

**STAFF SUMMARY AND RECOMMENDATION**  
**Santa Cruz Women's Health Center**

**Amendment to Resolution Number HII-46**

**April 24, 2003**

**ORIGINAL APPROVED HELP II LOAN AMOUNT:** \$434,150

**DATE OF APPROVAL:** August 27, 1997

**PURPOSE OF AMENDMENT:** The Authority approved a HELP II Loan in the amount of \$434,150 for SCWHC on August 27, 1997, for the purpose of purchasing a building located at 250 Locust Street in Santa Cruz, California. The loan closed on October 8, 1997, with monthly payments beginning November 1, 1997 and a final payment due September 1, 2012.

Santa Cruz Women's Health Center (SCWHC) is requesting the Authority's approval to extend and restructure the outstanding balance of approximately \$300,000 for a term of 15 years, or an additional six years, resulting in a reduction of its monthly payment from \$2,998 to approximately \$2,072. SCWHC is current on its payments and has never been late, however it has been experiencing recent financial difficulty and this extension and restructuring would provide SCWHC with an annual savings of approximately \$11,000. This request will not increase SCWHC's existing HELP II loan balance.

The Authority would remain in a first security position on the property and a first security position on gross revenues. SCWHC has provided an appraisal dated December 10, 2002 valuing the property at \$1,058,000.

**BACKGROUND:** SCWHC is a nonprofit community health center founded in 1974 and dedicated to: providing accessible, culturally appropriate and affordable medical and health education services; improving the health status and choices of women and low income people. SCWHC has a commitment to providing services to those who may face barriers to care elsewhere due to sexual orientation, economic status, physical or other disabilities or immigration status. SCWHC is governed by a community Board of Directors.

SCWHC began the second phase of its Facility and Services Expansion Project in June of 2001 with the development of the renovation plan. The actual renovations began in April of 2002 with funding from the Cedillo-Alarcon Grant Program along with several other grants. SCWHC renovated the interior of the current location to make the space more efficient and usable for staff and patients. SCWHC also completed several exterior upgrades.

**FINANCIAL UPDATE:**

**Due to recent financial strains, SCWHC's auditor has placed "going concern" language in the final 2002 audit.** The auditor believes that SCWHC may experience cash flow problems, insufficient operating assets and may not be able to continue operations unless SCWHC receives sufficient additional grant revenues, loans or refinancing proceeds.

Over our review period SCWHC's total revenues have decreased 12% excluding the release of temporarily restricted net assets. The temporarily restricted net assets were released for the renovation project that is now coming to a close. SCWHC's total revenues increased 32% with the release of temporarily restricted net assets.

The declining revenues mostly result from SCWHC receiving reduced risk sharing payments from the county organized MediCal plan (Central Coast Alliance for Health – CCAH). In 2000, SCWHC received \$163,000 from the risk pool settlement, which was reduced to \$137,000 in 2001 and no payment for the first half of 2002. SCWHC has received approximately \$95,000 for the second half of 2002 which will be recorded on FY 2003 audit. These reductions are due to the cost of pharmaceuticals and hospitalizations, increases that the State has not covered for the year 2002. SCWHC's budget has been seriously impacted by the reduction and unreliability of this source of revenue. To continue securing additional revenue sources, SCWHC recently applied for Federally Qualified Health Center (FQHC) designation which SCWHC hopes will be approved by July 1, 2003. With this designation, SCWHC projects to increase medical services revenue by 16%.

Overall, SCWHC's expenses have remained steady over our review period. While salaries and benefits have increased, many expenses have been reduced. Management projects that it will be able to continue controlling expenses.

**The balance sheet has shown modest improvement over our review period, with net assets increasing from \$664,000 to \$823,000.**

Improvement in SCWHC's balance sheet is primarily a result of contributions received to fund its ongoing renovation project. However, for the interim period ending February 28, 2003, SCWHC's balance sheet weakened following funding project expenses to date. In order to increase revenues, SCWHC has scheduled several community fundraising activities for the remaining months of the current fiscal year. SCWHC raised \$18,000 in February and has events/fundraisers scheduled for April, May and June. SCWHC has received fewer grants than in the past few years, but management is aggressively pursuing other grant opportunities and is anticipating a few more before the end of the of the fiscal year.

SCWHC has increased its long-term debt by obtaining a \$180,000 line of credit loan with the National Cooperative Bank Development Corporation at 3% interest payable over a 5-year term. If the full amount is drawn down, it could increase monthly debt service by approximately \$3,000 a month. This line of credit loan is unsecured. SCWHC has already drawn down \$80,000 of the available \$180,000.

**RECOMMENDATION:** Staff recommends the Authority approve an amendment to HII-46, to extend and restructure the remaining balance of the 1997 HELP II loan in an amount not to exceed \$300,000. All other conditions of HII-46 remain in place.

Santa Cruz Women's Health Center  
Statement of Activities

	As of			
	February 28	Fiscal Year Ended June 30,		
	2003	2002	2001	2000
	(unaudited)			
<b>Support and Revenue:</b>				
Operating revenue				
Medical sales	\$ -	\$ 7,207	\$ 9,927	\$ 10,214
Medical service fee	234,694	337,770	327,097	304,491
Managed care fees	201,613	388,361	405,264	521,359
Interest earned	789	5,008	12,236	9,960
Donations & fundraisers	87,534	64,746	81,689	44,364
Other revenue	-	3,078	5,154	16,768
Temporarily restricted grants	310,937	-	-	-
Grants	179,734	-	-	-
Released from temporarily restricted		667,138	162,257	206,260
Total operating revenue	<u>\$ 1,015,301</u>	<u>\$ 1,473,308</u>	<u>\$ 1,003,624</u>	<u>\$ 1,113,416</u>
<b>Expenditures:</b>				
Operating expenses				
Salaries & wages	515,654	740,858	722,728	705,268
Payroll tax & benefits	95,078	149,177	128,978	111,078
Consultants/subcontractors	17,009	95,148	44,706	24,728
Cost of sales	22,294	25,061	21,546	17,722
Medical supplies & lab fees	14,216	20,732	30,456	25,514
Office expense	26,205	27,412	31,557	18,664
Fundraising & promotion	5,190	19,574	21,921	20,809
Property tax	301	-	2,603	2,189
Telephone & utilities	14,770	23,278	24,742	20,338
Repair & maintenance	18,712	9,735	12,651	13,771
Insurance	12,741	11,493	12,134	14,021
Interest, loan & bank fees	8,523	10,956	10,894	12,441
Accounting and legal	7,559	12,123	20,084	19,640
Education, licenses, dues	4,048	5,472	7,660	7,515
Bad Debts	166	9,664	273	7,382
Unrealized loss	-	-	-	1,318
Other	149	1,188	5,004	12,845
Depreciation & amortization	-	40,332	25,567	27,990
Total operating expenses	<u>762,615</u>	<u>1,202,203</u>	<u>1,123,504</u>	<u>1,063,233</u>
<b>Revenue in excess of (less than) expenses</b>	<b>252,686</b>	<b>271,105</b>	<b>(119,880)</b>	<b>50,183</b>
Net Assets at beginning of year	822,767	544,088	663,968	613,785
Prior year adjustment	-	7,574 *	-	-
Net Assets at end of year	<u>\$ 1,075,453</u>	<u>\$ 822,767</u>	<u>\$ 544,088</u>	<u>\$ 663,968</u>

\*An adjustment was made to recognize capitation rate income received in October 2001 for services provided in fiscal year end 6-30-01.

Santa Cruz Women's Health Center  
Statement of Financial Position

	As of February 28		As of June 30,	
	2003	2002	2001	2000
	(Unaudited)			
<b>ASSETS:</b>				
Current assets				
Cash and cash equivalents	\$ 52,278	\$ 442,478	\$ 173,152	\$ 318,454
Accounts receivable	93,203	85,566	130,060	126,625
Grants receivable	26,239	26,654	37,075	10,759
Prepaid Expenses	-	10,245	9,909	6,748
Inventory	3,759	3,759	4,210	4,943
Total current assets	<u>175,479</u>	<u>568,702</u>	<u>354,406</u>	<u>467,529</u>
<b>Fixed Assets</b>				
Property and equipment, net	1,361,933	1,021,536	647,633	673,200
Other Assets	2,903	2,153	1,483	1,514
Total assets	<u>\$ 1,540,315</u>	<u>\$ 1,592,391</u>	<u>\$ 1,003,522</u>	<u>\$ 1,142,243</u>
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities				
Accounts payable	\$ 41,567	\$ 81,864	\$ 30,907	\$ 16,603
Deferred revenue	-	341,308	57,267	65,000
Accrued vacation	29,462	29,462	28,086	28,235
Payroll Tax Payable/Clearing	(200)			
Notes payable	12,452	24,562	23,837	23,134
Total current liabilities	<u>\$ 83,281</u>	<u>477,196</u>	<u>140,097</u>	<u>132,972</u>
Long term liabilities				
Notes payable	381,581	292,573	319,337	345,303
Total liabilities	<u>\$ 464,862</u>	<u>769,769</u>	<u>459,434</u>	<u>478,275</u>
<b>NET ASSETS</b>				
Beginning net assets	822,767	544,088	663,968	613,785
Revenues in excess(deficient) of expenses	252,686	271,105	(119,880)	50,183
Prior period adjustment	-	7,574	-	-
Ending net assets	<u>1,075,453</u>	<u>822,767</u>	<u>544,088</u>	<u>663,968</u>
Total liabilities and net assets	<u>\$ 1,540,315</u>	<u>\$ 1,592,536</u>	<u>\$ 1,003,522</u>	<u>\$ 1,142,243</u>
	Proforma (a)			
	2002	2002	2001	2000
Debt Service Coverage Ratios (x)	4.43	8.26	-2.45	2.46
Debt/Unrestricted Net Assets (x)	0.68	0.42	0.68	0.59
Margin (%)		18.4	-11.94	4.51
Current Ratio (x)		1.67	3.59	5.92

(a) Based on adding projected new debt to the 2002 financial results.