

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

Applicant:	Adult Protective Services, Inc. (the "Borrower" or "APS") dba South Bay ADHC and dba North County ADHC	Amount Requested:	Not to exceed \$472,000
Applicant Address:	301E J Street, Chula Vista, CA. 91910 1221 W. Vista Way, Vista, CA. 92083	Date Requested:	September 30, 2010
Facility Type:	Adult Day Health Center (ADHC)	Resolution Number:	2010-16
Prior Borrower:	No	Loan Term:	No later than 45 days following the enactment 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. Borrower seeks 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>APS' FY 2009 debt service coverage ratio of (1.39)x 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>APS has been operating in the red, but since the hire of a new Executive Director in FY 08, the losses have been steadily declining. APS is trying different approaches including fundraising, which has never been done in the 30 years of the company's operations. The APS Board has been helping to locate grants and by the end of the year, APS will have a website up and running to attract potential patients.</p> <p>APS' main source of income is Medi-Cal. Other than a steady decline in the assets and liabilities, there have been no significant changes over the review period. According to the Borrower, the unrestricted net assets were affected by the stock market struggles of the past year.</p> <p>Despite a new adult day health center opening within seven miles of APS, which has affected enrollment, the unaudited financial statement for FY 2010 shows gradual gains in income seemingly due to the Borrower's continued efforts to improve operations.</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 enactment 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 enactment 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 2010-16 in an amount not to exceed \$472,000 for Adult Protective Services, Inc. including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

**Adult Protective
Services, Inc.
Statement of Activities
(Unrestricted)**

	For the Year Ended June 30,		
	2009	2008	2007
Revenue and Support:			
Medi-Cal	\$ 1,055,068	\$ 1,256,743	\$ 1,341,139
Veterans administration	241,200	249,773	228,706
Participant fees	97,610	100,898	113,604
Net assets released from restrictions	24,856	24,314	2,869
Community development block grant	13,750	-	-
Donations and other income	9,600	25,950	21,277
Interest and dividends	2,241	10,881	9,726
Contracts	-	-	507,691
Total revenue and support	1,444,325	1,668,559	2,225,012
Operating Expenses:			
Personnel	723,813	979,326	1,292,804
Consultants	153,554	180,837	217,691
Rent and maintenance	122,016	169,441	192,864
Fringe benefits	117,479	135,450	235,367
Travel and transportation	95,761	132,275	142,185
Food cost	92,752	101,960	96,440
Depreciation	69,711	69,711	70,576
Interest and fees	65,839	47,601	
Payroll taxes	65,069	83,466	112,148
Supplies and equipment	42,071	52,047	55,163
Insurance	41,152	50,237	71,024
Pension plan contribution	28,998	42,231	86,674
Other	26,070	34,096	71,436
Telephone	13,849	14,051	23,255
Audit and accounting	8,754	900	13,900
Payroll processing	3,765	4,010	4,937
Duplication and printing	638	954	1,263
Training	205	1,517	793
Total operating expenses	1,671,496	2,100,110	2,688,520
Change in unrestricted net assets	(227,171)	(431,551)	(463,508)
Unrestricted Net Assets:			
Beginning of Year	38,371	469,922	933,430
End of Year	\$ (188,800)	\$ 38,371	\$ 469,922

**Adult Protective
Services, Inc.
Financial Position**

	As of June 30,		
	2009	2008	2007
ASSETS			
Cash and cash equivalents	\$ 133,234	\$ 312,480	\$ 247,486
Investments	72,320	83,966	87,477
Accounts receivable	198,200	180,642	167,708
Prepaid expenses	11,430	46,992	29,450
Property and equipment	1,087,042	1,156,753	1,221,631
Total assets	<u>1,502,226</u>	<u>1,780,833</u>	<u>1,753,752</u>
LIABILITIES AND NET ASSETS:			
Accounts payable	\$ 42,450	\$ 33,758	\$ 30,266
Accrued expenses	71,201	96,474	115,565
Note payable	500,000	500,000	-
Total liabilities	<u>613,651</u>	<u>630,232</u>	<u>145,831</u>
Net assets:			
Unrestricted	(188,800)	38,371	469,922
Temporarily restricted	991,834	1,015,043	1,037,301
Permanently restricted	85,541	97,187	100,698
Total net assets	<u>888,575</u>	<u>1,150,601</u>	<u>1,607,921</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,502,226</u>	<u>\$ 1,780,833</u>	<u>\$ 1,753,752</u>
Financial Ratios:			
	2009	2008	2007
Debt service coverage (x)	(1.39)	(6.60)	-
Debt/Unrestricted Net Assets (x)	(30.00)	1.50	0.12
Margin (%)	(15.73)	(25.86)	(20.83)
Current Ratio (x)	10.30	2.83	12.03

Exhibit A

Patients Served: Clients Served/(Patient Visits)

	2009	2008	2007
Totals	149/(16,785)	150/(15,158)	147/(14,383)