

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

<b>Applicant:</b>	Acacia Adult Day Services (the "Borrower")	<b>Amount Requested:</b>	Not to exceed \$151,000
<b>Applicant Address:</b>	11391 Acacia Parkway Garden Grove CA 92840 Orange County	<b>Date Requested:</b>	September 2, 2010
<b>Facility Type:</b>	Adult Day Care	<b>Resolution Number:</b>	2010-08
<b>Prior Borrower:</b>	Yes, HELP II (The current outstanding balance is \$115,075 and payments have been timely made.)	<b>Loan Term:</b>	No later than 45 days following the adoption of a 2010-2011 budget by the State of California
<b>Issue to Note:</b>	<p>Upon review of Borrower's application and interaction with the Borrower, staff discovered Borrower has defaulted on its existing HELP II loan (used to finance leasehold improvements) by failing to properly notify the Authority of its intention (and subsequent action) to abandon the facility the HELP II funds had been used to improve. Though Borrower has assigned its leasehold interest to another non-profit health facility which continues to provide health services to the local community, Borrower's failure to properly notify the Authority constitutes an 'Event of Default' under the Authority's loan agreement which potentially triggers various remedies, including an acceleration of the outstanding principal balance. Staff nevertheless recommends proceeding with the current request for funding given the solid security measures the Authority has in place with the Department of Health Care Services (intercept) and equally as important, so Borrower may keep its doors open and continue providing vital services pending the State's budget impasse.</p>		
<b>Background of Financing:</b>	<p>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.</p>		
<b>Purpose:</b>	<p>Loan proceeds will be used to offset Medi-Cal reimbursement delays due to the State's budget impasse.</p>		
<b>Financial Overview:</b>	<p>Based on staff's review of the Borrower's most recent audited financial statements, the Borrower's income statement and balance sheet appear solid. Additionally, the Borrower's FY 2009 debt service coverage ratio is a satisfactory 2.87x.</p> <p>Acacia reports that it closed one of its facilities in FY 2008 due to cash flow issues relating in part to the California State Budget impasse of 2008 which ultimately affected their unrestricted net assets. Although Acacia remains an obligor on the lease for the building it previously occupied, Acacia was able to assign the lease to another non-profit health facility which has enabled Acacia to pay the ongoing lease obligation and related expenses. The expenses incurred with closing the facility are reflected in FY 2008. Thus, in FY 2009, this expense was not incurred and operations improved.</p>		
<b>Financing Structure:</b>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ Loan origination fee of 1.25%.</li> <li>▪ 0% fixed interest rate.</li> <li>▪ Corporate gross revenue pledge.</li> <li>▪ Department of Health Care Services interception of Medi-Cal reimbursements to ensure repayment upon passage of 2010-2011 State budget.</li> </ul>		
<b>Due Diligence:</b>	<p>Due diligence of the following items has been completed or will be completed prior to closing:</p> <ul style="list-style-type: none"> <li>▪ Religious Due Diligence</li> <li>▪ Legal Review</li> <li>▪ Community Service Obligation</li> <li>▪ CEQA/Seismic/Pass through (Not required)</li> </ul>		
<b>Staff Recommendation:</b>	<p>Staff recommends the Authority approve a Resolution Number 2010-08 in an amount not to exceed \$151,000 for Acacia Adult Day Services, including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.</p>		

**Acacia Adult Day Services**  
**Statement of Activities**

	For the Year Ended June 30,		
	2009	2008	2007
<b>Revenue and Support:</b>			
Public Support:			
Community donations	\$ 327,497	\$ 137,988	\$ 105,508
In-kind donations	87,077	88,456	84,178
United way support	94,897	102,703	9,124
Total public support	<u>509,471</u>	<u>329,147</u>	<u>198,810</u>
Grant support			
Program income	1,530,905	1,571,754	1,479,873
Dept. of Education food program	73,181	67,835	61,872
Community block grants	11,258	11,232	1,875
Total grant support	<u>1,615,344</u>	<u>1,650,821</u>	<u>1,543,620</u>
Other revenue:			
Participant donations	133,202	173,616	253,186
Fundraising events	43,872	151,572	132,744
Interest and gains on investments	1,942	1,816	3,256
Other income	795	19,667	11,922
Total Revenue	<u>179,811</u>	<u>346,671</u>	<u>401,108</u>
Total Public Support and Revenue	<u>2,304,626</u>	<u>2,326,639</u>	<u>2,143,538</u>
Net Assets released from:			
United Way funding for the year	-	25,000	75,000
Donated use of land	6,680	6,680	6,680
Total	<u>2,311,306</u>	<u>2,358,319</u>	<u>2,225,218</u>
<b>Operating Expenses:</b>			
Salaries	1,070,454	1,119,571	1,202,305
Meals provided	119,213	117,636	115,829
Transportation	104,331	103,738	83,230
Depreciation and amortization	101,645	156,856	152,983
Services	97,127	96,050	103,754
Taxes - payroll	82,203	85,929	93,601
Program expense	81,073	92,447	82,038
Insurance - medical	68,777	63,683	58,533
Interest expense	51,196	80,230	82,303
Maintenance and repairs	48,317	37,608	39,440
Utilities	42,865	49,698	54,345
Outside services	27,553	18,939	17,649
Office expense	25,997	28,486	37,271
Insurance - workers comp.	19,046	18,956	24,796
Advertising	13,679	1,305	5,123
Gardening	12,666	12,450	12,129
Insurance - general	12,641	28,414	31,551
Dues and subscriptions	10,670	9,715	7,931
Other	74,000	185,896	280,440
Expenses before abandonment of NW facility	<u>2,063,453</u>	<u>2,307,607</u>	<u>2,485,251</u>
Loss & expense of abandonment of NW facility			
Rental (recovery) obligation	(11,291)	245,919	-
Loss on abandonment of NW facility	-	1,135,009	-
Total (recovery) loss	<u>2,052,162</u>	<u>3,688,535</u>	<u>2,485,251</u>
<b>CHANGES IN UNRESRICTED NET ASSETS</b>	<b>247,853</b>	<b>50,712</b>	<b>(260,033)</b>
<b>Unrestricted:</b>			
Net assets, beginning of year	898,050	2,228,266	2,488,299
Net assets, end of year	<u>\$ 1,157,194</u>	<u>\$ 898,050</u>	<u>\$ 2,228,266</u>

**Acacia Adult Day Services**  
**Financial Position**

	As of June 30,		
	2009	2008	2007
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 188,839	\$ 178,563	\$ 133,832
Accounts receivable	295,258	292,355	221,100
Prepaid expenses	12,981	10,434	20,809
Total current assets	497,078	481,352	375,741
Property and equipment			
Furniture and equipment	429,842	408,235	443,697
Building	2,592,964	2,592,964	3,892,297
Leasehold improvements	27,982	27,982	28,536
	3,050,788	3,029,181	4,364,530
Less: accumulated depreciation	(1,109,922)	(1,008,277)	(1,062,754)
	1,940,866	2,020,904	3,301,776
Other assets			
Deposits and loan fees	19,519	5,679	12,331
Total assets	\$ 2,457,463	\$ 2,507,935	\$ 3,689,848
<b>LIABILITIES AND NET ASSETS:</b>			
Current liabilities:			
Accounts payable & accrued expenses	\$ 128,142	\$ 204,503	\$ 129,955
Accrued payroll & compensated absences	114,081	106,556	45,644
Lease obligations	-	143,953	55,687
Notes payable - current	66,264	131,408	133,047
Total current liabilities	308,487	586,420	364,333
Long term liabilities			
Notes payable	991,782	1,023,465	1,097,249
Total long term liabilities	991,782	1,023,465	1,097,249
Net assets:			
Unrestricted			
Board designated	1,073,372	815,609	2,174,956
Undesignated	83,822	82,441	53,310
Temporarily restricted	-	-	-
Total net assets	1,157,194	898,050	2,228,266
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,457,463</b>	<b>\$ 2,507,935</b>	<b>\$ 3,689,848</b>

Financial Ratios:

	2009	2008	2007
Debt service coverage (x)	2.87	1.35	(0.11)
Debt/Unrestricted Net Assets (x)	0.93	1.29	0.55
Margin (%)	10.46	0.82	96.12
Current Ratio (x)	1.61	0.82	1.03