

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

Applicant:	Mountain Valleys Health Centers (“MVHC” or the “Borrower”)	Amount Requested:	Not to exceed \$400,000
Applicant Address:	554-850 Medical Center Dr. Bieber, CA 96009 Lassen County	Date Requested:	September 30, 2010
Facility Type:	Community Clinic	Resolution Number:	2010-25
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 enacted.		
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 .43x 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 is enacted.</p> <p>During the review period, MVHC’s revenue experienced a shift in patient revenue, specially derived from third-party payers and also a result of the State’s Medi-Cal program cuts, patient eligibility restrictions, and changes in reimbursable services. Two of MVHC’s sites were solely dependent on specific state programs and grants that were eliminated, resulting in declining revenues in FY 2009. MVHC incurred \$395,000 in long-term debt during FY 2008 as a result of a billing settlement. To improve operating cash flow, MVHC opened a line of credit in FY 2010. To improve their financial position, MVHC has worked to control operating expenses, reduce staffing costs, and taken steps to manage their cash position through improvement in collection of accounts receivable. For the unaudited period ending 6/30/10, MVHC seems to show improvement in its operations with a change in unrestricted net assets of \$13,867 versus (128,615) in FY 2009. MVHC’s current cash position as of 6/30/10 is \$360,730.</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 2010-25 in an amount not to exceed \$400,000 for Mountain Valleys Health Centers, including a waiver of the Authority’s application fee and subject to financing terms acceptable to the Authority.		

Mountain Valleys Health Centers

Statement of Activities

(Unrestricted)

For the Year Ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue and Support:			
Patient service revenue, net	\$ 4,460,177	\$ 4,610,447	\$ 4,482,567
Grant revenue	1,391,595	1,505,607	1,358,782
Other revenue	523,510	771,239	724,758
Net assets released from restrictions	-	-	230,090
Total revenue and support	<u>6,375,282</u>	<u>6,887,293</u>	<u>6,796,197</u>
Operating Expenses:			
Salaries	3,803,398	3,982,845	3,836,763
Employee benefits	928,856	969,769	890,211
Professional fees	33,125	140,823	149,212
Contractual services	392,630	362,613	288,237
Supplies	360,159	380,790	352,365
Maintenance & repairs	29,696	28,388	35,029
Rents & leases	121,513	100,548	101,251
Utilities & communications	140,984	129,895	234,541
Insurance	42,686	61,122	53,440
Interest	96,840	88,426	94,389
Depreciation and amortization	114,025	145,483	166,707
Provision for uncollectible accounts	76,471	45,844	61,643
Other operating expenses	363,514	323,500	265,593
Total expenses	<u>6,503,897</u>	<u>6,760,046</u>	<u>6,529,381</u>
CHANGES IN UNRESTRICTED NET ASSETS	(128,615)	127,247	266,816
Unrestricted:			
Net assets, beginning of year	<u>1,817,890</u>	<u>1,690,643</u>	<u>1,653,917</u>
Net assets, end of year	<u>\$ 1,689,275</u>	<u>\$ 1,817,890</u>	<u>\$ 1,690,643</u>

Mountain Valleys Health Centers
Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Current Assets:			
Cash	\$ 605,556	\$ 574,843	\$ 350,723
Patient accounts receivable, net	617,132	856,097	901,000
Grants & other receivables	375,614	282,448	216,325
Estimated third-party settlements	32,200	102,500	70,000
Prepaid expenses and inventories	114,021	62,778	182,947
Total current assets	<u>1,744,523</u>	<u>1,878,666</u>	<u>1,720,995</u>
Assets limited as to use	<u>243,441</u>	<u>236,898</u>	<u>233,286</u>
Property and equipment	<u>1,942,178</u>	<u>2,066,696</u>	<u>2,128,979</u>
Other assets	<u>23,246</u>	<u>25,037</u>	<u>26,828</u>
Total assets	<u>\$ 3,953,388</u>	<u>\$ 4,207,297</u>	<u>\$ 4,110,088</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 280,548	\$ 601,819	\$ 312,149
Accrued payroll and other expenses	352,996	334,000	333,137
Deferred revenue	53,468	-	166,769
Long-term debt, current portion	184,684	95,812	153,802
Total current liabilities	<u>871,696</u>	<u>1,031,631</u>	<u>965,857</u>
Long term debt, net of current portion	<u>1,392,417</u>	<u>1,357,776</u>	<u>1,453,588</u>
Total liabilities	<u>2,264,113</u>	<u>2,389,407</u>	<u>2,419,445</u>
NET ASSETS:			
Unrestricted net assets	<u>1,689,275</u>	<u>1,817,890</u>	<u>1,690,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,953,388</u>	<u>\$ 4,207,297</u>	<u>\$ 4,110,088</u>
Financial Ratios:			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt service coverage (x)	0.43	1.49	2.20
Debt/Unrestricted Net Assets (x)	0.93	0.80	0.95
Margin (%)	(2.02)	1.85	3.93
Current Ratio (x)	2.00	1.82	1.78

Exhibit A

Patients Served:

UTILIZATION STATISTICS

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

	2009	2008	2007
Totals	3,381 (1,425)	2,945 (15,491)	2,604 (13,877)