CHFFA HELP II LOAN PROGRAM
EXECUTIVE SUMMARY

Applicant:	Unicare Community Health Center, Inc. ("Unicare") 437 N. Euclid Ave. Ontario, CA 91762 San Bernardino County	**Amount Requested:** **Requested Loan Term:** **Annual Interest Rate:** **Authority Meeting Date:** **Resolution Number:**	$529,054 5-year fixed 2% October 31, 2019 HII-323
Project Sites:	Please see Exhibit 1		
Facility Types:	Community Clinics		
Eligibility:	Government Code section 15432(d)(6)		
Prior HELP II Borrower:	No		

Background: Unicare, a system of Federally Qualified Health Centers ("FQHC"), was founded in 2013 by a group of community leaders, business associates, and health care professionals in response to financial challenges faced by families in Riverside County, Eastern Los Angeles County and Western San Bernardino County communities. The primary purpose of Unicare is to provide high quality, coordinated, comprehensive and culturally competent medical, behavioral, optometric and dental services to the low-income and underserved populations of these counties.

Use of Loan Proceeds: Loan proceeds will be used to purchase medical equipment and information technology ("IT") for Unicare's various health facilities listed in Exhibit 1. The new medical equipment and IT will allow Unicare to offer improved and a greater variety of services for its patients.

Financing Structure:

- 5-year, two percent (2%) fixed rate loan.
- 60 equal monthly payments of approximately $9,273 (annual payments of approximately $111,278).
- UCC-1 lien on equipment & IT purchased.
- Verification of Borrower's funds to close.
- Corporate gross revenue pledge.

Financial Overview: Unicare's income statement appears to display increasing operating income and total revenue during the review period. Unicare's balance sheet appears to display growing net assets and exhibits a solid FY 2018 pro-forma debt service coverage ratio of 3.86x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
HELP II loan	$ 529,054	Purchase of equipment	$ 556,899
Borrower funds	34,458	Financing cost	6,613
Total Estimated Sources	**$ 563,512**	**Total Estimated Uses**	**$ 563,512**

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, and Religious Affiliation documentation and the Community Service Obligation certification. All documentation satisfies the Authority's requirements.

Parties of Interest: N/A

Staff Recommendation: Staff recommends approval of Resolution Number HII-323 for Unicare Community Health Center, Inc. in an amount not to exceed $529,054 for a term not to exceed five years, and contingent upon financing terms acceptable to the Authority. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

Over the past six years, Unicare has increased its healthcare footprint in Southern California, expanding from a total of three health centers in 2013 to a total of 13 health centers in 2019. Unicare is requesting a HELP II loan to finance the purchase of medical equipment and IT for its current health facilities. The HELP II loan will allow Unicare to ensure its clinics are equipped with state-of-the-art technology to accommodate a diverse patient population, enhance the patient experience, and to improve the overall quality of care.

Purchase of Equipment		***$556,899***

Unicare is expanding its number of facilities and plans to use loan proceeds to purchase medical equipment and IT for its various health facilities located in the counties of Los Angeles, Riverside, and San Bernardino. Unicare plans to purchase items, including, but not limited to, exam tables, lighting, dental chairs, dental instruments, imaging software, document scanners, printers, and monitors. The HELP II loan will be secured by a UCC-1 Financing Statement filed against the medical equipment and IT purchases.

Financing Cost		***6,613***
Authority Fee	$6,613	
Total Estimated Uses of Funds..		**$563,512**

II. FINANCIAL STATEMENTS AND ANALYSIS:

Unicare Community Health Center, Inc.
Income Statement
(Unrestricted)

	As of June 30, 2018	2017	2016
Revenue			
Net patient service revenue*	$ 12,231,143	$ 7,654,927	$ 3,042,247
Other operating revenue	754,002	480,376	760,039
Federal grant revenue	828,816	677,884	717,999
Contributions and donations	240,365	-	73,851
Total revenue	14,054,326	8,813,187	4,594,136
Expenses			
Salaries and wages	7,369,781	4,698,072	2,055,913
Employee benefits	499,064	351,278	184,315
Purchased services and professional fees	671,352	795,043	780,586
Supplies	420,398	271,138	-
Supplies and other	-	-	1,390,749
Insurance	67,345	86,434	-
Repairs and maintenance	114,602	146,224	-
Rent and lease	1,268,018	877,546	541,419
Other	2,109,484	1,640,613	-
Depreciation and amortization	231,555	77,616	18,330
Interest	17,982	27,488	20,165
Total expenses	12,769,581	8,971,452	4,991,477
Revenue in excess (deficiency) of expenses and change in net assets (deficit)	1,284,745	(158,265)	(397,341)
Net assets (deficit) at beginning	(529,714)	(371,449)	25,892
Net assets (deficit) at ending	$ 755,031	$ (529,714)	$ (371,449)

***Net patient service revenue for FYE June 30,**

Payor Source	2018	2017
Medi-Cal	97.0%	97.6%
Medicare	0.8%	0.6%
Other third-party payer	0.5%	0.0%
Self-pay	1.7%	1.8%
Total	**100%**	**100%**

Unicare Community Health Center, Inc.
Balance Sheet
(Unrestricted)

	As of June 30,		
	2018	**2017**	**2016**
ASSETS			
Current assets			
Cash	$ 490,790	$ 84,648	$ 6,623
Patient accounts receivable, net	1,353,517	747,369	998,725
Grants receivable and other receivables	-	-	231,963
Prepaids	180,739	31,035	5,244
Total current assets	2,025,046	863,052	1,242,555
Property and equipment, net	409,410	235,278	131,076
Other assets			
Goodwill	778,500	346,500	346,500
Intangible assets	59,050	36,650	48,650
Security deposits	133,075	93,755	51,453
Total other assets	970,625	476,905	446,603
Total assets	$ 3,405,081	$ 1,575,235	$ 1,820,234
LIABILITIES AND NET ASSETS			
Current liabilities			
Current maturities - capital lease obligation	$ 45,116	$ 53,643	$ 30,472
Current maturities - related party notes payable	392,111	284,221	25,000
Accounts payable	866,873	801,382	726,773
Insurance payable	10,405	10,405	-
Accrued compensation and related liabilities	513,323	237,016	129,243
Accrued interest	10,950	19,101	-
Estimated third-party settlements	361,320	196,000	190,000
Total current liabilities	2,200,098	1,601,768	1,101,488
Noncurrent liabilities			
Capital lease obligations - less current maturities	35,310	80,426	100,070
Related party notes payable - less current maturities	396,667	373,726	951,506
Accrued rent payable	-	-	38,619
Deferred rent	17,975	49,029	-
Total noncurrent liabilities	449,952	503,181	1,090,195
Total liabilities	2,650,050	2,104,949	2,191,683
Unrestricted net assets (deficit)	755,031	(529,714)	(371,449)
Total liabilities and net assets	$ 3,405,081	$ 1,575,235	$ 1,820,234

	Proforma[(a)] FYE June 30, 2018	**2018**	**2017**	**2016**
Debt Service Coverage - Net (x)	3.86	4.31	(0.64)	(4.06)
Debt to Unrestricted Net Assets (x)	2.13	1.15	(1.50)	(2.98)
Margin (%)		9.14	(1.80)	(8.65)
Current Ratio (x)		0.92	0.54	1.13

(a) Recalculates FY 2018 audited results to include the impact of this proposed financing.

Financial Discussion – Income Statement

Unicare's income statement appears to display increasing operating income total revenue during the review period.

Unicare appears to have made substantial improvements to its operations as the organization began with a loss of approximately $397,000 in FY 2016 and improved to a gain of approximately $1.3 million in FY 2018. According to Unicare's management, the loss in FY 2016 was primarily due to limited revenues in the early stages of the organization's expansion plans and transition to an FQHC. Unicare's total revenues increased significantly in each year of the review period, from approximately $4.6 million in FY 2016 to approximately $8.8 million in FY 2017, to nearly $14.1 million in FY 2018. Since 2016, Unicare has expanded to 13 health facilities throughout the counties of Los Angeles, Riverside, and San Bernardino. A large portion of revenue growth is attributed to increasing net patient service revenue. According to Unicare's management, with the recent growth in health facility acquisitions, Unicare has been able to expand the services and programs it offers as an FQHC, thereby increasing net patient service revenue.

Unicare's total expenses outpaced total revenues in FY 2016, as reflected by an operating margin of negative 8.65%. However, Unicare's margin considerably improved to 9.14% in FY 2018, indicating their movement towards positive operations. Total expenses increased by 155% from FY 2016 to FY 2018, from nearly $5 million to approximately $12.8 million, respectively. Much of the increase appears to be attributed to salaries and wages, which increased from approximately $2.1 million in FY 2016 to just over $7.4 million in FY 2018, which Unicare's management explains were needed to meet the demands of increased patients.

Financial Discussion – Balance Sheet

Unicare's balance sheet appears to display growing net assets and exhibits a solid FY 2018 pro-forma debt service coverage ratio of 3.86x.

Unicare posted an improving debt service coverage ratio over the review period, starting from negative 4.06x in FY 2016 and improving to 4.31x in FY 2018. Considering the proposed HELP II loan, Unicare's FY 2018 pro-forma debt service coverage ratio drops to a still solid 3.86x, indicating the likelihood that Unicare can manage the additional debt.

Cash and cash equivalents increased from approximately $6,600 in FY 2016 to nearly $491,000 in FY 2018. Unicare explains the increase in cash is related to the recent expansion and the generation of revenue by the newly added healthcare facilities. Unicare's management goes on to explain that the organization continues to grow to meet the healthcare demands of low-income and underserved patients.

In FY 2016, Unicare posted negative unrestricted net assets, causing its debt to unrestricted net assets ratio to be negative 2.98x. In FY 2018, the debt to unrestricted net assets ratio experienced a significant improvement, increasing to 1.15x, as unrestricted net assets increased from approximately negative $371,000 in FY 2016 to just over $755,000 in FY 2018. After FY 2018 audits were finalized, Unicare paid off all existing loans and entered into a $1 million revolving line of credit promissory note with Vantage Medical. With this and the new HELP II loan considered, Unicare's proforma debt to unrestricted net assets ratio increases to 2.13x. Although highly leveraged, Unicare's management believes that they are capable of supporting the new debt, due to the growth of patients and increasing revenues.

III. UTILIZATION STATISTICS

Clients Served / (Patient Visits)
for Fiscal Year End June 30

	2018	2017	2016
Totals	22,479 / (74,740)	19,755 / (63,568)	15,609 / (40,764)

IV. OUTSTANDING DEBT

	Original Amount	Amount Outstanding as of June 30, 2018[a]	Estimated Amount Outstanding After Proposed Financing
Existing Debt:			
Silver Lake Co. - Note (2016)[b]	$ 499,000	$ 240,000	$ -
Silver Lake Co. - Note (2016)[c]	128,442	32,111	-
Vida Medical Center - Note (2016) [d]	125,000	100,000	-
Lincoln Heights Medical Clinic - Note (2017) [d]	350,000	291,667	-
Crown Medical Center - Note (2018)[e]	125,000	125,000	-
Vantage Medical - Note (2019)[f]	1,000,000	-	1,007,074
Proposed New Debt:			
CHFFA HELP II Loan (2019)			529,054
Total Debt		**$ 788,778**	**$ 1,536,128**

[a] Includes current portion of long-term debt

[b] Note paid in full on September 6, 2018

[c] Note paid in full on September 10, 2018

[d] Note paid in full on July 18, 2018

[e] Note paid in full on August 1, 2018

[f] Loan obtained May 28, 2019; repayments begin January 1, 2020

V. BACKGROUND AND LICENSURE

Background

Unicare was founded in 2013 by a group of community leaders, business associates, and health care professionals in response to financial challenges faced by families in Eastern Los Angeles County and Western San Bernardino County communities, which impeded their ability to afford essential health care services. The primary purpose of Unicare is to provide high quality, coordinated, comprehensive, and culturally competent medical, behavioral, optometric, and dental services to the low-income and underserved population.

Unicare is a system of FQHC's with clinics located in Colton, Fontana, Los Angeles, Corona, Moreno Valley, Riverside Ontario, Pomona, and San Bernardino. Unicare is a community-based, 501(c)(3) nonprofit organization serving the unmet health care needs of low-income persons and their families. Unicare's goal is to provide the best care for the patients and to provide effective integration of services to complement plans for delivery of quality patient care. The objective of Unicare is to deliver quality care to the largest number of people in an accessible manner at minimum cost, through the use of innovative systems.

Licensure, Certification, and Accreditation

Unicare is licensed by the California Department of Public Health to operate and maintain community clinics at each of its various locations.

Exhibit 1

Project Sites:

List of Unicare Facilities where equipment will be located:

- San Bernardino County:
    - 437 N. Euclid Avenue, Ontario, CA 91762
    - 1151 E. Walnut Street, Ontario, CA 91761
    - 184 & 190 E. Highland Avenue, San Bernardino, CA 92404
    - 17500 Foothill Boulevard, #A-2, Fontana, CA 92335
    - 570 S. Mt. Vernon Avenue, Suite G, San Bernardino, CA 92410
    - 16127 Foothill Boulevard, Fontana, CA 92335
    - 308 N. La Cadena Drive, Colton, CA 92324
- Riverside County:
    - 5549 Van Buren Boulevard, Riverside, CA 92503
    - 107 N. McKinley Street, Corona, CA 92879
    - 24853 Alessandro Boulevard , #4, Moreno Valley, CA 92553
- Los Angeles County:
    - 741 & 749 S. Alvarado Street, Los Angeles, CA 90057
    - 2409 N. Broadway, Los Angeles, CA 90031
    - 1501 E. Holt Avenue, Suite A, Pomona, CA 91767

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-323

RESOLUTION APPROVING EXECUTION AND DELIVERY OF HELP II LOAN PROGRAM AGREEMENTS WITH CERTAIN PARTICIPATING HEALTH INSTITUTIONS

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (the "Act") to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the HELP II Loan Program (the "Program") to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Unicare Community Health Center, Inc.** (the "Borrower"), a California participating health institution, has applied to the Authority for a loan through the Program, and the application has been reviewed by the staff of the Authority; and

WHEREAS, approval of the loan by the Authority is now sought;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, the Authority approves a loan to the Borrower in an amount not to exceed **$529,054** for a term not to exceed **5 years** for the purpose described in the application filed with the Authority (the "Project"), but solely to the extent there are available proceeds of the Program, as determined pursuant and subject to Section 2 hereof. This approval is further contingent upon the following conditions:

1. 5-year, two percent (2%) fixed rate loan;
2. UCC-1 lien on equipment and IT purchased;
3. Corporate gross revenue pledge; and
4. Verification of Borrower's funds to close.

Section 2. The Executive Director or Deputy Executive Director is hereby authorized, for and on behalf of the Authority, to determine the final amount, terms and conditions of the loan, and to approve any changes in the Project described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Act (provided that the amount of the loans may not be increased above the amount approved by the Authority and provided further that the loans continue to meet the Authority's guidelines for HELP II loans). Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the Borrower shall indicate that the Authority shall not be liable to the Borrower in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director or Deputy Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Program fund not to exceed those amounts approved by the Authority for the Borrower. The Executive Director or Deputy Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Borrower any and all documents necessary to complete the transfer of funds.

Section 4. The Executive Director or Deputy Executive Director is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director or Deputy Executive Director deems necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby, and which have heretofore been approved as to form by the Authority.

Section 5. This resolution expires six months from the date of approval.

Date of Approval: ___________________________