

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

<p><b>Applicant:</b> Redwoods Rural Health Center, Inc. (RRHC) 101 West Coast Road Redway, CA 95560 Humboldt County</p> <p><b>Project Site:</b> 910 South Fortuna Boulevard, Fortuna, CA 95540</p> <p><b>Facility Type:</b> Community Clinic</p> <p><b>Eligibility:</b> Government Code Section 15432(d)(14)</p> <p><b>Prior HELP II Borrower:</b> Yes (Sept 2010 – Paid in full)</p>	<p><b>Loan Amount:</b> \$2,000,000</p> <p><b>Annual Interest Rate:</b> 3% fixed</p> <p><b>Loan Term:</b> 20 years</p> <p><b>Authority Meeting Date:</b> April 30, 2026</p> <p><b>Resolution Number:</b> HII-368</p>
---	---

**Background:** RRHC was established in 1976 as a non-profit, community-centered health center to provide medical care to vulnerable children, youth, and their families in rural Humboldt County. Throughout the decades, RRHC has expanded to include services, such as dentistry, behavioral health, acupuncture, perinatal services, nutrition education, mobile services, school-based services, community services, community supports, and telehealth.

**Use of Proceeds:** Loan proceeds will be used to convert a newly purchased property into a fully operational clinic that will expand RRHC’s service capacity to help meet the health needs of Humboldt County patients.

- Financing Structure:**
- First lien on the real property located at 910 South Fortuna Boulevard, Fortuna, CA 95540
  - 20-year, three percent (3%) fixed rate loan
  - 240 equal monthly payments of approximately \$11,092 (annual payments of approximately \$133,103)
  - A current appraisal that exhibits a loan-to-value ratio not to exceed 95%
  - Executed construction contract
  - Corporate gross revenue pledge
  - Verification of borrower funds to close escrow and complete the project

**Financial Overview:** RRHC’s income statement reflects improvements despite fluctuations in total revenue and support during the review period. RRHC’s balance sheet shows a strong pro-forma FY 2025 net debt service coverage ratio of 6.4x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II loan	\$ 2,000,000	Renovation	\$ 2,000,000
Applicant funds	<u>30,000</u>	Financing costs	<u>30,000</u>
<b>Total Estimated Sources</b>	<b><u>\$ 2,030,000</u></b>	<b>Total Estimated Uses</b>	<b><u>\$ 2,030,000</u></b>

**Due Diligence:** Staff has confirmed the documentation provided by RRHC satisfies the California Health Facilities Financing Authority’s (Authority) eligibility and legal review requirements.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. HII-368 in an amount not to exceed \$2,000,000 for Redwoods Rural Health Center, 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.

**STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION**

**I. PURPOSE OF FINANCING**

RRHC currently operates a clinic located at 930 South Fortuna Boulevard in Fortuna (the Fortuna Clinic). As part of its capital expansion plan, RRHC used internal funds to purchase a building adjacent to the Fortuna Clinic in 2025. RRHC is requesting a HELP II loan to convert the recently purchased building into a fully licensed community care health clinic in order to increase access to high-quality, integrated primary and behavioral health care for underserved residents of rural Humboldt County. Once the project is completed, RRHC will continue to provide services at the Fortuna Clinic and will operate from both locations.

**Renovation and Expansion ..... \$2,000,000**

Loan funds will be used to renovate an existing 2,400 square foot building and to expand the building by an additional 800 square feet to create a 3,200 square foot medical building. Once complete, the medical building will include an Americans with Disabilities Act-compliant entry, nine exam rooms, counseling rooms to offer behavioral health services, provider workspaces, staff support areas, and restrooms. Upgrades will include electrical, HVAC, plumbing, fire and life-safety systems, clean and soiled utility holding, IT and secure storage.

The HELP II loan will be secured by a first (1st) lien position on the property located at 910 South Fortuna Boulevard in Fortuna. RRHC will provide an appraisal for the proposed property that exhibits a loan-to-value ratio not to exceed 95% before the time of closing as well as assurance of meeting the other security terms and conditions set forth in the resolution.

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

Authority Fees .....	\$25,000	
Estimated Escrow/Title Fees .....	<u>5,000</u>	

**Total Uses of Funds ..... \$2,030,000**

## II. FINANCIAL STATEMENTS AND ANALYSIS

### REDWOODS RURAL HEALTH CENTER STATEMENTS OF ACTIVITIES (Income Statement)

	For the Years Ended June 30,		
	2025	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS			
REVENUE AND SUPPORT			
Net patient service revenue	\$ 9,601,191	\$ 8,594,913	\$ 7,297,169
Grant and contribution revenue	3,258,653	3,063,606	6,283,465
Interest and other revenues	439,458	385,592	376,097
Unrealized gains	94,967	87,566	42,922
Total revenue and support	<u>13,394,269</u>	<u>12,131,677</u>	<u>13,999,653</u>
EXPENSES			
Salaries and benefits	7,526,433	7,143,612	7,024,130
Professional fees	2,360,088	2,623,285	360,540
Supplies and other	2,126,426	1,977,594	3,104,225
Occupancy	414,564	480,064	470,445
Interest	12,474	15,149	1,800
Depreciation and amortization	675,160	658,817	403,659
Total expenses	<u>13,115,145</u>	<u>12,898,521</u>	<u>11,364,799</u>
Change in net assets	279,124	(766,844)	2,634,854
Net assets, beginning of year	<u>10,882,474</u>	<u>11,649,318</u>	<u>9,014,464</u>
Net assets, end of year	<u>\$ 11,161,598</u>	<u>\$ 10,882,474</u>	<u>\$ 11,649,318</u>

**REDWOODS RURAL HEALTH CENTER**  
**Statement of Financial Position**  
**(Balance Sheet)**

	<b>As of June 30,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,407,095	\$ 2,896,384	\$ 3,439,342
Board designated assets	108,512	605,676	849,649
Patient accounts receivable, net	926,590	556,133	685,987
Grant and othr receivables	959,134	366,891	808,279
Estimated third party payor settlements	(35,804)	161,362	132,956
Inventory	-	-	99,404
Prepaid expenses and other deposits	133,296	98,456	87,640
Operating lease right-of-use assets, net	10,837	-	-
Total current assets	<u>4,509,660</u>	<u>4,684,902</u>	<u>6,103,257</u>
Noncurrent assets:			
Property and equipment, net	<u>7,763,661</u>	<u>6,921,103</u>	<u>6,292,253</u>
Total noncurrent assets	<u>7,763,661</u>	<u>6,921,103</u>	<u>6,292,253</u>
Total assets	<u>\$ 12,273,321</u>	<u>\$ 11,606,005</u>	<u>\$ 12,395,510</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 333,059	\$ 192,838	\$ 174,071
Accrued payroll and other liabilities	429,781	302,047	301,682
Deferred revenue	115,198	-	25,000
Operating lease liabilities	10,910	-	-
Loan payable	6,218	5,800	19,027
Total current liabilities	<u>895,166</u>	<u>500,685</u>	<u>519,780</u>
Noncurrent liabilities:			
Loan payable, net of current portion	<u>216,557</u>	<u>222,846</u>	<u>226,412</u>
Total noncurrent liabilities	<u>216,557</u>	<u>222,846</u>	<u>226,412</u>
Total liabilities	<u>1,111,723</u>	<u>723,531</u>	<u>746,192</u>
<b>NET ASSETS</b>			
Without donor restrictions:			
Undesignated	11,053,086	10,276,798	10,799,669
Board-designated	108,512	605,676	849,649
Total net assets	<u>11,161,598</u>	<u>10,882,474</u>	<u>11,649,318</u>
Total liabilities and net assets	<u>\$ 12,273,321</u>	<u>\$ 11,606,005</u>	<u>\$ 12,169,098</u>

	<b>Proforma</b>			
	<b>FYE June 30, 2025<sup>(a)</sup></b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
Debt Service Coverage - Net (x)	6.4	52.9	(2.7)	N/A
Debt to Unrestricted Net Assets (x)	0.2	0.0	0.0	0.0
Margin (%)		2.1	(6.3)	18.8
Current Ratio (x)		5.0	9.4	11.7

<sup>(a)</sup> Recalculates FY 2025 audited results to include the impact of this proposed financing.

## **Financial Discussion**

### **RRHC's income statement reflects improvements despite fluctuations in total revenue and support during the review period.**

Total revenues and support fluctuated during the review period from approximately \$14 million in FY 2023, down to just over \$12.1 million in FY 2024, then increased to nearly \$13.4 million in FY 2025. According to RRHC's management, the fluctuations were caused by changes in grant income, which decreased from nearly \$6.3 million in FY 2023 to approximately \$3.1 million in FY 2024, then increased slightly to nearly \$3.3 million in FY 2025. The decrease in FY 2024 was due to the discontinuation of Federal COVID-19 pandemic grant funds after 2023. The slight increase in FY 2025 resulted primarily from the receipt of grant funds from the Health Resources and Services Administration, which will be used to purchase equipment and furnishings for the building for the project being financed with this HELP II loan. RRHC's largest revenue source, Net patient service revenue, increased steadily during the review period from approximately \$7.3 million in FY 2023, to nearly \$8.6 million in FY 2024, then increased further in FY 2025 to just over \$9.6 million. According to RRHC's management, the steady increase in Net patient service revenue was due to increased patient visits each year.

Total expenses for RRHC increased steadily from approximately \$11.4 million in FY 2023 to nearly \$12.9 million in FY 2024, then to over \$13.1 million in FY 2025. The largest increases were experienced in Professional fees from nearly \$361,000 in FY 2023 to approximately \$2.4 million in FY 2025. Per RRHC management, the increased Professional fees were required to engage a third-party financial consulting agency to provide Chief Financial Officer and Controller services that were previously managed in-house. RRHC is working to train internal staff to perform these financial functions, but until internal capacity has been rebuilt, the organization will temporarily incur elevated professional service costs.

### **RRHC's balance sheet shows a strong pro-forma FY 2025 net debt service coverage ratio of 6.4x.**

RRHC's total assets have decreased by approximately 1% overall but have fluctuated over the review period, mainly due to decreases in Cash and cash investments combined with increases in Property and equipment. Cash and investments decreased from just over \$3.4 million in FY 2023 to approximately \$2.9 million in FY 2024, then decreased further to around \$2.4 million in FY 2025. Per management, the return of grant funds that were not fully spent within the grant period caused the decrease in cash balances. Additionally, cash was used to remodel the reception area of RRHC's main building, and approximately \$580,000 was used in FY 2025 to purchase the building RRHC now intends to renovate and expand. Property and equipment increased from nearly \$6.3 million in FY 2023 to approximately \$7.8 million in FY 2025, helping to offset the decreases in Cash and investments.

RRHC's net debt service coverage ratio (DSCR) for FY 2023 is listed as NA as RRHC paid off its outstanding debt in 2022. In April 2023, RRHC borrowed \$250,000 to install solar panels. The new loan, coupled with the loss in FY 2024, resulted in a DSCR of negative 2.7x for FY 2024. The net DSCR increased to a healthy 52.9x in FY 2025 due to positive net income and the minimal annual payment on its only outstanding debt. With the proposed new HELP II loan,

RRHC maintains a strong pro forma FY 2025 net debt service coverage ratio of 6.4x, which reflects RRHC’s ability to repay the additional debt. RRHC’s proportion of debt to available net assets (debt-to-unrestricted net assets) remained low at 0x for the past three fiscal years since they carried minimal debt in FYs 2023, 2024, and 2025. The slight increase to 0.2x with the new HELP II loan reflects RRHC’s consistently low debt levels.

**INTENTIONALLY LEFT BLANK**

**III. UTILIZATION STATISTICS**

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Totals</b>	6,961 / 34,615	7,375 / 34,188	6,419 / 31,845

**IV. OUTSTANDING DEBT**

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding as of June 30, 2025</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>EXISTING LONG-TERM DEBT:</b>			
Columbia Bank Loan (2023)	\$ 250,000	\$ 222,775	\$ 222,775
<b>PROPOSED NEW DEBT</b>			
HELP II Loan (2025)			2,000,000
<b>TOTAL DEBT</b>		<u><b>\$ 222,775</b></u>	<u><b>\$ 2,222,775</b></u>

## **V. BACKGROUND AND LICENSURE**

### **Background**

Established in 1976 as a rural health center, RRHC was founded by midwives and young parents to provide care for a small community interested in a variety of whole-person healthcare options as well as traditional medical care. RRHC grew from operating in a rental space next to a laundromat into four clinics that offer traditional medical care, acupuncture, dental care, prescriptions, behavioral health, nutritional education, perinatal care, a mobile clinic, and telehealth.

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

RRHC is licensed by the Department of Health Care Services to operate as a Community Clinic.

## **VI. STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution No. HII-368 in an amount not to exceed \$2,000,000 for Redwoods Rural Health Clinic, 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.

**RESOLUTION NO. HII-368**

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING  
AUTHORITY APPROVING EXECUTION AND DELIVERY OF  
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II) AGREEMENTS  
WITH REDWOODS RURAL HEALTH CENTER, INC.**

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 that term is defined in the Act) as authorized by the Act; and

WHEREAS, **Redwoods Rural Health Center, Inc.** (the “Borrower”), a California participating health institution, has applied to the Authority for a loan through the Program, the application has been reviewed by the staff of the Authority, and the staff of the Authority has determined that the Borrower is eligible for a Program loan; and

WHEREAS, the Borrower now seeks approval of the loan by the Authority;

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 (the “Loan”) to the Borrower, in an amount not to exceed **\$2,000,000** 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 terms and conditions:

1. First lien on the real property located at 910 South Fortuna Boulevard, Fortuna, CA 95540
2. 20-year, three percent (3%) fixed rate loan
3. A current appraisal that exhibits a loan-to-value ratio not to exceed 95%
4. Executed construction contract
5. Corporate gross revenue pledge
6. Verification of borrower funds to close escrow and complete the project

Section 2. The Executive Director and/or 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.

Section 3. The Executive Director and/or the Deputy Executive Director are hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund in a sum not to exceed those amounts approved by the Authority for the Loan. The Executive Director and/or 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/or 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 and/or the Deputy Executive Director deems necessary or advisable to document the Loan and to otherwise effectuate the purposes of this resolution and the transactions contemplated hereby, and that have previously been approved as to form by the Authority.

Section 5. This resolution expires on October 31, 2026.

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

## **EXHIBIT A**

### **USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-368**

- Renovate and expand real property located at 910 South Fortuna Boulevard, Fortuna, CA 95540