

Financial Statements of

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

For the year ended December 31, 2022

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Financial Statements

December 31, 2022

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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.



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 "Ferris Bahamas".

ECOVIS Bahamas
Chartered Accountants
Nassau, The Bahamas

May 18, 2023

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

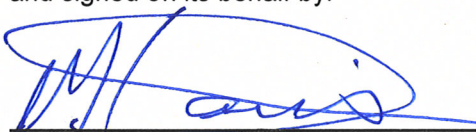
December 31, 2022

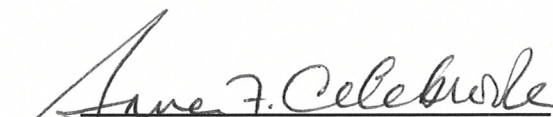
(Expressed in Bahamian dollars)


	Notes	2022	2021
ASSETS			
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
TOTAL ASSETS		\$68,228,655	\$67,922,121
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
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
MEMBERS' EQUITY			
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
TOTAL LIABILITIES AND MEMBERS' EQUITY		\$68,228,655	\$67,922,121

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)

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

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

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
Cash flows from operating activities:		
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)
Changes in operating assets and liabilities:		
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)
Net cash provided by/(used in) operating activities	1,964,160	(500,833)
Cash flows from investing activities:		
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)
Net cash used in investing activities	(723,580)	(1,085,422)
Cash flows from financing activities:		
Net issuance/(redemption) to qualifying shares	109,930	(3,400)
Principal paid on lease liabilities	(99,592)	(89,592)
Net cash provided by/(used in) financing activities	10,338	(92,992)
Net increase/(decrease) in cash and cash equivalents	1,250,918	(1,679,247)
Cash and cash equivalents, beginning of year	4,390,228	6,069,475
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,641,146	\$ 4,390,228
Supplemental cash flow information:		
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)

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)

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)

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)

- l) **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)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) **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)

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

December 31, 2022

(Expressed in Bahamian dollars)

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

December 31, 2022

(Expressed in Bahamian dollars)

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

December 31, 2022

*(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
		\$ 5,641,146	\$ 4,390,228

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)
		\$ 4,945,257	\$ 4,934,456

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	-
	\$ 960,546	\$ 614,271

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

(Expressed in Bahamian dollars)

8. DEPOSITS WITH THE LEAGUE

Deposits with the League are comprised of the following:

	Interest Rate	2022	2021
<u>Statutory reserve deposits (i)</u>	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
<u>Liquidity reserve deposits (ii)</u>	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
Total interest earned during the year		\$ 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

December 31, 2022

*(Expressed in Bahamian dollars)***9. FINANCIAL INVESTMENTS**

Financial investments are comprised of the following:

		2022	2021
<u>Debt securities - Amortized cost</u>			
	<u>Interest Rate (%)</u>		
<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
Total Corporate Bonds		100,000	100,000
Total debt securities		7,781,500	7,281,500
<u>Equity securities - FVTOCI</u>			
<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
Total equities securities		1,371,858	1,325,735
Total		\$ 9,153,358	\$ 8,607,235

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(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)
	\$ 27,516,857	\$ 29,783,624

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

	2022	2021
<i>Balance, beginning of year</i>	\$ 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)
<i>Balance, end of year</i>	\$ 27,516,857	\$ 29,783,624

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
	\$ 4,058,440	\$ 3,934,156

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

December 31, 2022

*(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
<i>Balance, beginning of year</i>	\$ 2,443,224	\$ 2,200,601
Net provision during the year	2,404,350	1,179,329
Loans written-off	(264,272)	(936,706)
<i>Balance, end of year</i>	\$ 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)
<i>Impairment losses reported in profit or loss</i>	\$ 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

December 31, 2022

(Expressed in Bahamian dollars)

10. LOANS RECEIVABLE (Continued)
g) Impairment under IFRS

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

	12-Month ECL	Lifetime Non-credit Impaired	Lifetime Credit Impaired	Total	
	Stage 1	Stage 2	Stage 3	2022	2021
<i>Balance, beginning of year</i>	\$ 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)
<i>Balance, end of year</i>	\$ 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 in Arrears	Number of Accounts	Delinquent Loans	Value of Security	Exposure	PEARLS Loan Loss Provision	Provision 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 in Arrears	Number of Accounts	Delinquent Loans	Value of Security	Exposure	PEARLS Loan Loss Provision	Provision 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

Notes to the Financial Statements

December 31, 2022

(Expressed in Bahamian dollars)

11. INVESTMENT PROPERTIES

a) *Investment properties consist of the following:*

	Land	Building	Total
<u>Cost</u>			
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
<u>Accumulated depreciation</u>			
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
<u>Carrying value</u>			
As at December 31, 2022	\$ 475,167	\$ 222,747	\$ 697,914
As at December 31, 2021	\$ 475,167	\$ 259,449	\$ 734,616

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

	Carrying Values	
	2022	2021
<u>Unoccupied land</u>		
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
<u>Rental Property - East Bay/Okra Hill</u>		
Land	280,000	280,000
Building	222,747	259,449
Total rental properties	502,747	539,449
	\$ 697,914	\$ 734,616

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

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

(Expressed in Bahamian dollars)

12. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Land	Building	Furniture and Fixtures	Leasehold Improvements	Computer System	Vehicles	Construction in Progress	Right of Use	Total
								(Note 14.1)	
Cost									
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
Accumulated depreciation									
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
Carrying value									
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

December 31, 2022

*(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
	\$ 673,800	\$ 546,937

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>	\$ 371,596	\$ 101,898

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>	\$ 376,412	\$ 106,497

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
	\$ 376,412	\$ 106,497

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(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 (a)	\$ 30,573,625	\$ 28,774,811
Term deposits (b)	20,898,954	21,914,285
Deposit accounts (e)	3,181,676	2,540,401
Educational savings (c)	2,494,190	2,575,532
House plan savings (d)	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 (f)	206,299	184,627
Back-to-school savings (g)	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

December 31, 2022

*(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%).

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)***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>	\$ 1,544,646	\$ 1,434,716

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>	\$ (2,527,082)	\$ (2,496,428)

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>	\$ 514,963	\$ 499,541

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(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
	\$ 3,141,095	\$ 3,841,459

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)
	\$ 534,526	\$ 514,946

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
	\$ 1,252,626	\$ 1,278,314

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.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)***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
	\$ 735,527	\$ 718,645

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><u>Personnel</u></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
	1,893,433	1,736,318
<i><u>Occupancy</u></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
	\$ 385,786	\$ 346,211

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

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

	2022	2021
<u><i>General business</i></u>		
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
<u><i>Organizational</i></u>		
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
<u><i>Depreciation</i></u>		
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

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

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

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2022

(Expressed in Bahamian dollars)

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

Notes to the Financial Statements

December 31, 2022

*(Expressed in Bahamian dollars)***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)
	\$ 22,792,792	\$ 655,970	\$ 3,192,619	\$ 26,641,381

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)
	\$ 24,297,719	\$ 1,877,837	\$ 2,809,215	\$ 28,984,771

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					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Over 5 Years	Total
Financial assets:						
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
Financial liabilities:						
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
Liquidity gap	\$ (42,305,838)	\$ (2,372,787)	\$ (3,394,166)	\$ 10,686,765	\$ 34,525,647	\$ (2,860,379)
	As at December 31, 2021					
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Over 5 Years	Total
Financial assets:						
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
Financial liabilities:						
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
Liquidity gap	\$ (38,301,101)	\$ (1,404,316)	\$ (2,102,252)	\$ 9,601,628	\$ 31,753,490	\$ (452,551)

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

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 –

- a) Not less than 10% of its members' deposits are kept in a liquidity reserve fund; and*
- b) 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
Provision (a)		
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%
Provision (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 2nd 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 1st 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)

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.

ECOVIS Bahamas • Serenity House • East Bay Street • P.O. Box SS-6229 • 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.



CHARTERED ACCOUNTANTS

May 18, 2023
Nassau, 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
INTEREST INCOME		
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
INTEREST EXPENSE		
Deposit interest expense	912,395	943,576
Total interest expense	912,395	943,576
NET INTEREST INCOME	1,982,573	2,638,116
OTHER INCOME	423,054	478,457
OPERATING EXPENSES		
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
LOSS FOR THE YEAR	(1,971,643)	(40,875)
SUMMARY OF RESULTS BY LOCATION		
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)
NET COMPREHENSIVE LOSS	\$ (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
<u>Organizational</u>		
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
<u>Depreciation</u>		
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
<u>Members' security</u>		
Share/loan insurance premium	197,051	159,780
Stabilization fee	15,300	15,789
Deposit insurance	22,544	24,030
	234,895	199,599
<u>Computer expense</u>		
Computer maintenance	78,654	67,906
Computer stationery supplies	5,179	1,914
	83,833	69,820
<u>Marketing</u>		
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
INTEREST INCOME		
Loan interest income	\$ 602,039	\$ 642,818
Investment interest income	174,498	159,242
Interest in deposits with the League	40,408	39,831
Total interest income	816,945	841,891
INTEREST EXPENSE		
Deposit interest expense	300,220	307,880
Total interest expense	300,220	307,880
NET INTEREST INCOME	516,725	534,011
OTHER INCOME	235,808	172,997
OPERATING EXPENSES		
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
Total operating expenses	1,009,771	878,215
NET LOSS FOR THE YEAR	\$ (257,238)	\$ (171,207)

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
<u>Personnel</u>		
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
<u>Occupancy</u>		
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
<u>General business</u>		
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 auditoriom	3,438	-
Other expenses	1,143	96
	\$ 64,176	\$ 50,820

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITEDStatement 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
INTEREST INCOME		
Loan interest income	\$ 137,434	\$ 123,944
Total interest income	137,434	123,944
INTEREST EXPENSE		
Deposit interest expense	29,084	20,458
Total interest expense	29,084	20,458
NET INTEREST INCOME	108,350	103,486
OTHER INCOME	43,605	42,489
OPERATING EXPENSES		
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
NET LOSS FOR THE YEAR	\$ (36,107)	\$ (562)

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
<u><i>Personnel</i></u>		
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)
<u><i>Occupancy</i></u>		
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
<u><i>General business</i></u>		
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
<u><i>Organizational</i></u>		
Board stipend and expenses	-	172
Committees stipend and expenses	900	-
	\$ 900	\$ 172

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

For the year ended December 31, 2022

(Expressed in Bahamian dollars)

	2022	2021
<u><i>Depreciation</i></u>		
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
	<u>32,595</u>	<u>30,178</u>
<u><i>Members' security</i></u>		
Share/loan insurance premium	6,166	4,276
Stabilization fee	1,131	819
Deposit insurance	708	547
	<u>8,005</u>	<u>5,642</u>
<u><i>Computer expense</i></u>		
Computer maintenance	1,324	1,201
Computer stationery supplies	2,421	1,253
	<u>3,745</u>	<u>2,454</u>
<u><i>Marketing</i></u>		
Advertising and promotions	3,484	601
Donations	400	400
	<u>3,884</u>	<u>1,001</u>
	<u>\$ 188,062</u>	<u>\$ 146,537</u>

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
INTEREST INCOME		
Loan interest income	\$ 32,887	\$ 12,538
Total interest income	32,887	12,538
INTEREST EXPENSE		
Deposit interest expense	10,927	6,400
Total interest expense	10,927	6,400
NET INTEREST INCOME	21,960	6,138
OTHER INCOME	33,060	24,702
OPERATING EXPENSES		
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
NET LOSS FOR THE YEAR	\$ (107,339)	\$ (83,916)

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
<u>Personnel</u>		
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
<u>Occupancy</u>		
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
<u>General business</u>		
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
<u>Organizational</u>		
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