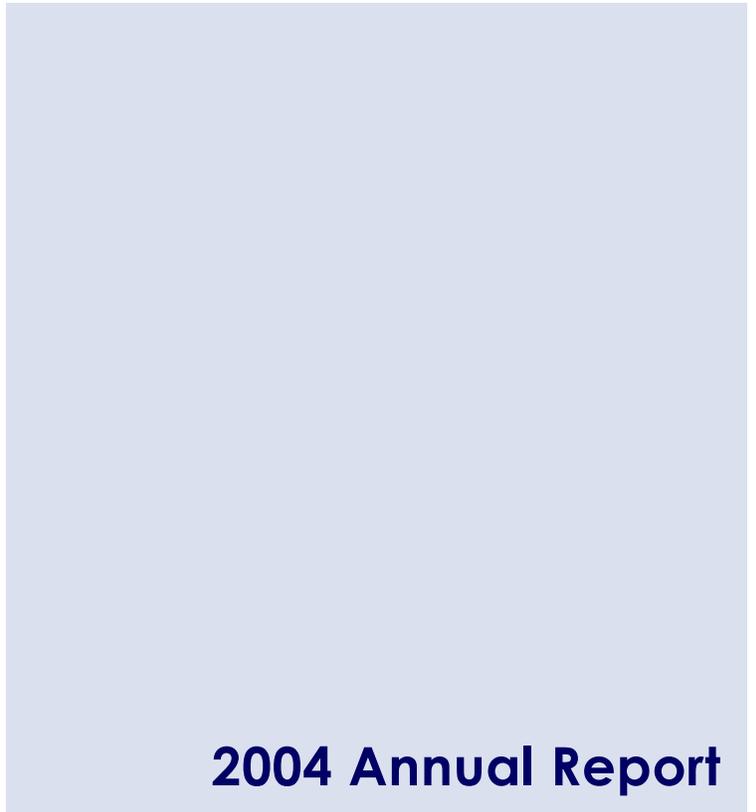
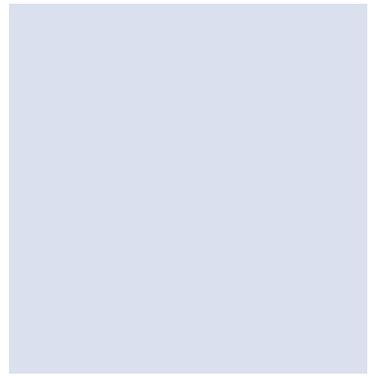
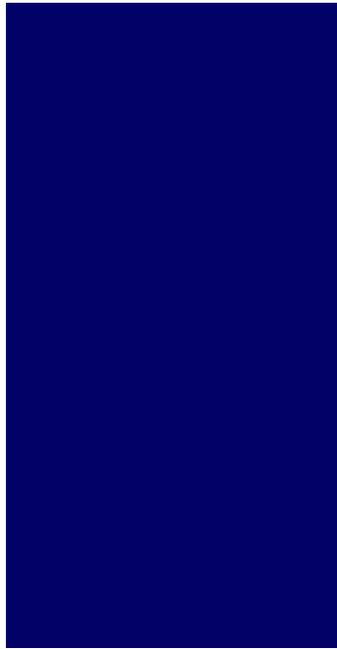
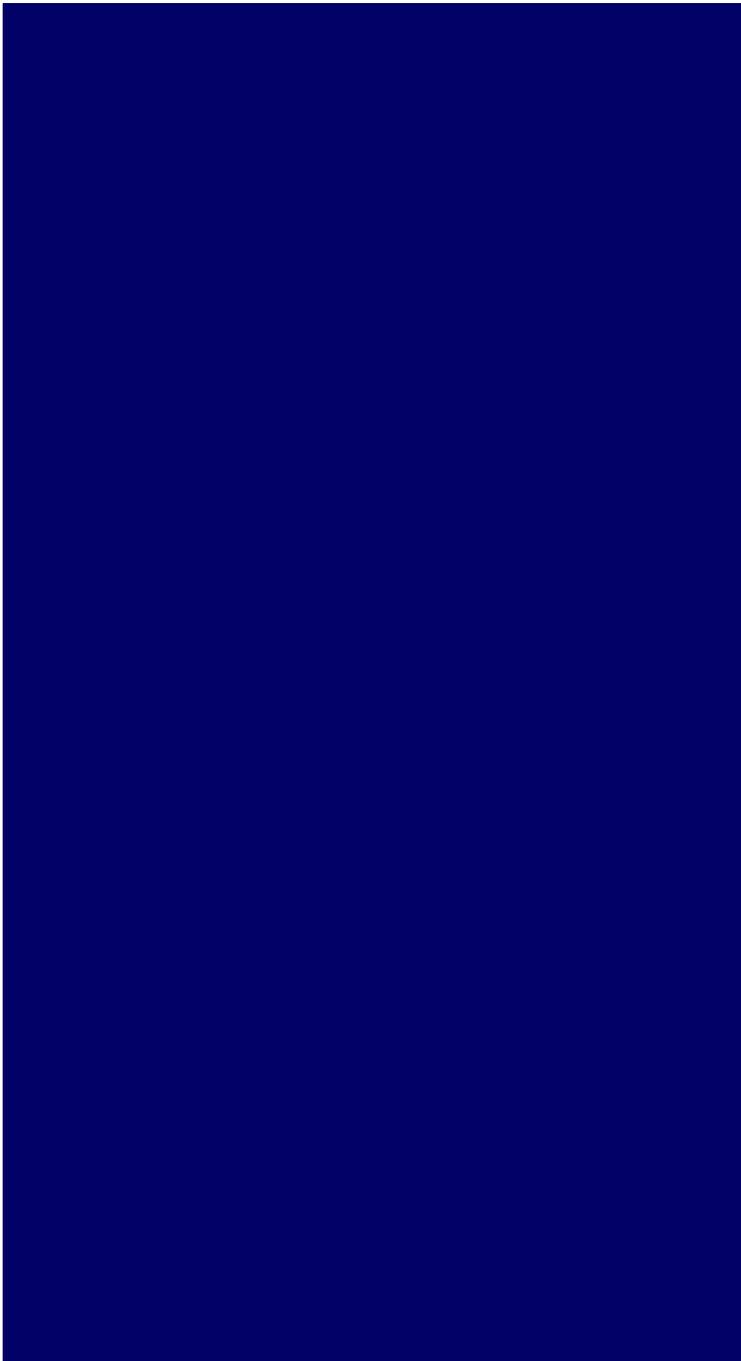


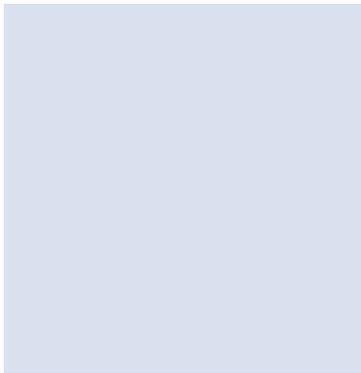


**GVC credit union**  
GREATER VANCOUVER COMMUNITY



**2004 Annual Report**





**GVC credit union**  
GREATER VANCOUVER COMMUNITY

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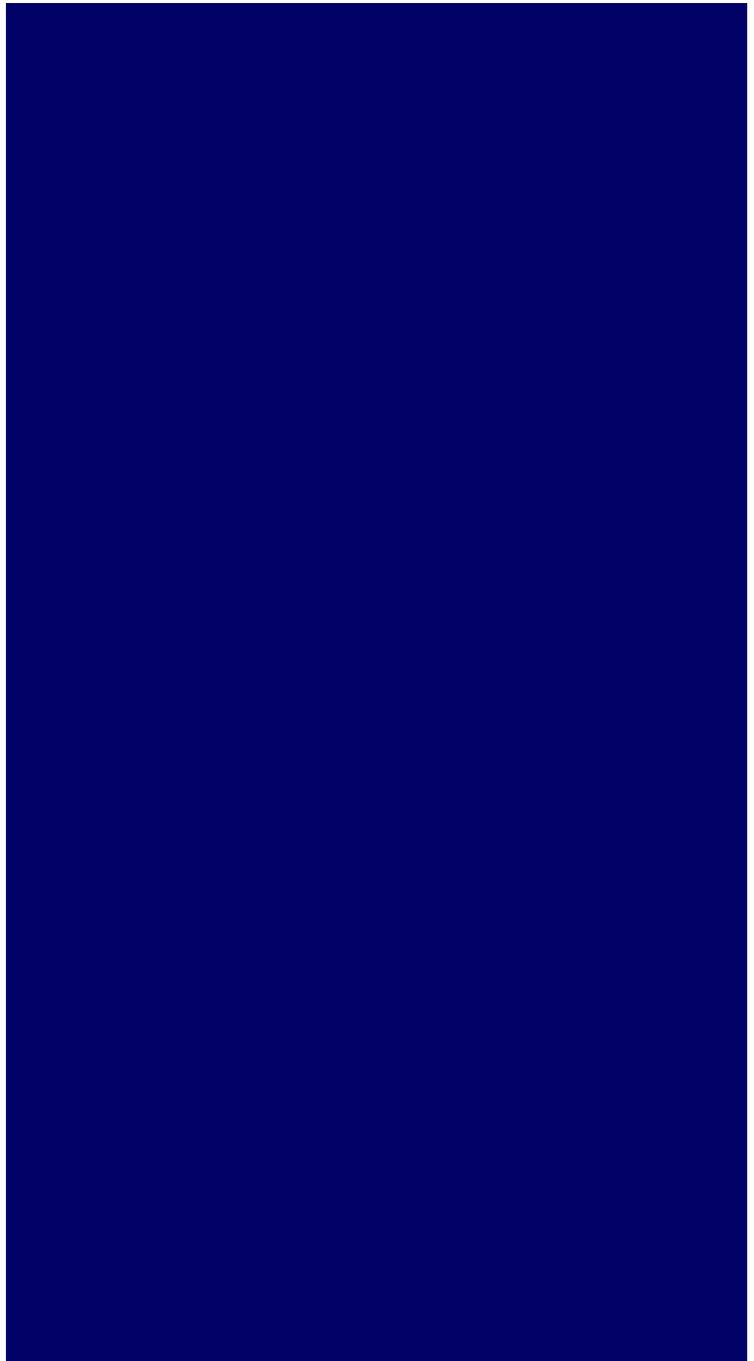
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# Board and Staff

## **Board of Directors 2004**

Chair: Glenn McLaughlin  
1st Vice-Chair: Ken Sherwood  
2nd Vice-Chair: Les Hausch

DIRECTORS: Phil Beall  
Judi Corra  
Gilles Deschenes  
Herb Gill  
Jim Pope  
Patrick Thierman

## **Executive & Credit Committee**

Chair: Glenn McLaughlin  
Members: Ken Sherwood  
Les Hausch  
Herb Gill

## **Audit Committee**

Chair: Ken Sherwood  
Members: Phil Beall  
Herb Gill

## **Investment & Lending Committee**

Chair: Herb Gill  
Members: Phil Beall  
Ken Sherwood

## **Finance Committee**

Chair: Jim Pope  
Members: Judi Corra  
Glenn McLaughlin  
Malcolm Grave  
Peter Boudewyn  
Shawqi Rashed

## **Membership Committee**

Chair: Gilles Deschenes  
Members: Les Hausch  
Patrick Thierman  
Malcolm Grave

## **Head Office Staff**

Phil Moore, General Manager  
Chita Anonuevo  
Colleen Colonna  
Jacqueline Griffin  
Victoria Kowalski  
Diana Leslie  
Linda Pereira  
Eman Raouf  
Theresa Van Grol  
Todd Wade  
Harj Wahid

## **Vancouver Branch Staff**

Richard Rochard, Branch Manager  
Virginia Agujo  
Arundeeep Bains  
Sandeep Grewal  
Margaret Lau  
Aaron Lumb  
Greta Munro  
Eszter Nemeth  
Chanda Tum  
Paul Virdi  
Nick Wong  
Victoria Wong

## **Lougheed Branch Staff**

Tracy Sparkes, Branch Manager  
Cindy Candusso  
Michaela Costa  
Kasia Hodek  
Taj Nisha  
Sha...  
Katalin Pozsar  
Valerie Yiu

## **Surrey Branch Staff**

Bob Hattrick, Branch Manager  
Nancy Brooks  
Greg Keall  
Sara McLeod  
Trista McTeer  
Kuldeep Sahota  
Andy Sanghera  
Sarbjit Kaur Singh  
Mary van Someren

## **Brentwood Branch Staff**

Balbir Bains, Branch Manager  
Paulette Antoniuk  
Julia Austine  
Julian Beckett  
Ilonka Lelkes  
Carey Soura  
Shirley Tinucci  
Gabrielle Pasek

# Board of Directors' Report

We are pleased to announce the strong growth your credit union enjoyed in 2004 both in loans and deposits. Earnings benefited from lower provisions for bad debts and penalty income from early mortgage payment which have contributed to the financial sustainability of your credit union. Throughout the year we continued to sponsor co-operative youth leadership camps, provide scholarships for students, support the GoalGetters Soccer Camps and make donations to a variety of community charities.

Improving credit union member access was our theme for 2004. An initiative to achieve this was the relocation of our Surrey Branch into bright new premises at the intersection of 152<sup>nd</sup> St and 100<sup>th</sup> Ave, half a block from where the branch originally opened in the fall of 1989. There is ample parking at the front door and expanded hours of service means three of our four branches are now open Monday to Saturday for the convenience of our members

Capitalizing on the continued advances in technology we upgraded our telephone banking system and introduced our new Web Page with MemberDirect internet banking. These features allow many of our members to access their accounts 24 hours a day, 7 days a week.

All these achievements would not be possible without the dedication and contribution of our staff.

2004 brought the retirement of Chita Anonuevo, a staff member who participated in the evolution and growth of our credit union for over 34 years. When she joined our credit union the annual report for that year listed assets of just over \$1 million, three staff and noted that the credit union had suffered a burglary and an armed robbery! It also reported that changes to federal legislation would mean that the credit union would soon be paying income tax. Since that date we have paid well over \$1 million in income tax.

In closing, I wish to thank my fellow directors for the time and effort they have devoted over the past year on behalf of our credit union. Further, on behalf of our directors, I wish to thank our dedicated employees for all the work they have done in providing service to our members.

Respectfully submitted on behalf of the Board of Directors,



Glenn McLaughlin, Chair

# General Manager's Report

We enjoyed strong growth in 2004. Assets grew by almost \$11.5 million to end the year at \$133.5 million, up by 9.41% from December 31<sup>st</sup>, 2003.

We started the year with surplus funds to lend. This allowed us to grow our loan portfolio by \$14.4 million or 14.0%. This growth was concentrated in mortgage secured loans and was aided by our recent introduction of the Credit Master Mortgage, developed by the credit union system, which allows us to refinance members' mortgage loans without the need of new documentation.

Deposits grew by \$11 million or 9.7% with most of the growth being concentrated in our term deposit portfolio.

Earnings received a boost from an accounting change. In the past we, like many Financial Institutions, had only taken into income a portion of a penalty payment made by members who paid out their mortgages prior to its maturity. We took the balance of the penalty income over the balance of the original term of the mortgage. This practice recognized that, while the mortgage had been paid prior to its maturity, the source of funds used to make the mortgage was unchanged.

The new Canadian Institution of Chartered Accountants (CICA) rules require Financial Institutions to recognize all mortgage prepayment income at the time of receipt. This resulted in our having to take into income \$188,218 of previously deferred mortgage penalties in 2004.

Low interest rates and a very competitive marketplace saw our overall financial margin (the difference between what we earn on loans and pay for deposits) fall to 2.92% from 3.04% in 2003. However, our non-financial costs only increased by 3.60% and our provision for credit losses fell by \$94,355, or 42%, to our traditional range of about .10 of 1% of total loans.

After paying Patronage and Equity Share dividends we added \$587,546 to our retained earnings. This represented a 13.9% increase, bringing year end retained earnings to \$4.8 million or 3.6% of year end assets.

We are pleased with our steady growth, both in assets and earnings, and believe they will position us to continue to provide a "small" credit union alternative to the big banks and large credit unions for many years to come.

I wish to join our chair in recognizing the contribution of Chita Anonuevo who, as my secretary, has been my support for almost 30 years. During this time she has read my crazy handwriting and helped the credit union meet all the changing governance requirements that our industries growth has thrust upon us.

In closing, on behalf of myself and our staff, I wish to thank your elected representatives, our Board of Directors, for their dedicated service to the credit union during the year.

Respectfully submitted,



J. Philip Moore, General Manager

**GVC Credit Union**  
**May 4, 2005**

# Auditors' Report

Grant Thornton 

To the Members of  
Greater Vancouver Community Credit Union

We have audited the balance sheet of Greater Vancouver Community Credit Union as at December 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

New Westminster, Canada  
February 10, 2005

Chartered Accountants

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# Balance Sheet

December 31	2004	2003
<b>Assets</b>		
Cash resources (Note 4)	\$ 14,897,437	\$ 18,033,318
Loans (Note 5)	116,658,805	102,247,522
Investments and other (Note 6)	761,572	830,473
Premises and equipment (Note 7)	1,166,496	951,935
	<u>\$ 133,484,310</u>	<u>\$ 122,063,248</u>
<b>Liabilities and equity</b>		
Deposits (Note 8)	\$ 127,976,897	\$ 116,941,724
Payables and accruals	260,718	515,957
Equity shares (Note 10)	404,955	351,373
Retained earnings	4,841,740	4,254,194
	<u>\$ 133,484,310</u>	<u>\$ 122,063,248</u>

Commitments (Note 17)

On behalf of the Board



Glenn McLaughlin  
Chair of the Board



Ken Sherwood  
Chair of the Audit Committee

# Statement of Earnings and Retained Earnings

Year Ended December 31	2004	2003
Financial income		
Loans	\$ 6,469,732	\$ 6,464,399
Cash resources and investments	<u>437,282</u>	<u>486,180</u>
	<b>6,907,014</b>	<b>6,950,579</b>
Financial expense		
Deposits	3,149,273	3,263,086
Share dividends	104,561	106,519
Other	<u>82,256</u>	<u>60,536</u>
	<b>3,336,090</b>	<b>3,430,141</b>
Financial margin	<b>3,570,924</b>	3,520,438
Provision for credit losses (Note 5)	<b>(126,944)</b>	(221,299)
Other income (Note 14)	<u>851,722</u>	<u>785,462</u>
Operating margin	<b>4,295,702</b>	4,084,601
Operating expense (Note 15)	<u>3,734,079</u>	<u>3,605,486</u>
Earnings from operations	<b>561,623</b>	479,115
Patronage rebates	<u>46,000</u>	<u>48,000</u>
Earnings before unusual item and income taxes	<b>515,623</b>	431,115
Unusual item (Note 3)	<u>188,218</u>	<u>-</u>
Earnings before income taxes	<b>703,841</b>	431,115
Income taxes (Note 16)	<u>116,295</u>	<u>68,386</u>
Net earnings	<b>587,546</b>	362,729
Retained earnings, beginning of year	<u>4,254,194</u>	<u>3,891,465</u>
Retained earnings, end of year	\$ <u><b>4,841,740</b></u>	\$ <u>4,254,194</u>

See accompanying notes to the financial statements

# Statement of Cash Flows

Year Ended December 31	2004	2003
Cash flows provided by (used in)		
<b>Operating activities</b>		
Net earnings	\$ 587,546	\$ 362,729
Adjustments to determine cash flows:		
Provision for credit losses	126,944	221,299
Gain on sale of investments	(27,380)	-
Amortization	235,440	223,608
Change in interest accruals	6,409	137,654
Future income tax	22,300	30,000
Other	(221,961)	(92,543)
	<u>729,298</u>	<u>882,747</u>
<b>Financing activities</b>		
Deposits, net of withdrawals	11,068,309	6,950,198
Borrowings	-	(750,000)
Equity shares	53,582	25,342
	<u>11,121,891</u>	<u>6,225,540</u>
<b>Investing activities</b>		
Loans, net of repayments	(14,577,772)	(1,105,486)
Proceeds on sale of investments	69,434	86,074
Purchase of investments	(28,731)	-
Premises and equipment	(450,001)	(87,837)
	<u>(14,987,070)</u>	<u>(1,107,249)</u>
Net (decrease) increase in cash resources	(3,135,881)	6,001,038
Cash resources, beginning of year	<u>18,033,318</u>	<u>12,032,280</u>
Cash resources, end of year	\$ <u>14,897,437</u>	\$ <u>18,033,318</u>
<b>Supplemental cash flow information</b>		
Interest paid	\$ 3,192,505	\$ 3,194,026
Taxes paid	107,642	117,131

See accompanying notes to the financial statements

# Notes to the Financial Statements

## 1. Governing legislation

The credit union is incorporated under the Credit Union Incorporation Act of British Columbia; the operation of the credit union is subject to the Financial Institutions Act of British Columbia.

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## 2. Significant accounting policies

### Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting practices. In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and contingent assets and liabilities. Actual results could differ from those estimates.

### Loans

Loans are stated net of unearned income and allowance for credit losses.

#### *Loan interest*

Interest income from loans is recorded on the accrual method, except where a loan is impaired. Interest received on an impaired loan is recognized in earnings only if there is no doubt as to the collectibility of the carrying value of the loan; otherwise, the interest received is credited to the principal.

#### *Loan fees*

Loan prepayment fees are recognized in interest income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are deferred and amortized over the remaining period of the original mortgage.

#### *Allowance for credit losses*

The credit union maintains allowances for credit losses that reduce the carrying value of loans identified as impaired to their estimated realizable amounts. A loan is classified as impaired generally at the earlier of when, in the opinion of management, there is reasonable doubt as to the collectibility of principal and interest, or when interest is 90 days past due. Specific allowances are supplemented by general allowances determined by judgement of management based on historical loan loss experience, known risks in the portfolio and current economic conditions and trends.

### Investments

Investments are recorded at the lower of cost and net realizable value.

# Notes to the Financial Statements

## 2. Significant accounting policies (Continued)

### Premises and equipment

Premises and equipment are recorded at cost less accumulated amortization. Amortization is recorded as follows:

Automated teller machines	5 years, straight-line
Data processing equipment	10% per quarter, declining balance
Furniture and equipment	5% per quarter, declining balance
Vaults	10 years, straight line
Leasehold improvements	term of lease up to ten years

### Income taxes

The credit union follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Net future income tax assets and liabilities are included in other assets.

### Shares

Shares are classified as liabilities or as member equity according to their terms. Where shares are redeemable at the option of the member, either on demand or on withdrawal from membership, the shares are classified as liabilities. Where shares are redeemable at the discretion of the credit union board of directors, the shares are classified as equity.

### Distributions to members

Patronage rebates and dividends on shares are charged against earnings.

### Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's financial statement presentation.

# Notes to the Financial Statements

### 3. Change in accounting policy

The credit union is prospectively adopting a new Canadian Institute of Chartered Accountants' standard as of January 1, 2004. The standard establishes guidelines for financial reporting in accordance with Canadian generally accepted accounting principles (GAAP). This standard provides sources to consult when selecting accounting policies on matters not dealt with explicitly in the primary sources of GAAP. As a result of the new requirements, the credit union has made the following changes to their accounting policy for loan prepayment fees, which are fees charged for early repayment of residential mortgages.

#### *Unusual item*

Prior to January 1, 2004, the credit union deferred and amortized loan prepayment fees over the average remaining term of the related mortgages. In adopting the new standard, loan prepayment fees are recognized in financial income when received. In addition, prepayment fees of \$188,218, which were deferred at December 31, 2003, were recognized in income in the current year as an unusual item on the statement of earnings and retained earnings.

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<b>4. Cash resources</b>	<b>2004</b>	<b>2003</b>
Cash and current accounts	\$ 1,083,786	\$ 1,654,689
Term deposits and accrued interest		
Callable or maturing in three months or less	3,575,851	3,794,134
Maturing after three months	10,237,800	12,584,495
	<u>\$ 14,897,437</u>	<u>\$ 18,033,318</u>

Under governing legislation, the credit union must maintain, for liquidity purposes, deposits with Credit Union Central of British Columbia (Credit Union Central) of at least 10% of deposits and borrowings. At December 31, 2004, the credit union liquidity deposits exceed the minimum requirement by \$2,174,000 (2003: \$6,339,000).

# Notes to the Financial Statements

<b>5. Loans</b>	<b>2004</b>		<b>2003</b>	
Personal loans				
Residential mortgages	\$	<b>89,864,543</b>	\$	78,535,975
Other		<b>6,614,524</b>		6,590,517
Commercial loans				
Mortgages		<b>19,669,545</b>		16,570,743
Other		<b>811,549</b>		844,297
Accrued interest		<b>307,513</b>		347,058
		<u><b>117,267,674</b></u>		<u>102,888,590</u>
Allowance for credit losses				
Specific		<b>173,869</b>		241,068
General		<b>435,000</b>		400,000
		<u><b>608,869</b></u>		<u>641,068</u>
	\$	<u><b>116,658,805</b></u>	\$	<u>102,247,522</u>

Allowance for credit losses				<b>2004</b>	<b>2003</b>
	Beginning balance	Provision	Write-offs less recoveries	<b>Ending balance</b>	Ending balance
Personal loans					
Mortgages	\$ 320,691	\$ 15,000	\$ -	\$ <b>335,691</b>	\$ 320,691
Other	283,750	96,944	116,331	<b>264,363</b>	283,750
Commercial loans	36,627	15,000	42,812	<b>8,815</b>	36,627
	<u>\$ 641,068</u>	<u>\$ 126,944</u>	<u>\$ 159,143</u>	<u>\$ <b>608,869</b></u>	<u>\$ 641,068</u>
Percentage of total loans and accrued interest				<u><b>0.52%</b></u>	<u>0.62%</u>

Impaired loans and related allowances				<b>2004</b>	<b>2003</b>
	Loan balances	Specific allowances	<b>Carrying amount</b>	Carrying amount	
Personal loans					
Mortgages	\$ 791,691	\$ 20,000	\$ <b>771,691</b>	\$ 796,804	
Other	278,446	153,869	<b>124,577</b>	111,352	
	<u>\$ 1,070,137</u>	<u>\$ 173,869</u>	<u>\$ <b>896,268</b></u>	<u>\$ 908,156</u>	

# Notes to the Financial Statements

<b>6. Investments and other</b>	<b>2004</b>	<b>2003</b>
Shares		
Credit Union Central	\$ 457,507	\$ 436,601
Stabilization Central	155	155
Datawest Solutions Inc.	-	42,054
CUPP Services Ltd.	23,473	15,648
Receivables and prepaids	213,639	246,917
Future income taxes	66,798	89,098
	<u>\$ 761,572</u>	<u>\$ 830,473</u>

Investment in shares of Credit Union Central is required by governing legislation and as a condition of membership in Credit Union Central.

<b>7. Premises and equipment</b>			<b>2004</b>			<b>2003</b>
	<u>Cost</u>		<u>Accumulated amortization</u>		<u>Net book value</u>	<u>Net book value</u>
Data processing	\$ 592,488	\$	391,515	\$	200,973	\$ 196,752
Furniture and equipment	1,060,586		762,863		297,723	241,949
Leasehold improvements	<u>1,469,577</u>		<u>801,777</u>		<u>667,800</u>	<u>513,234</u>
	<u>\$ 3,122,651</u>	\$	<u>1,956,155</u>	\$	<u>1,166,496</u>	<u>\$ 951,935</u>

<b>8. Deposits</b>	<b>2004</b>	<b>2003</b>
Demand	\$ 27,200,961	\$ 27,820,366
Membership equity shares (Note 10)	1,932,918	1,842,831
Term	74,459,791	63,741,479
Registered savings plans	23,034,141	22,154,826
Accrued interest and dividends	1,349,086	1,382,222
	<u>\$ 127,976,897</u>	<u>\$ 116,941,724</u>

Demand deposits include \$818,075 (2003: \$889,091) of class "A" savings shares.

Under agreements with the trustee of the registered savings plans, members' contributions to the plans are deposited with the credit union at rates of interest determined by the credit union.

# Notes to the Financial Statements

## 9. Borrowings

The credit union has an operating line of credit and a term loan arrangement with Credit Union Central. A debenture charge on certain assets of the credit union has been provided as security.

## 10. Equity shares

Capital of the credit union is divided into three classes of equity shares designated as follows:

- Class "B" equity shares (membership)
- Class "C" preferred equity shares (voluntary)
- Class "P" patronage equity shares

The credit union is authorized to issue an unlimited number of non-transferable, voting equity shares, with a par value of \$1. With certain exceptions, all members are required to own twenty-five membership equity shares which, under certain occurrences, are redeemable.

Equity shares are not guaranteed by the Credit Union Deposit Insurance Corporation of British Columbia; class "P" shares are redeemable only with the consent of the Board of Directors of the credit union.

Equity shares issued	2004	2003
Class "B" shares	\$ 518,105	\$ 504,278
Class "C" shares	1,414,813	1,338,553
Class "P" shares	404,955	351,373
	<u>2,337,873</u>	<u>2,194,204</u>
Class "B" and "C" shares included as liabilities (Note 8)	<u>(1,932,918)</u>	<u>(1,842,831)</u>
Equity shares	\$ <u>404,955</u>	\$ <u>351,373</u>

## 11. Capital requirements

The credit union is required under governing legislation to maintain a capital base equal to 8% of the total risk-weighted value of assets; each asset being assigned a risk factor based on the probability that a loss may be incurred on ultimate realization of that asset. At December 31, 2004, the credit union had a capital base approximating 11.6% (2003: 12.3%) of the risk-weighted value.

# Notes to the Financial Statements

## 12. Interest rate sensitivity

The credit union is exposed to interest rate risk as a consequence of the mismatch, or gap between the assets and liabilities scheduled to reprice on particular dates.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating interest rates, or due on demand, are classified as maturing within one year, regardless of maturity. Amounts that are not interest sensitive are grouped together, regardless of maturity.

The table below does not incorporate management's expectation of future events where repricing or maturity dates of certain loans and deposits differ significantly from the contractual dates.

	Interest sensitive balances			Not interest sensitive	Total
	Within 3 months	4 months to 1 year	Over 1 to 5 years		
<b>Assets</b>					
Cash resources	\$ 4,645,669	\$ 6,313,588	\$ 3,850,000	\$ 88,180	\$ 14,897,437
<i>Yield</i>	2.55%	3.10%	3.16%		
Loans	33,180,759	19,892,924	63,277,609	307,513	116,658,805
<i>Yield</i>	5.51%	5.66%	5.73%		
Other	457,507	-	-	1,470,561	1,928,068
<i>Yield</i>	4.36%	-	-		
	<u>38,283,935</u>	<u>26,206,512</u>	<u>67,127,609</u>	<u>1,866,254</u>	<u>133,484,310</u>
<b>Liabilities</b>					
Deposits	46,501,647	41,979,884	38,179,880	1,315,486	127,976,897
<i>Yield</i>	1.29%	2.89%	3.74%		
Other	-	-	-	5,507,413	5,507,413
<i>Yield</i>	-	-	-		
	<u>46,501,647</u>	<u>41,979,884</u>	<u>38,179,880</u>	<u>6,822,899</u>	<u>133,484,310</u>
<b>Interest sensitivity position 2004</b>	<u>\$ (8,217,712)</u>	<u>\$ 15,773,372)</u>	<u>\$ 28,947,729</u>	<u>\$ (4,956,645)</u>	<u>\$ -</u>
Interest sensitivity position 2003	<u>\$ (7,675,927)</u>	<u>\$ (21,441,936)</u>	<u>\$ 3,709,755</u>	<u>\$ (4,591,892)</u>	<u>\$ -</u>

# Notes to the Financial Statements

## 13. Fair values of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and therefore fair values are based on estimates.

No fair values have been determined for premises and equipment or any other asset or liability that is not a financial instrument. The fair values of cash resources, variable rate loans and deposits, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

Changes in interest rates are the main cause of changes in the fair value of the credit union's financial instruments. The majority of the credit union's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to interest rate changes.

	2004			2003
	Book value	Fair value	Difference	Difference
<b>Assets</b>				
Cash resources	\$ 14,897,000	\$ 14,897,000	\$ -	\$ -
Loans	116,659,000	117,733,000	<b>1,074,000</b>	1,256,000
Investments	762,000	762,000	-	-
			<b>1,074,000</b>	1,256,000
<b>Liabilities</b>				
Deposits	127,977,000	128,577,000	<b>(600,000)</b>	(1,428,000)
<b>Net difference</b>			<b>\$ 474,000</b>	<b>\$ (172,000)</b>

## 14. Other income

	2004	2003
Account service fees	\$ 550,063	\$ 555,016
Loan administration fees	79,940	69,126
Other	76,782	65,622
Foreign exchange	66,365	56,653
Insurance commissions and fees	51,192	39,045
Gain on sale of investments	27,380	-
	<b>\$ 851,722</b>	<b>\$ 785,462</b>

# Notes to the Financial Statements

<b>15. Operating expense</b>	<b>2004</b>	<b>2003</b>
Salaries and benefits	\$ 1,817,536	\$ 1,812,726
Premises, equipment and supplies	722,819	641,958
Data processing	240,827	249,625
Amortization	235,440	223,608
Advertising and member relations	190,819	125,113
Service charges	160,310	168,736
Other	151,482	159,264
Meetings	61,226	61,814
Professional services	85,111	90,338
Dues and assessments	68,509	60,363
Capital taxes	-	11,941
	<u>\$ 3,734,079</u>	<u>\$ 3,605,486</u>

## **16. Income taxes**

The components of income tax expense are as follows:

	<b>2004</b>	<b>2003</b>
Current	\$ 93,995	\$ 98,386
Future	<u>22,300</u>	<u>(30,000)</u>
	<u>\$ 116,295</u>	<u>\$ 68,386</u>

The total income taxes in the statement of earnings is at a rate less than the combined federal and provincial statutory tax rates for the following reasons:

	<b>2004</b>	<b>2003</b>
Combined federal and provincial statutory income tax rate	35.6 %	37.6 %
Credit union rate reduction	(18.0)%	(20.0)%
Other	<u>(1.1)%</u>	<u>(1.7)%</u>
	<u>16.5 %</u>	<u>15.9 %</u>

The components of future income tax balances are as follows:

	<b>2004</b>	<b>2003</b>
Allowance for credit losses	\$ 79,500	\$ 74,000
Premises and equipment	(27,000)	(34,000)
Other	<u>14,298</u>	<u>49,098</u>
	<u>\$ 66,798</u>	<u>\$ 89,098</u>

# Notes to the Financial Statements

## 17. Commitments

### Premises

The credit union leases branch premises. Minimum lease payments under existing lease contracts for each of the next five years are:

2005	\$	451,000
2006		451,000
2007		450,000
2008		448,000
2009		444,000

### Banking system

The credit union is committed to acquire on line data processing services until November 2009. Data processing charges are based on the level of equipment and services utilized and on the number of credit union members.

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## 18. Other information

At December 31, 2004, loans to employees, directors, officers and members of a committee of the credit union amounted to \$1,079,890 (2003: \$1,656,837). Directors, in their capacity as directors, received \$14,000 (2003: \$14,000).

# 5 Year Comparison of Annual Audited Financial Statements

Balance Sheet:	2004		2003		2002		2001		2000	
	\$	Increase								
<b>Assets:</b>	<b>\$133,484</b>	<b>9.41%</b>	<b>\$122,002</b>	<b>5.78%</b>	<b>\$115,335</b>	<b>12.63%</b>	<b>\$102,403</b>	<b>7.11%</b>	<b>\$ 95,608</b>	<b>6.37%</b>
<b>Loans:</b>										
Mortgages	\$109,554	15.19%	\$ 95,107	1.08%	\$ 94,088	18.04%	\$ 79,710	6.92%	\$ 74,551	2.06%
Other security	\$ 7,713	-0.88%	\$ 7,782	-1.33%	\$ 7,886	23.74%	\$ 6,373	7.39%	\$ 5,934	0.21%
<b>Total Loans</b>	<b>\$117,267</b>	<b>13.98%</b>	<b>\$102,888</b>	<b>0.90%</b>	<b>\$101,974</b>	<b>18.46%</b>	<b>\$ 86,083</b>	<b>6.96%</b>	<b>\$ 80,485</b>	<b>1.92%</b>
<b>Deposits:</b>										
Demand	\$ 27,201	-2.23%	\$ 27,820	10.55%	\$ 25,165	22.87%	\$ 20,481	13.29%	\$ 18,079	15.32%
Term	\$ 74,460	16.82%	\$ 63,741	4.53%	\$ 60,982	9.82%	\$ 55,531	3.43%	\$ 53,688	8.42%
Registered	\$ 23,034	3.97%	\$ 22,155	5.06%	\$ 21,088	8.64%	\$ 19,412	13.14%	\$ 17,158	9.41%
<b>Total Deposits</b>	<b>\$124,695</b>	<b>9.65%</b>	<b>\$113,717</b>	<b>6.04%</b>	<b>\$107,235</b>	<b>12.38%</b>	<b>\$ 95,424</b>	<b>7.31%</b>	<b>\$ 88,925</b>	<b>9.95%</b>
<b>Capital:</b>										
Retained Earnings	\$ 4,842	13.81%	\$ 4,254	9.32%	\$ 3,891	12.54%	\$ 3,458	8.84%	\$ 3,177	8.15%
Equity Shares	\$ 2,338	4.86%	\$ 2,229	28.45%	\$ 1,736	2.82%	\$ 1,688	2.06%	\$ 1,654	0.81%
<b>Total Capital</b>	<b>\$ 7,180</b>	<b>10.73%</b>	<b>\$ 6,484</b>	<b>15.22%</b>	<b>\$ 5,627</b>	<b>9.35%</b>	<b>\$ 5,146</b>	<b>6.52%</b>	<b>\$ 4,831</b>	<b>5.52%</b>
<b>Financial Income &amp; Expense</b>	<b>2004</b>	<b>% of av. Assets</b>	<b>2003</b>	<b>% of av. Assets</b>	<b>2002</b>	<b>% of av. Assets</b>	<b>2001</b>	<b>% of av. Assets</b>	<b>2000</b>	<b>% of av. Assets</b>
Loan Interest	\$ 6,470	5.06%	\$ 6,464	5.45%	\$ 6,057	5.56%	\$ 6,227	6.29%	\$ 6,207	6.69%
Investment Income	\$ 437	0.34%	\$ 486	0.41%	\$ 525	0.48%	\$ 641	0.65%	\$ 559	0.60%
<b>Total Interest Income</b>	<b>\$ 6,907</b>	<b>5.41%</b>	<b>\$ 6,951</b>	<b>5.86%</b>	<b>\$ 6,582</b>	<b>6.05%</b>	<b>\$ 6,868</b>	<b>6.94%</b>	<b>\$ 6,766</b>	<b>7.30%</b>
<b>Interest Expense</b>	<b>\$ 3,232</b>	<b>2.53%</b>	<b>\$ 3,324</b>	<b>2.80%</b>	<b>\$ 3,142</b>	<b>2.89%</b>	<b>\$ 3,811</b>	<b>3.85%</b>	<b>\$ 3,915</b>	<b>4.22%</b>
<b>Financial Margin</b>	<b>\$ 3,676</b>	<b>2.88%</b>	<b>\$ 3,627</b>	<b>3.06%</b>	<b>\$ 3,440</b>	<b>3.16%</b>	<b>\$ 3,057</b>	<b>3.09%</b>	<b>\$ 2,851</b>	<b>3.07%</b>
<b>Other Income</b>	<b>\$ 852</b>	<b>0.67%</b>	<b>\$ 785</b>	<b>0.66%</b>	<b>\$ 937</b>	<b>0.86%</b>	<b>\$ 867</b>	<b>0.88%</b>	<b>\$ 742</b>	<b>0.80%</b>
<b>Operating Margin</b>	<b>\$ 4,527</b>	<b>3.54%</b>	<b>\$ 4,412</b>	<b>3.72%</b>	<b>\$ 4,377</b>	<b>4.02%</b>	<b>\$ 3,924</b>	<b>3.96%</b>	<b>\$ 3,593</b>	<b>3.87%</b>
<b>Non Financial Expense</b>										
Salaries	\$ 1,818	1.42%	\$ 1,813	1.53%	\$ 1,745	1.60%	\$ 1,557	1.57%	\$ 1,447	1.56%
Premises & Supplies	\$ 723	0.57%	\$ 642	0.54%	\$ 636	0.58%	\$ 629	0.63%	\$ 573	0.62%
Administration	\$ 717	0.56%	\$ 678	0.57%	\$ 756	0.69%	\$ 736	0.74%	\$ 688	0.74%
Data Processing	\$ 241	0.19%	\$ 250	0.21%	\$ 213	0.20%	\$ 223	0.22%	\$ 200	0.22%
Depreciation	\$ 235	0.18%	\$ 224	0.19%	\$ 215	0.20%	\$ 199	0.20%	\$ 148	0.16%
<b>Total</b>	<b>\$ 3,734</b>	<b>2.92%</b>	<b>\$ 3,605</b>	<b>3.04%</b>	<b>\$ 3,565</b>	<b>3.27%</b>	<b>\$ 3,343</b>	<b>3.38%</b>	<b>\$ 3,056</b>	<b>3.29%</b>
<b>Operating Income</b>	<b>\$ 793</b>	<b>0.62%</b>	<b>\$ 807</b>	<b>0.68%</b>	<b>\$ 813</b>	<b>0.75%</b>	<b>\$ 581</b>	<b>0.59%</b>	<b>\$ 537</b>	<b>0.58%</b>
Loan Losses	\$ 127	0.10%	\$ 221	0.19%	\$ 164	0.15%	\$ 99	0.10%	\$ 89	0.10%
Unusual item	\$ 188	0.15%								
Dividends	\$ 151	0.12%	\$ 155	0.13%	\$ 133	0.12%	\$ 141	0.14%	\$ 155	0.17%
Income Tax	\$ 116	0.09%	\$ 68	0.06%	\$ 82	0.08%	\$ 60	0.06%	\$ 54	0.06%
<b>Net Earnings</b>	<b>\$ 588</b>	<b>0.46%</b>	<b>\$ 363</b>	<b>0.31%</b>	<b>\$ 434</b>	<b>0.40%</b>	<b>\$ 281</b>	<b>0.28%</b>	<b>\$ 239</b>	<b>0.26%</b>
Equity Share Dividend	8.00%		8.00%		6.00%		6.00%		6.00%	
Membership	6541		6381		6381		6494		7128	
Staff	43.4		40.2		41.5		40.4		40.0	
Branches	4		4		4		4		5	

## Notes

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## Notes

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