

**CHFFA HELP II PROGRAM
EXECUTIVE SUMMARY**

Applicant:	Six Rivers Planned Parenthood ("SRPP") 3225 Timber Fall Court Eureka, California 95503 Humboldt County	Amount Requested:	\$196,500
		Requested Loan Term:	5 years
		Date Requested:	February 24, 2011
		Resolution Number:	HII-263

Project Site: Same As Above
Facility Type: Community Clinic
Prior HELP II Borrower: Yes (balance is \$189,434 and payments are current).

Background: As a non-profit primary care reproductive health center, SRPP provides birth control, annual exams, cancer screenings, and first trimester abortion screenings. In 2010, SRPP served over 9,000 patients and had over 20,000 patient visits.

Uses of Loan Proceeds: Loan proceeds will be used to purchase equipment and software to comply with a federal mandate to adopt a new electronic health records system.

Financing Structure

- 5-year fixed rate loan.
- 60 equal monthly payments of approximately \$3,531 (yearly payments of approximately \$42,370).
- Corporate gross revenue pledge.
- UCC-1 lien on equipment.
- Loan to value ratio not to exceed 95%.

Financial Overview: Although SRPP's income statement reflects a loss of approximately \$124,000 in FY 2010 and a decreasing operating margin seemingly due to a one-time accounting adjustment associated with its accounts receivable, SRPP's overall financial condition appears strong with a pro-forma debt service coverage ratio of 2.61x (calculation excludes the one-time accounts receivable adjustment), minimal debt and solid cash reserves.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
HELP II Loan	\$196,500	Purchase equipment	\$206,919
Borrower Funds	<u>12,875</u>	Financing costs	<u>2,456</u>
Total Sources	<u>\$209,375</u>	Total Uses	<u>\$209,375</u>

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Community Service Obligation, Seismic and CEQA documentation. All documentation satisfies the Authority's requirements.

Parties of Interest: *(Included for the purpose of discerning conflicts of interest)*
Not applicable

Staff Recommendation: Staff recommends approval of Resolution Number HII-263 for Six Rivers Planned Parenthood, in an amount not to exceed \$196,500 for a term not to exceed 5 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst concurs with the Authority's staff recommendations.

I. PURPOSE OF FINANCING: SRPP will use the loan proceeds to acquire, configure and install a new electronic health records system. SRPP aims to improve its quality of care by enhancing patient histories, implementing system reminders, reducing medication errors and wait time, and improving communications amongst providers and patients.

***Purchase Software and Hardware Equipment* \$206,919**

SRPP seeks to comply with the federal mandate to implement an electronic health records system and to more efficiently accommodate the likely influx of many new patients as a result of the recent national health care reform effort. SRPP currently uses NEXT GEN practice management system for booking appointments. SRPP desires to take the next step by converting paper patient charts to electronic patient charts. NEXT GEN is a federal government approved vendor for this purpose. The proposed HELP II loan will cover the costs of the additional equipment, software and licensing purchase, as well as technical expertise from a local information technology provider.

***Financing Costs* 2,456**

Authority Fees \$2,456

***Estimated Uses of Funds* \$ 209,375**

II. FINANCIAL STATEMENTS AND ANALYSIS

Six Rivers Planned Parenthood Statement of Activities (Unrestricted)

Support, Revenues & Gains	For the year ended June 30,		
	2010	2009	2008
Support			
Grants, contracts, and exchange transactions	\$ 322,713	\$ 290,064	\$ 294,110
Contributions	450,660	420,386	452,102
Special events	83,517	69,345	60,816
Total support	856,890	779,795	807,028
Revenues & Gains			
Clinic fees	2,229,650	2,421,123	1,862,992
Interest income	7,682	13,097	23,262
Realized gains on investments	1,350	-	10,417
Unrealized gains on investments	22,437	-	-
Discounts taken	5,159	8,748	4,289
Other income	3,203	11,610	32,665
Net assets released from restrictions	478	421	1,602
Total revenues and gains	3,126,849	3,234,794	2,742,255
EXPENSES			
Program & Support Services			
Salaries, wages, and related expenses	2,010,254	1,961,884	1,751,476
Advertising	2,592	2,555	5,092
Bad debt	40,000	28,426	3,605
Dues and subscriptions	68,268	63,657	56,208
Equipment	21,619	15,078	12,890
Insurance	56,089	55,825	50,389
Interest	7,174	15,207	29,913
Maintenance	29,771	26,262	25,430
Marketing	9,078	10,168	-
Other expenses	24,677	33,141	20,124
Postage	11,558	10,262	9,697
Printing and brochures	21,154	19,293	18,472
Professional fees and contracted services	148,645	165,405	116,857
Rent	7,331	8,222	7,164
Supplies	552,106	504,165	421,695
Telephone and internet	18,855	17,025	17,866
Travel and conferences	49,326	49,963	44,253
Utilities	31,862	30,631	26,849
Depreciation and amortization	140,988	140,073	126,331
Realized losses on sale of assets	-	9,943	-
Unrealized losses	-	66,560	45,770
Total expenses	3,251,347	3,233,745	2,790,081
Income/ (loss) from operations	(124,498)	1,049	(47,826)
Net assets, beginning of year	3,440,595	3,439,546	3,487,372
Net assets, end of year	\$ 3,316,097	\$ 3,440,595	\$ 3,439,546

**Six Rivers Planned Parenthood
Statement of Financial Position**

	As of June 30,		
	2010	2009	2008
Assets			
Current assets			
Cash and cash equivalent	\$ 572,127	\$ 225,614	\$ 237,455
Accounts receivable -net	318,977	530,066	376,390
Unconditional promises to give	21,921	67,316	76,692
Grants and contracts receivable	83,955	95,429	111,981
Prepaid expenses	40,592	62,064	33,422
Inventory	72,837	62,368	67,840
Total current assets	1,110,409	1,042,857	903,780
Property and equipment -net	2,511,941	2,624,371	2,737,603
Other assets			
Unconditional promises to give -net	9,440	10,364	59,694
Investments	100	150	-
Board designated endowment	251,263	224,049	291,929
Total assets	\$ 3,883,153	\$ 3,901,791	\$ 3,993,006
Liabilities & unrestricted net assets			
Current liabilities			
Accounts payable	\$ 81,446	\$ 89,946	\$ 78,761
Accrued liabilities	145,773	121,105	106,971
Refundable advances	129,636	5,678	97,679
Mortgage payable	33,041	32,014	5,347
Total current liabilities	389,896	248,743	288,758
Long term liabilities			
Mortgage payable	175,547	210,362	262,190
Total liabilities	565,443	459,105	550,948
Net assets			
Unrestricted net assets	3,316,097	3,440,595	3,439,546
Temporarily restricted net assets	1,613	2,091	2,512
Total net assets	3,317,710	3,442,686	3,442,058
Total liabilities & net assets	\$ 3,883,153	\$ 3,901,791	\$ 3,993,006

Financial Ratios:

	Proforma (a)			
	<u>FYE June 30, 2010</u>			
Debt Service Coverage (x)	2.61	5.47	6.37	3.99
Debt/Unrestricted Net Assets (x)	0.12	0.06	0.07	0.08
Margin (%)		(3.98)	0.03	(1.74)
Current Ratio (x)		2.85	4.19	3.13

(a) Recalculates 2010 audited results to include the impact of this proposed financing.

Financial Discussion – Statement of Activities (Income Statement)

SRPP's income statement appears to reflect a loss of approximately \$124,000 in FY 2010 with a decreasing operating margin due to a one-time accounting adjustment.

Particular Facts to Note:

- SRPP has managed to have positive cash flow from operations during FY 2008 through FY 2010.
- SRPP's operating margin, which reflects its profitability from its core business, has decreased from 0.03% in FY 2009 to (4%) in FY 2010. This is primarily due to revenues decreasing from \$3.23 million in FY 2009 to \$3.12 million in FY 2010 and expenses increasing by approximately .54% from \$3.23 million in FY 2009 to \$3.25 million in FY 2010.
- In FY 2010 revenues decreased. SRPP reports that the decrease in revenues was primarily due to a one-time accounting correction concerning accounts receivable. SRPP explains that changes in personnel and new software within the billing department allowed accounts receivable to become significantly out of balance during the first and second quarters of FY 2010.
- SRPP reports that the increase in expenses between FY 2008 and 2010 were primarily related to an increase in salaries in the Eureka Clinic and as a result of the implementation of a new Del Norte Teen Success Education program (which also seems to correspond with the increase in patient visits and services over the review period).
- The percentage of patients served has increased by approximately 5.5% over the review period, and patient visits have increased by approximately 8.68% from FY 2009 to FY 2010.

Financial Discussion – Statements of Financial Position (Balance Sheet)

SRPP's financial strength appears strong with a pro-forma debt service coverage ratio of 2.61x (ratio excludes the one-time accounting adjustment in FY 2010 relating to SRPP's accounts receivable).

Particular Facts to Note:

- SRPP's cash position appears very strong with approximately \$572,000 in cash and cash equivalents as of June 30, 2010 (providing an approximate 64 days of operating cash reserve). According to SRPP's interim financial statements as of December 31, 2010, SRPP remains in a good cash position, relatively at the same level as FY 2010.

- According to SRPP, accounts receivables have been decreasing due to improved collection efforts and write-off strategies, both of which have contributed to SRPP's improved cash position.
- SRPP has minimal leverage with only one long-term debt (CHFFA's existing loan) of approximately \$194,000 and unrestricted net assets of \$3.31 million, resulting in a debt to unrestricted net assets of .06x, significantly below the Authority's target ratio of less than 1.0x.
- For FY 2010, the proforma debt to unrestricted net assets ratio is a very modest .12x. The current debt service coverage ratio is a healthy 5.47x (ratio includes SRPP's one-time accounting adjustment concerning its accounts receivable, as well as unrealized gains in the amount of \$188,000).

EXHIBIT 1

UTILIZATION STATISTICS

**Clients Served/ (Patient Visits)
Ended January 31**

	2010	2009	2008
Totals	9,166/ (20,516)	8,688/ (18,876)	8,617/ (18,677)

EXHIBIT 2
OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding* As of June 30, 2010</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
Existing Long-Term Debt:			
CHFFA, 2009	\$245,000	\$197,684	\$197,684
Proposed:			
CHFFA, HELP II 2011			\$196,500
TOTAL DEBT		<u>\$197,684</u>	<u>\$394,184</u>

* Includes current portion of long-term debt.

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

SRPP is a primary care reproductive health center with two locations serving Humboldt, Del Norte, and Trinity counties. SRPP provides birth control, annual exams, cancer screening, vasectomy, colonoscopy, and first trimester abortion services to over 9,000 patients who make over 21,000 visits each year. In addition SRPP offers family life and prevention education to youth in local schools, juvenile hall, conservation corps, and after school programs. SRPP was founded in 1975.

Licensing:

SRPP is licensed by the California Department of Public Health to operate and maintain the primary care reproductive health center located at 3225 Timber Fall Court, Eureka, California, 95503.