

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

STATEMENT OF MANAGEMENT RESPONSIBILITY

The officers of the Health Facilities Association of British Columbia are responsible for the preparation of the financial statements and have prepared them in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of the Association as at March 31, 2000 and the results of its financing operations for the year then ended.

The officers of the Health Facilities Association of British Columbia are responsible for ensuring that an adequate system of internal control exists to provide reasonable assurance that the Association's assets are safeguarded against loss and that the accounting records are a reliable basis for the preparation of financial statements.

The financial statements for the year ended March 31, 2000, have been examined by the Auditor General of British Columbia. The Auditor's Report outlines the scope of his examination and provides his opinion on the fairness of presentation of the financial statements.



Janet McGregor

Secretary

Health Facilities Association of British Columbia

Report of the Auditor General of British Columbia

*To the Members of the
Health Facilities Association of British Columbia, and*

*To the Minister of Health and Minister Responsible for Seniors,
Province of British Columbia:*

I have audited the balance sheet of the *Health Facilities Association of British Columbia* as at March 31, 2000 and the statements of financing operations for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Health Facilities Association of British Columbia* as at March 31, 2000 and the results of its financing operations for the year then ended in accordance with generally accepted accounting principles. As required by the Society Act of British Columbia, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Victoria, British Columbia
June 23, 2000*



Wayne Strelieff, CA
Auditor General


HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
BALANCE SHEET
AS AT MARCH 31, 2000

ASSETS	<u>2000</u>	<u>1999</u>
Cash	\$ 264	\$ 354
Due from Greater Vancouver Regional District	-	14,451,620
Mortgage and accrued interest receivable (Note 4)	80,270	135,841
Accounts receivable from Province	11,057,914	-
Prepaid capital advances (Note 2a)	<u>611,585,299</u>	<u>451,546,647</u>
	<u>\$ 622,723,747</u>	<u>\$ 466,134,462</u>
LIABILITIES		
Accounts payable to health authorities	\$ 11,057,914	\$ 7,945,273
Due to Province of BC	-	14,451,620
Due to Province - debenture and accrued interest re Oak Bay Lodge mortgage (Note 4)	80,270	-
Deferred revenue (Note 2b)	<u>611,585,563</u>	<u>443,737,569</u>
	<u>\$ 622,723,747</u>	<u>\$ 466,134,462</u>

APPROVED BY THE BOARD OF DIRECTORS:



 Director



 Director

The six accompanying notes are an integral part of these financial statements.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

STATEMENT OF FINANCING OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
SOURCE OF FUNDS (Note 3)		
Provincial contributions – (Note 2b)	\$ 191,493,485	\$ 60,260,878
Amortization of deferred revenues (Note 2b)	22,937,482	-
Debentures issued	-	48,936,227
Realization of debenture sinking funds	-	98,214,682
Mortgage - principal and interest (Note 4)	<u>161,701</u>	<u>121,136</u>
	<u>\$ 214,592,668</u>	<u>\$ 207,532,923</u>
USE OF FUNDS (Note 3)		
Prepaid capital advances for health projects	191,493,485	105,873,875
Amortization of prepaid capital advances	22,937,482	-
Interest on debentures (Note 4)	105,840	38,868,791
Interest on short-term borrowing	-	1,427,448
Debenture sinking fund installments (Note 4)	55,861	18,031,583
Debentures matured	-	16,995,950
Reduction in short-term borrowing	-	18,949,274
Net change in other payables	-	7,386,017
Miscellaneous expenses	<u>90</u>	<u>-</u>
	<u>\$ 214,592,758</u>	<u>207,532,938</u>
Decrease in funds during year	(90)	(15)
Cash, beginning of year	<u>\$ 354</u>	<u>\$ 369</u>
Cash, end of year	<u>\$ 264</u>	<u>\$ 354</u>

The six accompanying notes are an integral part of these financial statements.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

1. Nature of the Association

The Health Facilities Association of British Columbia (the "Association") was incorporated under the *Society Act* on October 15, 1975. The purpose of the Association is to assist in financing the capital costs of approved projects for health facilities in British Columbia. The Association is economically dependent on funding from the Province of British Columbia for its continued operations.

On March 31, 1999 the British Columbia Regional Hospital District Financing Authority was wound up and the Association's sinking funds, short-term borrowing, debenture debt and accrued interest were transferred to the Province and replaced by deferred revenue. As a result of this event, the Association no longer incurs debt directly and, with the exception of debt related to the Oak Bay Lodge mortgage, has no further obligation to make sinking fund or interest payments.

2. Significant Accounting Policies

(i) Prepaid Capital Advances/Recoverable Financing of Health Projects and Related Amortization

Prior to March 31, 1999 recoverable financing of health projects was provided through guaranteed debt and fiscal agency loan programs. As a result of accounting policy changes and the events described in note 1, recoverable financing of health projects are recorded as prepaid capital advances effective March 31, 1999. Prepaid capital advances are grants paid to health authorities and health facilities for the acquisition of tangible capital assets. They are amortized in accordance with accounting policies of the Office of the Comptroller General and amortization commences in the year following the issue of funds.

The Association's amortization for the year ended March 31, 2000 is based on an amortization schedule provided by the Office of the Comptroller General. It represents amounts advanced through the old fiscal agency loan or guaranteed debt programs prior to April 1, 1999 and amortized over 24 years using an average rate based on the average life of all classes of assets within the health sector. Prepaid capital advances issued after March 31, 1999 will be amortized at a rate that varies with the life and class of the assets acquired with the prepaid capital advances.

	2000	1999
Recoverable financing - beginning of year	\$ -	\$ 371,231,025
Prepaid capital advances - beginning of year	451,546,647	-
Adjustments - beginning of year		
- Accounts payable - presentation change	(7,945,273)	-
- GVRHD equipment	3,496,222	-
- Opening balance made consistent with OCG	(4,068,300)	-
Capital construction costs incurred during year	-	105,873,875
Prepaid capital advances - grants paid during year	191,493,485	-
	\$ 634,522,781	\$ 477,104,900
Amortization of Recoverable Financing	-	(25,558,253)
Amortization of prepaid capital advances	(22,937,482)	-
Prepaid capital advances - end of year	\$ 611,585,299	\$ 451,546,647

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

(b) Deferred Revenue and Related Amortization

Effective March 31, 1999, deferred revenue replaced the Association's sinking funds, short term borrowing, debenture debt and accrued interest. Capital funds are recorded as deferred revenues when received from the Province and as prepaid capital advances as they flow through to health facilities. The deferred revenues and prepaid capital advances of the Association are directly related as capital funds flow in and out on the same day. As a result, deferred revenue is amortized and realized as revenue on the same amortization schedule as prepaid capital advances.

	<u>2000</u>	<u>1999</u>
Deferred revenue - beginning of year	\$ 443,737,569	\$ -
Adjustments		
- PCA balances made consistent with OCG	(4,068,300)	-
- GVRHD equipment	3,496,222	-
- set-up liability to Province re Oak Bay Lodge mortgage - (Note 4)	(135,841)	-
Grants received during the year	191,493,485	-
Filing fees	(90)	-
Year end - closing entries	-	443,737,569
	<u>\$ 634,523,045</u>	<u>\$ 443,737,569</u>
Amortization	(22,937,482)	-
Deferred revenue - end of year	<u>\$ 611,585,563</u>	<u>\$ 443,737,569</u>

(c) Donated Services

The Province of British Columbia absorbs the cost of certain administrative and audit services associated with the operation of the Association. The cost of providing these services is not significant and, therefore, is not recorded in these financial statements.

3. Significant Events

(a) Section 47 of the *Greater Vancouver Transportation Authority Act* provided for the transfer of all assets and liabilities of the British Columbia Regional Hospital District Financing Authority to the Province. On close of business on March 31, 1999, the sinking funds, short term borrowing, debenture debt and accrued interest were transferred to the Province and replaced by deferred revenue. All the Association's debt and related sinking funds are recorded as part of Public Debt used for government operating and capital financing purposes. The association does not have any further obligation to make sinking fund or interest payments, except as noted for the Oak Bay Lodge mortgage.

(b) The Province, through HFA, provided 100% funding for a number of projects in the Lower Mainland which, in prior years, would have been cost-shared with the Greater Vancouver Regional Hospital District on a 60/40 basis.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000

4. Mortgage Receivable from Oak Bay Lodge and Related Debt Payable to the Province of BC

	2000	1999
Oak Bay Lodge Society:		
Mortgage receivable	\$ 700,000	\$ 700,000
Accrued interest receivable	50,745	50,455
Less: principal repaid to date	(670,475)	(614,614)
Mortgage and accrued interest receivable	\$ 80,270	\$ 135,841

The Mortgage requires annual principal payments of \$15,296 and interest payments of \$105,840, based on 15.12% of \$700,000. Mortgage payments received from Oak Bay Lodge are deposited directly to the Province of BC for debt servicing costs of debentures issued to finance the mortgage. Sinking funds related to the debenture earned interest of \$40,565 during the year. The mortgage is secured by real estate and will be repaid on or before April 8, 2002.

5. Commitments

As at March 31, 2000, the Association has outstanding commitments to health facilities for approved projects totaling \$131.6 million (1999 \$144.5 million).

6. Statement of Changes in Sinking Funds

A statement of changes in sinking funds is not included as all sinking funds of the association were transferred to the Province March 31, 1999 as described in note 1.