

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

Applicant:	Mountain Health and Community Services, Inc. (the "Borrower")	Amount Requested:	Not to exceed \$350,000
Applicant Address:	31115 Highway 94 Campo, CA 91906	Date Requested:	September 2, 2010
Facility Type:	Community Clinic	Resolution Number:	2010-14
Prior Borrower:	No	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 0.75x 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>The Borrower appears to have experienced operating losses in FY 2007 and FY 2009, which appears to be attributed to a decrease in grant revenue and contributions and an increase in salaries, wages and employee benefits associated with locum tenens staff. In an attempt to reverse these losses for the upcoming fiscal year, the Borrower is reviewing and cancelling nonessential contracts, implementing a new practice management system and laying off members of staff.</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 a Resolution Number 2010-14 in an amount not to exceed \$350,000 for Mountain Health and Community Services, Inc., including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Mountain Health and Community Services, Inc.
Statement of Activities
(Unrestricted)

	For the Year Ended June 30,		
	2009	2008	2007
Revenues and Other Support			
Patient service revenue	\$ 3,945,010	\$ 3,046,980	\$ 2,134,687
Grant revenue	1,610,797	1,990,543	1,707,614
Contributions	68,402	579,384	209,667
Other	74,083	64,348	116,804
Net assets released from restrictions	-	-	72,081
TOTAL REVENUES AND SUPPORT	<u>5,698,292</u>	<u>5,681,255</u>	<u>4,240,853</u>
Expenses			
Salaries and wages	3,348,340	2,637,384	2,169,311
Employee benefits	529,434	388,786	354,527
Purchased services and professional fees	484,250	470,186	1,024,048
Supplies and other	646,828	879,674	529,841
Rent	418,455	369,702	372,035
Depreciation and amortization	196,883	456,108	196,354
Interest	21,580	51,724	21,571
Provision for uncollectable accounts	136,462	200,000	227,236
TOTAL EXPENSES	<u>5,782,232</u>	<u>5,453,564</u>	<u>4,894,923</u>
CHANGE IN UNRESTRICTED NET ASSETS	(83,940)	227,691	(654,070)
Temporarily restricted net assets			
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>(72,081)</u>
CHANGE IN NET ASSETS	(83,940)	227,691	(726,151)
Unrestricted Net Assets, beginning of year	<u>1,222,413</u>	<u>994,722</u>	<u>1,720,873</u>
Unrestricted Net Assets, end of year	<u>\$ 1,138,473</u>	<u>\$ 1,222,413</u>	<u>\$ 994,722</u>

Mountain Health and Community Services, Inc.
Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Current assets:			
Cash	\$ 73,412	\$ 125,968	\$ 198,068
Patient accounts receivable	395,478	328,544	307,452
Grants receivable	66,358	131,285	302,785
Estimated amounts due from third-party payers	594,158	599,278	106,116
Supplies	72,083	92,731	46,304
Prepaid expenses and other	22,664	18,998	-
Total current assets	<u>1,224,153</u>	<u>1,296,804</u>	<u>960,725</u>
Property and equipment			
Buildings and leasehold improvements	859,651	859,651	841,981
Equipment	771,219	771,219	731,830
Construction in progress	13,500	-	-
	<u>1,644,370</u>	<u>1,630,870</u>	<u>1,573,811</u>
Less: accumulated depreciation	<u>(1,263,194)</u>	<u>(1,195,934)</u>	<u>(882,626)</u>
	381,176	434,936	691,185
Other assets, net	<u>346,800</u>	<u>469,200</u>	<u>612,000</u>
TOTAL ASSETS	<u>\$ 1,952,129</u>	<u>\$ 2,200,940</u>	<u>\$ 2,263,910</u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Line-of-credit	128,000	-	-
Current maturities of long term debt	41,749	375,909	333,886
Accounts payable	175,508	255,329	109,830
Accrued expenses	268,399	198,683	185,772
Payroll and payroll taxes	200,000	37,947	206,830
Total current liabilities	<u>813,656</u>	<u>867,868</u>	<u>836,318</u>
Long Term Debt	<u>-</u>	<u>110,659</u>	<u>432,870</u>
TOTAL LIABILITIES	<u>813,656</u>	<u>978,527</u>	<u>1,269,188</u>
Net assets:			
Unrestricted	<u>1,138,473</u>	<u>1,222,413</u>	<u>994,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,952,129</u>	<u>\$ 2,200,940</u>	<u>\$ 2,263,910</u>
Financial Ratios:			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt service coverage (x)	0.75	2.05	(1.47)
Debt/Unrestricted Net Assets (x)	0.04	0.22	0.33
Margin (%)	(1.47)	4.01	(15.42)
Current Ratio (x)	1.50	1.49	1.15