

**CHFFA HELP II PROGRAM
EXECUTIVE SUMMARY**

| | |
|---|--|
| <p>Applicant: Chico Feminist Women’s Health Center dba Women’s Health Specialists (WHS) 1750 Wright Street Sacramento, CA 95825 (Sacramento County)</p> <p>Project Site: 1442 Ethan Way, Suite 100 – 200, Sacramento, CA 95825 (Sacramento County)</p> <p>Facility Type: Community Clinic</p> <p>Eligibility: A qualified health facility pursuant to Government Code Section 15432(d)(6)</p> <p>Prior HELP II Borrower: Yes (HELP II loans originated in 2006 and 2007), loans paid in full and payments were made on-time.</p> | <p>Amount Requested: \$300,000</p> <p>Requested Loan Term: 5-year fixed</p> <p>Authority Meeting Date: August 29, 2013</p> <p>Resolution Number: HII-279</p> |
|---|--|

Background: WHS was established as a community clinic in 1975 by nine women to advocate, promote, and protect reproductive rights for all women. WHS, as a community partner and health service provider for 38 years, serves approximately 50,000 patients yearly. Approximately 85% of WHS clients use Medi-Cal or Family PACT, 3% have health insurance, and 12% are low income uninsured or underinsured. WHS provides a variety of health services for women including reproductive health care, health information and education, birth control, breast cancer detection and adoption services.

Uses of Loan Proceeds: Loan proceeds will be used to purchase equipment for the implementation of an Electronic Health Records system and for the configuration of the system design, hardware installation and training.

- Financing Structure:**
- 5-year fixed rate.
 - 60 equal monthly payments of approximately \$5,391 (total annual payments of \$64,687).
 - Debt service reserve account equal to nine months of debt service payments (total amount \$48,519).
 - UCC-1 lien on equipment.
 - Corporate gross revenue pledge.
 - Loan to value of equipment ratio not to exceed 95% (estimated loan to value ratio of 95%).

Financial Overview: WHS’s income statement reflects an improving operating performance over the review period. WHS has maintained a healthy balance sheet over the last three fiscal years with strong cash reserves and low amounts of debt compared to their unrestricted net assets.

| <u>Estimated Sources of Funds:</u> | | <u>Estimated Uses of Funds:</u> | |
|--------------------------------------|-------------------|---------------------------------|-------------------|
| HELP II loan, (1 st lien) | \$ 300,000 | Purchase of equipment | \$ 592,559 |
| NCB CPCA loan* | 495,000 | Other costs | 198,691 |
| Borrower Funds | 48,519 | Debt Service Reserve Fund | 48,519 |
| | | Authority loan fees | 3,750 |
| Total Estimated Sources | \$ 843,519 | Total Estimated Uses | \$ 843,519 |

* National Community Bank approved the loan and the funds have been received.

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through and Community Service Requirement 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-279 for Chico Feminist Women’s Health Center dba Women’s Health Specialists in an amount not to exceed \$300,000 for a term not to exceed 5 years contingent upon financing terms acceptable to the Authority. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, concurs with staff recommendations.

I. PURPOSE OF FINANCING: WHS proposes to use the HELP II loan funds and a bank loan from National Cooperative Bank to purchase new electronic equipment and to start the implementation of Phase II of the Electronic Health Records (EHR) system within an electronic practice management system at its new Sacramento location. The integration of the EHR system is a critical piece required in the transition to the new health care system under the Affordable Care Act in California known as “Covered California.” The EHR system will allow for greater efficiency, cost controls and reduction of errors in case management, patient billing, and data collection. The EHR system will interface all of WHS’ clinics with other providers and with pharmaceutical and laboratory contractors, streamlining information flow and communication.

Purchase equipment \$ ***592,559***

The EHR equipment consists of software, desktops, laptops, signature pads, card scanners, and laser printers.

Other Costs ***198,691***

| | |
|-------------------------|---------------|
| EHR system design..... | \$143,604 |
| IT network set-up | 26,444 |
| Training | <u>28,643</u> |

Debt Service Reserve Fund..... ***48,519***

WHS experienced a sudden downturn of \$229,000 in net assets in the interim numbers period ending June 30, 2013. Staff believes it prudent to add extra security to this financing and recommends WHS maintain a debt service reserve account equal to nine months of debt service payments totaling \$48,519. This debt service reserve fund will be held for the term of the loan. If WHS happens to miss a debt service payment, this debt service reserve account would act as reserve fund to pay the Authority for the missed payment(s).

Authority Fees ***3,750***

Estimated Uses of Funds \$ ***843,519***

II. FINANCIAL STATEMENTS AND ANALYSIS

Women's Health Specialists Statements of Operations (Unrestricted)

| | As of December 31, | | |
|--|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 |
| Revenue | | | |
| Fee for services | \$ 6,521,189 | \$ 6,474,524 | \$ 5,950,452 |
| Grants | 368,929 | 305,404 | 281,737 |
| Donations | 51,637 | 23,217 | 65,760 |
| ACNC fees* | 36,250 | 32,783 | 48,150 |
| Interest | 7,800 | 5,077 | 17,210 |
| Other | 321 | 12,500 | 16,021 |
| Total revenue | <u>6,986,126</u> | <u>6,853,505</u> | <u>6,379,330</u> |
| Expenses | | | |
| Salaries and wages | \$ 2,933,261 | 2,935,055 | 2,865,654 |
| Medical supply and maintenance | 1,577,622 | 1,502,664 | 1,292,346 |
| Occupancy | 497,133 | 517,913 | 500,800 |
| Payroll taxes and employee benefits | 494,032 | 471,312 | 521,315 |
| IT and computer | 300,195 | 86,265 | 82,258 |
| Telephone | 192,839 | 166,562 | 164,911 |
| Insurance | 130,737 | 112,241 | 100,161 |
| Marketing, advertisement and outreach | 123,845 | 156,761 | 153,423 |
| Depreciation | 113,356 | 114,715 | 132,770 |
| Contract labor | 95,958 | - | - |
| Travel | 88,142 | 83,266 | 81,679 |
| Printing and publications | 79,360 | 78,478 | 95,134 |
| Professional fees | 72,272 | 86,132 | 60,936 |
| Equipment rental and maintenance | 56,355 | 81,151 | 67,167 |
| Office supplies | 46,264 | 70,612 | 73,671 |
| Consulting and training | 37,488 | 42,030 | 43,315 |
| Interest expense | 35,461 | 2,817 | 19,546 |
| Postage and delivery | 31,745 | 34,484 | 36,599 |
| Conferences and events | 24,852 | 77,955 | 79,452 |
| Temporary staffing | 18,508 | 68,243 | 62,755 |
| ACNC | 14,010 | 3,032 | 3,112 |
| Membership fees | 7,510 | 14,321 | 19,124 |
| Other expenses | 5,242 | 39,831 | 52,196 |
| Licenses and permits | 4,634 | 10,827 | 22,953 |
| Fundraising | 2,334 | - | - |
| Clinical physician services | - | 98,707 | 204,294 |
| Total expenses | <u>6,983,155</u> | <u>6,855,374</u> | <u>6,735,571</u> |
| Change in unrestricted net assets | 2,971 | (1,869) | (356,241) |
| Unrestricted net assets at beginning of year | 1,850,287 | 1,852,156 | 2,208,397 |
| Unrestricted net assets end of year | <u>\$ 1,853,258</u> | <u>\$ 1,850,287</u> | <u>\$ 1,852,156</u> |

*ACNC stands for Adoption Choice of Northern California which provides consultative services to birth and adoptive parents.

**Women's Health Specialists
Balance Sheet**

| | As of December 31, | | |
|--|---------------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,234,049 | \$ 1,059,074 | \$ 1,235,020 |
| Investments | 100,833 | - | - |
| Accounts receivable (net) | 539,731 | 530,196 | 493,254 |
| Grants receivables | 83,631 | 176,918 | 63,772 |
| Prepaid expenses | 34,790 | 44,420 | 31,335 |
| Inventory (medical supply) | 230,492 | 177,840 | 103,549 |
| Total current assets | <u>2,223,526</u> | <u>1,988,448</u> | <u>1,926,930</u> |
| Property and equipment, net | 515,246 | 459,875 | 559,003 |
| Total assets | <u>\$ 2,738,772</u> | <u>\$ 2,448,323</u> | <u>\$ 2,485,933</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable | \$ 367,062 | \$ 344,214 | \$ 295,430 |
| Accrued payroll expenses | 107,868 | 106,096 | 199,424 |
| Deferred grant revenue | - | 100,000 | - |
| Current portion of long-term debt | 84,643 | 47,726 | 89,810 |
| Total current liabilities | <u>559,573</u> | <u>598,036</u> | <u>584,664</u> |
| Notes payable (net of current portion) | 325,941 | - | 49,113 |
| Total liabilities | <u>885,514</u> | <u>598,036</u> | <u>633,777</u> |
| Net assets | | | |
| Unrestricted | <u>1,853,258</u> | <u>1,850,287</u> | <u>1,852,156</u> |
| Total liabilities and net assets | <u>\$ 2,738,772</u> | <u>\$ 2,448,323</u> | <u>\$ 2,485,933</u> |

Financial Ratios:

| | Proforma ^(a) | | | |
|---------------------------------------|-------------------------------------|------|--------|---------|
| | <u>FYE December 31, 2012</u> | | | |
| Debt service coverage - operating (x) | 1.52 | 1.82 | 1.25 | (10.43) |
| Debt to unrestricted net assets (x) | 0.38 | 0.22 | 0.03 | 0.08 |
| Margin (%) | | 0.04 | (0.03) | (5.58) |
| Current ratio (x) | | 3.97 | 3.32 | 3.30 |

^(a) Recalculates FY 2012 audited results to include the impact of this proposed financing.

Financial Discussion – Statement of Activities (Income Statement)

WHS' income statement reflects an improving operating performance for the review period of FY 2010 through FY 2012.

WHS' income from operations appears to exhibit improving operating result from a negative \$356,241 in FY 2010 to a positive \$2,971 in FY 2012. According to WHS's management, the loss experienced in FY 2010 was mainly attributed to a one-time write-off of five years' worth of uncollectible accounts receivable of approximately \$234,977. In FY 2011 and FY 2012, WHS improved its overall performance by carefully monitoring its account receivable status, better management control, and continuous outreach effort to increase WHS' revenue stream for fee for services, grants and donation. The new EHR system will enhance WHS' operation efficiency with patient billing, data collection and communication flow. WHS expects the system to be fully implemented by 2017, but benefits from data collecting, reporting and networking might be seen as early as 2015.

Particular Facts to Note:

- During FY 2012, WHS received grants in the amount of \$368,929, representing an increase of approximately 31% from FY 2010 when revenue from grants was \$281,737. This increase in grants included a \$20,000 grant from the California Family Health Council and a \$100,000 grant from the California Wellness Foundation.
- According to WHS management, a major expense in FY 2012 was the implementation of Phase 1 of the Electronic Health Record system. As such, computer equipment expenses increased from \$82,258 in FY 2010 to \$300,195 in FY 2012. WHS management expects the implementation of the new EHR system should improve efficiency with patient billing, accurate data collection and reporting to the California Department of Health Care Services.
- During the six months unaudited interim period ending June 30, 2013, WHS experienced a loss of \$229,000, with approximately \$188,000 of this loss related to operations at the Santa Rosa clinic. If operations do not improve within a year, WHS may close the Santa Rosa clinic. According to WHS' management, the loss was also related to a decline in patients as a result of changes in Medi-Cal eligibility at the State and county level. At the same time, in order to mitigate the decrease in revenue, WHS' management is planning to become a sub-contractor for Federally Qualified Health Clinics in Northern California and has established a partnership with Covered California to provide community outreach and education programs for residents in Butte, Shasta, Plumas, Sierra and Nevada counties. WHS' move of the Sacramento clinic and administrative offices to the new location will also add extra savings in occupancy expenses for the FY 2013.

Financial Discussion – Statement of Financial Position (Balance Sheet)

WHS has maintained a healthy balance sheet over the review period with solid liquidity and an adequate debt service ratio.

In FY 2012, WHS had minimal long-term debt with a debt to unrestricted net assets ratio of 0.22x and a solid debt service coverage ratio of 1.82x. With the proposed financing, WHS' debt to unrestricted net assets ratio will still be an adequate 0.38x, while the proforma debt service ratio remains adequate at 1.52x, indicating WHS should be able to repay the HELP II loan.

Particular Facts to Note:

- During FY 2012, WHS has exhibited solid liquidity with a 3.97x current ratio, supported by significant cash and cash equivalents of approximately \$1.2 million, which represents 65 days cash on hand, well above the health industry accepted target amount of 30 days.
- WHS has a long-term and stable operating history of 38 years. In addition, WHS has been a previous HELP II loan borrower with an outstanding payment history. As of December 2012, WHS has paid off two (2) previous HELP II loans, one for \$213,750 originated in 2006 and one for \$200,000 originated in 2007.

EXHIBIT 1

**UTILIZATION STATISTICS
Client Served / (Patient Visits)**

Fiscal Year Ended December 2012

| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------|--------------------|--------------------|--------------------|
| Totals | 33,456 / (54,545) | 27,199 / (54,260) | 24,054 / (48,929) |

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EXHIBIT 2
OUTSTANDING DEBT

| Description | Original Amount | Amount Outstanding as of 12/31/2012* | Estimated Amount Outstanding After Proposed Loan |
|--------------------------|------------------------|---|---|
| Existing: | | | |
| CHFFA HELP II Loan, 2006 | \$213,750 | \$-0- | \$-0- |
| CHFFA HELP II Loan, 2007 | 200,000 | -0- | -0- |
| Note payable – NCB 2012 | 495,000 | 410,584 | 410,584 |
| Proposed: | | | |
| CHFFA HELP II Loan, 2013 | | | 300,000 |
| TOTAL DEBT | | \$410,584 | \$710,584 |

* Includes current portion of long-term debt.

EXHIBIT 3

BACKGROUND AND LICENSURE

Background

The Chico Feminist Women's Health Center, dba Women's Health Specialists (WHS) was established as a community clinic in 1975 by nine women to advocate, promote, and protect reproductive rights for all women. WHS operates eight (8) clinic sites located in Anderson, Chico, Grass Valley, Petaluma, Rancho Cordova, Redding, Sacramento, and Santa Rosa.

Approximately 85% of WHS clients use Medi-Cal or Family PACT⁽¹⁾, 3% have health insurance, and 12% are low income uninsured or underinsured. WHS clinics serve women and men from 26 counties in Northern California and served approximately 25,000 patients in FY 2012.

WHS operates a wide array of programs in support of its mission to give women control over gynecological health and reproductive choices, including: Well Woman Health Care, Health Education Program, Family Planning Services, Comprehensive Abortion Care, Breast Cancer Early Detection Program, Women's Health and Information Line, Menopause Services, Fertility Health Services, Adoption Choice of Northern California, and Community Education. WHS has also published three books on women's health.

⁽¹⁾Family Planning, Access, Care and Treatment Program provides comprehensive family planning services to eligible low-income (under 200% federal poverty level) men and women.

Licensure, Certification and Accreditation

WHS is licensed by the California Department of Public Health as a Community Clinic and as a Clinical Laboratory. In addition, WHS has an institutional provider contract with the California Department of Health Care Services for the Breast Cancer Early Detection Program and the Family PACT Program⁽¹⁾ and is recognized by the California Family Health Council as a delegate agency for the Title X program⁽²⁾.

Particular Facts to Note:

- WHS is moving its clinic and administrative office to a new location starting September 1, 2013. WHS' management does not foresee any problems obtaining their license as a Community Clinic at the new location. Under the loan and security agreement, WHS will be required to provide proof of licensing to the Authority within 90 days of the loan closing.

⁽²⁾Title X Program provides high-quality family planning services and other preventive care to low-income and uninsured patients

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

The HELP II Loan Program

Resolution Number HII-279

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, **Chico Feminist Women’s Health Center dba Women’s Health Specialists** (the “Borrower”), a California nonprofit corporation and 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 **\$300,000** for a term not to exceed **five 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 fixed rate;
2. UCC-1 lien on equipment;
3. Loan to value ratio not to exceed 95%;
4. Borrower to fund a Debt Service Reserve Account equal to nine months of debt service payments;
5. Corporate gross revenue pledge;
6. Adequate assurance that the licensing application for the new locations has been submitted to the appropriate agency;
7. Proof of licensing shall be provided to the Authority within 90 days of the loan closing; and
8. Verification of Borrower’s funds to close escrow.

Section 2. The 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 loan may not be increased above the amount approved by the Authority and provided further that the loan continues 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 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 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 of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the 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: _____