

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

<b>Applicant:</b> Celebrating Life Community Health Center (Celebrating Life) 27271 Las Ramblas, Suite 350 Mission Viejo, CA 92691 Orange County	<b>Renovation Loan Amount:</b> \$1,610,000 <b>Equipment Loan Amount:</b> \$383,000 <b>Renovation Loan Term:</b> 10-years <b>Equipment Loan Term:</b> 5-years <b>Annual Interest Rate:</b> 2% fixed <b>Authority Meeting Date:</b> April 25, 2024 <b>Resolution No.:</b> HII-353
<b>Project Sites:</b> 700 W 19 <sup>th</sup> St., Suite A, B, & C Costa Mesa, CA 92627 1444 S. Main Street, Santa Ana, CA 92707	
<b>Facility Type:</b> Nonprofit corporation operating community clinics	
<b>Eligibility:</b> Government Code Section 15432(d)(6)	
<b>Prior HELP II Borrower:</b> No	

**Background:** Celebrating Life is a 501(c)(3), Federally Qualified Health Center (FQHC) look-alike<sup>1</sup>, located in Mission Viejo and provides services, such as adult and family practice, pediatric care, behavioral health, dental care, and services for special healthcare needs populations. Founded in 2018, Celebrating Life operates four clinics throughout Orange County with locations in Mission Viejo, Irvine, Santa Ana, and Costa Mesa.

**Use of Proceeds:** Loan proceeds will be used to renovate two existing leased clinics in Costa Mesa and Santa Ana. Loan proceeds will also be used to purchase new equipment for the Costa Mesa clinic.

**Financing Structure:**

**For renovation loan**

- 10-year, two percent (2%) fixed rate loan for renovations
- 120 equal monthly payments of approximately \$14,814 (annual payments of approximately \$177,770)
- Executed construction contracts
- Lease agreements to be recorded on the title of the leased properties in the Orange County Official Records
- Debt service reserve account with funds equal to two years of debt service payments (\$355,540), for the life of the loan
- Borrower's leases require subsequent owners of the leased property to take the property subject to the lease agreement for the term of the lease
- The lease for the Costa Mesa property makes clear that owner(s) shall have no ownership or security interest in any of the equipment purchased with HELP II funds while the loan remains outstanding

**For equipment loan**

- UCC-1 lien on equipment purchased
- 5-year, two percent (2%) fixed rate loan for equipment
- 60 equal monthly payments of approximately \$6,713 (annual payments of approximately \$80,558)

**For both loans**

- Corporate gross revenue pledge
- Verification of borrower funds to close escrow

<sup>1</sup> An FQHC look-alike is a community-based health care provider that meets the requirements of the Health Resources & Services Administration's Health Center Program but does not receive funding from the Health Center Program.

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

**Financial Overview:** Celebrating Life’s income statement appears to exhibit substantial increases in total revenue over the review period. Celebrating Life appears to display a solid balance sheet with a pro-forma FY 2023 net debt service coverage ratio of 3x.

**Estimated Sources of Funds:**

HELP II loans	\$ 1,993,000
Applicant funds	109,513
<b>Total Estimated Sources</b>	<b><u>\$ 2,102,513</u></b>

**Estimated Uses of Funds:**

Renovation	\$ 1,694,600
Purchase equipment	383,000
Financing costs	24,913
<b>Total Estimated Uses</b>	<b><u>\$ 2,102,513</u></b>

**Due Diligence:** Staff has confirmed the following documentation provided by Celebrating Life 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-353 in an amount not to exceed \$1,610,000 for renovations and not to exceed \$383,000 for equipment for Celebrating Life, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.

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## STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

### I. ISSUE TO NOTE

Celebrating Life leases the two facilities it intends to renovate and improve with HELP II funds and does not own real property to use as collateral to secure the loan. On a few occasions, the Authority has approved funding requests for construction or renovation notwithstanding the inability to pledge real property as security for the loan. In each of these instances, staff asserted the benefits to the public exceeded the reasonable risks assumed by the Authority. In this case, the renovation projects will allow Celebrating Life to accommodate a larger volume of patients and offer a more comprehensive range of healthcare services, including for special healthcare needs populations and marginalized communities, in Costa Mesa and Santa Ana; Celebrating Life's financial statements and financial ratios are solid; the renovation portion of the loan will be secured with a debt service reserve fund account as added security, the term of the loan will not exceed the length of the lease agreements; and in the event the owner of the properties decides to sell, the lease agreements give Celebrating Life the first right of refusal to purchase, and the lease agreements will be recorded on the title of the property notifying other prospective purchasers the properties are subject to the leases.

Staff and the Authority's financial analyst, TAP International, Inc., have spent significant time with Celebrating Life to understand its services and its financial position and conclude the following factors justify providing HELP II funding to Celebrating Life notwithstanding the lack of real property as security: (1) Celebrating Life serves special healthcare needs populations and marginalized communities in Costa Mesa and Santa Ana and is an FQHC look-alike, (2) Celebrating Life's financial statements are solid, and (3) Celebrating Life has recently negotiated a 10-year lease, demonstrating its dedication to the continuation of providing services to the community.

Staff recommends approval of the requested HELP II loan with the following conditions to minimize the risk associated with making a loan without real property as one of the security measures: (1) the loan term shall be for a maximum of ten (10) years to match the length of the lease agreements, (2) Celebrating Life will provide a debt service reserve fund equal to two years of debt service payments (\$355,540) for the life of the loan, (3) the lease agreements will be recorded with the Orange County Office of the Clerk Recorder and will reflect that all existing and future owners of the leased property take the property subject to the lease agreement, with Celebrating Life as the lessee, for the term of the lease, (5) each lease agreement includes a provision that Celebrating Life has the first right of refusal in the event the lessor intends to sell the property, and (6) a lien will be placed on Celebrating Life's gross corporate revenues for the life of the loan.

## II. PURPOSE OF FINANCING

Celebrating Life has experienced rapid expansion, growing from one clinic when it was incorporated in 2019 to four clinics today. Celebrating Life’s accessible services, extended operating hours, and a diverse workforce that can speak 17 languages, has contributed to the organization’s rapid growth. To accommodate this growth, Celebrating Life is requesting two HELP II loans to finance the renovation of two facilities, both of which Celebrating Life began leasing in February 2023, located in Costa Mesa and Santa Ana and to purchase equipment for the Costa Mesa clinic. The proposed projects, along with extended operating hours, will allow Celebrating Life to expand access to quality healthcare services for special healthcare needs populations. Celebrating Life will also be able to accommodate patients who are unable to seek medical attention during standard working hours, thus reducing reliance on emergency rooms, mitigating chronic conditions within the communities, and ultimately fostering improved health outcomes in marginalized populations in Costa Mesa and Santa Ana.

***Renovation Project* ..... \$1,694,600**

### Costa Mesa

Loan proceeds will be used to renovate a 4,740 square-foot facility located in Costa Mesa. Celebrating Life currently operates six exam rooms with no dental operatories or therapy rooms at the clinic. The renovation project will encompass upgrades and enhancements that will include the addition of four exam rooms, four dental operatories, and two therapy rooms. Once completed, the clinic will have ten exam rooms, four dental operatories, and two therapy rooms. The clinic currently serves 2,500 unique patients per year, which Celebrating Life estimates will increase to 4,000 unique patients per year with a total of 20,000 patient visits per year.

### Santa Ana

Loan proceeds will be used to renovate a 1,400 square-foot facility located in Santa Ana. Celebrating Life currently operates four exam rooms with no dental operatories or therapy rooms at the clinic. The renovation project will encompass upgrades and enhancements that will include the addition of one exam room, one dental operatory, one therapy room, two ADA compliant bathrooms, offices, and a staff lunchroom. Once completed, the clinic will have five exam rooms, one dental operatory, and one therapy room. The clinic currently serves 1,000 unique patients per year, which Celebrating Life estimates will increase to 1,500 unique patients per year with a total of 7,000 patient visits per year.

Celebrating Life leases the four properties in which it operates; therefore, the Authority is unable to place a lien on either property. In order to secure the loan, Celebrating Life will provide a debt service reserve account with funds equal to two years of debt service payments, the term of the loan will not exceed the term of the leases, and if the owner decides to sell the property, Celebrating Life will have the first right of refusal to purchase or any subsequent owners will have to take the property subject to the lease agreement. Celebrating Life will also provide assurance of meeting the other security terms and conditions set forth in the resolution.

**Purchase Equipment** ..... **383,000**

Celebrating Life intends to purchase equipment for the Costa Mesa clinic, and all exam rooms will be furnished with items such as exam tables, sterilization equipment, storage cabinets with sinks, etc. The dental operatories will be furnished with new dental equipment, such as portable nitrous units, oral x-rays and cameras, sterilization equipment, stools, as well as diagnostic tools, thereby elevating the clinic to a state-of-the-art facility and enhancing patient safety.

The HELP II equipment loan will be secured by a UCC-1 Financing Statement filed against the equipment purchased.

**Financing Costs**..... **24,913**

Authority Fees ..... \$24,913

**Total Uses of Funds** ..... **\$2,102,513**

### III. FINANCIAL STATEMENTS AND ANALYSIS

**Celebrating Life Community Health Center  
Statement of Activities  
(Income Statement)**

	<b>For the Years Ended June 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>			
Support and revenue			
Fees for service	\$ 6,662,202	\$ 4,066,240	\$ 1,395,321
Contributions			
Grant contracts	1,281,067	290,025	73,000
Forgiveness of debt on SBA loan	-	10,000	234,580
Other	133,732	210	-
Employee retention credit	-	286,887	-
Interest	32	-	-
Miscellaneous	376,120	252,456	15,220
Total support and revenue	<u>8,453,153</u>	<u>4,905,818</u>	<u>1,718,121</u>
<b>Expenses</b>			
Salaries	4,111,033	2,030,470	922,845
Payroll taxes	301,806	154,707	77,623
Employee benefits	287,862	163,040	60,854
Bank fees and other	3,949	15,578	16,434
Professional services	1,165,714	658,219	104,665
Meetings, travel and mileage reimbursement	42,134	36,339	2,871
Legal	1,420	4,600	4,120
Office and medical supplies	247,207	289,231	40,962
Printing and postage	10,444	3,904	4,472
Repairs and maintenance	291,887	122,635	16,232
Computer supplies and equipment	71,262	31,895	15,605
Dues, licenses and subscriptions	34,539	19,826	17,889
Insurance	24,071	15,630	16,603
Rent	631,092	243,350	216,497
IT hosting, utilities and telephone	252,171	49,599	54,653
Interest	18,988	15,142	4,577
Marketing and advertising	50,860	-	-
Depreciation	226,109	103,522	60,642
Total expenses	<u>7,772,548</u>	<u>3,957,687</u>	<u>1,637,544</u>
Change in net assets	<u>680,605</u>	<u>948,131</u>	<u>80,577</u>
Net assets, beginning of the year	<u>1,130,089</u>	<u>181,958</u>	<u>101,381</u>
Net assets, end of the year	<u>\$ 1,810,694</u>	<u>\$ 1,130,089</u>	<u>\$ 181,958</u>

**Celebrating Life Community Health Center  
Statement of Financial Position  
(Balance Sheet)**

	<b>As of June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 65,894	\$ 86,629	\$ 46,409	
Accounts receivable-fees for service	1,309,311	1,456,748	305,127	
Contributions receivable-grant contracts	90,171	286,888	63,000	
Advances to related party	500,000	-	-	
Prepaid expenses	52,225	34,786	-	
Total current assets	<u>2,017,601</u>	<u>1,865,051</u>	<u>414,536</u>	
<b>Property and equipment</b>				
Furniture and equipment	1,000,898	438,432	272,380	
Right-to-use lease asset	6,225,634	-	-	
Leasehold improvements	330,416	172,446	131,489	
Less: accumulated depreciation	(390,830)	(167,595)	(64,073)	
Total property and equipment, net	<u>7,166,118</u>	<u>443,283</u>	<u>339,796</u>	
<b>Other assets</b>				
Goodfaith deposits to related party	484,463	-	-	
Deposits and other	-	-	19,945	
Intangibles, deposits and other	169,667	41,754	-	
Total other assets	<u>654,130</u>	<u>41,754</u>	<u>19,945</u>	
Total assets	<u>\$ 9,837,849</u>	<u>\$ 2,350,088</u>	<u>\$ 774,277</u>	
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,017,252	\$ 739,806	\$ 138,322	
Due to related party	19,893	-	-	
Deferred rent	-	136,437	113,762	
Leases payable-current	699,031	-	-	
Business loans payable-current portion	156,571	32,365	21,945	
SBA loans payable-current portion	3,545	1,736	3,525	
SBA loan interest payable	7,523	8,350	-	
Total current liabilities	<u>1,903,815</u>	<u>918,694</u>	<u>277,554</u>	
<b>Long-term liabilities</b>				
Leases payable	5,738,342	-	-	
Business loans payable	238,543	153,041	108,290	
SBA loans payable	146,455	148,264	156,475	
Loan from related party	-	-	50,000	
Total long-term liabilities	<u>6,123,340</u>	<u>301,305</u>	<u>314,765</u>	
Total liabilities	<u>8,027,155</u>	<u>1,219,999</u>	<u>592,319</u>	
<b>Net assets</b>				
Without donor restrictions undesignated	1,810,694	1,130,089	181,958	
Total net assets	<u>1,810,694</u>	<u>1,130,089</u>	<u>181,958</u>	
Total liabilities and net deficit	<u>\$ 9,837,849</u>	<u>\$ 2,350,088</u>	<u>\$ 774,277</u>	
	<b>Proforma<sup>(a)</sup></b>			
	<b>FYE 6/30/2023</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Debt Service Coverage - Net (x)	3.0	17.4	26.3	31.9
Debt to Unrestricted Net Assets (x)	1.8	0.7	0.3	1.6
Margin (%)		8.1	19.3	4.7
Current Ratio (x)		1.1	2.0	1.5

<sup>(a)</sup> Recalculates FY 2023 audited results to include the impact of this proposed financing.

## **Financial Discussion**

### **Celebrating Life's income statement appears to exhibit substantial increases in total revenue over the review period.**

Celebrating Life's total revenue increased from approximately \$1.7 million in FY 2021 to \$4.9 million in FY 2022 and most recently posted \$8.5 million in FY 2023. Total revenues grew primarily from fees for service and grant contracts. Fees for service revenue increased from \$1.4 million in FY 2021 to over \$6.6 million in FY 2023, and grant contract revenue increased from approximately \$73,000 in FY 2021 to approximately \$1.3 million in FY 2023. According to Celebrating Life's management, the increase in both fees for service and grant contracts was due largely to the organization's recent expansion, including the purchase of two private practices in calendar year 2023, that added three clinic locations. At its Mission Viejo location, Celebrating Life has expanded from six exam rooms to 15 exam rooms and added six dental operatories and seven behavioral health rooms. Celebrating Life also offers extended operating hours during the week and on weekends, which opened access to Medi-Cal, Medicare and uninsured patients, and is the first clinic in Orange County to accept Afghani, Ukrainian, and Russian refugees, all of which contributed to the rapid increase in patient visits and revenue growth.

Total expenses increased over the review period from \$1.6 million in FY 2021 to \$7.8 million in FY 2023 driven by increases in rent, salaries, and professional services. According to Celebrating Life's management, rent, salaries, and professional services grew largely as a function of its recent expansion. Rent expenses increased with the addition of the new clinic locations that Celebrating Life now leases. Additionally, salaries and professional services grew in order to staff and operate the new clinics.

In April 2020 and March of 2021, Celebrating Life received Paycheck Protection Program loans from the Small Business Association in the amount of \$93,635 and \$140,945, respectively. These loans were forgiven in January 2021 and July 2021 and are reflected as contribution revenue on the FY 2021 income statement.

### **Celebrating Life appears to display a solid balance sheet with a pro-forma FY 2023 net debt service coverage ratio of 3x.**

During the review period, Celebrating Life has demonstrated a strong ability to repay its debt with a net debt service coverage ratio of 31.9x in FY 2021, 26.3x in FY 2022 and 17.4x in FY 2023. With the new HELP II loan, Celebrating Life's pro-forma FY 2023 net debt service coverage ratio decreases to 3x, indicating Celebrating Life's continued ability to comfortably repay its debt.

Celebrating Life has shown a low reliance on debt with an unrestricted net assets ratio of 1.6x in FY 2021, 0.3x in FY 2022 and 0.7x in FY 2023. With the new HELP II loan, the pro-forma debt to unrestricted net assets ratio increases to 1.8x showing a still manageable amount of debt.

**IV. UTILIZATION STATISTICS**

**Clients Served / Patient Visits  
Fiscal Year Ending June 30,**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Totals</b>	9,405 / 48,823	3,978 / 23,091	2,813 / 9,340

**V. OUTSTANDING DEBT**

	<b>Original Amount</b>	<b>Amount Outstanding as of June 30, 2023</b>	<b>Estimated Amount Outstanding after Proposed Financing</b>
<b>EXISTING LONG-TERM DEBT</b>			
Small Business Association loan <sup>(1)</sup>	\$150,000	\$157,523	\$157,523
Various loans	495,315	395,114	395,114
<b>PROPOSED NEW DEBT</b>			
HELP II loans (2024)			1,993,000
<b>TOTAL DEBT</b>		<b>\$552,637</b>	<b>\$2,545,637</b>

<sup>(1)</sup> Amount outstanding includes \$7,523 of accrued interest as of Jne 30, 2023.

## **VI. BACKGROUND AND LICENSURE**

### **Background**

Founded in 2018, Celebrating Life is a 501(c)(3) FQHC look-alike, located in Costa Mesa, and serves the residents of Orange County with clinics in Mission Viejo, Irvine, Santa Ana, and Costa Mesa. Through community outreach programs, the clinic provides a comprehensive range of services, such as adult and family practice, pediatric care, behavioral health, dental care, and services for special healthcare needs populations. Celebrating Life is dedicated to serving the medically under and uninsured children of Orange County.

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

Celebrating Life Community Health Center is licensed by the State Department of Public Health to operate and maintain its community clinics.

## **VII. STAFF RECOMMENDATION:**

Staff recommends the Authority approve Resolution No. HII-353 in an amount not to exceed \$1,610,000 for renovations and not to exceed \$383,000 for equipment for Celebrating Life, 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 No. HII-353**

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; and

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

WHEREAS, **Celebrating Life Community Health Center** (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 loan to the Borrower, in an amount not to exceed **\$1,610,000** for a term not to exceed **10 years** and a loan in an amount not to exceed **\$383,000** for a term not to exceed **5 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:

**For renovation loan**

1. 10-year, two percent (2%) fixed-rate loan for renovations
2. Executed construction contracts
3. Lease Agreements will be recorded on the title of the leased properties in the Orange County Official Records
4. Debt service reserve account with funds equal to two years of debt service payments (\$355,540), for the life of the loan
5. Borrower’s leases require subsequent owners of the leased property to take the property subject to the lease agreement for the term of the lease
6. The lease for the Costa Mesa property makes clear that owner(s) shall have no ownership or security interest in any of the equipment purchased with HELP II funds while the loan remains outstanding

**For equipment loan**

- 1. UCC-1 lien on equipment purchased
- 2. 5-year, two percent (2%) fixed rate loan for equipment

**For both loans**

- 1. Corporate gross revenue pledge
- 2. Verification of Borrower’s funds to close

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 loan, and to approve any changes in the Project described in the application submitted to the Authority, as that officer shall deem appropriate and authorized under the Act, provided that the amount of the loan shall 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. 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 October 31, 2024.

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

## **EXHIBIT A**

### **USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-353**

- Renovate existing clinics at 700 W 19th Street, Suite A, B, & C Costa Mesa, CA. 92627 and 1444 S. Main Street, Santa Ana, CA 92707.
- Purchase equipment to be used at the Costa Mesa clinic. Equipment includes but is not limited to exam tables, sterilization equipment, storage cabinets, dental equipment, dental cameras, and diagnostic tools.