

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

Applicant:	Hill Country Community Clinic ("Hill Country" or "Borrower")	Amount Requested:	Not to exceed \$180,000
Applicant Address:	29623 Hwy 299 East Round Mountain, CA 96084 Shasta County	Date Requested:	September 30, 2010
Facility Type:	Community Clinic	Resolution Number:	2010-17
Prior Borrower:	Yes, HELP II loan paid in full and a Community Clinic Grant Recipient of \$250,000	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>The Borrower's FY 2009 debt service coverage ratio is a satisfactory 4.39x. This financing is expected to help sustain the Borrower's daily operations until the State budget passes.</p> <p>FY 2009 shows an increase in unrestricted net assets of \$669,000. In addition, Borrower reports that it realized an increase in total revenues (including net patient revenue and grant revenue) as a result of increased patient visits, increased grant funding and an expansion of their programs for adults and seniors. Borrower's accounts receivables increased in FY 2009, but Borrower indicates this can be attributed to its August 2009 implementation of a new patient management system which has improved their management of outstanding accounts. In FY 2007, the Borrower embarked on its five-year expansion of services plan which involved taking on additional and new long term debt of \$5.2 million, construction and completion of a 12,500 square foot expanded facility, consequential increases in salary and employee benefits, reduction of cash and cash equivalents and related depreciation expenses as reflected in the statement of activities.</p> <p>For the interim unaudited period ending 7/31/10, Hill Country's interim financials appear to have experienced a decrease in net assets of \$499,735 due to an annual depreciation expense of a building addition and its related fixtures. To improve operating cash flow, Hill Country opened a line of credit in FY 2009 and 2010. To improve its financial position, Hill Country is seeking a Medi-Care Prospective Payment Systems reimbursement rate increase and is also working to improve its procedures for collecting co-payments at the time of service.</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 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 2010-17 in an amount not to exceed \$180,000 for Hill Country Community Clinic, including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Hill Country Community Clinic, Inc.
Statement of Activities

(Unrestricted)

For the Year Ended December 31,

	2009 (draft)	2008	2007
Revenue and Support:			
Net patient revenue	\$ 2,374,107	\$ 1,841,495	\$ 1,527,753
Grant revenue	1,156,933	941,609	770,586
Contribution revenue	35,726	199,770	19,639
Other revenue	49,907	505	2,431
Net assets released from restrictions used for operations	298,513	16,600	25,000
Total revenue and support	<u>3,915,186</u>	<u>2,999,979</u>	<u>2,345,409</u>
Operating Expenses:			
Salaries and wages	2,264,583	1,777,511	1,428,829
Employee benefits	536,852	420,372	396,216
Supplies and other	1,114,403	736,166	613,121
Depreciation and amortization	499,735	105,205	67,076
Interest	192,295	3,615	8,458
Provision for uncollectible accounts	38,528	21,253	31,966
Loss on sale of property and equipment	-	162,108	-
Total expenses and losses	<u>4,646,396</u>	<u>3,226,230</u>	<u>2,545,666</u>
Deficiency of Revenues Over Expenses	(731,210)	(226,251)	(200,257)
Other income			
Investment return	9,396	-	-
Unrestricted Net Assets:			
Contributions of or for acquisition of property and equipment	123,014	6,401	429,993
Grants for acquisition of property and equipment	353,075	-	-
Investment return - change in unrealized gains and losses	2,560	11,426	(11,426)
Net assets released from restriction used for purchase of property	912,692	170,314	-
Increase (Decrease) in Unrestricted Net Assets	669,527	(38,110)	218,310
Unrestricted net assets, beginning of year	1,603,595	1,641,705	1,423,395
Unrestricted net assets, end of year	<u>\$ 2,273,122</u>	<u>\$ 1,603,595</u>	<u>\$ 1,641,705</u>

Hill Country Community Clinic, Inc.
Financial Position

	As of December 31,		
	2009 (draft)	2008	2007
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 114,482	\$ 356,791	\$ 133,744
Short-term investments	957	53,116	1,083
Assets limited as to use -current	143,933	143,937	-
Patient accounts receivable, net of allowance	243,948	136,557	119,217
Contributions receivable - current	27,942	117,889	30,875
Grant receivables	85,352	45,729	25,346
Estimates amounts due from third party payers	70,693	5,600	28,760
Supplies	26,195	-	-
Prepaid expenses and other	15,626	17,458	19,597
Total current assets	729,128	877,077	358,622
Assets Limited As To Use			
Internally designated	48,233	50,000	50,000
Externally restricted by donors	85,771	848,634	1,000,588
Held by trustee	371,156	841,012	4,040,259
Total	505,160	1,739,646	5,090,847
Less amount required to meet current obligation	143,933	143,937	-
Total	361,227	1,595,709	5,090,847
Property and equipment			
Land and land improvements	79,378	79,378	243,503
Building and leasehold improvements	6,472,547	677,409	868,937
Equipment	562,297	168,605	489,020
Construction in progress	659,347	5,764,259	1,767,283
Total	7,773,569	6,689,651	3,368,743
Less accumulated depreciation	701,540	227,357	695,948
Total	7,072,029	6,462,294	2,672,795
Contributions receivable	8,038	14,501	54,470
Deferred financing costs	421,632	447,217	471,680
Total Assets	\$ 8,592,054	\$ 9,396,798	\$ 8,648,414
LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 139,633	\$ -	\$ -
Current maturities of long-term debt	118,424	117,837	3,195
Accounts payable	216,013	711,195	236,964
Accrued expenses	278,077	143,292	130,571
Deferred grant revenue	-	3,154	5,200
Total current liabilities	752,147	975,478	375,930
Long term debt, net of current portion	5,362,946	5,480,953	5,504,660
Total liabilities	\$6,115,093	6,456,431	5,880,590
NET ASSETS:			
Unrestricted net assets	2,273,121	1,603,594	1,641,704
Temporarily restricted	203,840	1,336,773	1,126,120
Total net assets	2,476,961	2,940,367	2,767,824
TOTAL LIABILITIES AND NET ASSETS	\$8,592,054	\$9,396,798	\$8,648,414
Financial Ratios:			
	2009	2008	2007
Debt service coverage (x)	4.39	10.38	9.37
Debt/Unrestricted Net Assets (x)	2.41	3.49	3.35
Margin (%)	12.59	(1.20)	7.90
Current Ratio (x)	0.97	0.90	0.95

Exhibit A

Patients Served:

UTILIZATION STATISTICS

Clients Served (Patient Visits) for Fiscal Year Ended December 31,

	2010	2009	2008	2007
Totals	919 (1,425)	3,381 (18,821)	2,945 (15,491)	2,604 / (13,877)