Non-Profit Company

Turnaround of the Year

Elim Christian Services

Matthew S. Thiede, O’Keefe

Elim Christian Services found itself in unchartered waters in August of 2012 when its lender demanded an immediate pay-down of its 2007 series public bond in order to achieve an 80% loan to value (LTV) ratio. This LTV ratio was required by Elim’s lender for the letter of credit extension to credit enhance the bond indenture. Elim signed a short-term extension with its lender, and engaged O’Keefe to help evaluate its options and secure long-term financing needed to fulfill its mission, while preserving its foundation assets.

The turnaround team for Elim overcame multiple complex issues which could have impeded securing long-term financing dearly needed for Elim to continue on its mission to “equip individuals with special needs to achieve their highest God-given potential.”

Elim is a recognized leader in the field of special education, providing assistance to students and adults with severe disabilities, including autism. In fiscal year 2013, Elim provided special education to over 490 students and adults in Chicago and hundreds of others internationally through an outreach program.

Elim faced a perfect storm in the fall of 2012 when its credit facility matured: real estate values plummeted during the recession and fears were rising regarding the financial stability of the State of Illinois, which provided 80% of Elim’s funding. Elim was unable to raise millions of dollars in donations to pay down the bonds to acceptable LTV ratios. Few lenders were in the financial position to refinance tax-free facilities, and even fewer would novate or refinance Elim’s SWAP exposure at the time its lender decided to exit the relationship.

O’Keefe analyzed Elim’s historical financial performance from 2009 through year-to-date 2013, and its 2014 fiscal year budget, as well as its collateral. O’Keefe determined that Elim possessed enough collateral to restructure its credit facility. However, O’Keefe quickly learned that Elim was unable to cash flow with its current debt service requirements and unfunded capital expenditure plans due to the first mandatory redemption payment on the bond occurring in fiscal year 2013.

O’Keefe worked with Elim’s executive team to identify over $600,000 in committed cost savings, capital expenditure deferrals, and incremental revenue opportunities for the remainder of fiscal year 2013, and identified further restructuring opportunities to be recognized in 2014. O’Keefe negotiated a one-year extension with Elim’s lender after it decided to exit the relationship, allowing Elim the time to execute on its restructuring plan and refinance with a new lender. While the organization executed on the restructuring plan, the executive team worked with O’Keefe to develop a 5-year de-levering plan focused
on freeing up cash flow from operations, preserving the Foundation assets, and liquidating pledged real estate properties, and focused campaign efforts to pay down Elim’s debt over the upcoming 5 years.

In November of 2013, Elim closed with a new lender by refinancing the 2007 public bond offering with a fixed rate, tax-free direct purchase bond; financing the Swap liability with a fixed rate term loan; and obtaining a secured line of credit. During this time period, educational services were not interrupted for the over 490 students and adults attending Elim, nor were any of the 456 jobs shed due to the restructuring. Elim now has a financial road map to complement its mission for many years to come.