

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

Applicant:	Community Human Services, Inc. dba Family Service Centers & Off Main Clinic (the "Borrower")	Amount Requested:	Not to exceed \$200,000
Applicant Address:	2560 Garden Road, Suite 201 Monterey, CA 93940	Date Requested:	September 30, 2010
Facility Type:	Chemical Dependency & Mental Health Services	Resolution Number:	2010-23
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. 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 (DSC) ratio of 1.88x is above 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 experienced an increase in unrestricted net assets in FY 2009 of \$215,000, which according to the borrower, was a result of using a grant to renovate a transitional housing program. In FY 2008, the borrower experienced a decrease in unrestricted net assets of \$30,000, apparently primarily due to a reduction in grants and contracts. In response, the Borrower implemented cost saving measures such as two furlough days per month, consolidation of several programs, as well as staff reductions. The Borrower's current portion of long-term debt increased significantly as a second mortgage matured in July 2009. The Borrower is highly leveraged with a debt to unrestricted net assets ratio of 3.21x in FY 2009; however, as mentioned above, the Borrower had an adequate DSC of 1.88x in FY 2009. The Borrower's FY 2009 cash on hand was \$167,000, which represents only 15 days cash on hand. Though cash on hand is at the low end of the desired range, Borrower's current ratio is an adequate 1.03x.</p> <p>In the FY 2010 unaudited financial statements ending 6/30/10, the Borrower management's cost-cutting measures appear to have been effective as expenses declined by \$400,000, while revenues only declined by \$160,000, yielding an \$88,000 increase in unrestricted net assets.</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. ▪ Lien on gross revenues. ▪ 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 2010-23 in an amount not to exceed \$200,000 for Community Human Services, Inc. including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Community Human Services, Inc.
Statement of Activities

	For the Year Ended June 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
OPERATING REVENUES			
Grants	\$ 3,601,292	\$ 3,298,982	\$ 3,375,385
Charges and fees	462,596	545,570	519,533
Total operating revenue	<u>4,063,888</u>	<u>3,844,552</u>	<u>3,894,918</u>
OPERATING EXPENSES			
Salaries	2,357,510	2,432,028	2,351,587
Employee benefits	584,466	630,066	568,272
Facility rental	203,217	192,993	183,838
Professional fees	274,766	237,237	350,373
Utilities and maintenance	172,186	162,883	177,852
Depreciation	101,248	89,597	86,316
Food	94,985	76,517	74,563
Insurance	76,670	71,191	62,597
Operating supplies	73,526	99,360	94,305
Telephone	61,307	56,114	64,947
Medical supplies	51,349	59,846	58,649
Conferences and meetings	39,841	42,640	64,012
Auto and travel	34,955	45,216	38,424
Copy machines	33,455	31,023	22,527
Advertising	22,756	32,503	111,346
Miscellaneous	10,760	24,295	38,041
Printing and publications	10,155	7,466	10,880
Fees and licenses	9,870	22,069	13,746
Total operating expenses	<u>4,213,022</u>	<u>4,313,044</u>	<u>4,372,275</u>
Operating income (loss)	(149,134)	(468,492)	(477,357)
Total nonoperating income (expense)	<u>364,977</u>	<u>438,144</u>	<u>496,619</u>
CHANGE IN NET ASSETS	215,843	(30,348)	19,262
Net Assets, beginning of year	<u>1,752,457</u>	<u>1,782,805</u>	<u>1,763,543</u>
Net Assets, end of year	<u><u>\$ 1,968,300</u></u>	<u><u>\$ 1,752,457</u></u>	<u><u>\$ 1,782,805</u></u>

Community Human Services, Inc.
Statement of Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 167,585	\$ 111,337	\$ 100,497
Grants receivables	558,371	571,255	691,101
Prepaid expenses	32,604	37,348	38,346
Investments	26,239	33,017	222,366
Due from other funds	341,619	211,358	-
Other current assets	191	191	191
Total current assets	1,126,609	964,506	1,052,501
Other assets:			
Capital assets, net of depreciation	3,118,139	2,983,517	3,058,686
Loan fees, net	7,665	9,581	11,497
TOTAL ASSETS	\$ 4,252,413	\$ 3,957,604	\$4,122,684
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 92,815	\$ 35,389	\$ 255,955
Accrued vacation payable	101,173	94,896	89,029
Accrued retirement payable	66,177	48,157	53,162
Other accrued liabilities	8,496	14,057	-
Deferred revenue	3,486	3,486	7,260
Due to other funds	341,619	211,358	-
Current portion of long-term debt	482,388	125,662	69,454
Total current liabilities	1,096,154	533,005	474,860
Long-term debt	1,187,959	1,672,142	1,865,019
TOTAL LIABILITIES	2,284,113	2,205,147	2,339,879
NET ASSETS			
Invested in capital assets, net of related debt	1,447,792	1,185,713	1,124,213
Restricted	-	-	47,145
Unrestricted	520,508	566,744	611,447
Total net assets	1,968,300	1,752,457	1,782,805
TOTAL LIABILITIES AND NET ASSETS	\$ 4,252,413	\$ 3,957,604	\$4,122,684

Financial Ratios:

Debt service coverage (x)	1.88	0.70	1.22
Debt/Unrestricted Net Assets (x)	3.21	3.17	3.16
Margin (%)	(3.67)	(12.19)	(12.26)
Current Ratio (x)	1.03	1.81	2.22

Exhibit A

Patients Served:

UTILIZATION STATISTICS

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

	2010	2009	2008
Totals	1,680 (41,043)	2,145 (50,220)	2,277 (54,826)