

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

Applicant:	Innovative Health Care Services, Inc. dba Peg Taylor Center for Adult Day Health Care (the "Borrower")	Amount Requested:	Not to exceed \$150,000
Applicant Address:	124 Parmac Road Chico, CA 95926 Butte County	Date Requested:	September 2, 2010
Facility Type:	Adult Day Health Center	Resolution Number:	2010-07
Prior Borrower:	Yes, HELP II (The current outstanding balance is \$263,268 and the payments have been made timely.)	Loan Term:	No later than 45 days following the adoption 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:	The Borrower's FY 2009 debt service coverage ratio of (0.21x) 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 passes. It appears the Borrower had negative operating results over the three-year review period. Borrower attributes the negative operating results to a loss in the State of California's grant funding for the Borrower's Alzheimer's Day Care Resource Center (resulting from the economic downturn). The Borrower is addressing these losses by reducing expenses, increasing fundraising efforts, and seeking additional grants from new sources. The Borrower's board appears to be proactive in addressing negative factors, e.g., a satellite program site was closed in 2007 and services were re-consolidated at the parent site to reduce overall costs.		
Financing Structure:	<ul style="list-style-type: none"> ▪ The entire loan balance shall be repaid in full no later than 45 days following the adoption 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 a Resolution Number 2010-07 in an amount not to exceed \$150,000 for Innovative Health Care Services, Inc. dba Peg Taylor Center for Adult Day Health Care including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

Innovative Health Care Services, Inc. dba Peg Taylor Center for Adult Day Health Care
Statement of Activities
(Unrestricted)

	For the year ended June 30		
SUPPORT, REVENUE & GAINS:	2009	2008	2007
Service fees	\$ 780,639	\$ 828,577	\$ 848,943
Grant revenue	144,493	179,275	243,168
Fundraising	38,364	16,392	18,169
ADCFP - Food program	25,655	24,988	24,274
Miscellaneous income	18,193	3,757	-
Donations	2,295	120,588	67,395
Investment loss	(7,195)	13,994	7,067
Total support, revenue and gains	1,002,444	1,187,571	1,209,016
<u>EXPENSES:</u>			
Salaries	618,229	676,759	779,864
Transportation	118,881	141,127	134,139
Employee benefits	78,340	81,585	79,352
Payroll taxes	43,725	66,688	56,324
Meals for clients	42,820	45,700	47,161
Depreciation and amortization	24,827	28,811	33,275
Janitorial and landscaping	22,232	-	-
Utilities and telephone	19,733	20,234	25,083
Accounting	13,544	17,098	32,117
Supplies	11,585	10,678	22,252
Workers compensation and unemployment	10,207	8,957	16,016
Interest	9,707	14,738	16,173
Dues, subscriptions, licenses	8,590	6,328	6,507
Contract services	8,236	6,529	8,616
Insurance	7,565	10,497	11,903
Other expenses	5,310	63,688	138,330
	1,043,531	1,199,417	1,407,112
Change in unrestricted net assets	(41,087)	(11,846)	(198,096)
Net assets released from restrictions	-	98,807	80,437
Unrestricted net assets at beginning of year	303,342	216,381	334,040
Unrestricted net assets end of year	\$ 262,255	\$ 303,342	\$ 216,381

Innovative Health Care Services, Inc. dba Peg Taylor Center for Adult Day Health Care
Statement of Financial Position

	As of June 30		
	2009	2008	2007
<u>Assets</u>			
Current Assets:			
Cash	\$ 14,485	\$ 33,961	\$ 33,995
Accounts receivable, net	142,824	172,970	163,763
Prepays and deposits	24,266	23,290	31,762
Total Current Assets	<u>181,575</u>	<u>230,221</u>	<u>229,520</u>
Property and equipment, net	561,478	537,655	571,390
Endowment	71,337	78,242	91,917
Other assets	9,937	10,325	10,713
Total Assets	<u>\$ 824,327</u>	<u>\$ 856,443</u>	<u>\$ 903,540</u>
<u>Liabilities & Net Assets</u>			
Current Liabilities:			
Accounts payable	\$ 91,629	\$ 58,011	\$ 61,736
Payroll liabilities	106,141	118,386	129,557
Accrued liabilities	6,126	9,952	7,184
Line credit	17,700	50,552	50,402
Current maturities of long term debt	24,721	23,991	23,283
Total Current Liabilities	<u>246,317</u>	<u>260,892</u>	<u>272,162</u>
Notes payable, net of current portion	<u>267,493</u>	<u>292,209</u>	<u>316,190</u>
Total Liabilities	<u>513,810</u>	<u>553,101</u>	<u>588,352</u>
Net Assets:			
Unrestricted	262,255	303,342	216,381
Temporarily restricted	48,262	-	98,807
Total Liabilities & Net Assets	<u>\$ 824,327</u>	<u>\$ 856,443</u>	<u>\$ 903,540</u>

Financial Ratios:

Debt Service Coverage (x)	(0.21)	0.82	(3.84)
Debt/Unrestricted Net Assets (x)	1.11	1.04	1.57
Margin (%)	(4.10)	(1.00)	(16.38)
Current Ratio (x)	0.74	0.88	0.84