

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: JWCH Institute, Inc. ("JWCH") 1910 W. Sunset Blvd., #650 Los Angeles, CA 90026</p> <p>Project Site: 3591 E. Imperial Highway, Lynwood, CA 90262, Los Angeles County</p> <p>Facility Type: Community Clinic</p> <p>Prior HELP II Borrower: No</p>	<p>Amount Requested: \$750,000</p> <p>Requested Loan Term: 15 years</p> <p>Date Requested: January 29, 2009</p> <p>Resolution Number: HII-234</p>																
<p>Background: Established in 1960, JWCH is a licensed, non-profit health agency dedicated to the underserved population of Los Angeles County through the direct provision and/or coordination of health care, health education services and research. JWCH's services include: primary care for adults, family planning, male wellness services, EKGs, HIV testing, laboratory services, pharmaceuticals, health education, and referrals for specialty services.</p>																	
<p>Uses of Loan Proceeds: Loan proceeds will be used to purchase real estate located in the city of Lynwood to be used as the situs for JWCH's new community clinic.</p>																	
<p><u>Financing Structure</u></p> <ul style="list-style-type: none"> • 15-year fixed rate loan. • 180 equal monthly payments of approximately \$5,179 (yearly payments of about \$62,148). • First (1st) lien position on the property located at: 3591 E. Imperial Highway, Lynwood, CA 90262. • Loan to value ratio not to exceed 95% (estimated loan to value ratio of 88%). • Gross revenue pledge. 																	
<p>Financial Overview: JWCH's income statement appears to exhibit positive operating results with increasing net income over the past three fiscal years, combined with continued revenue growth from newly developed programs. JWCH's balance sheet appears strong with good liquidity, a solid current ratio, and significant net assets, plus no long-term debt. In addition, proforma debt service coverage is a solid 6.04x.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Sources of Funds</u></th> <th colspan="2" style="text-align: left;"><u>Uses of Funds</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">HELP II Loan</td> <td style="width: 20%; text-align: right;">\$750,000</td> <td style="width: 30%;">Purchase real property</td> <td style="width: 20%; text-align: right;">\$850,000</td> </tr> <tr> <td>Borrower funds</td> <td style="text-align: right;"><u>112,375</u></td> <td>Financing costs</td> <td style="text-align: right;"><u>12,375</u></td> </tr> <tr> <td style="padding-left: 20px;">Total Sources</td> <td style="text-align: right;"><u>\$862,375</u></td> <td style="padding-left: 20px;">Total Uses</td> <td style="text-align: right;"><u>\$862,375</u></td> </tr> </tbody> </table>		<u>Sources of Funds</u>		<u>Uses of Funds</u>		HELP II Loan	\$750,000	Purchase real property	\$850,000	Borrower funds	<u>112,375</u>	Financing costs	<u>12,375</u>	Total Sources	<u>\$862,375</u>	Total Uses	<u>\$862,375</u>
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<p>Legal Review: Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the applicant.</p>																	
<p>Staff Recommendation: Staff recommends approval of a HELP II loan for JWCH in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.</p>																	

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM**

January 29, 2009

JWCH Institute, Inc. ("JWCH")

Resolution Number: HII-234

I. PURPOSE OF FINANCING

***Purchase real property*..... \$ 850,000**

JWCH intends to purchase real estate property at 3591 E. Imperial Highway, Lynwood, CA 90262. The existing 3,442 square feet building situated on the property has 10 examination rooms and 20 parking spaces. The new clinic will provide approximately 1,600 square feet more than JWCH's current leased clinic, which consists of only 3 examination rooms. It is anticipated that pediatrics, chronic disease management, obstetrics, comprehensive prenatal care, and on-site benefits enrollment will be added to JWCH's services as a result of the purchase of this new property, which affords significantly more space to the health agency.

The proposed HELP II loan will be secured by a first lien position on real property located at 3591 E. Imperial Highway, Lynwood, CA 90262. JWCH estimates the current market value of the property to be approximately \$850,000 (purchase price), leading to a loan to value ratio of 88%. CHFFA will require a full appraisal of the property as a condition of closing.

***Financing Costs* 12,375**

Authority Fees..... 9,375

Title and Escrow Fees..... 3,000

***Total Uses of Funds* \$ 862,375**

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II. FINANCIAL STATEMENTS AND ANALYSIS

JWCH Institute, Inc.
Statement of Activities
 Unrestricted

	For the Year Ended June 30,		
	2008	2007	2006
Revenues:			
Government Grants	\$5,910,896	\$6,492,229	\$5,525,309
Private Foundation Grants	2,955,321	-	0
Program Service Income	5,089,091	4,822,987	4,572,596
Donations	213,544	145,705	83,680
Indirect Cost Recovery	1,268,960	1,096,144	916,949
Interest Income	8,302	26,378	9,531
Other Revenue	104,723	80,245	59,635
Total revenue and support	<u>15,550,837</u>	<u>12,663,688</u>	<u>11,167,700</u>
Expenses:			
Personnel	7,752,866	6,738,145	5,601,456
Professional Services	1,799,513	839,033	1,036,837
Fringe Benefits	1,843,475	1,565,965	1,341,287
Equipment	12,834	17,904	32,302
Fees	16,272	10,908	5,385
Medical & Lab	599,948	648,490	659,043
Utilities	143,301	135,706	117,089
Repair & Maintenance	107,647	105,811	113,807
Patient Welfare	340,677	278,524	290,955
Office Supplies	251,818	206,288	190,993
Travel/Mileage	100,099	90,607	96,419
Training	29,004	38,290	38,868
Rentals	42,784	53,013	32,790
Leases	646,365	367,045	322,489
Insurance	81,467	85,943	87,777
Indirect Costs	1,268,960	1,096,144	916,949
Other Costs	138,209	75,034	55,568
Total expenses	<u>15,175,239</u>	<u>12,352,850</u>	<u>10,940,014</u>
Change in unrestricted net assets	375,598	310,838	227,686
Unrestricted net assets, beginning of year	<u>1,874,974</u>	<u>1,623,303</u>	<u>1,447,207</u>
Unrestricted net assets, end of year	<u><u>\$2,156,511</u></u>	<u><u>\$1,874,974</u></u>	<u><u>\$1,623,303</u></u>

JWCH Institute, Inc.
Financial Position

	As of June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS:			
Current assets:			
Cash	\$702,453	\$873,566	\$1,799,826
Receivables	3,415,108	2,529,993	2,173,952
Inventory	8,105	10,979	25,199
Prepaid Expenses	20,231	24,817	23,922
Total current assets	<u>4,145,897</u>	<u>3,439,355</u>	<u>4,022,899</u>
Noncurrent assets:			
Deposit	4,325	4,325	4,325
Property & Equipment, Less Depreciation	386,616	257,655	142,076
Total noncurrent assets	<u>390,941</u>	<u>261,980</u>	<u>146,401</u>
 Total assets	 <u><u>\$4,536,838</u></u>	 <u><u>\$3,701,335</u></u>	 <u><u>\$4,169,300</u></u>
 LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$204,458	\$105,841	\$129,767
Payroll & Related Liabilities	1,091,791	746,723	685,448
Grant Advances	1,084,078	973,797	1,730,782
Total current liabilities	<u>2,380,327</u>	<u>1,826,361</u>	<u>2,545,997</u>
 Net Assets - Unrestricted	 <u>2,156,511</u>	 <u>1,874,974</u>	 <u>1,623,303</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$4,536,838</u></u>	 <u><u>\$3,701,335</u></u>	 <u><u>\$4,169,300</u></u>

Financial Ratios:

Proforma (a)
FYE June, 2008

Debt service coverage (x)	6.04	-	-	-
Debt/Unrestricted Net Assets (x)	0.35	-	-	-
Margin (%)		2.42%	2.45%	2.04%
Current Ratio (x)		1.74	1.88	1.58

(a) Recalculates 2008 audited results to include the impact of this proposed financing.

Financial Discussion:

JWCH's income statement exhibits positive operating results with increasing net income over the past three fiscal years, along with continued revenue growth from newly developed programs.

JWCH has posted increases in unrestricted net assets for all three years of our review period, an annual improvement.

Important Facts to Note:

- JWCH experienced an impressive 39% increase in total revenue from FY 06 to FY 08. The increase relates to various new/increased grants, including: an HIV/AIDS Substance Abuse Services contract through SAMHSA and a Recuperative Care Services contract through Los Angeles County, DHS, and DMH. JWCH expects visits and revenue to continue increasing primarily due to anticipated population growth in JWCH's service area and their continued focus on opening additional health centers.
- In FY 08, grants comprised 57% of JWCH's total revenue. The majority of JWCH's grants are federal and local grants for indigent care. JWCH has received long-term commitments from these grantors and does not expect to experience a drastic decline in such funds in the near future.

JWCH's balance sheet appears strong with good liquidity, a solid current ratio, and significant net assets, plus no long-term debt. In addition, proforma debt service coverage is a solid 6.04x.

JWCH's current balance sheet appears solid. For FY 08, JWCH had good liquidity, as indicated by a balance of over \$700,000 in cash and a solid current ratio of 1.74%. JWCH's proforma long-term debt to unrestricted net assets is low at 0.35x, indicating low leverage. JWCH has no long-term debt and currently possesses a solid proforma debt service coverage ratio of 6.04x. JWCH should be able to comfortably repay the proposed HELP II loan.

III. UTILIZATION STATISTICS

**Clients Served/(Patient Visits)
Fiscal Year Ended December 31**

	2006	2007	2008
Totals	23,387/(66,781)	24,897/(70,620)	24,057/(71,053)

IV. ORGANIZATION

Background and Licensing

JWCH Institute, Inc. is a private, non-profit health agency established in 1960 by concerned Los Angeles County physicians. These staff physicians sought to establish an agency that could obtain additional funds to support and augment patient care, education, and research at the John Wesley facility. When the hospital was demolished in 1979, the agency continued its efforts to assist Los Angeles County patients, but the name was no longer relevant and was subsequently changed to JWCH Institute, Inc.

JWCH's mission is to improve the health status and well-being of underserved segments of the population of Los Angeles County through the direct provision or coordination of health care, health education services and research.

This mission is being accomplished through a variety a variety of programs and activities, such as: medical outreach and referrals for medical care, HIV services and drug treatment; health education; psychosocial assessment and intervention; primary medical care; family planning services; and research.

JWCH operates a variety of health care facilities throughout Los Angeles county, including: the JWCH Medical Clinic at the Weingart Center, the Bell Gardens Health Center, the Norwalk Health Center, the Women's Clinic-Lynwood, the Safe Harbor Women's Clinic, the JWCH Clinic at PATH, and the Covenant House-Hollywood. JWCH also manages and operates programs for the homeless, youth, those affected by HIV/AIDS, as well as programs promoting women's health.

JWCH is licensed by the California Department of Public Health for its community clinic.

V. OUTSTANDING DEBT

<u>Date Issue:</u>	<u>Original Amount</u>	<u>Amount Outstanding as of 6/30/2008</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Long-Term Debt:			
Proposed:			
CHFFA HELP II, 2009		<u>N/A</u>	<u>750,000</u>
Total Debt		<u>\$ -</u>	<u>\$ 750,000</u>

VI. DUE DILIGENCE

Due diligence has been completed with regard to the following items:

- Savings Pass Through: JWCH has provided a description of its savings pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): JWCH has executed this certification indicating that Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B**.
- Religious Due Diligence
- Legal Review

VII. STAFF RECOMMENDATION

Staff recommends approval of a HELP II loan for JWCH in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.