

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

Applicant:	North and South of Market Adult Day Health Corporation dba SteppingStone (the "Borrower")	Amount Requested:	Not to exceed \$400,000
Applicant Address:	930 Fourth Street San Francisco, CA 94158	Date Requested:	September 30, 2010
Facility Type:	Adult Day Health Center	Resolution Number:	2010-18
Prior Borrower:	No	Loan Term:	No later than 45 days following the enactment of a 2010-2011 budget by the State of California
Background of Financing:	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. Borrowers seek funding to bridge this financial gap to help maintain vital health services for its communities until such time as the budget is passed.		
Purpose:	Loan proceeds will be used to offset Medi-Cal reimbursement delays due to the State's budget impasse.		
Financial Overview:	<p>The Borrower's Statement of Activities has fluctuated over the review period, with FY 2009 operations exhibiting improvement over FY 2008. Interim unaudited financials ending 6/30/10 exhibit a change in net assets of (\$41,000), a downward trend from FY 2009. The Borrower has no long term debt. Consequently, we have no debt service coverage ratio to report.</p> <p>Throughout the review period, total revenues appear to have continued to increase along with expenses. Specifically, we note a 34% increase in transportation costs from FY 07 to FY09, which the Borrower attributes to skyrocketing increases in transportation contracts for their four clinics. In addition, legal fees rose significantly from FY 2008 to FY 2009 due to personnel issues which ultimately culminated in termination disputes. The Borrower reports these disputes ended favorably and resulted in improved oversight, organization, and management of their clinics. Fundraising expenses increased over the review period, which according to the borrower, are due to anticipated budget cutbacks and the recognized need to increase their revenue stream. Additionally, several expenses were reclassified which appears to have contributed to the fluctuation in the Statement of Activities.</p> <p>The Borrower has taken steps to improve their community outreach and recently underwent a name change (dba SteppingStone). Although the interim numbers reflect a downward trend, the Borrower is actively taking steps to address their apparent deficit, including rebuilding their client database, hiring a fundraising consultant and scheduling several fundraising activities this fall.</p>		
Financing Structure:	<ul style="list-style-type: none"> ▪ The entire loan balance shall be repaid in full no later than 45 days following the enactment of a 2010-2011 budget by the State of California. ▪ 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. ▪ Loan origination fee of 1.25%. ▪ 0% fixed interest rate. ▪ Corporate gross revenue pledge. ▪ Department of Health Care Services interception of Medi-Cal reimbursements to ensure repayment upon enactment of 2010-2011 State budget. 		
Due Diligence:	<p>Due diligence of the following items has been completed or will be completed prior to closing:</p> <ul style="list-style-type: none"> ▪ Religious Due Diligence ▪ Legal Review ▪ Community Service Obligation ▪ CEQA/Seismic/Pass through (Not required) 		
Staff Recommendation:	Staff recommends the Authority approve Resolution Number 2010-18 in an amount not to exceed \$400,000 for North and South of Market Adult Day Health Corporation dba SteppingStone, including a waiver of the Authority's application fee and subject to financing terms acceptable to the Authority.		

North & South of Market Adult Day Health Corporation
dba SteppingStones
Statement of Activities
(Unrestricted)

	For the Year Ended June 30,		
	2009	2008	2007
Support and Revenue:			
Support			
Government contracts	\$ 421,084	\$ 418,988	\$ 431,826
Contributions	9,921	2,829	7,267
Foundation and corporate grants	55,838	18,000	-
In-kind support	1,144,906	1,005,438	971,771
Total support	<u>1,631,749</u>	<u>1,445,255</u>	<u>1,410,864</u>
Revenue			
Service fees	3,184,646	2,940,683	2,747,069
Realized loss	(46,211)	(15,687)	-
Unrealized gain/loss	-	(22,529)	20,839
Interest	11,049	16,709	18,318
Other income	6,268	51	3,850
Total Revenue	<u>3,155,752</u>	<u>2,919,227</u>	<u>2,790,076</u>
Net Assets Released from Donor Restrictions	<u>55,516</u>	<u>13,875</u>	<u>112,364</u>
Total Support and Revenue	<u>4,843,017</u>	<u>4,378,357</u>	<u>4,313,304</u>
Expenses:			
Salaries and wages	2,493,438	2,392,766	2,390,377
Transportation	573,394	503,175	427,128
Occupancy costs	556,781	580,347	554,185
Other employee benefits	275,584	254,294	235,237
Supplies	265,751	249,866	295,107
Payroll taxes	190,273	180,108	177,113
Other professional services	101,594	163,163	102,856
Depreciation	93,760	106,537	66,742
Accounting	57,815	51,139	22,578
Professional fundraising fees	38,877	10,250	-
Legal fees	34,917	5,778	2,888
Equipment rental and maintenance	33,312	27,988	16,627
Information technology	28,033	17,507	16,152
Dues, licenses, service fees	25,633	21,363	20,525
Insurance	23,175	30,144	37,997
Telephone	17,624	17,395	14,491
Travel and retreats	11,277	13,415	13,744
Printing and publications	8,556	8,755	9,103
Miscellaneous expense	8,055	21,304	22,448
Advertising	7,183	6,044	8,134
Postage	2,536	2,146	2,501
Pension contributions	-	11,514	10,013
Total Expenses	<u>4,847,568</u>	<u>4,674,998</u>	<u>4,445,946</u>
CHANGE IN UNRESTRICTED NET ASSETS	(4,551)	(296,641)	(132,642)
Depreciation on grant funded fixed assets	-	-	(7,667)
Prior period adjustments	-	-	44,800
Unrestricted Net Assets, beginning of year	<u>1,328,192</u>	<u>1,624,833</u>	<u>1,720,341</u>
Unrestricted Net Assets, end of year	<u>\$ 1,323,641</u>	<u>\$ 1,328,192</u>	<u>\$ 1,624,833</u>

North & South of Market Adult Day Health Corporation
dba Stepping Stones
Statement of Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 253,888	\$ 230,228	\$ 228,651
Investments	-	167,557	331,201
Accounts receivable	671,640	483,504	463,725
Grants and pledges receivable	27,947	32,654	73,337
Prepaid expenses	52,289	36,539	28,751
Total current assets	<u>1,005,764</u>	<u>950,482</u>	<u>1,125,665</u>
Property and equipment, net	<u>585,704</u>	<u>658,821</u>	<u>760,371</u>
Other Assets:			
Deposits	<u>20,630</u>	<u>18,846</u>	<u>18,796</u>
TOTAL ASSETS	<u>\$ 1,612,098</u>	<u>\$ 1,628,149</u>	<u>\$ 1,904,832</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 278,567	\$ 259,691	\$ 256,998
Total current liabilities	<u>278,567</u>	<u>259,691</u>	<u>256,998</u>
TOTAL LIABILITIES	<u>278,567</u>	<u>259,691</u>	<u>256,998</u>
Net assets:			
Unrestricted-Undesignated	753,582	758,133	1,054,774
Unrestricted - Board Designated	570,059	570,059	570,059
Temporarily restricted	9,890	40,266	23,001
Total net assets	<u>1,333,531</u>	<u>1,368,458</u>	<u>1,647,834</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,612,098</u>	<u>\$ 1,628,149</u>	<u>\$ 1,904,832</u>
Financial Ratios:			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt service coverage (x)	NA *	NA *	NA *
Debt/Unrestricted Net Assets (x)	NA *	NA *	NA *
Margin (%)	(0.09)	(6.78)	(3.08)
Current Ratio (x)	3.61	3.66	3.09

* Not applicable as the Borrower has no long term debt

Exhibit A

Patients Served:

UTILIZATION STATISTICS

Clients Served (Patient Visits) for Fiscal Year Ended June 30,

	2009	2008	2007
Mabini ADHC	81	77	79
Golden Gate ADHC	99	88	92
Presentation ADHC	97	92	99
Mission Creek ADHC	100	96	104
Total	377	353	374