

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

Applicant:	Los Angeles Christian Health Centers (the "Borrower" or "LACHC")	Amount Requested:	Not to exceed \$100,000
Applicant Address:	311 Winston Street Los Angeles, CA. 90013	Date Requested:	September 30, 2010
Facility Type:	Community Clinic	Resolution Number:	2010-19
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 their 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: LACHC's FY 2009 debt service coverage ratio is not applicable as the borrower has no long-term debt. Though LACHC's margin (measurement of an organization's ability to operate within its means) is (10.10), their current ratio (indicating their ability to meet short-term obligation) is 1.3. This financing is expected to help sustain the Borrower's daily operations until the State budget passes.

According to the Borrower, the changes in net assets have been continually decreasing due to the drawing down of restricted multi-year grant funds over the review period. Also, the restricted net assets dropped from \$1.4M in FY 07 to \$273,000 in FY 09 whereas grants received dropped from \$388,000 to \$66,000. LACHC indicates they are funded 60% by federal government grants specifically for the homeless and public housing populations they serve. 26% of their funding is from patient fees like Medi-Cal, Medicare, and some managed care. The remaining 14% of their funding is from private grants and individual donations. LACHC has indicated that many of their private grantors reduced their donations due to the recession, some providing that they could not be repeat grantors to their organization. According to the borrower, the undesignated assets dropped from \$188,000 to \$5,000 due to the challenging economic climate. LACHC indicates their depletion of some of their cash can be attributed to pre-funding by the federal grants in which the revenue was counted in the prior fiscal year they were received but the expenses were posted in the following year.

The unaudited FY 2010 financial statement indicates a \$75,000 surplus in net assets totaling \$419,000, compared to \$344,000 at the end of FY 2009. Through the first two months of FY 2010, LACHC has a surplus in net assets of \$157,000. The Borrower attributes these increases to its significant cost cutting measures. LACHC states that they have laid off staff, the retirement plan was stopped, and parking expenses and other operational spending were frozen. LACHC staff also indicates their plans are to build up cash reserves to strengthen their savings and provide a cushion in the event of leaner days ahead.

- Financing Structure:**
- 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:** Due diligence of the following items has been completed or will be completed prior to closing:
- Religious Due Diligence
 - Legal Review
 - Community Service Obligation
 - CEQA/Seismic/Pass through (Not required)

Staff Recommendation: Staff recommends the Authority approve Resolution Number 2010-19 in an amount not to exceed \$100,000 for Los Angeles Christian Health Centers, including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.

**Los Angeles
Christian Health Centers
Statement of Activities
(Unrestricted)**

	For the Year Ended June 30,		
	2009	2008	2007
Revenue and Support:			
Federal grants revenue	\$ 2,192,906	\$ 1,397,748	\$ 575,215
Net assets released from restrictions	630,664	\$ 1,308,709	\$ 1,348,833
Grant income	557,328	538,956	538,114
Medi-Cal and other State patient revenue	301,366	264,831	216,390
Managed care revenue	95,219	56,955	-
Other income	91,792	35,869	47,415
Gifts-in-kind medicine & medical supplies	71,000	213,887	511,711
Contributions	60,464	66,860	9,450
Contributed services	21,595	54,238	112,287
Total revenue and support	<u>4,022,334</u>	<u>3,938,053</u>	<u>3,359,415</u>
Operating Expenses:			
Salaries and benefits	3,044,302	2,490,579	1,817,794
Gift-in-kind - medications	256,621	321,375	357,411
Professional service	232,523	374,699	319,406
Building and equipment lease	226,820	179,398	111,000
Laboratory testing	136,869	88,475	41,990
Depreciation and amortization	79,120	42,532	13,918
Medications	60,386	47,529	65,628
Medical supplies	57,422	68,657	57,087
Insurance expense	43,567	29,090	33,179
Telephone	39,724	32,298	19,930
Supplies	35,885	27,712	26,569
Occupancy costs	34,737	25,547	16,207
Repairs and maintenance	28,351	81,878	59,952
Dental supplies and dentures	27,571	32,261	7,796
Other expenses	27,485	23,866	18,020
Membership dues and subscriptions	26,741	12,766	11,463
Parking and transportation	25,898	39,481	27,535
Gift-in-kind - professional services	22,234	54,238	112,287
Conference and seminar expense	8,139	27,368	25,903
Client outreach	6,524	5,111	3,759
Postage and printing	4,209	6,835	2,694
Gift-in-kind - medical supplies	3,452	25,062	-
Total operating expenses	<u>4,428,580</u>	<u>4,036,757</u>	<u>3,149,528</u>
Change in unrestricted net assets	(406,246)	(98,704)	209,887
Unrestricted Net Assets:			
Beginning of Year	477,214	575,918	366,031
End of Year	<u>\$ 70,968</u>	<u>\$ 477,214</u>	<u>\$ 575,918</u>

**Los Angeles
Christian Health Centers
Financial Position**

	As of June 30,		
	2009	2008	2007
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 78,664	\$ 590,520	\$ 520,026
Accounts receivable	38,879	54,596	83,317
Grants receivable	100,000	128,500	934,500
Federal grants receivable	1,386	105,830	949
Inventory - medicines	65,798	255,509	388,060
Prepaid expenses	41,253	42,626	14,026
Accounts receivable, Los Angeles Mission Inc			68,524
Total current assets	<u>325,980</u>	<u>1,177,581</u>	<u>2,009,402</u>
Goodwill, net of amortization	32,500	42,500	-
Leasehold improvements, equipment & software - net of depreciation	236,462	135,096	59,837
Total assets	<u>\$ 594,942</u>	<u>\$ 1,355,177</u>	<u>\$ 2,069,239</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable, Los Angeles Mission Inc	\$ 725	\$ 32,345	-
Accounts payable	77,379	49,710	64,839
Accrued expenses	172,883	66,031	42,180
Total current liabilities	<u>250,987</u>	<u>148,086</u>	<u>107,019</u>
Net assets:			
Unrestricted:			
Undesignated	5,170	221,705	187,858
Donated inventory - medicines	65,798	255,509	388,060
Total unrestricted net assets	<u>70,968</u>	<u>477,214</u>	<u>575,918</u>
Temporarily restricted:			
Temporarily restricted	272,987	729,877	1,386,302
Total net assets	<u>343,955</u>	<u>1,207,091</u>	<u>1,962,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 594,942</u>	<u>\$ 1,355,177</u>	<u>\$ 2,069,239</u>
Financial Ratios:			
	2009	2008	2007
Debt service coverage (x)	N/A	N/A	N/A
Debt/Unrestricted Net Assets (x)	N/A	N/A	N/A
Margin (%)	(10.10)	(2.51)	6.25
Current Ratio (x)	1.30	7.95	18.78

Exhibit A

Patients Served:

	2009	2008	2007
Totals	22,456	15,115	N/A