

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

Applicant:	Life Steps Foundation, Inc. dba Santa Maria Wisdom Center (the "Borrower")	Amount Requested:	Not to exceed \$64,000
Applicant Address:	5839 Green Valley Circle, Suite 204, Culver City, CA 90230	Date Requested:	September 30, 2010
Facility Type:	Adult Day Health Center	Loan Term:	2010-20 No later than 45 days following the enactment of a 2010-2011 budget by the State of California
Prior Borrower:	No		
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 operates 10 different facilities throughout Los Angeles, Orange, Santa Barbara and San Luis Obispo counties and the San Francisco Bay Area. The funds will be used to support the adult day health center services provided at the Santa Maria Wisdom Center facility located in Santa Maria, Santa Barbara County.</p> <p>Based on staff's review of the Borrower's most recent audited financial statements, the Borrower's income statement and balance sheet appear solid. Additionally, the Borrower's FY 2009 debt service coverage ratio is a satisfactory 4.95x.</p> <p>During FY 09, 08 and 07, the Borrower operated successfully with changes in unrestricted net assets of \$668,000, \$787,000 and \$267,000, respectively. The Borrower's total revenue has been in the \$11 million range over the past two FY's, despite the elimination of government contracts due to budget cuts. In FY 2009, the Borrower's current ratio was asolid 5.13x, with cash of \$576,000.</p> <p>The unaudited income statement ending 6/30/10 exhibits continued success with a change in unrestricted net assets of \$569,000. The unaudited balance sheet shows a current ratio of 4.20x and a cash position of \$824,000.</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 2010-20 in an amount not to exceed \$64,000 for Life Steps Foundation, Inc., including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Life Steps Foundation, Inc.
Statement of Activities
(Unrestricted)

	For the year ended June 30		
	2009	2008	2007
<u>REVENUES AND OTHER SUPPORT</u>			
Contract revenues	\$ 8,931,093	\$ 9,209,058	\$ 8,806,083
Patient service revenues	1,920,403	1,617,952	1,681,173
Donations and other support	99,610	48,435	48,832
Rent	150,888	212,314	185,490
Other gains and losses	(32,735)	-	-
In-kind contribution	55,791	52,818	44,367
Interest	42,517	59,816	57,874
Total support, revenue and gains	<u>11,167,567</u>	<u>11,200,393</u>	<u>10,823,819</u>
<u>EXPENSES:</u>			
Salaries and wages	5,988,078	5,772,191	5,801,785
Consulting and contract services	962,134	1,185,953	846,739
Rent, building	565,114	580,007	592,904
Insurance, group and liability	495,116	448,309	435,346
Taxes, payroll	440,439	427,531	402,354
Transportation, travel, automobile, and mileage	425,582	419,251	375,129
Unemployment and worker's compensation	319,259	254,746	516,954
Utilities and telephone	246,202	263,488	245,654
Depreciation and amortization	243,141	182,770	194,785
Program and office supplies	234,478	268,330	268,684
Repairs and maintenance	100,359	83,896	100,645
Bad debt expense	95,857	21,806	317,010
Interest	86,014	99,377	168,232
Equipment and equipment rent	62,867	73,359	66,430
Recruiting	58,681	40,629	63,294
Legal and professional fees	49,258	508	20
Other expenses (Miscellaneous, Marketing, Security, mov	26,385	41,324	75,308
Payroll fees	24,389	9,547	8,418
Taxes and licenses	20,374	24,738	16,447
Postage and delivery	18,808	16,941	15,787
Meals and entertainments	15,378	18,774	18,622
Seminars	10,977	12,290	13,277
Dues, subscriptions, licenses	10,131	10,050	12,073
Contributions expense	-	156,980	-
	<u>10,499,021</u>	<u>10,412,795</u>	<u>10,555,897</u>
Change in unrestricted net assets	668,546	787,598	267,922
Net assets released from restrictions	-	98,807	80,437
Unrestricted net assets at beginning of year	1,568,804	682,399	334,040
Unrestricted net assets end of year	<u>\$ 2,237,350</u>	<u>\$ 1,568,804</u>	<u>\$ 682,399</u>

**Life Steps Foundation, Inc.
Statement of Financial Position**

	As of June 30		
	2009	2008	2007
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 576,327	\$ 302,447	\$ 127,229
Investments	2,658,665	2,289,862	1,230,056
Receivables, net	1,018,895	955,643	1,193,479
Prepays expenses	52,027	33,968	38,724
Total Current Assets	4,305,914	3,581,920	2,589,488
Property and equipment, net	1,542,521	1,740,893	1,881,130
Deposits and other assets	46,992	53,721	71,422
Total Assets	\$ 5,895,427	\$ 5,376,534	\$ 4,542,040
 <u>Liabilities & Net Assets</u>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 313,394	\$ 390,222	\$ 215,953
Accured payroll and related expenses	428,642	385,068	385,282
Contributions payable	-	153,000	-
Related-party line of credit borrowings	-	-	200,004
Current portion of capital leases	48,516	44,972	41,686
Current portion of long-term debt	49,106	76,315	80,100
Total Current Liabilities	839,658	1,049,577	923,025
Capital leases, net of current portion	17,007	59,695	110,495
Long-term debt, net of current portion	997,213	1,047,289	1,076,115
Total Liabilities	1,853,878	2,156,561	2,109,635
Net Assets:			
Unrestricted	3,564,427	2,714,751	2,000,344
Temporarily restricted	477,122	505,252	432,061
Total Liabilities & Net Assets	\$ 5,895,427	\$ 5,376,564	\$ 4,542,040

Financial Ratios:

Debt Service Coverage (x)	4.95	5.07	2.29
Debt/Unrestricted Net Assets (x)	0.32	0.45	0.64
Margin (%)	5.99	92.51	2.48
Current Ratio (x)	5.13	3.41	2.81

Exhibit A

Patients Served:

UTILIZATION STATISTICS

Clients Served (Patient Visits) for Fiscal Year Ended June 30,

	2010	2009	2008
Totals	572/ (8,879)	618 (8,857)	601 (7,843)