

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

Applicant: Chinatown Service Center (CSC) 767 North Hill Street Los Angeles, CA 90012 Los Angeles County	Loan Amount: \$2,000,000 Loan Term: 20 years Annual Interest Rate: 2% fixed Authority Meeting Date: May 25, 2023 Resolution Number: HII-344																					
Project Site(s): 726 East Main Street, Alhambra, CA 91801 Facility Type: Community Clinic Eligibility: Government Code Section 15432(d)(6) Prior Borrower: No																						
Background: CSC is a qualified 501(c)(3) tax-exempt non-profit organization that is a system of Federally Qualified Health Centers (FQHC). CSC was founded in 1971 and incorporated in 1975. It started off as a small group of community volunteers who recognized the need to address the problems of Chinese immigrants and now is one of the largest Chinese American health and human services organizations in Southern California. CSC operates four facilities and provides 30,000 unique clients each year with services such as health care, financial planning, and care for youth.																						
Use of Proceeds: Loan proceeds will be used to finance the purchase of an existing property located in Los Angeles County to expand access around the local community.																						
Financing Structure: <ul style="list-style-type: none">• First lien on the real property located at 726 East Main Street, Alhambra, CA 91801• 20-year, two percent (2%) fixed rate loan• 240 equal monthly payments of approximately \$10,118 (annual payments of approximately \$121,412)• A current appraisal that exhibits a loan-to-value ratio not to exceed 95%• Corporate gross revenue pledge• Executed purchase contract• Verification of grant funds needed to complete the purchase of real property• Verification of borrower funds to close escrow																						
Financial Overview: CSC’s robust growth in revenue is supported by a growing revenue base mainly from patient service revenue. CSC’s balance sheet continues to grow and exhibits a solid pro-forma FY 2022 net debt service coverage ratio of 23.3x.																						
Estimated Sources of Funds: <table><tr><td>HELP II loan</td><td>\$</td><td>2,000,000</td></tr><tr><td>State grant</td><td></td><td>3,250,000</td></tr><tr><td>Borrower funds</td><td></td><td>2,640,000</td></tr><tr><td>Total Estimated Sources</td><td>\$</td><td>7,890,000</td></tr></table>	HELP II loan	\$	2,000,000	State grant		3,250,000	Borrower funds		2,640,000	Total Estimated Sources	\$	7,890,000	Estimated Uses of Funds: <table><tr><td>Purchase property</td><td>\$</td><td>7,860,000</td></tr><tr><td>Financing costs</td><td></td><td>30,000</td></tr><tr><td>Total Estimated Uses</td><td>\$</td><td>7,890,000</td></tr></table>	Purchase property	\$	7,860,000	Financing costs		30,000	Total Estimated Uses	\$	7,890,000
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Due Diligence: Staff has confirmed the following documentation provided by CSC satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and Religious Affiliation Due Diligence.																						
Staff Recommendation: Staff recommends the Authority approve Resolution No. HII-344 in an amount not to exceed \$2,000,000 for Chinatown Service Center, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, concurs with the Authority’s staff recommendation.																						

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

CSC is requesting a HELP II loan to purchase property to be used as a community clinic, which will allow CSC to expand access to health services in the city of Alhambra. CSC expects the clinic will reach capacity within two years and will be serving about 7,000 unique individuals in the region. This expansion fits in line with CSC's mission to provide services and advocacy that promote better quality of life and equal opportunity for immigrants and other communities. In addition to the HELP II loan request, CSC will receive about \$3.3 million in grant funding from the State and will use about \$2.6 million from its own funds to complete the purchase.

Purchase Real Property. \$7,860,000

CSC intends to purchase a 43,000 square-foot facility located at 726 East Main Street, Alhambra, CA 91801 in Los Angeles County. This facility will host an FQHC as well as a Program for all Inclusive Care for the Elderly (PACE) and provide primary care, dental, optometry, and behavioral health services.

The FQHC will host a state-of-the-art facility featuring 12 medical exam rooms, five pediatric exam rooms, four behavioral health exam rooms, two optometry exam rooms, eight dental chairs, and integrated case management services. The PACE program will host a multipurpose room for day activities with an integrated clinic and a nurse station, four exam rooms, a quiet room, a kitchen, a dayroom, and a courtyard.

The HELP II loan will be secured by a first (1st) lien position on 726 East Main Street in Alhambra. Additionally, CSC 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 30,000

Authority Fees \$25,000

Estimated Escrow/Title Fees 5,000

Total Estimated Uses of Funds \$7,890,000

II. FINANCIAL STATEMENTS AND ANALYSIS

Chinatown Service Center Statement of Activities (Income Statement)

	For the Years Ended June 30,		
	2022	2021	2020
Revenues and support			
Patient service revenue, net of contractual adjustments and bad debt	\$ 14,485,371	\$ 9,614,878	\$ 9,063,629
Federal grants	6,739,201	6,201,005	1,957,129
Other grants and contracts	2,899,058	1,998,640	1,657,099
CARES Act PPP conditional grant	-	1,204,388	-
Pharmaceutical revenue	1,711,832	1,187,563	752,221
Fundraising and donations	1,743,109	975,500	843,670
Incentives and other revenues	359,063	689,417	363,268
Donated services	131,346	191,833	117,334
Fees for services	89,760	66,356	77,270
Equity gain (loss) on limited partnerships	(34)	17,054	(24)
Net investment gain (loss) on marketable securities	(26,734)	107,097	52,461
Total revenue	28,131,972	22,253,731	14,884,057
Expenses			
Salaries and wages	11,437,070	8,599,150	6,674,072
Employee benefit	1,549,486	1,162,577	947,926
Payroll taxes	856,901	640,359	562,668
Consulting fees	1,101,278	876,915	512,302
Facility rent	637,345	430,195	358,662
Repairs and maintenance	544,962	611,278	234,607
Outreach	497,479	449,369	220,931
Information technology	438,724	403,743	178,289
Taxes and licenses	376,566	460,328	163,407
Depreciation and amortization	309,631	232,968	234,501
Office supplies	307,034	535,648	152,524
Travel and meetings	253,967	166,105	141,072
Telephone	239,210	193,942	96,643
Subcontractors	227,041	253,551	296,505
Lab and radiology	215,831	300,122	133,135
Program supplies	189,253	344,901	265,695
Interest	182,230	144,306	64,973
Performance incentive	37,884	80,883	23,137
Donated services	131,346	191,833	117,334
Insurance	126,337	44,665	78,992
Dues and subscriptions	117,621	45,761	56,286
Utilities	111,442	78,144	72,157
Staff training and development	182,567	129,316	93,850
Condominium association fees	72,391	71,733	71,363
Accounting fees	59,206	48,900	44,350
Program participation fees	21,712	25,705	18,878
Custodial services	13,340	15,699	12,320
Legal fees	12,060	6,989	11,891
Postage	8,204	9,377	5,634
Total expenses	20,258,118	16,554,462	11,844,104
Change in net assets	7,873,854	5,699,269	3,039,953
Net Assets, beginning of year	12,175,313	6,476,044	3,436,091
Net Assets, end of year	\$ 20,049,167	\$ 12,175,313	\$ 6,476,044

**Chinatown Service Center
Statement of Financial Position
(Balance Sheet)**

	As of June 30,		
	2022	2021	2020
Assets			
Current assets			
Cash and cash equivalents	\$ 10,342,235	\$ 5,502,970	\$ 1,967,633
Patient accounts receivable, net	1,537,643	1,040,686	1,425,265
Grants and contracts receivable	2,032,572	939,918	807,133
Pharmaceutical receivable	142,407	102,016	107,113
Investments and marketable securities	457,460	536,753	-
Inventory	236,684	-	-
Prepaid expenses	252,625	199,152	165,117
Total current assets	15,001,626	8,321,495	4,472,261
Long-term Assets			
Estimated amounts due from third-party payors	1,012,028	1,617,139	2,438,380
Property and equipment, net	7,757,650	5,764,241	1,830,793
Note receivable from affiliate	1,388,537	1,388,537	1,388,537
Accrued interest receivable from affiliate	1,342,034	1,272,763	1,203,336
Investment in limited partnerships	167,404	167,438	150,384
Deposits	109,408	59,408	-
Total long-term assets	11,777,061	10,269,526	7,011,430
Total assets	<u>\$ 26,778,687</u>	<u>\$ 18,591,021</u>	<u>\$ 11,483,691</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 296,994	\$ 257,750	\$ 199,792
Accrued expenses	1,248,391	1,006,981	623,019
Deferred revenue	275,788	257,031	388,575
Note payable to bank, current portion	57,063	54,827	-
Total current liabilities	1,878,236	1,576,589	1,211,386
Long-term liabilities			
Note payable to bank, noncurrent portion	2,120,713	2,177,819	-
Note payable	1,388,537	1,388,537	1,388,537
Accrued interest payable	1,342,034	1,272,763	1,203,336
CARES Act deferred PPP conditional grant	-	-	1,204,388
Total long-term liabilities	4,851,284	4,839,119	3,796,261
Total liabilities	6,729,520	6,415,708	5,007,647
Net assets			
Without donor restrictions	20,049,167	12,175,313	6,476,044
Total liabilities and net assets	<u>\$ 26,778,687</u>	<u>\$ 18,591,021</u>	<u>\$ 11,483,691</u>
	Proforma^(a)		
	FYE 6/30/2022	2022	2021
Debt Service Coverage - Net (x)	23.3	35.3	42.1
Debt to Unrestricted Net Assets (x)	0.3	0.2	0.4
Margin (%)		28.0	25.6
Current Ratio (x)		8.0	5.3

^(a) Recalculates FY 2022 audited results to include the impact of this proposed financing.

Financial Discussion

CSC's robust growth in revenue is supported by a growing revenue base mainly from patient service revenue.

Total revenues have grown from approximately \$14.9 million in FY 2020 to approximately \$28.1 million in FY 2022, an 89% increase. CSC's primary source of revenue comes from patient service revenue, accounting for 60.9%, 43.2%, and 51.5% of total revenues for the FY's 2020, 2021 and 2022, respectively. According to CSC, patient service revenue increased due to an increase in patient visits from 49,980 in FY 2020 to 67,674 in FY 2022, as well as an increase in Medi-Cal reimbursement for those visits. Patient visits increased due to the expansion in CSC's overall service capacity. CSC added a new dental suite at its Los Angeles location and opened the Monterey Park facility in February 2022, which provides 12 medical exams rooms, six dental chairs, and four rooms for behavioral health services.

Total expenses for CSC increased from approximately \$11.8 million in FY 2020 to nearly \$20.3 million in FY 2022, an increase of 71.0%. Salaries and wages was the main contributor to the increased expenses, growing from approximately \$6.7 million in FY 2020 to approximately \$11.4 million in FY 2022, a 71.4% increase. According to CSC, in order to meet the increasing demand for its services, CSC increased its personnel from 116 full-time equivalents (FTE) in FY 2020 to 180 FTE in FY 2022. CSC also increased salaries and benefits to help retain personnel.

The COVID-19 pandemic had significant effects on global markets, supply chains, businesses, and communities. For CSC, it slowed their ability to serve patients and the surrounding community during the restrictions imposed by the federal and state governments. CSC adapted its channels to reach patients and the community by providing services via Telehealth, following social distancing protocols at the facilities, and providing its personnel and patients with the proper personal protective equipment. CSC received a Paycheck Protection Program (PPP) loan for about \$1.2 million, which they used to cover operational needs. The PPP loan was forgiven in September 2021.

CSC's balance sheet continues to grow and exhibits a solid pro-forma FY 2022 net debt service coverage ratio of 23.3x.

CSC's total asset levels have increased by approximately 133.2% over the review period, from \$11.5 million in FY 2020 to \$26.8 million in FY 2022. The primary contributors to the increase in total assets were from cash and cash equivalents and property and equipment. Cash and cash equivalents increased from just about \$2.0 million in FY 2020 to approximately \$10.3 million in FY 2022. According to CSC, this increase is due to continued increases in net revenues over expenses, efficiency of its operations, as well as strong support from funders and collaborators. Property and equipment increased from nearly \$1.8 million in FY 2020 to about \$7.8 million in FY 2022. This increase is due to the purchase and renovation of a new facility in the city of Monterey Park.

CSC has demonstrated a strong debt service coverage ratio over the review period, at 29.2x in FY 2020, 42.1x in FY 2021, and 35.3x for FY 2022. With the proposed new debt, CSC maintains a solid pro forma FY 2022 debt service coverage ratio of 23.3x. CSC's strong balance sheet indicates it is capable of carrying the additional debt.

III. UTILIZATION STATISTICS

Clients Served / Patient Visits
Fiscal Year Ending June 30,

	2022	2021	2020
Totals	11,485 / 67,674	10,527 / 62,949	8,317 / 49,980

IV. OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding as of June 30, 2022^(a)	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT:			
Note Payable, November 2020	\$ 2,260,700	\$ 2,177,776	\$ 2,177,776
Note Payable, City of Los Angeles	1,388,537	1,388,537	1,388,537
PROPOSED NEW DEBT			
<i>HELP II Loan (2023)</i>			2,000,000
TOTAL DEBT		<u>\$3,566,313</u>	<u>\$5,566,313</u>

^(a) Includes current portion of long-term debt.

V. BACKGROUND AND LICENSURE

Background

CSC is a qualified 501(c)(3) tax-exempt non-profit organization that is a system of FQHCs. CSC is a multi-service organization serving primarily in Metropolitan Los Angeles and the West San Gabriel Valley. CSC has four facilities located in Los Angeles, Alhambra, San Gabriel, and Monterey Park, offering comprehensive primary medical, dental, behavioral healthcare and education, chronic disease management, and related social case management services. Its mission is to provide outstanding services and advocacy that promotes a better quality of life and equal opportunity for immigrants and other communities to achieve CSC's vision of creating thriving lives in empowered communities.

Founded in 1971 and incorporated in 1975, CSC is one of the largest Chinese American health and human services organizations in Southern California. CSC receives support from a broad and diverse range of funding sources including the federal, state, county, and city governments, corporate grants, foundation grants, and private donations. CSC assists over 30,000 unique clients each year through 150,000 touch points, providing services such as healthcare, financial planning, and care for youth.

Licensure, Certification and Accreditation

Each of CSC facilities are licensed by the State Department of Public Health to operate and maintain as a community clinic.

VI. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. HII-344 in an amount not to exceed \$2,000,000 for Chinatown Service Center, 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-344

**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, **Chinatown Service Center** (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 **\$2,000,000** 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. First lien on the real property located at 726 East Main Street, Alhambra, CA 91801
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 purchase contract
6. Verification of grant funds needed to complete the purchase of real property
7. 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 said officer shall deem appropriate and authorized under the Act, provided that the amount of the loans may 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. This resolution shall not 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 November 30, 2023.

Date of Approval: _____

EXHIBIT A

USE OF HELP II LOAN PROCEEDS FOR RESOLUTION NO. HII-344

- Purchase real property located at 726 East Main Street, Alhambra, CA 91801