Capital Comments

Proudly Serving All Wisconsin Nonprofit Institutions

WHEFA

Wisconsin Health and Educational Facilities Authority

Message from the Executive Director

Happy New Year!

Future Financing Activity

WHEFA has had a busy start to its 2022 fiscal year that commenced on July 1, 2021 (FY2022). In just six months, WHEFA has completed 12 financings totaling approximately $658 million. Financing activity for this fiscal year is off to a fast start with more financings already closed in just six months than all of FY2021. I fully expect this trend of increased financing activity to continue for the remaining six months of the fiscal year as nonprofits pursue refinancing opportunities, as well as current and delayed new money capital needs.

Dennis Reilly

In Other News

Unfortunately, the 25th Annual WHEFA Workshop originally scheduled for March of this year has been postponed until a later date. Planning for the workshop will resume at such time we can safely host an in-person conference. Please stay tuned for details.

Finally, if you haven't done so already, I would urge you to read our 2021 Annual Report posted to our web site. This report is a true testament to the important work we are doing on behalf of nonprofit organizations throughout Wisconsin.

Closing

As we conclude another calendar year of transformation and plan for a new year, WHEFA stands prepared to support the nonprofits in our state. Please do not hesitate to call if we can be of assistance, or simply answer a question.

Best wishes for a happy and prosperous New Year.

Cheers,

Dennis P Reilly

Inside This Issue

Financing Spotlight

Another Successful Private Activity Bond Financing

$38,265,000

WHEFA Bond Financing Helps HOPE Christian Schools Refinance and Renovate in Milwaukee and Racine

Bonds Underwritten by B.C. Ziegler and Company

"This financing is critical to expanding educational options for low-income children in Southeastern Wisconsin. Milwaukee continues to experience one of the nation's largest gaps between the educational achievement of low income versus middle- and upper-income children. Further, access to faith-based education is out of the financial reach of many children in the inner city. Expanding our Hope Christian Schools allows more children the option of choosing a strong education that also incorporates character building and faith formation."

- Glenn Kieckhaefer, Executive Vice President
Open Sky Education, Inc.

Christ. College. Character.
HOPE
CHRISTIAN SCHOOLS

280 FTE Employees

Bond financing facilitated by WHEFA was used to help HOPE Christian Schools refinance certain outstanding debt. Proceeds of the bond financing will also be used to finance the construction, renovation and equipping of certain classrooms, offices and other spaces at HOPE Prima campus. This federally tax-exempt financing process has enabled HOPE Christian Schools to operate more effectively by refinancing and financing its capital expenses at low interest rates.

WHEFA is proud to continue its mission of assisting all eligible Wisconsin nonprofit institutions to obtain and maintain access to tax-exempt financing in order to finance or refinance their capital improvement and expansion needs.

Recently Completed Financings

Date	Borrower	Purpose	Amount	Structure
10/13/2021	PHW Muskego, Inc. Project	New Money	$ 38,680,000	Fixed Rate, Unrated, Public Placement
10/18/2021	Saint John's Communities, Inc., Series A (Taxable/ Cinderella)	Refinancing	$ 84,320,000	10-Year Reset Rate, Unrated, Private Placement
10/18/2021	Saint John's Communities, Inc., Series B	Refinancing	$ 18,240,000	Fixed Rate, Rated, Public Placement
11/10/2021	Aspirus, Inc., Obligated Group	New Money	$208,295,000	Fixed Rate, Rated, Public Placement
11/30/2021	Hope Christian Schools Obligated Group	Refinancing & New Money	$ 38,265,000	Fixed Rate, Unrated, Public Placement
12/15/2021	Oakwood Lutheran Senior Ministries	Refinancing & New Money	$113,135,000	Fixed Rate, Unrated, Public Placement

Not-For-Profit Median Ratios

Below please find links to the 2021 not-for-profit median ratios for fiscal year 2020 from Moody's Investors Service, Fitch Ratings and Standard & Poor's Global Ratings.

Whether your entity already is an investment grade borrower, or is striving to become one, we believe you will find the median ratios very helpful as you manage your operations:

Private University Medians from Moody's Investors Service

Life Plan Communities (LPC) Medians from Fitch Ratings

Health Care Medians from Standard & Poor's Global Ratings

The Reimbursement Resolution

If you are a 501(c)(3) organization that is:

1. planning to undertake a capital project (such as the construction and equipping of a new facility or renovations to and equipping of an existing facility),

2. planning to use your own funds to pay for certain of those capital improvements, and

3. contemplating the possibility of reimbursing your organization in the future for some or all of those capital expenditures out of the proceeds of either (a) tax-exempt bonds or (b) a taxable loan that may ultimately be refinanced with tax-exempt bonds, -

You need to consider the importance of adopting a reimbursement resolution prior to paying for any capital expenditures out of your own funds.

Requirements of Declaration of Official Intent/Reimbursement Resolution:

Federal regulations applicable to tax-exempt bonds have several general requirements that must be met in order for a capital expenditure that is paid prior to the issuance of tax-exempt bonds to be eligible for reimbursement out of the proceeds of tax-exempt bonds. One of those requirements is to provide evidence that the organization seeking reimbursement intended to reimburse itself for a capital expenditure at the time that it actually made such expenditure. This is generally referred to as the organization's "declaration of official intent" or "reimbursement resolution." There are four basic requirements of the form of the declaration of official intent:

1. The declaration of official intent may take any reasonable form; however, for a 501(c)(3) organization, the declaration would generally take the form of a resolution adopted by the board of such organization in accordance with its bylaws.

2. The resolution must contain a general functional description of the property or project to which the expenditure relates.

3. The resolution must specify the maximum principal amount of the debt that is expected to ultimately be issued for reimbursement.

4. On the date of the adoption of the resolution, the organization must reasonably expect that it will reimburse itself for all or some of the expenditures described in the resolution out of the proceeds of a borrowing. If an organization adopts reimbursement resolutions as a matter of course or in amounts substantially in excess of amounts reasonably necessary for a project, the "reasonable expectation" requirement is not met. Additionally, if an organization has a pattern of failing to reimburse itself for expenditures covered by reimbursement resolutions, that is considered to be evidence of unreasonableness.

Continued on Next Page

Which Organization Should Adopt the Reimbursement Resolution:

The reimbursement resolution must be adopted by the 501(c)(3) organization that will initially pay for the expenditures in order for an expenditure to be eligible for reimbursement out of the proceeds of tax-exempt bonds. The resolution may not be adopted by the parent or member of the organization that wishes to ultimately be reimbursed or by an "obligated group agent" under a master trust indenture on such organization's behalf, unless the parent or member or obligated group agent has been specifically designated the authority to adopt such a resolution on behalf of the 501(c)(3) organization that makes the actual expenditure (such as in the bylaws of the 501(c)(3) organization or by resolution adopted by such organization's board).

Timing of Adoption of Resolution:

The timing of the adoption of a reimbursement resolution is important. The regulations require that the declaration be made or the resolution adopted not later than 60 days after the date of payment of the original capital expenditure. In other words, if an organization spends its own funds on capital expenditures prior to the date of adoption of a reimbursement resolution covering those expenditures, it may only go back and reimburse itself out of bond proceeds for expenditures that were paid within the 60-day period immediately before the adoption of the reimbursement resolution or later. Any expenditure paid prior to 60 days before the adoption of reimbursement resolution may not be reimbursed out of bond proceeds (with certain exceptions described below).

Exceptions to Official Intent Requirement:

The requirement that a 501(c)(3) organization adopt a declaration of official intent in order to reimburse itself with tax-exempt bond proceeds does not apply to a limited amount of "preliminary expenditures," which include architectural, engineering, surveying, soil testing and similar costs that are incurred prior to commencement of a project. Additionally, the requirement does not apply to the costs of issuing the bonds or to an amount that does not exceed the least of 5% of the bond proceeds or $100,000.

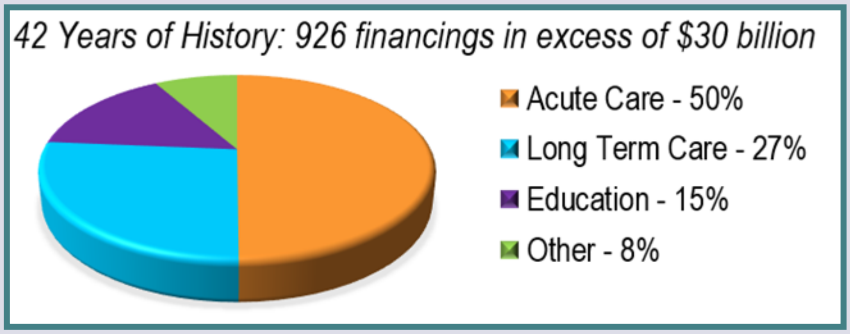
Conclusion:

There are certain other requirements pertaining to whether an expenditure is eligible for reimbursement with the proceeds of tax-exempt bonds; however, unless a 501(c)(3) organization has adopted a timely and sufficient declaration of official intent/reimbursement resolution, it will be precluded from reimbursing itself for most capital expenditures made prior to the issuance of tax-exempt bonds.

About WHEFA

WHEFA fulfills its mission by assisting all eligible Wisconsin nonprofit institutions to obtain and maintain access to tax-exempt financing in order to finance or refinance capital improvement and expansion needs. Since inception, WHEFA has provided several hundred Wisconsin nonprofit corporations access to private and public capital markets at lower costs than are available to them in the conventional marketplace.

Pursuant to Section 231.10 of the Wisconsin Statutes, bonds issued by WHEFA are not considered indebtedness of the State of Wisconsin, and the State has no obligation to repay any bonds issued by WHEFA under any circumstances. Additionally, WHEFA does not utilize any State moneys to fund its operations.



Number of Financings as of 12/31/2021

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