



# BERMUDA CREDIT UNION CO-OP SOCIETY

ANNUAL REPORT  
2019



## *Prayer of St. Francis of Assisi*

*Lord, make me an instrument of Thy peace;  
Where there is hatred, let me sow love;  
Where there is injury, pardon;  
Where there is error, the truth;  
Where there is doubt, the faith;  
Where there is despair, hope;  
Where there is darkness, light;  
And where there is sadness, joy.*

*O Divine Master,  
Grant that I may not so much seek  
To be consoled, as to console;  
To be understood, as to understand;  
To be loved as to love.*

*For it is in giving that we receive;  
It is in pardoning that we are pardoned;  
And it is in dying that we are born to eternal life.*

*Amen.*



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**NOTICE IS HEREBY GIVEN** that the 40th Annual General Meeting of the Bermuda Credit Union Co-operative Society will be held at the Dr. E. F. Gordon Memorial Hall, Union Square, Wednesday, May 29, 2019 commencing at 6:00 p.m. Registration commences at 5:30 p.m.

*The first 100 persons registered and seated will be eligible to participate in the raffle. There will be three gate prizes.*

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NOTICE OF ANNUAL GENERAL MEETING



AGENDA

- 1 Minutes of previous AGM and adoption
- 2 Report of the Board of Directors
- 3 Reports of the Auditor and Treasurer
- 4 Report of the Credit Committee
- 5 Report of the Supervisory Committee
- 6 Resolutions
- 7 Unfinished Business
- 8 Distribution of Surplus
- 9 Fixing of Maximum Liability
- 10 New Business
- 11 Elections
- 13 Appointment of Auditor
- 14 Adjournment

BERMUDA CREDIT UNION  
CO-OP SOCIETY  
49 Union Square,  
Hamilton HM 12  
Bermuda

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Website: [www.bcu.bm](http://www.bcu.bm)

ATTORNEYS:  
King & Associates and Wakefield Quin Ltd.

AUDITORS:  
Moore Stephens &  
Butterfield-Chartered Accountants  
2 Reid Street  
Hamilton HM 11

.....  
*Ronaldine Burgess*  
BOARD SECRETARY



*Graham Nesbitt  
President*



*Cecil Durham  
1st Vice President*



*Clarence Smith  
2nd Vice President*



*Ronaldine Burgess  
Director Board Secretary*



*Larissa Burgess  
Treasurer*



*Hon. Paula Cox  
Director*



*Shervin Dill  
Director*



*Jason Hayward  
Director*



*Katherine Landy  
Director*



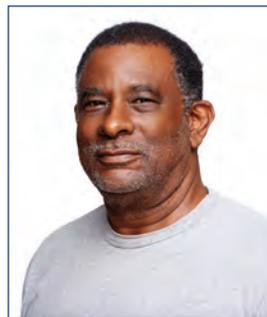
*Molly Burgess  
Director*



*Chris Furbert  
Director*



*Mrs Renee Jones  
Director*



*Quinton Butterfield  
Director*



*Glenn Simmons  
Director*



*Dr. Michael Charles  
Director*

BOARD OF DIRECTORS



REPORT OF THE BOARD OF DIRECTORS



The time has come to once again look at the future of the Credit Union using the past as a guide – lessons learned. The Credit Union’s financial performance up to the reporting period shows a recovery from losses and up to the present we have continued on this path. The goal is to make this the new norm of the Credit Union.

This achievement would not have been possible had it been left up to chance. It is as a result of carefully laid plans and sticking hard nosedly to the plans. It must be emphasized that without member loyalty this would not have been achieved. The performance shows there were challenging times but the dependability on the hard core loyals, thanks to them we are where we are today.

As we operate, our prudential standards must be adhered to. When the prudential standards set all Credit Unions’ Institutional Capital as not less than 8% of our assets it is for a reason. When the prudential standards set all Credit Unions’ Loans to Assets at 80% of assets, it is for a reason. When the prudential standards set all Credit Unions’ expenses to no more than 8% of assets, it is for a reason. When the prudential standard sets all Credit Unions’ liquidity at no less than 15% of withdrawable savings, it is for a reason. When the prudential standard sets all Credit Unions’ delinquency at no more than 5% of total loans, it is for a reason. When the prudential standard sets for all Credit Unions that members’ return on savings must be equal to or greater than the inflation rate, it is for a reason. When the prudential standard sets for all Credit Unions that the total savings ratio to total assets be at 80%, it is for a reason. It is to ensure that the Credit Union is safe and sound. For example, when a Credit Union lends more than 80% of its assets, it strains the Credit Union’s ability to ensure funds are available for withdrawals when required by the net saving members. When it is below 80% it prevents the Credit Union from optimizing on income which is required to strengthen the Institutional Capital. When the Institutional Capital is not at the prudential standard 8%, it decreases the likelihood of the Credit Union withstanding any shocks internally and within the economy. The table below shows the Credit Union’s performance when compared with the prudential standards.

Key Performance Area	Prudential Standard	Actual
Institutional Capital	Not less than 8% of Total Assets	6.91%
Loans to Total Assets	80% of Total Assets	63.28%
Savings to Total Assets	80% of Total Assets	90.52%
Delinquency	Not more than 5% of Total Loans	21.44%
Liquidity	Not less than 15% of Withdrawable Savings	44.84%
Expenses to Total Assets	Not more than 8% of Total Assets	5.37%

From the table it shows our savings our liquidity and our expenses being our strongest performers. Our weakest performer is our delinquency. Therefore, when we contemplate this in relation to our being below the standard for loans, we might conclude that we seem not ready to reach that standard. The reality is that some of our members have not been faithful to their debt obligations to the Credit Union. Our five year plan shows that this will impact negatively on our performance. The Credit Union has been pursuing these members at great cost. This has led the Credit Union to tighten up in its lending. The Credit Union undoubtedly, would have posted a much better performance had it not been for this delinquency.

We have however not allowed this to prevent the Credit Union from providing its generic service to the members as the insurance on their savings and loans in the event of death. This, we have been providing since our beginning in 1972. We also have not allowed this from working to provide our members with full online service. This would be an improvement on the existing online service now being provided.

The task ahead is challenging but with our continued commitment the Credit Union will continue to be strengthened. On behalf of eh volunteers, I wish to show homage to the loyal members. To the staff, please accept many thanks for the hard work.

Graham Nesbitt  
PRESIDENT



2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total	
President - G. Nesbitt	1	1	1	1	1	1	1	1	1	1	1	1	11	Key
1St Vice President - C. Durham	1	A	1	1	S	1			1	S	1		6	V-Vacation
2Nd Vice President - C. Smith	1	1	1	1	1	1	1	V	1	1	1		10	E-Excused
Secretary - R. Burgess	1	1	1	1	1	1	1	1	1	V	1		10	S-Sick
Treasurer - L. Burgess	A	1	1	1	1	1	1	1	1	1	V		9	A-Absent
Director - C. Furbert	1	1	1	1	1	1	1	1	1	1	1		11	
Director - M. Burgess	1	1	1	1	1	1	1	1	1	1	1		11	
Director - K. Landy	1	A		1	S			1	1		1		5	
Director - G. Peets	A	1	1	1	1	1	W	1	1	1			8	
Director - G Simmons		1		1									2	
Director - W. Perinchief		1			1			1					3	
Director - J. Allen	1	1	1										3	
Director - M. Charles	1	1	1	1	1	1	1	1	1	1	1		11	
Director - J.hayward	1		1	1	1		A		1	1			6	
Director - L. Grant													0	
<b>2017</b>														
President - G. Nesbitt	1	1	S		1	1		1	1	1	1	1	9	Key
1St Vice President - C. Durham	1	1		1	1	1		1		1			7	V-Vacation
2Nd Vice President - C. Smith	1		1	1	S	1		1	1	1	1	1	9	W-Working
Secretary - R. Burgess	1	1	1	1	1	1		V	1	1	V	1	9	E-Excused
Treasurer - L. Burgess	1	1	1	1	1	1		V	1	W	1	1	9	S-Sick
Director - C. Furbert	1	1	1	1	1	1		1	A	1	1	1	10	A-Absent
Director - M. Burgess	1	1	1	1	1	1		A	1	1	1	1	10	
Director - K. Landy	1	A	1		1	1		A	1	1			6	
Director - P. Cox	1	A	A	1	1	1		1	1	1	A	1	8	
Director - G Simmons	1		1		1	1						1	5	
Director Q. Butterfield			1	1	1					1			4	
Director - S. Dill	1	1	1	1	1	1		1	1	1	1	A	10	
Director - R. Jones	1	1	1	1	1	1		1	1	1	A	1	10	
Director - M. Charles	1	1	1	1	1	A		A	A	1	1	1	8	
Director - J.Hayward	1		1	1	A	1		1	A	1	1	1	8	
<b>2018</b>														
President - G. Nesbitt	1	1	1	1	1	1	1	V	A	1	1	1	10	Key
1St Vice President - C. Durham		1	1	1			1	1	1	1	1	1	9	V-Vacation
2Nd Vice President - C. Smith	1	A	A	1	1	1	1	1	1	A		A	7	W-Working
Secretary - R. Burgess	1	1	1	1	1	1	1	1	1	1	A	1	11	E-Excused
Treasurer - L. Burgess	1	1	1	W	1	1	W	1		W	W	W	6	S-Sick
Director - C. Furbert	1	A	1	1	1	1	V	1		A	1	1	8	A-Absent
Director - M. Burgess	1	1	1	1	1	1	1	1	1	1	V	1	11	
Director - K. Landy	1	1	1				1		1	1	1	1	8	
Director - P. Cox	1	1	1	1		1	1	1		A	1	A	8	
Director - G Simmons	1	1				1						1	4	
Director Q. Butterfield		1			1		1			1	1	1	6	
Director - S. Dill	1	1	1	1	1	1	A	1		1	A	1	9	
Director - R. Jones	1	A	1	1	1		1	A	1	A	1	1	8	
Director - M. Charles	1	A	1	1	1		1	1	1	1	1	A	9	
Director - J.Hayward	1	A		1	1	1	1	1	1	A		1	8	

REPORT OF THE BOARD OF DIRECTORS



TREASURER'S REPORT



The Credit Union has reached an especially significant milestone. It has returned to profitability. To achieve this, it took imagination, discipline in our expenditure, prudent business decisions as a co-operative on the one hand on the part of those of us to whom the responsibility has been mandated to steer and stay the course. On the other hand, the commitment on the part of all the loyal members. I would like to state that the members came forward and we at the stewardship level have been making every effort to deliver for the Credit Union. This concerted, co-operative effort is laudable. One way in which we have been delivering is that since 2016 the surplus level keeps improving and this speaks to a gradually healthier Co-operative financially.

If past performance is anything to go by, the future for the Credit Union seems quite encouraging. Our liquid assets which are the funds in our investment portfolio and bank account continue to be in excess of 45% of the total deposits that the members have in the Credit Union. This should be not less than 15% in accordance with the World Council of Credit Unions prudential standards. It means our liquid assets are more than three times the standard. What a show of support by our saving members! The total savings of our members now total over \$17.2M. The last time we met, total savings stood at \$11M. The \$17.2M today represents a 64.70% increase. This growth is significant.

Based on the projections coming out of fifth Annual Strategic Planning retreat last November our savings are expected to reach \$34M. This would represent a 100% increase in savings. That is five years hence. The reason for this optimism is that five years ago savings were \$7.2M. The \$17.2M savings today, five years later represents a 145 % increase. Past performance of the members is the reason for this optimistic projection.

This preview of the future is not an end in itself. It is the means to an end. The end is the confidence that is being built in the Credit Union, by those in the Islands of Bermuda which will translate into the provision of more services to the members. My responsibility as Treasurer is to do everything to ensure this confidence is not eroded. This will be done by strictly adhering to the tried, tested and proven prudential standards laid out by WOCCU. This goal is ambitious but it is firmly rooted in realism and it is informed by the Co-operative philosophy - people coming together, saving together not depending on any one large benefactor. This philosophy has served to preserve the Credit Union.

With this philosophy being our guiding light, the objectives will have to be met collectively as a Co-operative. A major objective will be to shore up our Institutional Capital which today stands at just over \$1M. This has been buoyed by the introduction of Permanent Shares in 2016. Notwithstanding, our growth rate far outstrips the surplus levels of which 30% is earmarked towards the Institutional Capital. The prudential standards require that this be no less than 20%, so the Credit Union is at 30% as a means to strengthen its Institutional Capital and be compliant. Our five year projection is for a cumulative surplus of \$750,000.00. However, within five years the Credit Union's asset size is projected to be \$37M. The prudential standard set by WOCCU is that Institutional Capital should be no less than 8% of Total Assets whereas the Credit Unions Act 2010 stipulates it be not less than 10%. It means that Institutional Capital should be between \$2.96M and \$3.7M within the next five years. It means that we must generate sufficient surplus to allow us to have between \$1.96M and \$2.7M to add to the existing \$1M. If all of our projected accumulated surplus of \$750,000.00 over the next five years were to be added to Institutional Capital there still would be a shortfall of between \$1.2M and \$2M.

This huge task ahead of us is due to the slow growth in loans projected over the next five years. Until our unacceptably high delinquency level comes down, the solution predicated on lending is not great. The projections from our Annual Strategic Planning retreat last November are that at the end of five years our total loan portfolio will be \$23M. As a percentage of our assets



this would be 62%. The prudential standard states it should be no more than 80%. It means that over the next five years, our major source of income will be under performing. At 80% of total assets with a delinquency level of no more than 5% in accordance with the prudential standard our loan income over the five years would be \$8.19M. This can only be achieved if our delinquency levels remain within the standard. This proves the potential the Credit Union has when borrowers honour their obligations. We continue to work assiduously to never be so impacted by this scourge.

It means our continued lean fiscal management. Our performance shows that our expenses are well within the 8% of total assets as per the prudential standards and our net income is steadily growing.

Therefore the task on hand however is far from over. This is merely a part of a very long and challenging journey. We have set goals which at our retreat were ones to make us nervous but if they did not, our goal to be more relevant to our members would fall short of members' expectations. Our mission has to be to continue to build on our strengths and tackle our challenges.

Let me once again on behalf of the volunteers thank the members for their loyalty and to the staff for their hard work.

A handwritten signature in black ink, appearing to read "L. Burgess", written over a dotted line.

Larissa Burgess  
TREASURER

TREASURER'S REPORT

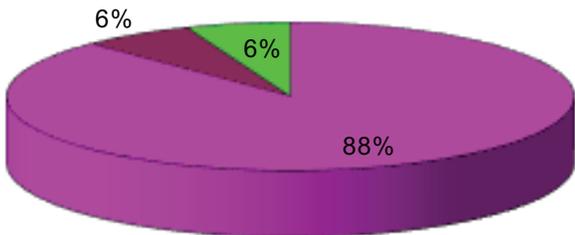


PEARL-M KEY RATIOS

Period Ending:	STANDARD	31/12/2018	CODE	CODE ASSIGNMENTS				
			PERFORMANCE	CODE 1	CODE 2	CODE 3	CODE 4	CODE 5
<b>PROTECTION</b>								
*1. P1 - Adequacy of A.L.L. for Delinq. < 2 mos	0%	0.00%						
2. P2 - Adequacy of A.L.L. for Delinq. 2 - 12 mos	60%	0.00%	5	>/=100%	80%<100%	40%<80%	10%<40%	<10%
*3. P3 - Delinq. Loans > 12 mos./Delinq. Loans	100%	0.51%	5	>/=100%	80%<100%	40%<80%	10%<40%	<10%
4. P6 - Solvency Evaluation	>100%	93.98%	2	>/=100%	80%<100%	40%<80%	10%<40%	<10%
*5. P7 - Net Capital / Total Assets	≥8%	6.91%	2	>/=8%	<8%-5%	</=4.90-3%	</=3%-5%	<0.5%
<b>EFFECTIVE FINANCIAL STRUCTURE</b>								
*6. E1 - Net Loans / Total Assets	60-80%	63.28%	2	60-80%	<60&>80%	<50%&>85.99%	<30%&>90.99%	<10%&>95.99%
7. E4 - Non-financial Investments / Total Assets	0%	0.00%						
*8. E5 - Total Savings / Total Assets	70-80%	90.52%	4	70-80%	<70&>80%	<60%&>85.99%	<40%&>90.99%	<10%&>95.99%
9. E8 - Institutional Capital / Total Assets	≥8%	5.82%	2	>/=8%	<8%-5%	</=4.90-3%	</=3%-5%	<0.5%
<b>ASSET QUALITY</b>								
*10. A1 - Delinquent Loans / Gross Loans	≤5%	21.44%	5	</=5%	6.50%<5%	8.00%<6.50%	10%<8.50%	10%
*11. A2 - Total Non-Earning Assets / Total Assets		3.70%	1	</=7%	>7%-9%	>9%-11%	>11%-14%	>14%
12. A3 - Net Charge-offs / Average Loans		0.00%						
<b>RATES OF RETURN &amp; COSTS</b>								
13. R1 - Gross Income / Average Assets		6.67%						
*14. R6 - Cost of Funds / Average Members' Savings	>inflation	0.37%		greater than or equal to inflation of current period				
*15. R9 - Operating Expenses / Average Assets	≤8%	5.37%	1	</=8.0%	10%<8%	14%<10%	17%<14%	>17%
16. R10 - Provision for Loan Loss / Avg. Assets		0.51%						
*17. R12 - Net Income / Average Assets	sufficient to maintain cap. reqmt.	0.21%	5	>/=2.3%	1.5%>2/3%	0.9%<1.5%	0.5%<0.9%	<0.9%
<b>LIQUIDITY</b>								
*18. L1 - Total Liquidity/Total Members' Savings	20-30%	44.48%	3	20%-29.99%	<20%&>29.99%	<18%&>39.99%	<16%&>49.99%	<14%&>49.99%
*19. L2 - Liquidity Reserve / Total Members' Savings		15.00%						
<b>SIGNS OF GROWTH</b>								
*20. S1 - Growth in Total Assets	>inflation	16.81%		greater than or equal to inflation of current period				
*21. S7 - Growth in Membership	≥5	11.12%	1	>/=5%	4.0%<5.0%	3.0%<4.0%	2.0%<3.0%	<2.0%
<b>COMPOSITE CODE</b>			<b>3.17</b>					

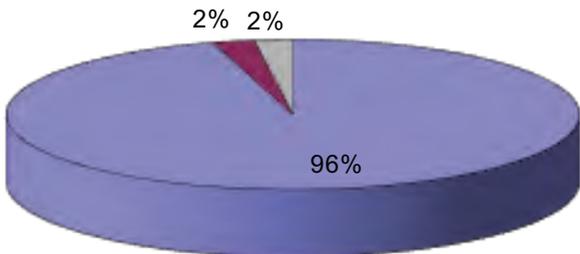


SOURCE OF FUNDS



	\$'000
LOAN INTEREST	901
INVESTMENT INCOME	67
OTHER INCOME	61

USE OF FUNDS

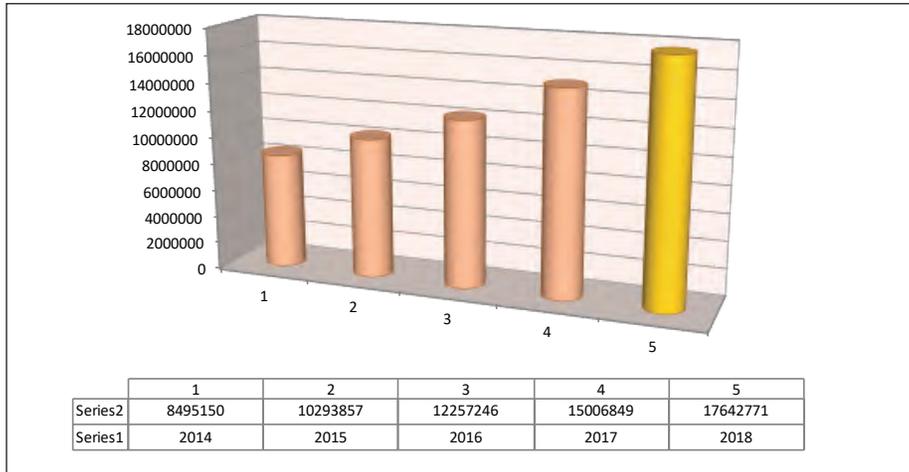


	\$'000
ADMINISTRATIVE COSTS	924
FINANCIAL COSTS	23
SURPLUS	21

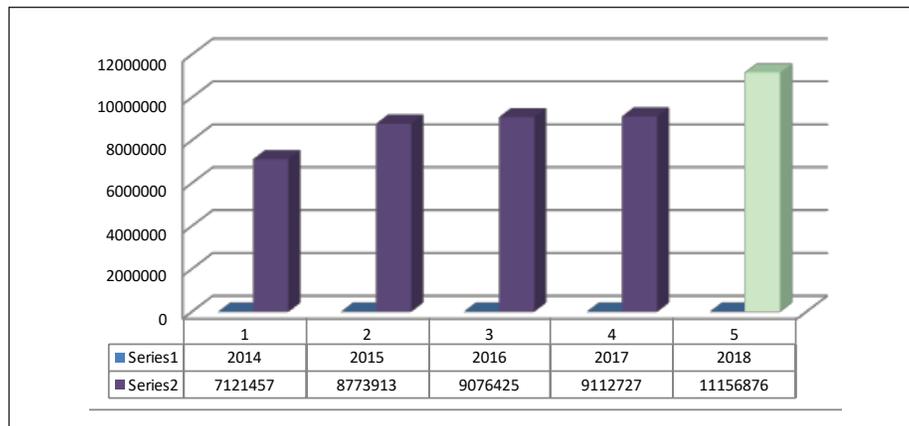
TREASURER'S REPORT



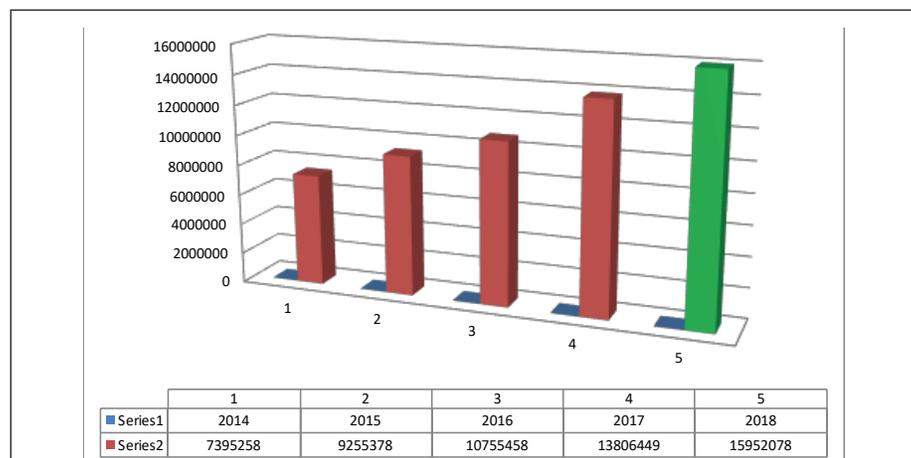
### ASSET GROWTH



### LOANS GROWTH



### SAVINGS GROWTH





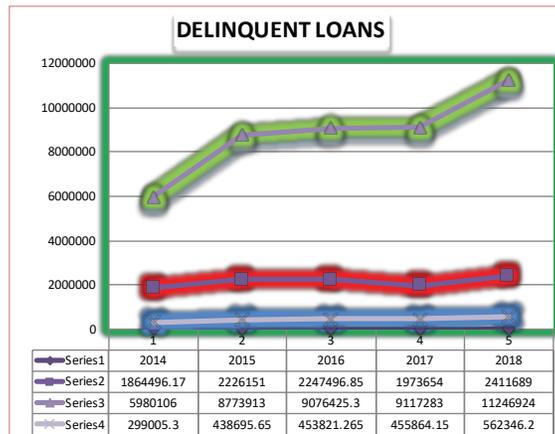
## PROFILE OF MEMBERS LOANS AND ADVANCES

As at December 31, 2016

<b>BUSINESS IDENTIFICATION #:</b>	<b>CREDIT UNION'S NAME:</b>	<b>BERMUDA CREDIT UNION CO-OP SOCIETY</b>		
<b>LOANS DELINQUENCY &amp; ALLOWANCE REPORT</b>				
CATEGORIES	Number		%	Allowance Req'd
Current Loans (less than 31 days)	495	7,469,664.12	0%	
Delinquent Loans (32 - 60 days)	25	578,238.55	0%	
Delinquent Loans (61 - 90 days)	15	283,540.70	10%	28,354.07
Delinquent Loans (91 -180 days)	19	451,609.27	30%	135,482.78
Delinquent Loans (181 - 364 days)	22	540,045.64	60%	324,027.38
Delinquent Loans (over 364 days)	102	1,923,825.72	100%	1,923,825.72
<b>TOTAL PROVISIONS</b>		11,246,924.00		2,411,689.96
		11,246,924.00		21.44%
		0.00		
<b>TOTAL DELINQUENT LOANS</b>		3,199,021.33		
<b>ACTUAL LOAN LOSS ALLOWANCE</b>		70,985.04		
<b>TOTAL LOSS ALLOWANCE REQUIRED</b>		2,411,689.96		
<b>% DELINQUENCY OF TOTAL LOAN</b>			21.44%	
<b>(SHORTFALL)/EXCESS ALLOWANCE</b>		-2,340,704.92		
	<b>AS AT BALANCE SHEET DATE</b>	<b>NUMBER</b>	<b>THIS MONTH ONLY</b>	
<b>TOTAL LOANS CHARGED OFF</b>				
<b>TOTAL LOANS RECOVERED</b>				
<b>UNRECOVERED LOANS</b>	0	0	0	0
<b>MISCELLANEOUS INFORMATION</b>				
	<b>MALE</b>	<b>FEMALE</b>		
<b>NUMBER OF MEMBERS:-</b>				
Active	<input type="text"/>	<input type="text"/>		
Inactive	<input type="text"/>	<input type="text"/>		
<b>NUMBER OF EMPLOYEES:-</b>				
Full Time	<input type="text"/>	<input type="text"/>		
Part-Time	<input type="text"/>	<input type="text"/>		
	_____ Authorised Signature	_____ Print Name		
	_____ Authorised Signature	_____ MICAH DAVIS Print Name		

TREASURER'S REPORT

## DELINQUENT LOANS





TREASURER'S REPORT

LET US LOOK AT THE MONEY WE HAVE

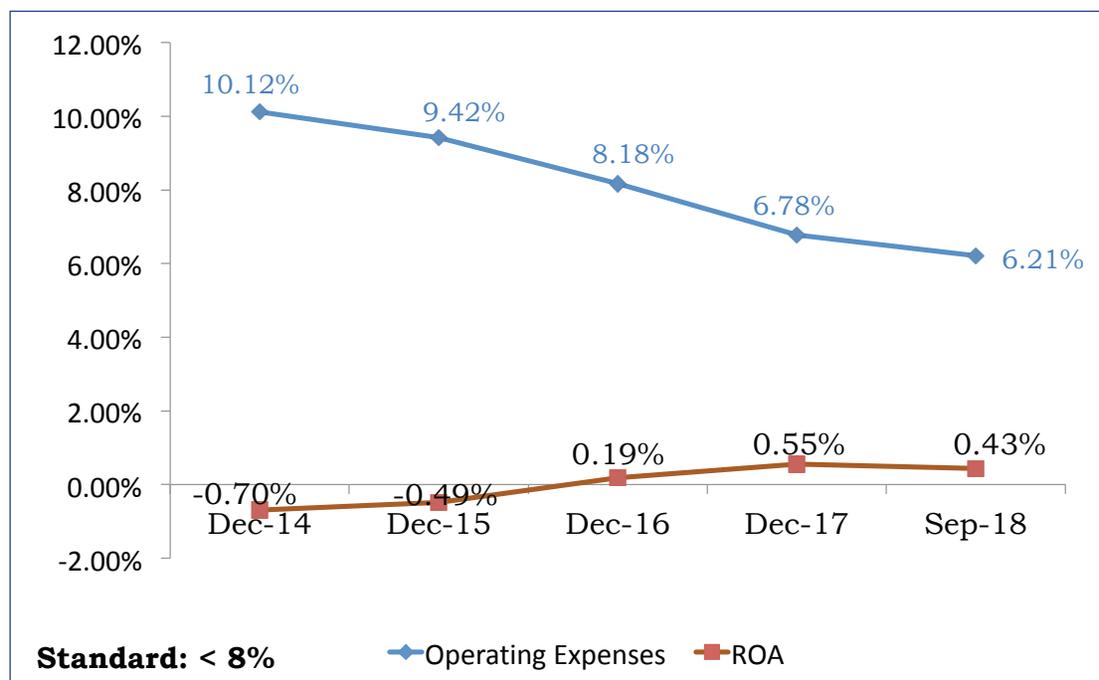
2016 \$		2015 \$	INCREASE (DECREASE) %
7,343,924.00	<b>WE THE MEMBERS OWN*</b>	5,967,554.00	23.06
3,752,726.00	SHARES	3,275,744.00	14.56
	SPECIAL DEPOSITS		
	<b>WE ALSO OWN</b>		
1,028,004.00	STATUTORY & LEGAL RESERVES	1,027,606.00	0.04
(125,417.00)	RETAINED EARNINGS & UNDISTRIBUTED SURPLUS	(147,143.00)	-14.77
106,000.00	CONTRIBUTED SURPLUS	106,000.00	0.00
-	OTHER RESERVES	-	
12,105,237.00	<b>MAKING THE GRAND TOTAL OWNED BY MEMBERS</b>	10,229,761.00	18.33
	<b>LET US SEE HOW THE MONEY WAS BEING USED</b>		
8,338,497.00	LOANS TO US AS MEMBERS	7,949,945.00	4.89
456,620.00	OTHER RECEIVABLES	368,096.00	24.05
2,221,148.00	CASH IN HAND AND AT BANK	1,334,667.00	66.42
7,647.00	TO PURCHASE ASSETS	10,324.00	-25.93
1,233,334.00	INVESTMENT IN OTHERS	678,676.00	82
<b>12,257,246.00</b>		<b>10,341,708.00</b>	<b>18.52</b>
152,009.00	LESS AMOUNT WE OWED TO OTHERS AT YEAR END	111,947.00	35.79
<b>12,105,237.00</b>		<b>10,229,761.00</b>	<b>18.33</b>
	<b>LET'S EXAMINE HOW OUR INCOME WAS EARNED</b>		
	<b>OUR INCOME WAS EARNED FROM</b>		
901,927.00	INTEREST ON MEMBERS' LOANS	786,790.00	14.63
67,295.00	INTEREST ON INVESTMENTS	89,476.00	-24.79
61,886.00	OTHER INCOME	51,737.00	19.62
<b>1,031,108.00</b>		<b>928,003.00</b>	<b>11.11</b>
	<b>OUR COST TO OPERATE THE CREDIT UNION WAS</b>		
924,596.00	ADMINISTRATION	898,460.00	2.91
84,786.00	FINANCIAL	76,655.00	10.61
<b>1,009,382.00</b>		<b>975,115.00</b>	<b>3.51</b>
21,726.00	<b>GIVING A SURPLUS BEFORE STATUTORY RESERVES OF</b>	(47,112.00)	153.88
21,726.00	<b>GIVING A NET SURPLUS OF</b>	(47,112.00)	153.88
-	TO WHICH WE ADD THE PREVIOUS YEAR'S UNDISTRIBUTED SURPLUS	-	
-	LESS DISTRIBUTION APPROVED AT LAST AGM	-	
<b>21,726.00</b>	<b>MAKING A GRAND TOTAL UNDISTRIBUTED SURPLUS AVAILABLE FOR DISTRIBUTION AT THE AGM</b>	<b>(47,112.00)</b>	<b>153.88</b>



## HIGHLIGHTS OF OUR FINANCIAL PERFORMANCE

KEY AREAS	2016	2015	INCREASE	INCREASE %
	\$	\$	\$	%
Share capital	7,343,924	5,967,554	1,376,370	23.06
Members' deposits	3,752,726	3,275,744	476,982	14.56
Loans	8,338,497	7,949,945	388,552	4.89
Interest on members' loans	901,927	786,790	115,137	14.63
Income earned from other investments	67,295	89,476	(22,181)	-24.79
Liquid assets	2,221,148	1,334,667	886,481	66.42
Operating expenses	1,009,382	975,115	34,267	3.51
Net surplus	21,726	(47,112)	68,838	153.88
Total assets	12,257,246	10,341,708	1,915,538	18.52
Total liabilities	5,891,195	5,829,081	62,114	1.07
Statutory reserves	1,028,004	1,027,606	398	0.04
<b>INCOME &amp; EXPENDITURE</b>				
Income	1,031,108	928,003	103,105	11.11
Expenditure	1,009,382	975,115	34,267	3.51

### OPERATING EXPENSES/ AVERAGE ASSETS & NET INCOME/AVERAGE ASSETS (ROA)

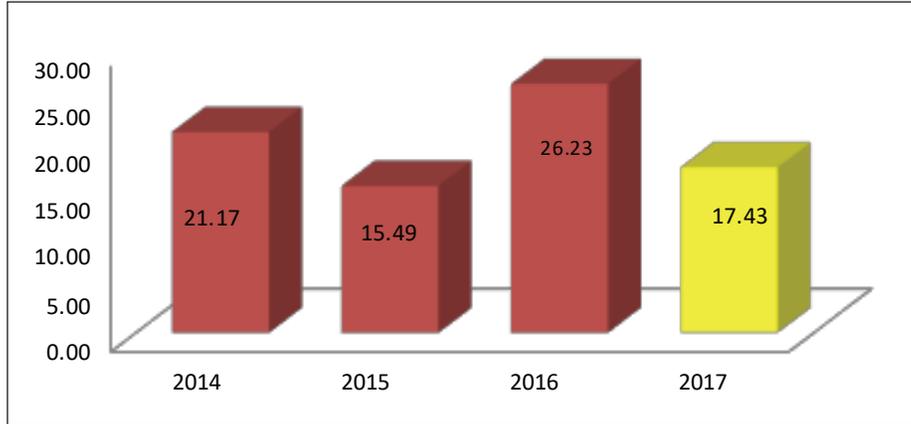


TREASURER'S REPORT

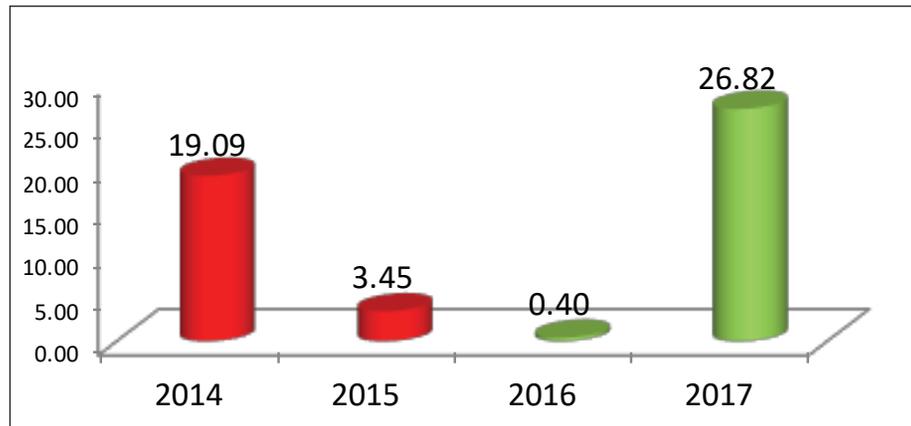


TREASURER'S REPORT

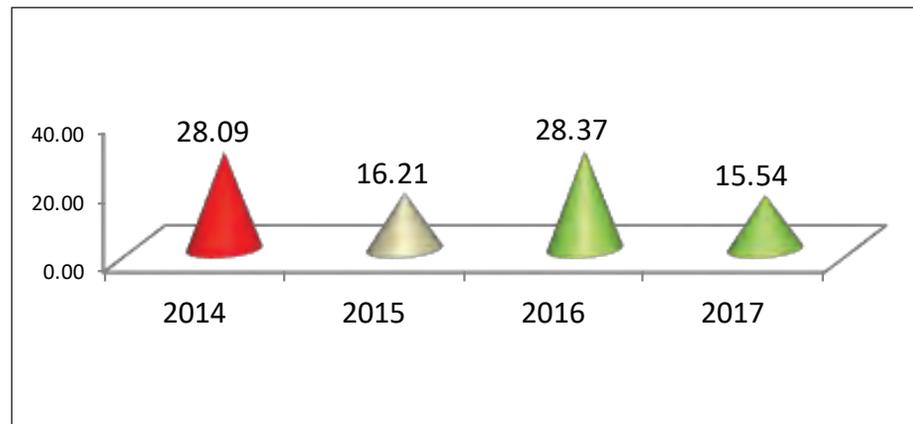
ASSET CHANGE

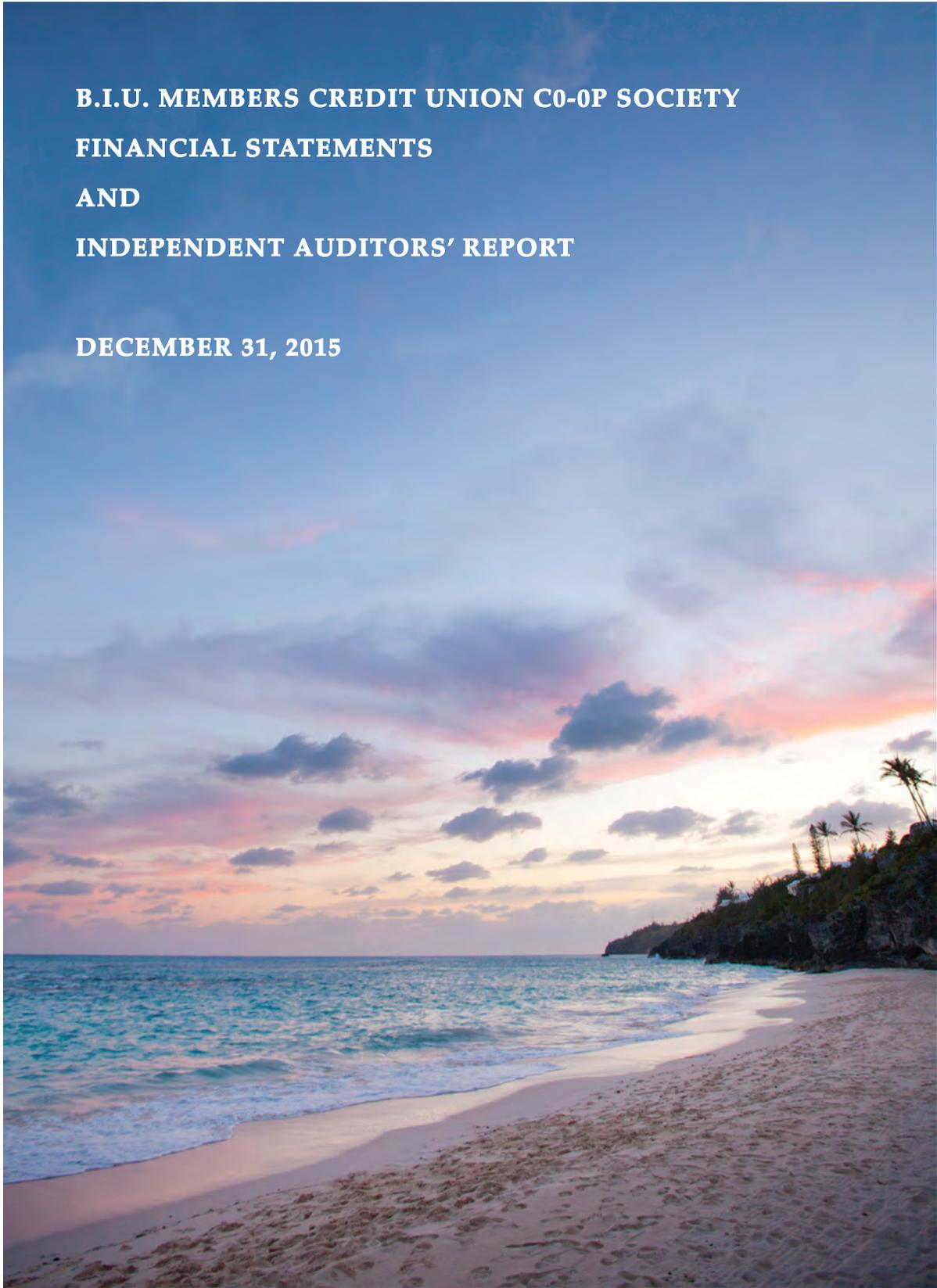


LOAN CHANGE



SAVINGS CHANGE





**B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015**

**FINANCIAL STATEMENTS 2015**



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## Management Responsibility

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with accounting principles generally accepted in Bermuda and Canada. This responsibility includes selecting appropriate accounting principles and making objective decisions affecting the measurement of transactions in which judgment is required. Management is also responsible for monitoring the activities of the B.I.U. Members' Credit Union Co-op Society for compliance with the Credit Unions Act 2010 and its constitution and rules.

In discharging its responsibilities for the integrity and fairness of the financial statements, as well as the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

The Board of Directors appoints external auditors to audit the financial statements. The external auditors have full and free access to management and the Board of Directors to discuss the findings of their audit. Their report outlines the scope of their audit and their opinion.



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**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

We have audited the accompanying financial statements of B.I.U. Members Credit Union Co-op Society (the "Credit Union"), which comprise the balance sheet as at December 31, 2015, and the statements of earnings, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

**Basis for Qualified Opinion**

Management is currently pursuing over \$1 million in loans to members through the courts. We were unable to determine the ultimate collectability of these loans by other auditing procedures. In consequence, we were unable to determine whether adjustments to the provision for doubtful accounts and to loans to members, net, might be necessary.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements which describes the specific provisions of The Credit Unions Act 2010 (the "Act") which the Credit Union was not in compliance with for the year ended December 31, 2015. The Act requires that the Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the credit union's financial year. The Act requires that the maximum period for which a credit union can lend to any member is ten years. Our opinion is not qualified in respect of these matters.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with accounting principles generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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International  
— members in principal  
cities throughout  
the world*



In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Other Matter**

This report is made solely to the Credit Union's members, as a body. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Moore Stephens & Butterfield*

Chartered Professional Accountants  
Hamilton, Bermuda  
August 31, 2017



**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,334,667	\$ 1,304,237
Investments (Note 4)	678,676	694,023
Due from entities owned or operated by members (Note 5)	218,136	194,130
Loans to members, net (Notes 6 and 11)	7,949,945	6,330,791
Accrued interest receivable	67,061	111,132
Other current assets	<u>82,899</u>	<u>75,740</u>
Total current assets	10,331,384	8,710,053
Capital assets (Note 7)	<u>10,324</u>	<u>22,898</u>
	<u>\$ 10,341,708</u>	<u>\$ 8,732,951</u>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 111,947	\$ 148,152
Members' shares (Notes 6 and 8)	5,967,554	5,558,433
Members' deposits (Notes 9 and 11)	<u>3,275,744</u>	<u>1,991,761</u>
	<u>9,355,245</u>	<u>7,698,346</u>

**MEMBERS' EQUITY**

Contributed surplus (Note 10)	106,000	106,000
Reserve fund (Note 10)	1,027,606	1,027,036
Development foundation (Note 10)	-	1,600
Accumulated deficit	<u>(147,143)</u>	<u>(100,031)</u>
	<u>986,463</u>	<u>1,034,605</u>
	<u>\$ 10,341,708</u>	<u>\$ 8,732,951</u>

*See accompanying notes to the financial statements.*

**Signed on behalf of the Board of Directors:**

Director

Director



**STATEMENT OF EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

(Expressed in Bermuda dollars)

	<b>2015</b>	<b>2014</b>
<b>FINANCIAL INCOME</b>		
Interest on loans to members (Note 6)	\$ 786,790	\$ 718,808
Investment income	89,476	1,410
	<u>876,266</u>	<u>720,218</u>
<b>FINANCIAL EXPENSE</b>		
Interest on members' deposits (Note 9)	<u>76,655</u>	<u>23,573</u>
<b>FINANCIAL MARGIN</b>	<u>799,611</u>	<u>696,645</u>
<b>OTHER INCOME</b>		
Loan origination fees	35,645	27,774
Other (Notes 5 and 8)	16,092	97,907
	<u>51,737</u>	<u>125,681</u>
<b>GROSS MARGIN</b>	<u>851,348</u>	<u>822,326</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	498,853	511,775
General business (Note 12)	315,239	271,423
Occupancy (Note 12)	66,875	80,337
Conferences and meetings	17,493	19,944
	<u>898,460</u>	<u>883,479</u>
<b>NET LOSS</b>	\$ <u>(47,112)</u>	\$ <u>(61,153)</u>

*See accompanying notes to the financial statements.*



## FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in Bermuda dollars)

	2015	2014
<b>CONTRIBUTED SURPLUS</b>		
Balance, end of year (Note 10)	\$ <u>106,000</u>	\$ <u>106,000</u>
<b>RESERVE FUND</b>		
Balance, beginning of year	1,027,036	1,026,752
Additions during the year (Note 10)	<u>570</u>	<u>284</u>
Balance, end of year	<u>1,027,606</u>	<u>1,027,036</u>
<b>DEVELOPMENT FOUNDATION</b>		
Balance, beginning of year	1,600	4,800
Transfers and donations (Note 10)	<u>(1,600)</u>	<u>(3,200)</u>
Balance, end of year	<u>-</u>	<u>1,600</u>
<b>RETAINED EARNINGS (ACCUMULATED DEFICIT)</b>		
Balance, beginning of year	(100,031)	(38,878)
Net loss	<u>(47,112)</u>	<u>(61,153)</u>
Balance, end of year	<u>(147,143)</u>	<u>(100,031)</u>
<b>MEMBERS' EQUITY</b>	<b>\$ <u>986,463</u></b>	<b>\$ <u>1,034,605</u></b>

*See accompanying notes to the financial statements.*



**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (47,112)	\$ (61,153)
Amortisation (Note 12)	12,925	17,992
	<u>(34,187)</u>	<u>(43,161)</u>
Adjustment for working capital changes:		
Increase in due from entities owned or operated by members	(24,006)	(13,708)
Increase in loans to members	(1,619,154)	(350,685)
Decrease in accrued interest receivable	44,071	4,855
Increase in other current assets	(7,159)	(45)
Decrease (increase) in investments	15,347	(694,023)
(Decrease) increase in accounts payable and accrued expenses	(36,205)	24,842
Increase in members' shares	409,121	1,257,188
Increase in members' deposits	1,283,983	547,757
Net cash from operating activities	<u>31,811</u>	<u>733,020</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of capital assets	-	500
Withdrawals of fixed deposits	-	2,356
Acquisition of capital assets	(351)	(6,778)
Net cash used in investing activities	<u>(351)</u>	<u>(3,922)</u>
<b>FINANCING ACTIVITIES</b>		
Addition to reserve fund (Note 10)	570	284
Payments from development foundation (Note 10)	(1,600)	(3,200)
Net cash used in financing activities	<u>(1,030)</u>	<u>(2,916)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	30,430	726,182
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,304,237</u>	<u>578,055</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 1,334,667</u>	<u>\$ 1,304,237</u>

*See accompanying notes to the financial statements.*



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

**1. NATURE OF OPERATIONS**

The B.I.U. Members Credit Union Co-op Society (the "Credit Union") is registered in Bermuda under The Credit Unions Act 1982. On July 26, 2010, legislation was passed to repeal the Credit Unions Act 1982 and replace it with the Credit Unions Act 2010. The Credit Unions Act 2010 (the "Act") came into force on December 24, 2010.

The Credit Union's principal objective is to encourage and promote systematic and regularized savings on the part of members of the Bermuda Industrial Union and other Unions registered in Bermuda and to facilitate the extension of credit to those members for the provident or productive purposes at a reasonable rate of interest.

**The Credit Union Act 2010**

The Credit Union is required to comply with the provisions of the Credit Union Act 2010. For the year ended December 31, 2015, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 2015.

Part 2.29.(3): The Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the credit union's financial year.

Non-compliance: Audited financial statements were not delivered as of the required date.

**Prudential Requirements**Reserve Funding Requirements

Schedule 3.1.(1): A credit union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets.

Non-compliance: The reserve fund and other institutional capital as at December 31, 2015, amount to \$986,463 which is 9.54% of total assets (2014 - \$1,034,604 which is 11.85% of total assets). Actual reserve fund as at December 31, 2015, amount to \$1,027,606 (2014 - \$1,027,036).

Schedule 3.1.(2): At the close of each financial year, 25% of the credit union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the credit union's total assets.

Non-compliance: The institutional capital as at December 31, 2015, amount to \$986,463 which is 9.54% of total assets (2014 - \$1,034,605 which is 11.85% of total assets).



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Schedule 3.1.(3): A reserve fund shall not be distributed to members unless the credit union is dissolved.

In compliance: There were no distributions from the reserve fund to members for the years ending December 31, 2015 and 2014 (See Note 10).

Liquidity Requirements

Schedule 3.2: A credit union shall maintain a minimum liquidity ratio of 15% of withdrawable savings in cash or highly liquid assets.

In-compliance: As at December 31, 2015, highly liquid assets and withdrawable savings amount to \$2,013,343 and \$5,967,554, respectively. Therefore, the minimum liquidity ratio as at December 31, 2015, is 33.74%.

In-compliance: As at December 31, 2014, highly liquid assets and withdrawable savings amount to \$1,998,260 and \$5,558,433, respectively. Therefore, the minimum liquidity ratio as at December 31, 2014, is 35.95%.

Lending Requirements

Schedule 3.3.(1): The maximum period for which a credit union can lend to any member is ten years.

Non-compliance: As at December 31, 2015, the Credit Union has outstanding loans to members in the amount of \$63,020 (2014 - \$61,049) which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act.

Schedule 3.3.(2): A credit union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member and its total loan portfolio shall not exceed 80% of the credit union's total assets.

In-compliance: As at December 31, 2015, the outstanding balance of a single loan to an individual member amounted to \$97,415, which is lower than 10% of the Credit Union's institutional capital at \$98,646 (2014: Non-compliance).

In-compliance: As at December 31, 2015, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 76.87% (2014 - In-compliance: 72.12%).



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

### 1. NATURE OF OPERATIONS (continued)

#### Requirements for External Borrowing

Schedule 3.4: A credit union shall not borrow an amount exceeding 10% of its total assets or four times its retained earnings and its reserves, whichever is less.

In compliance: There are no outstanding borrowings as at December 31, 2015 and 2014, respectively.

#### **The Credit Union Act 2010**

Contravention of any of the provisions specified by the Act could result in fines or the suspension or cancellation of the registration of the Credit Union. No action has been taken to date. The financial statements do not include provision for any fines or penalties which may be levied by the Minister of Finance for non-compliance of the Act.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada ("GAAP"). The significant accounting policies are as follows:

#### a) **Cash and cash equivalents**

Cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. The carrying value of these investments approximates their fair value because of their short maturity.

Cash potentially exposes the Credit Union to credit risk. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with high credit quality financial institutions.

#### b) **Loans to members**

Loans to members are stated at the amount of unpaid principal less an allowance for doubtful loans.

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loan loss experience. The methodology specified in the Credit Policy and Procedures Manual was not used to determine the allowance at December 31, 2015 and 2014, respectively, as management believe that, as a result of subsequent collections, the allowance computed using the prescribed methodology would have been materially overstated and not in accordance with GAAP.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Interest on loans to members is recognized on the accrual basis for all loans not classified as impaired.

**c) Capital assets**

Capital assets are recorded at cost less accumulated amortisation. Amortisation is provided on the straight-line basis at the following annual rates which are estimated to write off the assets over their estimated useful lives:

Computer and office equipment	20%
Furniture and fixtures	20%
Leasehold improvements	10%

**d) Members' deposits**

Members' deposits are recorded at the value of the cash deposit received. Interest expense is recorded on the accruals basis from the date the deposit is contractually entitled to earn interest.

**e) Loan origination fees**

Loan origination fees are recognized as received.

**f) Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the financial statements reflect the Credit Union's best estimates and assumptions, actual results could differ from these estimates.

**g) Payables and provisions**

Payables are stated at their nominal value. The Credit Union recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Credit Union would rationally pay to settle the obligation to a third party.

**h) Related parties**

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Directors, officers, shareholders, associates or companies and other related interests that directly or indirectly control or are controlled by or under common control are considered related parties.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Adoption of accounting standards for publicly accountable enterprise

In February 2008 the Canadian Institute of Chartered Accountants (“CICA”) announced that Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011.

The adoption of IFRS had no impact on the previously reported assets, liabilities, and members’ equity of the Credit Union. Accordingly, no adjustments have been recorded.

#### j) Subsequent events

Post-year-end events that provide additional information about the Credit Union’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### 3. CASH AND CASH EQUIVALENTS

On May 15, 2015, the Credit Union extended the overdraft facility in the amount of \$100,000 to May 30, 2015 (See Note 15). The collateral of the same amount is being held in a fixed deposit account, bearing an interest of 0.25% per annum. In 2015, the Credit Union accrued \$363 (2014 – \$266) in interest. The Credit Union has not renewed the overdraft facility and is awaiting for the bank to release the collateral.

Cash and cash equivalents include cash on hand of \$37,584 (2014 - \$104,827).

### 4. INVESTMENTS

In diversifying its investment portfolio, the Credit Union made investments into the Credit Union Fund Management Company Ltd. (“CUFMCL”) operated by the Jamaica Co-operative Credit Union League Ltd. CUFMCL is licenced by the Financial Services Commission of Jamaica.

As of December 31, 2015, the investments held by the Credit Union amounted to \$678,676 (2014 – \$694,023).



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**5. DUE FROM ENTITIES OWNED OR OPERATED BY MEMBERS**

As at December 31, 2015 and 2014, the Credit Union approved the following overdrafts:

	<b>2015 Balance Outstanding</b>	<b>2014 Balance Outstanding</b>
Kyle Bridgewater	\$ 94,213	\$ 83,951
Liberty Theatre	90,181	80,222
Oral Barnett	<u>33,742</u>	<u>29,957</u>
	<u>\$ 218,316</u>	<u>\$ 194,130</u>

The overdraft facilities bear interest at 12% (2014 - 12%). Each facility is unsecured and is reviewed annually from the approval date. Interest income on loans to members includes interest earned on overdrafts in the amount of \$24,383 (2014 - \$22,051).

**6. LOANS TO MEMBERS, NET**

Loans to members are stated net of an allowance for doubtful accounts of \$792,137 (2014 - \$792,137), bear interest of 12% per annum (2014 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

	<b>2015</b>	<b>2014</b>
Under 1 year	\$ 1,084,254	\$ 977,357
1 to 2 years	1,123,788	784,246
2 to 4 years	1,511,551	1,398,246
Over 4 years	<u>5,022,489</u>	<u>3,963,079</u>
	<u>8,742,082</u>	<u>7,122,928</u>
Less: Allowance for doubtful accounts	<u>(792,137)</u>	<u>(792,137)</u>
	<u>\$ 7,949,945</u>	<u>\$ 6,330,791</u>

Loans are secured by members' shares in the amount of \$1,947,488 (2014 - \$1,575,683) (See Note 8). Interest income recorded in the statement of earnings amounted to \$786,790 (2014 - \$718,808).

On July 6, 2012, the Credit Union received a Notice of Restriction from the Bermuda Monetary Authority (BMA) prohibiting the Credit Union from making loans to members or otherwise granting credit to any person with immediate effect. On February 11, 2014, the BMA informed the Credit Union of extending the Notice of Restriction due to the non-submission of the 2012 audited financials as of that date.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**7. CAPITAL ASSETS**

Capital assets as at December 31, 2015, comprise of the following:

	<b>2015</b>		<b>2014</b>	
	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer and office equipment	\$ 263,967	\$ 256,574	\$ 7,393	\$ 15,690
Furniture and fixtures	115,109	114,091	1,018	4,444
Leasehold improvements	<u>59,839</u>	<u>57,926</u>	<u>1,913</u>	<u>2,764</u>
	<u>\$ 438,915</u>	<u>\$ 428,591</u>	<u>\$ 10,324</u>	<u>\$ 22,898</u>

During the year, the Credit Union purchased a bookcase for \$351.

**8. MEMBERS' SHARES**

Amounts received from members through payroll deductions or cash deposits, which are not allocated to loan repayments, are recorded as additions to Members' shares. Members' shares are non-interest bearing and are repayable on demand except for a portion of shares held as collateral for loans to members. The collateral is generally calculated at one quarter of the original loan to the member. As at December 31, 2015, shares of \$1,947,488 (2014 - \$1,575,683) were held as collateral for loans to members (See Note 6).

Members' shares include shares issued to the following entities which are related parties:

	<b>2015</b>		<b>2014</b>	
Bermuda Industrial Union (BIU) Construction Division	\$	23,832	\$	129,591
BIU General		64,353		12,092
BIU Gas		<u>(63,547)</u>		<u>(1,421)</u>
	\$	<u>24,638</u>	\$	<u>140,262</u>

No dividends were declared for the years ended December 31, 2015 and 2014.

Members' share accounts qualify as capital notwithstanding their financial statement classification as a liability.

It is the policy of the Credit Union to write-off members' shares from members' accounts which are inactive for more than a period of 12 months. Miscellaneous income includes \$1,575 (2014- \$89,190) arising from the write off of balances in inactive members' accounts.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**9. MEMBERS' DEPOSITS**

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to four years and bear interest rates of 0.55% to 2.90% as of December 31, 2015, (2014 0.55% to 2.90%). As at December 31, 2015, accrued interest of \$4,749 (2014 - 1,962) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$76,655 (2014 - \$23,573). The deposits mature as follows:

	<b>2015</b>	<b>2014</b>
Under 1 year	\$ 2,004,064	\$ 1,446,615
1 to 2 years	226,781	348,557
2 to 4 years	636,734	78,589
Over 4 years	<u>408,165</u>	<u>118,000</u>
	<u>\$ 3,275,744</u>	<u>\$ 1,991,761</u>

**10. MEMBERS' EQUITY**

Members' equity comprises the contributed surplus, reserve fund, developmental foundation and retained earnings (accumulated deficit) of the Credit Union. Retained earnings can be distributed to the members subject to the limitations prescribed in the Act. Distributions when declared are allocated to Members' shares accounts.

**Contributed Surplus**

The Bermuda Industrial Union made a cash gift of \$106,000 from its share account on December 31, 1996.

**Reserve Fund**

At the 2009 AGM, the members approved a transfer of \$1,000,000 from the 2008 retained earnings to the reserve fund. Further, in accordance with S.12.3 of The Credit Unions Act 1982, the Credit Union transferred 30% of net earnings for the year ended December 31, 2008, to the reserve fund. No transfers of year-end retained earnings (accumulated deficit) were made to reserve fund for the periods ended December 31, 2015 and 2014.

An entrance fee of \$2 per member is required to be paid by new members upon application to the Credit Union. These fees are included as additions to the reserve fund in the amount of \$570 (2014 - \$284). The reserve fund is established as a component of members' equity for the purpose of the repayment of shares to members and recoupment of losses sustained from loans and shall not be distributed to the members except upon the dissolution of the Credit Union.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

**10. MEMBERS' EQUITY (continued)****Development Foundation**

These funds are mandated by the members at Annual General Meeting to be used solely for development projects and disaster relief to other credit unions. In the 2009 AGM, the members approved a transfer of \$20,000 from the 2008 retained earnings to the Development Foundation. In 2015, the Credit Union transferred \$Nil (2014 -\$1,000) to the World Council of Credit Unions. Donations of \$400 (2014 – \$1,000) were transferred to Caribbean Confederation of Credit Unions, and Annual Fee of \$1,200 (2014 – \$1,200) was transferred to American Credit Union. No transfers to the Development Foundation were made for the periods ended December 31, 2015 and 2014.

**11. RELATED PARTY TRANSACTIONS**

As at December 31, 2015, the total value of interest bearing loans due from directors and officers amounted to \$632,691 representing 8% of the total loans (2014 - \$694,276 which is 11% of the total loans). All loans are in good standing. The total value of interest bearing deposits due to directors and officers amounted to \$245,062 representing 8% of the total members' deposits (2014 - \$454,775 which is 25% of the total members' deposits). These loans and deposits are on the same terms and conditions as have been accounted to all members of the Credit Union.

**12. OPERATING EXPENSES**

	2015	2014
General business		
Professional fees	\$ 112,652	\$ 88,480
Office expenses	68,085	80,768
Insurance	37,776	34,631
Computer services	26,796	28,118
Audit expenses	59,358	28,980
Advertising	10,572	10,446
	<u>\$ 315,239</u>	<u>\$ 271,423</u>
Occupancy		
Rent	\$ 24,000	\$ 24,000
Utilities and communication	16,886	17,357
Amortisation	12,925	17,992
Security	6,350	11,830
Repairs and maintenance	6,714	9,158
	<u>\$ 66,875</u>	<u>\$ 80,337</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**13. FINANCIAL INSTRUMENTS**

The Credit Union's financial instruments consist of cash and cash equivalents, investments, due from entities owned or operated by members, loans to members, accrued interest receivable, accounts payable and accrued expenses, members' shares and members' deposits. The fair value of these financial instruments approximates their carrying value.

The Credit Union's activities may expose it to variety of financial risks: credit risk, interest rate risk and liquidity risk as follows:

**Credit Risk**

Credit risk arises as a result of providing credit to Credit Union's members. Cash and cash equivalents, due from entities owned or operated by members, and loans to members, net potentially expose the Credit Union to credit risk. Cash and cash equivalents and investments are placed with high credit quality financial institutions. Due from entities owned or operated by members and loans to members, net are reviewed regularly and recorded net of allowance for doubtful accounts. Credit risk is significantly influenced by general economic conditions in Bermuda. A significant decline in the economy may result in increased credit risk due to members being unable to meet their loan obligations.

**Interest Rate Risk**

Interest rate risk refers to the potential impact of changes in interest rates of the Credit Union's interest income and interest expense. Changes in the Bermuda base rate will result in changes in the interest rate charged on loans to members and paid on members' deposits.

**Liquidity Risk**

Liquidity risk is the risk that sufficient funds will not be available to meet the financial requirements as they become due. The Credit Union manages liquidity risk by continually monitoring actual and projected cash flows. At the balance sheet date, the Credit Union had no significant liquidity risk exposure.

**14. CAPITAL MANAGEMENT**

The Credit Union considers all items of members' equity to be its capital. Capital is managed to enable the Credit Union to meet its obligations to creditors, maintain adequate liquidity and fulfil its objective of providing loans to its members.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Expressed in Bermuda dollars)

### 15. SUBSEQUENT EVENTS

The Credit Union evaluated events and transactions occurring from January 1, 2015, through to July 31, 2017, for potential recognition or disclosure in the notes to the financial statements.

On May 15, 2015, the Credit Union extended the overdraft facility in the amount of \$100,000 to May 30, 2015 (See Note 3). In 2015, the Credit Union accrued \$363 (2014 – \$266) in interest. The Credit Union has not renewed the overdraft facility and is awaiting for the bank to release the collateral.

The Credit Union's investments consist of marketable securities which are liquid, short-term investments and can be sold at any time after the date of acquisition. As at October 31, 2016, the CUFMCL total portfolio value increased by \$511,973 to \$1,178,320.

#### **The Credit Union Act 2010**

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2015, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at July 31, 2017:

Part 2.29.(3): The Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the credit union's financial year.

Non-compliance: Audited financial statements were not delivered as of the required date.

#### **Prudential Requirements**

##### Reserve Funding Requirements

Schedule 3.1.(1): A credit union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets.

Non-compliance: The reserve fund and other institutional capital as at July 31, 2017, amount to \$1,023,147 which is 7.26% of Credit Union's total assets.

Schedule 3.1.(2): At the close of each financial year, 25% of the credit union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the credit union's total assets.

Non-compliance: The reserve fund and other institutional capital as at July 31, 2017, amount to \$1,023,147 which is 7.26% of total assets.

Schedule 3.1.(3): A reserve fund shall not be distributed to members unless the credit union is dissolved.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**(Expressed in Bermuda dollars)**

**15. SUBSEQUENT EVENTS (continued)**

In compliance: There were no distributions from the reserve fund to members subsequent to year-end (See Note 10).

Liquidity Requirements

Schedule 3.2: A credit union shall maintain a minimum liquidity ratio of 15% of withdrawable savings in cash or highly liquid assets.

In compliance: As at July 31, 2017, highly liquid assets and withdrawable savings amount to \$5,090,710 and \$9,018,044, respectively. Therefore, the minimum liquidity ratio as at July 31, 2017, is 45.82%.

Lending Requirements

Schedule 3.3.(1): The maximum period for which a credit union can lend to any member is ten years.

Non-compliance: As at July 31, 2017, the Credit Union has outstanding loans to members in the amount of \$69,930 which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act. This was occasioned by re-scheduled loans and not actual loan disbursements.

Schedule 3.3.(2): A credit union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member and its total loan portfolio shall not exceed 80% of the credit union's total assets.

In-compliance: As at July 31, 2017, the outstanding balance of a single loan to an individual member amounted to \$101,066, which is lower than 10% of the Credit Union's institutional capital at \$102,649.

In-compliance: As at July 31, 2017, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 62.15%

Requirements for External Borrowing

Schedule 3.4: A credit union shall not borrow an amount exceeding 10% of its total assets or four times its retained earnings and its reserves, whichever is less.

In-compliance: There are no outstanding borrowings as at July 31, 2017.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

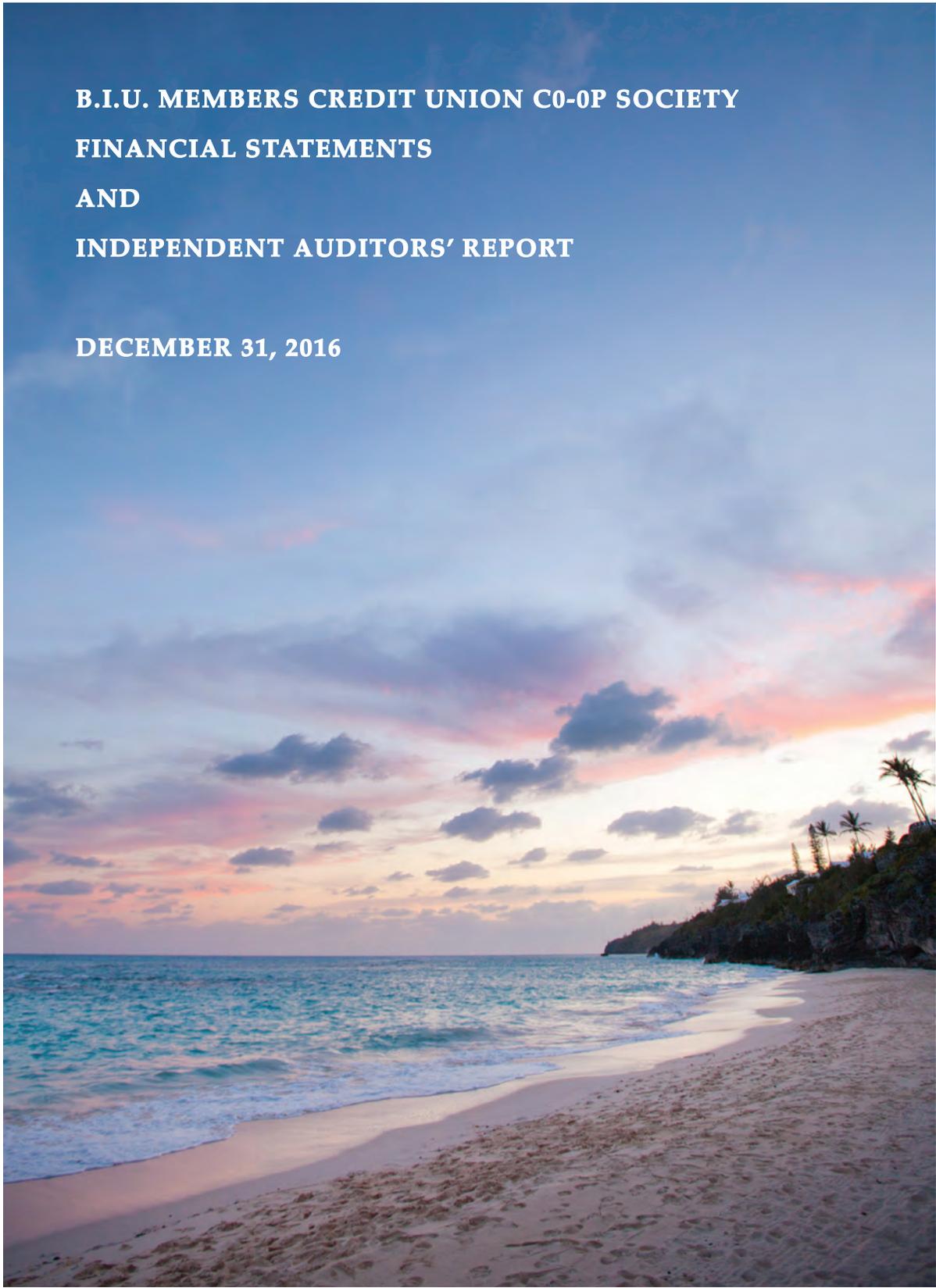
**(Expressed in Bermuda dollars)**

Write Off Delinquent Loans

The members at its annual general meeting December 6, 2016 approved the resolution to use the provision for loan loss in the amount of \$792,138 to write off delinquent loans. At June 2017, the required loan loss provision was \$1,778,498. The Credit Union used up the loan loss provision approved by the AGM leaving a residue of \$4,566.

Management believes that there are no other post year-end events that need to be reflected in the financial statements or disclosed in the notes to the financial statements.





**B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2016**

**FINANCIAL STATEMENTS 2016**



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## **Management Responsibility**

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and making objective decisions affecting the measurement of transactions in which judgment is required. Management is also responsible for monitoring the activities of the B.I.U. Members' Credit Union Co-op Society for compliance with the Credit Unions Act 2010 and its constitution and rules.

In discharging its responsibilities for the integrity and fairness of the financial statements, as well as the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

The Board of Directors appoints external auditors to audit the financial statements. The external auditors have full and free access to management and the Board of Directors to discuss the findings of their audit. Their report outlines the scope of their audit and their opinion.



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& BUTTERFIELD**

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**INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We have audited the accompanying financial statements of B.I.U. Members Credit Union Co-op Society (the "Credit Union"), which comprise the balance sheet as at December 31, 2016, and the statements of earnings, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

**Basis for Qualified Opinion**

Management is currently pursuing over \$1 million in loans to members through the courts. We were unable to determine the ultimate collectability of these loans by other auditing procedures. In consequence, we were unable to determine whether adjustments to the provision for doubtful accounts and to loans to members, net, might be necessary.

**Emphasis of Matter**

We draw attention to Note 1 to the financial statements which describes the specific provisions of The Credit Unions Act 2010 (the "Act") which the Credit Union was not in compliance with for the years ended December 31, 2016 and 2017. The Act requires that the Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the Credit Union's financial year. The Act requires that the maximum period for which a credit union can lend to any member is ten years. Our opinion is not qualified in respect of these matters.

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### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian Accounting Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian Accounting Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matter**

This report is made solely to the Credit Union's members, as a body. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Moose Stephens & Butterfield*

Chartered Professional Accountants  
Hamilton, Bermuda  
December 13, 2018



**BALANCE SHEET**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 2,221,148	\$ 1,334,667
Investments (Note 4)	1,233,334	678,676
Due from entities owned or operated by members (Note 5)	238,660	218,136
Loans to members, net (Notes 6 and 11)	8,338,497	7,949,945
Accrued interest receivable	111,976	67,061
Other current assets	105,984	82,899
Total current assets	<u>12,249,599</u>	<u>10,331,384</u>
Capital assets (Note 7)	<u>7,647</u>	<u>10,324</u>
	<u>\$ 12,257,246</u>	<u>\$ 10,341,708</u>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 152,009	\$ 111,947
Members' shares (Notes 6 and 8)	7,343,924	5,967,554
Members' deposits (Notes 9 and 11)	<u>3,752,726</u>	<u>3,275,744</u>
	<u>11,248,659</u>	<u>9,355,245</u>

**MEMBERS' EQUITY**

Contributed surplus (Note 10)	106,000	106,000
Reserve fund (Note 10)	1,028,004	1,027,606
Accumulated deficit	<u>(125,417)</u>	<u>(147,143)</u>
	<u>1,008,587</u>	<u>986,463</u>
	<u>\$ 12,257,246</u>	<u>\$ 10,341,708</u>

*See accompanying notes to the financial statements.*

**Signed on behalf of the Board of Directors:**

Director

Director



**STATEMENT OF EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

	<b>2016</b>	<b>2015</b>
<b>FINANCIAL INCOME</b>		
Interest on loans to members (Note 6)	\$ 901,927	\$ 786,790
Investment income	67,295	89,476
	<u>969,222</u>	<u>876,266</u>
<b>FINANCIAL EXPENSE</b>		
Interest on members' deposits (Note 9)	<u>84,786</u>	<u>76,655</u>
<b>FINANCIAL MARGIN</b>	<u>884,436</u>	<u>799,611</u>
<b>OTHER INCOME</b>		
Loan origination fees	31,171	35,645
Other (Notes 5 and 8)	30,715	16,092
	<u>61,886</u>	<u>51,737</u>
<b>GROSS MARGIN</b>	<u>946,322</u>	<u>851,348</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	596,846	498,853
General business (Note 12)	235,111	315,239
Occupancy (Note 12)	52,875	66,875
Conferences and meetings	39,764	17,493
	<u>924,596</u>	<u>898,460</u>
<b>NET INCOME (LOSS)</b>	\$ <u>21,726</u>	\$ <u>(47,112)</u>

*See accompanying notes to the financial statements.*



**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

	<b>2016</b>	<b>2015</b>
<b>CONTRIBUTED SURPLUS</b>		
Balance, end of year (Note 10)	\$ <u>106,000</u>	\$ <u>106,000</u>
<b>RESERVE FUND</b>		
Balance, beginning of year	1,027,606	1,027,036
Additions during the year (Note 10)	<u>398</u>	<u>570</u>
Balance, end of year	<u>1,028,004</u>	<u>1,027,606</u>
<b>DEVELOPMENT FOUNDATION</b>		
Balance, beginning of year	-	1,600
Transfers and donations (Note 10)	<u>-</u>	<u>(1,600)</u>
Balance, end of year	<u>-</u>	<u>-</u>
<b>ACCUMULATED DEFICIT</b>		
Balance, beginning of year	(147,143)	(100,031)
Net income (loss)	<u>21,726</u>	<u>(47,112)</u>
Balance, end of year	<u>(125,417)</u>	<u>(147,143)</u>
<b>MEMBERS' EQUITY</b>	<b>\$ <u>1,008,587</u></b>	<b>\$ <u>986,463</u></b>

*See accompanying notes to the financial statements.*



**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 21,726	\$ (47,112)
Amortisation (Note 12)	<u>6,028</u>	<u>12,925</u>
	27,754	(34,187)
Adjustments for working capital changes:		
Increase in due from entities owned or operated by members	(20,524)	(24,006)
Increase in loans to members	(388,552)	(1,619,154)
(Increase) decrease in accrued interest receivable	(44,915)	44,071
Increase in other current assets	(23,085)	(7,159)
(Increase) decrease in investments	(554,658)	15,347
Increase (decrease) in accounts payable and accrued expenses	40,062	(36,205)
Increase in members' shares	1,376,370	409,121
Increase in members' deposits	<u>476,982</u>	<u>1,283,983</u>
Net cash from operating activities	<u>889,434</u>	<u>31,811</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	<u>(3,351)</u>	<u>(351)</u>
Net cash used in investing activities	<u>(3,351)</u>	<u>(351)</u>
<b>FINANCING ACTIVITIES</b>		
Addition to reserve fund (Note 10)	398	570
Payments from development foundation (Note 10)	<u>-</u>	<u>(1,600)</u>
Net cash from (used in) financing activities	<u>398</u>	<u>(1,030)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	886,481	30,430
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u>1,334,667</u>	<u>1,304,237</u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u>\$ 2,221,148</u>	<u>\$ 1,334,667</u>

*See accompanying notes to the financial statements.*



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 1. NATURE OF OPERATIONS

The B.I.U. Members Credit Union Co-op Society (the "Credit Union") is registered in Bermuda under The Credit Unions Act 1982. On July 26, 2010, legislation was passed to repeal the Credit Unions Act 1982 and replace it with the Credit Unions Act 2010. The Credit Unions Act 2010 (the "Act") came into force on December 24, 2010.

The Credit Union's principal objective is to encourage and promote systematic and regularized savings on the part of members of the Bermuda Industrial Union and other Unions registered in Bermuda and to facilitate the extension of credit to those members for the provident or productive purposes at a reasonable rate of interest.

#### **The Credit Union Act 2010**

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "BIU Members Credit Union Co-operative Society" to the "Bermuda Credit Union Co-operative Society".

Whereas the Credit Union as part of its re-branding could by a name-change embrace more of the members of the the Joint Trade Union Congress (JTUC).

Whereas the Credit Union recognizes its mission to optimize its presence taking advantage of the enhancement of this the name-change could bring.

As of December 13, 2018, the name change has not been assented into law.

The Credit Union is required to comply with the provisions of the Credit Union Act 2010. For the year ended December 31, 2016, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 2016.

Part 2.29.(3): The Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the Credit Union's financial year.

Non-compliance: Audited financial statements for the years ended December 31, 2017, 2016 and 2015 were not delivered as of the required date.

#### **Prudential Requirements**

##### Reserve Funding Requirements

Schedule 3.1.(1): A credit union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets.

Non-compliance: The reserve fund and other institutional capital as at December 31, 2016, amount to \$1,008,587 which is 8.23% of total assets (2015 - \$986,463 which is 9.54% of total assets (Non-compliance)). Actual reserve fund as at December 31, 2016, amount to \$1,028,004 (2015 - \$1,027,606).



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**1. NATURE OF OPERATIONS (continued)**

Schedule 3.1.(2): At the close of each financial year, 25% of the credit union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the credit union's total assets.

Non-compliance: The institutional capital as at December 31, 2016, amount to \$1,008,587 which is 8.23% of total assets (2015 - \$986,463 which is 9.54% of total assets (Non-compliance)).

Schedule 3.1.(3): A reserve fund shall not be distributed to members unless the credit union is dissolved.

In compliance: There were no distributions from the reserve fund to members for the years ending December 31, 2016 and 2015 (See Note 10).

Liquidity Requirements

Schedule 3.2: A credit union shall maintain a minimum liquidity ratio of 15% of withdrawable savings in cash or highly liquid assets.

In-compliance: As at December 31, 2016, highly liquid assets and withdrawable savings amount to \$3,454,482 and \$7,343,924, respectively. Therefore, the minimum liquidity ratio as at December 31, 2016, is 47.04%.

In-compliance: As at December 31, 2015, highly liquid assets and withdrawable savings amount to \$2,013,343 and \$5,967,554, respectively. Therefore, the minimum liquidity ratio as at December 31, 2015, is 33.74%.

Lending Requirements

Schedule 3.3. (1): The maximum period for which a credit union can lend to any member is ten years.

Non-compliance: As at December 31, 2016, the Credit Union has outstanding loans to members in the amount of \$60,314 (2015 - \$63,020 (Non-compliance)) which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act.

Schedule 3.3.(2): A credit union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member and its total loan portfolio shall not exceed 80% of the credit union's total assets.

In-compliance: As at December 31, 2016, the outstanding balance of a single loan to an individual member amounted to \$92,402, which is lower than 10% of the Credit Union's institutional capital at \$100,859 (2015 - \$97,415 (In-compliance)).



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 1. NATURE OF OPERATIONS (continued)

In-compliance: As at December 31, 2016, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 68.03% (2015 – 76.87% (In-compliance)).

#### Requirements for External Borrowing

Schedule 3.4: A credit union shall not borrow an amount exceeding 10% of its total assets or four times its retained earnings and its reserves, whichever is less.

In compliance: There are no outstanding borrowings as at December 31, 2016 and 2015, respectively.

#### **The Credit Union Act 2010**

Contravention of any of the provisions specified by the Act could result in fines or the suspension or cancellation of the registration of the Credit Union. No action has been taken to date.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS). The significant accounting policies are as follows:

#### a) **Cash and cash equivalents**

Cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. The carrying value of these investments approximates their fair value because of their short maturity.

Cash potentially exposes the Credit Union to credit risk. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents are placed with high credit quality financial institutions.

#### b) **Loans to members**

Loans to members are stated at the amount of unpaid principal less an allowance for doubtful loans.

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loan loss experience. The methodology specified in the Credit Policy and Procedures Manual was not used to determine the allowance at December 31, 2016 and 2015, respectively, as management believe that, as a result of subsequent collections, the allowance



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

computed using the prescribed methodology would have been materially overstated and not in accordance with IFRS.

Interest on loans to members is recognized on the accrual basis for all loans not classified as impaired.

**c) Capital assets**

Capital assets are recorded at cost less accumulated amortisation. Amortisation is provided on the straight-line basis at the following annual rates which are estimated to write off the assets over their estimated useful lives:

Computer and office equipment	20%
Furniture and fixtures	20%
Leasehold improvements	10%

**d) Members' deposits**

Members' deposits are recorded at the value of the cash deposit received. Interest expense is recorded on the accruals basis from the date the deposit is contractually entitled to earn interest.

**e) Loan origination fees**

Loan origination fees are recognized as received.

**f) Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the financial statements reflect the Credit Union's best estimates and assumptions, actual results could differ from these estimates.

**g) Payables and provisions**

Payables are stated at their nominal value. The Credit Union recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at balance sheet date, that is, the amount the Credit Union would rationally pay to settle the obligation to a third party.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Directors, officers, shareholders, associates or companies and other related interests that directly or indirectly control or are controlled by or under common control are considered related parties.

#### i) Adoption of accounting standards for publicly accountable enterprise

In February 2008 the Canadian Institute of Chartered Accountants ("CICA") announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

The adoption of IFRS had no impact on the previously reported assets, liabilities, and members' equity of the Credit Union. Accordingly, no adjustments have been recorded.

#### j) Subsequent events

Post-year-end events that provide additional information about the Credit Union's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### 3. CASH AND CASH EQUIVALENTS

On May 15, 2015, the Credit Union extended the overdraft facility in the amount of \$100,000 to May 30, 2015. The collateral of the same amount is being held in a fixed deposit account, bearing an interest of 0.25% per annum. In 2016, the Credit Union accrued \$Nil (2015 - \$363) in interest as it has not renewed the overdraft facility and the bank released the collateral.

Cash and cash equivalents include cash on hand of \$106,980 (2015 - \$37,584).

### 4. INVESTMENTS

In diversifying its investment portfolio, the Credit Union made investments into the Credit Union Fund Management Company Ltd. ("CUFMCL") operated by the Jamaica Co-operative Credit Union League Ltd. CUFMCL is licenced by the Financial Services Commission of Jamaica.

As of December 31, 2016, the investments held by the Credit Union amounted to \$1,233,334 (2015 - \$678,676).



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**5. DUE FROM ENTITIES OWNED OR OPERATED BY MEMBERS**

As at December 31, 2016 and 2015, the Credit Union approved the following overdrafts:

	<b>2016</b>	<b>2015</b>
Kyle Bridgewater	\$ 104,745	\$ 94,213
Liberty Theatre	95,859	90,181
Oral Barnett	<u>38,056</u>	<u>33,742</u>
	<u>\$ 238,660</u>	<u>\$ 218,316</u>

The overdraft facilities bear interest at 12% (2015 - 12%). Each facility is unsecured and is reviewed annually from the approval date. Interest income on loans to members includes interest earned on overdrafts in the amount of \$27,022 (2015 - 24,383).

**6. LOANS TO MEMBERS, NET**

Loans to members are stated net of an allowance for doubtful accounts of \$792,137 (2015 - \$792,137), bear interest of 12% per annum (2015 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

	<b>2016</b>	<b>2015</b>
Under 1 year	\$ 1,397,815	\$ 1,084,254
1 to 2 years	1,080,782	1,123,788
2 to 4 years	1,752,440	1,511,551
Over 4 years	<u>4,899,597</u>	<u>5,022,489</u>
	9,130,634	8,742,082
Less: Allowance for doubtful accounts	<u>(792,137)</u>	<u>(792,137)</u>
	<u>\$ 8,338,497</u>	<u>\$ 7,949,945</u>

Loans are secured by members' shares in the amount of \$2,461,326 (2015 - \$1,947,488) (See Note 8). Interest income recorded in the statement of earnings amounted to \$901,927 (2015 - \$786,790).



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 6. LOANS TO MEMBERS, NET (continued)

On July 6, 2012, the Credit Union received a Notice of Restriction from the Bermuda Monetary Authority (BMA) prohibiting the Credit Union from making loans to members or otherwise granting credit to any person with immediate effect. On September 27, 2017, the BMA informed the Credit Union of extending the Notice of Restriction to January 31, 2018, after considering efforts made over the period of the restriction which commenced in July 2012. The BMA instructed the Credit Union to provide the following before the expiration of the variation of the restriction:

- a. Audited financial statements for the 2016 year-end;
- b. A Board approved plan to address the short fall in provisions for delinquent loans;
- c. A status update on efforts to increase the permanent share balance through contributions from the membership.

The Credit Union provided the BMA three quarterly Prudential Information Return (PIR) during 2018 providing proof that the rebuilding of the loan loss provision was being gradually done within the Credit Union's resources at the rate of \$5,000 per month (See Note 15).

The Credit Union received formal approval from the membership at a Special General Meeting to strengthen the Institutional Capital by introducing Permanent Shares. The results of this action were also relected in the quarterly PIR submitted to the BMA (See Note 15).

On November 29, 2018, the Credit Union wrote to the BMA seeking another extension of the variation of the restriction. On December 21, 2018, the BMA responded repeating the instructions for the written plan for the three areas stated above.

Based on the financial performance of the Credit Union, the attainment of the requirements of the BMA though they have commenced may be achieved in the long-term.

At December 13, 2018, the Credit Union was non-compliant with its loan loss provisioning requirements and was also non-compliant with the instructions from the BMA to provide a Board approved plan to address the short fall in provisions for delinquent loans.

Further reference is made to Note 1 that the Credit Union was also non-compliant with submitting the audited financial statements for the year ended December 31, 2016 within the specified time stipulated in the Credit Unions Act 2010.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**7. CAPITAL ASSETS**

Capital assets as at December 31, 2016, comprise of the following:

			<b>2016</b>	<b>2015</b>
	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer and office equipment	\$ 263,967	\$ 261,241	\$ 2,726	\$ 7,393
Furniture and fixtures	118,460	114,601	3,859	1,018
Leasehold improvements	<u>59,839</u>	<u>58,777</u>	<u>1,062</u>	<u>1,913</u>
	<u>\$ 442,266</u>	<u>\$ 434,619</u>	<u>\$ 7,647</u>	<u>\$ 10,324</u>

During the year, the Credit Union purchased capital assets for \$3,351 (2015 - \$351).

**8. MEMBERS' SHARES**

Amounts received from members through payroll deductions or cash deposits, which are not allocated to loan repayments, are recorded as additions to Members' shares. Members' shares are non-interest bearing and are repayable on demand except for a portion of shares held as collateral for loans to members. The collateral is generally calculated at one quarter of the original loan to the member. As at December 31, 2016, shares of \$2,461,326 (2015 - \$1,947,488) were held as collateral for loans to members (See Note 6).

Members' shares include shares issued to the following entities which are related parties:

	<b>2016</b>	<b>2015</b>
Bermuda Industrial Union (BIU) Construction Division	\$ 26,502	\$ 23,832
BIU General	(23,331)	64,353
BIU Gas	<u>(3,713)</u>	<u>(63,547)</u>
	<u>\$ (542)</u>	<u>\$ 24,638</u>

No dividends were declared for the years ended December 31, 2016 and 2015.

Members' share accounts qualify as capital notwithstanding their financial statement classification as a liability.

It is the policy of the Credit Union to write-off members' shares from members' accounts which are inactive for more than a period of 12 months. Miscellaneous income includes \$2,176 (2015 - \$1,575) arising from the write off of balances in inactive members' accounts.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

**9. MEMBERS' DEPOSITS**

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to four years and bear interest rates of 0.55% to 2.90% as of December 31, 2016, (2015 - 0.55% to 2.90%). As at December 31, 2016, accrued interest of \$42,029 (2015 - \$4,749) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$84,786 (2015 - \$76,655). The deposits mature as follows:

	2016	2015
Under 1 year	\$ 2,859,900	\$ 2,004,064
1 to 2 years	77,193	226,781
2 to 4 years	434,810	636,734
Over 4 years	<u>380,823</u>	<u>408,165</u>
	<u>\$ 3,752,726</u>	<u>\$ 3,275,744</u>

**10. MEMBERS' EQUITY**

Members' equity comprises the contributed surplus, reserve fund, developmental foundation and accumulated deficit of the Credit Union. Retained earnings can be distributed to the members subject to the limitations prescribed in the Act. Distributions when declared are allocated to Members' shares accounts.

**Contributed Surplus**

The Bermuda Industrial Union made a cash gift of \$106,000 from its share account on December 31, 1996.

**Reserve Fund**

At the 2009 AGM, the members approved a transfer of \$1,000,000 from the 2008 retained earnings to the reserve fund. Further, in accordance with S.12.3 of The Credit Unions Act 1982, the Credit Union transferred 30% of net earnings for the year ended December 31, 2008, to the reserve fund. No transfers of year-end accumulated deficit were made to reserve fund for the periods ended December 31, 2016 and 2015.

An entrance fee of \$2 per member is required to be paid by new members upon application to the Credit Union. These fees are included as additions to the reserve fund in the amount of \$398 (2015 - \$570). The reserve fund is established as a component of members' equity for the purpose of the repayment of shares to members and recoupment of losses sustained from loans and shall not be distributed to the members except upon the dissolution of the Credit Union.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**10. MEMBERS' EQUITY (continued)**

**Development Foundation**

These funds are mandated by the members at Annual General Meeting to be used solely for development projects and disaster relief to other credit unions. In the 2009 AGM, the members approved a transfer of \$20,000 from the 2008 retained earnings to the Development Foundation. Donations of \$Nil (2015 – \$400) were transferred to Caribbean Confederation of Credit Unions, and Annual Fee of \$Nil (2015 – \$1,200) was transferred to American Credit Union. No transfers to the Development Foundation were made for the periods ended December 31, 2016 and 2015.

**11. RELATED PARTY TRANSACTIONS**

As at December 31, 2016, the total value of interest bearing loans due from directors and officers amounted to \$627,279 representing 7.5% of the total loans (2015 - \$632,691 which is 8% of the total loans). All loans are in good standing. The total value of interest bearing deposits due to directors and officers amounted to \$208,446 representing 6% of the total members' deposits (2015 - \$245,062 which is 8% of the total members' deposits). These loans and deposits are on the same terms and conditions as have been accounted to all members of the Credit Union.

**12. OPERATING EXPENSES**

	<b>2016</b>	<b>2015</b>
General business		
Office expenses	\$ 75,820	\$ 68,085
Insurance	43,699	37,776
Professional fees	42,667	112,652
Audit expenses	37,500	59,358
Computer services	28,887	26,796
Advertising	6,538	10,572
	<u>\$ 235,111</u>	<u>\$ 315,239</u>
Occupancy		
Rent	\$ 24,000	\$ 24,000
Utilities and communication	15,331	16,886
Amortisation	6,028	12,925
Security	1,310	6,350
Repairs and maintenance	6,206	6,714
	<u>\$ 52,875</u>	<u>\$ 66,875</u>



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 13. FINANCIAL INSTRUMENTS

The Credit Union's financial instruments consist of cash and cash equivalents, investments, due from entities owned or operated by members, loans to members, accrued interest receivable, accounts payable and accrued expenses, members' shares and members' deposits. The fair value of these financial instruments approximates their carrying value.

The Credit Union's activities may expose it to variety of financial risks: credit risk, interest rate risk and liquidity risk as follows:

#### **Credit Risk**

Credit risk arises as a result of providing credit to Credit Union's members. Cash and cash equivalents, due from entities owned or operated by members, and loans to members, net potentially expose the Credit Union to credit risk. Cash and cash equivalents and investments are placed with high credit quality financial institutions. Due from entities owned or operated by members and loans to members, net are reviewed regularly and recorded net of allowance for doubtful accounts. Credit risk is significantly influenced by general economic conditions in Bermuda. A significant decline in the economy may result in increased credit risk due to members being unable to meet their loan obligations.

#### **Interest Rate Risk**

Interest rate risk refers to the potential impact of changes in interest rates of the Credit Union's interest income and interest expense. Changes in the Bermuda base rate will result in changes in the interest rate charged on loans to members and paid on members' deposits.

#### **Liquidity Risk**

Liquidity risk is the risk that sufficient funds will not be available to meet the financial requirements as they become due. The Credit Union manages liquidity risk by continually monitoring actual and projected cash flows. At the balance sheet date, the Credit Union had no significant liquidity risk exposure.

### 14. CAPITAL MANAGEMENT

The Credit Union considers all items of members' equity to be its capital. Capital is managed to enable the Credit Union to meet its obligations to creditors, maintain adequate liquidity and fulfil its objective of providing loans to its members.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**15. SUBSEQUENT EVENTS**

The Credit Union evaluated events and transactions occurring from January 1, 2017, through to December 13, 2018, for potential recognition or disclosure in the notes to the financial statements.

The Credit Union's investments consist of marketable securities which are liquid, short-term investments and can be sold at any time after the date of acquisition. As at December 13, 2018, the CUFMCL total portfolio value did not change.

**The Credit Union Act 2010**

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2016, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at October 31, 2018, which is the latest date of the financial information available after the year-end:

Part 2.29.(3): The Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the credit union's financial year.

Non-compliance: Audited financial statements were not delivered as of the required date.

**Prudential Requirements**

Reserve Funding Requirements

Schedule 3.1.(1): A credit union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets.

Non-compliance: The reserve fund and other institutional capital as at October 31, 2018, amount to \$1,049,581 which is 9.03% of Credit Union's total assets.

Schedule 3.1.(2): At the close of each financial year, 25% of the credit union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the credit union's total assets.

Non-compliance: The reserve fund and other institutional capital as at October 31, 2018, amount to \$1,049,581 which is 9.03% of total assets.

Schedule 3.1.(3): A reserve fund shall not be distributed to members unless the credit union is dissolved.

In compliance: There were no distributions from the reserve fund to members subsequent to year-end (See Note 10).



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Expressed in Bermuda dollars)

### 15. SUBSEQUENT EVENTS (continued)

#### Liquidity Requirements

Schedule 3.2: A credit union shall maintain a minimum liquidity ratio of 15% of withdrawable savings in cash or highly liquid assets.

In compliance: As at October 31, 2018, highly liquid assets and withdrawable savings amount to \$3,110,110 and \$6,799,647, respectively. Therefore, the minimum liquidity ratio as at October 31, 2018, is 45.74%.

#### Lending Requirements

Schedule 3.3.(1): The maximum period for which a credit union can lend to any member is ten years.

Non-compliance: As at October 31, 2018, the Credit Union has outstanding loans to members in the amount of \$60,314 which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act. This was occasioned by re-scheduled loans and not actual loan disbursements.

Schedule 3.3.(2): A credit union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member and its total loan portfolio shall not exceed 80% of the credit union's total assets.

In-compliance: As at October 31, 2018, the outstanding balance of a single loan to an individual member amounted to \$79,423, which is lower than 10% of the Credit Union's institutional capital at \$104,958.

In-compliance: As at October 31, 2018, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 71.49%

#### Requirements for External Borrowing

Schedule 3.4: A credit union shall not borrow an amount exceeding 10% of its total assets or four times its retained earnings and its reserves, whichever is less.

In-compliance: There are no outstanding borrowings as at October 31, 2018.



**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**(Expressed in Bermuda dollars)**

**15. SUBSEQUENT EVENTS (continued)**

Other Subsequent Events

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "BIU Members Credit Union Co-operative Society" to the "Bermuda Credit Union Co-operative Society".

Whereas the Credit Union as part of its re-branding could by a name-change embrace more of the members of the the Joint Trade Union Congress (JTUC).

Whereas the Credit Union recognizes its mission to optimize its presence taking advantage of the enhancement of this the name-change could bring.

As of December 13, 2018, the name change has not been assented into law.

Limited online transactions facilitation came into being in November 2017.

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank in April 2017 that renews on annual basis. The deposit bears an interest of 2.35%. In April 2018, the deposit amount increased to \$1,578,789 which matures on April 5, 2019.

In September 2017, the Special General Meeting passed a resolution for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. Management accounts as at December 31, 2018 show Permanent Shares to be \$82,636 (See Note 6).

In January 2018 the Credit Union commenced placing \$5,000 monthly towards loan loss provision as a means of decreasing the loan loss provision gap. Management accounts showed the provision moved from \$4,556 at December 31, 2017 to \$90,049 at December 31, 2018 (See Note 6).

Management believes that there are no other post year-end events that need to be reflected in the financial statements or disclosed in the notes to the financial statements.



## CREDIT COMMITTEE REPORT

Each year, these reports show the Credit Union’s involvement in the lives of the members and the vital role it plays. Upon review, we feel a sense of commitment to our members in reaching their goals. Of the total loans disbursed during the period, 15.48% was for education purpose. This is the third highest percentage of all categories, with the purchase of motor vehicles being at the top with 18.99%. It is noteworthy that loans for education doubled over the corresponding period moving from 8.54% to the 15.48%.

It must be noted too that the total loans disbursed declined by 20.17% over the corresponding period moving from \$3.83M disbursed to \$3.06M. There are two main reasons for this. One reason is that loans for debt consolidation declined by 22.68% moving down from \$853,000.00 to \$526,000.00. At the last reporting, effort was made at member engagement in this area of borrowing. This decline could mean the effort in getting a hold on debts is paying off. Efforts in this regard on the part of members are being encouraged. The other reason is the decline in the loans re-scheduled by the Credit Union. This moved down from just under \$1M the previous year to \$345,000.00, a decline of 52.75%.

When a loan is re-scheduled, it is a tell-tale sign that the member is undergoing some financial stress. This indicator along with the decline in loans for debt consolidation is a signal to the Credit Committee that there could be some improvement in financial management. There is something else that the Credit Committee is clear as to the contributory reason for the decline in the re-scheduled loans. This has to do with the effort made by the Credit Union in the pre-



*L-R: Terrylynn Lewis, Leah Richardson, Hon. Derrick Burgess, Lawrence Holder, Dee-ann Marti-Iris*

CREDIT COMMITTEE REPORT



CREDIT COMMITTEE REPORT

vious period to assist delinquent members to bring their loans current. Though not all of those re-scheduled loans solved the delinquency problem of some of those members, there was some success in this regard.

The action of facilitating loan re-schedules is something the Credit Union must do judiciously. If the member re-schedules a loan, this loan automatically becomes current. However, if the member re-schedules only to revert to the previous mode of non-repayment the Credit Union by facilitating this loan re-schedule could be deemed as ever-greening the loan. Ever-greening is a practice of making delinquent loans look current, just like a tree with green leaves is deemed to be healthy. This unhealthy practice masks a serious problem. As a result of this loan re-schedule requests are carefully analysed before such is facilitated.

This brings us to the perennial problem of delinquency. There is no clear sign that this has improved though the evidence shows it has not worsened. The delinquency rate today stands at 21.44% It was about the same at last reporting. The Credit Committee has been vigilant in lending members' savings. The recovery from such delinquency is a huge challenge. To the hundreds of borrowers to who honour loan obligations the Credit Committee extends its pleasure at the commitment of these members. The delinquents on the other hand have made our task so much harder in determining the good risks but the co-operative model of people saving together and borrowing from one another is the mantra of the Credit Committee.

Sincere thanks to the borrowing members for their support of the Credit Union. On behalf of the Credit Committee it has been an honour working with all the volunteers. Wholehearted thanks also to the staff for the work done in granting the three hundred and two loans during the period.

Lawrence Holder  
Chairman



COMPARATIVE STATISTICS LOANS

As at December 31, 2016

PURPOSE	NO. OF LOANS	2015		NO. OF LOANS	2016	
		VALUE \$	%AGE		VALUE \$	%AGE
TAXES & LEGAL COSTS	5	23,914.78	0.62	4	45,000.00	1.47
AUTOMOBILES / BIKE	42	514,250.44	13.40	42	581,792.00	18.99
VACATIONS	21	129,529.53	3.38	19	91,200.00	2.98
REAL ESTATE	4	91,698.56	2.39	4	77,744.97	2.54
RENT / MORTGAGE	14	86,983.99	2.27	4	20,600.00	0.67
CONSOLIDATION	93	853,292.05	22.23	58	526,707.72	17.19
HOME FURNISHINGS / EQUIPMENT	8	38,053.40	0.99	9	35,237.35	1.15
MEDICAL	6	41,500.00	1.08	11	89,200.00	2.91
INSURANCE / LICENSE	9	29,091.96	0.76	11	63,593.00	2.08
HOME IMPROVEMENTS / ADDITIONS	25	388,473.79	10.12	19	379,636.04	12.39
CHRISTMAS	3	3,666.67	0.10	1	3,000.00	0.10
DENTAL	1	6,230.98	0.16	2	9,000.00	0.29
WEDDINGS / FUNERALS	14	151,519.23	3.95	9	52,427.00	1.71
EDUCATION	39	327,856.17	8.54	41	468,029.60	15.28
REPAIRS / MAINTENANCE	5	13,596.32	0.35	6	-	0.00
BUSINESS PURPOSE	5	106,155.84	2.77	11	232,500.00	7.59
INVESTMENT	0	-	0.00	0	-	0.00
MISCELLANEOUS	0	-	0.00	0	-	0.00
USED VEHICLE	2	-	0.00	1	-	0.00
TRAVEL	18	70,444.99	1.84	6	14,500.00	0.47
VEHICLE REPAIRS	9	45,566.67	1.19	4	28,100.00	0.92
LOAN RE-WRITE	29	916,064.27	23.87	39	345,569.22	11.28
HOTEL PENSION	0	-	-	1	-	0.00
	352	3,837,889.64		302	3,063,836.90	-20.17

PURPOSE	2015 VALUE \$	2016 VALUE \$	%AGE CHANGE '16/'15
Taxes and Legal costs	23,914.78	45,000.00	(46.86)
Motor Cars and Cycles	514,250.44	581,792.00	(11.61)
Vacations	129,529.53	91,200.00	42.03
Real Estate	91,698.56	77,744.97	100.00
Rent Mortgage	86,983.99	20,600.00	322.25
Debt Consolidation	853,292.05	526,707.72	62.00
Home Furnishings	38,053.40	35,237.35	7.99
Medical	41,500.00	89,200.00	(53.48)
Insurance/licence	29,091.96	63,593.00	(54.25)
Home Improvements	388,473.79	379,636.04	2.33
Christmas	3,666.67	3,000.00	-
Dental	6,230.98	9,000.00	-
Weddings/funerals	151,519.23	52,427.00	189.01
Education	327,856.17	468,029.60	(29.95)
Extensions/re-writes	916,064.27	345,569.22	165.09
Repairs/Maintenance	13,596.32	0.00	(100)
Business Purpose	106,155.84	232,500.00	(54.34)
Investment	0	-	-
Recreational vehicles	0	-	-
Miscellaneous	0.00	0.00	-
Used Vehicles	0.00	0.00	-
Split loans	0	-	-
Travel	70,444.99	14,500.00	385.83
Motor Vehicle Repairs	45,566.67	0.00	11,500.00
Hotel Pension	-	0	1,398.31
	3,837,889.64	3,035,736.90	26.42

CREDIT COMMITTEE REPORT



## SUPERVISORY COMMITTEE REPORT

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Wayne Mouchette - Chairman/Secretary  
Carla Burgess – Member  
Clarence Dill – Member  
Corlita Davis - Member  
Delores Glasford – Member

### Supervisory Committee

The Supervisory Committee is responsible for ensuring that the Board of Directors and the management of the credit union meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets. Supervisory committee terms are for either two or three years, or the position is voluntary.

### Basic Responsibilities:

1. Determine that internal controls are established and effectively maintained to achieve the Credit Union's financial reporting objectives which must be sufficient to satisfy the requirements of the Supervisory Committee audit, verification of members' accounts and its additional responsibilities.
2. Ensure that the Credit Union's accounting records and financial reports are promptly prepared and accurately reflect operations and results.
3. Determine that the relevant plans, policies and control procedures established by the Board of Directors are properly administered.
4. Confirm that policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud.
5. Conduct, or cause to be conducted, a verification of the loan and share accounts of the members in accordance with Credit Union policy and regulatory requirements.
6. Attend monthly Supervisory Committee meetings and distribute timely minutes of all meetings to the Credit Union Administrative Assistant for further circulation to all volunteers and Credit Union Management.
7. Attend regular and special meetings of the Board when required.
8. Consider the business of the Credit Union and its members to be confidential in nature and treat it accordingly. Ensure that any member records in the possession of the Committee are in a secure place.

### Duties

- Attend monthly committee meetings
- Conduct required monthly audit verifications
- Ensure that an annual audit of member accounts is performed annually.
- Fulfil yearly educational requirements
- <sup>a</sup> Give all assistance possible to fellow board members, appointed officers and employees of the Credit Union in the discharge of the duties of their offices.

Pursuant to instructions governing the role and responsibilities of the Supervisory Committee found in the Credit Union act of 2010, we have during the financial year ending December 2018



caused to examine the books and records of the BIU Members Credit Union. We report that the Supervisory Committee has had free access to the books of accounts and records of the BIU Members Credit Union.

During the course of this year the Supervisory Committee has performed a number of cash counts, as well as met with Sosina Mekonnen, Manager Accounting to determine the status of various accounts, and we have consistently reported our findings to the general manager, Mr. Micah Davis.

The Committee was made aware of the challenges the Credit Union faces with the less than desirable performance of the former Office Manager. In addition, the Committee had been tasked with reviewing the former Office Manager’s performance with regards to the policies and procedure during her employment. However, we found no fraudulent activity or Misappropriation of Funds although we did uncover that she had violated written guidelines and procedures as it related to her duties and responsibilities. The Office Manager was terminated in September 2018.

**BOARD AND JOINT MEETINGS AND MINUTES**

Whenever joint meetings were convened to consider loans for volunteers at least one member of the Committee was in attendance. The Committee reviewed all loans granted to other volunteers and in cases where it was not satisfied the the volunteer was a good credit risk; the Committee did not endorse the loan and noted this accordingly. The Committee was supplied with Minutes of the Board Meeting and provided comments as necessary. It was the goal of the Committee to attend Board Meetings quarterly. This was not achieved, but the Chairman/ Secretary attended whenever his schedule permitted.



*L-R: Wayne Mouchette, Carla Burgess, Corlita Spalding-Davis, Delores Glasford*



INTERNAL AUDIT ACTIVITIES DURING 2018

- Cash Count – [February & August]
- Members ‘Loans [March, May & September]
- Volunteers Loans [January & October]
- Members Files [April & July]
- Bank reconciliations [September & November]

DELINQUENT LOANS

The committee is concerned about the number of delinquent loans and the period in which most accounts have been outstanding. However, our findings have revealed that steps have been taken to recover monies owed and that delinquency control and collections are in place.

CONCLUSION

THE Supervisory Committee expresses its satisfaction at the improved working relationship with the Credit Union and the regulators. We benefited from the training received via the web-based training module on ANTI – MONEY LAUNDERING AND ANTI- TERRORIST FINANCING POLICY in the ordinary accreditation training sessions for the committee.

We would like to acknowledge the Credit Union Team for their hard work and dedication in maintaining the accounts of the BIU Members Credit Union and for providing valuable, friendly and professional service to our members and our community.

To our members, we say it is a pleasure serving as volunteers in this manner.

Wayne Mouchette  
*Chair/Secretary*

- Carla Burgess *Member*
- Corlita Davis *Member*
- Delores Glasford *Member*
- Clarence Dill *Member*



STAFF NOW SERVING YOU



*L-R: Micah Davis - General Manager/CEO, Rickeisha Worrell – Loans & Debt Collection Officer, Kandyelyn Pimentel – Member Care Representative, Nekeeba Ford – Member Care Representative, Bryan Dowling – Manager, Operations & Technology, Collen DeSilva – Member Care Representative, Sosina Mekonnen – Manager, Accounting.*

**MICAH DAVIS**

General Manager/CEO; MBA General Management; B.Sc. Hons. Double Major- Accounts and Management, University of the West Indies, Mona Kingston, Jamaica W.I.; Certified Business Development Sales Trainer-CUNA Mutual Insurance Society; Caribbean Development Educator-2011; United States Development Educator- 2012; International Credit Union Development Educator, World Council of Credit Unions-2013.

**SOSINA MEKONNEN**

Manager-Accounting: BSc. Degree in Banking and Finance, Addis Ababa Commercial College, Ethiopia; seventeen years Accounting and management experience; entrepreneur.

**BRYAN DOWLING**

Manager – Operations & Technology: MBA Syracuse University, New York USA; Diploma in Procurement & Supply (Chartered Institute of Procurement & Supply); Microsoft Certified Technology Specialist: Microsoft Project, Microsoft; Advanced MSP Practitioner: APMG International; PRINCE2 Practitioner: APMG International; PMP: Project Management Institute; Agile PMP Practitioner: APMG International.

**RICKEISHA WORRELL**

Loans Officer – B. Sc. Business Administration, Acadia University, Canada; Associate Degree, Bermuda College. Five (5) years working experience with the Bank of Bermuda (HSBC Member) and Bank of N.T. Butterfield & Son Ltd. Caribbean Development Educator, 2014; World Young Credit Union Professional (WYCUP) participant, World Council of Credit Unions conference 2014, Australia.

STAFF NOW SERVING YOU



STAFF NOW SERVING YOU

**KANDYELYN PIMENTEL**

Member Care Representative, Special ; eight and a half (8½) years banking experience with the Bank of Bermuda and previously worked with the Bermuda Industrial Union as Accounts Supervisor/ Accounts Payable; Certificate Professional Secretary Penn Foster Career School- October 2009.

**COLLEEN DESILVA**

Member Care Representative- over thirty-one (31) years' service in the hospitality industry. She has been currently actively involved in assisting new members of staff in the member care area to get acclimatized to the co-operative culture

**NEKEEBA FORD**

Member Care Representative – Over fourteen (14) years working experience in the hospitality, financial, insurance and retail industries.



## NOMINATING COMMITTEE REPORT

### REPORT OF THE NOMINATING COMMITTEE TO THE 40th ANNUAL GENERAL MEETING OF THE BERMUDA CREDIT UNION CO-OP. SOCIETY

In accordance with the constitution of the Bermuda Credit Union, the Board of Directors of the Bermuda Credit Union appointed a Nominating Committee which comprised the following persons:

- Miss Larissa Burgess
- Mrs. Renee Jones
- Mr. Shervin Dill

The said Nominating Committee reports as follows:

Directors and Committee Members retiring at this 40th Annual General Meeting 2019 are as follows:

#### BOARD OF DIRECTORS

	RETIRING	RECOMMENDED	TERM
1.	Mr. Graham Nesbitt	Mr. Graham Nesbitt	3 years
2.	Miss Ronaldine Burgess	Miss Ronaldine Burgess	3 years
3.	Mr. Cecil Durham	Mr. Cecil Durham	3 years
4.	Mr. Clarence Smith	Mr. Clarence Smith	3 years
5.	Mr. Jason Hayward	Mr. Jason Hayward	3 years

#### CREDIT COMMITTEE

	RETIRING	RECOMMENDED	TERM
1.	Mr. Lawrence Holder	Mr. Lawrence Holder	1 year
2.	Ms. Terrylyn Lewis	Ms. Terrylyn Lewis	1 year
3.	Mr. Edmund Simons	Ms. Prinzine Bailey	1 year
4.	Dr. John Duncan	Mrs. Leah Richardson	1 year
5.	Mrs. Dee-ann Martin-Iris	Mrs. D. Martin-Iris	1 year
6.	Ms. Tamika Hassell	Ms. LaVerne Furbert	1 year
7.	Hon. Derrick Burgess	Hon. Derrick Burgess	1 year

#### SUPERVISORY COMMITTEE

	RETIRING	RECOMMENDED	TERM
1.	Mr. Wayne Mouchette	Mr. Wayne Mouchette	1 year
2.	Mrs. Delores Glasford	Mrs. Delores Glasford	1 year
3.	Mrs. Carla Burgess	Mrs. Carla Burgess	1 year
4.	Mr. Clarence Dill Jr.	Ms. Pahn-ya Ratterey	1 year
5.	Mrs. Corlita Spalding-Davis	Mrs. C. Spalding Davis	1 year

Signed

Larissa Burgess  
CHAIR

NOMINATING COMMITTEE REPORT

**NEW NOMINEES**

**CREDIT COMMITTEE**

**MISS PRINZINE BAILEY**

Miss Prinzine Bailey has been a member of the Credit Union since 2012. She has worked in Education for 24 years.

Her journey in Education started at the Whitney Institute in the Guidance Department in 1995. In 2007 she joined the Attendance Section at the Department of Education where she is presently employed.

Although employed as an Attendance Officer for students, she also supports teachers and all other members as an Executive Officer for the Bermuda Union of Teachers.

She believes that working in Education has been a rewarding experience. If she can make a difference in a child's life then she knows she has achieved her goal.



**MISS LAVERNE FURBERT**



Miss LaVerne Furbert has been a member of the Credit Union for the past nineteen years.

She has been a community activist for many years and is committed to helping those Bermudians who find themselves in unfortunate circumstances. An avid fan and participant of Bermuda's talk show circuit and a prolific writer to the editors of newspapers in Bermuda, Ms. Furbert is presently the Editor of the Workers Voice, a monthly communiqué published by the Bermuda Industrial Union.

In November 2010 she was appointed the Senate and served as Junior Minister of Education and Junior Minister for Youth, Families, Sports and Community Development. She currently is a member of the Parole Board and the Financial Assistance Review Board.

She also believes in the importance of education, both traditional and non-traditional and that it is only through education that communities can reach their full potential. So strong is her belief in education that once her sons completed their college education, at the age of 50 she enrolled at Bermuda College and is proud of the Associate of Arts Degree that was bestowed upon her by the College in May, 1998.

She is the mother of two adult sons, of whom she is extremely proud, and the grandmother of seven wonderful grandchildren.

**SUPERVISORY COMMITTEE**

**PAHN-YA RATTERAY**

Pahn-ya Ratteray who has been a member of the Credit Union since 1996 is the new nominee to the Supervisory Committee of the Bermuda Credit Union. She is an experienced professional with over ten years of commended performance managing projects, events and business programs, who's passion is putting plans into meaningful action and providing management support required to ensure strategic objectives are met. Pahn-ya holds a Bachelor's degree in Business Administration, a Master's degree in Tourism Administration and a Master of Science degree in Project Management. Additionally, she is an alum of the prestigious Chevening Scholarship. Pahn-ya loves spending time with family and friends and lives life by these words....."great things can happen once you trust God and decide to experience life beyond your comfort zone".





## PARLIAMENTARY RULES OF ORDER

### 1. ORDER OF BUSINESS

An agenda shall be prepared by the Chairman and Secretary, and all items thereon shall take precedence over all other business. Any member desirous of introducing business for the consideration of the meeting may do so after the business on the agenda has been completed, or may give notice of motion to be discussed at a further meeting.

### 2. SUSPENSION OF STANDING ORDER

In the event of any matter of urgency, however, the Chairman may accept a suspension of the Standing Order. The member moving such suspension must clearly state the nature and urgency of his business, the numbers of the standing orders affected, and the length of time he desires such suspension to last. At the option of the meeting, a further extension may be allowed, but no suspension shall take place except by majority vote of the members present.

### 3. MINUTES

No motion or discussion shall be allowed on the Minutes except in regard to their accuracy. After the confirmation of the Minutes, they shall be signed by the Chairman, and the members shall then be at liberty to ask questions in regard to matters arising out of them. Such questions shall be allowed for purposes of information only, and no debate on the policy outlined in the Minutes shall take place.

All persons desiring the floor shall rise and address themselves to the chair.

They shall state their name and the department which they represent, if recognized by the chair, they shall have the privilege of the floor and all the rights thereof. All speakers are to make use of the microphones when addressing the Meeting in order that it be recorded and made a permanent record in the Meeting proceedings. Should two or more persons rise at the same time, the chair shall decide, without debate, who is entitled to the floor.

An accredited member, shall have the right to speak and vote on all issues coming before the meeting. Persons other than accredited members, so certified, may speak with the permission of the Chair but shall not vote on any issue.

### 4. SPEECHES

No member shall be allowed to speak more than once upon any motion before the meeting, unless on a point of order, or explanation, except the mover of the original Motion. But on an amendment being moved, any member even though he has spoken on an original Motion, may speak again on the amendment. No member for more than five minutes at a time. Members wishing to raise points of order or explanation must first obtain the permission of the Chairman and must raise immediately the alleged breach has occurred. Any member may formally second any motion or amendment and reserve his speech until a later period in the debate.

No person shall interrupt another who is speaking except on a point of order, a Parliamentary inquiry, or a point of information.

If it should come to pass that a speaker is called to order while speaking, the Speaker should take his seat until the question of order is determined.



**PARLIAMNETRY RULES OF ORDER**

**5. CHAIRMAN’S RULING**

The ruling of the Chairman on any question under the Standing Orders, or on points of order or explanation, shall be final, unless challenged by not less than four members, and unless two-thirds of the members present vote to the contrary.

**6. INTERRUPTION**

If any member interrupts another while addressing the meeting, or uses abusive or profane language or causes disturbance at any of the meetings, and refuses to obey the Chairman when called to order, he shall be named by the Chairman. He shall thereupon be expelled from the room and shall not be allowed to enter again until an apology satisfactory to the meeting be given.

A question shall not be subject to debate until it has been duly moved and seconded and is stated from the chair.

**7. MOTIONS AND AMENDMENTS**

The first proposition on any particular subject shall be known as the Original Motion, and all succeeding propositions on the subject shall be called amendments. Every motion or amendment must be moved and seconded by members actually present at the meeting before they can be discussed, and, wherever possible, should be set forth in writing. It is permissible for a member to make his speech first and conclude with a motion. When an amendment shall be discussed until the first amendment is disposed of (Notice of any further amendment must be given before the first amendment is put to the vote.)

**8. SUBSTANTIVE MOTIONS**

If an amendment be carried, it displaces the Original Motion and itself becomes the substantive motion, whereupon any further amendment relating to any portion of the substantive motion may be moved, provided it is consistent with the business and has not been covered by an amendment or motion which has been previously rejected. After the vote on each succeeding amendment has been taken, the surviving proposition shall be put to the vote as the main question, and if carried shall then become a resolution of the meeting.

**9. RIGHT OF REPLY**

The mover of the Original Motion shall, if no amendment be moved, have the right of reply at the close of the debate upon such motion. When an amendment is moved he shall be entitled to speak thereon in accordance with Standing Order No.8 and at the close of the debate on such amendment shall reply to the discussion, but shall introduce no new matter. The question shall then be put to the vote immediately, and under no circumstances shall any further discussion be allowed once the question has been put from the Chair. The mover of an amendment shall not be entitled to reply.

**10. WITHDRAWALS OR ADDITIONS**

No motion or amendment which has been accepted by the Chair shall be withdrawn without the majority vote of the meeting. Neither shall any addendum or rider be added to a motion, which has been accepted by the Chair without majority vote. Should any member dissent, the addendum must be proposed and seconded, and treated as an ordinary amendment.



**11. CLOSING DEBATE**

The motions for the previous question, next business, or the closure, may be moved and seconded only by members who have not previously spoken at any time during the debate. No speeches shall be allowed on such motions. In the event of the closure being carried, the mover of the Original Motion shall have the right to reply in accordance with Standing Order No.6 before the question is put. Should any one of the motions mentioned in this Standing Order be defeated, thirty minutes shall elapse before it can be accepted again by the Chairman, unless he is of the opinion that the circumstances have materially altered in the meantime.

**12. ADJOURNMENT**

Any member who has not already spoken during the debate may move the adjournment of the question under discussion, or of the meeting, but must confine his remarks to the question and must not discuss any other matter. The mover of the motion upon which the adjournment has been moved, shall be allowed the right to reply on the question of the adjournment, but such reply shall not prejudice his right of reply on his own motion. In the event of such motion being lost, it shall not be moved again, except in accordance with Standing Order 18.

Any member may demand a division of the question before the House, when the sense of it would permit.

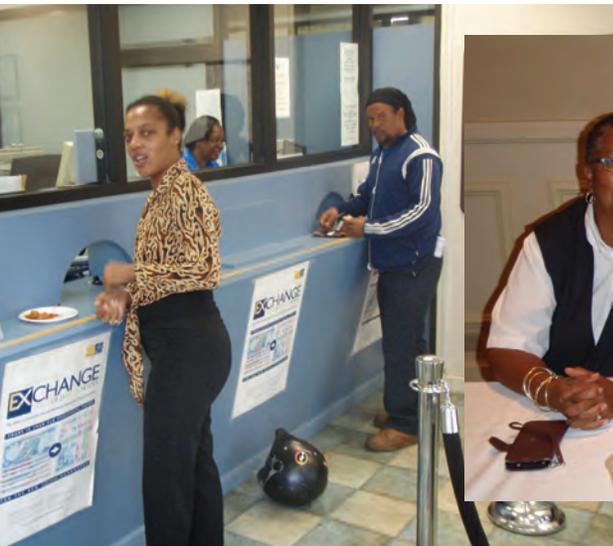
Any member may call for a division of the House (that is, for a roll call vote) when there appears to be a reasonable doubt as to the accuracy of the vote as announced by the Chair.

A motion to lay on the table shall be put without debate.

A motion for reconsideration shall not be entertained unless at the same or following session by a member who voted on the prevailing side, and shall require a majority vote.

Any two members shall have the right to demand (by majority vote) that the room shall be cleared of all but accredited delegates to transact business of a nature that precludes premature publicity.

Whispering, loud talking, or other disturbances calculated to disturb anyone while speaking will not be tolerated.











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