

# LIGHTHOUSE FOR CHILDREN, INC. REGULAR BOARD MEETING

**DATE:** Wednesday, January 20, 2021

**TIME:** 12:30 p.m. – Regular Meeting

Per the Governor of California’s [Executive Order N-29-20](#) issued on March 17, 2020 authorizing public meetings to be held via teleconferencing, this Regular Meeting will be held via Zoom using the following link: <https://zoom.us/j/92536994358?pwd=WDNtcXRpclV6Z202ZHF1S2N5S3JaUT09>

**Meeting ID: 925 3699 4358 and Passcode: 787640.**

The public may participate in the meeting, as otherwise permitted under the Brown Act, by joining using the link above.

## AGENDA

ITEM	SUBJECT	PRESENTER
1.	<b>CALL TO ORDER</b>	Chair Pacheco
2.	<b>POTENTIAL CONFLICTS OF INTEREST</b> Any Commission Member who has potential conflict of interest may now identify the item and recuse themselves from discussing and voting on the matter.	Chair Pacheco
3. Action Pg. 1	<b>MINUTES FROM DECEMBER 9, 2020 BOARD MEETING</b> Supporting Document	F. González, E.D.
4. Action Pg. 3	<b>FINANCIAL REPORT FOR PERIOD ENDING OCTOBER 2020</b>	F. González, E.D., A. Hillis, Staff
5. Action Pg. 5	<b>a) CONSIDERATION TO DEED TITLE TO THE LIGHTHOUSE FOR CHILDREN BUILDING, AND</b> <b>b) DIRECTION ON LIGHTHOUSE FOR CHILDREN, INC. NONPROFIT STATUS</b>	F. González, E.D., K. Price, Legal Counsel
6.	<b>PUBLIC COMMENT</b> Limit two minutes per speaker. Public Comment is also taken on individual agenda items throughout the meeting at the conclusion of each agenda item.	Chair Pacheco
7.	<b>ADJOURNMENT</b>	Chair Pacheco

NOTE: If you need disability modification(s) and/or other accommodation(s) in order to participate in this meeting, please contact the office at (559) 558-4900 at least 48 hours prior to the start of the meeting. Government Code Section 54954.2(a).

**LIGHTHOUSE FOR CHILDREN, INC.**

**Regular Board Meeting**  
January 20, 2021 – 12:30 p.m.

**AGENDA ITEM NO. 3**

**RECOMMENDED ACTION:**

Approve Lighthouse for Children Meeting Minutes – December 9, 2020

**ACTION SUMMARY MINUTES**  
**December 9, 2020 – 12:00 p.m.**

**Present:**       **Board Members:** Brian Pacheco (Chair), Hugo Morales, Dawan Utecht, Stacy Sablan

**Absent:**       None

**Staff:**        Fabiola González, Ken Price (Legal Counsel)

**1.     **CALL TO ORDER****

Role call: Utecht, Morales, Sablan, Pacheco

**2.     **POTENTIAL CONFLICTS OF INTEREST:**** Any Board Member who has a potential conflict of interest may now identify the item and recuse themselves from discussing and voting on the matter.

None heard

**3.     **MINUTES FROM OCTOBER 21, 2020 BOARD MEETING****

Public Comment: None heard.

Motion by: Morales                      Second by: Sablan  
Ayes: Utecht, Morales, Sablan, Pacheco  
Noes: None heard.

**4.     **FINANCIAL REPORT FOR PERIOD ENDING SEPTEMBER 2020****

Public Comment: None heard.

Motion by: Utecht                        Second by: Sablan  
Ayes: Utecht, Morales, Sablan, Pacheco  
Noes: None heard

**5.     **NEW MARKET TAX CREDIT – EXIT DOCUMENTS & ACTIVITIES****

Ken Price, Legal Counsel, clarified that item was an action item and not an informational item. The Board made a motion to amend the agenda to reflect the item as an action item and separately a motion move forward with the item.

Public Comment: None heard.

Motion to amend the agenda and reflect the item as an action item.

Motion by: Sablan                      Second by: Utecht  
Ayes: Utecht, Morales, Sablan, Pacheco  
Noes: None heard

Motion to move forward with the item.

Motion by: Sablan                      Second by: Utecht  
Ayes: Utecht, Morales, Sablan, Pacheco  
Noes: None heard

**6. PUBLIC COMMENT**

Public Comment: None heard.

No action required.

**7. ADJOURNMENT**

Public Comment: None heard.

Motion by: Utecht                      Second by: Sablan  
Ayes: Utecht, Morales, Sablan, Pacheco  
Noes: None heard.

**LIGHTHOUSE FOR CHILDREN, INC.**

**Regular Board Meeting**  
January 20, 2021 – 12:30 p.m.

**AGENDA ITEM NO. 4**

TO: Lighthouse for Children Board  
FROM: Fabiola González, Executive Director  
SUBJECT: Financial Report for Period Ending October 2020

**RECOMMENDED ACTION:**

Accept the Financial Report for period ending October 31, 2020.

**BACKGROUND:**

This item is intended to keep the Board apprised of the Lighthouse for Children (LFC) financial activity as of October 31, 2020 and to provide an opportunity to discuss and review financial activities for the reporting period.

**KEY POINTS:**

Revenues (\$61,667 - 42%) – Revenues are slightly higher for the period due to receiving an early rent payment.

Operating Expenses: (\$51,918 - 35%) – Expenses remain within budget limits.

- Administrative Contract: (\$0 - 0%) – The administrative contract with First 5 Fresno County is paid at the end of the fiscal year for services rendered.
- Professional Services: (\$3,285 - 19%) – Year to date, less legal services expenses have been necessary causing this line item to be underspent for the period.

**FISCAL IMPACT:**

Overall, expenses are within budget constraints for period ending October 31, 2020.



**FINANCIAL REPORT  
OCTOBER 2020 (33%)**

**Revenues**

	<u>Budget Amounts</u>	<u>Actual Amounts</u>	<u>Percent Variance</u>
	<u>07/01/2020 - 06/30/2021</u>	<u>07/01/20 - 10/31/2020</u>	
Annual Rent Income	\$148,000	\$61,667	42%
Other Revenue/Donations	\$0	\$0	0%
<b>Total Revenues</b>	<b>\$148,000</b>	<b>\$61,667</b>	<b>42%</b>

**Expenses**

	<u>Budget Amounts</u>	<u>Actual Amounts</u>	<u>Percent Variance</u>
Administrative Contract	\$3,643	\$0	0%
Insurance & Taxes	\$11,708	\$3,273	28%
Professional Services	\$17,300	\$3,285	19%
NMTC Interest Payments	\$115,349	\$45,360	39%
<b>Total Operating</b>	<b>\$148,000</b>	<b>\$51,918</b>	<b>35%</b>

**LIGHTHOUSE FOR CHILDREN, INC.**

**Regular Board Meeting**  
January 20, 2021 – 12:30 p.m.

**AGENDA ITEM NO. 5**

TO: Lighthouse for Children, Inc. Board

FROM: Fabiola González, Executive Director

SUBJECT: Consideration To Deed Title to the Lighthouse for Children Building and Direction on Lighthouse for Children, Inc. Nonprofit Status

**RECOMMENDED ACTION:**

Deed title of the Lighthouse for Children building to First 5 Fresno County and authorize the Chair and Executive Director to carry out all related activities associated with the decision.

**BACKGROUND:**

In 2013, the First 5 Fresno County Commission (“the Commission/First 5”) created the Lighthouse for Children, Inc (“LFC”), a nonprofit 501(c)3 public benefit entity to enter into a series of transactions to benefit from the New Market Tax Credit (“NMTC”) program for the purpose of constructing the Lighthouse for Children facility, which included a loan that, if in good standing after seven years, would be forgiven.

In December 2020, the Board authorized the Chair and the Executive Director to execute documents and pay associated fees to exit the NMTC program in relation to the seven-year loan period. As of December 14, 2020, the NMTC program has been exited and the loan structure has been disassembled leaving First 5 as the Lender owning all of the debt on the building and the LFC, a California nonprofit 501(c)3 entity as the Borrower holding title to the Lighthouse for Children building.

Given these recent events, maintaining the Lighthouse for Children, Inc. (LFC) nonprofit 501(c)3 entity and the property ownership requires discussion and decision by the Board. Below are two options for consideration:

- (1) The LFC nonprofit 501(c)3 entity continues to exist and hold title to the LFC building; First 5 continues to serve as the building’s master tenant and keeps any rent revenues earned to support building maintenance and operations and ceases monthly payments to LFC.
- (2) Upon consent by the LFC Board, First 5 takes title (ownership) of the LFC building, keeps any rent revenues earned for maintenance and operations, any loans are extinguished and LFC would have no additional obligations to First 5. The LFC’s nonprofit 501(c)3 entity status is maintained through March 31, 2022 (next filing due to the State).

Staff recommends moving forward with option two and suggests postponing the decision on the fate of the 501(c)3 nonprofit entity to at least the August 2021 meeting to allow for time to consider any benefits associated with maintaining the LFC as a nonprofit entity. This postponement takes into account the recommendation from the Board’s contracted auditing firm, to allow for proper notation of the status in upcoming financial reporting.

Staff asks the Board to decide whether it will deed the Lighthouse for Children building to First 5 in

exchange for forgiving the remaining loans totaling \$15.7 million, which are held by First 5.

Note: By the time of the Board meeting where this item will be discussed, the First 5 Commission will have met and deliberated on whether or not to request and accept the title of the building.

Advantages and disadvantages to each option:

Options	Advantages	Disadvantages
<p><b><u>Option 1:</u></b>  <b>LFC nonprofit owns the building, First 5 continues as master tenant “Status quo Option”</b></p>	<ul style="list-style-type: none"> <li>• Keeping LFC gives F5FC some limited liability protection from certain kinds of risks, however, legal counsel has advised that the limited liability protection is minimal.</li> <li>• In the event that First 5 ever ceases operation, LFC would continue to own and maintain the Lighthouse for Children building and the LFC could serve as a legacy entity to help carryout First 5's mission. However, First 5 could create a non-profit entity at that time.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining the structure “as is” would maintain operating expenses for LFC of approx. \$18,000/year (audit, tax returns, insurance, etc.).</li> <li>• Fundraising potentially necessary to maintain LFC.</li> <li>• Would require strategic planning for LFC Board.</li> </ul>
<p><b><u>Option 2:</u></b>  <b>F5 owns building, LFC nonprofit status maintained until March 2022 “New Option”</b></p>	<ul style="list-style-type: none"> <li>• Eliminates the need to have a separate board, eliminates need for LFC audit preparation, development of LFC budget &amp; financials, LFC books, etc. freeing up staff time.</li> <li>• First 5 has resources to own and maintain the building and First 5 staff is already responsible for the functions of the building.</li> <li>• Postponing the decision on the fate of the 501(c)3 allows for time to assess any new/unforeseen pros/cons of keeping the nonprofit entity.</li> </ul>	<ul style="list-style-type: none"> <li>• First 5 would take on property insurance &amp; property tax costs (approx. total \$9,000/year)</li> </ul>

**FISCAL IMPACT:**

Fiscal impact varies for both options for both the Commission and the LFC. The exit of the NMTC program has allowed a cost savings for the Commission of \$148,000 per year with the termination of rent. Option one would require LFC to maintain approx. \$18,000 in expenses for entity operating costs (insurance, tax returns, auditing services, legal services, etc.) without a source of revenue. To note: the LFC currently has approx. \$30,000 in its cash account. In option 2, costs associated with maintaining a nonprofit would be approx. \$8,500 annually (\$708/month) through at least March 2022 when the nonprofit status expires.

**CONCLUSION:**

Based on the decision of the Commission and the Board, staff will work for legal counsel to draft applicable paperwork.