



# Vancouver City Savings Credit Union

## Auditors' Report and Financial Statements

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*for the year ending December 31, 1974.*

**BOARD OF DIRECTORS**

*President:* S. W. PARSONS

*Vice-President:* M. BETTS

*Directors:*

D. G. CAMPBELL  
A. L. (BERT) GLADU  
H. McCONNELL  
R. S. PERRY  
S. SUTHERLAND  
L. S. WIDDIFIELD

*General Manager:* D. W. BENTLEY

*Auditors:* CAMPBELL, SHARP, NASH & FIELD

*Offices:*

1030 West Broadway  
5590 Victoria Drive  
2510 East Hastings Street  
3395 West Broadway  
4205 Main Street  
6330 Fraser Street  
1548 Marine Drive, West Vancouver  
4371 East Hastings Street, North Burnaby

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# CONSOLIDATED

## Assets

	1974	1973
CASH AND SHORT TERM DEPOSITS (Note 5)	\$ 15,333,833	\$ 14,224,987
ACCRUED INTEREST ON DEPOSITS	70,763	51,146
BONDS AND SECURITIES, at cost plus accrued interest (market value \$1,997,083; 1973 — \$2,142,674)	2,144,354	2,243,940
LOANS TO MEMBERS (Note 3)	171,315,515	137,650,566
PROPERTY HELD FOR RESALE		19,919
INVESTMENTS, at cost		
Credit Union Reserve Board, debenture	1,456,902	1,226,935
B.C. Central Credit Union, shares	3,676,100	2,854,100
Cupac Services Limited, debenture	5,000	5,000
LAND, BUILDINGS AND EQUIPMENT, at cost less accumulated depreciation (Note 4)	3,165,880	1,924,623
	<u>\$ 197,168,347</u>	<u>\$ 160,201,216</u>

Approved on behalf of the Board

D. G. CAMPBELL, *Director*

M. BETTS, *Director*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at December 31, 1974

### 1. ACCOUNTING PRACTICES

#### Principles of Consolidation

The consolidated statements include the assets and liabilities, and the operating results of the credit union and its wholly-owned subsidiary corporation, V.C.S. Housing Developments Ltd. The subsidiary company's principal objects are the ownership of the credit union's branch premises and providing housing for credit union membership.

#### Loan Interest Income

Vancouver City Savings Credit Union records its interest income on loans when it is received. This is the practice generally followed by credit unions in the Province of British Columbia. Accrued interest on loans as at December 31, 1974, amounted to \$1,157,565 and at December 31, 1973, \$892,254 which amounts and the applicable income taxes thereon are not reflected in the assets, liabilities or accumulated reserves of the credit union.

Based on a full accrual of loan interest, net earnings after income taxes for the year ended December 31, 1974 would be greater by \$193,677 and for the year ended December 31, 1973 would be greater by \$247,136.

Proposed changes in Federal income tax legislation will require that, for 1975 and subsequent years, credit unions adopt a full accrual method in accounting for interest income, and accordingly, the credit union will be altering its accounting practice in this regard in the coming year.

### 2. INCOME TAXES

The credit union claims for income tax purposes the maximum reserves permitted in respect of loans and certain other assets. No charges appear in the accounts which correspond to this claim for reserves. This results in a reduction of income taxes payable, the amount of which reduction could become payable in those future years when either the total of these assets falls below the balances as at December 31, 1974, or there is a change in tax legislation permitting such reserves. The credit union has accordingly made provision against the occurrence of such a liability under Deferred Income Taxes.

The provision for income taxes for the year comprises:

	1974	1973
Credit Union — taxes currently payable	\$ 123,736	\$ 46,962
— deferred income taxes	105,000	220,000
Subsidiary — deferred income taxes	6,110	13,565
	<u>\$ 234,846</u>	<u>\$ 280,527</u>

Dividends on shares are permitted as deductions in determining the amount of income subject to tax. An amount of \$567,196 has been provided for this purpose in calculating current taxes payable. The corresponding deductions for 1973 of \$884,800 included dividends on shares and rebates of loan interest.

### 3. LOANS

An allowance for loans in default in the amount of \$126,893 (\$87,095 — 1973) has been deducted from the balance of loans outstanding at December 31, 1974.

Loans made to 106 directors, officers and employees in the aggregate amount to \$591,398 (\$599,631 — 1973).

# BALANCE SHEET

## Liabilities

	<u>1974</u>	<u>1973</u>
<b>LIABILITIES</b>		
B.C. Central Credit Union, loan payable, secured by assignment of loans receivable	\$ 14,829,540	\$ 3,368,262
Accounts payable, acceptances and accrued charges	471,413	212,331
Income taxes payable	96,996	
	<u>15,397,949</u>	<u>3,580,593</u>
DEFERRED INCOME TAXES (Note 2)	<u>467,200</u>	<u>356,090</u>
<b>RESERVES</b>		
Guarantee reserve	3,001,392	2,201,797
Contingency reserve	202,060	202,060
Endowment bonus reserve	16,822	15,630
	<u>3,220,274</u>	<u>2,419,487</u>
<b>MEMBERS' ACCOUNTS</b>		
Deposits withdrawable on demand	29,266,320	32,684,346
Time deposits	131,267,611	104,511,581
Accrued interest on deposits	4,294,528	3,130,601
Members' shares, less unpaid thereon	12,386,496	12,254,610
Retained earnings	867,969	1,263,908
	<u>178,082,924</u>	<u>153,845,046</u>
	<u>\$ 197,168,347</u>	<u>\$ 160,201,216</u>

Submitted as part of our report dated January 22, 1975.

CAMPBELL, SHARP, NASH & FIELD  
Chartered Accountants

#### 4. LAND, BUILDINGS AND EQUIPMENT

	Cost	Accumulated Depreciation	1974 Net	1973 Net
Branch premises				
land	\$ 661,175	\$	\$ 661,175	\$ 661,175
buildings	1,971,855	90,780	1,881,075	881,851
	<u>2,633,030</u>	<u>90,780</u>	<u>2,542,250</u>	<u>1,543,026</u>
Member housing				
land	1,446		1,446	1,446
buildings	13,854	3,462	10,392	11,084
investment in apartment building	53,500		53,500	25,000
	<u>68,800</u>	<u>3,462</u>	<u>65,338</u>	<u>37,530</u>
Office equipment and furniture	734,827	301,309	433,518	304,547
Office improvements	179,322	54,548	124,774	39,520
	<u>\$ 3,615,979</u>	<u>\$ 450,099</u>	<u>\$ 3,165,880</u>	<u>\$ 1,924,623</u>

The land and buildings are owned by the subsidiary company, and are hypothecated in favour of the credit union to secure a debenture issued by the subsidiary.

#### 5. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits comprise the following amounts:

	1974	1973
Currency on hand to meet day to day business	\$ 908,727	\$ 764,095
Foreign currency deposits in a chartered bank		130,498
Term deposits with chartered banks due in 1975	3,328,856	3,934,144
due beyond 1975	196,250	196,250
Term deposits with B.C. Central Credit Union, due in 1975	3,400,000	9,200,000
Demand deposits with B.C. Central Credit Union	7,500,000	
	<u>\$ 15,333,833</u>	<u>\$ 14,224,987</u>

## Consolidated Income Statement

	<u>1974</u>	<u>1973</u>
REVENUE		
Interest on members' loans	\$ 16,991,451	\$ 10,649,685
Investment income	1,528,202	845,566
Refund on savings and loan insurance	127,657	91,781
Chequing service and other income	171,501	155,353
Gain on sale of property		91,603
	<u>18,818,811</u>	<u>11,833,988</u>
<i>deduct:</i> Interest paid on		
Borrowed money	1,725,505	384,277
Members' deposits	12,305,753	7,176,218
	<u>14,031,258</u>	<u>7,560,495</u>
	4,787,553	4,273,493
EXPENDITURE		
Salaries and benefits	1,434,610	968,892
Office expenses, premises and supplies	900,210	558,020
Insurance protection on savings and loans	534,000	464,854
Advertising, meetings, travel and other	102,333	132,263
Clearing charges	81,240	50,362
	<u>3,052,393</u>	<u>2,174,391</u>
EARNINGS BEFORE TAXES	1,735,160	2,099,102
Provision for income taxes (Note 2)	234,846	280,527
CONSOLIDATED NET EARNINGS FOR THE YEAR	<u>\$ 1,500,314</u>	<u>\$ 1,818,575</u>

## Consolidated Undistributed Earnings Statement

	<u>1974</u>	<u>1973</u>
BALANCE AT BEGINNING OF YEAR	\$ 1,263,908	\$ 1,125,872
<i>deduct:</i> Share dividends	510,930	394,619
Rebates of loan interest	361,729	306,378
Transfer to guarantee reserve		160,000
Transfer to education reserve	150,000	125,000
Transfer to endowment bonus reserve	19,370	6,093
	<u>\$ 1,042,029</u>	<u>\$ 992,090</u>
	221,879	133,782
<i>add:</i> Net transfer from credit unions purchased	<u>2,969</u>	<u>—</u>
Consolidated net earnings for the year	1,500,314	1,818,575
less: portion thereof transferred to guarantee reserve	<u>857,193</u>	<u>688,449</u>
	643,121	1,130,126
BALANCE AT END OF YEAR	<u>\$ 867,969</u>	<u>\$ 1,263,908</u>

## Schedule Of Guarantee Reserve

	<u>1974</u>	<u>1973</u>
BALANCE AT BEGINNING OF YEAR	\$ 2,288,892	\$ 1,449,662
<i>add:</i> Additional transfer from prior year's earnings	<u>—</u>	<u>160,000</u>
	2,288,892	1,609,662
<i>deduct:</i> Uncollectible loans written off	<u>43,542</u>	<u>23,041</u>
	2,245,350	1,586,621
<i>add:</i> Balance of guarantee reserves of purchased credit unions	14,281	3,847
Collections on loans previously written off	11,461	9,975
Transferred from earnings for the year ended December 31, 1974, per statement of retained earnings	<u>857,193</u>	<u>688,449</u>
BALANCE AT END OF YEAR, before allowance for loans in default	3,128,285	2,288,892
<i>deduct:</i> Allowance for loans in default	<u>126,893</u>	<u>87,095</u>
BALANCE AT END OF YEAR	<u>\$ 3,001,392</u>	<u>\$ 2,201,797</u>

## Schedule Of Member Information And Promotion

	<u>1974</u>	<u>1973</u>
TOTAL EXPENDITURES	\$ 200,496	\$ 181,421
<i>deduct:</i> Annual membership dues and sundry credits	33,812	25,007
Transfer from undistributed earnings	<u>150,000</u>	<u>125,000</u>
NET EXPENSES FOR THE YEAR included in statement of earnings	<u>\$ 16,684</u>	<u>\$ 31,414</u>

## AUDITORS' REPORT

To the Members,  
Vancouver City Savings Credit Union,  
Vancouver, B.C.

We have examined the consolidated balance sheet of Vancouver City Savings Credit Union as at December 31, 1974, and the consolidated statements of earnings and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the credit union and its wholly owned subsidiary company as at December 31, 1974, and the results of their operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The allowance for loans in default has been calculated in accordance with the provisions of Section 34(5) of the Credit Unions Act, and we consider that the procedures adopted by the credit union are adequate for the safety of its creditors and shareholders and the credit union is in sound financial condition.

CAMPBELL, SHARP, NASH & FIELD,  
Chartered Accountants.

Vancouver, Canada  
January 22, 1975

# 75th ANNIVERSARY

## A salute to credit union progress

*The first credit union in Canada was founded in Levis, Quebec, by Alphonse Desjardins. It was also the first in North America.*

### . . . started in Germany

The first credit union was founded in 1869 in Germany by Freidrich Wilhelm Raffeisen, mayor of the small Bavarian town of Flammersfeld. From this beginning the credit union movement spread over most of Europe. By 1910 credit union loans in Germany totalled nearly half a billion dollars. Raffeisen himself organized 423 credit unions before his death.

### Canadian credit unions — 1900

Alphonse Desjardins, a Quebec journalist and a legislative reporter, was also a compassionate man who was deeply disturbed at the poverty of working people and rural residents of Quebec. A condition which, he observed, was aggravated by the unscrupulous practices of money lenders whose interest rates would today be considered usurious.

Following a study of Raffeisen's "people's banks" Desjardins set up the first credit union or "caisse populaire" (French for "people's bank") in Levis, across the St. Lawrence River from the city of Quebec. Its first deposit was only 10 cents and its total initial deposit from all founding members was \$26.00.

It is almost beyond comprehension that this meagre beginning could lead to the formation of credit unions across Canada which today total more than 4,200. In this, the anniversary year, it is estimated that the membership will reach eight million, and that assets will climb to some \$10 billion . . . It all started with a dream and a single 10 cent coin only 75 years ago.

### . . . a worldwide movement

At the end of 1973 there were almost 58,000 credit unions throughout the world affiliated with the World Council of Credit Unions. Total membership was close to 48 million and assets exceeded \$39.1 billion. In addition to this, 24,000 similar co-operative

financial institutions located for the most part in Europe and Turkey, served more than 11 million members.

Although credit unions had their beginning in Europe they have reached their greatest development and growth in Canada and the United States. According to "Worldwide Statistics 1973" the United States, at the end of 1973, had 22,951 credit unions with assets of \$28.5 billion.

### . . . the problems of success

On the 75th anniversary of the founding of credit unions in Canada, leaders and former leaders of the movement examined their organization. The following are excerpts from the Special Anniversary Issue of "World Reporter", published by World Council of Credit Unions.

"Too often in successful businesses and great movements the passage of time brings a renunciation of the ideals upon which the business or movement was founded."

". . . credit unions found themselves becoming increasingly affluent and rightly concerned with the services they provided their members."

"The first two generations of credit union leaders retained an awareness of the hardships that characterized early credit unions."

However . . .

". . . the third generation of credit union members was largely ignorant about the suffering of their predecessors."

Today . . .

". . . credit union leaders have become very conscious of efficiency and economy in services."

The modern day challenge is . . . " . . . attempting to cope with the consequences of a growing membership and in providing competitive services."

*from Co-operative Life Insurance Company "Digest"*



**THE PROVINCIAL SHARE AND DEPOSIT GUARANTEE FUND** protects the shares and deposits of all individuals in every credit union in British Columbia.