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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Reviews Of The Audits Of The National Consumer Cooperative Bank's Financial Statements For The Years Ended December 31, 1983 And 1982

GAO reviewed the independent certified public accountants' audits of the National Consumer Cooperative Bank's financial statements for the years ended December 31, 1983 and 1982. GAO found nothing to indicate the opinion of the independent certified public accountants is inappropriate or cannot be relied on.

In the opinion of the Bank's independent certified public accountants, the financial statements present fairly the Bank's financial position as of December 31, 1983 and 1982, and the results of its operations, changes in members' equity, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-206732

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our reviews of Peat, Marwick, Mitchell & Co.'s audits of the statements of financial condition of the National Consumer Cooperative Bank as of December 31, 1983 and 1982, and the related statements of income, changes in members' equity, and changes in financial position for the years then ended. Our reviews were made under provisions of the National Consumer Cooperative Bank Act (12 U.S.C. 3025), which authorizes and directs us to audit the Bank. The Bank provides loans and technical assistance to cooperatives.

Our reviews were conducted in accordance with generally accepted government auditing standards. To avoid unnecessary duplication and expense and make the most efficient use of our available resources, we relied on the work and reports of the Bank's independent certified public accountants rather than conduct financial audits ourselves. To review the reasonableness of the auditors' work and determine the extent to which we could rely on it, we

--interviewed the Bank's officials to obtain information about the Bank's operations, including the maintenance of its financial records and the preparation of its financial statements;

--interviewed the auditors to identify the audit approach used and the methods used to control the quality of audit work;

--obtained information about the qualifications and independence of the auditors;

--reviewed the Bank's financial statements and the auditors' reports for compliance with the reporting requirements of generally accepted accounting principles and generally accepted government auditing standards; and

--reviewed the auditors' workpapers to determine:

- the nature, timing, and extent of audit work performed;

- whether the audit quality control methods identified by the auditor were actually used;

- whether there was a proper study and evaluation of the Bank's internal controls; and

- whether the auditors tested transactions for compliance with applicable laws and regulations.

We found that the audits were conducted in accordance with generally accepted government auditing standards.

In the opinion of Peat, Marwick, Mitchell & Co., the Bank's financial statements present fairly its financial position as of December 31, 1983 and 1982, and the results of its operations, changes in members' equity, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. During our reviews, we found nothing to indicate that Peat, Marwick, Mitchell & Co.'s opinion on the Bank's 1983 and 1982 financial statements is inappropriate or that it cannot be relied on. The auditors' work did not disclose any material internal control weaknesses or noncompliance with laws and regulations. The opinion, statement on internal controls, statement on compliance with laws and regulations, and the financial statements are in appendix I.

We are sending copies of this report to the Director of the Office of Management and Budget; the Chairmen of the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Banking, Finance and Urban Affairs; the Secretary of the Treasury; and the Bank's Board of Directors.

Charles A. Bowsher

Comptroller General
of the United States

APPENDIX I

PEAT MARWICK

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1990 K Street, N.W.
Washington, D.C. 20006

The Board of Directors
National Consumer Cooperative Bank:

We have examined the statements of financial condition of the National Consumer Cooperative Bank as of December 31, 1983 and 1982 and the related statements of income, changes in members' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the National Consumer Cooperative Bank at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

January 30, 1984

PEAT MARWICK

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1990 K Street, N.W.
Washington, D.C. 20006

The Board of Directors
National Consumer Cooperative Bank:

We have examined the financial statements of National Consumer Cooperative Bank for the year ended December 31, 1983, and have issued our report thereon dated January 30, 1984.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," 1981 revision. Solely to assist us in planning and performing our examination, we made a study and evaluation of the internal accounting controls of National Consumer Cooperative Bank. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system.

For the purpose of this report, we have identified the internal accounting controls in the areas of investments, commercial and real estate loans, and cash disbursements as significant controls; however, we did not compliance test the internal accounting controls in these areas because we considered it more efficient to expand substantive tests and to place no reliance on the controls. Our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control. However, during our examination, we did not become aware of any conditions that we believe to be a material weakness.

The management of National Consumer Cooperative Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

This report is intended solely for the use of management of National Consumer Cooperative Bank, the General Accounting Office and other associated Federal organizations and should not be used for any other purpose.

Peat, Marwick, Mitchell & Co.

January 30, 1984

PEAT MARWICK

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1990 K Street, N.W.
Washington, D.C. 20006

The Board of Directors
National Consumer Cooperative Bank:

We have examined the financial statements of the National Consumer Cooperative Bank as of and for the years ended December 31, 1983 and 1982, and have issued our report thereon dated January 30, 1984. Our examinations were made in accordance with generally accepted auditing standards and the provisions of "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", 1981 revision, promulgated by the Comptroller General of the United States, which pertain to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our examinations, we have reviewed the provisions of the National Consumer Cooperative Bank Act (PL 95-351 Amended) to determine the material compliance requirements which may have a financial impact.

In our opinion, for the tested operations and records, the National Consumer Cooperative Bank complied with the material compliance requirements of the National Consumer Cooperative Bank Act (PL 95-351 Amended) referred to above. Further, based upon our examinations and the procedures referred to above, for those operations and records not tested, nothing came to our attention to indicate that the Corporation had not complied with the compliance requirements referred to above.

Peat, Marwick, Mitchell & Co.

January 30, 1984

Statements of Financial Condition December 31, 1983 and 1982

Assets

	1983	1982
Assets		
Cash	$ 763,051	$ 259,782
Investments (Note 3)	149,984,780	141,274,020
Accrued interest receivable	4,915,575	4,878,409
Loans (Notes 4, 5, 6 and 7)	69,182,236	75,596,693
Less: Allowance for possible loan losses	4,467,255	8,411,911
Net loans	64,714,981	67,184,782
Fixed assets, net of accumulated depreciation of $557,483 in 1983 and $273, 031 in 1982 (Note 8)	1,206,000	988,555
Other assets	372,748	84,736
Total Assets	$221,957,135	$214,670,284

Liabilities and Members' Equity

	1983	1982
Liabilities		
Accounts payable	$ 714,751	$ 869,972
Accrued interest payable on Class A Notes	1,794,591	3,010,912
Other accrued expenses	465,053	420,732
Commitment fees, deferred income & other credits (Note 4)	1,569,571	1,471,759
	4,543,966	5,773,375
U.S. Treasury Class A Notes (Note 10)	184,270,000	184,270,000
Members' Equity		
Common stock (Note 11)	6,054,024	5,825,521
Retained earnings		
Allocated	6,178,839	—
Unallocated	20,910,306	18,801,388
	33,143,169	24,626,909
Total Liabilities and Members' Equity	$221,957,135	$214,670,284

The accompanying notes are an integral part of these statements.

Statements of Income
Years Ended December 31, 1983 and 1982

	1983	1982
Interest earned from:		
Investments	$14,232,916	$19,981,540
Loans	8,164,034	6,691,647
Total interest earned	22,396,950	26,673,187
Interest expense (Note 10)	1,794,591	3,547,757
Net interest income	20,602,359	23,125,430
Provision for possible loan losses	1,301,134	2,470,135
Net interest income after provision for possible loan losses	19,301,225	20,655,295
Other income	416,260	234,701
Operating expenses		
Salaries and employee benefits (Note 12)	4,635,793	4,903,565
Contractual services	2,353,718	2,857,895
Occupancy and equipment expenses (Note 9)	1,692,957	1,221,490
Contribution to Consumer Cooperative Development Corp.	1,000,000	—
Other expenses	1,103,484	1,263,775
Total operating expenses	10,785,952	10,246,725
Net income	8,931,533	10,643,271
Appropriations for operating expenses	—	1,387,026
Income After Appropriations	$ 8,931,533	$12,030,297

The accompanying notes are an integral part of these statements.

Statements of Changes in Financial Position
Years Ended December 31, 1983 and 1982

Financial Resources Provided	1983	1982
Income after appropriations	$ 8,931,533	$12,030,297
Items not requiring resources:		
Provisions for possible loan losses	1,301,134	2,470,135
Depreciation and amortization	284,452	185,875
Revenue from appropriations	—	(1,387,026)
Resources provided from operations	$10,517,119	$13,299,281
Decrease in assets:		
Cash	—	488,657
Investments	—	1,412,791
Funds in escrow accounts		5,406,662
Loans-net	1,168,667	—
Other assets	—	289,632
Increase in liabilities:		
Accounts payable	—	319,276
Accrued interest on Class A Notes	—	3,010,912
Other accrued expenses	44,321	18,177
Commitment fees, deferred income and other credits	97,812	1,454,212
Common Stock Issued-Net	228,503	—
Total Resources Provided	$12,056,422	$25,699,600
Financial Resources Applied		
Increase in assets:		
Cash	$ 503,269	$ —
Investments	8,710,760	—
Loans-net	—	20,963,157
Interest receivable	37,166	4,091,870
Other assets	288,012	—
Decrease in liabilities:		
Accounts payable	155,219	—
Accrued interest on Class A Notes	1,216,323	—
Additions to fixed assets-net	501,897	598,080
Cash payout on equity redemption	643,776	—
Common stock redeemed-net	—	46,493
Total Resources Applied	$12,056,422	$25,699,600

The accompanying notes are an integral part of these statements.

APPENDIX I

Statements of Changes in Members' Equity
Years Ended December 31, 1983 and 1982

	Common Stock	Appropriations for Operations	Retained Earnings Unallocated	Retained Earnings Allocated	Total Members' Equity
Balance at December 31, 1981	$ 5,872,014	$ 1,387,026	$ 6,771,091	—	$14,030,131
Proceeds from issuance of common stock	102,174	—	—	—	102,174
Stock redeemed in loan charge-offs (Note 2)	(148,667)	—	—	—	(148,667)
Appropriations recognized as revenue	—	(1,387,026)	—	—	(1,387,026)
Net income	—	—	12,030,297	—	12,030,297
Balance at December 31, 1982	5,825,521	—	18,801,388	—	24,626,909
Proceeds from issuance of common stock	238,557	—	—	—	238,557
Stock redeemed in loan charge-offs (Note 2)	(10,054)	—	—	—	(10,054)
Patronage dividends distributed (Note 13)	—	—	(12,616,592)	12,616,592	—
Redemption of patronage dividends (Note 13)	—	—	6,437,753	(6,437,753)	—
Cash payout on redemption of patronage dividend			(643,776)		(643,776)
Net income	—	—	8,931,533	—	8,931,533
Balance at December 31, 1983	$ 6,054,024	$ —	$20,910,306	$ 6,178,839	$33,143,169

The accompanying notes are an integral part of these statements.

Notes to Financial Statements
December 31, 1983 and 1982

1 Organization

The National Consumer Cooperative Bank (the "Bank") is a U.S. Government-chartered corporation with government financial interest and representation on the Board of Directors. The Bank provides loans and technical assistance to cooperatives.

2 Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Investments

Investment securities are carried at amortized cost which approximates market value. Gains or losses on sales of investments are recognized at the time of sale using the specific identification method and are included in other income.

Loans

Loans are carried at their principal amounts outstanding. The Bank discontinues the accrual of interest on loans when principal or interest payments are ninety days or more in arrears. If, in the opinion of management, the outstanding principal remains collectible, such a loan remains on the books as a "nonaccrual" loan. Interest income on nonaccrual loans is recognized on a cash basis.

Allowance for Possible Loan Losses

The allowance for loan losses is a valuation allowance which management believes to be adequate to cover anticipated loan losses. Provision for loan losses is added to the allowance and charged to expense. Loan charge-offs, net of recoveries, are subtracted from the allowance. Factors utilized by management in determining the adequacy of the allowance include, but are not limited to, the following: the present and prospective financial condition of our borrowers, evaluation of the loan portfolio in conjunction with historical loss experience, portfolio composition and current and projected economic conditions.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation on items purchased before 1982 was computed on a straight-line basis over five and ten years. In 1982 the Bank began using an accelerated method for new purchases.

Common Stock

Borrowers from the Bank are required to purchase Class B stock in the Bank. The purchase of this stock, and other stock as may be required, may be financed by the Bank. Stock owned by a borrower may be redeemed by the Bank in the case of default.

Income Taxes

The Bank does not pay federal income taxes on any appropriated funds it receives. The National Consumer Cooperative Bank Act Amendments of 1981 (P.L. 97-35) provide that, effective January 1, 1982, the Bank shall be treated as a cooperative and subject to the provisions of subchapter T of the Internal Revenue Code. Section 109 of the Bank Act, as amended, provides that the Bank is exempt from state and local taxes with the exception of real estate taxes.

Appropriation by the U.S. Government

During the fiscal years ended September 30, 1979, 1980 and 1981, the U.S. Government appropriated funds for purchase of the Bank's class A preferred stock. This stock was exchanged for class A notes on December 31, 1981.

Appropriations for operating expenses during the Bank's start-up period, net of any lapsed or rescinded appropriations, are non-refundable. On January 1, 1982, the Bank assumed all unliquidated obligations associated with these appropriations. Accordingly, any unexpended appropriations for operations were recognized as revenue during 1982.

3 Investments

Investments consist of securities with maturities less than 1 year with interest rates varying from 8.22% to 14.5%, as follows:

	1983	1982
Certificates of deposit	$ 16,696,963	$ 12,300,000
Euro certificates and time deposits	52,500,000	95,057,837
Federal funds	74,319,899	25,500,000
U.S. Treasury and agency obligations	10,668,378	13,852,983
Discount notes and bankers acceptance	5,795,540	–
Securities sold under agreement to repurchase	(9,996,000)	(5,436,800)
	$149,984,780	$141,174,020

Interest expense related to securities sold under agreements to repurchase during 1983 amounted to $1,226,084 and is included in interest earned from investments on the income statement.

4 Loans and Nonperforming Assets

The following is a table of loans outstanding by category as of December 31, 1983 and 1982:

	1983	1982
Multi-family housing cooperatives:		
Loans to established cooperatives	$17,248,079	$12,014,280
Loans to developing cooperatives	35,209,026	46,426,635
	52,457,105	58,440,915
Food, producer and other cooperatives:		
Loans to established cooperatives	16,563,240	15,382,227
Loans to developing cooperatives	161,891	1,773,551
	16,725,131	17,155,778
	$69,182,236	$75,596,693

Additionally, and in the normal course of business, the Bank makes loan commitments which are not reflected in the accompanying financial statements. These outstanding commitments total $39,555,743 and $33,298,014 at December 31, 1983 and 1982, respectively.

APPENDIX I

At December 31, 1983, management internally classified 19 loans aggregating $24,911,986 as less than acceptable credit risk. Twelve loans aggregating $3,902,660 are current as to principal and interest. Three are in nonaccrual status. At December 31, 1982, management internally classified 16 loans aggregating $29,200,000 as less than acceptable credit risk. Twelve loans aggregating $18,700,000 were current as to principal and interest. Three were in a nonaccrual status.

Nonaccrual loans are defined as loans for which payments are 90 days or more past due. As of December 31, 1983, the Bank had three nonaccrual loans outstanding, aggregating $12,249,728 on December 31, 1982, the Bank had three nonaccrual loans outstanding, aggregating $10,688,744. The effect of these nonaccrual loans on interest income for years ending December 31, 1983 and 1982 were reductions of $1,300,000 and $1,600,000, respectively. At December 31, 1983, there were no commitments to lend additional funds to debtors whose loans were in nonaccrual status.

The other loan rated unacceptable in each year is a rewritten loan for interest due, initially $650,000, and payable over 30 years. Income recognition has been deferred until payments are received.

As of December 31, 1983, the Bank had 6 loans totalling $4,773,842 which were renegotiated due to adverse changes in the borrower's financial condition. These loans were renegotiated with a reduced interest rate or with an extension of payment of principal and interest. Interest income lost due to renegotiations totalled $149,817 in 1983.

5 Portfolio Risk and Security

The Bank is a long-term lender to consumer cooperatives. On real estate and rehabilitation loans which it finances, it also acts as the permanent lender. Maturities of loans generally range from 20 to 30 years.

As an inherent part of its charter and reason for existence, the Bank, in addition to making loans to established cooperative businesses, extends credit to newer, less established cooperatives. Estimates of repayment abilities of these newer developmental entities are generally less reliable than estimates of repayment abilities of existing cooperatives. In these instances, the Bank seeks to protect its interest by increasing collateral requirements, loan guarantees, etc.

The Bank's commercial and real estate portfolios are generally quite diverse. The Bank has, however, loans outstanding in excess of five million dollars to each of four cooperatives totalling approximately $27 million. One of these is FHA insured, one has been current since inception, one is past due and in a work-out status, and one is a nonaccrual and in work-out status. The latter two loans were classified internally by management as less than acceptable credit risks at December 31, 1983.

The Bank only makes unsecured loans to its most creditworthy borrowers. In securing loans, collateral taken includes both first and junior real estate mortgages, inventory, equipment, accounts receivable, and other assets. In certain instances, the Bank holds a junior position only; however, these positions are considered adequate to collateralize the debt outstanding.

6 Affiliations of the Board of Directors

Sections 103 of the National Consumer Cooperative Bank Act as amended, requires that twelve of the fifteen members of the Bank's Board of Directors be elected by holders of class B and C stock and that they have actual cooperative experience. Bank stock is, by law, sold only to borrowers and entities eligible to borrow. Thus, in the normal course of business, members of the Bank's Board of Directors may be affiliated with cooperatives receiving or eligible to receive loans from the Bank. The Bank has strict conflict of interest rules which require, among other things, that a Board member be disassociated from decisions which pose a conflict of interest or the appearance of a conflict of interest.

Loan requests from cooperatives with which members of the Board of Directors may be affiliated are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests.

7 Allowance for Possible Loan Losses

The following is a summary of the transactions in the allowance for possible loan losses.

	1983	1982
Balance at beginning of year	$8,411,911	$6,049,563
Add: Provision for possible losses	1,301,134	2,470,135
	9,713,045	8,519,698
Deduct: Charge-offs, net of recoveries	5,245,790	107,787
	$4,467,255	$8,411,911

The allowance for possible loan losses as a percentage of loans outstanding at both December 31, 1983, and 1982, was 6.5% and 11.1% respectively.

The Consumer Cooperative Development Corporation (CCDC), formerly the Bank's Office of Self-Help Development and Technical Assistance, at times makes loans to the same consumer cooperatives as the Bank. In such cases, losses and related provisions are charged to CCDC first and then to the Bank.

8 Fixed Assets

Fixed assets consist of the following:

	1983	1982
Furnishings and equipment	$1,226,756	$ 829,639
Leasehold improvements	425,901	417,414
Other	110,826	14,533
	1,763,483	1,261,586
Less: Accumulated depreciation	557,483	273,031
	$1,206,000	$ 988,555

9 Leases

The Bank leases its headquarters in Washington D.C. for a 10 year period expiring on May 14, 1991 with an option to purchase the property on May 15, 1987 and the premises for a regional office for a 5 year period expiring on December 31, 1988 and the premises for a branch office for a 2 year period expiring on November 30, 1985. The Bank also leases a telephone system at its Washington, D.C. office for a 5 year period expiring on May 31, 1987. These leases are all non-cancelable operating leases.

In addition, the Bank leases the premises for 2 regional and 1 branch offices and its IBM System 36 equipment. These are all operating leases which may be cancelled with 60-120 days notice.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 1983, for each of the next five years and thereafter are:

	Amount
1984	$ 901,328
1985	921,446
1986	957,203
1987	970,066
1988	954,642
Subsequent to 1988	3,093,129
	$7,797,814

Rental expense in each year under all operating leases is as follows:

	1983	1982
Office space	$ 849,704	$697,676
Telephone System	37,045	20,016
IBM system 36 and other equipment	208,736	165,373
	$1,095,485	$883,065

10 U.S. Treasury Class A Notes

On December 31, 1981, the Bank issued unsecured non-negotiable, class A capital notes to the U.S. Treasury in the amount of $184,270,000 as provided in the Bank Act, as amended, in full redemption of the class A preferred stock previously owned by the Government. The notes and all related payments are subordinated to any secured or unsecured notes and debentures thereafter issued by the Bank, but the notes have first preference with respect to the Bank's assets over all classes of stock issued by the Bank. So long as any class A notes are outstanding, the Bank shall not pay any dividend on any class of stock at a rate greater than the statutory interest rate payable on class A notes.

The notes require that, beginning on December 31, 1981, and ending on December 31, 1990, 30% of the proceeds from the sale of stock, other than classes B or C, be applied to the redemption of the notes. The notes are to be fully repaid, according to a repayment schedule to be established December 31, 1990. The proceeds from the sale of classes B and C stock are to be applied annually toward the repayment of the notes.

The Bank Act states that the amount of Bank borrowing which may be outstanding at any one time shall not exceed 10 times the paid-in capital and surplus of the Bank, which paid-in capital and surplus as defined by the Bank Act includes the amount of the class A notes.

The interest rate, subject to the following limitation, is determined by the U.S. Treasury on the basis of the average market yield of U.S. obligations of comparable maturity. However, until 1990, the notes entitle the holder to annual interest payments not to exceed 25% of the Bank's gross revenues less necessary operating expenses, including a provision for losses. With the consent of the U.S. Treasury, interest may accumulate in certain circumstances.

Interest expense in 1983 and 1982 was subject to the 25% earnings limitation discussed above. Interest expense amounted to $1,794,591 and $3,547,757 for an effective rate of 1.0% and 1.9% respectively.

11 Common Stock

The Bank's common stock consists of class B stock owned by borrowers from the Bank, class C stock owned by cooperatives eligible to borrow from the Bank, and class D non-voting stock owned by others.

The Bank's common stock consists of the following:

	1983			1982		
	Class B	Class C	Class D	Class B	Class C	Class D
Par value per share	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Shares authorized	100,000	100,000	100,000	100,000	100,000	100,000
Shares issued & outstanding	11,732	48,805	3	9,421	48,831	4

12 Employee Benefits

Substantially all employees are covered by a non-contributory defined contribution retirement plan. Total expense for the retirement plan is $70,654 in 1983 and $220,221 in 1982.

The Bank maintains an employee thrift plan and contributes up to 6% of each participants salary. Contribution and expense for 1983 and 1982 was $162,691 and $189,624 respectively.

13 Patronage Refunds

The Bank may make deductible patronage refunds in the form of stock or allocated surplus. These refunds are deductible for federal income tax purposes. Patrons of the Bank receiving such refunds consent to include them in their income. On December 1, 1983, the Bank offered to redeem the patronage dividend at 10% of face value. At December 31, 1983, the Bank had redeemed $6,437,753 of patronage dividends. The remaining shareholders have until March 31, 1984, to exercise this offer.

14 Transfer of Assets

On December 30, 1982, in accordance with the provisions of the Bank Act, the Bank transferred certain assets, totalling $24,101,603, to a new corporation, the Consumer Cooperative Development Corporation (CCDC). This new corporation was established on December 30, 1982, under the laws of the District of Columbia, as a non-profit corporation without capital stock for the purpose of assuming the functions previously performed by the Bank's Office of Self-Help Development and Technical Assistance. CCDC's bylaws provide for six Board of Directors from the Bank to serve on the CCDC Board of Directors along with three outside directors not related to the Bank.

The financial statements of the Bank for the year ending December 31, 1983, and 1982 do not include the net assets or results of operations of CCDC.

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