

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

FUNDING SUMMARY

Applicant:	Mountain Health & Community Services, Inc. (“MHCS” or “Borrower”)	Amount Requested:	Not to exceed \$350,000
Applicant Address:	31115 Highway 94 Campo, CA 91906 San Diego County	Resolution Number:	2008-20
Date Requested:	August 14, 2008	Loan Term:	No later than forty-five (45) days following the adoption of a 2008-2009 budget by the State of California

Background of Financing: Many community clinics are facing unanticipated and staggering financial burdens associated with the current State budget impasse and delayed Medi-Cal reimbursements; hence, they are not receiving their regular Medi-Cal reimbursements. Consequently, MHCS is seeking funding to bridge this financial gap in order to finance vital health services for its communities.

Purpose: Loan proceeds will be used to offset Medi-Cal reimbursements delays due to the State’s budget impasse.

Financial Overview: MHCS is a nonprofit public benefit corporation that has been in operation for almost 35 years. Based on the most recent audited financial statements, MHCS’s operating deficit has increased from FY 2006 to FY 2007. The large operating loss in FY 2007 appears to be directly attributed to the contracting of temporary medical providers. Additionally, MHCS appears not to meet CHFFA’s minimum requirements for debt service coverage of 1.10X with a ratio of -5.57X. This financing is expected to sustain MHCS’s daily operations until the State budget passes.

- Financing Structure:**
- The entire loan balance shall be repaid in full no later than 45 days following the adoption of a 2008-2009 budget by the State of California.
 - Loan proceeds are to be disbursed on as-needed basis in a total amount not to exceed the MHCS’s third-party-approved Medi-Cal claim.
 - Loan origination fee of 1.25% and 0% interest rate.
 - Lien on gross revenues.
-

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 a Resolution in an amount not to exceed \$350,000 for Mountain Health & Community Services, Inc. subject to financing terms acceptable to the Authority.

Mountain Health & Community Services
Statement of Activities
(Unrestricted)

	For the year ended June 30		
	2007	2006	2005
<u>SUPPORT, REVENUE & GAINS:</u>			
Net patient service revenue	\$ 2,134,687	\$ 2,825,157	\$ 2,593,827
Grant revenue	1,707,614	1,677,757	1,552,212
Contribution revenue	209,667	123,130	301,641
Other revenue	116,804	91,787	58,701
Net assets released from restrictions	72,081	234,211	50,000
Total support, revenue and gains	4,240,853	4,952,042	4,556,381
<u>EXPENSES:</u>			
Salaries and wages	2,169,311	2,074,345	1,497,564
Purchased services and professional fees	1,024,048	1,309,524	834,556
Supplies and other	529,841	666,625	789,479
Rent	372,035	262,698	129,139
Employee benefits	354,527	328,909	285,699
Provision for uncollectible accounts	227,236	170,423	-
Depreciation	196,354	205,778	137,460
Interest	21,571	23,716	6,010
Total expenses	4,894,923	5,042,018	3,679,907
Operating loss	(654,070)	(89,976)	876,474
Non-Operating Revenue/(expenses)			
Investment return	-	2,266	592
Donated equipment	-	18,832	-
Change in unrestricted net assets	(654,070)	(68,878)	877,066
Unrestricted net assets at beginning of year	1,648,792	1,717,670	840,604
Unrestricted net assets end of year	\$ 994,722	\$ 1,648,792	\$ 1,717,670

**Mountain Health & Community Services
Statement of Financial Position**

	As of June 30		
	2007	2006	2005
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 198,068	\$ 16,786	\$ 110,813
Patient accounts receivable, net of allowances	307,452	543,710	273,723
Grants receivable	302,785	149,772	127,686
Estimated amounts due from third party payers	106,116	700,000	1,000,000
Supplies	46,304	46,304	30,652
Prepaid expenses and other	-	33,818	24,240
Total Current Assets	960,725	1,490,390	1,567,114
Property and equipment, net	691,185	782,486	969,432
Other assets, net	612,000	-	-
Total Assets	\$ 2,263,910	\$ 2,272,876	\$ 2,536,546
<u>Liabilities & Net Assets</u>			
Current Liabilities:			
Current maturities of long-term debt	\$ 333,886	\$ 56,775	\$ 270,912
Accounts payable and accrued expenses	109,830	144,486	173,068
Accrued expenses	185,772	163,645	152,114
Deferred revenue	206,830	7,500	-
Total Current Liabilities	836,318	372,406	596,094
Long-term debt	432,870	179,597	85,652
Total Liabilities	1,269,188	552,003	681,746
Net Assets:			
Unrestricted net assets	994,722	1,648,792	1,717,670
Temporarily restricted net assets	-	72,081	137,130
Total net assets	994,722	1,720,873	1,854,800
Total Liabilities & Net Assets	\$ 2,263,910	\$ 2,272,876	\$ 2,536,546

Financial Ratios:

	<u>Proforma (a)</u>			
Debt Service Coverage (x)	(5.57)	(5.57)	0.55	169.81
Debt/Unrestricted Net Assets (x)	0.87	0.77	0.14	0.21
Margin (%)		-15.42	-1.82	19.24
Current Ratio (x)		1.15	4.00	2.63

(a) Recalculates 2007 audited results to include the impact of this proposed financing.