

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)
MEDI-CAL BRIDGE LOAN PROGRAM OF 2010**

Applicant:	Mendocino Coast Clinics, Inc. (the "Borrower")	Amount Requested:	Not to exceed \$400,000
Applicant Address:	205 South Street Fort Bragg, CA 95437 Mendocino County	Date Requested:	September 2, 2010
Facility Type:	Community Clinic	Resolution Number:	2010-12
Prior Borrower:	Yes, HELP II (The current outstanding balance is \$429,936 and the payments have been made timely.)	Loan Term:	No later than 45 days following the adoption of a 2010-2011 budget by the State of California
Background of Financing:	Many non-profit health facilities are facing significant and potentially debilitating financial burdens associated with the State of California's current budget impasse and consequential delayed Medi-Cal reimbursements. Borrowers seek funding to bridge this financial gap to help maintain vital health services for its communities until such time as the budget is passed.		
Purpose:	Loan proceeds will be used to offset Medi-Cal reimbursement delays due to the State's budget impasse.		
Financial Overview:	<p>The Borrower's FY 2009 debt service coverage ratio of .31x is below CHFFA's target ratio of 1.10x. This financing is expected to help sustain the Borrower's daily operations until the State budget passes.</p> <p>Changes in the unrestricted net assets appear to have decreased primarily due to a decline in grant revenues. To improve operating cash flow, Mendocino opened a line of credit in FY 2009. Mendocino's revenue mix is derived from patient service revenue, grants and contracts. Mendocino has experienced a shift in the mix of patient revenue from third party payors, largely the result of the impact of the State of California Medi-Cal program cuts, patient eligibility restrictions and changes in reimbursable services. In response to this shift, Mendocino has been maximizing third party revenues through diversification coverage options for patients and staying abreast of policy and reimbursement changes, while also working to control operating expenses.</p>		
Financing Structure:	<ul style="list-style-type: none"> ▪ The entire loan balance shall be repaid in full no later than 45 days following the adoption of a 2010-2011 budget by the State of California. ▪ Loan proceeds are to be disbursed on an as-needed basis in a total amount not to exceed the facility's third-party-approved Medi-Cal claims. ▪ Loan origination fee of 1.25%. ▪ 0% fixed interest rate. ▪ Corporate gross revenue pledge. ▪ Department of Health Care Services interception of Medi-Cal reimbursements to ensure repayment upon passage of 2010-2011 State budget. 		
Due Diligence:	<p>Due diligence of the following items has been completed or will be completed prior to closing:</p> <ul style="list-style-type: none"> ▪ Religious Due Diligence ▪ Legal Review ▪ Community Service Obligation ▪ CEQA/Seismic/Pass through (Not required) 		
Staff Recommendation:	Staff recommends the Authority approve Resolution Number 2010-12 in an amount not to exceed \$400,000 for Mendocino Cost Clinics, Inc., including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Mendocino Coast Clinics, Inc.

Statement of Activities

(Unrestricted)

For the Year Ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue and Support:			
Patient service revenue, net	\$ 4,632,991	\$ 4,276,398	\$ 4,217,453
Grant revenue	1,173,611	1,483,651	1,242,506
Other revenue	287,692	112,254	82,908
Total revenue and support	<u>6,094,294</u>	<u>5,872,303</u>	<u>5,542,867</u>
Operating Expenses:			
Salaries	4,589,397	4,357,709	4,124,169
Contractual medical services	362,823	328,233	212,810
General and administrative	492,585	468,951	458,827
Minor equipment costs	12,424	38,233	10,831
Supplies	224,744	220,256	201,449
Space costs	153,933	145,194	141,781
Depreciation	98,576	103,819	93,134
Insurance	48,941	40,475	49,969
Interest	135,486	129,115	91,868
Provision for bad debts	137,019	28,825	30,586
Total expenses	<u>6,255,928</u>	<u>5,860,810</u>	<u>5,415,424</u>
CHANGES IN UNRESTRICTED NET ASSETS	(161,634)	11,493	127,443
Unrestricted:			
Net assets, beginning of year	930,841	919,348	791,905
Net assets, end of year	<u>\$ 769,207</u>	<u>\$ 930,841</u>	<u>\$ 919,348</u>

Mendocino Coast Clinics, Inc.

Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Current Assets:			
Cash and investments	\$ 94,347	\$ 110,089	\$ 199,626
Patient accounts receivable, net	594,995	709,934	420,098
Third party payor settlements	355,606	375,630	330,053
Grant receivables	39,092	135,003	108,836
Inventory	30,514	23,744	26,367
Other assets	34,505	43,645	51,256
Total current assets	1,149,059	1,398,045	1,136,236
 Property and equipment	 3,184,433	 2,997,030	 2,329,409
Total assets	\$ 4,333,492	\$ 4,395,075	\$ 3,465,645
 LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 150,000	\$ -	\$ -
Accounts payable	413,350	450,796	116,159
Accrued liabilities	415,211	278,964	260,261
Deferred revenue	11,547	58,356	108,231
Long-term debt, current portion	119,874	101,533	50,974
Total current liabilities	1,109,982	889,649	535,625
 Long term debt, net of current portion	 2,454,303	 2,574,585	 2,010,672
Total liabilities	\$3,564,285	3,464,234	2,546,297
 NET ASSETS:			
Unrestricted net assets	769,207	930,841	919,348
TOTAL LIABILITIES AND NET ASSETS	\$ 4,333,492	\$ 4,395,075	\$ 3,465,645
 Financial Ratios:			
	2009	2008	2007
Debt service coverage (x)	0.31	1.36	1.25
Debt/Unrestricted Net Assets (x)	3.35	2.87	2.24
Margin (%)	(2.65)	0.20	2.30
Current Ratio (x)	1.04	1.57	2.12