

**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 Borrower: Yes (May 2009, paid in full as of December 2020)</p>	<p>Loan Amount: \$1,500,000</p> <p>Loan Term: 20 years</p> <p>Annual Interest Rate: 2% fixed</p> <p>Authority Meeting Date: December 1, 2022</p> <p>Resolution Number: HII-341</p>																
<p>Background: Asian Pacific is a 501(c)(3) community primary care provider established in 1986. In 2021, its four community health care centers across Los Angeles County served over 13,000 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 renovate an existing facility to add obstetrical and gynecological (OB/GYN) services and to relocate its pediatric practice within the clinic site.</p>																	
<p>Financing Structure:</p> <ul style="list-style-type: none"> • First 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 \$7,588 (annual payments of approximately \$91,059) • A current appraisal that exhibits a 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 2021 net debt service coverage ratio of 98.63x.</p>																	
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<p>Due Diligence: Staff has confirmed the following documentation 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-341 in an amount not to exceed \$1,500,000 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 staff’s recommendation.</p>																	

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Asian Pacific is requesting a HELP II loan to renovate an existing facility at its El Monte/Rosemead Health Center (El Monte/Rosemead) location to add OB/GYN services and to relocate its pediatric practice within the site. Currently, there are no OB/GYN services at the El Monte/Rosemead location. Patients who require those services are referred to external providers, which makes it difficult for Asian Pacific to obtain consultation documentation and post-appointment information from the referred providers. This ultimately inhibits Asian Pacific from offering continued care to their patients. Adding OB/GYN services on-site will allow for improved mother wellness and the delivery of follow-up treatment to its patients.

The planned renovation of the El Monte/Rosemead location also includes the relocation of pediatric services to the same floor as the OB/GYN services, allowing OB/GYN patients to conveniently access Asian Pacific's pediatricians for newborn and pediatric care. Additionally, OB/GYN and pediatric patients will benefit from improved staff communication and patient care coordination with the two practices on the same floor. Overall, the proposed project will improve clinical, patient, and health outcomes by providing OB/GYN services on-site and by offering convenient newborn and pediatric services.

***Project Fund*..... \$1,551,947**

The proposed renovation will transform the 1,936 square foot second floor of Asian Pacific's El Monte/Rosemead location, which currently consists of two enclosed offices and an open floor, into a nursing station, two to three OB/GYN exam rooms, a provider office, a lab, a waiting area, an enrollment/counseling room, and an additional bathroom. The space is presently used to enroll patients into public health insurance programs. The newly renovated space will allow up to three OB/GYN appointments per week (approximately 8–11 hours per week) and seven pediatric appointments per week (approximately 24 hours per week). Asian Pacific projects the OB/GYN clinic will provide approximately 582 visits during the first year, and the pediatric services are estimated to grow by 10% per year in its new location.

The HELP II loan will be secured by a first (1st) lien position on 9960 Baldwin Place in El Monte. Additionally, Asian Pacific will provide an appraisal of the real property that exhibits a loan-to-value ratio 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* 27,000**

Authority Fees \$25,000

Estimated Escrow/Title Fees 2,000

***Total Estimated Uses of Funds*..... \$1,587,947**

II. FINANCIAL STATEMENTS AND ANALYSIS

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

	For the Years Ended September 30,		
	2021	2020	2019
Change in net assets without donor restrictions			
Revenue and other support			
Net patient service revenue	\$ 15,116,707	\$ 10,933,507	\$ 9,414,199
Capitation revenues	-	-	1,893,079
Government grants	8,496,041	4,901,516	5,502,520
Incentive revenue	450,007	430,477	600,327
Grant and contribution revenue	2,525,435	2,602,276	678,154
Other revenues	3,160,397	813,599	783,721
Total unrestricted revenue and other support	29,748,587	19,681,375	18,872,000
Expenses			
Salaries and employee benefits	14,544,656	12,891,722	13,231,483
Purchased and professional fees	2,548,199	2,132,395	1,746,491
Supplies	1,775,927	983,166	1,014,400
Repairs and maintenance	115,955	159,881	143,506
Travel and conferences	36,559	36,583	43,681
Occupancy	1,071,725	1,051,149	836,978
Insurance	165,417	150,774	144,449
Depreciation	760,745	734,480	713,787
Interest	1,169	6,498	7,896
Other	508,958	334,608	357,413
Total expenses	21,529,310	18,481,256	18,240,084
Excess of revenues over expenses	8,219,277	1,200,119	631,916
Capital grants and contributions	46,928	41,022	57,670
Increase in net assets	8,266,205	1,241,141	689,586
Net assets			
Beginning of year	18,902,837	17,661,696	16,972,110
End of year	\$ 27,169,042	\$ 18,902,837	\$ 17,661,696

Asian Pacific Health Care Venture, Inc.
Statement of Financial Position
(Balance Sheet)

	As of September 30,			
	2021	2020	2019	
Assets				
Current Assets				
Cash and cash equivalents	\$ 10,466,696	\$ 6,526,861	\$ 4,610,279	
Investments	2,571,815	-	-	
Short-term Investments	-	7,977,494	7,883,412	
Patient accounts receivable, net	1,255,817	1,326,163	1,127,085	
Grant and other receivables	792,544	870,060	655,263	
Estimated third-party payor settlements	2,120,243	-	64,326	
Other current asset	2,989,542	-	-	
Prepaid expenses and other current assets	297,168	439,557	412,164	
Total current assets	20,493,825	17,140,135	14,752,529	
Investments, net of current	5,903,174	-	-	
Property and equipment, net	5,032,577	5,412,476	5,784,741	
Total assets	\$ 31,429,576	\$ 22,552,611	\$ 20,537,270	
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	\$ -	\$ 48,808	\$ 47,367	
Accounts payable and accrued expenses	1,371,973	801,005	618,184	
Accrued payroll and other related liabilities	1,613,173	1,344,027	1,144,844	
Third party settlements payable	937,506	1,088,471	773,645	
Deferred revenue	337,882	225,449	100,711	
Total current liabilities	4,260,534	3,507,760	2,684,751	
Long-term debt, net of current portion	-	142,014	190,823	
Total liabilities	4,260,534	3,649,774	2,875,574	
Net Assets				
Without donor restrictions	27,169,042	18,902,837	17,661,696	
Total net assets	27,169,042	18,902,837	17,661,696	
Total liabilities and net assets	\$ 31,429,576	\$ 22,552,611	\$ 20,537,270	
	Proforma ^(a)			
	FYE 9/30/2021	2021	2020	2019
Debt Service Coverage - Net (x)	98.63	179.71	36.04	25.13
Debt to Unrestricted Net Assets (x)	0.06	0.00	0.01	0.01
Margin (%)	27.63	6.10	3.35	
Current Ratio (x)	4.81	4.89	5.49	

^(a) Recalculates FY 2021 audited results to include the impact of this proposed financing.

Financial Discussion

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

Asian Pacific appears to exhibit strong operating margins over the review period, most recently posting a margin of approximately 27.6% in fiscal year (FY) 2021. Total revenues grew from approximately \$18.9 million in FY 2019 to over \$29.7 million in FY 2021, primarily from increases in patient service revenue and government grants. Patient service revenue increased from over \$9.4 million in FY 2019 to over \$10.9 million in FY 2020, and then to more than \$15.1 million in FY 2021. According to Asian Pacific management, the large increase in patient service revenue for FY 2021 was due to a 25% increase in its Prospective Payment System (PPS) reimbursement rate along with increasing patient visits. Government grants increased from approximately \$4.9 million in FY 2020 to over \$8.5 million in FY 2021, which, according to Asian Pacific's management, was primarily a result of one-time COVID-19 pandemic related grants. Total expenses increased at a slower rate than revenues during the review period, with salaries and employee benefits increasing by 10% from over \$13.2 million in FY 2019 to over \$14.5 million in FY 2021. Per Asian Pacific management, salaries were increased to retain and recruit new staff and to compete with compensation packages offered by other local health care centers. The creation of a new Performance Improvement Department in 2021 also contributed to the increased expense. Purchased and professional fees increased by 46%, from approximately \$1.7 million in FY 2019 to over \$2.5 million in FY 2021. These increases were required to pay legal consultation fees to ensure Asian Pacific complied with the COVID-19 pandemic related state and federal laws.

Beginning in early 2020, the COVID-19 pandemic impacted Asian Pacific with staff shortages, reduced and cancelled patient visits due to the closure of its school-based health center, increased costs to provide care, and increased expenses related to the purchase of Personal Protective Equipment and additional cleaning supplies. Much of Asian Pacific's increased expenses due to the COVID-19 pandemic were covered by grant awards and a Paycheck Protection Program (PPP) loan of \$2,485,000, which was forgiven in FY 2021. Due to Asian Pacific's aggressive applications to acquire a PPP loan, an increase in the Employee Retention Credit, various federal and private grants, and Provider Relief funds, its margin remained strong at 6.1% in FY 2020. Asian Pacific's margin continued to climb to 27.6% in FY 2021, bolstered by an 11% increase in patient visits and a 25% increase in the PPS reimbursement rate.

Asian Pacific appears to display a solid balance sheet, with a pro-forma FY 2021 net debt service coverage ratio of over 98.63x.

Over the three-year review period, Asian Pacific appears to have demonstrated a strong ability to repay its debts, as demonstrated with a net debt service coverage ratio of 25.1x in FY 2019, strengthening to 179.7x in FY 2021. Asian Pacific's prior HELP II loan for \$650,000 originated in May 2009 and was paid off in December 2020. Since 2020, they have not relied on debt financing, and with the proposed HELP II loan, Asian Pacific's pro-forma FY 2021 net debt service coverage ratio remains strong at 98.6x.

Asian Pacific's indicators of financial liquidity appear to be strong, posting a current ratio of 4.8x in FY 2021. The strong ratios are attributed to their cash and cash equivalents that increased significantly from just over \$4.6 million in FY 2019 to over \$6.5 million in FY 2020 and approximately \$10.5 million in FY 2021.

III. UTILIZATION STATISTICS

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

	2021	2020	2019
Totals	13,984 / 60,369	14,411 / 53,821	16,216 / 58,042

IV. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding as of September 30, 2021</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<i>EXISTING LONG-TERM DEBT:</i>			
No existing long-term debt	\$0	\$0	\$0
<i>PROPOSED NEW DEBT</i>			
<i>HELP II Loan</i>			1,500,000
<i>TOTAL DEBT</i>			<u>\$ 1,500,000</u>

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 have not had 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 provides convenient, 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-341 in an amount not to exceed \$1,500,000 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 Number HII-341

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 **\$1,500,000** for a term not to exceed **20 years** for the purposes 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. First 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 loan-to-value ratio not to exceed 95%;
4. Corporate gross revenue pledge;
5. Executed construction contract; and
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 six months from the date of approval.

Date of Approval: _____