contributing to the increasing revenues were a one-time reimbursement of \$110,000 in FY 2022 by Senate Bill 129 (SB 129) to provide reimbursement for COVID-19 affected STRTPs from the California Department of Social Services for certain STRTPs that experienced added expenses and lost revenues. Additionally, a Paycheck Protection Program (PPP) loan was forgiven in FY 2021 and was recognized as other income of \$80,000 in the same fiscal year.

Total expenses for Walt's Home increased from approximately \$957,000 in FY 2020 to nearly \$1.5 million in FY 2022, an increase of 58.7%. Total salaries & fringe benefits were the main contributors to the increased expenses, growing from approximately \$684,000 in FY 2020 to approximately \$1.1 million in FY 2022, a 64.3% increase. According to Walt's Home, the main factor for the increase in salaries was the addition of 12-15 staff hired for the 2021 expansion. Additionally, Walt's Home increased minimum wages, which allowed them to attract direct care staff and administrators.

The COVID-19 pandemic had significant effects as it slowed Walt's Home's ability to serve patients and the surrounding community during the restrictions imposed by the federal and state governments. Walt's Home adapted by establishing emergency procedures for COVID-19 to ensure the safety and health of the youth served and staff. Additionally, Walt's Home recovered with the help of previously mentioned SB 129 funding and the PPP loan.

### **Walt's Home's balance sheet continues to grow and exhibits a strong pro-forma FY 2022 net debt service coverage ratio of 12.3x.**

Walt's Home's total assets have increased by approximately 105% over the review period, from nearly \$368,000 in FY 2020 to nearly \$754,000 in FY 2022. The primary contributor to the increase in total assets was cash, which increased from \$193,000 in FY 2020 to approximately \$495,000 in FY 2022. According to Walt's Home, this increase is due to the previously mentioned PPP loan and the SB 129 reimbursement.

Walt's Home has demonstrated a strong net debt service coverage ratio at 74.9x in FY 2022, as its only long-term debt is a vehicle loan. With the proposed new debt, Walt's Home maintains a strong pro forma FY 2022 net debt service coverage ratio of 12.3x. Walt's Home's strong balance sheet indicates it is capable of carrying the additional debt.

**III. OUTSTANDING DEBT**

	<b>Original Amount</b>	<b>Amount Outstanding as of December 31, 2022</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>EXISTING LONG-TERM DEBT</b>			
Auto note	\$ 14,000	\$ 5,948	\$ 5,948
<b>PROPOSED NEW DEBT</b>			
<i>HELP II Loan (2023)</i>			522,500
<b>TOTAL DEBT</b>		<b>\$5,948</b>	<b>\$528,448</b>

**IV. UTILIZATION STATISTICS**

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Totals</b>	85	65	50

## **V. BACKGROUND AND LICENSURE**

### **Background**

Willie Young's Home for Young Men, Inc., a 501(c)(3), was established in 2004 and became Walt's Home for Young Men (Walt's Home) in 2009. Walt's Home provides services at two STRTP licensed facilities in Kern County and serves male youth ages 10-17 years of age. All residents are juveniles in need of protective service orders or are placed with Walt's Home through a court order. Placement needs may include emotional or behavioral disorders, alcohol, drug or other substance abuse problems, delinquency, correctional aftercare placement, sexual offender treatment and some learning disabilities. Each resident receives a full treatment assessment within 30 days of placement, and the treatment plans are regularly reviewed and refined to meet the changing needs of the youth.

Walt's Home provides an array of professional treatment services, which may include psychological evaluation, family and or individual counseling with a Masters-level professional therapist, referral to a community based mental health specialist, and individual educational plans. Staff supervision is provided 24 hours a day, with individual counseling available upon demand. Specialty mental health treatment provided at the STRTPs includes targeted case management; individual, family, and group therapy; medication support services; intensive care coordination; intensive in-home support services; and crisis intervention.

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

Both of Walt's Home's facilities are licensed as a Short Term Residential Therapeutic Program by the Department of Social Services and are certified by the Department of Health Care Services to provide mental health services.

## **STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution No. HII-348 in an amount not to exceed \$522,500 for Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men, 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-348**

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, **Willie Young's Home for Young Men, Inc. DBA Walt's Home for Young Men** (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 **\$522,500** for a term not to exceed **20 years** for the purposes described in Exhibit A of this resolution (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 (Kern County)
2. 20-year, two percent (2%) fixed rate loan
3. 240 equal monthly payments of approximately \$2,643  
(annual payments of approximately \$31,719)
4. A current appraisal that exhibits a loan-to-value ratio not to exceed 95%
5. Corporate gross revenue pledge
6. Executed purchase contract
7. Verification of borrower 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. This resolution shall not 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 on June 30, 2024.

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

**EXHIBIT A**

**USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-348**

- Purchase real property located in Kern County