



NATIONAL WORKERS  
CO-OPERATIVE CREDIT UNION LTD.

47th

ANNUAL GENERAL MEETING  
NEW **FOCUS**, NEW **STRATEGY**



**JULY 21ST, 2023 • 6:30PM**

VIRTUAL

**zoom**



## NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

### OUR CORE VALUES

- Staff shall be professional, tolerant, tactful, honest, and helpful in the course of executing their duties at all times.
- Directors, Committee Members and Employees shall be accountable for their actions through transparency and prudence in decisions for and on behalf of the credit union.
- Members shall uphold the principles of sustainability, ownership, and participation, guarding the credit union by electing competent and committed Directors and Committee Members always.
- Collectively, Directors and Committee Members shall be guided by the principles of good governance and democracy, integrity, and commitment to the rule of law, safety, and soundness of the credit union.



#### MISSION STATEMENT

"To be the # 1 financial service provider, giving exceptional products and services that completely satisfy our diverse membership".

#### VISION STATEMENT

To provide a sound vehicle for investment and development of our members with priced Products and Exceptional Services that aid them in their plight to becoming Financially Empowered.

#### MOTTO

"THE CREDIT UNION FOR EVERYONE"

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# *Standing Orders*

- **Members must raise their hands (electronically) to address the Chair.**
- **Members' contribution must be relevant to the issue on the floor.**
- **No member should address the meeting except through the Chairman.**
- **A member may not speak twice on the same subject except when the mover of a motion– who has the right of reply, rises to object, or explain (with the permission of the Chair).**
- **The mover of a procedural motion must state his or her name clearly and must not make a statement or speech on the motion once it has been put to vote and/or carried/falloff.**
- **A member rising on a point of order must state the point of order clearly and concisely and the point of order must be relevant to the matter on the floor at the time.**
- **A member should not call another member to order but may draw the attention of the Chair to a breach of Order.**
- **A question should not be put to vote if a member desires to speak on it or move an amendment to it, except that a procedural motion, the previous question, proceed to the next business, or closure of the meeting is already on the floor.**
- **Only one amendment should be before the meeting at one time.**
- **When a motion is withdrawn any amendment to that motion fails.**
- **The Chairman must have a casting vote.**
- **If there is equality of voting on an amendment and the Chairman does not exercise his casting vote, then the amendment is lost.**
- **Provision to be made for protection by the Chairman from personal attacks against members present (himself included).**
- **Delinquent and non-members are not allowed to make, move or second motions nor participate in the voting process.**

# Board of Directors Report for the year Ended December 31, 2022

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## **Introduction**

New Focus, New Strategy is not just a theme, it is the mantra of this current Board of National Workers Cooperative Credit Union. The reality is that the Pandemic that began in 2020 affected us all the way into 2022 and the effects have been harsh.

## **Member Job Losses**

While we attempted to assist members who faced terminations and displacements as a result of the pandemic many of them did not return the favor of help to the credit union.

Unfortunately, NWCCUL have members who lost their jobs from the closures of Melia, Club Med San Salvador, British Colonial Hilton and who were let go from Atlantis and Courtyard Marriott but found employment elsewhere. However, those persons refuse to come into the Credit Union and make payments on their delinquent loan accounts.

These people are the major cause for the massive financial loss of \$2.357 million dollars in 2022, which was due largely to loan accounts from members formerly from those aforementioned properties who refuse to honour their obligations to the Credit Union.

## **Collections**

The Board exercised strong focus on the delinquent portfolio and the corresponding decline in the loan book, which directly impacted several critical ratios and profitability. Management was directed to aggressively pursue these concerning trends and seek corrective measures to minimize the impact. The Board hired a Collections Manager who is experienced and skilled in this area to assist in the process.

Additionally, the Board approved the initiation of legal action on delinquent mortgages for foreclosure.

Also, delinquent loans were assigned to External Collectors for recovery, but this outsourcing initiative did not yield positive results, as the total recovery amount was not acceptable.

## **Loan Provisions/Financial Loss**

The board monitored closely the dynamics relating to the significant increase in loan provisions expense. While we sought to remedy the delinquent accounts, it became clear that we would have to take a stronger approach and take many of our members before the courts.

Page 21 (page 73 in the AGM Booklet) of our audited financial statements records 724 delinquent loans/mortgages with a consolidated balance of \$10.260 million, the value of the security held against these accounts total \$4.583 million for the year ended 2022. At the close of 2021 the provisions expense stood at \$2.443 million which gives a provision expense increase of \$2.140 million for 2022.

This provisions expense accounts for 91% of our loss for the year. The reduction in interest income due to loan book decline and the increase in personnel expenses, member security and rental expense make up most of the balance of the loss for 2022.

### **Strategic Plan**

This board has requested and participated in the creation of a specific strategic plan to bring us out of this situation and provide in summary several of the initiatives that we have approved to improve our revenue stream:

- Small Business Loans (Guaranteed by SBDC)
- Mortgage Lending
- Loan Fees Review
- Deposit Rates Review
- Withdrawal Fees Review
- Qualifying Shares Par Value Review

Our oversight and analysis of the operations of the credit union suggests that once we implement these measures along with the enhanced collections efforts our credit union will return to profitability and that within itself will address our weak areas in the Standard performance indicators for Credit Unions (PEARLS Ratios).

### **Loan Book**

Our declining loan book for the most part was due to us being over cautious based on the high rate of delinquency we were experiencing as a result of the pandemic and also the very competitive consumer loan market where other entities were willing to take larger risks with easier terms making our products unattractive by comparison.

We have since reviewed our product in terms of interest rates and loan fees and sought to define our risk appetite for consumer and promotional loans. We understand that we are not only competing with commercial banks but a number of other lending institutions that do not have the rigid regulations that we do and a higher-risk tolerance than the credit union. The board has had to reconsider the lending practices of the organization and direct management and the credit committee to strengthen our loan underwriting as well as our collections processes. The board has approved a complete collections policy and directed management to implement it. A revised credit policy is in the works.

### **Rental Income**

The credit union holds several properties that have rental spaces. Most of the spaces were unoccupied and one in particular had a tenant that was unable to conduct business during the pandemic and therefore unable to make good on the rental obligation to the credit union.

The board has negotiated the departure of that tenant and has finalized a payment plan for the outstanding rent balances.

The space has since been rented to a tenant that is meeting the rent obligation to the credit union on a timely basis. Additionally, all other vacant spaces in all owned properties have been leased or occupied by NWCCUL. East Bay Street on New Providence is fully leased to an external person, the property

located Poinciana Drive houses our Collections Department and our Disaster Recovery Site with the final unit lease to another credit union and our Grand Bahama building has a unit that houses our branch with three other units being leased out to a private school, The hotel Union Pension Fund and the Department of Social Services of the Bahamas Government.

Much focus was placed on getting a favorable return on our real estate investments and we are delighted to report that we have remedied the long-standing issue of our properties not generating adequate levels of income.

### **Meetings**

We have held meetings with both the supervisory and credit committees. We have sought advice and assistance and for the most part we would have gotten the required assistance from them.

The Board have held quarterly meetings with both the Supervisory and Credit Committees and we have gotten their assistance and recommendation for the better good of the Organization.

The Credit Committee was also instrumental in the preparation of the new Collections Policy document and the restructuring plan of the new Collections Department.

### **Death of Chairman Henry Davis**

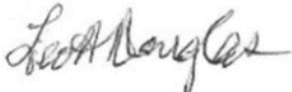
On Thursday June 1, 2023, NWCCUL received the news that the sitting Chairman Henry Davis had died. On behalf of the Board, we send our condolences to his family and may his soul rest in peace.

### **Conclusion**

The Directors of this Board thank you the members of NWCCUL for giving us the opportunity to serve you over the past year and we vow to continue to work in the best interest of all concerned for the growth and development of National Workers Cooperative Credit Union with God's Blessings and with the continue support by you the members.

Best Wishes For A Successful And Productive Annual General Meeting.

Happy AGM



Leo A. Douglas  
Chairman Board of Directors



# BOARD OF DIRECTORS



**Leo A. Douglas**  
**Chairman**



**Anna Colebrooke**  
**Treasurer**



**Darrin Woods**  
**Secretary**



**Kevin Hanna**  
**Vice Chairman**



**Deborah Zonicle**  
**Member**



**Welbourne  
Cunningham Jr.**  
**Member**

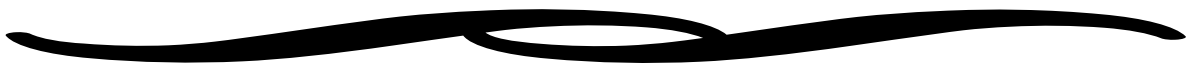




# Deceased Board of Director



**Past Chairman  
Henry Davis**



# SUPERVISORY COMMITTEE



**Yvonne Rahming**  
Chairperson



**Shantell Saunders**  
Secretary



**Dr. Ebbie Jackson**  
Member

# CREDIT COMMITTEE



**Lovy Jean**  
Chairman

**Sonia Williams**  
Secretary

**Kenneth Knowles**  
Member



## 47th Annual General Meeting Agenda

|  |   |                               |          |
|--|---|-------------------------------|----------|
|  | Registration  |                               |          |
|  | Call to Order   | Chairman Leo A. Douglas       | 6:30 PM  |
|  | Ascertainment of a Quorum   | Secretary Darrin Woods        | 6:31 PM  |
|  | Prayer of St Francis  | Director Welbourne Cunningham | 6:33 PM  |
|  | Moment of silence for our dearly departed                                     | Chairman Leo A. Douglas       | 6:35 PM  |
|  | Apologies   | Chairman Leo A. Douglas       | 6:36 PM  |
|  | Welcome Remarks   | Chairman Leo A. Douglas       | 6:38 PM  |
|  | Remarks from the Bahamas Cooperative League                                   |                               | 6:48 PM  |
|  | AGM Minutes February 12, 2022, Reading, Adoption, Matters Arising             | Secretary Darrin Woods        | 7:05 PM  |
|  | Board of Directors Report   | Chairman Leo A. Douglas       | 7:35 PM  |
|  | 2022 Financial Auditor Report   | Ecovis                        | 7:45 PM  |
|  | 2022 Treasurer's Report   | Treasurer Anna Colebrooke     | 8:15 PM  |
|  | Credit Committee Report   | Mr. Lovy Jean                 | 8:35 PM  |
|  | Supervisory Committee Report  | Mrs. Yvonne Rahming           | 8:50 PM  |
|  | Elections:<br>Board of Directors<br>Credit Committee<br>Supervisory Committee |                               | 9:05 PM  |
|  | Appointment of Auditors   |                               | 9:20 PM  |
|  | Appointment of Nomination Committee   |                               | 9:25 PM  |
|  | Resolutions   |                               | 9:30 PM  |
|  | Maximum Liability   |                               | 9:35 PM  |
|  | Any Other Business  |                               | 9:40 PM  |
|  | Adjournment   |                               | 10:00 PM |



**46TH ANNUAL GENERAL MEETING OF  
NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED  
SATURDAY, MAY 28, 2022  
HELD VIA ZOOM MEETING  
NASSAU, BAHAMAS**

**CALL TO ORDER**

- 1.1 The 46<sup>th</sup> Annual General Meeting (AGM) of National Workers Co-operative Credit Union Limited (NWCCUL) convened at 9:39 a.m. Secretary Darrin Woods recited the prayer of St. Francis of Assisi.
- 1.2 Vice Chairman Henry Davis confirmed the ascertainment of a quorum.

**MOMENT OF SILENCE**

- 1.3 Chairman Welbourne Cunningham Jr. asked for a moment of silence for our dearly departed members and staff and their families from NWCCUL that has now gone home to take their eternal rest.

**APOLOGIES**

- 1.4 There were no apologies.

**WELCOME REMARKS**

- 1.5 Vice Chairman Davis welcomed everyone to the meeting with hopes that all is well with everyone and their family. As the steering Committee, the Board comes before the members and shareholders to present the state of their financial institution. He advised everyone that he is attending the 46<sup>th</sup> AGM of NWCCUL auditorium in Freeport Grand Bahama which belongs to them as members. He told the members, Board of Directors, and Committee members that we have already begun taking “Strategic Steps to Financial Discovery.” Vice Chairman Davis encouraged everyone to sit back, relax and feel free to ask all of the questions they need to and enjoy their AGM meeting. You are welcome!

**MINUTES OF THE 45<sup>TH</sup> ANNUAL GENERAL MEETING**

- 1.6 At this time, Chairman Cunningham called on Secretary Darrin Woods to read the minutes of the 45<sup>th</sup> AGM.
- 1.7 Secretary Woods asked the membership for a motion to forego the reading of the minutes.
- 1.8 On motion by Mr. Alfred Poitier and seconded by Director Leo A. Douglas, it was unanimously agreed to forego the reading of the minutes of the 45<sup>th</sup> AGM.

## **CORRECTIONS/ DELETIONS/ INSERTIONS/ AMENDMENTS**

- 2.1 Secretary Woods asked if there were any corrections, deletions, insertions, and amendments to the minutes of the 45<sup>th</sup> AGM. He asked the membership to raise their hand and identify themselves if they have any corrections/insertions.
- 2.2 As there were no corrections, deletions insertions and amendments, Secretary Woods asked for a motion to accept the minutes as presented.
- 2.3 On motion by Mrs. Sonia Williams and seconded by Mr. Robert Cox, the minutes of the 45<sup>th</sup> Annual General Meeting were unanimously accepted as presented.

## **MATTERS ARISING OUT OF THE MINUTES OF THE 45<sup>TH</sup> ANNUAL GENERAL MEETING**

- 2.4 Ms. Keisha Pennerman said this is her first time attending the AGM and she wanted to know how she can obtain a copy of the AGM minutes to review as she did not receive a copy of it.
- 2.5 Secretary Woods advised Ms. Pennerman that the email she used to receive the link for the meeting is where she would be given a copy of the AGM minutes. He told her the minutes will be resent to her.
- 2.6 Mr. Robert Cox said he too liked Ms. Pennerman did not receive the minutes, or the financials, and he only got the link yesterday at about 4:30 p.m. when he registered for the meeting. He then asked if the data on the system does not contain all the email addresses for the members why did we not use an alternative method to provide the link and minutes for the AGM because as it stands, it seems as if many members did not receive the required notification.
- 2.7 Secretary Woods told Mr. Cox that at the last Board meeting before the AGM when the minutes were approved the Board specifically said to send it out to the members and it was said the members will be notified via whatever email is on each member's file. We are now just understanding that there are people such as yourself who are saying they did not receive the AGM minutes.
- 2.8 Mr. Cox said if the data base was reviewed he is sure they would have noticed that there are some members who does not have an email address in the system so to use this method for the first time, it would have been beneficial to use both methods to ensure the members receives it and once we would have ensured we have email addresses for all the members, then notification via email would be the sole method to use. Again, there are many members who still have not received the AGM minutes.
- 3.1 Chairman Cunningham told Mr. Cox that registering for the meeting is twofold in that a member would have been sent a link to register and thereafter they would receive a link for the minutes and the financial statements. If Mr. Cox had not registered until

yesterday, then he would not have received the minutes or the financial statements by that time.

- 3.2 Mr. Cox said he does have an email listed on file, but he still did not receive the notification, however, his point is that if we were going to use the method of notification via email solely for the first time this year, we may have used via email and the newspaper to perhaps ensure the members receive the notification.
- 3.3 Chairman Cunningham said this is our third time having the AGM via online and we will have to correct those weak points going forward.
- 3.4 Mr. Arlington Hanna suggested that for those who did not receive the booklet that they request a hard copy from the office as he did, of which he is sure they will receive.
- 3.5 Mrs. Sonia Williams recommended we use constant contact, which is a service that is used by a number of organizations to ensure their members who have an email address receive whatever information that is being sent out to them.

### **REPORT OF THE BOARD OF DIRECTORS**

- 3.6 Chairman Cunningham read the Report of the Board of Directors for the year ended December 31, 2021, which is listed on pages 4 & 5 of the AGM booklet. Below is a synopsis of the report.
- 3.7 The fiscal year 2021 was captivated with uncertainty with regards to the COVID-19 pandemic, and the fear globally of third and fourth waves of unrelenting outbreaks of the virus. However, it was not until the fourth quarter of 2021, that the government of the Bahamas removed and relaxed some of the COVID-19 protocols, thus enabling many sectors to extend business hours, and re-engage some of the furloughed employees.
- 3.8 Notably, there was a reduction of 6% of the total assets of the Credit Union. Nonetheless, the Board sought to mitigate the effects through expense reduction where necessary and the extension of loan payment waivers up to December 31, 2021, for members who found themselves unable to repay loans due to furloughed employment or reduced income.
- 3.9 Additionally, the Board pursued ways to increase revenue stream through increased investments (Government Stocks) and strategic loan products designed to target sectors outside the tourism sector with the belief that the targeted approach would yield significant positive results that would aid in the recovery from the pandemic-induced risk which threatened to negatively impact profitability, capital adequacy and erode asset quality in 2021.
- 4.1 One of the areas of NWCCUL that we have some challenges with is the mortgage portfolio. Delinquency is high and despite our best efforts, we have made little inroads

until recently where we were able to use a few legal firms to assist us with documentation and other legal matters associated with this portfolio. The board will continue to strategize and implement policies to alleviate this vexing problem.

- 4.2 The Grand Bahama building, which was bought from the Hotel Union, despite major renovation, has begun to bring in income. We are presently making the rental hall 2022 compliant with streaming technology and current audio-visual equipment to facilitate a wide range of business and social functions. We are currently awaiting the execution of a rental contract from the government for the last available rental space in the building. We anticipate a substantial increase in income from our operations from this investment.
- 4.3 The litigation involving NWCCUL and Maximize Construction, who was the general contractor for the Grand Bahama Building renovations, was settled out of court with legal advice from the NWCCUL attorney. The John F Kennedy Property which was bought from C A Christie real estate remains a matter before the Bahamian Courts. And since the death of Mr. Christie (owner) in 2021, the executor of the estate and NWCCUL had an informal discussion but no resolution. The goal is to find a resolution during this fiscal year 2022.
- 4.4 The Board is cautiously optimistic about the growth of the Credit Union and with the return of many of our shareholders back to work and the growth of the economy, this augurs well for the Credit Union. The Board of Directors of NWCCUL thank the shareholders for remaining a part of this organization during the pandemic period and assure them of our commitment to ensure that we continue as a strong and viable financial institution.
- 4.5 Chairman Cunningham asked for a motion to accept the Report of the Board of Directors.
- 4.6 On motion by Mr. Anthony Robert Farquharson and seconded by Mr. Arlington Hanna, the Report of the Board for the year ended December 31, 2021, was unanimously accepted as read.
- 4.7 Mr. Robert Cox said he read and listened to the Report of the Board for the year ended December 31, 2021, and he is challenged in a number of occurrences in the report. He is mindful that certain things are in the report and will be picked up in the financials, but in terms of premises, he would like to know if the Board has looked at the current state of the building on Harold Road where the Main Branch is. Also, he noted that specialized loan products were introduced in 2021 and he would like to know what those products are when the loan balance was reduced.
- 4.8 Further, Mr. Cox notes that it was mentioned that some inroads were made regarding mortgages, and he would like to know if the nodes were in terms of the legal work and if any of the mortgage properties were sold. When he looked at the recovery, only \$34,000.00 was recovered but almost \$1 million dollars was written off this year which does not include what was written off in the previous years. Finally, it was mentioned in the report that the expenses were streamlined, which is something you would typically do

during a pandemic or a down year, but he noticed that Christmas bonuses were paid, and he would like the Board to comment on the same.

- 5.1 Chairman Cunningham responded that with regards to the state of the building on Harold Road where the Main Branch is, he advised Mr. Cox that NWCCUL does not own the building, we are a tenant there.
- 5.2 Mr. Cox asked if we ever asked the landlord to clean up the building or did, we ever request that they do so because it is the duty of the landlord to ensure the building is satisfactorily maintained. He said from his vantage point the building is poorly maintained.
- 5.3 Mr. Alfred Poitier added that NWCCUL has been in dialogue with the landlord on several occasions and some work has been done to the building, but it is still a work in progress, and they have explained that there have been some issues, but they are trying to get us to a particular point.
- 5.4 As for the specialized loan products that was introduced in 2021, Mr. Poitier said it was based on trying to rebuild NWCCUL loan books due to the delinquency and not being able to lend to our larger portion of membership who is employed in the hospitality industry. The Board approved a small property loan promotion with a small amount assigned for the Berry Islands as well as a small promotion up to \$5,000.00 for the vendors there but it required at least 50% equity.
- 5.5 Further, Mr. Poitier said the other special loans that we tried to implement was a debt consolidation program for civil servants. Unfortunately, we were not as successful as we had anticipated with the consolidation program because we were not able to be competitive with the commercial banks due to the regulation that states Credit Unions are only allowed to offer consumer loans with a term of up to 84 months whereas, the commercial banks can offer consumer loans with a term of up to 144 months which makes the payments less.
- 5.6 As a result, Mr. Alfred Poitier said persons did not find NWCCUL to be feasible, so we did not get the expected business from the debt consolidation loan program for civil servants. We were hoping that would be a loan to get out of this situation. He then advised that reference/request informally and formally was made through the Bahamas Co-operative League Limited that an amendment is made to the regulations that would allow Credit Unions to be competitive and perhaps get some of that business. Debt consolidation is the biggest business in consumer lending in the Bahamas currently.
- 5.7 Finally, consideration also has to be given to mortgage lending very carefully as we desperately need to build our loan books. Again, in terms of the new loan promotions and special loans, those are the ones NWCCUL would have gotten since the pandemic started.



- 6.1 As for the mortgages, Chairman Cunningham explained that years ago NWCCUL started granting mortgages but in 2010 they realized that there were issues with some of them up to date. These issues were documentation related and 2 staff members were delegated to focus on the issues and try to realize some form of resolution. Also, the Board hired attorneys to begin the foreclosure process on some of the mortgages as demand letters were issued for payment and those persons did not pay even though they had the ability to do so. This matter is still a work in progress, but improvements are being made as far as mortgages are concerned.
- 6.2 Mr. Robert Cox then asked if there is an annual target for NWCCUL in terms Return on Investment (ROI) such as when the financials are reviewed at the end of the year is there an overall target of about 5% of the ROI that helps to drive bonus payments etc.
- 6.3 Chairman Cunningham responded that NWCCUL does have goals but because we are dealing with the 2021 fiscal year, we have made some investments in the BGRS whenever it becomes available. It is definitely NWCCUL goal to have an increase in the rate of return on our investments, but the COVID-19 pandemic has thrown us off course, so we have to revisit some other avenues to invest.
- 6.4 While he understands the effects of the COVID-19 pandemic and looking at 2022 and going into 2023, Mr. Cox asked what is NWCCUL goals in terms of ROI?
- 6.5 On a point of order, Mr. Anthony Robert Farquharson said he noticed that Mr. Cox asked a question with regards to ROI's but as we are on the Report of the Board, there is no mention of ROI. He then drew the membership attention to the standing orders rules that says questions should only be raised on issues that are on the floor and there will be ample time for Mr. Cox to get a response on same. He then suggested we continue with the order of the day.
- 6.6 Dr. Ebbie Jackson said she thinks Mr. Cox is only asking what the Board's plans for the year 2023 or going forward or as to decreasing the deficit, increasing lending etc.
- 6.7 As noted in the Board of Directors Report, Chairman Cunningham said it is stated that during the fiscal year, we will aggressively address the loan book portfolio and delinquent loans and ensure loan products are market successfully with greater emphasis placed on the security of loans.

#### **EXTERNAL AUDITORS REPORT BY ECOVIS BAHAMAS CHARTERED ACCOUNTANTS**

- 6.8 Chairman Cunningham welcomed Ms. Noreen Campbell of ECOVIS Bahamas Chartered Accounts to give their report of financial statement as of December 31, 2021, to the members of NWCCUL.
- 7.1 Ms. Noreen Campbell greeted everyone and thanked the Board of Directors for giving ECOVIS Bahamas the opportunity to serve the Credit Union. She advised the

membership that the audited financial statements are on pages 51 to 104 of the AGM booklet. Ms. Campbell asked Chairman Cunningham permission to dispense with the reading of pages 51 & 52 of the report and give the auditor's opinion of which Chairman Cunningham gave permission to do so.

#### AUDIT OPINION

- 7.2 Ms. Campbell reported that ECOVIS has audited the financial statement of NWCCUL which comprise of the statement of financial position as of December 31, 2021, and the statement of comprehensive income, statement of changes in members equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- 7.3 In ECOVIS opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs). The opinion is an unmodified/unqualified opinion.

#### BASIS FOR OPINION

- 7.4 ECOVIS Bahamas conducted their audit in accordance with International Standards on Auditing (ISAs). Their responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of their report. ECOVIS Bahamas are independent of the Credit Union in accordance with the ethical requirements that are relevant to their audit of the financial statements in the Bahamas and have fulfilled their other ethical responsibilities in accordance with the requirements. ECOVIS Bahamas believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion.
- 7.5 Ms. Campbell gave an analysis of the statement and said for ease of reference, the statement of financial position is on page 56 and the notes of same starts on page 69 of the AGM booklet.

#### STATEMENT OF FINANCIAL POSITION

- 7.6 **Total Assets** reduced by \$4.3 million or 6% over 2020. Contributing factors are Cash and Cash equivalents decreased by \$1.6 million, non-Interest-bearing accounts and Interest-bearing accounts decreased by \$2.3 million.
- 7.7 **Deposits and Short-term investments** (treasury notes and fixed deposits that have an original maturity of 90 days and over) increased by \$431,000.00 redemption of Royal Fidelity Treasury Shares of \$66,000.00 interest earned \$198,000.00. **Deposits with the League** (statutory and liquidity reserves) net increase of \$203,000.00 which is interest earned.

- 8.1 **Financial Investments** increased by \$722,000.00 with the purchase of government bonds (BGRS) during the year being \$900,000.00, League Shares increased by \$2,400.00 Colina Market Fund \$28,300.00, redemption of preference shares \$2500.00 fair value market gain of \$41,000.00.
- 8.2 **Loans Receivables** had a net reduction of \$3,790.00 or 11%. **Investment Property** had a decrease of \$39,000.00 which includes renovations of \$3,750.00 and a depreciation during the year. **Fixed Assets/Property Plant & Equipment** had a net increase of \$165,000.00, building improvement increased by \$420,000.00, furniture \$25,000.00, computer and depreciation.
- 8.3 **Total Liabilities** decreased by \$4.1 million or 6%, contributing factor, the accrued expenses on **Other liabilities** increased by \$86,000.00, increase in **Members Salary deduction** received in advance and an increase in VAT of \$45,000.00. **Lease Liability** is the liability for the use of the property that is rented out and that reduction is \$85,000.00. **Members and Other Deposits** decreased by \$41,000.00, **Accrued Interest** decreased by \$101,000.00 and **Deposits** decreased by \$4,000.00.
- 8.4 **Members Equity** had a net decrease of \$257,000.00. **Qualifying Shares** reduced by \$3,400.00. There was no movement with the **Statutory Reserves**. **Fair Value Reserves**, which is movement in the market value of investment of equity investments increased by \$41,000.00. There was no change in the **Evaluation Reserves** for property. **The Accumulative Deficit** increased by \$296,000.00 which is the loss for the year. **Total Liabilities and Members Equity** decreased by \$4.3 million or 6%.

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

- 8.5 **Interest Income** reduced by \$211,000.00 contributing factor, loan interest income reduced by \$245,000.00 or 6%. **Investment Interest Income** increased by \$66,000.00. **Government Bond Interest Income** increased by \$151,000. **Term Deposit** and **Treasury Notes** decreased by \$85,000.00 due to redemption during the year. **Interest on Deposit with the League** earned \$203,000.00 compared to \$235,000.00 which is a reduction of \$32,000.00.
- 8.6 **Interest Expense** reduced by \$213,000.00 or 14%. **Provision for Loan Impairment** increased by \$725,000.00 during the year, the provision increased by \$720,000.00. **Bad Debt Recovered** was \$34,000.00. **Other Income** had a net increase of \$310,000.00. Total interest on **Other Income** decreased by \$413,000.00 or 13%.
- 8.7 **Operating Expenses** had a net increase of \$268,000.00 or 9%. Contributing factors are **Personnel Expenses** increased by \$189,000.00 or 12%. **Occupancy Costs** also decreased by \$705,000.00. **General Business** Expense increased by \$5,399.00.
- 9.1 **Organizational Expense** increased by \$9,085.00. **Members Insurance** increase by \$34,000.00. **Computer Expense** increased by \$14,000.00. **Computer Maintenance Cost** increased by \$10,000.00. **Computer Stationary Cost** increased by \$3,000.00.

**Marketing Expense** decreased by \$30,000.00. **Total Loss** of \$296,000.00 for 2021 which is a decrease of \$682,000.00 over the prior year.

- 9.2 Mr. Anthony Robert Farquharson thanked Ms. Campbell for presenting the financial statements and then asked her to clarify what the contributing factors are regarding the overall operational loss.
- 9.3 Ms. Campbell explained that the biggest revenue for the Credit Union is interest, and the interest income had an overall decrease of \$211,000.00 and the loan interest income was reduced by \$245,000.00 noting that for delinquent loans, after a certain period interest is not accrued anymore on those loans.
- 9.4 Total interest income decreased, and total interest expense decreased. Provision for Loan Impairment, which always affects your profitability, increased by \$725,000.00 and Other Income had an increase as well. The Net Interest Income and Other Expense reduced by \$413,000.00 and this is what funds your expenses. Total Interest and Other Expense for 2021 is \$2.8 million and the Expenses are \$3.1 million and the difference between Net Interest Income and the Expense is \$296,000.00 for the Total Loss.
- 9.5 Ms. Campbell reminded the membership that in 2020 there was a profit of \$386,000.00 which was partly due to the Credit Union employees working 1 week on with pay and 1 week off without pay along with other circumstances due to COVID-19 that prevented other things being done that resulted in an overall decrease. In 2021 things started to get back to normalcy and the operating expenses reverted.
- 9.6 On motion by Mr. Anthony Robert Farquharson and seconded by Mrs. Yvonne Rahming, the Auditors Report of Financial Statements as of December 31, 2021, as presented by ECOVIS Bahamas was unanimously accepted.
- 9.7 Chairman Cunningham thanked Ms. Noreen Campbell for presenting the Auditors Report.
- 9.8 Mr. Robert Cox asked if any of the loans that were written-off were mortgage loans and are there any movement with regards to the mortgages

### **TREASURER'S REPORT**

- 9.9 Chairman Cunningham invited Treasurer Colebrooke to present the Treasurer's Report for the year ended 2021 and the 2022 Budget to the membership.
- 9.10 Treasurer Colebrooke greeted the membership and presented The Treasurers Report for the fiscal year ended December 31, 2021. It is noted that the report is listed on pages 41 – 48 of the AGM booklets.
- 10.1 In her capacity as Treasurer on the Board of Directors, she regrettably reports that NWCCUL sustained a net loss and asset reduction for the year 2021. Although tourism,

the Bahamas' #1 industry and the Credit Union's core membership is awakening, it is still very much impacted by the pandemic. Even though we assigned additional staff to our collections area, we had to write-off loans delinquent for more than a year (asset reduction) and increase our Expected Credit Loss (ECL) provision (net loss).

- 10.2 Border and travel restrictions were lifted as vaccination rates increased worldwide. While many hotels did not reopen, many furloughed employees in the hotel industry returned to work. NWCCUL staff returned to full attendance/employment, but the Board continued its efforts to curb expenses by holding its meetings virtually and not traveling to international conferences.

### **Statement of Financial Position**

- 10.3 **Liquidity** - As mentioned in Note 8 of the audited financials, the Credit Union level of compliance with respect to the Bahamas Co-operative Credit Unions Act, 2015 Section 65 (1 and 2) Due to a reduction in Member Deposits, our Liquidity Reserve Deposit with the Apex Body, the Bahamas Co-operative League ("the League") exceeds the PEARLS Ratio standard of 10% of Total Deposits. Due to a reduction in Total Assets, our Statutory Reserve with the League exceeds the Act's requirement of 10% of Total Assets.
- 10.4 **Loans Receivable** – In 2021 715 new loans were granted totaling \$4,405,033 among the various branches: Nassau – 382, Freeport 272, Andros 43, Berry Islands 18, compared to 425 new loans granted in 2020 totaling \$2,457,980. As a result of this, Consumer Loans decreased by approximately \$852,034, Revolving Loans decreased by approximately \$2,272,592 and Debt Consolidation Loans increased by \$840,326,592. During 2021 248 loans were written off due to non-collectability totaling \$936,706 and the Net write-off loan recovery for 2021 was \$34,557 which represents 81 accounts.
- 10.5 **Member Deposits** – Total Deposits reduced by \$4,006,855 and the following make up most of the movement: Regular Shares decreased by \$2,015,657, Term Deposits decreased by \$1,770,688, there was an increase in Educational Savings and House Plan Savings and there was a decrease in Other Deposits (consumer loan escrow, standing order) Dormant Accounts and Credit Card Security.
- 10.6 **Debit Cards** – At the end of 2021 1,995 debit cards were in circulation. There was a total of \$535,560 of cash withdrawals from our ATMs in Nassau, Berry Islands and Andros and there was a total of \$3,203,189 of merchandise purchases for 2021. While there were less debit cards in circulation compared to 2020 (2,660) there were more activity or transactions as persons continued to stay indoors or at home to minimize their risk of testing positive for the COVID-19 virus.
- 11.1 There has been a challenge in getting the ATM in Andros operational as it has been out of service since November 2021 and working intermittently since April 2021. New ATMs were ordered for Andros and Berry Islands in December 2021 unfortunately, it has not arrived yet due to universal transshipment delays caused by the pandemic.

## **Comprehensive Income**

11.2 **Consolidated** – Loan Interest decreased by approximately \$245,000 or 6% and Interest Expense decreased as expected by approximately \$213,000 or 14%, Other Income increased by approximately \$310,000 or 75.9%, Operating Expense increased by approximately by increased by \$269,000 or 9.3%, Provision for Loan Impairment increased by approximately \$726,000. Personnel Expenses increased by \$189,000 primarily due to salaries.

## **Consolidated**

11.3 As was stated earlier, NWCCUL had a loss for the fiscal year ended December 31, 2021, we had a Net Income of approximately \$386,073 in 2020 but in 2021 we had a Net Loss of approximately \$296,560 for the fiscal year which is primarily due to the non-operational loans on the books which then led to a provision for those loans that seriously impacted the Credit Union met results.

## **NWCCUL PEARLS Standing**

11.4 The PEARLS Standing listed on page 49 of the AGM booklet shows how NWCCUL is performing under the PEARLS Standard and as noted some areas are most challenging but with renewed efforts and determination it is our wish to be in a position to report more favorably on our operation efforts to improve on the ratios.

11.5 Treasurer Colebrooke said it has been a pleasure for her to serve and she thanked all management and staff for the work they have done during these most challenging times.

11.6 Mr. Robert Cox asked for clarity on the \$2 million reduction in the revolving credit and all the loans in the \$900,000 that was written off unsecured.

11.7 As for the loans that were written off, Mr. Alfred Poitier said the security that was in place would have been applied to the balance and the residual amount is the amount written off. In terms of the categories, those loans were mainly consumer and promotional loans which are non-revolving type and we have not been doing much revolving loans.

11.8 Mr. Poitier continued that even though the loans were written off it does not mean that we are not trying to collect on it. The outsourcing process has begun with Major Management Services, whom the Board considered to be a pilot project and intends to send more loans to other entities to collect on behalf of the Credit Union. Additionally, the Board has given approval for executive management to review candidates who have made an application with the Credit Union to pursue delinquent loans on our behalf strictly on a commission basis.

12.1 Mr. Poitier also said the loans that were written-off were in Nassau, Grand Bahama, and San Salvador where the people were affected due to COVID-19 and terminated. There is

an outline of the strategy to recover the written-off loans and as we have already started outsourcing them, we will be sending out more loans shortly. We are also vetting those individuals who would have made an application with the Credit Union so they can start collecting from the accounts. Collections is fluid so if we see something is not working then we switch and try something else because it is a significant issue.

- 12.2 Mr. Poitier then advised that within the last 4 or 5 months NWCCUL has made application to put so many people before the courts and while it is something that we did not like to do in the past, but we are stepping up our efforts to collect the members funds.
- 12.3 Mr. Kenneth Knowles asked if there is a specific criterion used to write off a loan or an industry standard that the Credit Union follow and at what point is the loan considered irretrievable.
- 12.4 The Act states that at 365 days unless there is some significant reason not too, we have to write loans off so unless there is an underlying security that protects the full amount of the loan, we have to write it off.
- 12.5 Mr. Knowles asked if a breakdown can be given to show the difference between collateral and the loan.
- 12.6 Mr. Robert Cox said he recalls about 3 years ago in the AGM minutes outsourcing the delinquent accounts with a collection agency was discussed and once again we have written-off almost \$2 million in the last 3 years and only recovered \$34,000.00 so there is something wrong with our strategy. He then asked if there are any mortgages in the write-offs because he does not see any recovery.
- 12.7 Mr. Poitier said there are no mortgages in the write-offs, however we do have some foreclosures that are in progress.
- 12.8 In most cases when a bank gives a loan insurance is included in the event there is a default the loan insurance will cover if not all the loan a percentage of it. Does the Credit Union do the same and if so when is the insurance implemented.  
Mr. Poitier said the loan insurance will not cover delinquency and it is only applied if the member becomes incapacitated legally and unable to work or deceased.
- 12.9 Mr. Tyrone Perpall asked if any action has been taken to move towards secured loans backed by assets in membership accounts and sale of delinquent mortgages.
- 13.1 Mr. Poitier stated that once a loan becomes 90 days past due, our policy says to liquidate the security because we cannot take interest into income and once that is done, we start the process of legal action if the security is not sufficient to cover the debt. In terms of the sale of delinquent mortgages, as he said earlier, action has been taken and will continue as there are a few of them presently where the process of foreclosure has started.

- 13.2 Mr. Robert Cox said the Berry Islands operation continues to generate losses annually, what is the plan to improve operations.
- 13.3 Mr. Poitier said the Board has deliberated on the Berry Islands operations over the last 8 months and they asked management to prepare a special strategic plan for the branch which is being implemented and a 6-month deadline was given to note significant improvements otherwise consideration to seek other avenues for the branch. He is pleased to say that some things have been done and we have noticed changes from a financial position to a positive on the Berry Islands branch.
- 13.4 Miss Nike' Gardiner noted that outsourcing portions of the collections department was mentioned, but has any discussion been done regarding loan repayment software which provides users the ability to repay virtually. The users will be able to see the loan amount, the principal and monthly repayment amount which would automatically change each time a payment is made to reflect the current total.
- 13.5 In terms of virtual repayment, Mr. Poitier replied yes. Management has provided the Board with information regarding our online banking and transfers, and it is something that we are hopeful will be coming to fruition in short order. The Central Bank is edging all financial institutions to move quickly to electronic banking as their plan is to make Sand Dollar the fiat currency, we need to put more emphasis on that, and we have had significant conversations with the Board, and we anticipate that will be the direction going forward.
- 13.6 Mr. Quintin Percentie asked for clarity on the special strategic plan for Berry Islands.
- 13.7 Mr. Poitier explained that initially we were not lending in Berry Islands so for about 3 years the branch funded a lot of the lending operations in the other branches as a lot of loans were going out and we wanted to maintain liquidity. Then COVID-19 happened, and the lending slowed down, which made matters worse but since we commenced lending in Berry Islands the response has been good, and the economy has jumped off post pandemic. Unfortunately, we are getting more deposits than loans, but we do have a few applications for small property loans that we think will augur well for the branch as well as other loans.
- 13.8 Mr. Poitier continued that we have developed some relationships with the business entities on the island and we are working with them to improve their services in terms of payroll and locking in their employees which allows us to provide additional services and get new streams of revenue from them and their employees. The strategy is to be all inclusive in Berry Islands, but we have missed that for the first few years however it is an area that remains viable, and it is just the way we turn their viability into viability for the Credit Union and he thinks we are on the way to it.
- 14.1 Miss Nike' Gardiner asked what the projected role out date for the delinquent software is. She also asked what capabilities the new ATM machines will offer, such as deposit ability.



- 14.2 Chairman Cunningham said the online banking is a work in progress as we are looking at vendors and we do not have a projected date yet, but it is hoped it will be done soon.
- 14.3 Mr. Poitier added that there are several things executive management has researched and is still researching to ensure the Board has all the information when a final decision is made to proceed with electronic banking. As for the ATMs, they are cash dispensers but once electronic banking starts, we expect that you will be able to make cash deposits in the ATM for immediate credit. He also said we have also seen live demonstrations at kiosks, that we are hoping to set up in the branches, where you can transfer funds from the kiosk as well as cross border transfers through a remittance company.
- 14.4 Mr. Poitier further said we are also looking at electronic wallets where you can store your funds digitally and use your face, phone, or card to make purchases for goods and services. We are investigating, being not just on par with the local commercial banks but on par with the global market because a lot of the local financial institutions are still behind in terms of the technology they order. Once the Board decides on the way forward, we have about two of the major vendors that we have met with already that will be able to bring us to market within a 2-to-3-month period. The Board has to be comfortable with investing the members money.
- 14.5 Chairman Cunningham said this pandemic has shown that we need to revisit the way we look at the loans and the environment we are in because we are being heavily hit with not getting loans due to the tourism industry, we are in. Even though Public Workers Credit Union and Teachers and Salaried Workers Co-operative Credit Union Limited (TSWCCUL) also have salary deduction members, the majority of our members are in the hotel industry.
- 14.6 During the pandemic, based on the reports the Board received from management, we noticed that the salary deductions coming in for the members decreased significantly due to them being furloughed etc. which resulted in cost cutting measures such as deferring the loan payments for them. We did not expect a quick turnaround, but we did see it at the end of the tunnel, and it is hoped that we will return to pre-pandemic conditions where the people are working again when the economy opens, and they can start repaying their loans.
- 14.7 Mr. Anthony Robert Farquharson said he thinks it is a good decision to use the ATM machines to generate revenues as indicated in the Board report and the Treasurers report as there are significant opportunities in fees and transaction fees. He said there are There are a few opportunities in 2 or 3 islands that he is aware of where there is little or no commercial bank operations that in a few months will experience a significant increase in economic activities particularly on South Eleuthera as well as Bimini with a significant need for employees. There is also a construction project for a new 6-star hotel on Normans Cay where the work has begun. The Board and executive management may want to consider utilizing the ATMs to generate additional income on those islands.

- 15.1 Chairman Cunningham advised that we could consider the opportunities out there, but we have to check with the regulators and provide them with data as to what we want to do because we are governed by them and limited with what we can do as a Credit Union.
- 15.2 Ms. Patrice Cooper asked, “can we afford to go fully digital, especially as it relates to facial recognition etc., and would it take away from the down to earth service that the Credit Union is renowned for?”
- 15.3 Mr. Poitier replied yes, we can afford to fully go digital. He then said we must be mindful that we are not referring to the members not going into the Credit Union to have face to face service however we have recently tested with a local provider an application that allows you to access your digital wallet by face recognition just as you would with your smart phone. It is technology that is happening around the world and because we have already investigated it, within a short time we can be on that platform. NWCCUL is not moving away from the face to face or person to person service.
- 15.4 Mr. Kenneth Knowles commented that one of his reasons for being a member of the Credit Union is due to his frustration with the local banks and there are many others complaining about their services too, so he finds it odd that we as a Credit Union cannot enhance our services/attractiveness to bring those people to the Credit Union. NWCCUL interest rates and everything else better than the banks. He does not know why we are not targeting those people and maybe it is a marketing issue, but he thinks if NWCCUL were to target that industry and show them the benefits of moving their funds from the local banks and putting in the Credit Union membership will grow exponentially. We really need to revisit our marketing and improve our membership.
- 15.5 Mr. Poitier said it is not a matter of people not knowing about the Credit Union, but our membership base is primarily people ages 50 and over and they are only interested in saving rather than borrowing. Now we do need loans as it is our core business. However, when we try to get the millennials, they ask if we offer online banking so they can transfer funds in real time which is something we cannot do currently.
- 15.6 With regards to going digital, Mr. Robert Cox asked if NWCCUL is an authorized financial institution for Sand Dollar.
- 15.7 Mr. Poitier responded that all Supervised Financial Institutions (SFI) are an authorized financial institution for Sand Dollar, but we have not put our platform in place for the electronic wallet.
- 16.1 Ms. Patrice Cooper asked if NWCCUL can be more competitive with our loan rates because it may attract more customers. The commercial Banks loan rates are far lower than the Credit Unions.
- 16.2 Chairman Cunningham said management provides the Board with detailed information on the loans and whether we should increase it etc. and we are guided by them with regards to the interest rates on loans, but it does not mean that we are not competitive.

- 16.3 Treasurer Colebrooke added that the difference in the loans interest rates between the Credit Union and the local banks is in our loan repayment structure, we have a component that is built into the amount that you repay on your loans whereby while you are paying off the principle you are also saving. At the banks your loan payment goes directly to the loan, and it does not create an opportunity for you to save, so you have a distinct advantage with the Credit Union.
- 16.4 While the interest rate on a loan with the bank is lower, the maturity on it is extended over a longer period which means you pay more on the loan with the bank. This is a concern for Credit Unions, and we are hoping the legislators will address it because in the Bahamas Credit Union Act, Credit Unions are not allowed to extend the loan period beyond 8 years whereas the banks can go to 12 years. As a consumer you get a loan of 8% over a 12-year period you must consider that at the end of that period, and you would have paid more on it than a loan at 12% over an 8-year period with the Credit Union.
- 16.5 Also, with regards to the loans with the Credit Union, we have through our Apex body (the League) a Loan Protection and Life Savings (LP & LS) insurance for our members so if they are deceased and has a loan, their outstanding balance at the time of their demise we send a claim to the captive insurance at the League, and they process it. If the member is under the age of 70 a portion of that claim is settled against the loan.
- 16.6 Treasurer Colebrooke also advised that recently, NWCCUL is now a part of the Credit Bureau which will give us an additional tool whereby persons coming in the future to obtain a loan will be credit rated and that process would have an impact of the quality of the loans and the capacity of the persons we are extending to. Again, there is a distinct advantage for members to do business with the Credit Union as opposed to the banks.
- 16.7 Years ago, Chairman Cunningham said most persons were concerned about the Credit Union not having insurance on their savings as the banks do but recently the government enabled Credit Unions to ensure their money up to \$50,000.00 and the regulators ensured that it is applicable so that should be an attraction for those persons who are still skeptical about their money being insured if they were to join a Credit Union.
- 16.8 Chairman Cunningham asked for a motion to accept the Treasurers Report.
- 16.9 On motion by Mr. Alfred Poitier and seconded by Mr. Anthony Robert Farquharson, the Treasurers Report for the year ended December 31, 2021, as presented was unanimously accepted.

### **BUDGET 2022**

- 17.1 Treasurer Colebrooke drew the members attention to page 105 of the AGM booklet for the 2022 budget reminding them that it is just a working tool.
- 17.2 Mr. Robert Cox noted the projection on interest income on mortgage loans is \$188,000 and the actual for 2021 is only \$150,213. He asked how we plan to achieve this

considering that we are writing off mortgages and we are not competitive in that market. The same applies for the interest income on consumer loans of about \$4.1 million when the actual for 2021 was about \$3.6 million. Again, how we plan to achieve this considering the Berry Islands is losing money and the loan balance has declined about \$3 million year over year and there is stiff competition out there.

- 17.3 Treasurer Colebrooke told Mr. Cox one of the things the Board has approached with a recommendation from management with respect to being able to approve loans to young persons to be able to access property that we feel will gain some traction and as was stated earlier the areas we are looking at with the presumed increase return or increase in the overall economy in the country that we should be able to with these initiatives improve our loan books such that with all things being equal we should be able to obtain the turnaround in the mortgages and consumer loans.
- 17.4 Mr. Poitier added that management is also hopeful that we will be able to use technology to provide small lines of credit to younger members millennials plus so there are quite a few things riding on us being able to get on the electronic platform.
- 17.5 Mr. Quintin Percentie commented that he agrees with Mr. Cox, and he thinks the budget increase on the consumer loans is inflated and seems rather unrealistic especially seeing that we are going into the month of June in a few days so he does not know how it will be met. Additionally, he notes that rental income has increased by almost \$250,000 which seems inflated also to move from a deficit last year to almost \$250,000. He asked the Board to clarify the matter.
- 17.6 Mr. Poitier explained that we have moved from renovations to rental in Grand Bahama where a preschool in the building from last year, there is also a pending contract that has been approved from the Attorney General office and we are just waiting on them to send the contract for our signature to begin the moving in process. The contract is for 5 years with a reasonable monthly rental payment. The hall is 95% renovated with minor technical things being worked out and it has been rented and the calendar is quickly filling up to rent the space and we are currently using the hall for this AGM. Those are the reasons for the significant increase in the rental income.
- 17.7 Chairman Cunningham asked for a motion to accept the 2022 Budget as presented.
- 17.8 On motion by Mr. Arlington Hanna and seconded by Ms. Sonia Williams, the 2022 Budget was tabled as presented.

#### **GREETINGS FROM THE BAHAMAS CO-OPERATIVE LEAGUE LIMITED**

- 18.1 Chairman Cunningham welcomed Mr. Allen Strachan from the Bahamas Co-operative League Limited (BCLL) and invited him to make remarks on behalf of the League.

- 18.2 Mr. Strachan thanked Chairman Cunningham for granting the opportunity to bring remarks and he then apologized for the technical difficulties experienced earlier in the meeting that prevented him from being heard as he spoke.
- 18.3 Mr. Strachan commended NWCCUL on behalf of the BCLL on their 46<sup>th</sup> AGM. He notes the theme “Strategic Steps to Financial Recovery” to be fitting as we are all aware of what transpired globally over the last 2 years due to the COVID-19 pandemic and the Credit Union Movement in the Bahamas is strong amid it. He commended NWCCUL for being steadfast and a beacon in the movement for 46 years and he urged them to continue to be committed to the cause, their membership, and stakeholders they serve. Mr. Strachan also commended Mr. Bronson Sands for representing NWCCUL so well on the League Board as well as serving the League.
- 18.4 As NWCCUL continue to invent ways and means of Strategic Steps to Financial Recovery he encouraged them to continue meet the needs of its members because these are difficult times, and the membership is looking to their Credit Union to see how best they can render assistance to them. He also urges NWCCUL to continue to live up to the expectations of its members and the organization as they continue to be a force in the country and the Credit Union Movement.
- 18.5 On behalf of the League, continue to be focused and live up to what is expected particularly from a regulatory perspective because the League realizes that The Central Bank is zoning in on the Credit Union Movement in the Bahamas. NWCCUL is further encouraged to continue to live up to their commitment as they seek to meet all the regulatory requirements going forward.
- 18.6 Again, congratulations NWCCUL on your 46<sup>th</sup> AGM and well wishes as they continue to meet the needs of its membership.
- 18.7 Chairman Cunningham thanked Mr. Allen Strachan for bringing remarks on behalf of the League.

### **CREDIT COMMITTEE REPORT**

- 18.8 Chairman Cunningham invited Mr. Kevin Hanna, Secretary of the Credit Committee to present their report.
- 18.9 It is noted that the Credit Committee Report is listed on pages 110 & 111 of the AGM booklet. The Credit Committee is comprised of three persons, Mr. Wilbert Collie, Chairman, Mr. Kevin Hanna Secretary and Miss. Doreen Rolle, Member.
- 19.1 The Credit Committee is pleased that the recovery in the economic and financial sectors is moving positively toward pre-COVID-19 levels. According to the Central Bank of The Bahamas, “the domestic economy is to recover during 2022, as tourism output converges progressively closer to pre-COVID-19 levels. However, downside risks to the industry persist given continued elevated international health and travel sector exposures to disruption from further mutations of the virus; the potential for rising energy costs to erode travel sector competitiveness”.

- 19.2 The Committee expects that as NWCCU major borrowers return to work and the economy continues to settle and grow, the debt serving challenges should be less stringent and thus allows many of the loans that fell delinquent to become current in the months ahead. The challenges, however, in the management of the delinquent portfolio remain a serious challenge and efforts to constrain over-all delinquency is a top priority. The Committee notes the decline in the loan book year over year has had a strong impact on the upward trending/growing delinquency, despite the best efforts of the Collections Department and other strategies implemented by management to address delinquency problems. Therefore, NWCCU must find ways to put new loans/secured facilities on the books to mitigate against this form of impact.
- 19.3 During the past year the Credit Committee has been fully engaged, monitoring every facet of existing credit related facilities, delinquency strategies/actions, loan recovery efforts and documentation. As a result, NWCCU has moved aggressively to initiate foreclosure action on several outstanding mortgages. To date six (6) mortgages are in the hands of Attorneys and legal action steps are progressing through the stages. We expect the process to be completed in short order. In addition, the Credit Committee is conducting reviews of further delinquent accounts to be recommended to the Board for approval to foreclose, as minimal efforts have been expended by the mortgage holders in bringing them current.
- 19.4 During the past year the Credit Committee has been fully engaged, monitoring every facet of existing credit related facilities, delinquency strategies/actions, loan recovery efforts and documentation. As a result, NWCCU has moved aggressively to initiate foreclosure action on several outstanding mortgages. To date six (6) mortgages are in the hands of Attorneys and legal action steps are progressing through the stages. They expect the process to be completed in short order. In addition, the Credit Committee is conducting reviews of further delinquent accounts to be recommended to the board for approval to foreclose, as minimal efforts have been expended by the mortgage holders in bringing them current.
- 19.5 The Credit Committee continues to be concerned with the following:
- 1) Loans written off from 2016 to present are in excess of \$9.8MM. During the year 2021 about \$1MM were assigned to External Collectors for action. Moderate results have been achieved; we expect to see more success in the months ahead.
  - 2) Mortgages maturing in the next 1-5 years that may not be paid off, if immediate action is not taken to deal with the matters; and
  - 3) The inability to extend loans beyond 84 months due to the Cooperative Credit Union 2015 Regulations, which prohibit such extensions. This constraint impacts over-all loan growth and limits NWCCU from capturing potential loan consolidations opportunities, as other financial institutions have more attractive terms and comfortable related payments.
- 20.1 In closing, as the Committee looks back on 2021, they are pleased that their persistence in pursuing toxic loans for legal action/foreclosure action was significant as shareholders

monies must be accounted for. Efforts will remain focused on cleaning up the portfolio and working with NWCCU in identifying ways to strengthen the Loan Policy Document and the over-all collection process to positively impact delinquency.

- 20.2 The Credit Committee thanked the Board, Mr. Alfred Poitier, CEO, Mr. Richard Johnson, Collections Manager, and the staff of NWCCUL for their cooperation and support.
- 20.3 As there were no questions from the membership, Chairman Cunningham asked for a motion to accept the Credit Committee report as presented.
- 20.4 On motion by Ms. Anna Colebrooke and seconded by Mr. Anthony Robert Farquharson, the Credit Committee report was unanimously accepted as presented.

### **SUPERVISORY COMMITTEE REPORT**

- 20.5 Chairman Cunningham invited Mrs. Yvonne Rahming, Chairman of the Supervisory Committee to present their report.
- 20.6 It is noted that the Supervisory Committee report is listed on pages 106 to 109 of the AGM booklet.
- 20.7 In accordance with the Co-operative Act and the Byelaws, the Supervisory Committee currently consists of four (4) members namely: Mrs. Yvonne Rahming, Chairperson, Ms. Shantel Saunders, Secretary, Dr. Ebbie Jackson, Member and Dr. Denotrah Archer-cartwright, Member all of whom are shareholders of the National Workers Co-operative Credit Union Limited.
- 20.8 The Committee has the responsibility to oversee and monitor the business affairs of the Credit Union. In this capacity, the Committee provides an objective on the operation of NWCCUL to ensure that the Credit Union operates within its approved policies and procedures and is in compliance with the Co-operative Society Act and Regulations. Additionally, the Committee sought to ensure good governance and business practices are uniformed across the various branches thus providing equal benefit to *all* members and shareholders.
- 20.9 The Committee met on a monthly basis and worked closely with the Internal Auditor. We met with the Board of Directors and Management Team to discuss findings on the operation of the business of the Credit Union and provided recommendations for corrective actions when deemed necessary. During inspection of the Nassau, Freeport, Berry Islands and Andros Branches, managers and line staff were interviewed.

### **Internal Audit Quarterly Reports**

rental income. There is currently an engagement of a rental contract with a school along with few other prospects. The Committee identified areas of concern involving the construction of the rental agreement and signing authority. Also, there are inconsistencies with the application of some policies and procedures which is an ongoing matter.

**Berry Islands:**

21.3 The Branch was opened in 2018, with the purpose of filling the void left by a financial institution on that island. The community was left without any banking options and the Management team's Business Plan was to facilitate loans along with all other credit union services. However, the Board of Directors elected not to offer loan services despite it originally being offered. The community expressed great disappointment in that turn of events. As a result, the branch collects a high volume of cash and operates ATM service on a small scale. Consequently, the branch is showing a loss of over a quarter of a million dollars which continues. The Committee has brought this matter to the attention of the Board and Management.

**Andros Branch:**

22.1 The Andros Branch is located in Fresh Creek, which is a central hub and is attracting new members. Its highest selling products are foreign drafts, along with consumer loans. We encountered inconsistencies in compliance with some of the members' files. The branch experienced a break in on the 3rd of April 2022. The Committee is still waiting for an update or copy of a formal report and any action taken to mitigate a reoccurrence of such a matter in the future.

**Nassau Branch/Headquarters:**

22.2 The Nassau Branch, which houses our Headquarters where the Senior Management Team is located, was inspected. The results after an interview with the Senior Management were that many of the compliance issues are being resolved in all of the Branches.

**Delinquency and Collections:**

22.3 While the Covid-19 pandemic was a contributing factor, greater emphasis and priority are needed to strategize and adequately collect delinquent loans. A review of the delinquent outstanding Mortgages and Loan portfolio revealed that the loan files lacked the required documents to effectively act on repossession, which led to the incurrence of additional legal fees. The Committee awaits a satisfactory report from the Board and Management. Consequently, the Loans Loss Provision continues to escalate, which has resulted in the Credit Union suffering a loss of over \$800k plus in this area. This also affects the bottom-line negatively.

**Human Resources Function**

22.4 The committee continued to inquire about the position of Human Resources Manager, which is considered a vital role in the structure of the organization.

**Conclusion:**

22.5 The Supervisory Committee thanked the CEO, Mr. Alfred Poitier, his Management Team, and the Credit Union's staff for accommodating them whenever they visited the



Branches along with any requests for information. The Committee also thanked the Chairman and his honorable Board Members. Special thanks to the general membership of this great organization for the opportunity to serve in this capacity.

- 22.6 Ms. Patrice Cooper said we were discussing earlier how to attract new business loans and we are not facilitating potential loan business from Berry Islands. She asked for an explanation as to why this is happening in the Berry Islands.
- 23.1 Mr. Poitier explained that initially we were not facilitating loans even though we did them on a small cash-secured scale, but we are now in Berry Islands their financials are moving in the right trend and improving significantly.
- 23.2 Mr. Kenneth Knowles asked if we still have a tenant at the East Bay property and what is the status today of the outstanding rent?
- 23.4 Mr. Poitier said the tenant that incurred the huge bill is no longer there, but we do have a new tenant there now and they are having some challenges because just before COVID-19 they got the unit and renovated it but due to the pandemic they were not able to open initially. The new tenant is trying to catch up on their arrears that were incurred, and they are making payments either every day or every other day. Mrs. Gardiner will have to confirm their payments and consistency of same. There is still a vacant unit available for rent at the East Bay property that is supposed to be shown next week hopefully.
- 23.5 Chairman Cunningham asked for a motion to accept the Supervisory Committee report as presented.
- 23.6 On motion by Mr. Anthony Robert Farquharson and seconded by Ms. Patrice Cooper, the Supervisory Committee report was unanimously accepted as presented.
- 23.7 Chairman Cunningham thanked Mrs. Yvonne Rahming for their report.

### **NOMINATION COMMITTEE**

- 23.8 Chairman Cunningham invited Mr. Anthony Robert Farquharson the Nomination Committee Chairman to present the nominations for the positions vacant on the Board, Supervisory and Credit Committees.
- 23.9 Mr. Farquharson thanked Chairman Cunningham and the executives for the opportunity to serve NWCCUL. He also gave special thanks to Mrs. Sonia Cox-Hamilton, Committee member, for being extremely vigilant in securing the Committee report and he apologized for not being able to share the report with the members due to technical difficulties. The Committee expects the election process will be pursuant to the provisions of the new Byelaws that the Committee has worked diligently to present. The Committee is also confident the Credit Union is on a good keel and with this election they look forward to continued success.

23.10 Mrs. Cox-Hamilton reported that the Committee held a meeting on May 26, 2023, as they had already received all the nominees applications which they reviewed. The vacancies on the Board and Committees are Board of Directors – 2 available, Supervisory Committee – 1 available, Credit Committee – 2 available. The Committee reviewed in detail the updated Byelaws 2021 relating to the Nomination Committee and they especially noted **Elections, Section 45, Subsection V, Duties and Responsibilities**. The points under item “H” includes **Candidates Personal Attributes, Candidates Financial Literacy, Candidates Priority Skills and Experience, Leadership needs of the Board, Need for Diversity on the Board and Committees**.

24.1 In order to fulfil the above, calls were made to those fully qualified and some who may qualify in the future. **Section “E”** refers to having an information session for potential candidates which we fully endorse and hope to move forward with this important aspect in the future.

24.2 **Board of Directors Applications** - Four applications were received for the Board of Directors. Two applicants withdrew. The remaining two qualified.

24.3 **Board of Directors Nominees**

Darrin Woods  
Kevin Hanna

24.4 **Supervisory Committee Applications** - Three applications were received for the Supervisory Committee. Only one qualified.

24.5 **Supervisory Committee Nominees**

Tyronne Perpall

24.6 **Credit Committee Applications** - Ten applications were received for the Credit Committee. Seven did not qualify. One also made an application to the Supervisory Committee. Two qualified.

24.7 **Credit Committee Nominees**

Doreen Rolle  
Wilbert Collie

24.8 All Nominees were called and advised of their status so there would be clarity as to why their name is/not on the ballot. The Committee encouraged those persons who had submitted their application to continue supporting the Credit Union and to submit their nominee application next year as many of them were only one step away of fulfilling their nominee application by attending one more AGM.

- 24.9 It is noted that according to the Byelaws because the noted nominees qualify to serve there is no need for an election.
- 24.10 Chairman Cunningham noted that because Kevin Hanna qualifies to serve on the Board, there is now another vacant seat on the Credit Committee.
- 25.1 Mrs. Cox-Hamilton advised that due to the now vacant seat on the Credit Committee the next persons who qualified to serve that applied would be Mr. Lovy Jean who has been a member of the Credit Union since 2004 and has the experience, Mr. Kenneth Knowles who has been a member of the Credit Union since 2019 and has the experience and Ms. Sonia Williams who has been a member of the Credit Union for a while now and also has the experience to serve. All the nominees have attended 2 of the last 5 AGMs. Mrs. Cox-Hamilton then clarified that the noted individuals are now eligible to serve due to their attendance at the 46<sup>th</sup> AGM as the Byelaws states they must have attended 3 of the last 5 AGMs.
- 25.2 Director Douglas asked if the Nomination Committee is following the process by dealing with the Board of Directors nominees first and then followed by the Committees. If the Committee presents the candidates and there are no opposer, according to the Byelaws, the Chairman of the Board must declare whether the nominees are elected unopposed. As for the Credit Committee, if the majority is elected at the AGM and the Board, under the Act and the Byelaws, has the authority to appoint a Board of Director to serve on the said Committee.
- 25.3 Mr. Farquharson affirmed that at the time when due diligence was done, the 3 people who are now eligible to qualify based on their attendance at the 46<sup>th</sup> AGM otherwise, they would not be eligible to serve. He recommends that as a result of the Byelaws, the vacancy that now exists on the Credit Committee, that the Board exercise its power under the Byelaws and appoint a third person as was discussed by Director Douglas.
- 25.4 After discussion on the matter, it was determined by the Nomination Committee that there are 3 vacancies and 5 nominees eligible to serve on the Credit Committee. As an amendment was made to the Byelaws recently that the Nominations Committee was not aware of, that was sent to The Central Bank, states that you have to attend 2 of the last 3 AGMs as opposed to 3 of the last 5 AGMs. The Committee apologized to the nominees for the misunderstanding and will amend their report to reflect the same.
- 25.5 The Credit Committee nominees are:
- Wilbert Collie  
Doreen Rolle  
Kenneth Knowles  
Lovy Jean  
Sonia Williams

## **ELECTIONS**

### **Board of Directors**

25.6 The following persons were elected unopposed to serve on the Board of Directors:

Darrin Woods  
Kevin Hanna

26.1 Persons to serve on the Board of Directors are:

Henry Davis  
Welbourne Cunningham Jr.  
Leo Douglas  
Deborah Zonicle  
Anna Colebrooke  
Darrin Woods  
Kevin Hanna

26.2 Chairman Cunningham welcomed Mr. Kevin Hanna to the Board and Mr. Darrin Woods for returning to the Board.

### **Supervisory Committee**

26.3 Tyronne Perpall was elected unopposed to serve on the Supervisory Committee. Persons to serve on the Supervisory Committee are:

Shantel Saunders  
Yvonne Rahming  
Tyronne Perpall

### **Credit Committee**

26.4 The nominees of the Credit Committee were invited to give an overview of themselves and tell the membership how they would be an asset to the Credit Committee.

26.5 Mr. Wilbert Collie said he has served on the Credit Committee, the Supervisory Committee, and the Board and if he is given the opportunity, he will serve again.

26.6 Mr. Kenneth Knowles said he is a business owner in Grand Bahama, and he started his business about 11 years ago and has been able to grow the business steadily every year. One of his reasons for wanting to join the Credit Committee is to see if he can bring his business experience to the Committee to try to advance the Credit Union. As he is familiar with profit and loss and balance sheets, he is aware of some of the pitfalls, and he thinks that kind of energy on the Committee can also advance the Credit Union.

26.7 Mr. Knowles further said he thinks from time to time a pair of fresh eyes on the problem.

can be the way forward because sometimes we can look at something several times and not see the issue. He has been in the retail business for 40 years and he thinks the Committee can use his expertise to move the Credit Union to where he thinks it should be. He is asking for the members' support, and he thanks them for the opportunity to serve.

27.1 Ms. Sonia Williams said she has been a member of the Credit Union for quite some time now and she is a retired office administrator with Graham Thompson Legal Firm as their office manager in their accounting department for at least 10 years. She feels the wealth of experience she can bring to Credit Union will be an asset and she would like the opportunity to serve.

27.2 Mr. Lovy Jean said he is a banker with 17 years' experience, and he is interested in serving on the Credit Committee because he is a member who is concerned about delinquency.

27.3 The voting results for the Credit Committee are as follows:

|                 |     |
|-----------------|-----|
| Kenneth Knowles | 64% |
| Lovy Jean       | 54% |
| Sonia Williams  | 56% |

27.4 Persons to serve on the Credit Committee are:

Kenneth Knowles  
Lovy Jean  
Sonia Williams

27.5 The Nomination Committee is honored to have served for 2022.

27.6 Chairman Cunningham congratulated the newly elected Credit Committee.

## **RESOLUTIONS**

27.7 Director Sands was invited to present the Resolutions from the Board of Directors listed on page 113 of the AGM booklet. He advised the members that they will have to vote on each resolution on their devices as he presents it.

27.8 The following resolutions were presented by Director Sands:

27.9 **“BE IT RESOLVED** that the Board of Directors be responsible for the appointment of Auditors for the year end December 31, 2022.”

27.10 It is noted that the membership is in favor of the Board of Directors being responsible for the appointment of the Auditors for the year ended December 31, 2022.

- 27.11 “**BE IT RESOLVED** that the Board of Directors be responsible for the appointment of the Attorney for the year end December 31, 2022.”
- 27.12 It is noted that the membership is in favor of the Board of Directors being responsible for the appointment of the Attorney for the year ended December 31, 2022.
- 28.1 “**BE IT RESOLVED** that Board of Directors are to receive a monthly stipend of \$500.00 up to the next AGM.”
- 28.2 It is noted that the membership is in favor of the Board of Directors receiving a monthly stipend of \$500.00.
- 28.3 “**BE IT RESOLVED** that Supervisory Committee members are to receive a monthly stipend of \$250.00 up to the next AGM.”
- 28.4 It is noted that the membership is in favor of the Supervisory Committee members receiving a monthly stipend of \$250.00.
- 28.5 “**BE IT RESOLVED** That Credit Committee members are to receive a monthly stipend of \$200.00 up to the next AGM.”
- 28.6 It is noted that the membership is in favor of the Credit Committee members receiving a monthly stipend of \$200.00.
- 28.7 “**BE IT RESOLVED** that our maximum liability remain at \$75,000,000.00 as set at our 45<sup>th</sup> Annual General Meeting.”
- 28.8 It is noted that the membership is in favor of the maximum liability remaining at \$75,000,000.00 as set at our 45<sup>th</sup> Annual General Meeting.”

### **ANY OTHER BUSINESS**

### **GRATITUDE/CONDOLENCES**

- 28.9 Treasurer Colebrooke extended gratitude to former Credit Committee member Ms. Doreen Rolle for serving and she also extended condolences on behalf of NWCCUL to her on the passing of her brother. May his soul rest in peace.
- 28.10 Mr. Bronson Sands thanked the management, staff, Board of Directors, and the membership for having confidence in him over the years serving on the Supervisory Committee, Credit Committee, the Board, and the League representative as he is most appreciative of the support given to him. He wishes NWCCUL continued success over the years as it moves forward.

28.11 Chairman Cunningham on behalf of the Board of Directors of NWCCUL thanked Mr. Bronson Sands, former Board of Director, Mr. Wilbert Collie, former Credit Committee Chairman, Ms. Doreen Rolle, former Credit Committee member, Dr. Ebbie Jackson, former Supervisory Committee member, and Dr. Denotrah Archer-Cartwright, former Supervisory Committee member for their years of exemplary service. He then welcomed Mr. Kevin Hanna to the Board of Directors, Mr. Tyronne Perpall to the Supervisory Committee, Mr. Lovy Jean, Mr. Kenneth Knowles, and Ms. Sonia Williams to the Credit Committee. He thanked them for serving this fiscal year and he looks forward to seeing everyone at the next AGM.

**HUMAN RESOURCE MANAGER**

29.1 Mr. Anthony Robert Farquharson said it was mentioned earlier but never discussed but either in the Chairman of the Board or CEO capacity, the need for NWCCUL to consider the engagement of a person with responsibility for Human Resources. As he is not sure, he believes there are more than 25 persons working at the Main Branch on Tonique Williams Darling Highway. He then advised that pursuant to the upcoming legislation every building that has more than 25 persons will be required by law to have a health and safety committee headed by the Human Resource Officer. If NWCCUL does not already have a Human Resource Manager yet or someone responsible for it, consideration should be geared towards identifying and retaining such a person within the next 6 months.

**ADJOURNMENT**

29.2 On motion by Mr. Bronson Sands and seconded by Ms. Anna Colebrooke, the 46<sup>th</sup>. Annual General Meeting of NWCCUL was adjourned.

29.3 The meeting adjourned at 2:36 p.m.

\_\_\_\_\_  
Welbourne Cunningham Jr. – Chairman

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Darrin Woods – Secretary

\_\_\_\_\_  
Date:

## 46th Annual General Meeting Attendees

|                            |                                |                      |
|----------------------------|--------------------------------|----------------------|
| Jeanalee Johnson           | Mary Simmons (Mary L. Simmons) | Carron Douglas Neely |
| Quintin Percentie          | Shernell Gardiner              | Lisa Forbes          |
| Misty Adderley             | Theria Russell                 | Henry Davis          |
| Candice Bain               | Rovena Ramsay                  | Arlington Hanna      |
| Breion Smith               | Andre Grant                    | Elayne Farquharson   |
| Tanygela Rolle Brennen     | Diana Bowe                     | Janet Hall           |
| Desarie Neely              | Olivia Saunders                | Tavia Forbes         |
| Ryshanda Mcphee            | Pearline Romer-Sears           | Lisa Williams        |
| Yvonne Rahming             | Terry Burrows                  | Berry Sweeting       |
| Kenneth Knowles            | Aubrey Ferguson                | Bronson Sands        |
| Kevin Hanna                | Alfred Poitier                 | Robert Cox           |
| Sonia Williams             | Nadia Davis                    | Doreen Rolle         |
| Elizabeth Ellis            | Patrice Cooper                 | Charles Russell      |
| Zamora Green Auditor       | Virgil Bowe                    | Marjorie Joffre      |
| Tyronne Perpall            | Dorothy Johnson                | Shavargo Anderson    |
| Kishka Pennerman           | Kim V Duncombe                 | Petra Williams       |
| Wilbert Collie             | Nike Gardiner                  | Rishad Bain          |
| Kennesha Rolle             | Alan Strachan                  | Alana Cartwright     |
| Welbourne Cunningham Jr    | Frederick Hall                 | Chidese Taylor       |
| Nicola Arnette             | Brandi Braynen                 | Alana Cartwright     |
| Frederick Hall             | Shantel Saunders               | Patrice Y. Evans     |
| Richard Johnson            | Lavern Hanna                   | Lovy Jean            |
| Anthony Robert Farquharson | Alcondo Hepburn                | Retta Douglas        |
| Ebbie Jackson              | Sherelle Sands-Rolle           | Elizabeth Brown      |
| Nachalah Gardiner          | Nasacia Douglas                | Ernestine Adderley   |
| Shannan Mackey             | Sonia Hamilton                 | Deborah Zonicle      |
| Darrin Woods               | Vinnah Adderley                | Meredith Forbes      |
| Llewellen Saunders         | Tamara Ferguson                | Lateisha Black       |
| Mellany Zonicle            | Leo Douglas                    | Jasmine Ferguson     |



# Treasurer's Report

For the year ended December 31, 2022

## General

Members/Shareholders and visiting friends:

In my capacity as Treasurer on the Board of Directors, I am not pleased to report that for the year 2022, our credit union sustained the worst net loss since inception.

This is due to the negative effect of the pandemic, where, as you are aware, our core membership in the Tourism industry was deeply impacted. Job loss and the inability to honor loan commitments have led to higher-than-normal delinquency and therefore the increase in our Expected Credit Loss (ECL) provision.

Despite this unsettling reality, our credit union did experience asset growth (compared to a reduction in 2021). The increase in membership and overall Member Deposits this period indicates that there is still confidence in National Workers Co-Operative Credit Union to service the needs of its members.

I provide for your attention the following:

## Statement of Financial Position

- **Liquidity**

Note 8 of the audited financial details our level of compliance with respect to the Bahamas Co-operative Credit Unions Act, 2015 Section 65 (1 and 2).

- **Loans Receivable**

In 2022, 1,123 new loans totaling \$5,985,269, were granted (2021: 715 totaling \$4,405,033).

They were granted as follows:

- Nassau - 588 loans totaling \$3,355,663 (2021: 382 totaling \$2,494,628)
- Freeport – 399 loans totaling \$1,741,805 (2021: 272 totaling \$1,261,097)
- Andros – 52 loans totaling \$442,822 (2021: 43 totaling \$521,225)
- Berry Islands – 46 loans totaling \$254,176 (2021: 18 totaling \$128,083)
- San Salvador – no loans (2021: no loans)
- Exuma – 38 loans totaling 190,803 (2021: no loans)

The following make up most of the net movement in Loans:

- Consumer loans decreased by \$193,587 or 1.14% (2021: decrease by \$852,034 or 4.79%).
- Revolving line of credit loans decreased by \$1,076,545 or 17.96 % (2021: decrease by \$2,272,592 or 27.49%).
- Debt Consolidation Loans increased by \$1,313,783 or 50.21% (2021: increase of \$840,326 or 47.31%)

During 2022, 73 loans totaling \$264,272 were written off due to non-collectability (2021: 248 loans totaling \$936,706).

Net write-off loan recovery for 2022 was \$95,010 representing approximately 127 accounts (2021: 81 accounts totaling \$34,557).

At December 31, 2022, there were 79 (2021: 89) credit cards in circulation of which 7 (2021: 10) were delinquent. Total credit extended on these cards was \$76,615 (2021: \$86,661)

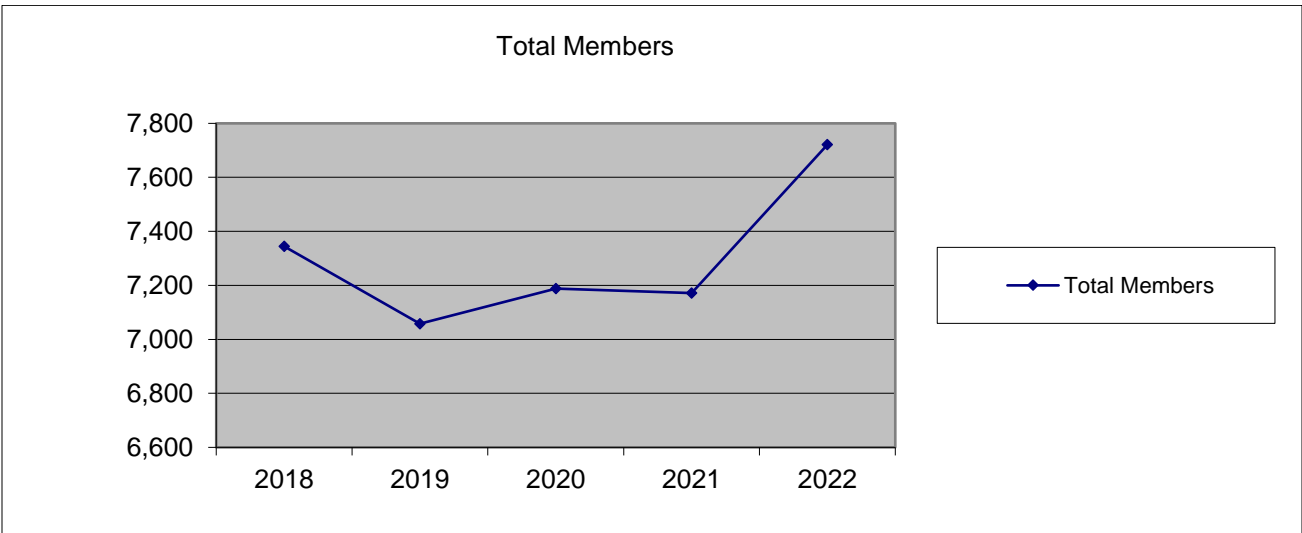
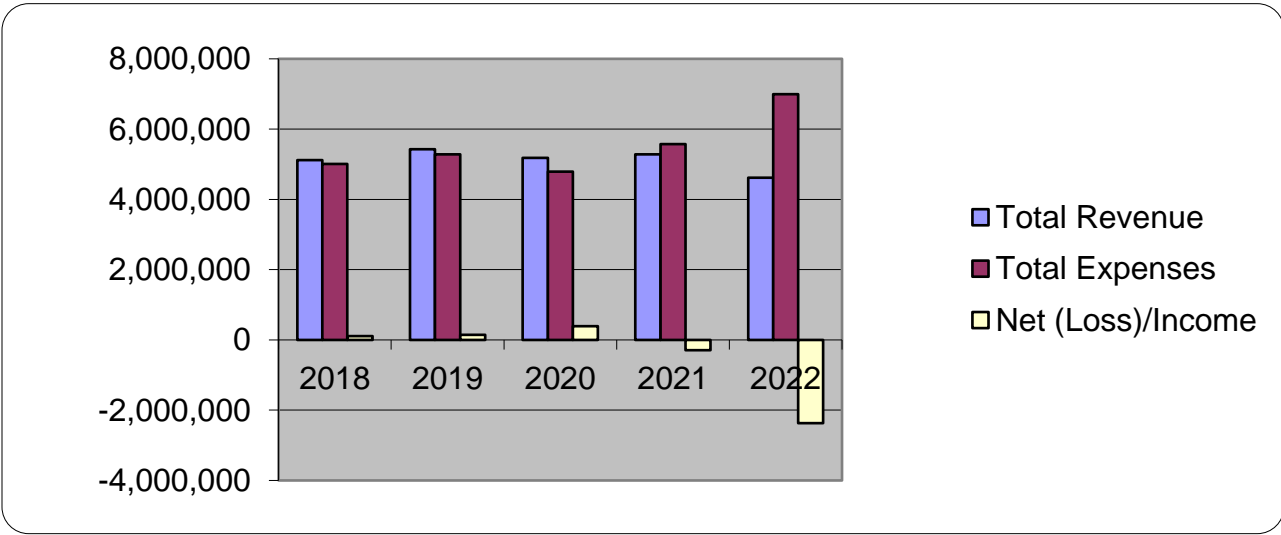
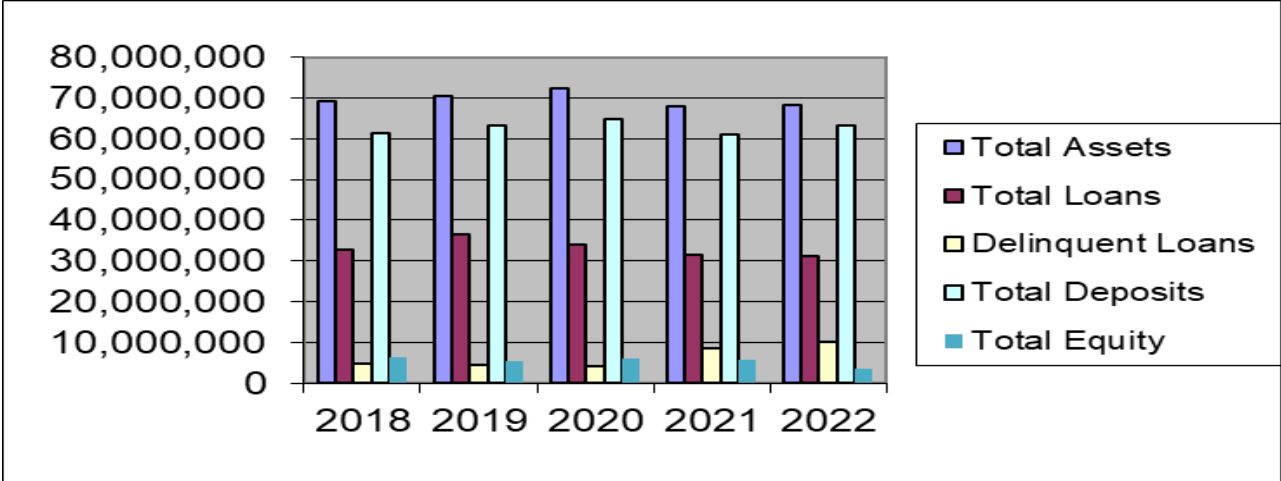
### • Members' Deposits

Total Deposits increased by \$2,157,417 or 3.54%, (2021: decrease of \$4,006,855 or 6.17%.)

The following make up most of the movement in Deposits:

- Regular Shares increased by \$1,798,814 or 6.25% (2021: decrease of \$2,015,657 or 6.55%).
- Term Deposits decreased by \$1,015,331 or 4.63% (2021: \$1,770,688 or 7.48%)
- Deposit savings increased by \$641,275 or 25.24%, (2021: \$90,688 or 3.70%).
- House Plan savings increased by \$360,975 or 20.23% (2021: \$140,640 or 8.56%).
- Retirement savings increased by \$278,733 or 25.45% (2021: \$75,821 or 7.44%).

| <b>FIVE YEARS FINANCIAL CONDITION</b> |            |            |            |            |                   |                   |               |  |
|---------------------------------------|------------|------------|------------|------------|-------------------|-------------------|---------------|--|
| (for the years ended December 31,)    |            |            |            |            |                   |                   |               |  |
|                                       | 2018       | 2019       | 2020       | 2021       | 2022              | Incr./(Decr.)     | %             |  |
| Total Assets                          | 69,231,064 | 70,409,095 | 72,286,820 | 67,922,121 | <b>68,228,655</b> | <b>306,534</b>    | <b>0.45</b>   |  |
| Total Loans                           | 32,718,538 | 36,667,031 | 33,898,087 | 31,427,995 | <b>31,224,683</b> | <b>-203,312</b>   | <b>-0.65</b>  |  |
| Total Deposits                        | 61,471,702 | 63,364,742 | 64,936,293 | 60,929,438 | <b>63,086,855</b> | <b>2,157,417</b>  | <b>3.54</b>   |  |
| Total Equity                          | 6,363,472  | 5,477,511  | 5,940,010  | 5,682,037  | <b>3,435,062</b>  | <b>-2,246,975</b> | <b>-39.55</b> |  |
| Total Revenue                         | 5,119,622  | 5,424,690  | 5,179,920  | 5,278,710  | <b>4,617,761</b>  | <b>-660,949</b>   | <b>-12.52</b> |  |
| Total Expenses                        | 5,012,298  | 5,278,137  | 4,793,847  | 5,575,270  | <b>6,990,088</b>  | <b>1,414,818</b>  | <b>25.38</b>  |  |
| Net Income/(Loss)                     | 107,324    | 146,553    | 386,073    | -296,560   | <b>-2,372,327</b> | <b>-2,075,767</b> | <b>699.95</b> |  |
| Total Members                         | 7,344      | 7,058      | 7,188      | 7,171      | <b>7,721</b>      | <b>550</b>        | <b>7.67</b>   |  |



- **Debit Cards**

At the end of December 2022, there were 1,950 (2021: 1,995) debit cards in circulation.

During the year, the VISA Debit Cards were used to withdraw \$683,230 cash (3,821 transactions) (2021: \$535,560 cash 3,336 transactions) out of our cash sourced ATM's (Nassau, Berry Islands and Andros); \$2,071,818 cash (9,555 transactions) out of other institutions' ATMs locally and abroad (2021: \$1,537,831 cash 7,852 transactions) and purchase \$4,170,677 worth of merchandise (56,159 transactions) locally and abroad (2021: \$3,203,189 cash 47,931 transactions).

Revenue (annual and shared withdrawal fees) gained from the ATM's was \$37,798.70 (2021: \$43,681).

Unfortunately, the ATM in Andros and Freeport was not operational in 2022.

New ATM machines were ordered for the three branches, but due to circumstances, there was a challenge in getting them operational.

## **Comprehensive Income**

### **CONSOLIDATED**

Loan interest income decreased by \$700,364 or 18.23% (2021: decrease of \$245,079 or 6%).

Operating expenses increased by \$275,938 or 8.75% (2021: \$268,878 or 9.3%).

Provision for loan impairment (IFRS Expected Credit Loss (ECL) expense increased by \$1,164,568 or 101.73%  
(2021: \$725,930 or 173.3%)

The following make up most of the movement in Expenses:

- Personnel costs (mostly in the area of salaries) increased by \$157,115 or 9.05% (2021: \$189,230 or 12.2%).

### **TRAINING**

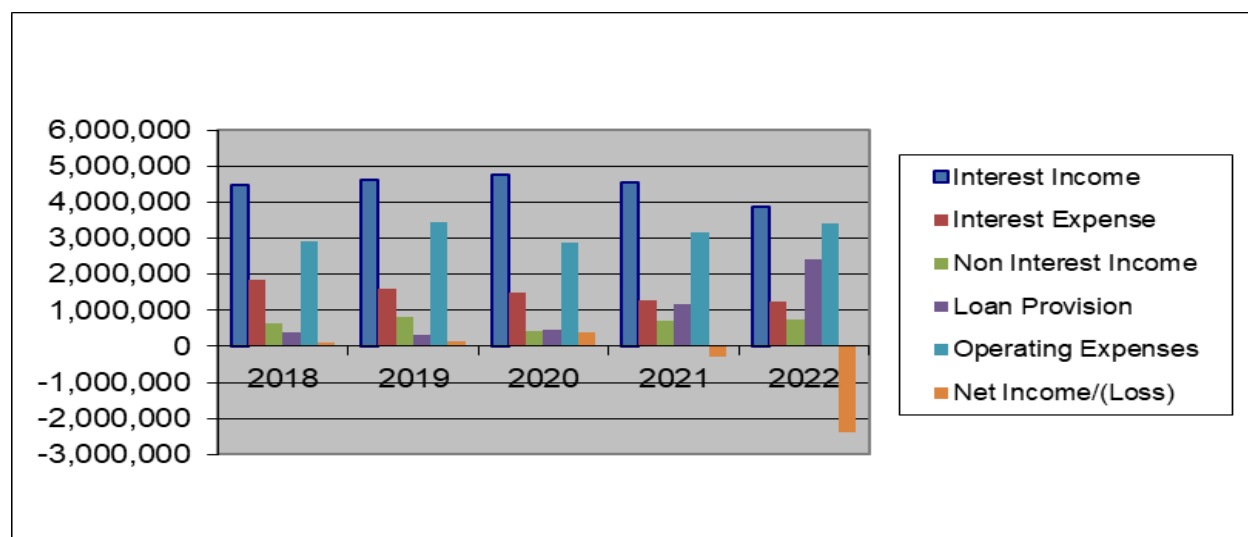
Staff training continued in-house.

We did not send a delegate to the 2022 World Council of Credit Unions (WOCCU) Conference.

The majority of the Board and Supervisory Committee members had perfect attendance at their regularly scheduled monthly meetings.

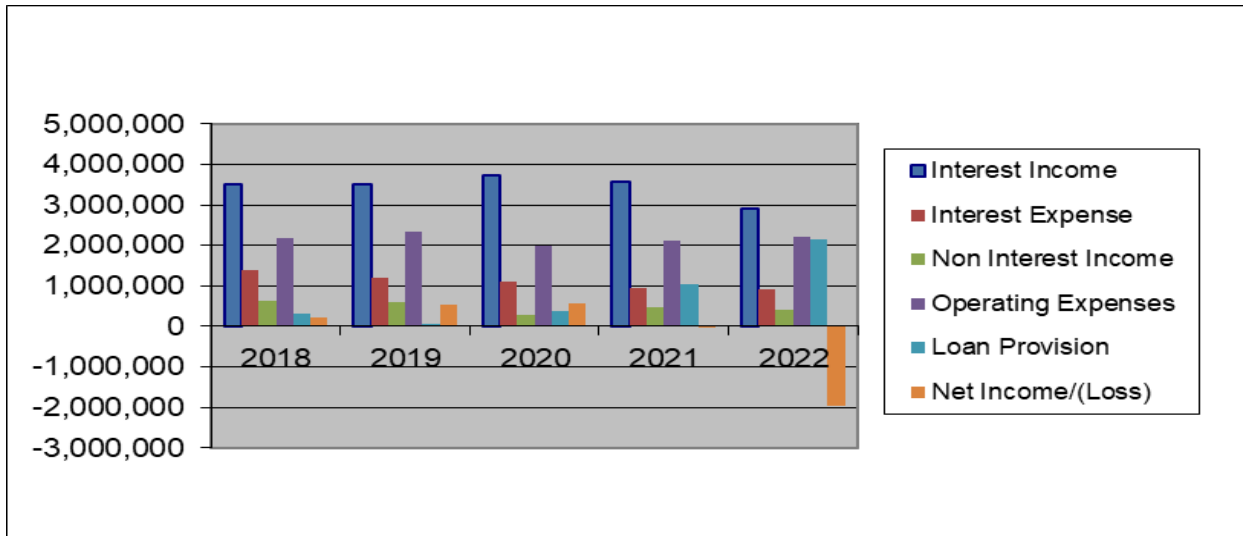
## CONSOLIDATED

| <b>FIVE YEARS FINANCIAL PERFORMANCE</b> |           |           |           |           |                   |                   |               |  |
|---|-----------|-----------|-----------|-----------|-------------------|-------------------|---------------|--|
| (for the years ended December 31,)      |           |           |           |           |                   |                   |               |  |
|   | 2018      | 2019      | 2020      | 2021      | 2022              | Incr./(Decr.)     | %             |  |
| Interest Income                         | 4,469,554 | 4,616,533 | 4,771,437 | 4,560,065 | <b>3,882,234</b>  | <b>-677,831</b>   | <b>-14.86</b> |  |
| Interest Expense                        | 1,836,570 | 1,590,103 | 1,491,699 | 1,278,314 | <b>1,252,626</b>  | <b>-25,688</b>    | <b>-2.01</b>  |  |
| Non Interest Income                     | 650,068   | 808,157   | 408,483   | 718,645   | <b>735,527</b>    | <b>16,882</b>     | <b>2.35</b>   |  |
| Loan Provision                          | 385,300   | 321,107   | 458,529   | 1,179,329 | <b>2,404,350</b>  | <b>1,225,021</b>  | <b>103.87</b> |  |
| Operating Expenses                      | 2,900,688 | 3,453,115 | 2,883,306 | 3,152,184 | <b>3,428,122</b>  | <b>275,938</b>    | <b>8.75</b>   |  |
| Net Income/(Loss)                       | 107,324   | 146,553   | 386,073   | -296,560  | <b>-2,372,327</b> | <b>-2,075,767</b> | <b>699.95</b> |  |



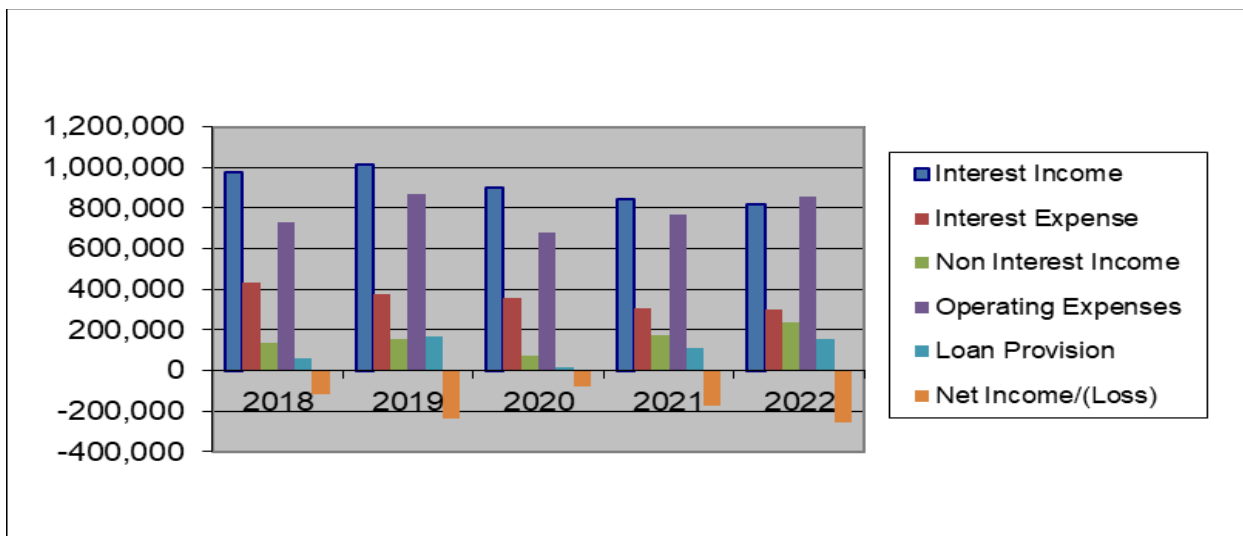
## NASSAU BRANCH

| <b>FIVE YEARS FINANCIAL PERFORMANCE</b> |           |           |           |           |                   |                   |               |  |
|---|-----------|-----------|-----------|-----------|-------------------|-------------------|---------------|--|
| (for the years ended December 31,)      |           |           |           |           |                   |                   |               |  |
|   | 2018      | 2019      | 2020      | 2021      | 2022              | Incr./(Decr.)     | %             |  |
| Interest Income                         | 3,494,406 | 3,515,573 | 3,737,041 | 3,581,692 | <b>2,894,968</b>  | <b>-686,724</b>   | <b>-19.17</b> |  |
| Interest Expense                        | 1,400,509 | 1,196,711 | 1,109,583 | 943,576   | <b>912,395</b>    | <b>-31,181</b>    | <b>-3.30</b>  |  |
| Non Interest Income                     | 624,534   | 609,476   | 284,656   | 478,457   | <b>423,054</b>    | <b>-55,403</b>    | <b>-11.58</b> |  |
| Operating Expenses                      | 2,169,889 | 2,322,671 | 1,979,204 | 2,121,926 | <b>2,216,339</b>  | <b>94,413</b>     | <b>4.45</b>   |  |
| Loan Provision                          | 324,600   | 63,851    | 374,678   | 1,035,522 | <b>2,160,931</b>  | <b>1,125,409</b>  | <b>108.68</b> |  |
| Net Income/(Loss)                       | 223,942   | 541,816   | 558,232   | -40,875   | <b>-1,971,643</b> | <b>-1,930,768</b> |               |  |



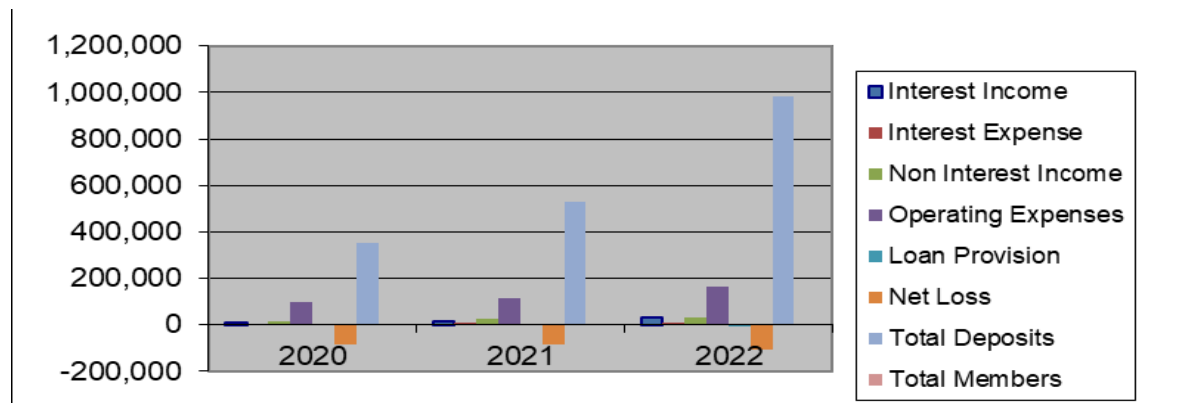
## FREEPORT BRANCH

| <b>FIVE YEARS FINANCIAL PERFORMANCE</b> |          |           |         |          |                 |                |              |  |
|---|----------|-----------|---------|----------|-----------------|----------------|--------------|--|
| (for the years ended December 31,)      |          |           |         |          |                 |                |              |  |
|   | 2018     | 2019      | 2020    | 2021     | 2022            | Incr./(Decr.)  | %            |  |
| Interest Income                         | 975,148  | 1,015,915 | 904,025 | 841,891  | <b>816,945</b>  | <b>-24,946</b> | <b>-2.96</b> |  |
| Interest Expense                        | 436,061  | 375,122   | 358,235 | 307,880  | <b>300,220</b>  | <b>-7,660</b>  | <b>-2.49</b> |  |
| Non Interest Income                     | 135,794  | 157,209   | 74,450  | 172,997  | <b>235,808</b>  | <b>62,811</b>  | <b>36.31</b> |  |
| Operating Expenses                      | 730,799  | 870,056   | 680,756 | 767,399  | <b>856,538</b>  | <b>89,139</b>  | <b>11.62</b> |  |
| Loan Provision                          | 60,700   | 166,570   | 16,297  | 110,816  | <b>153,233</b>  | <b>42,417</b>  | <b>38.28</b> |  |
| Net Income/(Loss)                       | -116,618 | -238,624  | -76,813 | -171,207 | <b>-257,238</b> | <b>-86,031</b> | <b>50.25</b> |  |



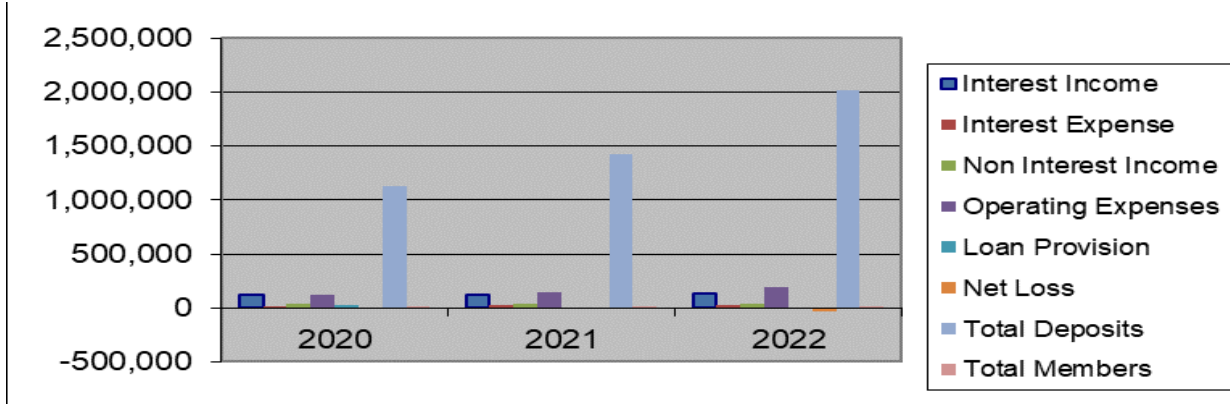
## BERRY ISLANDS BRANCH

| <b>THREE YEARS FINANCIAL PERFORMANCE</b> |         |         |                 |                |                |  |
|--|---------|---------|-----------------|----------------|----------------|--|
| (for the years ended December 31,)       |         |         |                 |                |                |  |
|  | 2020    | 2021    | 2022            | Incr./(Decr.)  | %              |  |
| Interest Income                          | 11,251  | 12,538  | <b>32,887</b>   | <b>20,349</b>  | <b>162.30</b>  |  |
| Interest Expense                         | 5,547   | 6,400   | <b>10,927</b>   | <b>4,527</b>   | <b>70.73</b>   |  |
| Non Interest Income                      | 11,994  | 24,702  | <b>33,060</b>   | <b>8,358</b>   | <b>33.84</b>   |  |
| Operating Expenses                       | 100,156 | 114,073 | <b>163,361</b>  | <b>49,288</b>  | <b>43.21</b>   |  |
| Loan Provision                           | 819     | 683     | <b>-1,002</b>   | <b>-1,685</b>  | <b>-246.71</b> |  |
| Net Loss                                 | -83,277 | -83,916 | <b>-107,339</b> | <b>-23,423</b> | <b>27.91</b>   |  |
| Total Deposits                           | 354,027 | 526,482 | <b>981,733</b>  | <b>455,251</b> | <b>86.47</b>   |  |
| Total Members                            | 148     | 212     | <b>260</b>      | <b>48</b>      | <b>22.64</b>   |  |



## ANDROS BRANCH

| <b>THREE YEARS FINANCIAL PERFORMANCE</b> |           |           |                  |                |                |  |
|--|-----------|-----------|------------------|----------------|----------------|--|
| (for the years ended December 31,)       |           |           |                  |                |                |  |
|  | 2020      | 2021      | 2022             | Incr./(Decr.)  | %              |  |
| Interest Income                          | 119,120   | 123,944   | <b>137,434</b>   | <b>13,490</b>  | <b>10.88</b>   |  |
| Interest Expense                         | 18,334    | 20,458    | <b>29,084</b>    | <b>8,626</b>   | <b>42.16</b>   |  |
| Non Interest Income                      | 37,383    | 42,489    | <b>43,605</b>    | <b>1,116</b>   | <b>2.63</b>    |  |
| Operating Expenses                       | 123,190   | 148,786   | <b>191,884</b>   | <b>43,098</b>  | <b>28.97</b>   |  |
| Loan Provision                           | 27,048    | -2,249    | <b>-3,822</b>    | <b>-1,573</b>  | <b>69.94</b>   |  |
| Net Loss                                 | -12,069   | -562      | <b>-36,107</b>   | <b>-35,545</b> | <b>6324.73</b> |  |
| Total Deposits                           | 1,122,855 | 1,425,789 | <b>2,013,818</b> | <b>588,029</b> | <b>41.24</b>   |  |
| Total Members                            | 273       | 377       | <b>462</b>       | <b>85</b>      | <b>22.55</b>   |  |



## CONCLUSION

It has been my pleasure to serve as your Treasurer on the Board of Directors for 2022.

My sincerest appreciation to my fellow Directors, the Supervisory and Credit Committees, Management and Staff for their individual and collective support.

Have a great 47<sup>th</sup>. Annual General Meeting.

*Anna F. Colebrooke*  
 Anna Colebrooke  
 Treasurer



| <b>NATIONAL WORKERS CO-OPERATIVE CREDIT UNION</b>           |  |                            |                    |                    |                            |
|---|--|----------------------------|--------------------|--------------------|----------------------------|
| <b>BUDGET PRESENTATION</b>                                  | <b>Bahamas Co-operative Credit Unions Act, 2015 47.2 (d)</b> |                            |                    |                    |                            |
|   | <b>Budget 2023</b>   | <b>Increase (Decrease)</b> | <b>Budget 2022</b> | <b>Actual 2022</b> | <b>Increase (Decrease)</b> |
| <b>Revenue:</b>   |  |                            |                    |                    |                            |
| Interest on Deposits  | 115,000  | -                          | 115,000            | 115,370            | 370                        |
| Investment Income   | 444,250  | 28,000                     | 416,250            | 419,156            | 2,906                      |
| Interest on Statutory Reserve Deposit                       | 220,000  | -                          | 220,000            | 206,613            | (13,387)                   |
| Interest on Auto Loans                                      | 97,000   | 81,000                     | 16,000             | 6,194              | (9,806)                    |
| Interest on Mortgage Loans                                  | 263,000  | 74,200                     | 188,800            | 124,467            | (64,333)                   |
| Interest on Consumer Loans                                  | 3,649,000  | (459,000)                  | 4,108,000          | 3,010,433          | (1,097,567)                |
| Processing Fees   | 232,000  | 45,440                     | 186,560            | 177,971            | (8,589)                    |
| Service Charges   | 337,000  | 31,800                     | 305,200            | 331,696            | 26,496                     |
| Dividends   | 23,000   | -                          | 23,000             | 21,761             | (1,239)                    |
| Other   | 90,000   | -                          | 90,000             | 73,773             | (16,227)                   |
| Entrance Fees   | 10,750   | (3,700)                    | 14,450             | 7,422              | (7,028)                    |
| Rental Income   | 189,540  | (38,460)                   | 228,000            | 117,515            | (110,485)                  |
| Loans Writtenoff Recovery                                   | 100,000  | 20,000                     | 120,000            | 95,010             | (24,990)                   |
| <b>Total Operating Income</b>                               | <b>5,770,540</b>   | <b>(260,720)</b>           | <b>6,031,260</b>   | <b>4,707,382</b>   | <b>(1,323,878)</b>         |
| <b>Expenses:</b>  |  |                            |                    |                    |                            |
| Interest on Member Share Deposits                           | 670,000  | 55,000                     | 615,000            | 619,821            | 4,821                      |
| Interest on Term Deposits                                   | 504,000  | (3,000)                    | 507,000            | 441,009            | (65,991)                   |
| Interest on Educational Savings                             | 90,000   | (5,000)                    | 95,000             | 86,662             | (8,338)                    |
| Interest on Christmas Savings                               | 23,000   | -                          | 23,000             | 17,216             | (5,784)                    |
| Interest on Other Savings                                   | 125,000  | 40,000                     | 85,000             | 87,919             | 2,919                      |
| Salaries  | 1,351,955  | (141,312)                  | 1,493,267          | 1,470,877          | (22,390)                   |
| Staff Benefits  | 287,790  | (35,135)                   | 322,925            | 314,539            | (8,386)                    |
| National Insurance  | 65,550   | (4,546)                    | 70,096             | 65,678             | (4,418)                    |
| Employee Training & Development                             | 20,000   | (10,000)                   | 30,000             | 7,650              | (22,350)                   |
| Employee Travel   | 22,000   | 4,000                      | 18,000             | 29,866             | 11,866                     |
| Employee Uniforms   | 4,200  | -                          | 4,200              | 370                | (3,830)                    |
| Share/Loan Insurance  | 247,000  | 33,000                     | 214,000            | 251,815            | 37,815                     |
| Other Member Security                                       | 22,500   | -                          | 22,500             | 21,513             | (987)                      |
| Depositor's Insurance                                       | 36,500   | (15,000)                   | 51,500             | 31,351             | (20,149)                   |
| Bad Debts   | 1,195,000  | 315,200                    | 879,800            | 2,404,350          | 1,524,550                  |
| Internal & External Audit Fees                              | 56,000   | 1,000                      | 55,000             | 59,410             | 4,410                      |
| Legal Fees  | 46,000   | -                          | 46,000             | 19,236             | (26,764)                   |
| Consultant Fees   | 10,000   | -                          | 10,000             | 12,310             | 2,310                      |
| Investment Management Fees                                  | 500  | -                          | 500                | 350                | (150)                      |
| Collectors Fees   | 3,000  | -                          | 3,000              | 520                | (2,480)                    |
| Insurance   | 114,000  | 27,500                     | 86,500             | 104,474            | 17,974                     |
| Vehicles  | 27,100   | (4,000)                    | 31,100             | 19,743             | (11,357)                   |
| Subscriptions/Dues  | 2,500  | 1,000                      | 1,500              | 1,715              | 215                        |
| Stationery & Supplies                                       | 57,000   | (9,000)                    | 66,000             | 31,973             | (34,027)                   |
| Bank Charges  | 13,800   | (400)                      | 14,200             | 11,273             | (2,927)                    |
| Equipment Maintenance                                       | 37,000   | 12,000                     | 25,000             | 24,764             | (236)                      |
| Courier & Postage   | 3,000  | 1,600                      | 1,400              | 2,323              | 923                        |
| Electricity   | 52,500   | -                          | 52,500             | 56,412             | 3,912                      |
| Telephone   | 138,000  | 10,000                     | 128,000            | 129,985            | 1,985                      |
| Water & Cable   | 15,000   | -                          | 15,000             | 8,493              | (6,507)                    |
| Building Maintenance  | 70,500   | 4,000                      | 66,500             | 64,822             | (1,678)                    |
| Building Security   | 64,000   | (9,000)                    | 73,000             | 35,223             | (37,777)                   |
| Real Property Tax   | 10,000   | -                          | 10,000             | 7,361              | (2,639)                    |
| Value Added Tax (VAT)                                       | 65,000   | (4,000)                    | 69,000             | 62,147             | (6,853)                    |
| Lease Liability   | 9,000  | -                          | 9,000              | 6,301              | (2,699)                    |
| Depreciation - Investment Property                          | 43,000   | -                          | 43,000             | 43,203             | 203                        |
| Depreciation - Building                                     | 133,000  | 3,000                      | 130,000            | 125,272            | (4,728)                    |
| Depreciation - Leasehold Improvements & Right of Use Assets | 192,300  | 91,000                     | 101,300            | 103,173            | 1,873                      |
| Depreciation - Computer Hardware & Software                 | 34,000   | (3,000)                    | 37,000             | 35,551             | (1,449)                    |
| Depreciation - Furniture & Fixtures                         | 37,000   | (10,000)                   | 47,000             | 34,859             | (12,141)                   |
| Depreciation - Vehicles                                     | 7,000  | (1,000)                    | 8,000              | 3,314              | (4,686)                    |
| Debit Card  | 6,000  | -                          | 6,000              | 9,569              | 3,569                      |
| Credit Card   | 1,000  | -                          | 1,000              | -                  | (1,000)                    |
| Advertising & Promotion                                     | 20,000   | -                          | 20,000             | 24,401             | 4,401                      |
| Member's Appreciation                                       | 17,000   | (10,000)                   | 27,000             | 4,872              | (22,128)                   |
| Mobile Branch   | 15,000   | -                          | 15,000             | 411                | (14,589)                   |
| Donations   | 7,500  | -                          | 7,500              | 2,880              | (4,620)                    |
| Board of Directors Expenses & Allowances                    | 57,000   | -                          | 57,000             | 54,920             | (2,080)                    |
| Supervisory & Credit Committees Exp & Allowances            | 27,000   | -                          | 27,000             | 22,425             | (4,575)                    |
| Board Development & Travel                                  | 8,000  | (13,000)                   | 21,000             | 500                | (20,500)                   |
| Youth Cooperative   | 5,000  | -                          | 5,000              | -                  | (5,000)                    |
| Annual General Meeting                                      | 7,000  | -                          | 7,000              | 5,202              | (1,798)                    |
| Family Island Representatives Honorarium                    | 2,400  | -                          | 2,400              | 200                | (2,200)                    |
| Computer Maintenance  | 83,000   | 5,000                      | 78,000             | 88,820             | 10,820                     |
| Computer Stationery & Supplies                              | 16,000   | 8,000                      | 8,000              | 15,933             | 7,933                      |
| Other   | -  | -                          | -                  | (5,266)            | (5,266)                    |
| <b>Total Operating Expenses</b>                             | <b>6,176,595</b>   | <b>(333,907)</b>           | <b>5,842,688</b>   | <b>7,079,709</b>   | <b>1,237,021</b>           |
| <b>Net Income/(Loss)</b>                                    | <b>(406,055)</b>   | <b>594,627</b>             | <b>188,572</b>     | <b>(2,372,327)</b> | <b>(2,560,899)</b>         |

## NWCCUL PEARLS RATIO ANALYSIS:

|                                      | Standard | 31-Dec-22 | 31-Dec-21 |
|--------------------------------------|----------|-----------|-----------|
| 1 Solvency                           | >111%    | 103.15%   | 106.91%   |
| 2 Net Loans Ratio                    | 70%-80%  | 40.33%    | 42.67%    |
| 3 Financial Investments Ratio        | <2%      | 13.42%    | 12.67%    |
| 4 Non-financial Investments Ratio    | 0%       | 1.00%     | 1.08%     |
| 5 Institutional Capital Ratio        | >10%     | -4.51%    | -1.03%    |
| 6 Savings Deposits Ratio             | 70%-80%  | 92.46%    | 90.67%    |
| 7 Delinquency Ratio                  | <5%      | 19.18%    | 14.54%    |
| 8 Non-earning Assets Ratio           | <5%      | 16.66%    | 14.01%    |
| 9 Operating Expense Ratio            | <5%      | 5.02%     | 4.64%     |
| 10 (ROA) - Net Income Ratio          | 10%      | -3.48%    | -0.44%    |
| 11 Operating Liquidity Ratio         | 15%-20%  | 16.68%    | 15.28%    |
| 12 Statutory Liquidity Deposit Ratio | >10%     | 10.84%    | 12.21%    |
| 13 Statutory Reserves Ratio          | >10%     | 6.30%     | 6.32%     |
| 14 Total Capital Ratio               | >10%     | 4.05%     | 7.40%     |

|   |   |
|---|---|
| <b>PEARLS</b> - a financial performance monitoring system designed to offer management guidelines for credit unions. An international standard used to measure good management practices.   |   |
| It is an acronym as follows:  | <b>5. Institutional Capital/Total Assets</b> - the % of assets financed by legal and non distributable reserves.  |
| <b>Protection:</b> measures the adequacy of loan loss provisions  | <b>6. Savings Deposits/Total Assets</b> - the % of total assets financed by savings deposits.   |
| <b>Effective financial structure:</b> measures safety, soundness profitability and aggressive real growth.  | <b>7. Delinquency/Total Loan Portfolio</b> - the % of delinquency in the loan portfolio.  |
| <b>Asset quality:</b> measures the % of non earning assets that negatively impact profitability and solvency in terms of loan delinquency, non earning assets and the financing of non earning assets.  | <b>8. Non Earning Assets/Total Assets</b> - the % of total assets invested in property, plant & equipment. The degree of operational efficiency or inefficiency.  |
| <b>Rates of return and costs (annualized):</b> measures the average income yield for each of the most productive assets and average cost for each of the most important liability and capital accounts.   | <b>9. Operating Expenses/Average Total Assets</b> - the costs associated with the management of the assets. The degree of operational efficiency or inefficiency. to meet deposit withdrawal requests.  |
| <b>Liquidity:</b> measures whether cash is effectively managed so that monies are available to meet deposit withdrawal requests and liquidity reserve requirements. Also measures that idle cash, a non earning asset does not unduly affect profitability. | <b>10. Net Income/Total Assets</b> - measures the adequacy of earnings and the potential to build Institutional Capital.  |
| <b>Signs of growth (year to date growth rates):</b> measures the % of growth in membership and the most important accounts in the financial statement. After subtracting inflation, real growth is key to a credit union's long term viability.             | <b>11. Operating Liquidity:</b><br><b>Liquid Assets - Short Term Payables/Total Deposits</b> - the adequacy of liquid/cash reserves after paying all immediate (less than 30 days) bills/obligations available to meet deposit withdrawal requests. |
| Some Crucial Ratios:  | <b>12. Statutory Liquidity Deposit:</b> - to measure compliance with obligatory Central Bank Liquidity Reserve requirements.  |
| <b>1. Solvency</b> - the degree of protection for member savings and shares in the event of liquidation.  | <b>13. Statutory Reserve:</b> - to measure compliance with obligatory Central Bank Statutory Reserve requirements.  |
| <b>2. Net Loans/Total Assets</b> - the % of total assets invested in the loan portfolio.  | <b>14. Total Capital:</b><br>Qualifying Shares+Statutory Reserve+Accumulated Earnings/Total Assets  |
| <b>3. Financial Investments/Total Assets</b> - the % of total assets invested in short term investments.  |   |
| <b>4. Non-Financial Investments/Total Assets</b> - the % of total assets invested in non-financial investments.   |   |

Financial Statements of

**NATIONAL WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

For the year ended December 31, 2022





BAHAMAS

ECOVIS Bahamas • Sorenty House • East Bay Street • P.O. Box 55-6229 • Nassau •  
The Bahamas

## INDEPENDENT AUDITORS' REPORT

To the Members of:  
**National Workers Co-operative Credit Union Limited**

### *Opinion*

We have audited the financial statements of National Workers Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the Credit Union's Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

ECOVIS Bahamas: Sorenty House, East Bay Street, P.O. Box 55-6229, Nassau, The Bahamas. Phone: +1 (242) 693-3418. Fax: +1 (242) 803-3430. E-Mail: [nassau@ecovis.com](mailto:nassau@ecovis.com). Management: James D. Gomez, Noreen R. Campbell. VAT-ID Number: 114394716. Headquarter: Nassau. Registered in: The Bahamas.

A member of ECOVIS International tax advisors accountants auditors lawyers in Algeria, Argentina, Australia, Austria, Bahamas, Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Cambodia, Canada, Chile, China, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Georgia, Germany, Greece, Great Britain, Guatemala, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Republic of Korea, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Malaysia, Maldives, Mexico, Morocco, Myanmar, Nepal, Netherlands, New Zealand, Norway, North Macedonia, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Republic of Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, USA (associated partners) and Vietnam.

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**INDEPENDENT AUDITORS' REPORT (Continued)**

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Directors 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 auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

A handwritten signature in black ink that reads "Ecosis Bahamas".

**ECOVIS Bahamas**  
Chartered Accountants  
Nassau, The Bahamas

May 18, 2023


**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Financial Position


December 31, 2022  
(Expressed in Bahamian dollars)


|  | Notes  | 2022                | 2021                |
|--|--------|---------------------|---------------------|
| <b>ASSETS</b>                                |        |                     |                     |
| Cash and cash equivalents                    | 5      | \$ 5,641,146        | \$ 4,390,228        |
| Deposits and short-term investments          | 6      | 5,030,257           | 5,019,456           |
| Other assets                                 | 7      | 960,546             | 614,271             |
| Deposits with the League                     | 8      | 14,465,409          | 14,258,796          |
| Financial investments                        | 9      | 9,153,358           | 8,607,235           |
| Loans receivable                             | 10, 23 | 27,516,857          | 29,783,624          |
| Investment properties                        | 11     | 697,914             | 734,616             |
| Property and equipment                       | 12     | 4,763,168           | 4,513,895           |
| <b>TOTAL ASSETS</b>                          |        | <b>\$68,228,655</b> | <b>\$67,922,121</b> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |        |                     |                     |
| <b>LIABILITIES</b>                           |        |                     |                     |
| Other liabilities                            | 13     | \$ 673,800          | \$ 546,937          |
| Lease liability                              | 14.2   | 376,412             | 106,497             |
| Members and other deposits                   | 15, 23 | 63,743,381          | 61,586,650          |
| Total liabilities                            |        | 64,793,593          | 62,240,084          |
| <b>MEMBERS' EQUITY</b>                       |        |                     |                     |
| Qualifying shares                            | 16, 23 | 1,544,646           | 1,434,716           |
| Statutory reserve fund                       | 17(i)  | 4,295,784           | 4,295,784           |
| Fair value reserve                           | 17(ii) | 514,963             | 499,541             |
| Revaluation reserve                          | 12     | 154,517             | 154,517             |
| Accumulated deficit                          |        | (3,074,848)         | (702,521)           |
| Total members' equity                        |        | 3,435,062           | 5,682,037           |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b> |        | <b>\$68,228,655</b> | <b>\$67,922,121</b> |

See notes to the financial statements.

These financial statements were approved on behalf of the Board and authorized for issue on May 18, 2023, and signed on its behalf by:

  
Henry Davis  
Chairman

  
Anna F. Colebrooke  
Treasurer

  
Darrin M. Woods  
Secretary

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|  | <b>Notes</b>  | <b>2022</b>           | <b>2021</b>         |
|--|---------------|-----------------------|---------------------|
| <b>INTEREST INCOME</b>   |               |                       |                     |
| Loan interest income   | <b>18, 23</b> | \$ 3,141,095          | \$ 3,841,459        |
| Investment interest income   | <b>19</b>     | 534,526               | 514,946             |
| Interest on deposits with the League                                 | <b>8</b>      | 206,613               | 203,660             |
| <b>Total interest income</b>   |               | <b>3,882,234</b>      | <b>4,560,065</b>    |
| <b>INTEREST EXPENSE</b>  |               |                       |                     |
| Deposit interest expense   | <b>20, 23</b> | 1,252,626             | 1,278,314           |
| <b>Total interest expense</b>  |               | <b>1,252,626</b>      | <b>1,278,314</b>    |
| <b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT</b>      |               |                       |                     |
|  |               | 2,629,608             | 3,281,751           |
| Increase in provision for loan impairment                            | <b>10</b>     | (2,309,340)           | (1,144,772)         |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT</b>       |               |                       |                     |
|  |               | 320,268               | 2,136,979           |
| Other income   | <b>21</b>     | 735,527               | 718,645             |
| <b>NET INTEREST AND OTHER INCOME</b>                                 |               | <b>1,055,795</b>      | <b>2,855,624</b>    |
| <b>OPERATING EXPENSES</b>  |               |                       |                     |
| Personnel  | <b>22, 23</b> | 1,893,433             | 1,736,318           |
| Occupancy  | <b>22</b>     | 385,786               | 346,211             |
| Depreciation   | <b>22</b>     | 345,370               | 344,409             |
| Members' security  | <b>22</b>     | 304,679               | 258,172             |
| General business   | <b>22</b>     | 260,841               | 280,446             |
| Computer expense   | <b>22</b>     | 104,753               | 86,523              |
| Organizational   | <b>22</b>     | 91,619                | 83,576              |
| Marketing  | <b>22</b>     | 41,641                | 16,529              |
| <b>Total operating expenses</b>                                      |               | <b>3,428,122</b>      | <b>3,152,184</b>    |
| <b>LOSS FOR THE YEAR</b>   |               | <b>(2,372,327)</b>    | <b>(296,560)</b>    |
| <b>OTHER COMPREHENSIVE INCOME</b>                                    |               |                       |                     |
| <i>Item that may be subsequently reclassified to profit or loss:</i> |               |                       |                     |
| Fair value change on equity securities                               | <b>17(ii)</b> | 15,422                | 41,987              |
| <b>TOTAL COMPREHENSIVE LOSS</b>                                      |               | <b>\$ (2,356,905)</b> | <b>\$ (254,573)</b> |

See notes to the financial statements.



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Changes in Members' Equity

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|  | Notes  | Qualifying<br>Shares | Statutory<br>Reserve<br>Fund | Fair Value<br>Reserve | Revaluation<br>Reserve | Accumulated<br>Surplus/<br>(Deficit) | Total               |
|--|--------|----------------------|------------------------------|-----------------------|------------------------|--------------------------------------|---------------------|
| <b>Balance as at December 31, 2020</b>       |        | \$ 1,438,116         | \$ 4,295,784                 | \$ 457,554            | \$ 154,517             | \$ (405,961)                         | \$ 5,940,010        |
| <b>Comprehensive loss for the year</b>       |        |                      |                              |                       |                        |                                      |                     |
| Loss for the year                            |        | -                    | -                            | -                     | -                      | (296,560)                            | (296,560)           |
| Fair value profit on marketable securities   | 17(ii) | -                    | -                            | 41,987                | -                      | -                                    | 41,987              |
| <b>Total comprehensive loss for the year</b> |        | -                    | -                            | 41,987                | -                      | (296,560)                            | (254,573)           |
| <b>Transactions with members</b>             |        |                      |                              |                       |                        |                                      |                     |
| Net decrease in membership                   | 16     | (3,400)              | -                            | -                     | -                      | -                                    | (3,400)             |
| <b>Total transactions with members</b>       |        | (3,400)              | -                            | -                     | -                      | -                                    | (3,400)             |
| <b>Balance as at December 31, 2021</b>       |        | <b>1,434,716</b>     | <b>4,295,784</b>             | <b>499,541</b>        | <b>154,517</b>         | <b>(702,521)</b>                     | <b>5,682,037</b>    |
| <b>Comprehensive loss for the year</b>       |        |                      |                              |                       |                        |                                      |                     |
| Loss for the year                            |        | -                    | -                            | -                     | -                      | (2,372,327)                          | (2,372,327)         |
| Fair value profit on marketable securities   | 17(ii) | -                    | -                            | 15,422                | -                      | -                                    | 15,422              |
| <b>Total comprehensive loss for the year</b> |        | -                    | -                            | 15,422                | -                      | (2,372,327)                          | (2,356,905)         |
| <b>Transactions with members</b>             |        |                      |                              |                       |                        |                                      |                     |
| Net increase in membership                   | 16     | 109,930              | -                            | -                     | -                      | -                                    | 109,930             |
| <b>Total transactions with members</b>       |        | 109,930              | -                            | -                     | -                      | -                                    | 109,930             |
| <b>Balance as at December 31, 2022</b>       |        | <b>\$ 1,544,646</b>  | <b>\$ 4,295,784</b>          | <b>\$ 514,963</b>     | <b>\$ 154,517</b>      | <b>\$ (3,074,848)</b>                | <b>\$ 3,435,062</b> |

See notes to the financial statements.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Cash Flows

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                |                     |                     |
| Net loss for the year                                       | \$ (2,372,327)      | \$ (296,560)        |
| <i>Adjustment for items not affecting cash:</i>             |                     |                     |
| Interest income   | (3,882,234)         | (4,560,065)         |
| Interest expense  | 1,252,626           | 1,278,314           |
| Provision for loan impairment                               | 2,404,350           | 1,179,329           |
| Depreciation  | 345,370             | 344,409             |
|   | (2,252,215)         | (2,054,573)         |
| <b>Changes in operating assets and liabilities:</b>         |                     |                     |
| Interest received   | 3,329,056           | 4,405,403           |
| Interest paid   | (1,253,312)         | (1,379,909)         |
| (Increase)/decrease in other assets                         | (346,275)           | 79,650              |
| Net decrease in loans receivable                            | 203,312             | 2,470,092           |
| Increase in other liabilities                               | 126,863             | 86,954              |
| Increase/(decrease) in members and other deposits           | 2,156,731           | (4,108,450)         |
| <b>Net cash provided by/(used in) operating activities</b>  | <b>1,964,160</b>    | <b>(502,833)</b>    |
| <b>Cash flows from investing activities:</b>                |                     |                     |
| Proceeds from disposal of financial investments             | -                   | 316,260             |
| Acquisition of financial investments                        | (530,700)           | (930,700)           |
| Acquisition of investment properties                        | (6,500)             | (3,750)             |
| Acquisition of property and equipment                       | (186,380)           | (467,232)           |
| <b>Net cash used in investing activities</b>                | <b>(723,580)</b>    | <b>(1,085,422)</b>  |
| <b>Cash flows from financing activities:</b>                |                     |                     |
| Net issuance/(redemption) to qualifying shares              | 109,930             | (3,400)             |
| Principal paid on lease liabilities                         | (99,592)            | (89,592)            |
| <b>Net cash provided by/(used in) financing activities</b>  | <b>10,338</b>       | <b>(92,992)</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>1,250,918</b>    | <b>(1,679,247)</b>  |
| <b>Cash and cash equivalents, beginning of year</b>         | <b>4,390,228</b>    | <b>6,069,475</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>               | <b>\$ 5,641,146</b> | <b>\$ 4,390,228</b> |
| <b>Supplemental cash flow information:</b>                  |                     |                     |
| Dividends received  | \$ 41,487           | \$ 33,787           |

See notes to the financial statements.

## NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)*

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### 1. INCORPORATION AND ACTIVITIES

The National Workers Co-operative Credit Union Limited (the "Credit Union") was established in 1976 under the provisions of The Commonwealth of The Bahamas Cooperative Societies Act, 2005 (the "2005 Act").

On May 12, 2015, the government enacted The Bahamas Co-operative Credit Unions Act, 2015 (the "2015 Act") which superseded the 2005 Act. Under the 2015 Act, The Central Bank of The Bahamas is responsible for the administration of all co-operative credit unions. Effective June 1, 2015, the Credit Union was granted a Certificate of Continuance by The Central Bank of The Bahamas to continue as a co-operative credit union.

The Credit Union's primary purpose is to:

- Promote thrift among its members by affording them an opportunity to accumulate savings.
- Create for its members a source of credit for provident or productive purposes at reasonable rates of interest.
- Provide the opportunity for members to use and control their money for their mutual benefit in accordance with co-operative principles.

The Credit Union is affiliated with The Bahamas Co-operative League Limited (the "League") and The Caribbean Confederation of Credit Union.

The registered office of the Credit Union is located on Tonique Williams-Darling Highway, Nassau, The Bahamas.

### 2. LAWS AND REGULATIONS

During the year ended December 31, 2015, the Bahamas Co-operative Credit Unions Act, 2015 and the Bahamas Co-operative Credit Unions Regulations, 2015 came into effect. The Act transferred the regulation of credit unions in the Bahamas to The Central Bank of The Bahamas.

This regulatory framework affects these financial statements, and the effects are disclosed in the financial statements and the relevant notes:

- a) Section 65(1) of the Bahamas Co-operative Credit Unions Act, 2015 states that "*where a co-operative credit union realizes an annual surplus from its transactions, that co-operative credit union shall establish and maintain a statutory reserve fund as may be prescribed by regulations*".
- b) Section 122 of the Bahamas Co-operative Credit Unions Act, 2015 exempts the Credit Union from stamp duty relating to the execution of documents in the Bahamas, including loans granted.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

- a) **Statement of compliance** – The Credit Union's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").
- b) **Basis of preparation** – These financial statements have been prepared under the historical cost convention except for certain financial investments, which are measured at fair value.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

c) **Changes in accounting policies and disclosures**

i) Adoption of new standard effective January 1, 2022

There are no new or amended accounting standards effective January 1, 2022 impacting the Credit Union's financial statements for the current period.

ii) New standard issued but not yet effective or adopted

The following amended standard has been issued but is not yet effective, and has not been early adopted. The Credit Union intends to adopt this standard when it becomes effective:

- IAS 1 (Amendment): Classification of Liabilities as Current or Non-current – In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendment is effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Credit Union is currently assessing the impact the amendment will have on current practice and whether existing liabilities agreements may require renegotiation.

- d) **Head office-branch accounting** – The financial statements include the accounts of the Credit Union's Head Office in New Providence and the three (3) branches in Freeport (Grand Bahama), Fresh Creek (Andros), and The Berry Islands. All balances and transactions between the Head Office and the branches have been eliminated.

e) **Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of the Credit Union are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Bahamian dollars, which is the Credit Union's functional and reporting currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary and non-monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the statement of comprehensive income.

- f) **Cash and cash equivalents** – Cash and cash equivalents are carried at amortized cost in the statement of financial position. For the statement of cash flows, cash and cash equivalents include cash on hand, at banks and fixed deposits with original maturity of 90 days or less.

- g) **Deposits and short-term investments** – Deposits and short-term investments are carried at amortized cost in the statement of financial position, with original maturities of over 90 days, and is subject to an insignificant risk of change in value. These investments are financial assets categorized as loans and receivables.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- h) **Deposits with the League** – Deposits with the League represent the proceeds of the statutory reserves fund and the liquidity reserve fund, which are deposited with and administered by the League, as required by the Act. Other deposits are also held at the League. These deposits are carried at amortized cost using the effective interest method in the statement of financial position.
- i) **Other assets** – Other assets, which include refundable deposits, prepaid expenses, interest receivable and other receivables, are carried at cost in the statement of financial position, net of provision for impairment, due to their short-term nature.
- j) **Investment properties** – Investment properties consist of properties that are held to earn rentals and/or for capital appreciation and are not occupied by the Credit Union. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. The Credit Union uses the cost method in subsequent recognition of its investment properties. Under this method, investment properties are subsequently measured at depreciated cost less any accumulated impairment losses.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Land is carried at cost less any impairment losses. Investment properties are depreciated using the straight-line method over the estimated useful lives of the respective assets:

|           |   |          |
|-----------|---|----------|
| Land      | - | Nil      |
| Buildings | - | 25 years |

- k) **Property and equipment** – Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line basis over the following estimated useful lives of the respective assets:

|                                |   |                |
|--------------------------------|---|----------------|
| Buildings                      | - | 25 years       |
| Furniture and fixtures         | - | 10 years       |
| Leasehold improvements         | - | 10 years       |
| Computer hardware and software | - | 5 years        |
| Automobiles                    | - | 2.5 to 4 years |

Expenses incurred after property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In a situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item beyond its originally assessed standard of performance, the expenditures are capitalized as an addition to the cost of property and equipment.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

- i) **Financial instruments** – A financial instrument is any contract that gives rise to both a financial asset of one enterprise and financial liability or equity of another enterprise.

i) Recognition and initial measurement

The Credit Union recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in net income and comprehensive income when incurred.

Financial liabilities are initially measured at their fair value plus transactions costs that are directly attributable to their issuance.

ii) Classification and subsequent measurement

Subsequent to initial recognition, the Credit Union classifies its financial assets as measured at:

- o Amortized cost; and
- o Fair value through other comprehensive income (FVTOCI).

Financial assets classified as measured at amortized costs includes: cash and cash equivalents, deposits and short-term investments, deposits with the League, other assets (except prepaid expenses), debt securities and loans receivable. Equity securities are classified as FVTOCI.

All financial liabilities are classified as subsequently measured at amortized cost.

*Financial instruments are classified as follows:*

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in other comprehensive income. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense are calculated using the effective interest method and is recognized profit or loss.

The classification of a financial instrument or component as a financial liability or equity instrument determines where gains or losses are recognized. Interest, dividends, gains and losses relating to financial liabilities are recognized in profit or loss while distributions to members of instruments classified as members' equity are recognized in members' equity.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i) **Financial instruments (Continued)**

ii) **Classification and subsequent measurement (Continued)**

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

iii) **Derecognition of financial instruments**

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or if it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred financial asset.

Financial liabilities are derecognized when, and only when, they are extinguished, that is, when the contract has been discharged, cancelled or expired.

iv) **Impairment**

The Credit Union recognizes loss allowance for expected credit losses (ECL) on financial assets measured at amortized cost. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For loans receivable, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorised in the recognised credit score bands.

*Loan staging* – By way of disclosure, the credit union estimates and reports the ECL on a stage by stage basis. Loans are placed in one of the following Stages based on the extent of the change in the risk or whether the loan is in a state of default:

- Stage 1 - Loans are placed in Stage 1 at origination and remains in this stage providing that such loans have not experience a significant increase in credit risk.
- Stage 2 Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.
- Stage 3 - Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

l) **Financial instruments** (Continued)

iv) **Impairment** (Continued)

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules, etc. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Delinquent loans

Loans are recorded at their outstanding principal balances less allowance for credit losses. A loan becomes delinquent immediately after one day of payment missed. Delinquent loans over 90 days are placed in a suspense account after the outstanding loan balance has been applied to the member's share and deposit balances. Calculation of interest on delinquent loans ceases after 180 days. All loans must be secured by a member share, chattel mortgage on automobile loans or approved collateral.

Loans on which principal or interest payments are overdue in excess of thirty (30) days are classified by management as non-performing, and monitored closely for impairment.

Financial assets are written-off when the Credit Union has no reasonable expectation of recovering all or any portion of the asset.

- m) **Impairment of non-financial assets** – Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges, if any, are included in profit or loss.

- n) **Related parties** – Related parties represent entities or individuals who can exercise significant influence or control over the operations and policies of the Credit Union. In these financial statements, current and past members of the Board of Directors, committee members (one year past), management staff and their close relatives are classified as related parties.

The Credit Union is a member of the League and has a representative on the Board of Directors. Accordingly, the League is considered a related party in these financial statements. All related party transactions and balances are shown as such in these financial statements.

- o) **Provisions** – Provisions for restructuring costs and legal claims are recognized when the Credit Union has a present legal or constructive obligation as a result of past events, it is more likely than not that, an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

- p) **Leases** –

As a Lessor

The Credit Union leases out its investment property and other locations from which it operates. These leases are classified as operating leases. Lease payments received as income are recognized on a straight-line basis over the term of the lease, and included in other income.



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

p) **Leases** *(Continued)*

As a Lessee

The Credit Union classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a right-of-use asset and lease liability for all leases at commencement.

Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Credit Union's incremental borrowing rate. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Lease liabilities are presented in the statement of financial position and the interest expenses are recognized in profit or loss.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus, initial direct costs, less any lease incentives received. Right-of-use assets are subsequently amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Right-of-use assets are presented under property and equipment on the statement of financial position and the depreciation of right-of-use assets are recognized under depreciation of property and equipment in the statement of profit or loss and other comprehensive income.

q) **Members' regular deposits** – Members' regular deposits represent the deposit holdings of the Credit Union's members, to satisfy membership requirements and facilitate eligibility for loans and other benefits. These deposits earn interest on the first day of the month following such deposits, provided that the amounts paid in on the first day of any month shall earn interest from that day. The rate of interest payable on members' regular deposits is fixed by the Board of Directors, and voted on by the members at the annual general meetings.

r) **Other deposits** – Other deposits represent term and other deposits, savings accounts and retirement accounts, which are held by members and non-members of the Credit Union. These deposits, if interest bearing, bear interest at rates that are also set by the Board of Directors, but do not require the approval of the general membership at the annual general meetings.

s) **Members' shares** – Members' shares consist of qualifying and investment equity shares held by the Credit Union's members, to satisfy membership requirements. These shares are classified as equity in the statement of financial position.

Qualifying shares

Qualifying shares are shares required to become a member of the Credit Union as described in the Credit Union's Bye-Laws. Each member of the Credit Union is required to own a minimum of two qualifying shares with a par value of \$100 each. These shares entitle each member to one vote at the annual general meetings.

t) **Statutory reserve** – Statutory reserve is set up in accordance with the provisions of the Bahamas Co-operative Credit Unions Act, 2015 set out in Note 2(a) to the financial statements. The proceeds of this reserve are deposited with the League, and are not available for distribution.

u) **Fair value reserve** – Fair value reserve represents the accumulated unrealized gains and losses arising on changes in the fair value of financial investments at FVTOCI.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

v) **Revaluation reserve** – This represents surplus arising on the revaluation of land and building in October 2008.

w) **Revenue recognition** –

Interest income

Interest income and expense are recognized in the statement of profit or loss and other comprehensive income for all instruments measured at amortized cost using the effective interest method. Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loans. Loan interest income is not recognized on loans that are past due for periods exceeding 90 days.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

Dividend income

Dividend income is recognized when the right to receive payment is established. Dividends are included in other income on the statement of profit or loss and other comprehensive income.

x) **Fees and other income** – Fees and other income are recognized on the accrual basis. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

y) **Operating expenses** – Operating expenses are recognized on the accrual basis in the statement of profit and loss and other comprehensive income.

z) **League dues and stabilization fees** – The League has fixed its dues at \$12 annually per member, while stabilization fees are set at \$3 annually per member.

aa) **Employee benefits** – The Credit Union's employees participate in a defined contribution pension plan, administered by an external party. A defined contribution pension plan is a pension plan under which the Credit Union pays fixed contributions into a separate entity. The Credit Union has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Credit Union's contributions are recognized as employee benefits expense in the statement of profit or loss and other comprehensive income when they are due.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

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*(Expressed in Bahamian dollars)*

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and contingent assets and contingent liabilities at the statement of financial position date and the income and expenses for the year then ended. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

**a) *Expected Credit Losses***

The Credit Union measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for debt investment securities that are determined to have low credit risk at the reporting date and loans and advances where credit risk has not increased significantly since their initial recognition. In particular, management judgement is required in the estimate of whether credit risk of an instrument has increased significantly, inputs into the ECL quantitative model and in the use of forward-looking information.

The Credit Union assesses whether credit risk on a financial asset has increased significantly considering reasonable and supportable information since initial recognition in order to determine whether a 12 month ECL or lifetime ECL should be recognized. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Union's historical experience and expert credit assessment.

**b) *Property and Equipment***

Depreciation methods, useful lives and residual values require estimation and are reviewed annually and adjusted if appropriate.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

|                               | Interest Rate | 2022                | 2021                |
|-------------------------------|---------------|---------------------|---------------------|
| Cash on hand                  | N/A           | \$ 548,457          | \$ 653,687          |
| Non-interest bearing accounts | 0.00%         | 2,299,487           | 1,993,687           |
| Interest bearing accounts     | 1.25%         | 2,793,202           | 1,742,854           |
|                               |               | <b>\$ 5,641,146</b> | <b>\$ 4,390,228</b> |

The Credit Union has an overdraft facility for the Freeport Branch with one of its Bankers in the amount of \$85,000, which is secured by the hypothecation of the fixed deposit in Note 6 below.

This facility bears interest at the rate of Bahamas Prime plus 2.5% (effective interest rate 6.75%) per annum. At the end of the reporting period, the facility was unused.

**6. DEPOSITS AND SHORT-TERM INVESTMENTS**

Deposits and short-term investments are comprised of the following:

|                               | Interest Rate | 2022                | 2021                |
|-------------------------------|---------------|---------------------|---------------------|
| Fidelity Bank Bahamas Limited | 2.00%-2.50%   | \$ 4,887,891        | \$ 4,877,112        |
| Scotiabank (Bahamas) Limited  | 0.03%-0.08%   | 142,366             | 142,344             |
|                               |               | 5,030,257           | 5,019,456           |
| Restricted (Note 5)           |               | (85,000)            | (85,000)            |
|                               |               | <b>\$ 4,945,257</b> | <b>\$ 4,934,456</b> |

The restricted deposit represents amounts hypothecated for the overdraft facility at the Freeport Branch in Note 5 above.

**7. OTHER ASSETS**

Other assets represent the following:

|                                    | 2022              | 2021              |
|------------------------------------|-------------------|-------------------|
| Prepaid expenses                   | \$ 286,127        | \$ 232,390        |
| Investment interest receivable     | 265,313           | 158,005           |
| Accounts receivable and refundable | 245,567           | 92,451            |
| Other assets                       | 131,425           | 131,425           |
| Vault difference                   | 32,114            | -                 |
|                                    | <b>\$ 960,546</b> | <b>\$ 614,271</b> |

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**8. DEPOSITS WITH THE LEAGUE**

Deposits with the League are comprised of the following:

|  | Interest Rate | 2022          | 2021          |
|--|---------------|---------------|---------------|
| <b>Statutory reserve deposits (i)</b>        | 1.44%         |               |               |
| <i>Balance, beginning of year</i>            |               | \$ 7,517,381  | \$ 7,410,098  |
| <i>Interest earned during the year</i>       |               | 108,836       | 107,283       |
| <i>Balance, end of year</i>                  |               | 7,626,217     | 7,517,381     |
| <b>Liquidity reserve deposits (ii)</b>       | 1.44%         |               |               |
| <i>Balance, beginning of year</i>            |               | 6,741,415     | 6,645,038     |
| <i>Interest earned during the year</i>       |               | 97,777        | 96,377        |
| <i>Balance, end of year</i>                  |               | 6,839,192     | 6,741,415     |
|  |               | \$ 14,465,409 | \$ 14,258,796 |
| <b>Total interest earned during the year</b> |               | \$ 206,613    | \$ 203,660    |

- i) **Statutory reserve deposits** – Section 65(1) of the Act requires that annual amounts be transferred from retained earnings to the statutory reserves, before the payment of dividends. The proceeds of this reserve are held at the League. At the end of the reporting period, the surplus in the statutory reserve fund is as follows:

|  | 2022         | 2021         |
|--|--------------|--------------|
| Statutory reserve deposits with the League   | \$ 7,626,217 | \$ 7,517,381 |
| Requirement (10% of total assets)            | (6,822,866)  | (6,792,212)  |
| <i>Surplus in statutory reserve deposits</i> | \$ 803,352   | \$ 725,169   |

- ii) **Liquidity reserve deposits** – Section 65(2) of the Act stipulates that not less than 10% of the Credit Union's members' deposits are kept in a "liquidity reserve fund". The proceeds of the liquidity reserve fund are deposited with the League. At the end of the reporting period, the surplus in the liquidity reserve fund is as follows:

|  | 2022         | 2021         |
|--|--------------|--------------|
| Liquidity reserve deposits with the League   | \$ 6,839,192 | \$ 6,741,415 |
| Requirement (10% of members' deposits)       | (6,374,338)  | (6,158,665)  |
| <i>Surplus in liquidity reserve deposits</i> | \$ 464,854   | \$ 582,750   |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

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(Expressed in Bahamian dollars)

**9. FINANCIAL INVESTMENTS**

Financial investments are comprised of the following:

|   |                          | 2022                | 2021                |
|---|--------------------------|---------------------|---------------------|
| <b>Debt securities - Amortized cost</b>                     |                          |                     |                     |
|   | <b>Interest Rate (%)</b> |                     |                     |
| <i>Bahamas Government Registered Stocks:</i>                |                          |                     |                     |
| Maturing in 2024  | 4.500                    | \$ 3,700            | \$ 3,700            |
| Maturing in 2025  | 4.531                    | 102,000             | 102,000             |
| Maturing in 2030  | 5.900                    | 1,000,000           | 1,000,000           |
| Maturing in 2032  | 5.432                    | 500,000             | -                   |
| Maturing in 2033  | 5.400                    | 2,000,000           | 2,000,000           |
| Maturing in 2037  | 4.875                    | 200,000             | 200,000             |
| Maturing in 2040  | 5.300                    | 425,900             | 425,900             |
| Maturing in 2041  | 6.000                    | 400,000             | 400,000             |
| Maturing in 2050  | 5.290 - 6.250            | 3,049,900           | 3,049,900           |
| <i>Total Bahamas Government Registered Stocks</i>           |                          | 7,681,500           | 7,181,500           |
| <i>Corporate Bonds:</i>                                     |                          |                     |                     |
| Bahamas First Holdings Limited Series II (Oct-2025)         | 6.250                    | 100,000             | 100,000             |
| <b>Total Corporate Bonds</b>                                |                          | 100,000             | 100,000             |
| <b>Total debt securities</b>                                |                          | 7,781,500           | 7,281,500           |
| <b>Equity securities - FVTOCI</b>                           |                          |                     |                     |
| <i>Quoted investments:</i>                                  |                          |                     |                     |
| CFAL Money Market Investment Fund A                         |                          | 733,281             | 686,510             |
| Freeport Oil Holdings Company Limited                       |                          | 286,560             | 286,560             |
| Famguard Corporation Limited                                |                          | 78,540              | 70,070              |
| Emera Incorporated  |                          | 42,683              | 55,830              |
| CFAL Balanced Fund Limited                                  |                          | 35,044              | 33,415              |
|   |                          | 1,176,108           | 1,132,385           |
| <i>Unquoted investments:</i>                                |                          |                     |                     |
| FOCOL Holdings Limited Preference Shares B prime plus 1.75% |                          | 88,000              | 88,000              |
| The Bahamas Co-operative League Limited                     |                          | 64,550              | 62,150              |
| FOCOL Holdings Limited Preference Shares A prime plus 1.75% |                          | 43,200              | 43,200              |
|   |                          | 195,750             | 193,350             |
| <b>Total equities securities</b>                            |                          | 1,371,858           | 1,325,735           |
| <b>Total</b>  |                          | <b>\$ 9,153,358</b> | <b>\$ 8,607,235</b> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***10. LOANS RECEIVABLE**

The Credit Union has a lien on the shares, deposits and savings of all members with outstanding loan balances. Interest is charged at various rates per month on the outstanding principal balance of members' loans over the term of the loan. The rate of interest charged is based on the type of loan. In most instances, loans are repaid via salary deductions, which are established at the time the various loans are granted.

**a) Loans receivable after provision for credit losses consist of the following:**

|                                   | 2022                 | 2021                 |
|-----------------------------------|----------------------|----------------------|
| Consumer                          | \$ 16,745,588        | \$ 16,939,175        |
| Mortgage                          | 5,520,194            | 5,621,887            |
| Revolving line of credit          | 4,916,352            | 5,992,897            |
| Debt consolidation                | 3,930,475            | 2,616,692            |
| Loans in collection               | 59,555               | 166,263              |
| Auto                              | 52,519               | 91,081               |
|                                   | 31,224,683           | 31,427,995           |
| Interest receivable               | 875,476              | 798,853              |
|                                   | 32,100,159           | 32,226,848           |
| Less: allowance for credit losses | (4,583,302)          | (2,443,224)          |
|                                   | <b>\$ 27,516,857</b> | <b>\$ 29,783,624</b> |

**b) The movement of loans receivable during the year is as follows:**

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Balance, beginning of year                     | \$ 31,427,995        | \$ 33,898,087        |
| Add: disbursements during the year             | 5,985,269            | 4,405,033            |
|  | 37,413,264           | 38,303,120           |
| Less: repayments and transfers during the year | (6,188,581)          | (6,875,125)          |
|  | 31,224,683           | 31,427,995           |
| Interest receivable                            | 875,476              | 798,853              |
|  | 32,100,159           | 32,226,848           |
| Less: allowance for credit losses              | (4,583,302)          | (2,443,224)          |
| Balance, end of year                           | <b>\$ 27,516,857</b> | <b>\$ 29,783,624</b> |

**c) Non-accrual loans receivable consist of the following:**

|                       | 2022                | 2021                |
|-----------------------|---------------------|---------------------|
| Residential mortgages | \$ 3,401,710        | \$ 3,285,065        |
| Demand loans          | 656,730             | 649,091             |
|                       | <b>\$ 4,058,440</b> | <b>\$ 3,934,156</b> |

Loans receivable classified as non-accrual represent 12.94% (2021: 12.52%) of the total gross loans.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***10. LOANS RECEIVABLE (Continued)****d) Concentration of loans receivable is as follows:**

|                                   | %     | 2022          | %     | 2021          |
|-----------------------------------|-------|---------------|-------|---------------|
| \$0 - \$100,000                   | 88.84 | \$ 27,740,299 | 86.98 | \$ 27,334,577 |
| \$100,001 - \$300,000             | 8.88  | 2,773,256     | 9.33  | 2,932,614     |
| \$300,001 - \$500,000             | 2.28  | 711,128       | 3.69  | 1,160,804     |
|                                   | 100   | 31,224,683    | 100   | 31,427,995    |
| Accrued interest receivable       |       | 875,476       |       | 798,853       |
| Less: allowance for credit losses |       | (4,583,302)   |       | (2,443,224)   |
|                                   |       | \$ 27,516,857 |       | \$ 29,783,624 |

**e) The movement on the provision for loan impairment during the year is as follows:**

|  | 2022         | 2021         |
|--|--------------|--------------|
| Balance, beginning of year                   | \$ 2,443,224 | \$ 2,200,601 |
| Net provision during the year                | 2,404,350    | 1,179,329    |
| Loans written-off                            | (264,272)    | (936,706)    |
| Balance, end of year                         | \$ 4,583,302 | \$ 2,443,224 |
| Provided for during the year                 | \$ 2,404,350 | \$ 1,179,329 |
| Recoveries of bad debts                      | (95,010)     | (34,557)     |
| Impairment losses reported in profit or loss | \$ 2,309,340 | \$ 1,144,772 |

**f) Reconciliation of Regulatory loss provision and IFRS Expected Credit Losses provision:**

|   | 2022         | 2021         |
|---|--------------|--------------|
| IFRS Expected Credit losses (Note g)    | \$ 4,583,302 | \$ 2,443,224 |
| Regulatory loan loss provision (Note h) | 4,583,302    | 2,443,224    |
| Difference                              | \$ -         | \$ -         |



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

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**10. LOANS RECEIVABLE (Continued)**

**g) Impairment under IFRS**

The movement in the ECL determined under IFRS is as follows:

|                               | 12-Month<br>ECL | Lifetime<br>Non-credit<br>Impaired | Lifetime<br>Credit<br>Impaired | Total        |              |
|-------------------------------|-----------------|------------------------------------|--------------------------------|--------------|--------------|
|                               | Stage 1         | Stage 2                            | Stage 3                        | 2022         | 2021         |
| Balance, beginning of year    | \$ 247,134      | \$ 397,347                         | \$ 1,798,743                   | \$ 2,443,224 | \$ 2,200,601 |
| Net provision during the year | (162,511)       | (368,270)                          | 2,935,131                      | 2,404,350    | 1,179,329    |
| Loans written-off             | -               | -                                  | (264,272)                      | (264,272)    | (936,706)    |
| Balance, end of year          | \$ 84,623       | \$ 29,077                          | \$ 4,469,602                   | \$ 4,583,302 | \$ 2,443,224 |

**h) Delinquent Loans:**

The loan loss provision derived below as at the reporting date is consistent with the loan loss provisioning in Regulations Section 7:

| As at December 31, 2022 |                       |                     |                      |              |                                  |                   |
|-------------------------|-----------------------|---------------------|----------------------|--------------|----------------------------------|-------------------|
| Days<br>in Arrears      | Number of<br>Accounts | Delinquent<br>Loans | Value of<br>Security | Exposure     | PEARLS<br>Loan Loss<br>Provision | Provision<br>Rate |
| 1 to 30 days            | 28                    | \$ 410,323          | \$ 186,800           | \$ 223,523   | \$ -                             | 0%                |
| 31 to 90 days           | 34                    | 274,725             | 95,745               | 178,980      | 62,643                           | 35%               |
| 91 to 180 days          | 95                    | 897,018             | 215,273              | 681,745      | 238,611                          | 35%               |
| 181 to 365 days         | 213                   | 1,814,145           | 595,760              | 1,218,385    | 426,435                          | 35%               |
| > 365 days              | 354                   | 6,864,249           | 3,008,636            | 3,855,613    | 3,855,613                        | 100%              |
|                         | 724                   | \$ 10,260,460       | \$ 4,102,214         | \$ 6,158,246 | \$ 4,583,302                     |                   |

| As at December 31, 2021 |                       |                     |                      |              |                                  |                   |
|-------------------------|-----------------------|---------------------|----------------------|--------------|----------------------------------|-------------------|
| Days<br>in Arrears      | Number of<br>Accounts | Delinquent<br>Loans | Value of<br>Security | Exposure     | PEARLS<br>Loan Loss<br>Provision | Provision<br>Rate |
| 1 to 30 days            | 234                   | \$ 1,676,386        | \$ 495,236           | \$ 1,181,150 | \$ -                             | 0%                |
| 31 to 90 days           | 45                    | 598,798             | 320,937              | 277,861      | 97,251                           | 35%               |
| 91 to 180 days          | 127                   | 1,404,775           | 615,894              | 788,881      | 276,108                          | 35%               |
| 181 to 365 days         | 74                    | 427,485             | 36,671               | 390,814      | 136,785                          | 35%               |
| > 365 days              | 83                    | 4,504,570           | 2,571,491            | 1,933,079    | 1,933,079                        | 100%              |
|                         | 563                   | \$ 8,612,014        | \$ 4,040,229         | \$ 4,571,785 | \$ 2,443,224                     |                   |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
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**11. INVESTMENT PROPERTIES**

a) *Investment properties consist of the following:*

|                                 | Land              | Building          | Total             |
|---------------------------------|-------------------|-------------------|-------------------|
| <b>Cost</b>                     |                   |                   |                   |
| Balance at December 31, 2020    | \$ 475,167        | \$ 1,070,692      | \$ 1,545,859      |
| Additions                       | -                 | 3,750             | 3,750             |
| Balance at December 31, 2021    | 475,167           | 1,074,442         | 1,549,609         |
| Additions                       | -                 | 6,500             | 6,500             |
| Balance at December 31, 2022    | 475,167           | 1,080,942         | 1,556,109         |
| <b>Accumulated depreciation</b> |                   |                   |                   |
| Balance at December 31, 2020    | -                 | 772,165           | 772,165           |
| Additions                       | -                 | 42,828            | 42,828            |
| Balance at December 31, 2021    | -                 | 814,993           | 814,993           |
| Additions                       | -                 | 43,202            | 43,202            |
| Balance at December 31, 2022    | -                 | 858,195           | 858,195           |
| <b>Carrying value</b>           |                   |                   |                   |
| As at December 31, 2022         | <b>\$ 475,167</b> | <b>\$ 222,747</b> | <b>\$ 697,914</b> |
| As at December 31, 2021         | <b>\$ 475,167</b> | <b>\$ 259,449</b> | <b>\$ 734,616</b> |

b) *Details of the Credit Union's investment properties consist of the following:*

|   | Carrying Values   |                   |
|---|-------------------|-------------------|
|   | 2022              | 2021              |
| <b>Unoccupied land</b>                      |                   |                   |
| Hollywood Subdivision                       | \$ 100,000        | \$ 100,000        |
| San Salvador                                | 70,167            | 70,167            |
| Nassau Village                              | 25,000            | 25,000            |
| Total vacant properties                     | 195,167           | 195,167           |
| <b>Rental Property - East Bay/Okra Hill</b> |                   |                   |
| Land  | 280,000           | 280,000           |
| Building                                    | 222,747           | 259,449           |
| Total rental properties                     | 502,747           | 539,449           |
|   | <b>\$ 697,914</b> | <b>\$ 734,616</b> |

Rental income earned from investment property during the year totaled \$9,950 (2021: \$7,400).

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**12. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

|                                 | Land         | Building     | Furniture<br>and<br>Fixtures | Leasehold<br>Improvements | Computer<br>System | Vehicles  | Construction<br>in Progress | Right of<br>Use | Total        |
|---------------------------------|--------------|--------------|------------------------------|---------------------------|--------------------|-----------|-----------------------------|-----------------|--------------|
|                                 |              |              |                              |                           |                    |           |                             |                 | (Note 14.1)  |
| <b>Cost</b>                     |              |              |                              |                           |                    |           |                             |                 |              |
| Balance at December 31, 2020    | \$ 1,129,597 | \$ 2,659,732 | \$ 636,919                   | \$ 173,211                | \$ 628,851         | \$ 85,428 | \$ 317,694                  | \$ 354,714      | \$ 5,986,146 |
| Additions                       | -            | 419,580      | 24,717                       | -                         | 22,935             | -         | -                           | -               | 467,232      |
| Balance at December 31, 2021    | 1,129,597    | 3,079,312    | 661,636                      | 173,211                   | 651,786            | 85,428    | 317,694                     | 354,714         | 6,453,378    |
| Additions                       | -            | 136,710      | 43,699                       | -                         | 5,971              | -         | -                           | 365,061         | 551,441      |
| Disposal/Lease expiration       | -            | -            | -                            | -                         | -                  | -         | -                           | (99,970)        | (99,970)     |
| Balance at December 31, 2022    | 1,129,597    | 3,216,022    | 705,335                      | 173,211                   | 657,757            | 85,428    | 317,694                     | 619,805         | 6,904,849    |
| <b>Accumulated depreciation</b> |              |              |                              |                           |                    |           |                             |                 |              |
| Balance at December 31, 2020    | -            | 314,683      | 438,073                      | 116,976                   | 531,428            | 68,198    | -                           | 168,544         | 1,637,902    |
| Additions                       | -            | 115,911      | 41,207                       | 9,500                     | 36,776             | 13,915    | -                           | 84,272          | 301,581      |
| Balance at December 31, 2021    | -            | 430,594      | 479,280                      | 126,476                   | 568,204            | 82,113    | -                           | 252,816         | 1,939,483    |
| Additions                       | -            | 125,272      | 34,858                       | 7,809                     | 35,551             | 3,315     | -                           | 95,363          | 302,168      |
| Disposal/Lease expiration       | -            | -            | -                            | -                         | -                  | -         | -                           | (99,970)        | (99,970)     |
| Balance at December 31, 2022    | -            | 555,866      | 514,138                      | 134,285                   | 603,755            | 85,428    | -                           | 248,209         | 2,141,681    |
| <b>Carrying value</b>           |              |              |                              |                           |                    |           |                             |                 |              |
| As at December 31, 2022         | \$ 1,129,597 | \$ 2,660,156 | \$ 191,197                   | \$ 38,926                 | \$ 54,002          | \$ -      | \$ 317,694                  | \$ 371,596      | \$ 4,763,168 |
| As at December 31, 2021         | \$ 1,129,597 | \$ 2,648,718 | \$ 182,356                   | \$ 46,735                 | \$ 83,582          | \$ 3,315  | \$ 317,694                  | \$ 101,898      | \$ 4,513,895 |

Included in land is a property on JFK Drive, with a carrying value of \$763,315. This land was purchased in 2013 as a location for the construction of the Credit Union's future main office. The Credit Union incurred architectural design and other preliminary costs related to construction totaling \$317,694. These costs were classified as construction-in-progress. A site inspection performed by a third party resulted in the identification of topography and other issues. The total cost to resolve the issues is currently unknown. The project has since been put on hold and the Board of Directors instructed its legal counsel to pursue legal action for recovery of all costs incurred related to the project including \$750,000 for the tract of land, and \$1,400,000 in damages and losses. The matter has been filed in the Supreme Court of The Bahamas, and commenced during 2020, however, it was delayed due to COVID-19.

The principal owner from whom subject property was purchased died November 2022. The Board is desirous of an out of court settlement with his successor. Dialogue has been open with Mr. Charles Christie's heir who, with respect to the infrastructure installation, confirmed in September 2022 that he received approved stamped drawings from the Ministry of Works, however, he is still waiting for the WSC and BPL approved drawings.

The Credit Union's Poinciana Drive property is comprised of land and building with net book value of \$157,500 and \$200,015 respectively. In October 2008, Bahamas Realty Limited, an independent qualified real estate broker and appraiser, conducted an appraisal of the Poinciana Drive property. The restated fair market value resulted in a revaluation surplus of \$154,517 (land: \$123,900 and building: \$30,617), which is included in equity. The remaining land pertains to a property in George Town, Exuma with a carrying value of \$108,752.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

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*(Expressed in Bahamian dollars)***13. OTHER LIABILITIES**

Other liabilities consist of the following:

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| Members' salary deductions received in advance | \$ 380,490        | \$ 363,592        |
| Accounts payable                               | 145,495           | 31,103            |
| Share/loan insurance payable                   | 51,903            | 42,350            |
| Value Added Tax payable                        | 31,935            | 54,815            |
| Tenants' deposit                               | 33,138            | 19,069            |
| Professional and legal fees payable            | 20,250            | 29,290            |
| Others   | 10,589            | 6,718             |
|  | <b>\$ 673,800</b> | <b>\$ 546,937</b> |

**14. LEASES**

Details of the amounts recognized in the statement of financial position and the statement of profit or loss and other comprehensive income for the Credit Union's right-of-use asset and the corresponding lease liability are set out below:

**14.1. Right-of-use asset**

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| <i>Balance, beginning of year</i>                 | \$ 101,898        | \$ 186,170        |
| Addition  | 365,061           | -                 |
| Amortization expense recognized in profit or loss | (95,363)          | (84,272)          |
| <i>Balance, end of year</i>                       | <b>\$ 371,596</b> | <b>\$ 101,898</b> |

**14.2. Lease liability**

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| <i>Balance, beginning of year</i>             | \$ 106,497        | \$ 191,727        |
| Addition                                      | 363,206           | -                 |
| Interest expense recognized in profit or loss | 6,301             | 4,362             |
| Lease payments during the year                | (99,592)          | (89,592)          |
| <i>Balance, end of year</i>                   | <b>\$ 376,412</b> | <b>\$ 106,497</b> |

*Maturity analysis:*

The future minimum lease payments under this lease at the reporting period are as follows:

|   |                   |                   |
|---|-------------------|-------------------|
| No later than one year                            | \$ 140,000        | \$ 52,451         |
| Later than one year and not later than five years | 236,412           | 54,046            |
|   | <b>\$ 376,412</b> | <b>\$ 106,497</b> |

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*(Expressed in Bahamian dollars)***14. LEASES** *(Continued)***14.3. Amounts recognized in profit or loss**

|                                    | 2022       | 2021      |
|------------------------------------|------------|-----------|
| Amortization of right-of-use asset | \$ 95,363  | \$ 84,272 |
| Interest on lease liability        | 6,301      | 4,362     |
|                                    | \$ 101,664 | \$ 88,634 |

**15. MEMBERS AND OTHER DEPOSITS**

Members and other deposits consist of the following:

|                                    | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| Members' share deposits <i>(a)</i> | \$ 30,573,625 | \$ 28,774,811 |
| Term deposits <i>(b)</i>           | 20,898,954    | 21,914,285    |
| Deposit accounts <i>(e)</i>        | 3,181,676     | 2,540,401     |
| Educational savings <i>(c)</i>     | 2,494,190     | 2,575,532     |
| House plan savings <i>(d)</i>      | 2,144,935     | 1,783,960     |
| Retirement savings                 | 1,373,893     | 1,095,160     |
| Other deposit accounts             | 638,570       | 545,020       |
| Vacation club savings              | 551,835       | 468,626       |
| Debit card account                 | 489,461       | 435,269       |
| Dormant accounts                   | 334,710       | 398,049       |
| Christmas savings <i>(f)</i>       | 206,299       | 184,627       |
| Back-to-school savings <i>(g)</i>  | 115,839       | 118,564       |
| Credit card security account       | 82,868        | 95,134        |
|                                    | 63,086,855    | 60,929,438    |
| Accrued interest payable           | 656,526       | 657,212       |
|                                    | \$ 63,743,381 | \$ 61,586,650 |

Included in deposits is an amount of \$811,576 (2021: \$811,576) that is attributable to non-members.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

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(Expressed in Bahamian dollars)

**15. MEMBERS AND OTHER DEPOSITS (Continued)**

Concentration of members and other deposits is as follows:

|                          | %     | 2022          | %     | 2021          |
|--------------------------|-------|---------------|-------|---------------|
| \$0 - \$100,000          | 77.69 | \$ 49,012,739 | 77.20 | \$ 47,038,319 |
| \$100,001 - \$300,000    | 14.15 | 8,925,833     | 15.28 | 9,307,015     |
| \$300,001 - \$500,000    | 4.72  | 2,977,754     | 3.18  | 1,936,452     |
| \$500,001 and over       | 3.44  | 2,170,529     | 4.35  | 2,647,652     |
|                          | 100   | 63,086,855    | 100   | 60,929,438    |
| Accrued interest payable |       | 656,526       |       | 657,212       |
|                          |       | \$ 63,743,381 |       | \$ 61,586,650 |

- a) *Members' Share Deposits* – This account is the anchor for the Credit Union. Members are encouraged to deposit a minimum of \$20.00 per week or \$80.00 per month. This account can be used as a retirement account as members are discouraged from making withdrawals from this account except under extreme circumstances. This account can also be used as the collateral account for consumer loans. Interest is paid on this account at a range of 1.5% to 2.5% (2021: 1.5% to 2.5%) per annum depending on the balance of the account.
- b) *Term Deposits* – Term deposits have a minimum duration of one year (2021: one year) and a minimum deposit requirement of \$1,000. The deposits bear interest at rates ranging from 1.50% to 3.79% (2021: 1.50% to 3.79%) per annum. Non-members rates are 1% less than rates to members.
- c) *Educational Savings* – Educational savings account is designed to assist members preparing for their children education or for a designated child college expenses. A child must be named for this account and must not be over the age of 18 years old. Interest on this account is paid at 3.5% per annum (2021: 3.5%).
- d) *House Plan Savings* – This account is designed to assist members in saving for acquisition of a home. Interest is calculated at 2.5% (2021: 2.5%).
- e) *Deposit Accounts* – This is a regular savings account. There is a free access to the balance of this account, and members may use this account for salary deposit or any other saving purpose. No interest is paid on this account.
- f) *Christmas Savings* – The Christmas savings account is an additional savings vehicle for members during the Christmas period. Members can deposit funds to this account at any time during the year. Interest is calculated at 2.5% (2021: 2.5%).
- g) *Back-to-School Account* – The purpose of this account is to aide members in preparing for school fees and associated expenses that are due at the beginning of each semester/term. Interest is paid on this account at 0.5% (2021: 0.5%).

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**16. QUALIFYING SHARES**

The movement in the qualifying shares is as follows:

|                                   | 2022                | 2021                |
|-----------------------------------|---------------------|---------------------|
| <i>Balance, beginning of year</i> | \$ 1,434,716        | \$ 1,438,116        |
| Issued during the year            | 144,000             | 114,800             |
| Withdrawals and transfers         | (34,070)            | (118,200)           |
| <i>Balance, end of year</i>       | <u>\$ 1,544,646</u> | <u>\$ 1,434,716</u> |

At December 31, 2022, there were 7,721 regular members (2021: 7,171 members) in the Credit Union. Included in the qualifying shares are junior co-operative members with a total value of \$446 (2021: \$516).

**17. OTHER RESERVES**

i) **Statutory Reserve**

The movement in the statutory reserve is as follows:

|  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|
| <i>Balance, beginning of year</i>      | \$ 4,295,784          | \$ 4,295,784          |
| Transfer from retained earnings        | -                     | -                     |
| <i>Balance, end of year</i>            | 4,295,784             | 4,295,784             |
| Requirement (10% of total assets)      | 6,822,866             | 6,792,212             |
| <i>Deficiency in statutory reserve</i> | <u>\$ (2,527,082)</u> | <u>\$ (2,496,428)</u> |

The requirement to hold 10% of the Credit Union's assets in a statutory reserve in members' equity has not been met. The current amount of the statutory reserve in equity is 6.30% (2021: 6.32%) of total assets.

ii) **Fair Value Reserve**

The movement in the fair value reserve is as follows:

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| <i>Balance, beginning of year</i>                           | \$ 499,541        | \$ 457,554        |
| Net change in fair value of quoted equities during the year | 15,422            | 41,987            |
| <i>Balance, end of year</i>                                 | <u>\$ 514,963</u> | <u>\$ 499,541</u> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

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*(Expressed in Bahamian dollars)***18. LOAN INTEREST INCOME**

Loan interest income consists of interest earned on loans receivable from members.

|                          | 2022                | 2021                |
|--------------------------|---------------------|---------------------|
| Consumer                 | \$ 1,857,137        | \$ 2,235,149        |
| Debt consolidation       | 1,022,276           | 1,076,816           |
| Revolving line of credit | 128,839             | 224,259             |
| Mortgage                 | 124,467             | 150,213             |
| Auto                     | 6,194               | 14,629              |
| Other                    | 2,182               | 140,393             |
|                          | <u>\$ 3,141,095</u> | <u>\$ 3,841,459</u> |

**19. INVESTMENT INTEREST INCOME**

Investment interest income consists of interest earned on investments held by the Credit Union.

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| Bahamas Government Registered Stock    | \$ 412,906        | \$ 398,140        |
| Term deposits                          | 112,190           | 107,863           |
| Bahamas First Series 2 Corporate Bonds | 6,250             | 6,253             |
| Current accounts                       | 3,180             | 2,857             |
| Bahamas Government Treasury Note       | -                 | (167)             |
|  | <u>\$ 534,526</u> | <u>\$ 514,946</u> |

**20. DEPOSIT INTEREST EXPENSE**

Interest expense on members' deposits during the year is as follows:

|                         | 2022                | 2021                |
|-------------------------|---------------------|---------------------|
| Members' share deposits | \$ 619,821          | \$ 616,853          |
| Term deposits           | 441,008             | 483,319             |
| Educational savings     | 86,662              | 85,928              |
| House plan savings      | 49,498              | 41,749              |
| Other deposit accounts  | 38,421              | 33,138              |
| Christmas savings       | 17,216              | 17,327              |
|                         | <u>\$ 1,252,626</u> | <u>\$ 1,278,314</u> |

Included in interest expense on members' share deposits, is an amount of \$30,759 (2021: \$30,838) that is attributable to one non-member depositor.



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**21. OTHER INCOME**

Other income consists of the following:

|                             | 2022              | 2021              |
|-----------------------------|-------------------|-------------------|
| Service charges             | \$ 541,953        | \$ 614,756        |
| Rental                      | 117,515           | 27,600            |
| Credits and debit card fees | 41,487            | 35,153            |
| Dividends                   | 21,761            | 33,787            |
| Entrance fees               | 7,422             | 6,532             |
| Liabilities written-off     | 5,389             | 817               |
|                             | <b>\$ 735,527</b> | <b>\$ 718,645</b> |

Rental income pertains to rentals earned on the Credit Union's investment properties.

**22. OPERATING EXPENSES**

Operating expenses are comprised of the following:

|                                   | 2022              | 2021              |
|-----------------------------------|-------------------|-------------------|
| <i>Personnel</i>                  |                   |                   |
| Salaries                          | \$ 1,271,725      | \$ 1,194,175      |
| Group health insurance            | 136,046           | 145,348           |
| Vacation pay                      | 120,230           | 113,961           |
| Staff pension (Note 24)           | 121,254           | 77,278            |
| Christmas bonus                   | 74,714            | 69,470            |
| National insurance contribution   | 65,678            | 64,933            |
| Other employee benefits           | 58,310            | 42,967            |
| Travel                            | 30,277            | 17,670            |
| Employee training and development | 11,690            | 7,392             |
| Overtime                          | 3,509             | 3,124             |
|                                   | <b>1,893,433</b>  | <b>1,736,318</b>  |
| <i>Occupancy</i>                  |                   |                   |
| Utilities                         | \$ 194,890        | \$ 180,961        |
| Security                          | 35,223            | 16,835            |
| Repairs and maintenance           | 77,174            | 73,683            |
| Insurance - building and contents | 64,837            | 62,354            |
| Real property tax                 | 7,361             | 8,016             |
| Lease liability                   | 6,301             | 4,362             |
|                                   | <b>\$ 385,786</b> | <b>\$ 346,211</b> |

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*(Expressed in Bahamian dollars)***22. OPERATING EXPENSES (Continued)**

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| <i>General business</i>                        |             |             |
| Professional and legal fees                    | \$ 91,476   | \$ 122,541  |
| Insurance - general                            | 31,263      | 9,420       |
| Value Added Tax (VAT)                          | 62,147      | 67,950      |
| Vehicles                                       | 19,743      | 20,445      |
| Stationery supplies                            | 8,340       | 22,362      |
| Bank charges                                   | 11,273      | 13,960      |
| Office supplies                                | 13,838      | 16,369      |
| Equipment maintenance                          | 14,730      | 5,022       |
| Courier and postage                            | 2,323       | 1,369       |
| FPO events auditoriom                          | 3,438       | -           |
| Other expenses                                 | 2,270       | 1,008       |
|  | 260,841     | 280,446     |
| <i>Organizational</i>                          |             |             |
| Board stipend and expenses                     | 54,919      | 44,592      |
| Committees stipend and expenses                | 22,425      | 22,553      |
| Annual general meeting                         | 5,202       | 7,732       |
| Officials development and travel               | 200         | 186         |
| Insurance - Officers liabilities               | 8,373       | 7,513       |
| Other expenses                                 | 500         | 1,000       |
|  | 91,619      | 83,576      |
| <i>Depreciation</i>                            |             |             |
| Building - investment property                 | 43,202      | 42,828      |
| Furniture and fixtures                         | 34,858      | 41,207      |
| Building and improvements                      | 125,272     | 115,911     |
| Computer hardware and software                 | 35,551      | 36,776      |
| Vehicles                                       | 3,314       | 13,915      |
| Leasehold improvements and right-of-use assets | 103,173     | 93,772      |
|  | \$ 345,370  | \$ 344,409  |

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**22. OPERATING EXPENSES (Continued)**

|                              | 2022                | 2021                |
|------------------------------|---------------------|---------------------|
| <i>Members' security</i>     |                     |                     |
| Share/loan insurance premium | \$ 251,815          | \$ 204,104          |
| Stabilization fee            | 21,513              | 21,564              |
| Deposit insurance            | 31,351              | 32,504              |
|                              | <u>304,679</u>      | <u>258,172</u>      |
| <i>Computer expense</i>      |                     |                     |
| Computer maintenance         | 88,820              | 81,012              |
| Computer stationery supplies | 15,933              | 5,511               |
|                              | <u>104,753</u>      | <u>86,523</u>       |
| <i>Marketing</i>             |                     |                     |
| Advertising and promotions   | 38,761              | 13,419              |
| Donations                    | 2,880               | 3,110               |
|                              | <u>41,641</u>       | <u>16,529</u>       |
|                              | <u>\$ 3,428,122</u> | <u>\$ 3,152,184</u> |

**23. RELATED PARTY BALANCES AND TRANSACTIONS**

The following balances and transactions are held or conducted directly or indirectly by or with related parties:

|  | 2022       | 2021       |
|--|------------|------------|
| <b>Assets</b>                                    |            |            |
| Loans receivable                                 | \$ 391,673 | \$ 561,215 |
| <b>Liabilities</b>                               |            |            |
| Interest payable                                 | \$ 218     | \$ 10,588  |
| Term deposits                                    | \$ 30,000  | \$ 170,022 |
| Other deposits                                   | \$ 66,592  | \$ 120,906 |
| Share deposits                                   | \$ 495,238 | \$ 556,027 |
| <b>Equity</b>                                    |            |            |
| Qualifying shares                                | \$ 2,800   | \$ 3,000   |
| <b>Income</b>                                    |            |            |
| Interest income on loans receivable              | \$ 27,598  | \$ 65,565  |
| <b>Expenses</b>                                  |            |            |
| Interest expense on deposits                     | \$ 20,770  | \$ 17,360  |
| Key management, board and committee compensation | \$ 169,391 | \$ 170,891 |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

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*(Expressed in Bahamian dollars)*

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**24. PENSION PLAN**

The Credit Union has a Participation Agreement with the Bahamas Hotel and Allied Industries Pension Fund (BHAIPF). BHAIPF is a defined contribution retirement plan (the "Plan") administered by Providence Advisors Limited. The Credit Union contributes an amount equivalent to 5.00% of the employees' weekly salaries to the Plan. Total pension cost charged to operations amounted to \$121,254 (2021: \$77,278).

**25. FINANCIAL RISK MANAGEMENT**

The Credit Union has exposure to the following risks from its use of financial instruments:

- 25.1. Credit risk
- 25.2. Liquidity risk
- 25.3. Market risk
- 25.4. Interest rate risk

This note presents information about the Credit Union's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework.

The Credit Union's risk management policies are established to identify and analyze the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities.

**25.1. Credit risk**

Credit risk is the risk of financial loss arising if a customer or counter-party fails to meet its contractual obligations. The Credit Union is exposed to credit risk from deposits and banks and other financial institutions including the League, loans to members, investments in debt securities, and other receivables. The most significant credit risk for the Credit Union is on loan to members.

Loans to Members and Credit Policy

The Credit Union controls credit risk by the application of credit approvals, limits, and monitoring procedures. The Credit Union ensures that loans are extended to members with appropriate credit history and an internal mechanism exists to monitor the granting of credit and the management of credit exposures. It is also the Credit Union's policy to trade with recognized and creditworthy third parties. The Board of Directors is responsible for establishing credit policies. The Credit Committee has oversight responsibility for the credit risk management process, including reviewing and assessing credit risk. There is a documented credit policy in place which guides the Credit Union's credit review process. The Credit Committee reports to the Board of Directors on a monthly basis.

*Collateral* – The Credit Union holds collateral against loans, depending on the type of loans and the risk rating assigned to the member. The required collateral is set out in the loan policy manual issued by the Credit Union.

*Write-off policy* – The Credit Union writes off loans and any related allowances for impairment losses when it is determined that the loans are uncollectible.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
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**25. FINANCIAL RISK MANAGEMENT (Continued)**

**25.1. Credit risk (Continued)**

**Maximum exposure to credit risk – Loans to Members**

The following table below sets out information about the Credit Union's maximum exposure to credit risk on loans to its members at the end of the reporting date:

| As at December 31, 2022               |                             |                     |                     |                      |
|---------------------------------------|-----------------------------|---------------------|---------------------|----------------------|
|                                       | Allowance for Credit Losses |                     |                     | Total                |
|                                       | Stage 1                     | Stage 2             | Stage 3             |                      |
| Loans to members before credit losses | \$ 22,877,415               | \$ 685,047          | \$ 7,662,221        | \$ 31,224,683        |
| Allowance for credit losses           | (84,623)                    | (29,077)            | (4,469,602)         | (4,583,302)          |
|                                       | <u>\$ 22,792,792</u>        | <u>\$ 655,970</u>   | <u>\$ 3,192,619</u> | <u>\$ 26,641,381</u> |
| As at December 31, 2021               |                             |                     |                     |                      |
|                                       | Allowance for Credit Losses |                     |                     | Total                |
|                                       | Stage 1                     | Stage 2             | Stage 3             |                      |
| Loans to members before credit losses | \$ 24,544,853               | \$ 2,275,184        | \$ 4,607,958        | \$ 31,427,995        |
| Allowance for credit losses           | (247,134)                   | (397,347)           | (1,798,743)         | (2,443,224)          |
|                                       | <u>\$ 24,297,719</u>        | <u>\$ 1,877,837</u> | <u>\$ 2,809,215</u> | <u>\$ 28,984,771</u> |

**25.2. Liquidity risk**

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Credit Union ensures that it has sufficient liquid assets to settle currently maturing obligations. The maturity profile of the Credit Union's financial liabilities and the liquidity gap are disclosed in Note 26.

**25.3. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Credit Union is exposed to market risk on investments in that the Credit Union may not be able to readily dispose of its holdings when it chooses and also that the price obtained on disposal may be below that at which the investment is included in the Credit Union's financial statements. The Credit Union's market risk is managed by the Board of Directors through diversification of the investment portfolio across a wide range of financial assets.

**25.4. Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash balances and short term investments are not subject to significant interest rate risk due to their short-term nature. The Credit Union's loans receivable and members' deposits have fixed interest thus there is no significant exposure to interest rate risk on these instruments. The investments in bonds and Bahamas Government Registered Stock have interest rates based on the Bahamas Prime rate of 4.25% which is set by the Central Bank of the Bahamas and is also not considered exposed to significant fluctuations.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

**26. MATURITY OF SIGNIFICANT ASSETS AND LIABILITIES**

Maturity of significant assets and liabilities consist of the following:

|                           | As at December 31, 2022 |                  |                   |                 |                 | Total        |
|---------------------------|-------------------------|------------------|-------------------|-----------------|-----------------|--------------|
|                           | Within 3<br>Months      | 3 to 6<br>Months | 6 to 12<br>Months | 1 to 5<br>Years | Over<br>5 Years |              |
| <b>Financial assets:</b>  |                         |                  |                   |                 |                 |              |
| Cash and cash equivalents | \$ 5,092,689            | \$ -             | \$ -              | \$ -            | \$ -            | \$ 5,092,689 |
| Short-term investments    | 2,096,367               | -                | 1,151,545         | 1,782,345       | -               | 5,030,257    |
| Other assets              | 674,419                 | -                | -                 | -               | -               | 674,419      |
| Deposits with the League  | -                       | -                | -                 | -               | 14,465,409      | 14,465,409   |
| Financial investments     | -                       | -                | -                 | 205,700         | 8,947,658       | 9,153,358    |
| Loans receivable          | 198,861                 | 361,373          | 694,610           | 15,149,433      | 11,112,580      | 27,516,857   |
|                           | 8,062,336               | 361,373          | 1,846,155         | 17,137,478      | 34,525,647      | 61,932,989   |

|  |                        |                       |                       |                      |                      |                       |
|--|------------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| <b>Financial liabilities:</b>          |                        |                       |                       |                      |                      |                       |
| Accrued expenses and other liabilities | 673,800                | -                     | -                     | -                    | -                    | 673,800               |
| Lease liabilities                      | 35,000                 | 35,000                | 70,000                | 236,412              | -                    | 376,412               |
| Members and other deposits             | 49,659,374             | 2,699,160             | 5,170,321             | 6,214,301            | -                    | 63,743,156            |
|  | 50,368,174             | 2,734,160             | 5,240,321             | 6,450,713            | -                    | 64,793,368            |
| <b>Liquidity gap</b>                   | <b>\$ (42,305,838)</b> | <b>\$ (2,372,787)</b> | <b>\$ (3,394,166)</b> | <b>\$ 10,686,765</b> | <b>\$ 34,525,647</b> | <b>\$ (2,860,379)</b> |

|  | As at December 31, 2021 |                       |                       |                     |                      | Total               |
|--|-------------------------|-----------------------|-----------------------|---------------------|----------------------|---------------------|
|  | Within 3<br>Months      | 3 to 6<br>Months      | 6 to 12<br>Months     | 1 to 5<br>Years     | Over<br>5 Years      |                     |
| <b>Financial assets:</b>               |                         |                       |                       |                     |                      |                     |
| Cash and cash equivalents              | \$ 3,736,541            | \$ -                  | \$ -                  | \$ -                | \$ -                 | \$ 3,736,541        |
| Short-term investments                 | 2,085,566               | -                     | 1,151,545             | 1,782,345           | -                    | 5,019,456           |
| Other assets                           | 381,881                 | -                     | -                     | -                   | -                    | 381,881             |
| Deposits with the League               | -                       | -                     | -                     | -                   | 14,258,796           | 14,258,796          |
| Financial investments                  | -                       | -                     | -                     | 205,700             | 8,401,535            | 8,607,235           |
| Loans receivable                       | 1,642,791               | 1,435,299             | 3,266,937             | 14,345,438          | 9,093,159            | 29,783,624          |
|  | 7,846,779               | 1,435,299             | 4,418,482             | 16,333,483          | 31,753,490           | 61,787,533          |
| <b>Financial liabilities:</b>          |                         |                       |                       |                     |                      |                     |
| Accrued expenses and other liabilities | 546,937                 | -                     | -                     | -                   | -                    | 546,937             |
| Lease liabilities                      | 13,113                  | 13,113                | 26,225                | 54,046              | -                    | 106,497             |
| Members and other deposits             | 45,587,830              | 2,826,502             | 6,494,509             | 6,677,809           | -                    | 61,586,650          |
|  | 46,147,880              | 2,839,615             | 6,520,734             | 6,731,855           | -                    | 62,240,084          |
| <b>Liquidity gap</b>                   | <b>\$ (38,301,101)</b>  | <b>\$ (1,404,316)</b> | <b>\$ (2,102,252)</b> | <b>\$ 9,601,628</b> | <b>\$ 31,753,490</b> | <b>\$ (452,551)</b> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

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**27. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Most of the Credit Union's financial instruments lack an available trading market. Therefore, these instruments have been fair valued using other valuation techniques and may not necessarily be indicative of the amounts realizable on the settlement of the instruments.

*a) Financial instruments not measured at fair value:*

- i) The fair value of liquid assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- ii) The fair values of variable rate financial instruments are assumed to approximate their carrying amounts.
- iii) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amount of the provisions for credit losses from both the book and fair values.
- iv) The fair value of members' regular shares and deposits, with no specific maturity is assumed to be the amount payable on demand at the reporting date.
- v) The fair values of all other financial instruments not mentioned above are assumed to approximate their carrying values.

*b) Financial instruments measured at fair value:*

Quoted securities classified as available-for-sale are measured by reference to quoted market prices on the Bahamas International Stock Exchange (BISX).

*c) Fair value hierarchy:*

The following table provides an analysis of financial instruments held at the reporting date that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level consists of listed equity securities traded on the Bahamas International Stock Exchange (BISX).
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This includes government debt securities and other securities with observable inputs.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. The Credit Union has no financial instruments categorized in this level.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

**27. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

c) *Fair value hierarchy (Continued)*

The following table analyzes within the fair value hierarchy, the Credit Union's financial assets measured at fair value as at the statement of financial position date:

| As at December 31, 2022      |            |            |           |              |
|------------------------------|------------|------------|-----------|--------------|
|                              | Level 1    | Level 2    | Level 3   | Total        |
| <u>Financial instruments</u> |            |            |           |              |
| Equity securities            | \$ 407,783 | \$ 899,525 | \$ 64,550 | \$ 1,371,858 |
| As at December 31, 2021      |            |            |           |              |
|                              | Level 1    | Level 2    | Level 3   | Total        |
| <u>Financial instruments</u> |            |            |           |              |
| Equity securities            | \$ 412,460 | \$ 851,125 | \$ 62,150 | \$ 1,325,735 |

**28. CAPITAL RISK MANAGEMENT**

The Credit Union's objectives when managing capital are as follows:

- To comply with the capital requirements set by the Regulator, the Central Bank of the Bahamas;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for its members and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Credit Union's Board reviews the capital structure on a monthly basis. As part of the review, the Board considers the provision of the Bahamas Co-operative Credit Unions Act, 2015, Section 65, which states that:

*'Every society shall ensure that –*

- Not less than 10% of its members' deposits are kept in a liquidity reserve fund; and*
- Statutory reserves, retained earnings and equity shares are at no stage less than 10% of its total assets, except during the phase in period as permitted by regulations.'*

(Continued)



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
(Expressed in Bahamian dollars)

**28. CAPITAL RISK MANAGEMENT (Continued)**

The table below summarizes the composition of the Credit Union's regulatory capital and the ratios at the reporting date:

|                            | 2022          | 2021          |
|----------------------------|---------------|---------------|
| <b>Provision (a)</b>       |               |               |
| Liquidity reserve deposits | \$ 6,839,192  | \$ 6,741,415  |
| Members' deposits          | \$ 63,743,381 | \$ 61,586,650 |
| Actual ratio               | 11%           | 11%           |
| Required ratio             | 10%           | 10%           |
| Surplus of regulation      | 1%            | 1%            |
| <b>Provision (b)</b>       |               |               |
| Regulatory reserves        | \$ 2,765,582  | \$ 5,027,979  |
| Total assets               | \$ 68,228,655 | \$ 67,922,121 |
| Actual ratio               | 4%            | 7%            |
| Required ratio             | 10%           | 10%           |
| Shortfall over regulation  | -6%           | -3%           |

**29. LEGAL MATTERS**

The Credit Union is involved in several litigations as follows:

- i) The Credit Union has brought actions against several members who are in default of their loan commitments. These actions are ongoing.
- ii) The Credit Union filed a claim against C.A.C. Properties Limited in regards to the JFK Drive property for recovery of all costs incurred related to the project (See Note 12). The trial begun in 2020 but was suspended due to COVID-19. The principal owner from whom subject property was purchased died November 2022. The Board is desirous of an out of court settlement with his successor. Dialogue has been open with Mr. Christie's heir who, with respect to the infrastructure installation, confirmed in September 2022 that he received approved stamped drawings from the Ministry of Works, however, he is still waiting for the WSC and BPL approved drawings.
- iii) The Credit Union had an action brought against it as a 2<sup>nd</sup> Respondent in a matter brought before the Courts by the widow of a deceased member. This action also includes a staff member, who is the 1<sup>st</sup> respondent in the Matter.

Her Ladyship Justice Denise Lewis-Johnson ordered on September 20, 2022 that the Plaintiff is granted leave to withdraw the action in its entirety against the First and Second Defendants and to pay cost.

No provisions for contingent assets or liabilities have been recorded in these financial statements for the above legal matters for the reporting period, as the Attorneys have not made any assessments of the probabilities of the success of these matters.

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Notes to the Financial Statements

December 31, 2022  
*(Expressed in Bahamian dollars)*

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**30. EVENTS AFTER THE REPORTING PERIOD**

There were no material events of significance impacting the Credit Union since December 31, 2022 and up to May 18, 2023 that require disclosure in these financial statements.



BAHAMAS

ECOVIS Bahamas • Seaview House • East Bay Street • P.O. Box 88-6226 • Nassau • The Bahamas

### INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The primary purpose of our examination for the year ended December 31, 2022 was to express an opinion on the basic financial statements of National Workers Co-operative Credit Union Limited (the "Credit Union") presented on pages 4 through 38, taken as a whole.

The supplementary information for the year ended December 31, 2022 presented on pages 40 through 51 is not considered necessary for a fair presentation of the Credit Union's financial position and the results of its operations and its cash flows in accordance with International Financial Reporting Standards, and is presented for supplementary analysis purposes. Such information has been subjected to the audit procedures applied on the examination of the basic financial statements.

In our opinion, the accompanying supplementary information is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

*Keris Bahamas*

**CHARTERED ACCOUNTANTS**

May 18, 2023  
Nassau, The Bahamas

ECOVIS Bahamas, Seaview House, East Bay Street, P.O. Box 88-6226, Nassau, The Bahamas Phone: +1 (242) 803-3410 Fax: +1 (242) 603-3430  
E-Mail: [nassau@ecovis.com](mailto:nassau@ecovis.com) Management: James G. Gomez, Noreen R. Campbell VAT-ID Number: 114384718 Headquarter: Nassau Registered in: The Bahamas

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**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

Statement of Profit or Loss – Nassau, Head Office

For the year ended December 31, 2022

*(Expressed in Bahamian dollars)*

|   | 2022           | 2021         |
|---|----------------|--------------|
| <b>INTEREST INCOME</b>                        |                |              |
| Loan interest income                          | \$ 2,368,735   | \$ 3,062,159 |
| Investment interest income                    | 360,028        | 355,704      |
| Interest in deposits with the League          | 166,205        | 163,829      |
| Total interest income                         | 2,894,968      | 3,581,692    |
| <b>INTEREST EXPENSE</b>                       |                |              |
| Deposit interest expense                      | 912,395        | 943,576      |
| Total interest expense                        | 912,395        | 943,576      |
| <b>NET INTEREST INCOME</b>                    | 1,982,573      | 2,638,116    |
| <b>OTHER INCOME</b>                           | 423,054        | 478,457      |
| <b>OPERATING EXPENSES</b>                     |                |              |
| Personnel                                     | 1,272,036      | 1,165,088    |
| Increase in provision for credit losses       | 2,160,931      | 1,035,522    |
| Occupancy                                     | 224,054        | 221,862      |
| General business                              | 161,981        | 215,170      |
| Organizational                                | 57,876         | 60,830       |
| Depreciation                                  | 173,933        | 180,911      |
| Members' security                             | 234,895        | 199,599      |
| Computer expense                              | 83,833         | 69,820       |
| Marketing                                     | 7,731          | 8,646        |
| Total operating expenses                      | 4,377,270      | 3,157,448    |
| <b>LOSS FOR THE YEAR</b>                      | (1,971,643)    | (40,875)     |
| <b>SUMMARY OF RESULTS BY LOCATION</b>         |                |              |
| Nassau Head Office - net comprehensive loss   | (1,971,643)    | (40,875)     |
| Freeport Branch - net comprehensive loss      | (257,238)      | (171,207)    |
| Andros Branch - net comprehensive loss        | (36,107)       | (562)        |
| Berry Islands Branch - net comprehensive loss | (107,339)      | (83,916)     |
| <b>NET COMPREHENSIVE LOSS</b>                 | \$ (2,372,327) | \$ (296,560) |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
 Statement of Operating Expenses – Nassau, Head Office

For the year ended December 31, 2022  
 (Expressed in Bahamian dollars)

|   | 2022       | 2021       |
|---|------------|------------|
| <i>Personnel</i>                          |            |            |
| Salaries                                  | \$ 797,384 | \$ 759,032 |
| Group health insurance                    | 100,162    | 107,729    |
| Vacation pay                              | 95,428     | 88,860     |
| Staff pension                             | 99,094     | 58,216     |
| Christmas bonus                           | 58,256     | 55,092     |
| National insurance contribution           | 46,815     | 48,365     |
| Other employee benefits                   | 48,920     | 36,454     |
| Travel                                    | 12,982     | 2,024      |
| Employee training and development         | 11,590     | 6,192      |
| Overtime                                  | 1,405      | 3,124      |
|   | 1,272,036  | 1,165,088  |
| Increase in provision for loan impairment | 2,160,931  | 1,035,522  |
| <i>Occupancy</i>                          |            |            |
| Utilities                                 | 139,519    | 134,917    |
| Security                                  | 3,709      | 6,444      |
| Repairs and maintenance                   | 43,134     | 44,623     |
| Insurance - building and contents         | 26,221     | 24,733     |
| Real property tax                         | 7,361      | 7,266      |
| Lease liability                           | 4,110      | 3,879      |
|   | 224,054    | 221,862    |
| <i>General business</i>                   |            |            |
| Professional and legal fees               | 69,331     | 100,206    |
| Insurance - general                       | 4,554      | 1,666      |
| Value Added Tax (VAT)                     | 39,666     | 51,466     |
| Vehicles                                  | 13,596     | 13,742     |
| Stationery supplies                       | 6,208      | 17,469     |
| Bank charges                              | 8,121      | 11,742     |
| Office supplies                           | 9,836      | 13,055     |
| Equipment maintenance                     | 9,170      | 4,470      |
| Courier and postage                       | 358        | 442        |
| Other expenses                            | 1,141      | 912        |
|   | \$ 161,981 | \$ 215,170 |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Operating Expenses – Nassau, Head Office (Continued)

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|  | 2022         | 2021         |
|--|--------------|--------------|
| <i>Organizational</i>                          |              |              |
| Board stipend and expenses                     | \$ 32,412    | \$ 30,575    |
| Committees stipend and expenses                | 14,136       | 16,766       |
| Annual general meeting                         | 4,790        | 6,937        |
| Officials development and travel               | 200          | 186          |
| Insurance - Officers liabilities               | 5,981        | 5,366        |
| Other expenses                                 | 357          | 1,000        |
|  | 57,876       | 60,830       |
| <i>Depreciation</i>                            |              |              |
| Building - investment property                 | 43,202       | 42,828       |
| Furniture and fixtures                         | 18,516       | 25,624       |
| Building and improvements                      | 19,656       | 17,503       |
| Computer hardware and software                 | 30,097       | 31,881       |
| Vehicles                                       | -            | 8,004        |
| Leasehold improvements and right-of-use assets | 62,462       | 55,071       |
|  | 173,933      | 180,911      |
| <i>Members' security</i>                       |              |              |
| Share/loan insurance premium                   | 197,051      | 159,780      |
| Stabilization fee                              | 15,300       | 15,789       |
| Deposit insurance                              | 22,544       | 24,030       |
|  | 234,895      | 199,599      |
| <i>Computer expense</i>                        |              |              |
| Computer maintenance                           | 78,654       | 67,906       |
| Computer stationery supplies                   | 5,179        | 1,914        |
|  | 83,833       | 69,820       |
| <i>Marketing</i>                               |              |              |
| Advertising and promotions                     | 6,451        | 6,536        |
| Donations                                      | 1,280        | 2,110        |
|  | 7,731        | 8,646        |
|  | \$ 4,377,270 | \$ 3,157,448 |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
 Statement of Profit or Loss – Freeport Branch

For the year ended December 31, 2022  
 (Expressed in Bahamian dollars)

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| <b>INTEREST INCOME</b>                  |                     |                     |
| Loan interest income                    | \$ 602,039          | \$ 642,818          |
| Investment interest income              | 174,498             | 159,242             |
| Interest in deposits with the League    | 40,408              | 39,831              |
| <b>Total interest income</b>            | <b>816,945</b>      | <b>841,891</b>      |
| <b>INTEREST EXPENSE</b>                 |                     |                     |
| Deposit interest expense                | 300,220             | 307,880             |
| <b>Total interest expense</b>           | <b>300,220</b>      | <b>307,880</b>      |
| <b>NET INTEREST INCOME</b>              | <b>516,725</b>      | <b>534,011</b>      |
| <b>OTHER INCOME</b>                     | <b>235,808</b>      | <b>172,997</b>      |
| <b>OPERATING EXPENSES</b>               |                     |                     |
| Personnel                               | 406,600             | 400,507             |
| Increase in provision for credit losses | 153,233             | 110,816             |
| Occupancy                               | 138,867             | 110,509             |
| General business                        | 64,176              | 50,820              |
| Organizational                          | 31,302              | 21,781              |
| Depreciation                            | 122,139             | 116,447             |
| Members' security                       | 56,891              | 50,073              |
| Computer expense                        | 10,533              | 10,792              |
| Marketing                               | 26,030              | 6,470               |
| <b>Total operating expenses</b>         | <b>1,009,771</b>    | <b>878,215</b>      |
| <b>NET LOSS FOR THE YEAR</b>            | <b>\$ (257,238)</b> | <b>\$ (171,207)</b> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Operating Expenses – Freeport Branch

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|   | 2022       | 2021       |
|---|------------|------------|
| <i>Personnel</i>                          |            |            |
| Salaries                                  | \$ 317,610 | \$ 320,373 |
| Group health insurance                    | 20,691     | 21,126     |
| Vacation pay                              | 18,713     | 18,752     |
| Staff pension                             | 12,563     | 12,564     |
| Christmas bonus                           | 10,275     | 9,802      |
| National insurance contribution           | 11,126     | 9,605      |
| Other employee benefits                   | 6,008      | 4,598      |
| Travel                                    | 9,009      | 3,087      |
| Employee training and development         | 50         | 600        |
| Overtime                                  | 555        | -          |
|   | 406,600    | 400,507    |
| Increase in provision for loan impairment | 153,233    | 110,816    |
| <i>Occupancy</i>                          |            |            |
| Utilities                                 | 47,409     | 37,325     |
| Security                                  | 21,837     | 9,175      |
| Repairs and maintenance                   | 32,824     | 27,286     |
| Insurance - building and contents         | 36,797     | 35,973     |
| Real property tax                         | -          | 750        |
|   | 138,867    | 110,509    |
| <i>General business</i>                   |            |            |
| Professional and legal fees               | 21,195     | 22,335     |
| Insurance - general                       | 2,883      | 576        |
| Value Added Tax (VAT)                     | 16,658     | 13,303     |
| Vehicles                                  | 4,818      | 5,478      |
| Stationery supplies                       | 1,957      | 4,383      |
| Bank charges                              | 2,740      | 1,795      |
| Office supplies                           | 2,525      | 1,976      |
| Equipment maintenance                     | 5,205      | 292        |
| Courier and postage                       | 1,614      | 586        |
| FPO events auditorium                     | 3,438      | -          |
| Other expenses                            | 1,143      | 96         |
|   | \$ 64,176  | \$ 50,820  |



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Operating Expenses – Freeport Branch (Continued)

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|                                  | 2022         | 2021       |
|----------------------------------|--------------|------------|
| <u>Organizational</u>            |              |            |
| Board stipend and expenses       | \$ 21,412    | \$ 13,673  |
| Committees stipend and expenses  | 6,943        | 5,166      |
| Annual general meeting           | 412          | 795        |
| Insurance - Officers liabilities | 2,392        | 2,147      |
| Other expenses                   | 143          | -          |
|                                  | 31,302       | 21,781     |
| <u>Depreciation</u>              |              |            |
| Furniture and fixtures           | 10,230       | 9,636      |
| Building and improvements        | 105,616      | 98,408     |
| Computer hardware and software   | 2,979        | 2,492      |
| Vehicles                         | 3,314        | 5,911      |
|                                  | 122,139      | 116,447    |
| <u>Members' security</u>         |              |            |
| Share/loan insurance premium     | 44,602       | 37,794     |
| Stabilization fee                | 4,446        | 4,512      |
| Deposit insurance                | 7,843        | 7,767      |
|                                  | 56,891       | 50,073     |
| <u>Computer expense</u>          |              |            |
| Computer maintenance             | 7,418        | 10,604     |
| Computer stationery supplies     | 3,115        | 188        |
|                                  | 10,533       | 10,792     |
| <u>Marketing</u>                 |              |            |
| Advertising and promotions       | 25,430       | 5,870      |
| Donations                        | 600          | 600        |
|                                  | 26,030       | 6,470      |
|                                  | \$ 1,009,771 | \$ 878,215 |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Profit or Loss – Andros Branch

For the year ended December 31, 2022  
*(Expressed in Bahamian dollars)*

|   | 2022               | 2021            |
|---|--------------------|-----------------|
| <b>INTEREST INCOME</b>                  |                    |                 |
| Loan interest income                    | \$ 137,434         | \$ 123,944      |
| Total interest income                   | 137,434            | 123,944         |
| <b>INTEREST EXPENSE</b>                 |                    |                 |
| Deposit interest expense                | 29,084             | 20,458          |
| Total interest expense                  | 29,084             | 20,458          |
| <b>NET INTEREST INCOME</b>              | 108,350            | 103,486         |
| <b>OTHER INCOME</b>                     | 43,605             | 42,489          |
| <b>OPERATING EXPENSES</b>               |                    |                 |
| Personnel                               | 117,841            | 98,265          |
| Decrease in provision for credit losses | (3,822)            | (2,249)         |
| Occupancy                               | 11,659             | 7,570           |
| General business                        | 13,255             | 3,504           |
| Organizational                          | 900                | 172             |
| Depreciation                            | 32,595             | 30,178          |
| Members' security                       | 8,005              | 5,642           |
| Computer expense                        | 3,745              | 2,454           |
| Marketing                               | 3,884              | 1,001           |
| Total operating expenses                | 188,062            | 146,537         |
| <b>NET LOSS FOR THE YEAR</b>            | <b>\$ (36,107)</b> | <b>\$ (562)</b> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Operating Expenses – Andros Branch

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|   | 2022      | 2021      |
|---|-----------|-----------|
| <i>Personnel</i>                          |           |           |
| Salaries                                  | \$ 83,464 | \$ 64,402 |
| Group health insurance                    | 5,873     | 7,173     |
| Vacation pay                              | 3,240     | 3,568     |
| Staff pension                             | 4,059     | 3,101     |
| Christmas bonus                           | 3,195     | 2,566     |
| National insurance contribution           | 4,436     | 3,887     |
| Other employee benefits                   | 1,835     | 880       |
| Travel                                    | 10,831    | 12,388    |
| Employee training and development         | 50        | 300       |
| Overtime                                  | 858       | -         |
|   | 117,841   | 98,265    |
| Decrease in provision for loan impairment | (3,822)   | (2,249)   |
| <i>Occupancy</i>                          |           |           |
| Utilities                                 | 4,507     | 4,300     |
| Security                                  | 4,299     | 616       |
| Repairs and maintenance                   | 771       | 1,324     |
| Insurance - building and contents         | 1,124     | 1,030     |
| Lease liability                           | 958       | 300       |
|   | 11,659    | 7,570     |
| <i>General business</i>                   |           |           |
| Insurance - general                       | 9,073     | 394       |
| Value Added Tax (VAT)                     | 2,200     | 1,258     |
| Vehicles                                  | 292       | 125       |
| Stationery supplies                       | -         | 269       |
| Bank charges                              | 237       | 230       |
| Office supplies                           | 964       | 752       |
| Equipment maintenance                     | 355       | 260       |
| Courier and postage                       | 148       | 216       |
| Other expenses                            | (14)      | -         |
|   | 13,255    | 3,504     |
| <i>Organizational</i>                     |           |           |
| Board stipend and expenses                | -         | 172       |
| Committees stipend and expenses           | 900       | -         |
|   | \$ 900    | \$ 172    |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
 Statement of Operating Expenses – Andros Branch *(Continued)*

For the year ended December 31, 2022  
*(Expressed in Bahamian dollars)*

|  | 2022       | 2021       |
|--|------------|------------|
| <i>Depreciation</i>                            |            |            |
| Furniture and fixtures                         | \$ 3,553   | \$ 3,553   |
| Computer hardware and software                 | 1,857      | 1,630      |
| Leasehold improvements and right-of-use assets | 27,185     | 24,995     |
|  | 32,595     | 30,178     |
| <i>Members' security</i>                       |            |            |
| Share/loan insurance premium                   | 6,166      | 4,276      |
| Stabilization fee                              | 1,131      | 819        |
| Deposit insurance                              | 708        | 547        |
|  | 8,005      | 5,642      |
| <i>Computer expense</i>                        |            |            |
| Computer maintenance                           | 1,324      | 1,201      |
| Computer stationery supplies                   | 2,421      | 1,253      |
|  | 3,745      | 2,454      |
| <i>Marketing</i>                               |            |            |
| Advertising and promotions                     | 3,484      | 601        |
| Donations                                      | 400        | 400        |
|  | 3,884      | 1,001      |
|  | \$ 188,062 | \$ 146,537 |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
 Statement of Profit or Loss – Berry Islands Branch

For the year ended December 31, 2022  
 (Expressed in Bahamian dollars)

|  | 2022                | 2021               |
|--|---------------------|--------------------|
| <b>INTEREST INCOME</b>                             |                     |                    |
| Loan interest income                               | \$ 32,887           | \$ 12,538          |
| Total interest income                              | 32,887              | 12,538             |
| <b>INTEREST EXPENSE</b>                            |                     |                    |
| Deposit interest expense                           | 10,927              | 6,400              |
| Total interest expense                             | 10,927              | 6,400              |
| <b>NET INTEREST INCOME</b>                         | 21,960              | 6,138              |
| <b>OTHER INCOME</b>                                | 33,060              | 24,702             |
| <b>OPERATING EXPENSES</b>                          |                     |                    |
| Personnel  | 96,956              | 72,458             |
| (Decrease)/increase in provision for credit losses | (1,002)             | 683                |
| Occupancy  | 11,206              | 6,270              |
| General business                                   | 21,429              | 10,952             |
| Organizational                                     | 1,541               | 793                |
| Depreciation                                       | 16,703              | 16,873             |
| Members' security                                  | 4,888               | 2,858              |
| Computer expense                                   | 6,642               | 3,457              |
| Marketing  | 3,996               | 412                |
| Total operating expenses                           | 162,359             | 114,756            |
| <b>NET LOSS FOR THE YEAR</b>                       | <b>\$ (107,339)</b> | <b>\$ (83,916)</b> |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
Statement of Operating Expenses – Berry Islands Branch

For the year ended December 31, 2022  
(Expressed in Bahamian dollars)

|  | 2022      | 2021      |
|--|-----------|-----------|
| <i>Personnel</i>                                     |           |           |
| Salaries   | \$ 73,267 | \$ 50,368 |
| Group health insurance                               | 9,320     | 9,320     |
| Vacation pay   | 2,849     | 2,781     |
| Staff pension  | 5,538     | 3,397     |
| Christmas bonus                                      | 2,988     | 2,010     |
| National insurance contribution                      | 3,301     | 3,076     |
| Other employee benefits                              | 1,547     | 1,035     |
| Travel   | (2,545)   | 171       |
| Employee training and development                    | -         | 300       |
| Overtime   | 691       | -         |
|  | 96,956    | 72,458    |
| (Decrease)/increase in provision for loan impairment | (1,002)   | 683       |
| <i>Occupancy</i>                                     |           |           |
| Utilities  | 3,455     | 4,419     |
| Security   | 5,378     | 600       |
| Repairs and maintenance                              | 445       | 450       |
| Insurance - building and contents                    | 695       | 618       |
| Lease liability                                      | 1,233     | 183       |
|  | 11,206    | 6,270     |
| <i>General business</i>                              |           |           |
| Professional and legal fees                          | 950       | -         |
| Insurance - general                                  | 14,753    | 6,784     |
| Value Added Tax (VAT)                                | 3,623     | 1,923     |
| Vehicles   | 1,037     | 1,100     |
| Stationery supplies                                  | 175       | 241       |
| Bank charges   | 175       | 193       |
| Office supplies                                      | 513       | 586       |
| Courier and postage                                  | 203       | 125       |
|  | 21,429    | 10,952    |
| <i>Organizational</i>                                |           |           |
| Board stipend and expenses                           | 1,095     | 172       |
| Committees stipend and expenses                      | 446       | 621       |
|  | \$ 1,541  | \$ 793    |

**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
 Statement of Operating Expenses – Berry Islands Branch *(Continued)*

For the year ended December 31, 2022  
*(Expressed in Bahamian dollars)*

|  | 2022       | 2021       |
|--|------------|------------|
| <u><i>Depreciation</i></u>                     |            |            |
| Furniture and fixtures                         | \$ 2,559   | \$ 2,394   |
| Computer hardware and software                 | 618        | 773        |
| Leasehold improvements and right-of-use assets | 13,526     | 13,706     |
|  | 16,703     | 16,873     |
| <u><i>Members' security</i></u>                |            |            |
| Share/loan insurance premium                   | 3,996      | 2,254      |
| Stabilization fee                              | 636        | 444        |
| Deposit insurance                              | 256        | 160        |
|  | 4,888      | 2,858      |
| <u><i>Computer expense</i></u>                 |            |            |
| Computer maintenance                           | 1,424      | 1,301      |
| Computer stationery supplies                   | 5,218      | 2,156      |
|  | 6,642      | 3,457      |
| <u><i>Marketing</i></u>                        |            |            |
| Advertising and promotions                     | 3,396      | 412        |
| Donations                                      | 600        | -          |
|  | 3,996      | 412        |
|  | \$ 162,359 | \$ 114,756 |

**CREDIT COMMITTEE REPORT  
DEC 2022**

**INTRODUCTION**

For the year ending December 31, 2022, the Credit Committee is pleased to report on its statutory role as outlined in section 73-78 of the 2015 Bahamas Cooperative Credit Union Act and section 66 of National Workers Cooperative Credit Union Limited By-Laws that the Credit Committee, that is, the Supervision of Credit.

At the 46<sup>th</sup> Annual General Meeting held on Saturday, May 28, 2022, a new Credit Committee was appointed. The newly elected Credit Committee is comprised of three (3) newcomers with a wide range of experiences ranging from banking, business, entrepreneurship, to legal services and administration. Each member was elected to serve for a period no more than three (3) years, consistent with the provisions of the by-laws of the National Worker's Co-operative Credit Union Limited.

At the first Credit Committee meeting, Mr. Lovy Jean and Mrs. Sonia Williams were elected as Chairman and Secretary, respectively.

Shortly after the establishment of the Credit Committee, the team, during a Strategic Conclave held in June 2022, introduced its strategic plan to the Board of Directors and to the general staff population. During the conclave, the Credit Committee, through its situational analysis identified the top three (3) risks believed to have plagued the union's credit operation. The top three (3) risks affecting credit at National Worker's Cooperative Credit Union stem directly from:

- i. Increasing Levels of Delinquency
- ii. Sluggish Credit Growth
- iii. Decline in Member Retention.

As part of its strategic initiatives to mitigate against the top three (3) risks affecting Credit, the Credit Committee established a four-pronged, member focused approach consisting of the following:

- i. Delinquency Management
- ii. Strategic Partnerships
- iii. Attracting & Retention of Membership
- iv. Satisfying Regulatory & Statutory Obligations

**OVERVIEW: LOANS / CREDIT**

From early on, the Credit Committee along with Executive Management collaborated on ways to capitalize on the economic growth projections reported by the Central Bank. The Committee anticipated that sustained economic growth would translate to a shrinkage in the unemployment rate, suggesting that more of the membership would be returning to work, improving overall borrowing capacity. As the major employers reopened their doors, the need for a full work force is imminent.

The Credit Committee is pleased to report that members of the National Workers' Cooperative Credit Union saw the benefits of borrowing and disbursed and renegotiated an astounding 1,165 loans totaling over \$12,514,669.35 during the period ending Dec 2022. The Credit Committee met over 20 times and



worked closely with the board of directors, executive management, the various branch managers, and loan officers, reviewing, approving and providing feedback on several loan applications.

Total number of loans issued during the period ending Dec 2022 increased by 908 loans or 353% over the prior year. Similarly, total loan amount during the same period increased by \$8,603,858 or 330% over prior period. Like 2021, Consumer Loans accounted for the lion share or approximately 41% of total loans booked during the period.

Notwithstanding the 330% increase in new loans during 2022, the overall loan portfolio experienced a slight deterioration of \$212,969.67 from \$31,427,995.00 as at Dec 2021 to \$31,213,164.69 as at Dec 2022.

At the close of the year, Net Loans Ratio accounted for 40.33% a far cry from the standard of 70%-80%. The Credit Committee along with the Board of Directors are aggressively working on strategies to address these ongoing risks associated with the depressed Net Loans Ratio.

| CREDIT TYPE                          | 2022<br>NUMBER | 2022<br>DISBURSEMENT<br>AMOUNT | 2021<br>NUMBER | 2021<br>DISBURSEMENT<br>AMOUNT | VARIANCE              |
|--------------------------------------|----------------|--------------------------------|----------------|--------------------------------|-----------------------|
| \$70K DEBT CONSOLIDATION 2018        | 1              | \$12,562.76                    | 0              |                                | \$12,562.76           |
| 2017-N-STAFF DEBIT PROMO             | 5              | \$204,150.00                   | 1              | \$80,600.00                    | \$123,550.00          |
| 2018-EASY \$10K PROMO                | 182            | \$1,568,952.31                 | 22             | \$237,828.18                   | \$1,331,124.13        |
| 2020 DEBT CONSOLIDATION LOAN PROGRAM | 57             | \$2,355,551.38                 | 23             | \$1,263,389.08                 | \$1,092,162.30        |
| 2020 YOUR ESSENTIAL LOAN KIT PROGRAM | 494            | \$3,127,001.51                 | 118            | \$831,887.92                   | \$2,295,113.59        |
| CONSUMER LOANS                       | 405            | \$5,098,501.42                 | 93             | \$1,497,106.15                 | \$3,601,395.27        |
| DEBT RECOVERY EXPENSE                | 1              | \$28,978.00                    | 0              | \$0.00                         | \$28,978.00           |
| LOAN COLLECTION REALIZATION          | 5              | \$28,864.76                    | 0              | \$0.00                         | \$28,864.76           |
| REVOLVING CREDIT                     | 3              | \$36,687.21                    | 0              | \$0.00                         | \$36,687.21           |
| VENDOR SPECIAL BI LOAN               | 12             | \$53,420.00                    | 0              | \$0.00                         | \$53,420.00           |
|                                      | <b>1165</b>    | <b>\$12,514,669.35</b>         | <b>257</b>     | <b>\$3,910,811.33</b>          | <b>\$8,603,858.02</b> |

## OVERVIEW: DELINQUENCY

The quality of the loan book continues to deteriorate due to the unprecedented levels of delinquency. The Credit Committee recognizes that all factors relating to the delinquency of Credit Union require special attention.

In terms of delinquencies, at year end 2022, the Credit Union reported 724 delinquent loans totaling \$10,260,460 or a delinquency rate of 32.86%, as compared to 563 delinquent loans totaling \$8,612,014.00 or a delinquency rate of 27.40% at year-end 2021. The net increase in the amount (\$1,648,446.00) and the number of delinquent loans 161 are directly linked to the unemployment and underemployment associated with the fallout of the COVID-19 Pandemic.

At the close of 2022, there were approximately 17 loans valued \$118,736.89 that were charged off. During the same period a year prior, Dec 2021, the union reported 248 loans valued \$938,533.28 as charged off.

At the end of Dec 2022, the National Workers Cooperative Credit Union reported approximately 3,082 charged off loans valued \$9,090,925.

While the COVID-19 pandemic served as a major contributing factor to the overall delinquency faced by the Credit Union, the Credit Committee believes that there may be operational and structural factors that are contributing to these challenges. Greater emphasis on delinquency management and a greater sense of urgency is required to effectively recover the union's assets. An in-depth review of the delinquency portfolio showed a myriad of non-pandemic related contributors to the union's delinquency. Some of the main non-pandemic related contributors to the escalating delinquency rate relates directly to inadequate and insufficiently skilled manpower. Additionally, there are hundreds of imperfected loans and mortgages documents which makes the possible recovery efforts even more strained. It is believed that the lack of a properly documented Collection Manual coupled with the lack of ongoing Credit training has accelerated the deterioration of the union's delinquency.

The Committee is actively collaborating with the Board and Management on several initiatives with the view of mitigating the escalating delinquency rate.

### **OTHER MATTERS**

The Credit Committee would like to reiterate the call to stimulate a culture built on a sense of urgency in addressing all matters negatively impacting the credit function of the union. The Credit Committee, through its assessments and recommendations, intends to bring greater regulatory compliance and greater oversight of the union's credit function. The Credit Committee would like to see a bold plan to mitigate against the acceleration of delinquency, a stabilization plan to strengthen the Credit portfolio and a mobilization growth plan for the entire credit union membership and business.

The Credit Committee continues to be concern with the following:

**Delegated Authority / Segregation of Duties:** Best practice and industry standards indicate that the Chief Executive Officer (CEO) should not have a lending limit. The Credit Committee supports a review of the current lending delegated authority with a view to creating a Special Loan Committee / unit responsible for loan approvals.

**Oversight of the Credit/Loans Department:** The absence of proper and sustained Credit oversight from management creates unnecessary gaps that adversely impact the overall credit quality of the union. The Credit Committee recommends the formation of a Business Development / Credit Head which aims to better develop, organize, monitor, execute, measure and report on all matters relating to new business.

*The goal of this recommendation is to strengthen the overall Credit portfolio of the Union and to achieve a sustained satisfactory Net Loans Ratio.*

**Structure of the Delinquency Department:** The Credit Committee recommends the re-establishment of a Centralized Collections / Delinquency Center. It is believed that a centralized unit will foster an environment of cohesion, better communication, and teamwork. It is further believed that a centralized unit structure is easier to manage and provides oversight. If managed properly, this type of structure makes it easier to measure and track performance.

**Establishment of Collateral Security Department:** The Credit Committee supports the establishment of a Collateral Security Unit. This unit will be charged with ensuring that NWCCU maintains a strong culture that properly manages its security and collateral documents to minimize financial loss to the Union.

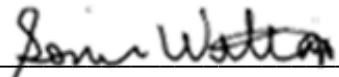
## CONCLUSION

In closing, the Committee acknowledges the effort and contribution of the team. While many of the targets were not achieved, we are pleased to report that signs of progress and positive trends continue to foster an environment of optimism. The Credit Committee is committed to all matters relating to the National Workers Cooperative Credit Union, and its stakeholders. The Credit Committee remains focused on executing its primary duties and mission in accordance with The Bahamas Cooperative Credit Union Act 2015, and the Central Bank of the Bahamas (CBOB) industry guidelines. While a great deal of interest and attention has been given to the oversight of the Credit Union, greater impact is required for the brand to live up to and achieve its untapped potential.

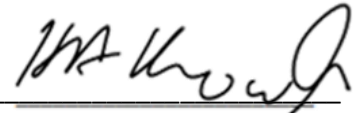
The Credit Committee would like to thank the Board of Directors, Executive Management, Staff, and the general membership for their continued support. The Committee will continue to perform its duties with the highest level of integrity and professionalism. We take this opportunity to thank everyone that contributed to the success of 2022, we look forward to an even more successful 2023.



**Lovy Jean, Chairman**



**Sonia Williams, Secretary**



**Kenneth Knowles, Member**



**NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**  
**47th ANNUAL GENERAL MEETING**  
**SUPERVISORY COMMITTEE REPORT**

In accordance of the Co-operative Act and the Bye-laws, the Supervisory Committee currently consists of three (3) members that are shareholders of the Credit Union. Two were elected at the 43rd Annual General Meeting and one was requested to return to the Committee, after it was discovered that a member elected was not qualified.

The Committee has the responsibility to oversee and monitor the business affairs of the National Workers Co-operative Limited Credit Union. In this capacity, the Supervisory Committee provides an objective, supervisory function ensuring that this Credit Union operates within its approved policies and procedures of the Co-operative Society Act. Additionally, the Committee seeks to ensure good governance and best business practices are uniformed across the various branches adequately providing the best benefit to the members/shareholders.

The Committee met monthly and worked closely with the Internal Auditor, Mr. K. Christie. We, also met with the Board of Directors and Management Team to discuss the operation of the business and relayed our recommendations. During our inspections of the Nassau, Freeport, Berry Islands and Andros Branches, the managers and staff were interviewed.

The Supervisory Committee met with the Board of Directors and Management Team on the managing of operational, credit and reputational risk, along with resolving compliance issues amongst other proper governance and compliance matters.

**Internal Audit Reports**

The Independent Internal Auditor K. Christie & Co. Chartered Accounts and Fraud Examiners carried out quarterly reviews.

The Internal Auditor revealed the following:

There were a few compliance matters that were pointed out during reviews.

Some files were not signed off by management or supervisors and there were expired government Identifications. The matters were noted and remediated.

It was recommended that dormant account policy be updated to ensure, as members files lacked evidence of follow up. Dormant members need to be effectively notified of status and to provide current contact information.

Reconciliation of the Bank of The Bahamas (BOB) accounts had pending items that go back three (3) to four (4) years. Some efforts have been made to clear items, however management reports staff issues as the root cause.

A recommendation was made to Management to have these outstanding reconciliation issues resolved.

There was also a lack of updated staff salary contracts, job descriptions and performance evaluations/appraisals on file.

### **Branch Matters:**

The Supervisory Committee is satisfied to report that inspections were completed at all four (4) branches, which included the Headquarters (Nassau), Freeport, Berry Islands and Andros, but unfortunately, we report that there are some crucial observations and recommendations made by this committee that have not been satisfactorily resolved up to this date.

### **Freeport Branch:**

The Supervisory Committee visited, inspected the branch and found that the Freeport Building project has been completed and is now ready for rental. Several functions have been held in the auditorium.

A Soft Opening of the building was held August 2022, to attract long-term leasing and rental of available spaces. Additionally, a financial symposium to educate members and the community was held to solicit small to medium business loan opportunities.

The Supervisory Committee reports that they have not seen any results regarding small to medium loans or new members stemming from this event and has not seen an overall financial improvement of the Freeport branch in comparison to the previous year.

### **Berry Islands:**

The Credit Union commenced operations of this Branch in the year 2018 to fulfill a void left by a financial institution. Management submitted a business plan to facilitate loans along with all other credit union services.

During the month of September 2022, a team comprised of the Chairman of the Board, Mr. Henry Davis, Supervisory Committee Chairperson, Ms. Yvonne Rahming, Chairman of the Credit Committee, Mr. Lovy Jean, CEO, Mr. Alfred Poitier and Representative from the Internal Auditor, Mr. Philip Beneby visited the Branch. The purpose was to inspect the branch and meet with local business owners and the membership on ways to increase revenue and discuss ways the Credit Union may assist its existing members.

The findings were that the Branch is still operating in a deficit, the staff had not received the outstanding back-pay as promised, there were not sufficient loans on the books to generate income, staff had yet to be provided with uniforms, members are experiencing extreme wait

times in receiving debit cards, the ATM is not adequately functioning and the wire transfers for the branch are being done by the Head office. Additionally, credit for the wire transactions is being recorded on the books of the Nassau Branch rather than revenue from the Berry Island Branch.

The Branch receives large deposits that exceed the branch's limit which are then transferred to the Nassau Branch. The Supervisory Committee recommended that if said funds are being used to facilitate loans in Nassau, then interest should be paid on said funds in a manner to increase revenue for Berry Island Branch.

Additionally, The Supervisory Committee recommended to the Board and Management to discontinue the risky and liable practice of allowing staff to transport excess cash to and from the branch and instead engage a proper licensed courier service. The Board agreed and complied with the recommendation.

The Supervisory Committee wishes to report that Berry Island Branch staff have strived to adhere and have complied with the policies and procedures despite working under strenuous conditions.

The Committee submitted reports, recommendations and feedback to the Board with regards to the Berry Islands Branch

#### **Andros Branch:**

The Andros Branch was inspected and found to have some customer compliance issues that were reported and have been remediated.

There was a robbery at the Andros Branch that occurred and a report to the Supervisory Committee remains outstanding.

There appears to always be insufficient cash available in the ATM to the membership in Andros.

Andros Branch is still not demonstrating profitability.

Recommendations and suggestions have been sent to the Board of Directors.

#### **Nassau Branch/Headquarters:**

The Nassau Branch, which houses our Headquarters where the Senior Management Team is located was inspected.

Cash count carried on the Nassau Branch in September 2022, revealed that there was a shortage of approximately \$27,134.49. A reporting of the matter remains outstanding.

There was found to be a violation of the cash policy regarding the amount of cash being held on the premises and the manner in which cash should be secured on the premises.

Recommendations were made by both the Supervisory Committee and the Internal Auditor to either amend the cash policy or to ensure complete adherence.

It was recommended at the last AGM that a HR Manager should be hired. We await an Update on the matter.

### **Delinquency and Collections:**

For a number of years, the Collections Department has had a challenge to reduce the delinquency rate. This area has been under the radar of our Credit Union and is still a serious challenge. While we commend the efforts of the Credit Committee Chairman, Mr. Lovy Jean and the Liaison Board Member, Mr. Kevin Hanna, more still need to be done. There are still some court cases pending repayment of outstanding funds. Many small loans have gone delinquent too soon after the member had received their loans.

The Committee recommended that greater emphasis, attention and priority are needed be paid to the members capacity to repay the loan applied for, to avoid these pitfalls.

### **Human Resource Function:**

The Supervisory Committee continued to inquire about the position of qualified Human Resources Manager, which is considered a vital role in the structure of any organization.

### **Asset Registry:**

There were not many issues, but it has been recommended that more attention be made to the matters regarding tracking fixed deposits that were opened many years ago, licensing of vehicles and insurances covering funds and vehicles.

### **East Bay Property:**

Outstanding rent for the East Bay property.

### **Poinciana Building:**

This building was renovated and currently houses the Collections Department.

### **JFK Property:**

This a pending case. Update required from The Board.

**The Central Bank:**

The Central Bank conducted interviews of some of the Board of Directors, Supervisory Committee Chairperson, Credit Committee Chairman and the CEO. The Supervisors of the Central Bank completed their investigations and made their requests and recommendations.

**Strategic Planning Conclave:**

The Committee would like to commend the deceased Chairman, Mr. Henry Davis and the CEO, Mr. Alfred Poitier for coordinating a Strategic Planning Conclave in the 2022, which was held at the Breezes Super Club Hotel. However, not many of the plans were successfully completed.

**Conclusion:**

I would like to thank the Supervisory Committee members, who worked diligently in the roles for which they were elected. It was a pleasure working with you and I appreciate you giving up valuable time for us to work effectively together. Members are Ms. Shantel Saunders, Secretary, Dr. Ebbie Jackson, Member and me, Ms. Yvonne Rahming as Chairperson.

Thanks to the CEO, Mr. Alfred Poitier, his Management Team and the Credit Union’s staff for accommodating the Supervisory Committee whenever we made our visits to the Branches along with any requests for information.

The Committee wishes to extend condolences on the recent passing of the Chairman, Mr. Henry Davis who was always receptive to the recommendations made and thanks to his honorable Board Members. Special thanks to the general membership of this great organization for the opportunity to serve you in this capacity.

*Yvonne Rahming*

Mrs. Yvonne A. Rahming  
Chairperson

*Shantel Saunders*

Ms. Shantel Saunders  
Secretary

*Ebbie Jackson*

Dr. Ebbie Jackson  
Member



## Terms of Office for Directors

| Director Name               | Year Up for Election |
|-----------------------------|----------------------|
| <b>Darrin Woods</b>         | <b>2025</b>          |
| <b>Anna Colebrooke</b>      | <b>2024</b>          |
| <b>Henry Davis</b>          | <b>2023</b>          |
| <b>Leo Douglas</b>          | <b>2023</b>          |
| <b>Kevin Hanna</b>          | <b>2025</b>          |
| <b>Deborah Zonicle</b>      | <b>2023</b>          |
| <b>Welbourne Cunningham</b> | <b>2023</b>          |

## Terms of Office for Supervisory Committee

| Committee Member Name        | Year Up for Election |
|------------------------------|----------------------|
| <b>Yvonne Rahming</b>        | <b>2023</b>          |
| <b>Dr. Ebbie Jackson</b>     | <b>2023</b>          |
| <b>Miss Shantel Saunders</b> | <b>2023</b>          |

## Terms of Office for Credit Committee

| Committee Member Name  | Year Up for Election |
|------------------------|----------------------|
| <b>Lovy Jean</b>       | <b>2023</b>          |
| <b>Sonia Williams</b>  | <b>2024</b>          |
| <b>Kenneth Knowles</b> | <b>2025</b>          |



# Resolutions

1. **BE IT RESOLVED THAT** the Board of Directors be responsible for the appointment of Auditors for the year ending December 31, 2022.
2. **BE IT RESOLVED THAT** the Board of Directors be responsible for the appointment of the Attorney for the year end December 31, 2022.
3. **BE IT RESOLVED THAT** the Board of Directors are to receive a monthly stipend of \$500.00.
4. **BE IT RESOLVED THAT** Supervisory Committee members are to receive a monthly Stipend of \$250.00.
5. **BE IT RESOLVED THAT** the Credit Committee members are to receive a monthly Stipend of \$200.00.
6. **BE IT RESOLVED THAT** the qualifying share par value be increased by \$50.00 to \$150.00 per share.

## Setting of Maximum Liability

7. **BE IT RESOLVED THAT** our maximum liability remains at \$75,000,000.00 as set at our 44<sup>th</sup> Annual General Meeting.

# Seven Cooperative Principles for Credit Unions

## 1. **Voluntary Membership**

Credit unions are voluntary, cooperative organizations, offering services to people willing to accept the responsibilities and benefits of membership, without gender, social, racial, political, or religious discrimination.

Many cooperatives, such as credit unions, operate as not-for-profit institutions with volunteer board of directors. In the case of credit unions, members are drawn from defined fields of membership.

## 2. **Democratic Member Control**

Cooperatives are democratic organizations owned and controlled by their members, one member one vote, with equal opportunity for participation in setting policies and making decisions.

## 3. **Members' Economic Participation**

Members are the owners. As such they contribute to, and democratically control, the capital of the cooperative. This benefits members in proportion to the transactions with the cooperative rather than on the capital invested.

For credit unions, which typically offer better rates, fees, and service than for-profit financial institutions, members recognize benefits in proportion to the extent of their financial transactions and general usage.

## 4. **Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the member and maintains the cooperative autonomy.

## 5. **Education, Training, and Information**

Cooperatives provide education and training for members, elected representatives, managers, and employees so they can contribute effectively to the development of the cooperative.

Credit unions place particular importance on educational opportunities for their volunteer directors, and financial education for their members and the public, especially the nation's youth. Credit unions also recognize the importance of ensuring the general public and policy makers are informed about the nature, structure, and benefits of cooperatives.

## 6. **Cooperation Among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, state, regional, national, and international structures.

## 7. **Concern for Community**

While focusing on member needs, cooperatives work for the sustainable development of communities, including people of modest means, through policies developed and accepted by the members.

# Prayer of St. Francis of Assisi

**Lord, make me an instrument of your peace.**

**Where there is hatred, let me sow love,**

**Where there is injury, pardon**

**Where there is doubt, faith,**

**Where there is despair, hope,**

**Where there is darkness, light,**

**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,**

**It is in dying that we are born into eternal life.**



## In Memory



IN LOVING MEMORY OF

MALINDA SWEETING  
SR. CREDIT OFFICER

(1975-2023)

MAY HER SOUL AND THE SOULS OF ALL OF OUR  
DEARLY DEPARTED REST IN PEACE



IN LOVING MEMORY OF

HENRY DAVIS  
PAST CHAIRMAN

(1964-2023)

MAY HIS SOUL AND THE SOULS OF ALL OF OUR  
DEARLY DEPARTED REST IN PEACE