

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)
EXECUTIVE SUMMARY**

<p>Applicant: Asian Pacific Health Care Venture, Inc. (Asian Pacific) 4216 Fountain Ave Los Angeles, CA 90029 Los Angeles County</p> <p>Project Site(s): 9960 Baldwin Place, El Monte, California 91731</p> <p>Facility Type: Community Care Facility</p> <p>Eligibility: Government Code Section 15432(d)(13)</p> <p>Prior HELP II Borrower: Yes (December 2022)</p>	<p>Loan Amount: \$500,000</p> <p>Loan Term: 20 years</p> <p>Annual Interest Rate: 2% fixed</p> <p>Authority Meeting Date: April 25, 2024</p> <p>Resolution No. HII-354</p>																				
<p>Background: Asian Pacific is a 501(c)(3) community primary care provider established in 1986. In 2022, its four community health care centers across Los Angeles County served over 15,000 underserved, uninsured, low-income, monolingual Asian and Latino patients. Asian Pacific’s multilingual staff provides men’s and women’s health services, adolescent care, pediatrics, prenatal, and geriatric care.</p>																					
<p>Use of Proceeds: Loan proceeds will be used to add an elevator to connect the facility’s first and second floors in order to meet the Americans with Disabilities Act (ADA) compliance requirements and to allow for expanded services on the second floor.</p>																					
<p>Financing Structure:</p> <ul style="list-style-type: none"> • Second lien on real property located at 9960 Baldwin Place, El Monte, CA 91731 • 20-year, two percent (2%) fixed rate loan • 240 equal monthly payments of approximately \$2,529 (annual payments of approximately \$30,353) • A current appraisal that exhibits a combined loan-to-value ratio not to exceed 95% • Corporate gross revenue pledge • Executed construction contract • Verification of borrower funds to close escrow 																					
<p>Financial Overview: Asian Pacific’s income statement appears to exhibit strong operating results in each year of the review period. Asian Pacific appears to display a strong balance sheet with a pro-forma FY 2023 net debt service coverage ratio of 58.6x.</p>																					
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<p>Due Diligence: Staff has confirmed the following documentation provided by Asian Pacific satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and Religious Affiliation Due Diligence.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. HII-354 in an amount not to exceed \$500,000 for Asian Pacific Health Care Venture, Inc., subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.</p>																					

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

In 2023, Asian Pacific began a multi-phased renovation project at its El Monte/Rosemead Health Center. The Authority previously approved a \$1.5 million HELP II loan in December 2022 to finance a portion of the project to relocate Asian Pacific’s pediatric services to the second floor and to add obstetrics gynecology (OB/GYN) services to the second floor. Asian Pacific also received grant funding to construct an elevator to connect the first and second floors in order to meet ADA compliance standards and allow access to the expanded services to the second floor. Estimates for the elevator project were received in 2020, but the actual installation costs now exceed the estimates. Along with its own funds, Asian Pacific requests a second HELP II loan to fund the gap between the estimated and actual costs of the elevator installation project.

***Project Fund*..... \$2,729,086**

The El Monte/Rosemead Health Center building was originally built in 1977 and totals 19,000 square feet with 7,004 square feet of occupancy space. The construction of the elevator will add an additional 512 square feet to connect the first and second floors of the building. Once the renovation projects are completed, Asian Pacific expects to offer three OB/GYN appointments and seven pediatric appointments per week. Asian Pacific projects the new OB/GYN clinic will provide approximately 582 visits during the first year and approximately 886 annual pediatric visits. Construction is anticipated to be completed in August 2024 with services on the second floor beginning in November or December 2024.

The HELP II loan will be secured by a second lien position, behind the Authority’s 2023 HELP II loan first lien position, on the property located at 9960 Baldwin Place in El Monte. The 2023 HELP II loan’s current balance is \$986,397. Additionally, Asian Pacific will provide an appraisal of the real property that exhibits a combined loan-to-value ratio, including both the 2023 HELP II loan and the proposed 2024 HELP II loan, not to exceed 95% before the time of closing as well as an assurance of meeting the other security terms and conditions set forth in the resolution.

***Financing Costs* 8,250**

Authority Fees	\$6,250
Estimated Escrow/Title Fees	<u>2,000</u>

***Total Estimated Uses of Funds*..... \$2,737,336**

II. FINANCIAL STATEMENTS AND ANALYSIS

Asian Pacific Health Care Venture, Inc.
Statement of Operations and Changes in Net Assets
(Income Statement)

Change in net assets without donor restrictions	For the Years Ended September 30,		
	2023	2022	2021
Revenue and other support			
Net patient service revenue	14,207,598	12,843,505	12,099,412
Capitation revenues	3,677,452	3,231,273	3,017,295
Government grants	9,309,090	9,439,845	8,496,041
Incentive revenue	2,770,766	1,387,523	450,007
Grant and contribution revenue	-	170,795	2,525,435
Other revenues	578,225	2,153,607	3,160,397
Total unrestricted revenue and other support	30,543,131	29,226,548	29,748,587
Expenses			
Salaries and employee benefits	17,766,048	16,432,565	14,544,656
Purchased and professional fees	2,609,045	2,679,473	2,548,199
Supplies	1,172,556	1,293,636	1,775,927
Repairs and maintenance	102,357	67,324	115,955
Travel and conferences	33,657	30,134	36,559
Occupancy	1,389,721	1,228,886	1,071,725
Insurance	210,845	179,506	165,417
Depreciation	778,793	759,113	760,745
Interest	-	-	1,169
Other	477,180	340,206	508,958
Total expenses	24,540,202	23,010,843	21,529,310
Excess of revenues over expenses	6,002,929	6,215,705	8,219,277
Capital grants and contributions	164,525	553,063	46,928
Unrealized loss on investments	163,795	(816,497)	-
Increase in net assets	6,331,249	5,952,271	8,266,205
Net assets			
Beginning of year	33,121,313	27,169,042	18,902,837
End of year	<u>\$ 39,452,562</u>	<u>\$ 33,121,313</u>	<u>\$ 27,169,042</u>

Asian Pacific Health Care Venture, Inc.
Statement of Operations and Changes in Net Assets
(Balance Sheets)

Assets	As of September 30,		
	2023	2022	2021
Current Assets			
Cash and cash equivalents	\$ 14,981,824	\$ 9,658,110	\$ 10,466,696
Investments	716,915	1,740,292	2,571,815
Patient accounts receivable, net	1,379,252	1,234,559	1,255,817
Grant and other receivables	788,533	1,361,450	792,544
Estimated third-party payor settlements	322,756	322,756	2,120,243
Other current asset	-	-	2,989,542
Prepaid expenses and other assets	4,740,980	4,331,102	297,168
Total current assets	22,930,260	18,648,269	20,493,825
Investments, net of current	4,112,223	5,606,583	5,903,174
Board designated reserve	13,526,494	8,021,742	-
Property and equipment, net	4,462,838	4,929,732	5,032,577
Total assets	\$ 45,031,815	\$ 37,206,326	\$ 31,429,576
Liabilities and net assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 919,976	\$ 685,182	\$ 1,371,973
Accrued payroll and other related liabilities	2,177,348	2,141,267	1,613,173
Estimated third party settlements payable	2,050,529	973,665	937,506
Deferred revenue	431,400	284,899	337,882
Total current liabilities	5,579,253	4,085,013	4,260,534
Total liabilities	5,579,253	4,085,013	4,260,534
Net assets			
Without donor restrictions	39,452,562	33,121,313	27,169,042
Total net assets	39,452,562	33,121,313	27,169,042
Total liabilities and net assets	\$ 45,031,815	\$ 37,206,326	\$ 31,429,576

	Proforma ^(a)			
	FYE 9/30/2023	2023	2022	2021
Debt Service Coverage - Net (x)	58.6	NA	NA	180.6
Debt to Unrestricted Net Assets (x)	0.1	0.0	0.0	0.0
Margin (%)		19.7	21.3	27.6
Current Ratio (x)		4.1	4.6	4.8

^(a) Recalculates FY2023 audited results to include the impact of this proposed financing.

Financial Discussion

Asian Pacific's income statement appears to exhibit strong operating results in each year of the review period.

Asian Pacific appears to exhibit strong operating margins of 27.6% in FY 2021, 21.3% in FY 2022, and 19.7% in FY 2023. Total revenues grew from approximately \$29.7 million in FY 2021 to over \$30.5 million in FY 2023, primarily from increases in incentive revenues and net patient service revenues. Asian Pacific's management explains that incentive revenues increased yearly due to a significant increase in Pay for Performance (P4P) services from Health Care LA (HCLA), which is a not-for-profit network of Federally Qualified Health Centers and community health centers. P4P payments are based on HCLA's profits each year, which are then shared with HCLA's members based on meeting certain financial and operational metrics. From HCLA, Asian Pacific received approximately \$262,000 in FY 2021, \$1.2 million in FY 2022, and \$2.6 million in FY 2023. Additionally, net patient service revenue increased from over \$12.1 million in FY 2021 to over \$12.8 million in FY 2022, and then to more than \$14.2 million in FY 2023. According to Asian Pacific's management, the steady increase in net patient service revenue for FY 2021 was due to a 25% increase in its fixed Medicare reimbursement rates as well as an 11% increase in patient visits. Other revenues primarily consisted of the Employee Retention Tax Credit (ERTC, a tax credit received from the Internal Revenue Service for certain tax-exempt organizations that had employees and were impacted by the COVID-19 pandemic. Asian Pacific received ERTCs of approximately \$2.8 million in FY 2021, \$1.5 million in FY 2022, and \$289,000 in FY 2023.

Total expenses increased during the review period from approximately \$21.5 million in FY 2021 to over \$24.5 million in FY 2023, with salaries and employee benefits being the largest expense each year. Salaries and employee benefits increased by approximately 22% over the review period, from over \$14.5 million in FY 2021 to more than \$16.4 million in FY 2022, and then to over \$17.8 million in FY 2023. Per Asian Pacific's management, the increases to salaries and employee benefits were due to staffing growth and an increase in salaries for staff retention.

Much of Asian Pacific's increased expenses due to COVID-19 were covered by grant awards, the previously mentioned ERTC, and a Paycheck Protection Program loan of \$2,485,000, which was forgiven in FY 2021.

Asian Pacific appears to display a strong balance sheet, with a pro-forma FY 2023 net debt service coverage ratio of 58.6x.

Asian Pacific did not have any debt in FY 2023 and FY 2022, which is why the debt service coverage ratio (DSCR) shows as NA for those years. Asian Pacific had minimal debt payments for FY 2021, which explains the very high DSCR of 180.6x for that fiscal year. In December 2022, the Authority approved a HELP II loan in the amount of \$1.5 million for Asian Pacific to renovate the second floor of its existing facility. Accounting for the previously approved HELP II loan and this new HELP II loan, Asian Pacific's FY 2023 proforma net DSCR is 58.6x, further supporting its financial strength and ability to repay both HELP II loans.

Asian Pacific's indicators of financial liquidity appear to be strong, posting a current ratio of 4.8x in FY 2021, 4.6x in FY 2022, and 4.1x in FY 2023. The strong ratios are attributed to their total current assets that increased significantly from nearly \$20.5 million in FY 2021 to over \$22.9 million in FY 2023.

III. UTILIZATION STATISTICS

**Clients Served / Patient Visits
Fiscal Year Ending September 30,**

	2023	2022	2021
Totals	15,455 / 61,459	15,185 / 64,705	13,984 / 60,369

IV. OUTSTANDING DEBT

	Original Amount	Amount Outstanding as of September 30, 2023	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT			
HELP II Loan (2023)	\$1,500,000	NA ⁽¹⁾	\$1,500,000
PROPOSED NEW DEBT			
HELP II Loan (2024)			500,000
TOTAL DEBT		\$0	\$2,000,000

⁽¹⁾ The 2023 HELP II loan closed in November 2023, after the completion Asian Pacific's FY 2023 audit.

V. BACKGROUND AND LICENSURE

Background

Founded in 1986, Asian Pacific is a not-for-profit corporation providing men's and women's health services, adolescent care, pediatrics, prenatal, geriatric care, and health education to low-income, monolingual families throughout Los Angeles County. Since its incorporation, Asian Pacific has been dedicated to caring for those who had no access to healthcare due to an inability to pay or a lack of insurance.

From 1997 to 2012, Asian Pacific grew from a small, four exam-room clinic to four, large-scale community health centers in Los Angeles County that provide multilingual healthcare access to underserved, low-income Asian and Latino communities. Two of its healthcare centers are situated on high school campuses (Belmont High School and John Marshall High School) to serve urban communities. The combined community health centers serve approximately 13,900 patients per year. Asian Pacific is now the largest Asian-centric community health center in Los Angeles County and the fourth largest in California.

Licensure and Accreditation

Asian Pacific Health Care Venture, Inc., is licensed by the State Department of Public Health to operate community clinics.

VI. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. HII-354 in an amount not to exceed \$500,000 for Asian Pacific Health Care Venture, Inc., subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, concurs with the Authority's staff recommendation.

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
HEALTHCARE EXPANSION LOAN PROGRAM II (HELP II)**

Resolution No. HII-354

RESOLUTION APPROVING EXECUTION AND DELIVERY OF
HELP II 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 (Gov. Code, §15430 et seq.) (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 HELP II (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, **Asian Pacific Health Care Venture, Inc.** (the “Borrower”), a California 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 HELP II loan to the Borrower in an amount not to exceed **\$500,000** for a term not to exceed **20 years** for the purposes described in Exhibit A of this resolution (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. Second lien on real property located at 9960 Baldwin Place, El Monte, CA 91731
2. 20-year, two percent (2%) fixed-rate loan
3. A current appraisal that exhibits a combined loan-to-value ratio not to exceed 95%
4. Executed construction contract
5. Corporate gross revenue pledge
6. Verification of Borrower’s funds to close escrow

Section 2. The Executive Director and the Deputy Executive Director are hereby authorized, for and on behalf of the Authority, to determine the final amount, terms, and conditions of the loans, and to approve any changes in the Project described in the application submitted to the Authority, as that officer shall deem appropriate and authorized under the Act, provided that the amount of the loans shall not be increased above the amount approved by the Authority and provided further that the loans continue 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 and the Deputy Executive Director are 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 and the Deputy Executive Director are 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 those amounts.

Section 4. The Executive Director and the Deputy Executive Director of the Authority are hereby authorized and directed to do any and all things and to execute and deliver any and all documents that the Executive Director or the Deputy Executive Director deems necessary or advisable to effectuate the purposes of this resolution and the transactions contemplated hereby, and that have heretofore been approved as to form by the Authority.

Section 5. This resolution is repealed on October 31, 2024.

Date of Approval: _____

EXHIBIT A

USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-354

- Construction of an elevator for the project located at 9960 Baldwin Place, El Monte, CA 91731