# Report on the Financial Condition of 8 Community Health Centers in New Hampshire

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# Methodology

- Data taken from audited financial statements
- Standardize the financial statement formats
- Calculate relevant ratios
- Not all relevant data is reported, e.g., details of grant revenue and contributions, amounts of charity care

# Aggregate Income Statement 2003-07

## ($000s)

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Pt. svc | 12,472 | 14,905 | 18,853 | 20,801 | 23,664 |
| Grants | 14,794 | 15,656 | 16,730 | 15,907 | 17,030 |
| Other | 2,422 | 3,862 | 4,657 | 2,194 | 2,112 |
| Totl rev | 29,688 | 34,423 | 40,240 | 38,902 | 42,806 |
| Op exp | 28,720 | 33,579 | 39,851 | 39,564 | 42,889 |
| Op inc | 968 | 844 | 389 | (662) | (83) |
| Nonop | 86 | 76 | 136 | 227 | 424 |
| Excess | 1,054 | 920 | 525 | (435) | 341 |

# Aggregate Sources of Cash 2003-07

## ($000s)

| | | |
|---|---|---|
| Operating income | 1,455 (50%) | |
| Nonoper income | 949 (33%) | |
| Other chgs in net assets | 487 (17%) | 2,892 (30%) |
| Depreciation | | 2,975 (31%) |
| Long-term debt | | 2,489 (26%) |
| Trsfr fr restr funds | | 1,324 (14%) |
| Sale fixed assets | | 32 (0%) |
| Total sources | | 9,713 (100%) |

# Aggregate Uses of Cash, 2003-07

## ($000s)

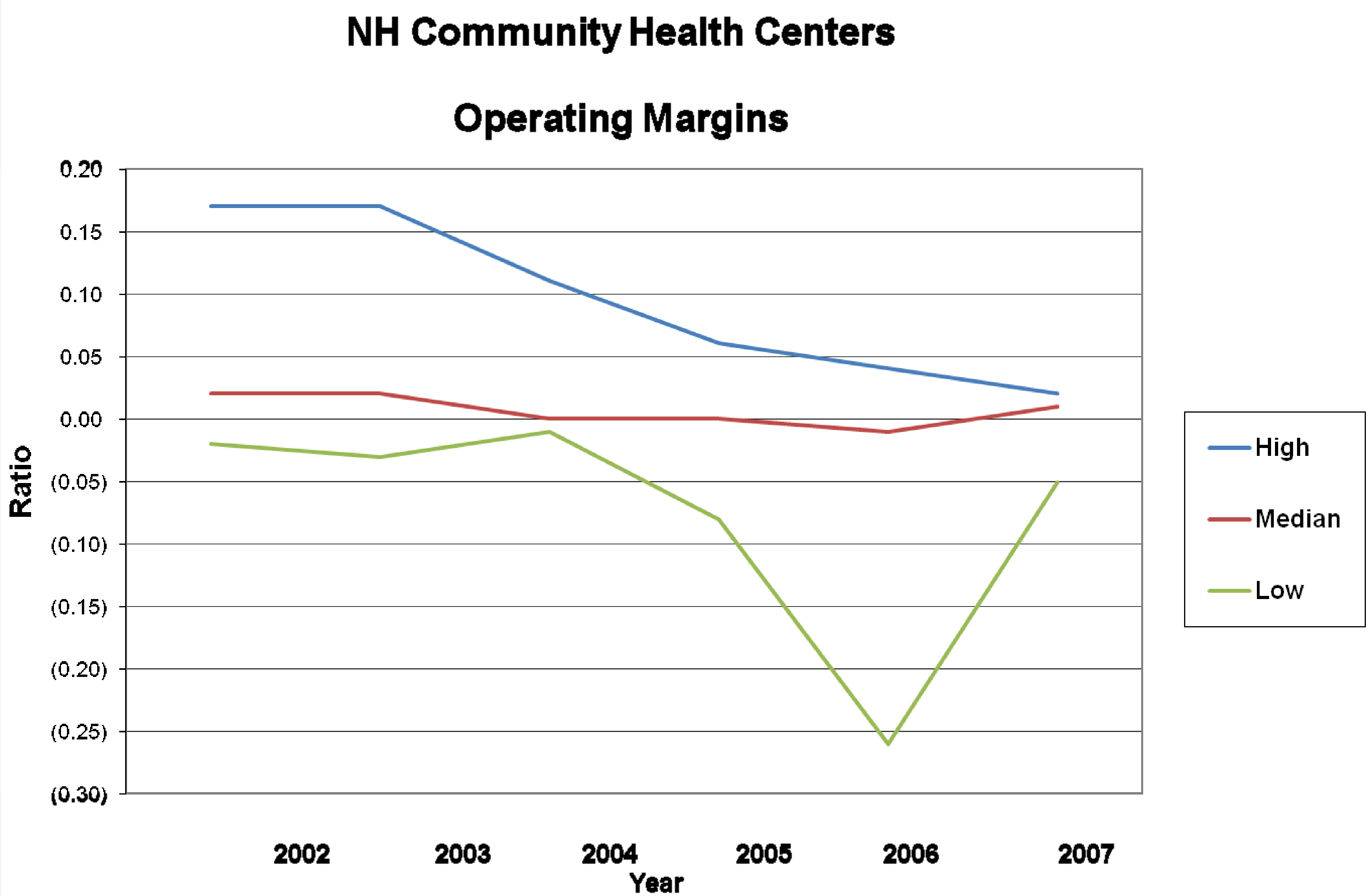
| | | |
|---|---|---|
| Capital expenditures | 4,491 | (46%) |
| Repay long-term debt | 1,088 | (11%) |
| Decr other noncurr liab | 1,380 | (14%) |
| Noncash revenues | 600 | (6%) |
| Net working capital | 717 | (7%) |
| Increase in cash | 533 | (5%) |
| Incr other noncurr assets | 626 | (6%) |
| Transfer to other entities | 260 | (3%) |
| Incr trustee-held invest | 18 | (0%) |
| Total uses | 9,713 | (100%) |

# Overall Financial Picture

- Large decrease in operating income to almost break-even in 2007
- Investment income has helped to offset this
- Excess of revenue over expense has fallen 60%
- Health centers have borrowed \$2.5 million to purchase \$4.5 million of property, plant, and equipment

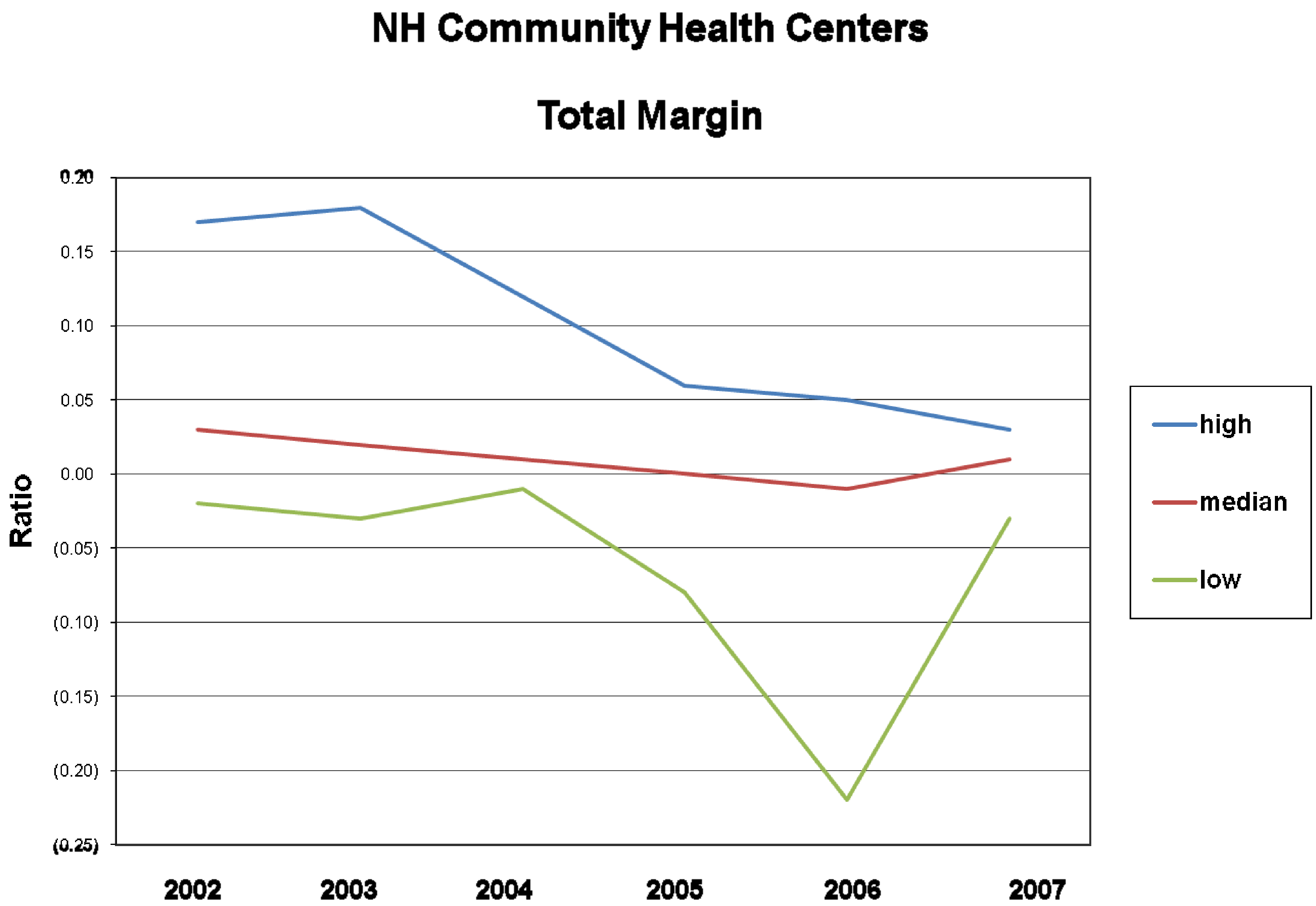
# Profitability

- Operating margins (excluding investment income) decreased over the past 5 years
  - In the aggregate, operating margins have been negative for past 2 years
  - Shift from grant revenue to billing for services
  - Expenses grew faster than revenues


NH Community Health Centers
Operating Margins
Ratio
0.20
0.15
0.10
0.05
0.00
(0.05)
(0.10)
(0.15)
(0.20)
(0.25)
(0.30)
2002
2003
2004
2005
2006
2007
Year
High
Median
Low

# Profitability

- Total margins (including investment income) have decreased over 5 years
  – In 2007, variation was between -2% and +3%
  – In 2007, 2 centers had negative margins; 3 centers were above 1%
  – 3 centers have had positive margins in each of the past 3 years
  – 2 centers have investment income over $100,000; remainder have less than $5,000
  – 1 center reported contributions over $100,000; 2 centers reported no contributions

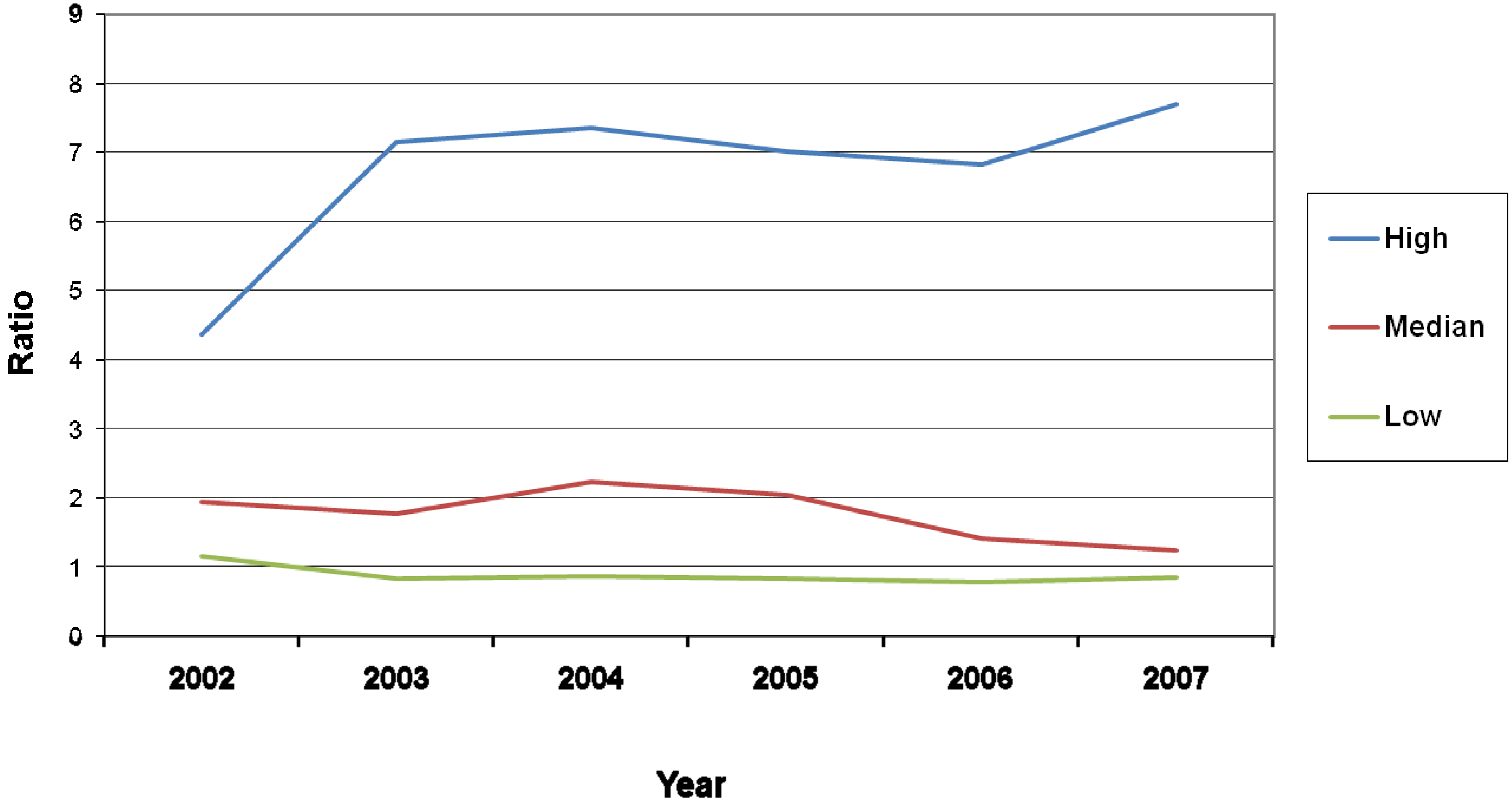

NH Community Health Centers
Total Margin
Ratio
0.20
0.15
0.10
0.05
0.00
(0.05)
(0.10)
(0.15)
(0.20)
(0.25)
2002
2003
2004
2005
2006
2007
high
median
low

# Liquidity

- Current ratio is a measure of ability to meet current obligations.  Common benchmark is 2.
  - 2 centers were above 2 in each of the 5 years
  - 1 health center has been below 1 in each of the 5 years; another in the most recent 4 years
  - In 2007, 2 centers were above 2; 3 centers were below 1

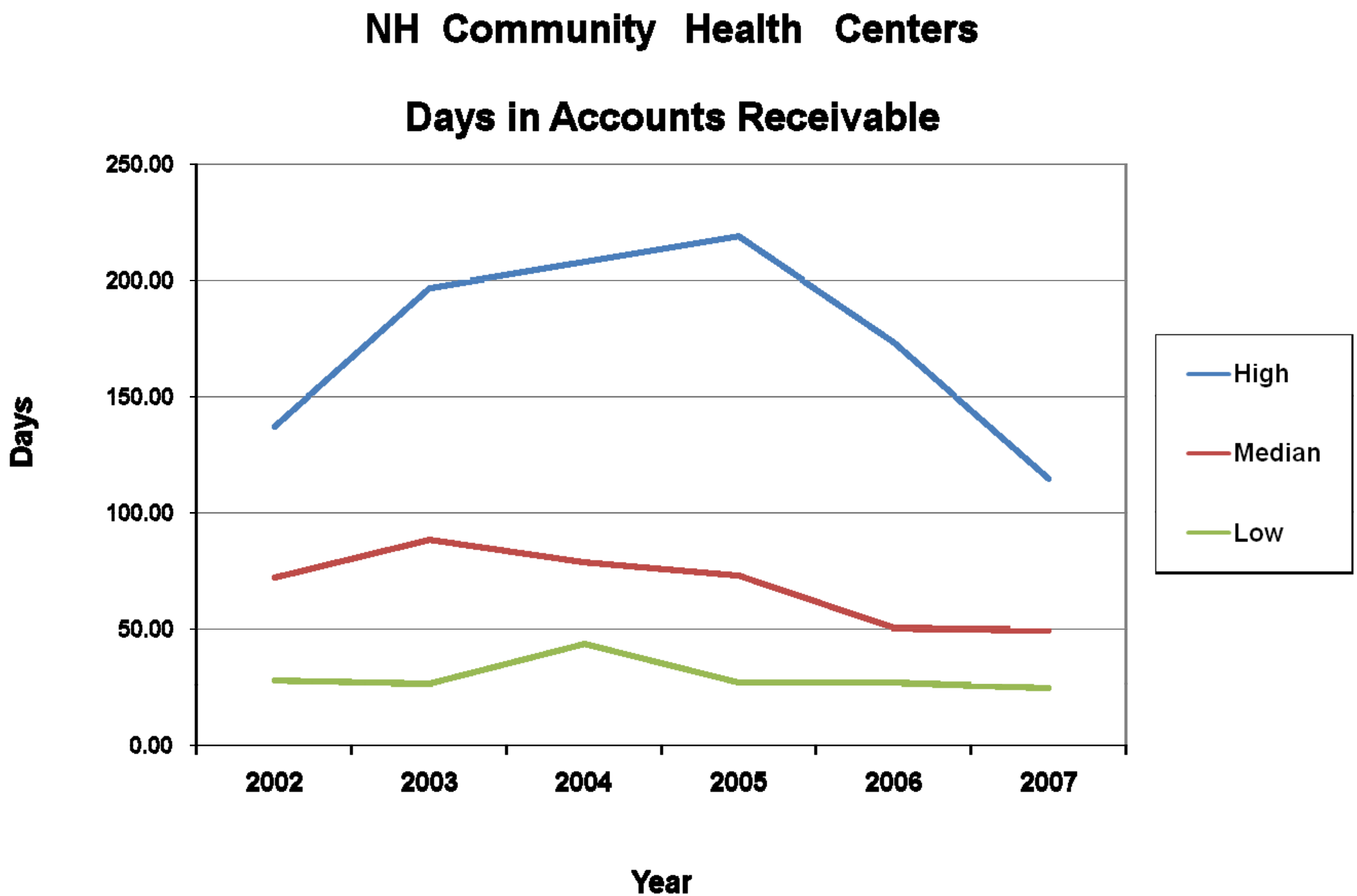
# NH Community Health Centers

## Current Ratio



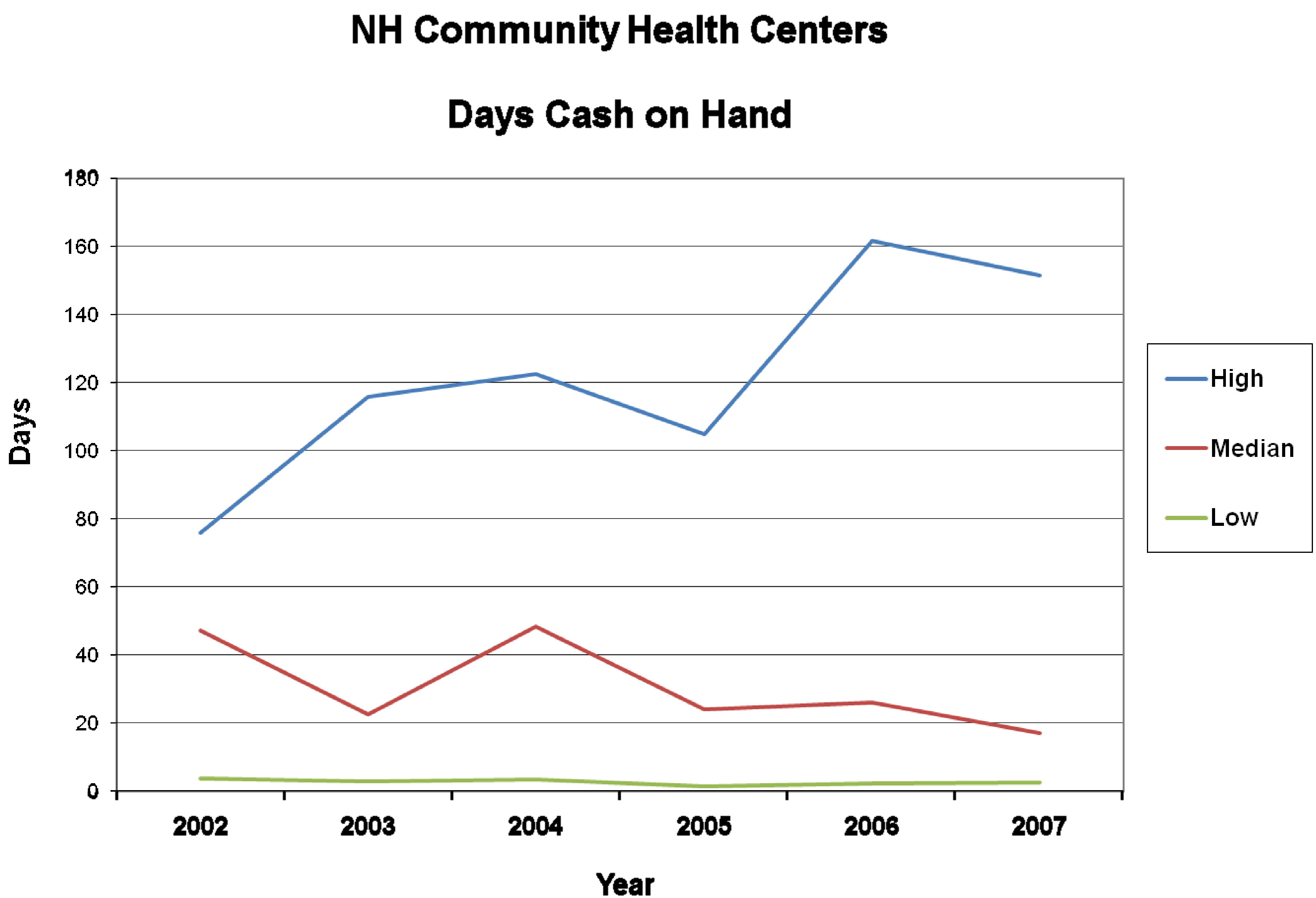
# Liquidity

- Days in accounts receivable
  - Median has improved from 95 days to 50 days
  - In 2007, 3 centers are above the median, but have made significant improvements
  - Differences in health centers may have to do with payor mix


NH Community Health Centers
Days in Accounts Receivable
250.00
200.00
150.00
100.00
50.00
0.00
Days
2002
2003
2004
2005
2006
2007
Year
High
Median
Low

# Liquidity

- Days cash on hand describes how long a CHC could stretch its cash, assuming an average daily rate of spending
  - In 2007, the median was 21 days; 2 centers had less than 10 days
  - In 2007, 1 center had 177 days cash because of funds that have been set aside for capital expansion

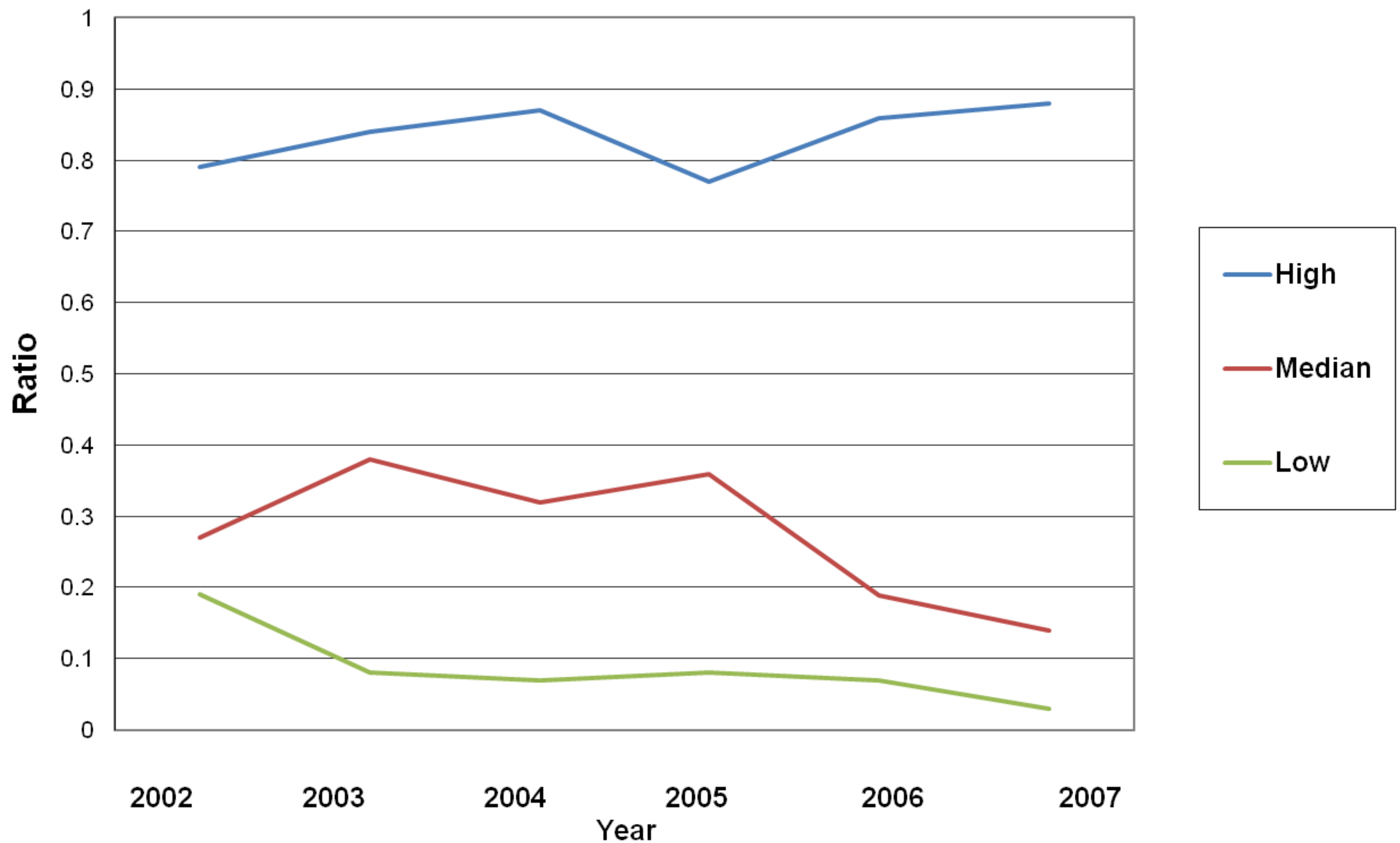

NH Community Health Centers
Days Cash on Hand
Days
180
160
140
120
100
80
60
40
20
0
2002
2003
2004
2005
2006
2007
Year
High
Median
Low

# Capital Structure

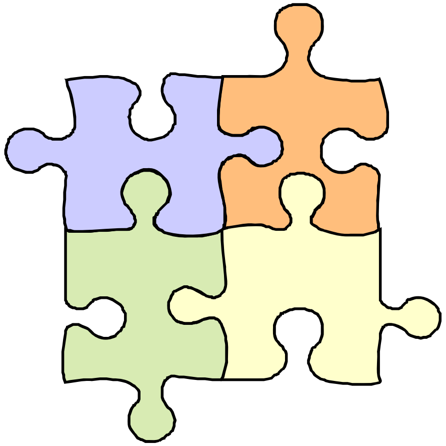
- Equity financing ratio measures the amount of equity used to purchase assets (versus debt financing)
  - In 2007, median was 18%, meaning 4 centers were financing 82% of their assets with debt

## NH Community Health Centers

## Equity Financing Ratio



# A Fragile Financial Puzzle



- Revenue generation
  - Operations
  - Grants
  - Investments
  - Contributions
- Expense control
- Capital planning and financing