

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
THE HELP II PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Elizabeth Center for Cancer Detection (The "Center") 1230 W. Third Street, 4th Floor Los Angeles, CA 90017 Los Angeles County</p> <p>Project Site: Same as above</p> <p>Facility Type: Community Clinic</p>	<p>Amount Requested: \$40,000</p> <p>Requested Loan Term: 5 years</p> <p>Date Requested: May 25, 2006</p> <p>Resolution Number: HII-185</p>																					
<p>Uses of Loan Proceeds: Loan proceeds will be used to purchase medical record shelving equipment and a mobile aisle system.</p>																						
<p>Type of Issue: HELP II Loan</p> <p>Prior HELP II Borrower: No</p> <p>Payments Status: N/A</p>																						
<p>Financial Overview: During fiscal year 2005, the Center demonstrated growth in its revenues helping reverse negative operating results from the two prior years. Its outreach strategy is generating more revenues, while controlling expenditures, thus improving operating results. The Center's balance sheet exhibits minimal debt, increasing net assets and strong debt service coverage.</p>																						
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																						
<p>Staff Recommendation: Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$40,000 for a term not to exceed 5 years for Elizabeth Center for Cancer Detection, subject to the standard HELP II loan provisions.</p>																						

**STAFF SUMMARY AND RECOMMENDATION
THE HELP II PROGRAM
May 25, 2006**

The Elizabeth Center for Cancer Detection (“Center”)
Resolution Number: HII-185

I. PURPOSE OF FINANCING

California law requires that medical records be kept for seven years (x-ray film ten years) and be accessible and readily available upon request. In order to comply with the law, the Center plans to purchase medical record shelving equipment and mobile aisle system to facilitate medical records safekeeping and save medical facility space.

<i>Purchase equipment</i>	\$ 42,000
Loan proceeds will be used to purchase medical record shelving equipments and a mobile aisle system in order to adhere to state’s code.	
<i>Authority Fees</i>	<u>525</u>
<i>Total Uses of Funds</i>	<u>\$ 42,525</u>

Financing Structure

- Five-year Term with 60 monthly payments of approximately \$719 (total annual payment of \$8,625).
- Total interests payments of approximately \$3,125.
- UCC-1 lien on equipment.

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II. FINANCIAL STATEMENTS AND ANALYSIS

The Elizabeth Center for Cancer Decetion
Statement of Activities
(Unrestricted)

	8 Month Ended	For the Year Ended June 30,		
	Feb. 28, 2006	2005	2004	2003
Revenue and Public Support	(Un-audited)			
Public Support:				
Contributions	\$ 321,280	\$ 36,348	\$ 27,500	\$ 127,131
Fund-raising campaign	3,700	33,405	15,702	6,125
Bequests	38,000			
Memorial	125	27	975	1,500
Net assets released from restrictions:		1,116,804	552,678	849,500
Total public support	363,105	1,186,584	596,855	984,256
Revenue and Gains:				
Medical service fees	913,900	1,051,691	590,217	436,278
Interest income and dividend	421	87	780	7,506
Miscellaneous income	275	155	26,992	24,141
Total revenues and gains	914,596	1,051,933	617,989	467,925
Total public support, revenues, and gains	1,277,701	2,238,517	1,214,844	1,452,181
Expenses				
Program services (Unrestricted)	835,418	1,372,546	1,221,009	1,306,144
Support services	187,439	154,312	142,054	157,197
Management and general fund-raising	3,404	25,816	29,679	41,522
Total expenses	1,026,261	1,552,674	1,392,742	1,504,863
Change in unrestricted net assets	251,440	685,843	(177,898)	(52,682)
Unrestricted net assets, beginning of the year	623,466	(62,377)	115,521	168,203
Unrestricted net assets, end of the year	\$ 874,906	\$ 623,466	\$ (62,377)	\$ 115,521

**Elizabeth Center for Cancer Detection
Financial Position**

	Interim (Unaudited) Feb. 28, 2006	For the Year Ended in June 30		
		2005	2004	2003
Assets:				
Cash and cash equivalents:				
Unrestricted	\$ 29,767	\$ 65,919	\$ 22,499	\$ 87,581
Restricted	376,606	33,400	-	-
Total cash and cash equivalents	406,373	99,319	22,499	87,581
Accounts receivables (net allowance for doubtful accounts)	319,148	413,554	235,508	89,231
Investments	12,483	12,171	12,171	414,426
Property, plant and equipment (Less depreciation)	402,316	452,483	538,874	442,141
Othe Assets	16,639	19,539	8,567	8,567
Total assets	\$ 1,156,959	\$ 997,066	\$ 817,619	\$ 1,041,946
Liabilities:				
Accounts payable	\$ 78,678	\$ 68,261	\$ 102,574	\$ 190,654
Accrued expense	47,522	60,038	5,985	10,028
Line of credit (Wells Fargo Bank)	21,680	23,330	75,150	82,190
Loan payable (The Elizabeth Foundation)	-	-	174,435	90,000
Obligation under capital lease	148,452	188,571	237,523	206,046
Total liabilities	296,332	340,200	595,667	578,918
Net Assets:				
Unrestricted	484,021	623,466	(62,377)	115,521
Temporarily restricted	376,606	33,400	284,329	347,507
Total net assets	860,627	656,866	221,952	463,028
Total net assets and liabilities	\$ 1,156,959	\$ 997,066	\$ 817,619	\$ 1,041,946
Financial Ratios:				
	Proforma (a) FYE June, 2006			
Debt service coverage (x)	6.06	7.50	-0.96	0.06
Debt to Expendable net assets (x)	0.40	0.34	-6.6	2.56
Margin (%)		30.64%	-14.64%	-3.63%
Current Ratio (x)		3.46	1.47	2.09

(a) based on adding projected new debt to the audited 2005 financial results.

Financial Discussion

During fiscal year 2005, the Center demonstrated growth in its revenues helping reverse negative operating results from the two prior years. Its outreach strategy is generating more revenues, while controlling expenditures, thus improving operating results.

In the last fiscal year and the un-audited eight month statement ending on February 28, 2006, the Center has shown a growth in total revenues, departing from 2003 and 2004 fiscal years when the Center suffered losses that the Center's management attributed to State regulations. The Center's revenue stream is primarily from public support and medical service fees, which increased by 35% from fiscal year 2003 to 2004 and 78% from 2004 to 2005. Furthermore, annualized figures from interim financials ending on February 28, 2006 project total revenues increasing approximately 30% over fiscal year 2005.

According to the Center's management, the continual increase in revenues from medical service fees have been the result of the aggressive outreach strategy implemented by the Center. This outreach program provides services to remote underserved populations by providing a mobile mammogram van. The Center signed agreements with local clinics and health centers for these services beginning in fiscal year 2004. The Center plans to further expand this outreach program in the future. The Center is currently pursuing grants and funding to deploy another mobile mammography van and plans to add services for physical exams and prostate screening.

Meanwhile, public support funding has provided approximately 68%, 49% and 50% of revenues for 2003 through 2005 respectively. Public support declined in fiscal year 2004 from 2003 by 39% due to the expiration of the California Endowment (TCE) grant, however in fiscal year 2005 it registered a 99% increase over 2004. This increase relates primarily to a donation of \$800,000 from the Elizabeth Foundation.

The Center has approached its local and state representatives, attempting to alter the current regulations that they believe have been causing a loss of revenues. According to the Center, losses in revenues have been caused by state program, "Every Woman Count" (EWC) that became effective on October 1, 2002, and which aims to provide a mammogram for every woman regardless of the patient's financial ability. The current regulations mandate that EWC-certified Primary Care Providers (PCP) examine low-income patients, in order for the PCP's cost of the mammogram screening to be reimbursed. Yet if the PCP did not have the means to conduct the screening, the patient could be referred to a third party. In that case, the PCP still keeps the portion of the State's reimbursement, entitled 'case management fee', causing the third party to operate close to or below cost. As a result, the Center has been treating many patients who were referred by the PCP, and in the process, operating below cost. As low-income patients profile the Center's target population, the immediate impact of the new regulation on the Center was the loss of one-third of their average patient volume and the loss of the case management fee for patients referred to them by other PCP's. In all, the Center was forced to operate below-cost.

Revenues from contributions in the interim period have surged to \$321,280, which is comprised mainly of a \$299,000 contribution by a cancer-survival couple. Conversely, the decline in fund-raising revenue is a result of the vacancy of the fund-raising director position, for which they have been recruiting since last year.

The Center's expenses were kept nearly at an equal level, notwithstanding the increased volume of patients in the past three years.

The Center's balance sheet exhibits minimal debt, increasing net assets, along with strong debt service coverage.

The Center has minimal long-term debt. In addition, during our review period (except for fiscal year 2004 when the TCE grant ended) the Center has experienced a strong increase in net assets, thus strengthening its balance sheet. In fiscal year 2005, the debt service coverage ratio was strong at 7.50x. With this proposed financing, its proforma debt service coverage ratio will be solid at 6.06x. Leverage remains low with debt to expendable net asset ratio of 0.40x.

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III. UTILIZATION STATISTICS

**Client Served / (Patient Visits)
Fiscal Year Ended June 30**

	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003
Totals	11,353 / (1,5681)	6,953 / (8,521)	4,478 / (5,227)

IV. ORGANIZATION

Background

The Center (formerly known as The Cancer Detection Center) was founded in 1944 in Los Angeles to fight cancer through education and early detection with special emphasis on the medically underserved population in the community. The Elizabeth Center, a non-profit corporation, is the only free standing cancer-screening center in the United States. It is estimated that the Elizabeth Center has served over 700,000 Los Angeles County residents over the past 62 years. The Center provides no treatment. Patients with positive findings are referred back to their own physician or referring provider, or are provided several names of highly qualified providers.

The Center is expanding its community outreach programs to overcome problems of access and availability, major barriers which prevent the underserved from participating in cancer screening. The Center has recently moved into larger more modern quarters to better serve patients. The Center has upgraded its mammography equipment and added a second mammography unit. In 2005, the Center acquired ultrasound technology, which is state-of-the-art in screening for breast cancer.

The Center believes that wellness and prevention have low priority in the nation's health system, which is geared to treat acutely ill patient on an episodic basis. The Center also believes that prevention and early detection are highly cost-effective in the war against cancer. The Center competes with hospitals for the shrinking pool of private philanthropic dollars. In addition, almost 90 percent of the Center's patient load is covered by Medi-Cal with reimbursement, which does not cover total costs. The Center provides comprehensive screening programs for the most common types of cancer.

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Licenses

The Center is licensed by the California Department of Health Services to operate as community clinic.

Contracts

The Elizabeth Center is of a type and in a geographic area subject to Medi-Cal contracting. The Center has been awarded a Medi-Cal contract by agreeing to provide a community service and to accept Medi-Cal and Medicare patients.

V. SECTION 15438.5 OF THE ACT (Savings Pass Through)

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

The Center has provided a description of its savings pass through in **Exhibit A**.

VI. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement)

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrower shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, and (b) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

A copy of The Center's certification is included as **Exhibit B**.

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VII. OUTSTANDING DEBT

The Center has no long-term debt per its most recent audited 2005 financial statement. Upon approval of this proposed loan, the Center would carry \$40,000 in long-term debt.

VIII. RELIGIOUS AFFILIATION DUE DILIGENCE:

Staff has reviewed the Applicant's responses to the questions contained in the Religious Affiliation portion of the application. No information was disclosed in the questionnaire or discovered by staff to question the Applicant's compliance with the provisions of the Authority's Act relating to religious affiliation.

IX. LEGAL REVIEW

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

X. STAFF RECOMMENDATION

Staff recommends the Authority approve a resolution for a HELP II loan in an amount not to exceed \$40,000 for a term not to exceed 5 years for Elizabeth Center for Cancer Detection, subject to the standard HELP II loan provisions.

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