

**HEALTH FACILITIES ASSOCIATION
OF
BRITISH COLUMBIA**

MARCH 31, 2001

BALANCE SHEET

STATEMENT OF OPERATIONS

NOTES TO FINANCIAL STATEMENTS

June 8, 2001

341784

Wayne Strelloff
Auditor General
Office of the Auditor General
2nd Floor 8 Bastion Square
Victoria BC V8V 1X4

Dear Wayne Strelloff:

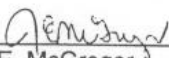
In connection with your review of the financial statements of the Health Facilities Association of British Columbia (HFA) from April 1, 2000 to March 31, 2001, we represent (to the best of our knowledge and belief) the following:

1. As members of management of Health Facilities Association, we are responsible for the preparation of the financial statements in accordance with generally accepted accounting principles.
2. The significant accounting policies adopted in the preparation of the financial statements are fully and fairly described in the financial statements.
3. The balance sheet is in agreement with the books of account and presents fairly the financial position of the Health Facilities Association as at March 31, 2001, and the results of its operations for the period then ended.
4. As members of management, we believe the Health Facilities Association has a system of internal control adequate to permit the preparation of accurate financial statements in accordance with generally accepted accounting principles.
5. All known liabilities and debt obligations have been included in the accounts and we have no knowledge of any unrecorded or contingent liabilities such as lawsuits, tax claims, litigation, under-funded obligations, etc., which would, in our opinion, materially affect the financial statements as at March 31, 2001. There were no important unfilled contracts.

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6. The books and records contain all material agreements and transactions of the Health Facilities Association and all are properly recorded.
7. All transactions during the period have been within the statutory powers of the Health Facilities Association. We have no knowledge that any of the Board of Directors had any material direct or indirect ownership, profit participation or other interest in outside business enterprises with which the Association had material transactions that have not been made known to you.
8. We have made available to you all the financial records, books of account and related data.
9. There were no violations of laws or regulations during the period under review.
10. There have been no material events since March 31, 2001, and no new or amended legislation and related regulations that have not been reflected or disclosed in the financial statements, which would otherwise make the statements misleading or inaccurate.
11. All related party transactions (including loans, transfers, guarantees, etc.) were priced at open market prices for similar products and services during the period, or have been made known to you.
12. There is nothing to our knowledge that has not been disclosed to you which would cause you to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Yours truly,



Janet E. McGregor
Secretary
Health Facilities Association of BC



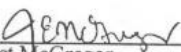
Leah Hollins
Vice Chair
Health Facilities Association of BC

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, 2001 and the results of its 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 Auditor General of British Columbia has examined the financial statements for the year ended March 31, 2001. 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

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
BALANCE SHEET
AS AT MARCH 31, 2001

	After Wind-up 2001	At time of Wind-up 2001	2000
ASSETS			
Cash	\$ -	\$ 138	\$ 264
Mortgage and accrued interest receivable (Note 5a)	-	-	80,270
Accounts receivable from Province	-	9,831,428	11,057,914
Prepaid capital advances (Note 3a)	-	<u>778,411,266</u>	<u>611,585,299</u>
	<u>\$ -</u>	<u>\$ 788,242,832</u>	<u>\$ 622,723,747</u>
 LIABILITIES			
Accounts payable to health authorities	\$ -	\$ 9,831,428	\$ 11,057,914
Due to Province - debenture and accrued interest re Oak Bay Lodge mortgage (Note 5a)	-	-	80,270
Deferred revenue (Note 3b)	-	<u>778,411,404</u>	<u>611,585,563</u>
	<u>\$ -</u>	<u>\$ 788,242,832</u>	<u>\$ 622,723,747</u>

APPROVED BY THE BOARD OF DIRECTORS:

Blair Hollins
 Director

gemmy
 Director

The 5 accompanying notes are an integral part of these financial statements.

HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2001

	<u>2001</u>	<u>2000</u>
SOURCE OF FUNDS		
Provincial contributions (Note 3a)	\$ 202,231,299	\$ 191,493,485
Amortization of deferred revenues (Note 3b)	35,405,332	22,937,482
Mortgage - principal and interest (Note 5b)	182,873	161,701
Mortgage - top-up to settle mortgage (Note 5c)	\$ 72,126	\$ -
	<u>\$ 237,891,630</u>	<u>\$ 214,592,668</u>
USE OF FUNDS		
Prepaid capital advances (Note 3a)	202,231,299	191,493,485
Amortization of prepaid capital advances (Note 3a)	35,405,332	22,937,482
Interest on debentures - (Note 5b)	105,840	105,840
Debenture sinking fund installments (Notes 5c & 5d)	77,033	55,861
Debenture defeasance (Note 5d)	72,126	-
Miscellaneous expenses	126	90
Transfer operating bank account to Ministry of Health	<u>138</u>	<u>-</u>
	<u>\$ 237,891,894</u>	<u>\$ 214,592,758</u>
Decrease in funds during year	(264)	(90)
Cash, beginning of year	<u>\$ 264</u>	<u>\$ 354</u>
Cash, end of year	<u>\$ -</u>	<u>\$ 264</u>

The 5 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, 2001**

1. Nature of the Association

The Health Facilities Association of British Columbia (HFA) 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.

2. Significant Event - Wind-up of the Health Facilities Association of BC

In 1998/99 the Province of British Columbia implemented a number of changes to social capital funding, financing and accounting processes for schools, advanced educational institutions, health facilities and transit. These changes had a significant impact on HFA with the result that the Association's operations have shifted from financing activities to processing payments for approved capital projects on behalf of the Ministry of Health.

As a result, a resolution was passed to wind-up the Association effective March 31, 2001. At the time of wind-up, the assets, bank accounts and outstanding commitments of HFA were transferred to the Ministry of Health, and effective April 1, 2001 the Ministry will issue prepaid capital advances for health capital projects.

3. Significant Accounting Policies

(a) Prepaid Capital Advances

Prepaid capital advances are grants paid to qualifying institutions for the acquisition of tangible capital assets. These grants are recorded as prepaid expenses and expensed over the useful life of the asset acquired with the grant in accordance with accounting policies of the Office of the Comptroller General.

Amounts advanced through the old fiscal agency loan (FAL) program (ie PCA balances prior to March 31, 1999) are amortized over 24 years using an average rate based on the average life of all classes of assets within the Health Sector. Assets acquired with PCAs rather than through the FAL program are amortized over 39 years for buildings and land, and over 9 years for equipment. Amortization commences in the year following the issue of funds.

	<u>2001</u>	<u>2000</u>
Prepaid capital advances - beginning of year	\$ 611,585,299	\$ 451,546,647
Net adjustments - beginning of year	-	(8,517,351)
Prepaid capital advances - grants paid during year	<u>202,231,299</u>	<u>191,493,485</u>
	\$ 813,816,598	\$ 634,522,781
Amortization of prepaid capital advances	<u>(35,405,332)</u>	(22,937,482)
Prepaid capital advances - at time of wind-up	778,411,266	-
Transfer to Province of BC	<u>(778,411,266)</u>	-
Prepaid capital advances - end of year	<u>\$ -</u>	<u>\$ 611,585,299</u>

**HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001**

(b) **Deferred Revenue and Related Amortization**

Deferred revenue is amortized on the same amortization schedule as prepaid capital advances.

	<u>2001</u>	<u>2000</u>
Deferred revenue - beginning of year	\$ 611,585,563	\$ 443,737,569
Net adjustments	-	(707,919)
Grants received during the year	202,231,299	191,493,485
Filing fees	<u>(126)</u>	<u>(90)</u>
	\$ 813,816,736	\$ 634,523,045
Amortization	<u>(35,405,332)</u>	<u>(22,937,482)</u>
Deferred revenue - at time of wind-up	778,411,404	-
Transfer to Province of BC	<u>(778,411,404)</u>	<u>-</u>
Deferred revenue - end of year	<u>\$ -</u>	<u>\$ 611,585,563</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.

4. **Commitments**

At the time of wind-up, the Association had outstanding commitments to health facilities for approved projects totaling \$150.5 million (2000 - \$131.6 million). These commitments are the remaining eligible borrowings on Certificates of Approval (COAs) issued in the name of the Health Facilities Association. Effective midnight March 31, 2001, HFA's outstanding COAs were transferred to the Ministry of Health.

5. **Mortgage Receivable from Oak Bay Lodge and Debenture Payable to the Province of BC**

(a) **Mortgage Receivable - Oak Bay Lodge Society (OBL)**

Oak Bay Lodge mortgage was paid out on March 6, 2001 and discharged.

	<u>2001</u>	<u>2000</u>
Mortgage receivable	\$ -	\$ 700,000
Accrued interest receivable	-	50,745
Less: Principal repaid to date	-	<u>(670,475)</u>
Mortgage and accrued interest receivable	<u>\$ -</u>	<u>\$ 80,270</u>

**HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001**

(b) Financing arrangement

The Oak Bay Lodge mortgage of \$700,000 was financed with a partial interest in debenture series K16, issued by the Province of BC. Mortgage payments were based on 15.12% annual interest and a debenture maturity date of April 8, 2002. Payments received from Oak Bay Lodge were remitted to the Province for the debt service costs of K16.

(c) Oak Bay Lodge Mortgage – Source of funds

	<u>2001</u>	<u>2000</u>
Annual interest	\$ 105,840	\$ 105,840
Annual sinking fund installments	15,296	15,296
Annual earnings on sinking fund investments	<u>61,737</u>	<u>40,565</u>
	182,873	161,701
Top-up to retire OBL mortgage	<u>72,126</u>	-
Total source of funds – Oak Bay Lodge Mortgage	<u>\$ 254,999</u>	<u>\$ 161,701</u>

(d) Debenture debt due to Province – Use of funds

During the year, the sinking fund assets of K16 exceeded the principal balance owing. A final payment of \$ 72,126, from Oak Bay Lodge topped-up the sinking fund assets and provided for the defeasement of K16. This payment settled the Oak Bay Lodge mortgage and the Association's debenture debt with the Province.

Sinking Fund Assets of Series K16 (\$ 700,000 outstanding)

Sinking fund assets - book value March 31, 2000	\$ 670,475
Sinking fund earnings - book value to March 1, 2001	<u>61,737</u>
Sinking fund assets - book value March 1, 2001	732,212
Add: Sinking fund installment - April 8, 2000	15,296
Sinking fund top-up to defease K16 - March 6, 2001	<u>72,126</u>
Sinking fund balance - book value at March 6, 2001	819,634
Market price on March 6, 2001 to pay out K16 at maturity	<u>(819,634)</u>
Sinking fund assets at March 31, 2001	<u>\$ -</u>