

ANNUAL REPORT 2022



**BERMUDA
CREDIT UNION
CO-OP SOCIETY**

A Member

A Member is the most important person in any credit union.

A Member is not dependent on us. We are dependent on him/her.

A Member is not an interruption of our work.
He/she is the purpose for it.

A Member does us a favour when he/she comes in.
We are not doing a favour by serving him/her.

A Member is an owner of our business - not an outsider.

A Member is not just a statistic. He/she is a flesh-and-blood human being with feelings and emotions like us.

A Member is deserving of the most courteous and attentive treatment we can give.

A Member is a person who comes to us with his/her needs or wants. It is our job to fill them.

A Member is the lifeblood of the Bermuda Credit Union Co-op, Society and every other Credit Union. Without him/her we would have to close our doors.

CONTENTS

Notice of Annual General Meeting and Agenda	7
Report of the Board of Directors	9
Treasurer's Report	13
Credit Committee Report	23
Supervisory Committee Report	27
Financial Statements 2017	31
Financial Statements 2018	59
Financial Statements 2019	87
Nominating Committee Report	121
Collage	125
Memoirs – Leon Woods	128
Deceased Members	129
Staff Now Serving	130
Parliamentary Procedures	131



Bermuda Credit Union Co-op. Society
49 Union Square, Hamilton HM12, Bermuda
TEL: (441) 292-0385 FAX: (441) 295-6668
EMAIL: creditunion2@mbrscu.bm
www.bcu.bm

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the Bermuda Credit Union Co-operative Society will be held at the Dr. E. F. Gordon Memorial Hall, Union Square, Wednesday, July 6, 2022, commencing at 6: 00 p.m. Registration commences at 5: 30 p.m.

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

ORDER OF BUSINESS:

- Minutes of previous AGM and adoption
- Report of the Board of Directors
- Reports of the Auditor and Treasurer
- Report of the Credit Committee
- Report of the Supervisory Committee
- Resolutions
- Unfinished Business
- Distribution of Surplus
- Fixing of Maximum Liability
- New Business
- Elections
- Appointment of Auditor
- Adjournment

RONALDINE BURGESS
BOARD SECRETARY

NOTICE OF ANNUAL GENERAL MEETING

— *Prayer of St. Francis of Assisi* —

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

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

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



REPORT OF THE BOARD OF DIRECTORS

Board of Directors: Graham Nesbitt, President; Cecil Durham-1st Vice President, Clarence Smith 2nd Vice President, Gershon Gibbons-Treasurer, Ronaldine Burgess-Secretary, Shervin Dill, Renee Jones, Helena Burgess, Chris Furbert, Quinton Butterfield, Dr. Michael Charles, Shakia Smith, Anthony Wolffe, Ryan Robinson-Perinchief, Hon. Jason Hayward-resigned; Hon. Paula Cox-resigned, Glenn Simmons - deceased, Katherine Landy-deceased.

The report to this annual general meeting is one filled with emotions. This is due in the main to the various challenges we have faced since our last meeting which includes the loss of lives of several members. At the same time there are several things for which we must show our appreciation to you the members. During the year 2020 with the onset of the Covid-19 pandemic, the Credit Union recorded its largest growth in its 50-year history. Our assets grew by over \$5.1M, moving from \$20.9M to \$26.1M. The growth still continues and today our assets are over \$30M. Your Board continues to respond to the commitment of the members to the Credit Union.

GOLDEN HARVEST & FAMILY INDEMNITY PLAN SERVICES

For some fourteen years, the Board has been working with the Bermuda Monetary Authority and the insurance arm of the over 271 million members worldwide, namely CUNA Mutual Insurance Society in providing the two products namely the Golden Harvest and the Family Indemnity Plan. These products have been available to our members across the world for well over twenty-five years. Due to the limited understanding of the special relationship credit unions have with this insurance arm, certain requirements that are ordinarily expected of insurance companies operating in Bermuda do not apply to CUNA Mutual. After years of lobbying, these services commenced being offered in 2021. This means members may now obtain free insurance on savings not just up to \$4,000.00 but up to \$52,000.00.

LOAN PROTECTION INSURANCE

A credit union's *raison d'être* is members saving among themselves and borrowing from one another. When the borrowing member dies the Credit Union through CUNA Mutual provides insurance on loans such that the beneficiary is not required to repay the unpaid loan balance. This is cleared by CUNA Mutual. We have now increased the Loan Protection insurance coverage from \$20,000.00 to \$50,000.00. This too was achieved in 2021.

LOAN CEILING LIMIT

As the Credit Union experiences growth in savings so does its loan portfolio. Our loan portfolio at 2019 stood at \$11.91M. At 2020 it stood at \$11.30M, a decline of some \$600,000.00. However as at December 2021 it grew to \$12.8M, which was an increase of \$1.5M in a year. This growth in 2021 was due to the lifting of the lending limit by the BMA in 2020. This allowed us to be much more responsive to members' loans needs. This particular situation has made the going quite challenging for the Credit Union since the Credit Union depends on the loan income to meet the World Council of Credit Unions prudential standards and to declare dividends to you, our members. That is a challenge the solution to which is a work in progress.

The reminders over the years that delinquent loans have done much damage to the Credit Union cannot be too many. Though it has been arrested, those legacy delinquent loans will have to be addressed. Work continues on this and has intensified. Since 2019 when a collector was put in place over 450 deposits have been made by delinquent members that we have tracked down.

MILESTONE

The Credit Union began in 1972. This year we are fifty. We are gratified by the commitment of our members over all these years. For the savings you have amassed some \$25M it is commendable; for the growth in membership now with some 1,000 children accounts, the CU-BLUBBS it is commendable; for the coalescing of the forces with the BPSU, BUT and the BPS this is commendable. We are on course for another 50 years building on our achievements. The Chairman's Award from the Beacon Collection Company in 2020 is a testimony to the Credit Union's commitment to the international philosophy of the over 86,000 credit unions in over 218 counties serving over 375 million households, Not for Profit, Not for Charity but For Service and our mantra 'We Do Take Care'.

Sincere thanks to the other members of the Board and Credit and Supervisory Committees for their efforts in ensuring we serve the members. To the staff, please accept sincere thanks from the volunteer corp. To you the members, it is with profound appreciation of your continued wholehearted support that I bring this report to you.



Graham Nesbitt

President

BOARD OF DIRECTORS

2019	January	February	March	April	May	June	July	August	September	October	November	December	Total	KEY
PRESIDENT - G. NESBITT	1		1	1	1	1		e	1	1		1	8	
1ST VICE PRESIDENT - C. DURNHAM				a	1	1	1	e	1	e		1	4	V-Vacation
2ND VICE PRESIDENT - C. SMITH	5			1	2	1	1	1	1	1		1	8	E-Excused
SECRETARY - R. BURGESS	1		1	1	1	1	1	1	e			1	7	S-Sick
TREASURER - L. BURGESS	1		1	1	e	1	1	1					5	A-Absent
TREASURER-J HAYWARD	1		1	a	1	1	1	1	1	e		1	7	
DIRECTOR - C. FURBERT	v		1	a	1	1	1	e		e		1	4	
DIRECTOR - M. BURGESS	1		1	a	1	1	1	1	1	1		e	6	
DIRECTOR - K. LANDY	1		1	a	1	1		1	1	1			4	
DIRECTOR - G. SIMMONS					1			1	5	5		5	1	
DIRECTOR - S. DILL	1		1	a	1			e	1	1		1	6	
DIRECTOR - R. JONES			1	a	1	1	1	1	1	1			5	
DIRECTOR - Q. BUTTERFIELD	1				e	e		1	1	1			3	
DIRECTOR - HON. P. COX	1		1	1	e	1	1	1	1	1		e	7	
DIRECTOR-DR. M. CHARLES			e	a	e	1		1	1	1			3	
DIRECTOR - G. GIBBONS									1	1		1	2	

N.B. Director Jason Hayward was appointed Treasurer in October 2019 due to the resignation of Director Loretta Burgess

2020	January	February	March	April	April	May	June	July	August	September	October	November	December	Total	KEY
PRESIDENT - G. NESBITT	1			1	1	1	1	1	1	1	1	1	1	11	
1ST VICE PRESIDENT - C. DURNHAM	1							1						2	
2ND VICE PRESIDENT - C. SMITH	1			1	1	1	1	1	1	1	1	1	1	10	
SECRETARY - R. BURGESS	1			1	1	1	1	1	1	1	1	1	1	10	
TREASURER - J. HAYWARD	1			1	1	1	1	1						5	
TREASURER-G GIBBONS	1			1	1	1	1	1	1	1	1	1	1	11	
DIRECTOR - C. FURBERT														0	
DIRECTOR - M. BURGESS	1			1	1	1	1	1	1	1	1	1	1	11	
DIRECTOR - K. LANDY				e										0	
DIRECTOR - G. SIMMONS														0	
DIRECTOR - S. DILL	1			1	1	1	1	1	1	1	1	1	1	6	
DIRECTOR - R. JONES								1	1	1	1	1	1	8	
DIRECTOR - Q. BUTTERFIELD	1			1	1	1								3	
DIRECTOR- HON. P. COX	1			1	1	1	1	1	1	1	1	1	1	9	
DIRECTOR-DR. M. CHARLES	1						1	1	1	1	1	1	1	8	

N.B. Director Genthon Gibbons was appointed Treasurer in August 2020 due to the resignation of Director Jason Hayward

2021	January	February	March	April	May	June	July	August	September	October	November	December	Total	KEY
PRESIDENT - G. NESBITT	1	1	1	1	1	1	v		1	1	1	1	10	
1ST VICE PRESIDENT - C. DURNHAM	1	1	1	1	1	1	1	1	1	1	1	1	0	V-Vacation
2ND VICE PRESIDENT - C. SMITH	1	1	1	1	1	1	1	1	1	1	1	1	12	VV-Working
SECRETARY - R. BURGESS	1	1	1	1	1	1	1	1	1	1	1	1	12	E-Excused
TREASURER-G GIBBONS	1	1	1	1	1		1	1	1	1	1	1	11	A-Absent
DIRECTOR - C. FURBERT													0	
DIRECTOR - M. BURGESS	1	1	1	1	1	1	1	1	1	1	1	1	12	
DIRECTOR - S. DILL	1	1	1	1	1	1	1	1	1	1	1	1	10	
DIRECTOR - R. JONES	1	1	1		1	1	1	1	1	1	e		8	
DIRECTOR - Q. BUTTERFIELD													0	
DIRECTOR - HON. P. COX	1	1	1	1	1	1	1	1	1	1	1	1	7	
DIRECTOR - DR. M. CHARLES	1	1	1	1	1	1	1	1	1	1	1	1	12	

TREASURER'S REPORT

The last Treasurer's report to this August body in 2019 hailed the strong support of the membership in making it possible for the Credit Union to be reporting surpluses in its operations. Three years later in spite of Covid-19 we are heartened that the performance of the Credit Union continues in the same vein. With the support of you the members, in addition to the surpluses being made, other Key Performance Areas (KPAs) continue in the right direction.

STRONG GROWTH

For the period of reporting, our institutional Capital with the use of the Permanent Shares grew by \$100,923.00 moving from \$1,029,359.00 to \$1,130,282.00. At the end of first quarter 2022, our Institutional Capital stood at \$1,312,952.00. For the reporting period, our assets moved from \$17.44M to \$20.97M, a 20.26% increase. At the end of the first quarter 2022 our assets stood at \$29.04M. It means since the last Treasurer's report our assets grew by \$9M or a 45.21% increase in two years. Our savings during the reporting period savings from \$16.06M to \$19.42M which was a 20.93% increase. At the end of the first quarter 2022, savings stood at \$27.36M representing a 40.88% increase.

CHALLENGES BEING TACKLED

All these Key Performing areas (KPA's) are testimony to the strong show support of the members for the Credit Union. The Credit Union however is fully aware of the challenges being faced as we strive to operate within a safe and sound environment as set you in our PEARLS-M prudential standards set by the World Council of Credit Unions. (WOCCU). The prudential standard for this very important Key Performing rea is that it should be 10% of our total assets. At the quarter ended March 2022 it stood at 4.79%. The delinquent loans as a percentage of total loans should be not more than 5%. At the end of the first quarter 2022 it stood at the alarming rate of 22.14%

Our Institutional Capital cumulative is just over \$1M. Our loan loss provision is \$440K. However, our loan loss provision should be \$3.6M as per the delinquency control report as at first quarter 2022. We need to work assiduously to either bring down the delinquency rate or have the required loan loss provision in place which showed a shortfall of \$3.2M. The delinquency has had a tremendous impact on the Credit Union and that is the reason for the pressing need for the Institutional Capital to be what it should be namely 10% of our assets which is \$2.9M since our assets as at third quarter 2022 were \$29M. In addition to that we need to have \$3.6M for the loan loss provision. We are nowhere near there.

SAFETY AND SOUNDNESS

Our retained earnings as at first quarter 2022 stood at 45,000.00. At September 2021 it was over \$180,000.00. The decline is not as a result of declining surpluses over these past months. It is as a result of setting funds aside for deposit insurance. Deposit insurance provides members with a sense of security that if there is a failure their funds up to \$200,000.00 are insured. However, credit unions in countries like the United States when participating in the deposit insurance scheme are required by law to have these funds be an asset to the credit unions.



TREASURER'S REPORT

Therefore, instead of further eroding funds we are trying to use in our retained earnings to be transferred to Institutional Capital, we have had to be expensing well over \$130K for deposit insurance causing our retained earnings to decline from over \$180K as at September 2021 to the current \$45K. Treated as an asset we would still pay the \$130,000.00 deposit insurance premiums but with the understanding that it is treated as an asset. This is done to preserve the credit unions' prudential standard but without having to burden with further costs to pay these premiums. It is a prudential standard that allows credit unions to have funds in Institutional Capital to deal with shocks. Our delinquency rate shock is all the more reason for ensuring the deposit insurance is treated as an asset. We do not charge members' fees to pay the deposit insurance because all credit unions must live up to the time-honoured mantra Not For Profit, Not For Charity but For Service which is sacrosanct.

GOING FORWARD

The Credit Union from its annual strategic planning retreats has laid its five-year plan to continue to engage the members in ensuring our prudential standards for safety and soundness are adhered to. The five-year plan has the following projections by December 2023:

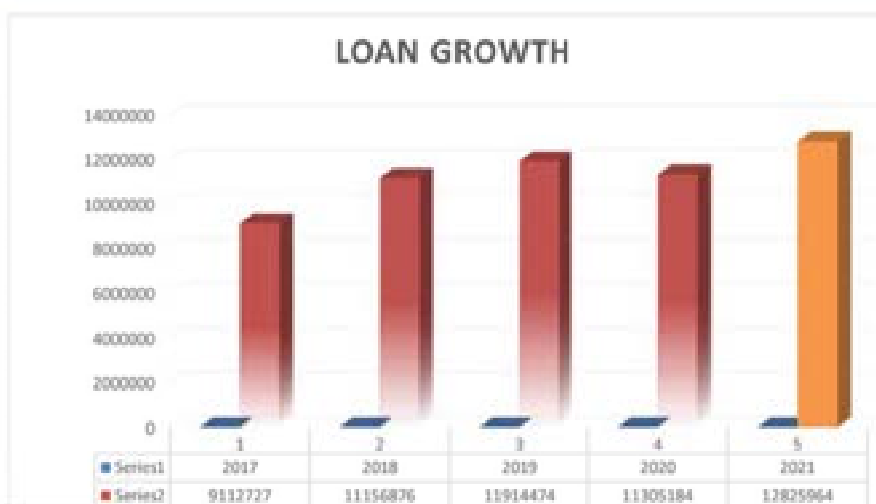
- Total Assets \$41M
- Total Savings \$38M
- Total Loans \$33M
- Loan Loss provision \$742,000
- Total Capital \$1.9M

For us to achieve this, the Credit Union will continue to enhance its technology to allow for online transactions. The savings products are all designed to encourage members to save more; some of these savings though being offered to members worldwide for many years have recently been offered to our members. Whilst the projections show that we will not be achieving all of the prudential standards by 2023, it is the reality that we have doggedly stuck to our goals over the years that has allowed us to chart a pathway of upward movement by that time.

To the members, wholehearted appreciation for their loyalty is hereby expressed. Sincere appreciation too to the staff for their hard work and to the Board, Credit and Supervisory committees for their support.

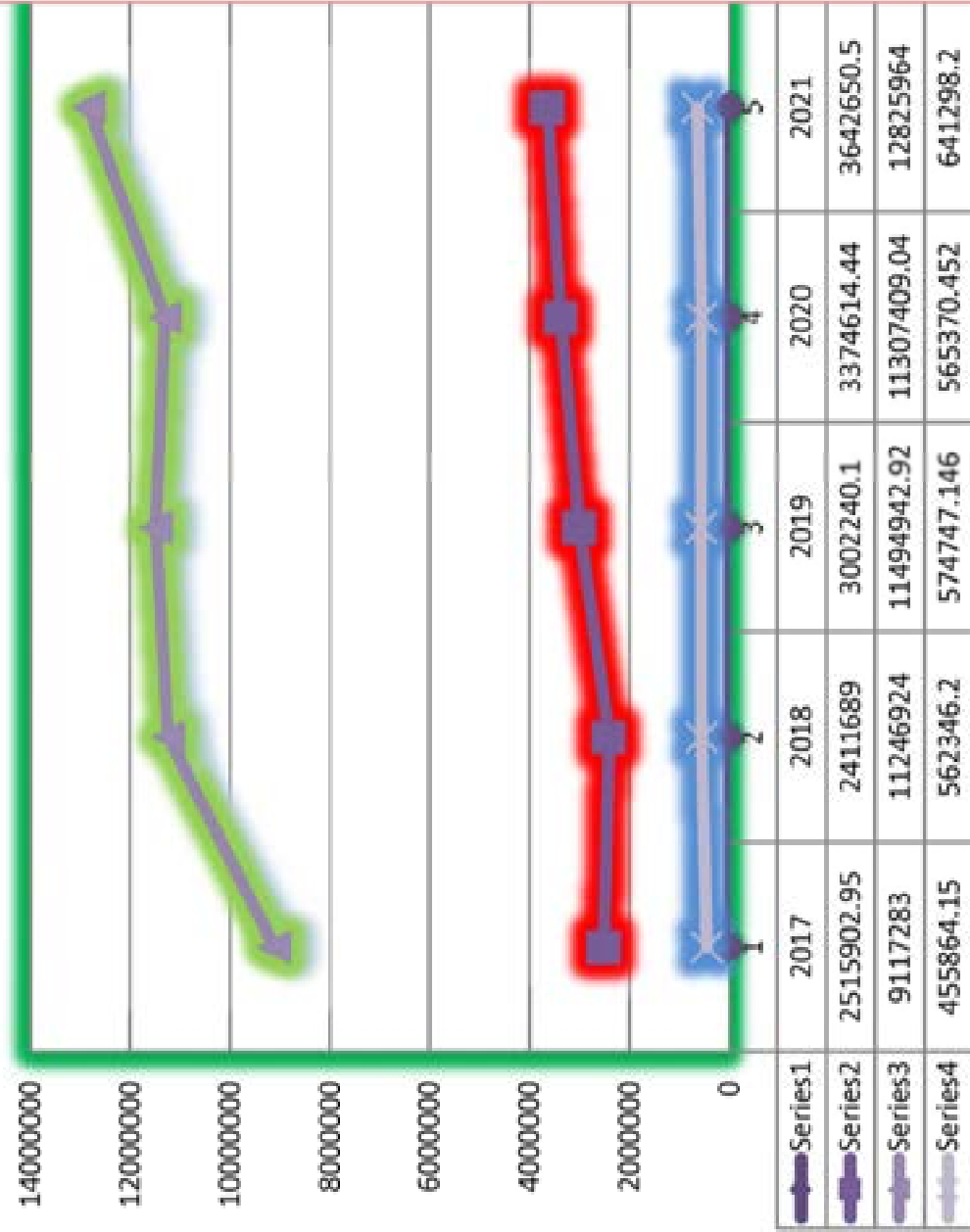


.....
Gershon Gibbons
TREASURER

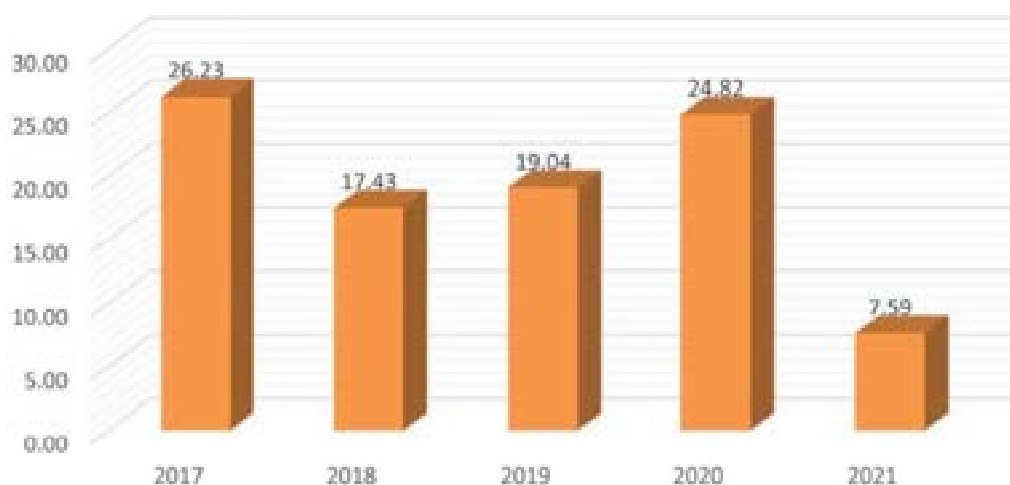


TREASURER'S REPORT

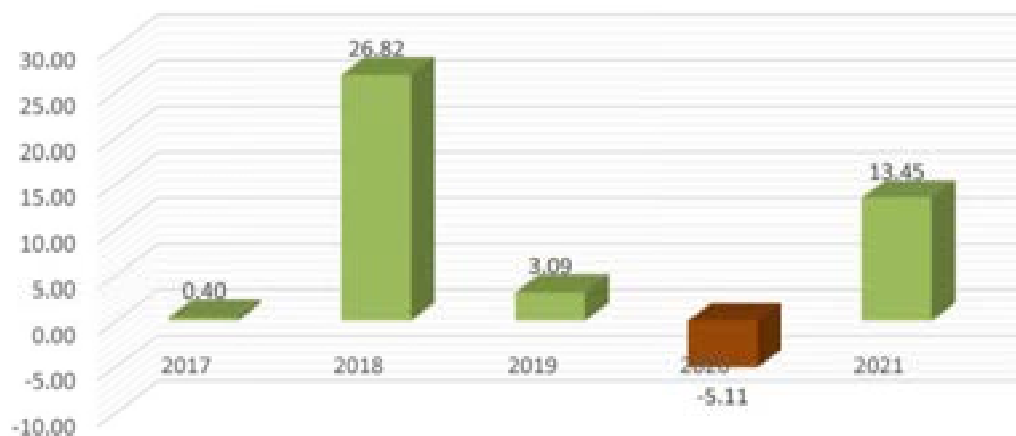
DELINQUENT LOANS



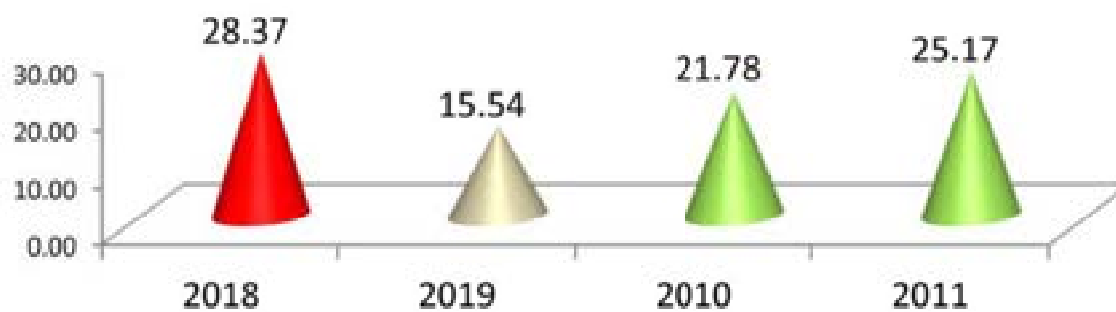
ASSET CHANGE



LOANS CHANGE



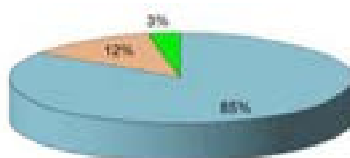
SAVINGS CHANGE



TREASURER'S REPORT

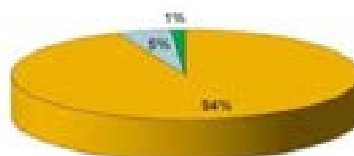
LET US LOOK AT THE MONEY WE HAVE						INCREASE (DECREASE)	
2019						2018	%
\$						\$	
14,453,790.00	WE THE MEMBERS OWN					12,113,870.00	18.32
4,972,270.00	SHARES					3,949,589.00	25.89
	SPECIAL DEPOSITS						
1,130,292.00	WE ALSO OWN					1,029,359.00	9.80
(59,216.00)	STATUTORY & LEGAL RESERVES					(78,913.00)	23.01
106,000.00	RETAINED EARNINGS & UNDISTRIBUTED SURPLUS					106,000.00	0.00
	CONTRIBUTED SURPLUS						
	OTHER RESERVES						
20,603,126.00	MAKING THE GRAND TOTAL OWNED BY MEMBERS					17,121,505.00	20.33
11,914,474.00	LET US SEE HOW THE MONEY WAS BEING USED					11,153,957.00	6.62
441,679.00	LOANS TO US AS MEMBERS					348,927.00	26.62
2,595,068.00	OTHER RECEIVABLES					1,535,743.00	68.98
53,405.00	CASH IN HAND AND AT BANK					29,720.00	157.67
5,972,943.00	TO PURCHASE ASSETS					4,385,095.00	36.23
20,078,569.00	INVESTMENT IN OTHERS					17,444,354.00	20.26
375,443.00	LESS AMOUNT WE OWED TO OTHERS AT YEAR END					317,503.00	20.14
20,603,126.00						17,121,505.00	20.26
	LET'S EXAMINE HOW OUR INCOME WAS EARNED						
	OUR INCOME WAS EARNED FROM						
1,151,147.00	INTEREST ON MEMBERS' LOANS					1,091,652.00	5.43
167,014.00	INTEREST ON INVESTMENTS					111,738.00	49.47
35,713.00	OTHER INCOME					71,109.00	44.17
1,357,914.00						1,244,589.00	9.11
1,272,575.00	OUR COST TO OPERATE THE CREDIT UNION WAS					1,156,380.00	11.89
67,842.00	ADMINISTRATION					83,054.00	-27.31
1,340,217.00	FINANCIAL					1,229,343.00	9.02
17,697.00	GIVING A SURPLUS BEFORE STATUTORY RESERVES OF					15,146.00	16.08
17,697.00	GIVING A NET SURPLUS OF					15,146.00	16.08
	TO WHICH WE ADD THE PREVIOUS YEARS UNDISTRIBUTED SURPLUS						
	LESS DISTRIBUTION APPROVED AT LAST AGM						
17,697.00	MAKING A GRAND TOTAL UNDISTRIBUTED SURPLUS AVAILABLE FOR DISTRIBUTION AT THE AGM					15,146.00	16.08
HIGHLIGHTS OF OUR FINANCIAL PERFORMANCE							
KEY AREAS	2019	2018	INCREASE	INCREASE			
	\$	\$	\$	%			
Share capital	14,453,790	12,113,870	2,339,920	19.32			
Members' deposits	4,972,270	3,949,589	1,022,681	25.89			
Loans	11,914,474	11,153,957	760,517	6.82			
Interest on members' loans	1,151,147	1,091,652	59,495	5.43			
Income earned from other investments	167,014	111,738	55,276	49.47			
Liquid assets	2,595,068	1,535,743	1,059,325	68.98			
Operating expenses	1,340,217	1,229,343	110,874	9.02			
Net surplus	17,697	15,146	2,451	16.08			
Total assets	20,078,569	17,444,354	2,634,215	20.26			
Total liabilities	5,991,195	5,829,081	162,114	1.07			
Statutory reserves	1,130,292	1,029,359	100,933	9.80			
INCOME & EXPENDITURE							
Income	1,357,914	1,244,589	113,325	9.11			
Expenditure	1,340,217	1,229,343	110,874	9.02			

SOURCE OF FUNDS



	\$'000
LOAN INTEREST	1,181,187
INVESTMENT INCOME	167,914
OTHER INCOME	38,753

USE OF FUNDS



	\$'000
ADMINISTRATIVE COSTS	1,272,575
FINANCIAL COSTS	87,842
SURPLUS	17,887

TREASURER'S REPORT

PEARLS-M							
KEY RATIOS							
BERMUDA CREDIT UNION CO-OP. SOCIETY							
Period Ending:	Dec-19	12/31/2019	CODE	CODE ASSIGNMENTS	CODE 3	CODE 4	CODE 5
STANDARD	12/31/2019 PERFORMANCE	CODE 1	CODE 2				
PROTECTION							
*1 - P1 - Adequacy of A.L.L. for Delinq. < 2 mos	0%						
*2 - P2 - Adequacy of A.L.L. for Delinq. 2 - 12 mos	60%						
*3 - P3 - Delinq. Loans > 12 mos./Delinq. Loans	100%						
4 - P6 - Solvency Evaluation	>100%						
*5 - P7 - Net Capital / Total Assets	>10%						
EFFECTIVE FINANCIAL STRUCTURE							
*6 - E1 - Net Loans / Total Assets	60-80%						
7 - E4 - Non-financial Investments / Total Assets	0%						
*8 - E5 - Total Savings / Total Assets	70-80%						
9 - E8 - Institutional Capital / Total Assets	>8%						
ASSET QUALITY							
*10 - A1 - Delinquent Loans / Gross Loans	<5%						
*11 - A2 - Total Non-Earning Assets / Total Assets	0.96%						
12 - A3 - Net Charge-offs / Average Loans	0.00%						
RATES OF RETURN & COSTS							
13 - R1 - Gross Income / Average Assets	6.67%						
*14 - R6 - Cost of Funds / Average Members' Savings	0.35%						
*15 - R9 - Operating Expenses / Average Assets	6.07%						
16 - R10 - Provision for Loan Loss / Avg. Assets	0.77%						
*17 - R12 - Net Income / Average Assets	0.05%						
LIQUIDITY							
*18 - L1 - Total Liquidity/Total Members' Savings							
*19 - L2 - Liquidity Reserve / Total Members' Savings	20-30%						
SIGNS OF GROWTH							
*20 - S1 - Growth in Total Assets	20.26%						
*21 - S7 - Growth in Membership	9.59%						
COMPOSITE CODE							

FRM
3B

CREDIT UNION MONTHLY FINANCIAL RETURN
PROFILE OF MEMBERS LOANS AND ADVANCES CONT'D.
AS AT: December 31, 2019

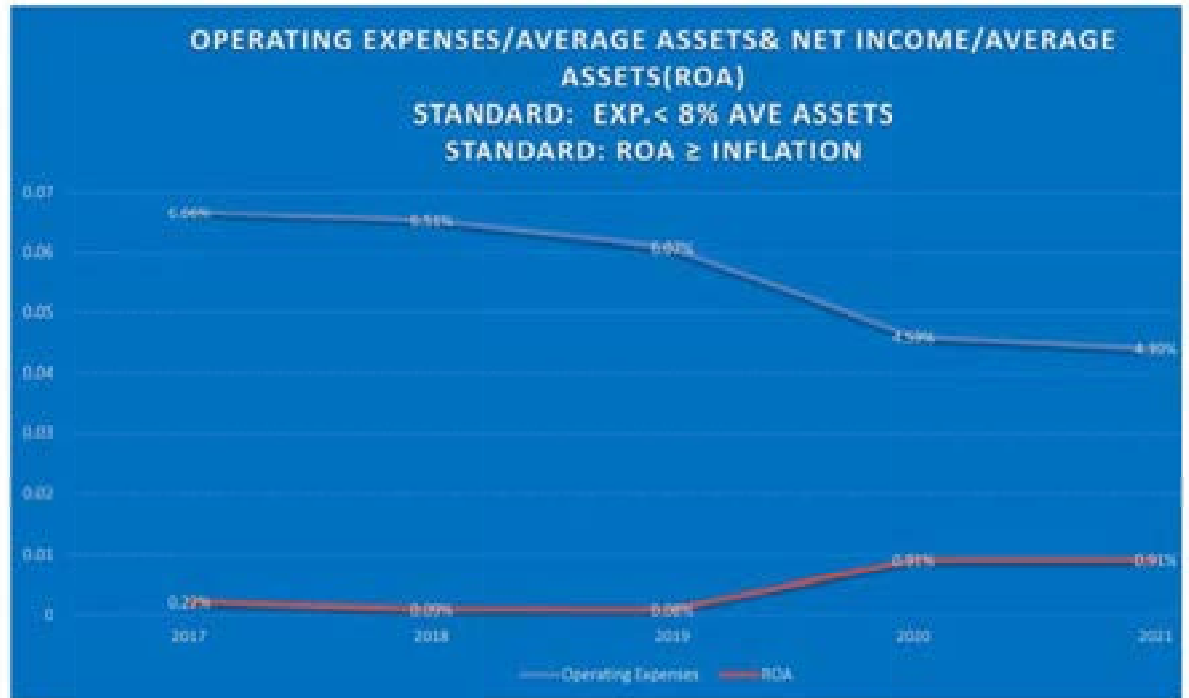
BUSINESS IDENTIFICATION #: CREDIT UNION'S NAME: BERMUDA CREDIT UNION
CO-OP SOCIETY

C. LOANS DELINQUENCY & ALLOWANCE REPORT

CATEGORIES	Number		%	Allowance Req'd
Current Loans (less th	571	8,384,434.21	0%	
Delinquent Loans (32	20	108,268.61	0%	
Delinquent Loans (61	12	153,522.54	10%	15,352.25
Delinquent Loans (91	12	312,263.55	30%	93,679.07
Delinquent Loans (181	18	468,675.61	60%	281,205.37
Delinquent Loans (ove	117	2,067,778.40	100%	2,067,778.40
TOTAL PROVISIONS		11,494,942.92		2,458,015.09
		11,494,942.92		21.38%
		0.00		
TOTAL DELINQUENT LOANS		3,002,240.10		
ACTUAL LOAN LOSS ALLOWANCE		151,683.34		
TOTAL LOSS ALLOWANCE REQUIRED		2,458,015.09		
% DELINQUENCY OF TOTAL LOAN		21.38%		
(SHORTFALL)/EXCESS ALLOWANCE		-2,306,331.75		

TREASURER'S REPORT

TREASURER'S REPORT



CREDIT COMMITTEE REPORT

Lawrence Holder-Chairman; Dee-Ann Martin-Iris-Secretary; Hon. Derrick Burgess; Terrylynn Lewis; Leah Richardson; Prinzie Bailey; Edmund Simons; LaVerne Furbert-deceased.

At this our 41st Annual General Meeting I now present to you the report on the most important asset of the Credit Union namely loans. There was a decline of \$1.5M in the loans disbursed in 2019 versus 2018. The loans disbursed in 2018 were \$5.08M and the loans disbursed in 2019 were \$3.5M. The reason for this was a loan restriction limit by the Bermuda Monetary Authority. This capped our net loan portfolio to \$10.8M. Our net loans as at 10.79M thus ensuring we adhere to the limit. The audited financial statement however reports a net loan portfolio of \$11.91M. This seeming breach of the limit by over \$1M, does not mean the Credit Union granted loans exceeding the limit. That \$1M over the limit is comprised of share loans amounting to \$538,000.00. The remaining \$590,000.00 represents overdrafts most of which were written over 15 years ago.

SHARE LOANS

In the case of share loans, they are basically share conservation actions taken members to preserve their savings. The members have saved and wish to continue building their stock of wealth so instead of withdrawing their share savings they borrow against it up to 95% of their savings. It means the loan is fully secured. Since the member has the power to withdraw the shares at any time and those savings are always more than the loan, they are excluded by the Credit Union when arriving at the total loans in relation to the lending limit.

PRUDENTIAL STANDARDS & LENDING

This committee endeavours to use the guiding principles of the six c's in lending namely: capital, capacity, collateral, character, condition and capability in ensuring members' borrowing needs are met whilst ensuring the Credit Union is safe and sound. It is this tight balancing act that we the members of the committee engage in continually to make this a win-win situation. The Credit Union depends on loans to meet its safety and soundness standards. The Institutional Capital, the loan loss provisioning, the expenses to total assets ratio; the loans to assets ratio to state some. The prudential standard set by the World Council of Credit Unions and accepted into the Credit Unions Act by the BMA states that net loans should be between 70% and 80% of total loans. At present it is 46.73%. It is just a little above half of what it should be. It means there is much work to do. In fact in 2019 it was 54.99%. It means we have further slipped.

It means the Credit Union has not optimized on its earning capacity. True to the time-tested standards by the World Council of Credit Unions, due to the fact that this prudential standard is not met it has hampered all of the prudential standards. Safety and soundness and financial prudence cannot be taken for granted because they pose such a serious threat to the organization.

TIGHT BALANCING ACT

Each time we have to defer a loan we contemplate on which of standards this is going to impact. If we grant a bad loan it impacts negatively our loan loss provisioning. On the other hand, If we fail to approve a loan that would have been properly serviced it is added strain on the Credit Union to meet its Institutional Capital standard which speaks to our solvency. This is quite an opportunity cost. Undoubtedly, our loans are the most important asset of the Credit Union.



DELINQUENCY

It is therefore instructive the Credit Union also continues to work on the high rate of delinquent loans. This now stands at 21.88%, At 2019 this stood at 21.38%. It means the task in this area is far from finished. The prudential standard is that this should be no more than 5% of our loan portfolio. This is four times higher than it should be. This is quite alarming. It means some of our members have let us down. On our part, we are committed in not having this rate increase.

ANALYSIS OF MEMBERS' BORROWING PATTERN

The table accompanying this report shows during the period loans granted for debt consolidation and loan re-schedule accounted for 18.38% of the value of the loans disbursed and 22.5% of the number of loans disbursed. As a percentage of the numbers loans for other categories this was indeed significant. Motor vehicle purchase was the only category that neared the debt consolidation and loan-re-schedule categories. This accounted for 29.82% of the value of the loans disbursed and 20.48% of the number of loans disbursed. The other categories in the double-digit percentage were home improvement and education which accounted for 14.28% and 14.08% respectively of the total value of the loans disbursed.

With debt consolidation and loan re-scheduling making up almost a quarter of the total value of the loans disbursed it could be an indicator that our members are facing some financial challenges. Members are encouraged to manage their financial affairs so that the likelihood of defaulting on loans is alleviated. The records show that the high level of delinquency being faced by the Credit Union hinges heavily on loans granted in the past for debt consolidation.

The Credit Union is here to improve the financial position of our members and not just a place of last resort. When members save or put shares with the Credit Union thus making it possible for members to have access to credit, these saving members expect these shares to be used for strengthening the financial position of the Credit Union and that they also receive dividends on their savings. This is reciprocity, a two-way street.

SYMBIOSIS AND FUTURE SUCCESS

The future success of the Credit Union depends upon the interaction of all of the stakeholders to the advantage of all – a mutually beneficial relationship. It is clear from the foregoing that though the effort is being made to enjoy that symbiosis, there is need for improvement. The encouraging signs are evident however that the challenges the Credit Union has been hamstrung with – delinquency, dependence on the Credit Union as a debt-relief source is gradually improving. This means an assured future for the Credit Union. The Credit Committee is committed to being the catalyst for this positive direction. With the support of the members this will be achieved. Fifty years of thanks go to our colleagues on the Board and Supervisory Committee; fifty years of thanks go the staff and most of all fifty years of thanks to the members for loyalty.



Lawrence Holder
Chairman

COMPARATIVE STATISTICS LOANS DISBURSED - 2018-2019

PURPOSE	NO. OF LOANS	2018	%AGE	NO. OF LOANS	2019	%AGE
		VALUE \$			VALUE \$	
TAXES & LEGAL COSTS	7	147,373.72	2.90	5	74,862.45	2.10
AUTOMOBILES / BIKE	93	1,513,039.59	29.82	73	1,107,126.88	31.06
VACATIONS	17	92,400.00	1.82	1	12,000.00	0.34
REAL ESTATE	1	5,000.00	0.10	2	65,000.00	1.82
RENT / MORTGAGE	12	94,022.22	1.85	2	9,000.00	0.25
CONSOLIDATION	85	502,992.60	9.91	72	506,472.39	14.21
HOME FURNISHINGS / EQUIPMENT	24	122,337.55	2.41	20	128,863.00	3.61
MEDICAL	16	81,265.00	1.60	13	104,100.00	2.92
INSURANCE / LICENSE	2	3,550.00	0.07	4	55,950.00	1.57
HOME IMPROVEMENTS / ADDITIONS	38	724,677.61	14.28	23	248,537.00	6.97
CHRISTMAS	3	10,000.00	0.20			0.00
DENTAL	5	22,000.00	0.43	2	9,000.00	0.25
WEDDINGS / FUNERALS	17	134,197.40	2.64	7	116,297.50	3.26
EDUCATION	51	714,331.72	14.08	41	376,930.00	10.57
REPAIRS / MAINTENANCE	1	4,000.00	0.08	1	2,500.00	0.07
BUSINESS PURPOSE	12	201,900.00	3.98	12	105,450.86	2.96
INVESTMENT	0	-	0.00	0	-	0.00
MISCELLANEOUS	0	-	0.00	0	-	0.00
USED VEHICLE	0	-	0.00	0	-	0.00
TRAVEL	39	198,935.97	3.92	58	311,400.00	8.74
VEHICLE REPAIRS	13	72,775.00	1.43	8	44,146.13	1.24
LOAN RE-WRITE	17	428,502.08	8.44	11	287,191.03	8.06
HOTEL PENSION	1	1,300.00			-	0.00
FUNERALS						
	454	5,074,600.46		355	3,564,827.24	-29.75

PURPOSE	2018 VALUE \$	2019 VALUE \$	%AGE CHANGE '19/'18
Taxes and Legal costs	147,373.72	74,862.45	96.86
Motor Cars and Cycles	1,513,039.59	1,107,126.88	36.66
Vacations	92,400.00	12,000.00	670.00
Real Estate	5,000.00	65,000.00	100.00
Rent Mortgage	94,022.22	9,000.00	944.69
Debt Consolidation	502,992.60	506,472.39	(0.69)
Home Furnishings	122,337.55	128,863.00	(5.06)
Medical	81,265.00	104,100.00	(21.94)
Insurance/licence	3,550.00	55,950.00	(93.66)
Home Improvements	724,677.61	248,537.00	191.58
Christmas	10,000.00	0.00	-
Dental	22,000.00	9,000.00	
Weddings/funerals	134,197.40	116,297.50	15.39
Education	714,331.72	376,930.00	89.51
Extensions/re-writes	428,502.08	287,191.03	49.20
Repairs/Maintenance	4,000.00	2,500.00	(100)
Business Purpose	201,900.00	105,450.86	91.46
Investment	0	-	-
Recreational vehicles	0	-	-
Miscellaneous	0.00	0.00	-
Used Vehicles	0.00	0.00	-
Split loans	0	-	-
Travel	198,935.97	311,400.00	(36.12)
Motor Vehicle Repairs	72,775.00	44,146.13	11,500.00
Hotel Pension	1,300.00	0	1,398.31
	5,074,600.46	3,564,827.24	42.35

SUPERVISORY COMMITTEE REPORT

Wayne Mouchette-Chairman
Carla Burgess- Secretary
Delores Glasford
Corlita Spalding-Davis
Pahn-ya Ratteray



The Supervisory Committee hereby presents this report giving an account to you our fellow members our views on the operations of the Credit Union for the year under review.

In June, right after the Annual General Meeting in 2019, the Supervisory Committee members met and clearly laid out its plans and reviewed the role of the Committee. The two main responsibilities the Committee took on were:

- Ensuring that the financial statements accurately fairly present the financial condition of the Credit Union
- Ensuring that the management practices and procedures safeguard the assets of our members.

SITE VISIT

During the year the Committee conducted a site visit and performed a cash count. The following areas were highlighted:

- A new method of cash reconciliation had been implemented which allowed the manager to have information readily available
- The manager shared that there had been less cash shortages by the Member Care Representatives
- The cash tills were not counted as it was very busy

In October 2019, the Committee met to review dormant and delinquent accounts. The Committee required the following from the management:

DORMANT ACCOUNTS

1. What actions have been taken to contact dormant account holders?
2. What is the policy surrounding dormant account holders that are deceased?
3. Would the BCU consider hiring a student temporarily to assist with this project – contacting dormant account holders?

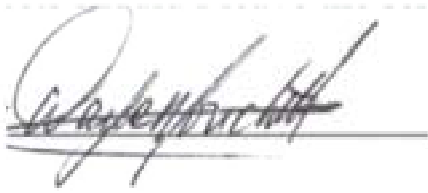
DELINQUENT ACCOUNTS

1. Is there a list of delinquent account holders posted anywhere?
2. How many delinquent account holders are there?
3. Can the Supervisory Committee obtain a list of all delinquent account holders?
4. Have any repayment plans been discussed with delinquent account holders?

The Committee also requested that a sample of fifteen (15) files of members be provided for review. The management provided the files along with the policies that are being followed within the Credit Union. The management provided the Authorities Schedule showing the policy regarding dormant accounts. The list of delinquent accounts was also provided.

LOOKING RETROSPECTIVELY & PLANNING AHEAD

The Committee also participated in the 5th Annual Strategic Planning Retreat in November of 2019. The Credit Union faces an uphill task with the delinquency and as the Supervisory Committee it strongly encourages the efforts and recommends that the efforts on this matter intensify. For those members who are seeking to do online transactions be heartened that too is one of the Committee's area of concentration.

A handwritten signature in dark ink, appearing to read 'Wayne Mouchette', is written over a solid horizontal line. Above this line is a dashed horizontal line.

Wayne Mouchette
Chairman



FINANCIAL STATEMENTS 2017

MOORE STEPHENS & BUTTERFIELD

CHARTERED PROFESSIONAL ACCOUNTANTS

2 Reid Street
Hamilton HM11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HMJX
Bermuda

Tel: (441) 295 4800
Fax: (441) 296 6717
Email: msb@msb.bm
www.moorestephens.bm

The Board of Directors
C/o Mr. Graham Nesbitt
President
B.I.U. Members' Credit Union Co-op Society
49 Union Square Mall
Hamilton HM 12

August 9, 2020

Dear Sirs:

B.I.U. Members' Credit Union Co-op Society (the "Credit Union")

We enclose three (3) bound and seven (7) unbound copies of the audited financial statements of the Credit Union for the year ended December 31, 2017, together with our Independent Auditors' Report, duly signed.

Please arrange for one (1) unbound copy of the audited financial statements to be signed by two (2) Directors, after formal approval by the Board of Directors, and be returned to us.

Yours faithfully,



Chartered Professional Accountants
Hamilton, Bermuda

Enclosure:
Audited Financial Statements

2 Reid Street
Hamilton HM11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HMJX
Bermuda

Tel: (441) 295 4800
Fax: (441) 296 6717
Email: msb@msb.bm
www.moorestephens.bm

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the B.L.U. Members Credit Union Co-op Society (the "Credit Union") which comprise the balance sheet as at December 31, 2017, and the statements of earnings, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of B.L.U. Members Credit Union Co-op Society as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

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

Emphasis of Matter

We draw attention to Notes 1 and 15 to the financial statements which describe the specific provisions of The Credit Unions Act 2010 (the "Act") which the Credit Union was not in compliance with. The Act requires that the Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the Credit Union's financial year. The Act requires that the Credit Union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets. The Act requires that at the close of each financial year, 25% of the Credit Union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the Credit Union's total assets. The Act requires that the maximum period for which a credit union can lend to any member is ten years. The Act requires that a Credit Union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member. Our opinion is not qualified in respect of these matters.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 Bermuda and Canada. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

Other Matter

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

Mona Stephens & Butterfield

Chartered Professional Accountants
Hamilton, Bermuda
August 6, 2020

**B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017**

TABLE OF CONTENTS

Management Responsibility	1
Auditors' Report	2- 4
Balance Sheet	5
Statement of Earnings	6
Statement of Changes in Members' Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 -23

Management Responsibility

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

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

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

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

BALANCE SHEET

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 4,769,614	\$ 2,221,148
Investments (Note 4)	1,281,419	1,233,334
Due from entities owned or operated by members (Note 5)	217,908	238,660
Loans to members, net (Notes 6 and 11)	8,873,257	8,338,497
Accrued interest receivable	155,811	111,976
Other current assets	133,086	105,984
Total current assets	15,431,095	12,249,599
Capital assets (Note 7)	18,460	7,647
	<u>\$ 15,449,555</u>	<u>\$ 12,257,246</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 239,771	\$ 152,009
Members' shares (Notes 6 and 8)	10,302,602	7,343,924
Members' deposits (Notes 9 and 11)	3,864,767	3,752,726
	<u>14,407,140</u>	<u>11,248,659</u>

MEMBERS' EQUITY

Contributed surplus (Note 10)	106,000	106,000
Reserve fund (Note 10)	1,028,574	1,028,004
Accumulated deficit	(92,159)	(125,417)
	<u>1,042,415</u>	<u>1,008,587</u>
	<u>\$ 15,449,555</u>	<u>\$ 12,257,246</u>

See accompanying notes to the financial statements.

Signed on behalf of the Board of Directors:



Director



Director

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**STATEMENT OF EARNINGS****FOR THE YEAR ENDED DECEMBER 31, 2017****(Expressed in Bermuda dollars)**

	2017	2016
FINANCIAL INCOME		
Interest on loans to members (Note 6)	\$ 1,002,484	\$ 901,927
Investment income	<u>46,449</u>	<u>67,295</u>
	<u>1,048,933</u>	<u>969,222</u>
FINANCIAL EXPENSE		
Interest on members' deposits (Note 9)	<u>34,909</u>	<u>84,786</u>
FINANCIAL MARGIN	<u>1,014,024</u>	<u>884,436</u>
OTHER INCOME		
Loan origination fees	44,980	31,171
Other (Notes 5 and 8)	<u>9,803</u>	<u>30,715</u>
	<u>54,783</u>	<u>61,886</u>
GROSS MARGIN	<u>1,068,807</u>	<u>946,322</u>
OPERATING EXPENSES		
Salaries and benefits	567,354	596,846
General business (Note 12)	369,344	235,111
Occupancy (Note 12)	67,183	52,875
Conferences and meetings	<u>31,668</u>	<u>39,764</u>
	<u>1,035,549</u>	<u>924,596</u>
NET INCOME	\$ <u>33,258</u>	\$ <u>21,726</u>

See accompanying notes to the financial statements.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Bermuda dollars)

	2017	2016
CONTRIBUTED SURPLUS		
Balance, end of year (Note 10)	\$ <u>106,000</u>	\$ <u>106,000</u>
RESERVE FUND		
Balance, beginning of year	1,028,004	1,027,606
Additions during the year (Note 10)	<u>570</u>	<u>398</u>
Balance, end of year	<u>1,028,574</u>	<u>1,028,004</u>
DEVELOPMENT FOUNDATION		
Balance, beginning of year	-	-
Transfers and donations (Note 10)	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT		
Balance, beginning of year	(125,417)	(147,143)
Net income	<u>33,258</u>	<u>21,726</u>
Balance, end of year	<u>(92,159)</u>	<u>(125,417)</u>
MEMBERS' EQUITY	\$ <u>1,042,415</u>	\$ <u>1,008,587</u>

See accompanying notes to the financial statements.

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY**STATEMENT OF CASH FLOWS****DECEMBER 31, 2017****(Expressed in Bermuda dollars)**

	2017	2016
OPERATING ACTIVITIES		
Net income	\$ 33,258	\$ 21,726
Amortisation (Note 12)	<u>4,226</u>	<u>6,028</u>
	37,484	27,754
Adjustments for working capital changes:		
Decrease (increase) in due from entities owned or operated by members	20,752	(20,524)
Increase in loans to members	(534,760)	(388,552)
Increase in accrued interest receivable	(43,835)	(44,915)
Increase in other current assets	(27,102)	(23,085)
Increase in investments	(48,085)	(554,658)
Increase in accounts payable and accrued expenses	87,762	40,062
Increase in members' shares	2,958,678	1,376,370
Increase in members' deposits	<u>112,041</u>	<u>476,982</u>
Net cash from operating activities	<u>2,562,935</u>	<u>889,434</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(15,039)</u>	<u>(3,351)</u>
Net cash used in investing activities	<u>(15,039)</u>	<u>(3,351)</u>
FINANCING ACTIVITIES		
Addition to reserve fund (Note 10)	<u>570</u>	<u>398</u>
Net cash from financing activities	<u>570</u>	<u>398</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,548,466	886,481
CASH AND CASH EQUIVALENTS, beginning of the year	<u>2,221,148</u>	<u>1,334,667</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 4,769,614</u>	<u>\$ 2,221,148</u>

See accompanying notes to the financial statements.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

I. NATURE OF OPERATIONS

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

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

The Credit Unions Act 2010

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

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

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

The name change was assented into Law on December 13, 2019. On May 27, 2020, the name change was approved by the Bermuda Monetary Authority and a license was issued under the name of "Bermuda Credit Union Co-Operative Society".

The Credit Union is required to comply with the provisions of the Credit Unions Act 2010. For the year ended December 31, 2017, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 2017.

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

Non-compliance: Audited financial statements for the years ended December 31, 2019, 2018, 2017 and 2016 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: The reserve fund and other institutional capital as at December 31, 2017, amounted to \$1,042,415 which is 6.75% of total assets (2016 - \$1,008,587 which is 8.23% of total assets). Actual reserve fund as at December 31, 2017, amounted to \$1,028,574 (2016 - \$1,028,004).

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

Non-compliance: The institutional capital as at December 31, 2017, amounted to \$1,042,415 which is 6.75% of total assets (2016 - \$1,008,587 which is 8.23% of total assets).

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

In compliance: There were no distributions from the reserve fund to members for the years ending December 31, 2017 and 2016 (See Note 10).

Liquidity Requirements

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

In-compliance: As at December 31, 2017, highly liquid assets and withdrawable savings amounted to \$6,051,033 and \$10,302,602, respectively. Therefore, the minimum liquidity ratio as at December 31, 2017, is 58.73%.

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

Lending Requirements

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

Non-compliance: As at December 31, 2017, the Credit Union has outstanding loans to members in the amount of \$60,314 (2016 - \$60,314) which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act.

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: As at December 31, 2017, the outstanding balance of a single loan to an individual member amounted to \$105,907, which is higher than 10% of the Credit Union's institutional capital at \$104,242 (2016 - \$92,402 (In-compliance)).

In-compliance: As at December 31, 2017, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 57.43% (2016 - 68.03% (In-compliance)).

Requirements for External Borrowing

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

In compliance: There are no outstanding borrowings as at December 31, 2017 and 2016, respectively.

The Credit Unions Act 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and cash equivalents

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

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

b) Loans to members

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loan loss experience. The methodology specified in the Credit Policy and Procedures Manual was not used to determine the allowance at December 31, 2017 and 2016, respectively, as management believe that, as a result of subsequent collections, the allowance computed using the prescribed methodology would have been materially overstated and not in accordance with IFRS.

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

c) Capital assets

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

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

d) Members' deposits

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

e) Loan origination fees

Loan origination fees are recognized as received.

f) Use of estimates

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

g) Payables and provisions

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Related parties

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

i) Adoption of accounting standards for publicly accountable enterprise

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

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

j) Subsequent events

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand of \$52,878 (2016 - \$106,980).

4. INVESTMENTS

The Credit Union's investments consist of marketable securities which are liquid, short-term investments and can be sold at any time after the date of acquisition. In diversifying its investment portfolio, the Credit Union made investments into the Credit Union Fund Management Company Ltd. ("CUFMCL") operated by the Jamaica Co-operative Credit Union League Ltd. CUFMCL is licenced by the Financial Services Commission of Jamaica.

As of December 31, 2017, the investments held by the Credit Union amounted to \$1,281,419 (2016 - \$1,233,334).

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2017****(Expressed in Bermuda dollars)****4. INVESTMENTS (continued)**

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in April 2017 at an interest of 2.35%. In April 2018, the deposit amount was increased to \$1,578,789 with an interest rate of 2.23%. The deposit matured on April 5, 2019 and was renewed for one year in April 2020 at an interest rate of 0.75% (See Note 15).

In February 2019 the Credit Union invested \$1,000,000 with Schroders (Bermuda) limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 15).

In July 2019, the Credit Union invested \$1,000,000 as a one year term deposit with Clarien Bank at an interest rate of 2.10% (See Note 15).

In February 2020, the Credit Union invested \$2,500,000 with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. In June 2020, \$2,500,000 was added to the CUFMCL Investment. This brought the total investment amount with CUFMCL to \$7,781,419 (See Note 15).

5. DUE FROM ENTITIES OWNED OR OPERATED BY MEMBERS

As at December 31, 2017 and 2016, the Credit Union approved the following overdrafts:

	2017	2016
Kyle Bridgewater	\$ 112,173	\$ 104,745
Liberty Theatre	105,735	95,859
Oral Barnett	-	38,056
	<u>\$ 217,908</u>	<u>\$ 238,660</u>

The overdraft facilities bear interest at 12% (2016 - 12%). Each facility is unsecured and is reviewed annually from the approval date. Interest income on loans to members includes interest earned on overdrafts in the amount of \$16,881 (2016 - 27,022).

6. LOANS TO MEMBERS, NET

Loans to members are stated net of an allowance for doubtful accounts of \$4,555 (2016 - \$792,137), bear interest of 12% per annum (2016 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2017****(Expressed in Bermuda dollars)****6. LOANS TO MEMBERS, NET (continued)**

	2017	2016
Under 1 year	\$ 797,083	\$ 1,397,815
1 to 2 years	703,843	1,080,782
2 to 4 years	2,130,485	1,752,440
Over 4 years	<u>5,246,401</u>	<u>4,899,597</u>
	8,877,812	9,130,634
Less: Allowance for doubtful accounts	<u>(4,555)</u>	<u>(792,137)</u>
	<u>\$ 8,873,257</u>	<u>\$ 8,338,497</u>

Loans are secured by members' shares in the amount of \$2,306,085 (2016 - \$2,461,326) (See Note 8). Interest income recorded in the statement of earnings amounted to \$1,002,484 (2016 - \$901,927).

At the 39th Annual General Meeting of the B.L.U. Members Credit Union Co-op Society held on December 6, 2016, the membership approved that \$792,138 be used to write off delinquent loans.

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

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

The Credit Union provided the BMA three quarterly Prudential Information Return (PIR) during 2018 providing proof that the rebuilding of the loan loss provision was being gradually done within the Credit Union's resources at the rate of \$5,000 per month from January 2018. Management accounts showed the provision moved from \$4,555 at December 31, 2017 to \$90,049 at December 31, 2018. The balance of provision as at June 30, 2020 increased to \$206,683 (See Note 15).

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2017****(Expressed in Bermuda dollars)****6. LOANS TO MEMBERS, NET (continued)**

In September 2017, the Credit Union received formal approval from the membership at a Special General Meeting to strengthen the Institutional Capital by introducing Permanent Shares. The results of this action were also reflected in the quarterly PIR submitted to the BMA. A resolution was passed for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at June 30, 2020, the permanent shares transferred to reserve amounted to \$104,324 (See Note 15).

On November 29, 2018, the Credit Union wrote to the BMA seeking another extension of the variation of the restriction. On December 21, 2018, the BMA responded repeating the instructions for the written plan for the three areas stated above (See Note 15).

In February 2019, the Credit Union provided the BMA with its five-year plan outlining the projections towards closing the gap between the Loan Loss Provision and the actual provisions as well as the projections for the Permanent Shares to go towards shoring up Institutional Capital. Since 2018 the Credit Union has utilized the services of a collector to pursue delinquent borrowers. In March 2019, the Board of Directors directed that the ceiling on loans to a member be \$50,000 (See Note 15).

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

At June 30, 2020, the Credit Union was non-compliant with its loan loss provisioning requirements and was also non-compliant with the instructions from the BMA to provide a Board approved plan to address the short fall in provisions for delinquent loans.

7. CAPITAL ASSETS

Capital assets as at December 31, 2017, comprise of the following:

			2017	2016
	Cost	Accumulated Amortisation	Net Book Value	Net Book Value
Computer and office equipment	\$ 276,460	\$ 263,419	\$ 13,041	\$ 2,726
Furniture and fixtures	121,007	115,800	5,207	3,859
Leaschold improvements	<u>59,839</u>	<u>59,627</u>	<u>212</u>	<u>1,062</u>
	\$ <u>457,306</u>	\$ <u>438,846</u>	\$ <u>18,460</u>	\$ <u>7,647</u>

During the year, the Credit Union purchased capital assets amounting to \$15,039 (2016 - \$3,351).

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2017****(Expressed in Bermuda dollars)****8. MEMBERS' SHARES**

Amounts received from members through payroll deductions or cash deposits, which are not allocated to loan repayments, are recorded as additions to Members' shares. Members' shares are non-interest bearing and are repayable on demand except for a portion of shares held as collateral for loans to members. The collateral is generally calculated at one quarter of the original loan to the member. As at December 31, 2017, shares of \$2,306,085 (2016 - \$2,461,326) were held as collateral for loans to members (See Note 6).

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

	2017	2016
Bermuda Industrial Union (BIU) Construction Division	\$ 44,152	\$ 26,502
BIU General	49,446	(23,331)
BIU Gas	<u>21,328</u>	<u>(3,713)</u>
	<u>\$ 114,926</u>	<u>\$ (542)</u>

No dividends were declared and paid for the years ended December 31, 2017 and 2016.

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

It is the policy of the Credit Union to write-off members' shares from members' accounts which are inactive for more than a period of 12 months. There were no members' shares written off in 2017 (2016 - \$2,176).

9. MEMBERS' DEPOSITS

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to four years and bear interest rates of 0.55% to 2.90% as of December 31, 2017, (2016 - 0.55% to 2.90%). As at December 31, 2017, accrued interest of \$40,291 (2016 - \$42,029) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$34,909 (2016 - \$84,786). The deposits mature as follows:

	2017	2016
Under 1 year	\$ 1,634,738	\$ 2,859,900
1 to 2 years	273,157	77,193
2 to 4 years	1,046,617	434,810
Over 4 years	<u>910,255</u>	<u>380,823</u>
	<u>\$ 3,864,767</u>	<u>\$ 3,752,726</u>

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

10. MEMBERS' EQUITY

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

Contributed Surplus

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

Reserve Fund

At the 2009 AGM, the members approved a transfer of \$1,000,000 from the 2008 retained earnings to the reserve fund. Further, in accordance with S.12.3 of The Credit Unions Act 1982, the Credit Union transferred 30% of net earnings for the year ended December 31, 2008, to the reserve fund. No transfers of year-end accumulated deficit were made to reserve fund for the periods ended December 31, 2017 and 2016 (See Note 1).

An entrance fee of \$2 per member is required to be paid by new members upon application to the Credit Union. These fees are included as additions to the reserve fund in the amount of \$570 (2016 - \$398). The reserve fund is established as a component of members' equity for the purpose of the repayment of shares to members and recoupment of losses sustained from loans and shall not be distributed to the members except upon the dissolution of the Credit Union.

Development Foundation

These funds are mandated by the members at Annual General Meeting to be used solely for development projects and disaster relief to other credit unions. In the 2009 AGM, the members approved a transfer of \$20,000 from the 2008 retained earnings to the Development Foundation. No transfers to the Development Foundation were made for the periods ended December 31, 2017 and 2016.

11. RELATED PARTY TRANSACTIONS

As at December 31, 2017, the total value of interest bearing loans due from directors and officers amounted to \$582,701 representing 6.6% of the total loans (2016 - \$627,279 which is 7.5% of the total loans). All loans are in good standing. The total value of interest bearing deposits due to directors and officers amounted to \$222,885 representing 6% of the total members' deposits (2016 - \$208,446 which is 6% of the total members' deposits). These loans and deposits are on the same terms and conditions as have been accounted to all members of the Credit Union.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

12. OPERATING EXPENSES

	2017	2016
General business		
Professional fees	\$ 102,254	\$ 42,667
Office expenses	97,480	75,820
Audit expenses	74,115	37,500
Insurance	46,445	43,699
Advertising	25,197	6,538
Computer services	23,853	28,887
	<u>\$ 369,344</u>	<u>\$ 235,111</u>
Occupancy		
Rent	\$ 24,180	\$ 24,000
Utilities and communication	20,696	15,331
Security	11,251	1,310
Repairs and maintenance	6,830	6,206
Amortisation	4,226	6,028
	<u>\$ 67,183</u>	<u>\$ 52,875</u>

13. FINANCIAL INSTRUMENTS

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

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

Credit Risk

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

13. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

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

Liquidity Risk

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

14. CAPITAL MANAGEMENT

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

15. SUBSEQUENT EVENTS

The Credit Union evaluated events and transactions occurring from January 1, 2018, through to August 6, 2020 for potential recognition or disclosure in the notes to the financial statements.

The Credit Unions Act 2010

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2017, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at June 30, 2020:

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

Non-compliance: Audited financial statements for the years ended December 31, 2019, 2018, 2017 and 2016 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

Non-compliance: The reserve fund and other institutional capital as at June 30, 2020, amount to \$1,413,598 which is 6.09% of Credit Union's total assets.

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

Non-compliance: The reserve fund and other institutional capital as at June 30, 2020, amount to \$1,413,598 which is 6.09% of total assets.

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

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

Liquidity Requirements

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

In compliance: As at June 30, 2020, highly liquid assets and withdrawable savings amount to \$11,902,773 and \$16,043,976, respectively. Therefore, the minimum liquidity ratio as at June 30, 2020, is 74.19%.

Lending Requirements

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

Non-compliance: As at June 30, 2020, the Credit Union has outstanding loans to members in the amount of \$128,439 which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act. This was occasioned by re-scheduled loans and not actual loan disbursements.

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

In-compliance: As at June 30, 2020, the outstanding balance of a single loan to an individual member amounted to \$103,566 which is lower than 10% of the Credit Union's institutional capital at \$141,360.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

In-compliance: As at June 30, 2020, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 45.33%

Requirements for External Borrowing

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

In-compliance: There are no outstanding borrowings as at June 30, 2020.

Other Subsequent Events

In September 2017, the Special General Meeting passed a resolution for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. Management accounts as at December 31, 2018 show Permanent Shares to be \$82,636. As at June 30, 2020, the permanent shares transferred to reserve amounted to \$104,324 (See Note 6).

In January 2018 the Credit Union commenced placing \$5,000 monthly towards loan loss provision as a means of decreasing the loan loss provision gap. Management accounts showed the provision moved from \$4,555 at December 31, 2017 to \$90,049 at December 31, 2018. The balance as at June 30, 2020 moved up to \$206,683 (See Note 6).

On November 29, 2018, the Credit Union wrote to the BMA seeking another extension of the variation of the restriction. On December 21, 2018, the BMA responded repeating the instructions for the written plan for the three areas stated above (See Note 6).

In February 2019, the Credit Union provided the BMA with its five-year plan outlining the projections towards closing the gap between the Loan Loss Provision and the actual provisions as well as the projections for the Permanent Shares to go towards shoring up Institutional Capital. Since 2018 the Credit Union has utilized the services of a collector to pursue delinquent borrowers. In March 2019, the Board of Directors directed that the ceiling on loans to a member be \$50,000 (See Note 6).

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in April 2017 at an interest of 2.35%. In April 2018, the deposit amount was increased to \$1,578,789 with an interest rate of 2.23%. The deposit matured on April 5, 2019 and was renewed for one year in April 2020 at an interest rate of 0.75% (See Note 4).

In February 2019 the Credit Union invested \$1,000,000 with Schrodgers (Bermuda) limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 4).

In July 2019, the Credit Union invested \$1,000,000 as a one year term deposit with Clarien Bank at an interest rate of 2.10% (See Note 4).

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

In February 2020, the Credit Union invested \$2,500,000 with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. In June 2020, \$2,500,000 was added to the CUFMCL Investment. This brought the total investment amount with CUFMCL to \$7,781,419 (See Note 4).

Impact of COVID-19

The spread of COVID-19 has severely impacted many countries around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses, resulting in an economic slowdown. The Credit Union has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2017 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time and it is not possible to reliably estimate the severity of its consequences as well as the impact on the financial position and results of operations of the Credit Union for future periods. However, nothing has come to the attention of management casting significant doubt on the Credit Union's ability to continue as a going concern in to the foreseeable future.

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



FINANCIAL STATEMENTS 2018

2 Reid Street
Hamilton HM11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HM1X
Bermuda

Tel: (441) 295-4800
Fax: (441) 296-6717
Email: msb@msb.bm
www.moorestephens.bm

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the B.I.U. Members Credit Union Co-op Society (the "Credit Union") which comprise the balance sheet as at December 31, 2018, and the statements of earnings, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of B.I.U. Members Credit Union Co-op Society as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

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

Emphasis of Matter

We draw attention to Notes 1 and 16 to the financial statements which describe the specific provisions of the Credit Unions Act 2010 (the "Act") which the Credit Union was not in compliance with. The Act requires that the Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the Credit Union's financial year. The Act requires that the Credit Union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets. The Act requires that at the close of each financial year, 25% of the Credit Union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the Credit Union's total assets. The Act requires that the maximum period for which a credit union can lend to any member is ten years. The Act requires that a Credit Union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member. Our opinion is not qualified in respect of these matters.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 Bermuda and Canada. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

Other Matter

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

Moses Stephens & Butterfield

Chartered Professional Accountants
Hamilton, Bermuda
February 18, 2021

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**BALANCE SHEET****DECEMBER 31, 2018****(Expressed in Bermuda dollars)**

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 1,535,743	\$ 3,784,992
Short-term deposits (Note 4)	2,065,600	984,622
Investments (Note 4)	2,319,455	1,281,419
Due from entities owned or operated by members (Note 5)	-	217,908
Loans to members, net (Notes 6 and 11)	11,153,957	8,873,257
Accrued interest receivable	204,067	155,811
Other current assets	144,760	133,086
Total current assets	17,423,582	15,431,095
Capital assets (Note 7)	20,726	18,460
	<u>\$ 17,444,308</u>	<u>\$ 15,449,555</u>

LIABILITIES AND MEMBERS' EQUITY**LIABILITIES**

Accounts payable and accrued expenses	\$ 312,503	\$ 239,771
Members' shares (Notes 6 and 8)	12,113,870	10,302,602
Members' deposits (Notes 9 and 11)	3,959,489	3,864,767
	<u>16,385,862</u>	<u>14,407,140</u>

MEMBERS' EQUITY

Contributed surplus (Note 10)	106,000	106,000
Reserve fund (Note 10)	1,029,359	1,028,574
Accumulated deficit	(76,913)	(92,159)
	<u>1,058,446</u>	<u>1,042,415</u>
	<u>\$ 17,444,308</u>	<u>\$ 15,449,555</u>

*See accompanying notes to the financial statements.***Signed on behalf of the Board of Directors:**


Director



Director

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**STATEMENT OF EARNINGS****FOR THE YEAR ENDED DECEMBER 31, 2018****(Expressed in Bermuda dollars)**

	2018	2017
FINANCIAL INCOME		
Interest on loans to members (Note 6)	\$ 1,061,652	\$ 1,002,484
Investment income	<u>111,738</u>	<u>46,449</u>
	<u>1,173,390</u>	<u>1,048,933</u>
FINANCIAL EXPENSE		
Interest on members' deposits (Note 9)	<u>93,054</u>	<u>34,909</u>
FINANCIAL MARGIN	<u>1,080,336</u>	<u>1,014,024</u>
OTHER INCOME		
Loan origination fees	51,446	44,980
Other (Notes 5 and 8)	<u>19,753</u>	<u>9,803</u>
	<u>71,199</u>	<u>54,783</u>
GROSS MARGIN	<u>1,151,535</u>	<u>1,068,807</u>
OPERATING EXPENSES		
Salaries and benefits	577,789	567,354
General business (Note 12)	397,334	369,344
Occupancy (Note 12)	68,087	67,183
Bad debts written off	60,000	-
Conferences and meetings	<u>33,079</u>	<u>31,668</u>
	<u>1,136,289</u>	<u>1,035,549</u>
NET INCOME	\$ <u>15,246</u>	\$ <u>33,258</u>

See accompanying notes to the financial statements.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in Bermuda dollars)

	2018	2017
CONTRIBUTED SURPLUS		
Balance, end of year (Note 10)	\$ <u>106,000</u>	\$ <u>106,000</u>
RESERVE FUND		
Balance, beginning of year	1,028,574	1,028,004
Additions during the year (Note 10)	<u>785</u>	<u>570</u>
Balance, end of year	<u>1,029,359</u>	<u>1,028,574</u>
DEVELOPMENT FOUNDATION		
Balance, beginning of year	-	-
Transfers and donations (Note 10)	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT		
Balance, beginning of year	(92,159)	(125,417)
Net income	<u>15,246</u>	<u>33,258</u>
Balance, end of year	<u>(76,913)</u>	<u>(92,159)</u>
MEMBERS' EQUITY	\$ <u>1,058,446</u>	\$ <u>1,042,415</u>

See accompanying notes to the financial statements.

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

STATEMENT OF CASH FLOWS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

	2018	2017
OPERATING ACTIVITIES		
Net income	\$ 15,246	\$ 33,258
Amortisation (Note 12)	5,952	4,226
Bad debts written off (Note 6)	<u>60,000</u>	<u>-</u>
	81,198	37,484
Adjustments for working capital changes:		
Decrease in due from entities owned or operated by members	217,908	20,752
Increase in loans to members	(2,340,700)	(534,760)
Increase in accrued interest receivable	(48,256)	(43,835)
Increase in other current assets	(11,674)	(27,102)
Increase in short-term deposits	(1,080,978)	(502,326)
Increase in investments	(1,038,036)	(48,085)
Increase in accounts payable and accrued expenses	72,732	87,762
Increase in members' shares	1,811,268	2,958,678
Increase in members' deposits	<u>94,722</u>	<u>112,041</u>
Net cash (used in) from operating activities	<u>(2,241,816)</u>	<u>2,060,609</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(8,218)</u>	<u>(15,039)</u>
Net cash used in investing activities	<u>(8,218)</u>	<u>(15,039)</u>
FINANCING ACTIVITIES		
Addition to reserve fund (Note 10)	<u>785</u>	<u>570</u>
Net cash from financing activities	<u>785</u>	<u>570</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,249,249)	2,046,140
CASH AND CASH EQUIVALENTS, beginning of the year	<u>3,784,992</u>	<u>1,738,852</u>
CASH AND CASH EQUIVALENTS, end of the year	\$ <u>1,535,743</u>	\$ <u>3,784,992</u>

See accompanying notes to the financial statements.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS

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

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

The Credit Unions Act 2010

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "B.I.U. Members Credit Union Co-op Society" to the "Bermuda Credit Union Co-operative Society" (See Note 16).

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

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

The name change was assented into Law on December 13, 2019. On May 27, 2020, the name change was approved by the BMA and a license was issued under the name of "Bermuda Credit Union Co-operative Society" (See Note 16).

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2018, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 2018.

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

Non-compliance: Audited financial statements for the years ended December 31, 2019, 2018 and 2017 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: The reserve fund and other institutional capital as at December 31, 2018, amount to \$1,058,446 which is 6.07% of total assets (2017 - \$1,042,415 which is 6.75% of total assets (Non-compliance)). Actual reserve fund as at December 31, 2018, amount to \$1,029,359 (2017 - \$1,028,574).

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

Non-compliance: The institutional capital as at December 31, 2018, amount to \$1,058,446 which is 6.07% of total assets (2017 - \$1,042,415 which is 6.75% of total assets (Non-compliance)).

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

In compliance: There were no distributions from the reserve fund to members for the years ending December 31, 2018 and 2017 (See Note 10).

Liquidity Requirements

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

In-compliance: As at December 31, 2018, highly liquid assets and withdrawable savings amount to \$5,920,798 and \$12,113,870, respectively. Therefore, the minimum liquidity ratio as at December 31, 2018, is 48.88%.

In-compliance: As at December 31, 2017, highly liquid assets and withdrawable savings amount to \$6,051,033 and \$10,302,602, respectively. Therefore, the minimum liquidity ratio as at December 31, 2017, is 58.73%.

Lending Requirements

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

Non-compliance: As at December 31, 2018, the Credit Union has outstanding loans to members in the amount of \$60,314 (2017 - \$60,314 (Non-compliance)) which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act.

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

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: As at December 31, 2018, the highest outstanding balance of a single loan to an individual member amounted to \$107,186, which is higher than 10% of the Credit Union's institutional capital at \$105,845 (2017 - \$105,907 (Non-compliance)).

In-compliance: As at December 31, 2018, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 63.94% (2017 - 57.43% (In-compliance)).

Requirements for External Borrowing

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

In compliance: There are no outstanding borrowings as at December 31, 2018 and 2017, respectively.

The Credit Unions Act 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and cash equivalents

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

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

b) Financial assets and liabilities

(i) Financial assets

Financial assets at amortized cost are non-derivative financial assets whose objective is to collect contractual cash flows and whose contractual terms give rise to cash flows that are solely repayment of principal and interest. They are included in current assets, except for maturities

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Credit Union's financial assets at amortized cost comprise cash and cash equivalents, short-term deposits, investments, due from entities owned or operated by members, loans to members, net, accrued interest receivable and other current assets in the balance sheet.

These financial assets are held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, defined as the date on which the Credit Union commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Credit Union has transferred substantially all risks and rewards of ownership. Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method.

(ii) Financial liabilities

The financial liabilities of the Credit Union are accounts payable and accrued expenses, members' shares and members' deposits and are classified as measured at amortized cost.

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(iii) Fair value measurement – valuation techniques

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. A number of assets and liabilities included in the Credit Union's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Credit Union's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The following tables summarize the fair value hierarchy under which the Credit Union's financial instruments are valued in accordance with IFRS 13.

<u>Financial assets (liabilities) disclosed at fair value:</u>	<u>Total</u>	December 31, 2018		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	1,535,743	-	1,535,743	-
Short-term deposits	2,065,600	-	2,065,600	-
Investments	2,319,455	-	2,319,455	-
Due from entities owned or operated by members	-	-	-	-
Loans to members, net	11,153,957	-	11,153,957	-
Accrued interest receivable	204,067	-	204,067	-
Other current assets	144,760	-	144,760	-
Accounts payable and accrued expenses	(312,503)	-	(312,503)	-
Members' shares	(12,113,870)	-	(12,113,870)	-
Members' deposits	(3,959,489)	-	(3,959,489)	-

<u>Financial assets (liabilities) disclosed at fair value:</u>	<u>Total</u>	December 31, 2017		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	3,784,992	-	3,784,992	-
Short-term deposits	984,622	-	984,622	-
Investments	1,281,419	-	1,281,419	-
Due from entities owned or operated by members	217,908	-	217,908	-
Loans to members, net	8,873,257	-	8,873,257	-
Accrued interest receivable	155,811	-	155,811	-
Other current assets	133,086	-	133,086	-
Accounts payable and accrued expenses	(239,771)	-	(239,771)	-
Members' shares	(10,302,602)	-	(10,302,602)	-
Members' deposits	(3,864,767)	-	(3,864,767)	-

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

b) Loans to members

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

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loan loss experience. The methodology specified in the Credit Policy and Procedures Manual was not used to determine the allowance at December 31, 2018 and 2017, respectively, as management believe that, as a result of subsequent collections, the allowance computed using the prescribed methodology would have been materially overstated and not in accordance with IFRS.

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

c) Capital assets

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

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

d) Members' deposits

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

e) Loan origination fees

Loan origination fees are recognized as received.

f) Use of estimates

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

g) Payables and provisions

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

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Related parties

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

i) Subsequent events

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand of \$41,131 (2017 - \$52,878).

4. INVESTMENTS

The Credit Union's investments consist of marketable securities which are liquid, short-term investments and can be sold at any time after the date of acquisition. In diversifying its investment portfolio, the Credit Union made investments into the Credit Union Fund Management Company Ltd. ("CUFMCL") operated by the Jamaica Co-operative Credit Union League Ltd. CUFMCL is licenced by the Financial Services Commission of Jamaica.

As of December 31, 2018, the investments held by the Credit Union amounted to \$2,319,455 (2017 - \$1,281,419).

The short-term deposit of \$486,811 with Butterfield Bank was redeemed on February 15, 2019 (See Note 16).

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in April 2017 at an interest of 2.35%. In April 2018 the deposit amount was increased to \$1,578,789 with an interest rate of 2.23%. The deposit matured on April 5, 2019 and was renewed for one year which matured in April 2020. The deposit was renewed for another year maturing in April 2021 at an interest rate of 0.75% (See Note 16).

In February 2019 the Credit Union invested \$1,000,000 with Schroders (Bermuda) Limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 16).

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018****(Expressed in Bermuda dollars)****4. INVESTMENTS (continued)**

In September 2019 the Credit Union invested \$1,000,000 as a one-year term deposit with Clarien Bank at an interest rate of 2.10%. This deposit was renewed in October 2020 for another year (See Note 16).

In February 2020, June 2020, September 2020 and December 2020 the Credit Union invested \$2,500,000, \$2,500,000, \$1,250,000 and \$1,500,000, respectively, with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. The total investment with CUFMCL as at January 31, 2021, amounted to \$11,069,455 (See Note 16).

5. DUE FROM ENTITIES OWNED OR OPERATED BY MEMBERS

As at December 31, 2018 and 2017, the Credit Union approved the following overdrafts:

	2018	2017
Kyle Bridgewater	\$ -	\$ 112,173
Liberty Theatre	-	105,735
	<u>\$ -</u>	<u>\$ 217,908</u>

The overdraft facilities bear interest at 12% (2017 - 12%). Each facility is unsecured and is reviewed annually from the approval date. Kyle Bridgewater overdraft expired in September 2017 while Liberty Theatre overdraft expired in November 2017. The overdrafts were not renewed. Interest income on loans to members includes interest earned on overdrafts in the amount of \$Nil (2017 - 16,881).

6. LOANS TO MEMBERS, NET

Loans to members are stated net of an allowance for doubtful accounts of \$90,049 (2017 - \$4,555), bear interest of 12% per annum (2017 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

	2018	2017
Under 1 year	\$ 1,051,843	\$ 797,083
1 to 2 years	1,224,803	703,843
2 to 4 years	2,730,010	2,130,485
Over 4 years	6,237,350	5,246,401
	<u>11,244,006</u>	<u>8,877,812</u>
Less: Allowance for doubtful accounts	<u>(90,049)</u>	<u>(4,555)</u>
	<u>\$ 11,153,957</u>	<u>\$ 8,873,257</u>

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

6. LOANS TO MEMBERS, NET (continued)

Loans are secured by members' shares in the amount of \$2,838,641 (2017 - \$2,306,085) (See Note 8). Interest income recorded in the statement of earnings amounted to \$1,061,652 (2017 - \$1,002,484).

At the 39th Annual General Meeting of the B.I.U. Members Credit Union Co-op Society held on December 6, 2016, the membership approved that \$792,138 be used to write off delinquent loans.

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

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

The Credit Union provided the BMA three quarterly Prudential Information Return (PIR) during 2018 providing proof that the rebuilding of the loan loss provision was being gradually done within the Credit Union's resources at the rate of \$5,000 per month from January 2018. Management accounts showed the provision moved from \$4,555 at December 31, 2017 to \$90,049 at December 31, 2018. The balance of provision as at January 31, 2021, increased to \$264,001 (See Note 16).

The total loan portfolio as at December 31, 2018, amounted to \$11,153,957 which includes fully collateralized share loans in the amount of \$504,908. Management believes that the lending limit imposed by the BMA of \$10,834,000 was not breached because the total loan portfolio, net of fully collateralized share loans, amounted to \$10,649,049, which is lower than the imposed lending limit.

In September 2017 the Credit Union received formal approval from the membership at a Special General Meeting to strengthen the Institutional Capital by introducing Permanent Shares. The results of this action were also relected in the quarterly PIR submitted to the BMA. A resolution was passed for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at January 31, 2021, the permanent shares transferred to reserve amounted to \$114,924 (See Note 16).

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

6. LOANS TO MEMBERS, NET (continued)

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

In February 2019 the Credit Union provided the BMA with its five-year plan outlining the projections towards closing the gap between the Loan Loss Provision and the actual provisions as well the projections for the Permanent Shares to go towards shoring up Institutional Capital. Since 2018 the Credit Union has utilized the services of a collector to pursue delinquent borrowers. In March 2019 the Board of Directors directed that the ceiling on loans to a member be \$50,000 (See Note 16).

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

At January 31, 2021, the Credit Union was non-compliant with its loan loss provisioning requirements and was also non-compliant with the instructions from the BMA to provide a Board approved plan to address the short fall in provisions for delinquent loans.

Loan and Share insurance

The Credit Union pays premium to CUNA mutual for coverage of members' loans and members' shares at the time of death or disability of a member. The Life Savings protection benefit is on the first \$4,000 of savings. The Loan Protection ("LP") coverage is on loans up to \$50,000. The LP will not be paid when the loan is still in existence and the member is past 70 even if the loan was granted before age 70.

Age	Death of natural causes (beneficiary benefit) or permanent disability before age 60 (member benefit)	Accidental death (beneficiary benefit) or permanent disability before age 60 (member benefit)
Up to 54	Double	Triple
Between 55 and 59	75%	Twice 75%
Between 60 and 64	50%	Twice 50% (not for disability)
Between 66 and 69	25%	Twice 25% (not for disability)
70	No insurance benefit	No insurance benefit

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018****(Expressed in Bermuda dollars)****7. CAPITAL ASSETS**

Capital assets as at December 31, 2018, comprise of the following:

	Cost	Accumulated Amortisation	2018 Net Book Value	2017 Net Book Value
Computer and office equipment	\$ 277,289	\$ 267,555	\$ 9,734	\$ 13,041
Furniture and fixtures	124,523	117,409	7,114	5,207
Leasehold improvements	<u>63,712</u>	<u>59,834</u>	<u>3,878</u>	<u>212</u>
	<u>\$ 465,524</u>	<u>\$ 444,798</u>	<u>\$ 20,726</u>	<u>\$ 18,460</u>

During the year, the Credit Union purchased capital assets for \$8,218 (2017 - \$15,039).

8. MEMBERS' SHARES

Amounts received from members through payroll deductions or cash deposits, which are not allocated to loan repayments, are recorded as additions to Members' shares. Members' shares are non-interest bearing and are repayable on demand except for a portion of shares held as collateral for loans to members. The collateral is generally calculated at one quarter of the original loan to the member. As at December 31, 2018, shares of \$2,838,641 (2017 - \$2,306,085) were held as collateral for loans to members (See Note 6).

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

	2018	2017
Bermuda Industrial Union (BIU) Construction Division	\$ 44,900	\$ 44,152
BIU General	(3,214)	49,446
BIU Gas	<u>10,951</u>	<u>21,328</u>
	<u>\$ 52,637</u>	<u>\$ 114,926</u>

No dividends were declared for the years ended December 31, 2018 and 2017.

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

It is the policy of the Credit Union to write-off members' shares from members' accounts which are inactive for more than a period of 12 months. There were no write-offs in 2018 (2017 - \$Nil).

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

9. MEMBERS' DEPOSITS

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to four years and bear interest rates of 0.90% to 2.70% as of December 31, 2018, (2017 - 0.55% to 2.90%). As at December 31, 2018, accrued interest of \$37,810 (2017 - \$40,291) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$93,054 (2017 - \$34,909). The deposits mature as follows:

	2018	2017
Under 1 year	\$ 1,715,580	\$ 1,634,738
1 to 2 years	244,932	273,157
2 to 4 years	1,082,559	1,046,617
Over 4 years	<u>916,418</u>	<u>910,255</u>
	<u>\$ 3,959,489</u>	<u>\$ 3,864,767</u>

10. MEMBERS' EQUITY

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

Contributed Surplus

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

Reserve Fund

At the 2009 AGM, the members approved a transfer of \$1,000,000 from the 2008 retained earnings to the reserve fund. Further, in accordance with S.12.3 of The Credit Unions Act 1982, the Credit Union transferred 30% of net earnings for the year ended December 31, 2008, to the reserve fund. No transfers of year-end accumulated deficit were made to reserve fund for the periods ended December 31, 2018 and 2017 (See Note 1).

An entrance fee of \$2 per member is required to be paid by new members upon application to the Credit Union. These fees are included as additions to the reserve fund in the amount of \$785 (2017 - \$570). The reserve fund is established as a component of members' equity for the purpose of the repayment of shares to members and recoupment of losses sustained from loans and shall not be distributed to the members except upon the dissolution of the Credit Union.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2018****(Expressed in Bermuda dollars)****10. MEMBERS' EQUITY (continued)****Development Foundation**

These funds are mandated by the members at Annual General Meeting to be used solely for development projects and disaster relief to other credit unions. In the 2009 AGM, the members approved a transfer of \$20,000 from the 2008 retained earnings to the Development Foundation. No transfers to the Development Foundation were made for the periods ended December 31, 2018 and 2017.

11. RELATED PARTY TRANSACTIONS

As at December 31, 2018, the total value of interest bearing loans due from directors and officers amounted to \$665,993 representing 6.0% of total loans (2017 - \$582,701 which is 6.6% of total loans). All loans are in good standing. The total value of interest bearing deposits due to directors amounted to \$227,885 representing 6% of total members' deposits (2017 - \$222,885 which is 6% of total members' deposits). These loans and deposits are on the same terms and conditions as have been accounted to all members of the Credit Union.

12. OPERATING EXPENSES

	2018	2017
General business		
Professional fees	\$ 147,383	\$ 102,254
Office expenses	90,114	97,480
Insurance	49,207	46,445
Audit expenses	44,265	74,115
Advertising	41,484	25,197
Computer services	24,881	23,853
	<u>\$ 397,334</u>	<u>\$ 369,344</u>
Occupancy		
Rent	\$ 24,720	\$ 24,180
Utilities and communication	20,413	20,696
Repairs and maintenance	11,323	6,830
Amortisation	5,952	4,226
Security	5,679	11,251
	<u>\$ 68,087</u>	<u>\$ 67,183</u>

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

13. FINANCIAL INSTRUMENTS

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

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

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

14. CAPITAL MANAGEMENT

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

15. COMPARATIVES

Certain accounts in the prior year financial statements were reclassified to conform with the current year financial statements presentation.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

16. SUBSEQUENT EVENTS

The Credit Union evaluated events and transactions occurring from January 1, 2018, through to February 18, 2021, for potential recognition or disclosure in the notes to the financial statements.

The Credit Unions Act 2010

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "B.I.U. Members Credit Union Co-op Society" to the "Bermuda Credit Union Co-operative Society" (See Note 1).

The name change was assented into Law on December 13, 2019. On May 27, 2020, the name change was approved by the BMA and a license was issued under the name of "Bermuda Credit Union Co-operative Society" (See Note 1).

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2018, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at January 31, 2021:

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

Non-compliance: Audited financial statements for the years ended December 31, 2019, 2018 and 2017 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

Non-compliance: The reserve fund and other institutional capital as at January 31, 2021, amount to \$1,434,114 which is 5.44% of total assets.

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

Non-compliance: The reserve fund and other institutional capital as at January 31, 2021, amount to \$1,434,114 which is 5.44% of total assets.

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

In compliance: There were no distributions from the reserve fund to members subsequent to year-end.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

16. SUBSEQUENT EVENTS (continued)

Liquidity Requirements

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

In compliance: As at January 31, 2021, highly liquid assets and withdrawable savings amount to \$14,675,526 and \$19,110,068, respectively. Therefore, the minimum liquidity ratio as at January 31, 2021, is 76.79%.

Lending Requirements

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

Non-compliance: As at January 31, 2021, the Credit Union has outstanding loans to members in the amount of \$60,314 which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act. This was occasioned by re-scheduled loans and not actual loan disbursements.

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

In-compliance: As at January 31, 2021, the outstanding balance of a single loan to an individual member amounted to \$101,643 which is lower than 10% of the Credit Union's institutional capital at \$143,411.

In-compliance: As at January 31, 2021, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 41.45%

Requirements for External Borrowing

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

In-compliance: There are no outstanding borrowings as at January 31, 2021.

Other Subsequent Events

In September 2017, the Special General Meeting passed a resolution for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at January 31, 2021, the permanent shares transferred to reserve amounted \$ 114,924 (See Note 6).

B.L.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

16. SUBSEQUENT EVENTS (continued)

In January 2018 the Credit Union commenced placing \$5,000 monthly towards loan loss provision as a means of decreasing the loan loss provision gap. The balance of provision as at January 31, 2021, increased to \$264,001 (See Note 6).

In February 2019 the Credit Union provided the BMA with its five-year plan outlining the projections towards closing the gap between the Loan Loss Provision and the actual provisions as well the projections for the Permanent Shares to go towards shoring up Institutional Capital. Since 2018 the Credit Union has utilized the services of a collector to pursue delinquent borrowers. In March 2019 the Board of Directors directed that the ceiling on loans to a member be \$50,000 (See Note 6).

The short-term deposit of \$486,811 with Butterfield Bank was redeemed on February 15, 2019 (See Note 4).

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in April 2017 at an interest of 2.35%. In April 2018 the deposit amount was increased to \$1,578,789 with an interest rate of 2.23%. The deposit matured on April 5, 2019 and was renewed for one year which matured in April 2020. The deposit was renewed for another year maturing in April 2021 at an interest rate of 0.75% (See Note 4).

In February 2019 the Credit Union invested \$1,000,000 with Schroders (Bermuda) Limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 4).

In September 2019 the Credit Union invested \$1,000,000 as a one-year term deposit with Clarien Bank at an interest rate of 2.10%. This deposit was renewed in October 2020 for one year (See Note 4).

In February 2020, June 2020, September 2020 and December 2020 the Credit Union invested \$2,500,000, \$2,500,000, \$1,250,000 and \$1,500,000 respectively, with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. The total investment with CUFMCL as of January 31, 2021, amounted to \$11,069,455 (See Note 4).

Impact of COVID-19

The spread of COVID-19 has severely impacted many countries around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses, resulting in an economic slowdown. The Credit Union has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2018 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time and it is not possible to reliably estimate the severity of its consequences as well as the impact on the financial position and results of operations of the Credit Union for future periods. However, nothing has come to the attention of management casting significant doubt on the Credit Union's ability to continue as a going concern into the foreseeable future.

B.I.U. MEMBERS CREDIT UNION CO-OP SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Bermuda dollars)

16. SUBSEQUENT EVENTS (continued)

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



FINANCIAL STATEMENTS 2019

2 Reid Street
Hamilton HM11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HMJX
Bermuda

Tel: (441) 295 4800
Fax: (441) 296 6717
Email: msb@msb.bm
www.moorestephens.bm

The Board of Directors
C/o Mr. Graham Nesbitt
President
Bermuda Credit Union Co-operative Society
49 Union Square Mall
Hamilton HM 12

March 4, 2022

Dear Sirs:

Bermuda Credit Union Co-operative Society (the "Credit Union")

We enclose two (2) bound and four (4) unbound copies of the audited financial statements of the Credit Union for the year ended December 31, 2019, together with our Independent Auditors' Report, duly signed.

Please arrange for one (1) unbound copy of the audited financial statements to be signed by two (2) Directors, after formal approval by the Board of Directors, and be returned to us.

Yours faithfully,

Moore Stephens & Butterfield

Chartered Professional Accountants
Hamilton, Bermuda

Enclosure:
Audited Financial Statements

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019**

TABLE OF CONTENTS

Management Responsibility	1
Auditors' Report	2- 4
Balance Sheet	5
Statement of Earnings	6
Statement of Changes in Members' Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 -29

Management Responsibility

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

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

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

2 Reid Street
Hamilton HM11
Bermuda

Mailing address:
P.O. Box HM 2278
Hamilton HMJX
Bermuda

Tel: (441) 295 4800
Fax: (441) 296 6717
Email: msb@msb.bm
www.moorestephens.bm

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the Bermuda Credit Union Co-operative Society (the "Credit Union") which comprise the balance sheet as at December 31, 2019, and the statements of earnings, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bermuda Credit Union Co-operative Society as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

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

Emphasis of Matter

We draw attention to Notes 1 and 15 to the financial statements which describe the specific provisions of the Credit Unions Act 2010 (the "Act") which the Credit Union was not in compliance with. The Act requires that the Credit Union shall provide the Authority with a copy of the audited financial statements no later than four months after the close of the Credit Union's financial year. The Act requires that the Credit Union shall maintain a reserve fund and other institutional capital not less than 10% of its total assets. The Act requires that at the close of each financial year, 25% of the Credit Union's net surplus shall be placed into a reserve fund until such time as the institutional capital is equal to 10% of the Credit Union's total assets. The Act requires that the maximum period for which a credit union can lend to any member is ten years. The Act requires that a Credit Union shall not lend an amount exceeding 10% of its institutional capital or 2% of aggregate withdrawable shares, whichever is less, to any individual member. Our opinion is not qualified in respect of these matters.

We further draw attention to Note 15 to the financial statements on the Credit Union's non-compliance in its filings of the declarations of insured deposits under the Deposit Insurance Act 2011.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 Bermuda and Canada. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

Other Matter

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

Moses Stephens & Butterfield

Chartered Professional Accountants
Hamilton, Bermuda
February 7, 2022

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY
BALANCE SHEET

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 2,595,068	\$ 1,535,743
Short-term deposits (Note 4)	3,615,890	2,065,600
Investments (Note 4)	2,358,053	2,319,455
Loans to members, net (Notes 5 and 10)	11,914,474	11,153,957
Accrued interest receivable	292,990	204,067
Other current assets	<u>148,689</u>	<u>144,760</u>
Total current assets	20,925,164	17,423,582
Capital assets (Note 6)	<u>53,405</u>	<u>20,726</u>
	\$ <u>20,978,569</u>	\$ <u>17,444,308</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 375,443	\$ 312,503
Members' shares (Notes 5 and 7)	14,453,790	12,113,870
Members' deposits (Notes 8 and 10)	<u>4,972,270</u>	<u>3,959,489</u>
	<u>19,801,503</u>	<u>16,385,862</u>

MEMBERS' EQUITY

Contributed surplus (Note 9)	106,000	106,000
Reserve fund (Note 9)	1,130,282	1,029,359
Accumulated deficit	<u>(59,216)</u>	<u>(76,913)</u>
	<u>1,177,066</u>	<u>1,058,446</u>
	\$ <u>20,978,569</u>	\$ <u>17,444,308</u>

See accompanying notes to the financial statements.

Signed on behalf of the Board of Directors:



Director



Director

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bermuda dollars)

	2019	2018
FINANCIAL INCOME		
Interest on loans to members (Note 5)	\$ 1,151,147	\$ 1,061,652
Investment income	<u>167,014</u>	<u>111,738</u>
	<u>1,314,620</u>	<u>1,173,390</u>
FINANCIAL EXPENSE		
Interest on members' deposits (Note 8)	<u>67,642</u>	<u>93,054</u>
FINANCIAL MARGIN	<u>1,250,519</u>	<u>1,080,336</u>
OTHER INCOME		
Loan origination fees	34,519	51,446
Other (Note 7)	<u>5,234</u>	<u>19,753</u>
	<u>39,753</u>	<u>71,199</u>
GROSS MARGIN	<u>1,286,731</u>	<u>1,151,535</u>
OPERATING EXPENSES		
Salaries and benefits	729,287	577,789
General business (Note 11)	382,824	397,334
Occupancy (Note 11)	71,270	68,087
Bad debts written off	60,000	60,000
Conferences and meetings	<u>29,194</u>	<u>33,079</u>
	<u>1,272,575</u>	<u>1,136,289</u>
NET INCOME	\$ <u>17,697</u>	\$ <u>15,246</u>

See accompanying notes to the financial statements:

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Bermuda dollars)

	2019	2018
CONTRIBUTED SURPLUS		
Balance, end of year (Note 9)	\$ <u>106,000</u>	\$ <u>106,000</u>
RESERVE FUND		
Balance, beginning of year	1,029,359	1,028,574
Additions during the year (Note 9)	<u>100,923</u>	<u>785</u>
Balance, end of year	<u>1,130,282</u>	<u>1,029,359</u>
DEVELOPMENT FOUNDATION		
Balance, beginning of year	-	-
Transfers and donations (Note 9)	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>
ACCUMULATED DEFICIT		
Balance, beginning of year	(76,913)	(92,159)
Net income	<u>17,697</u>	<u>15,246</u>
Balance, end of year	<u>(59,216)</u>	<u>(76,913)</u>
MEMBERS' EQUITY	\$ <u>1,177,066</u>	\$ <u>1,058,446</u>

See accompanying notes to the financial statements.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

STATEMENT OF CASH FLOWS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

	2019	2018
OPERATING ACTIVITIES		
Net income	\$ 17,697	\$ 15,246
Amortisation (Note 11)	13,980	5,952
Bad debts written off (Note 5)	<u>60,000</u>	<u>60,000</u>
	91,677	81,198
Adjustments for working capital changes:		
Decrease in due from entities owned or operated by members	-	217,908
Increase in loans to members	(241,182)	(2,340,700)
Increase in accrued interest receivable	(88,923)	(48,256)
Increase in other current assets	(3,929)	(11,674)
Increase in short-term deposits	(1,550,290)	(1,080,978)
Increase in investments	(35,057)	(1,038,036)
Increase in accounts payable and accrued expenses	62,940	72,732
Increase in members' shares	1,760,585	1,811,268
Increase in members' deposits	<u>1,012,781</u>	<u>94,722</u>
Net cash from (used in) operating activities	<u>1,005,061</u>	<u>(2,241,816)</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(46,659)</u>	<u>(8,218)</u>
Net cash used in investing activities	<u>(46,659)</u>	<u>(8,218)</u>
FINANCING ACTIVITIES		
Addition to reserve fund (Note 9)	<u>100,923</u>	<u>785</u>
Net cash from financing activities	<u>100,923</u>	<u>785</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,059,325	(2,249,249)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>1,535,743</u>	<u>3,784,992</u>
CASH AND CASH EQUIVALENTS, end of the year	\$ <u>2,595,068</u>	\$ <u>1,535,743</u>

See accompanying notes to the financial statements.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS

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

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

The Credit Unions Act 2010

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "B.I.U. Members Credit Union Co-op Society" to the "Bermuda Credit Union Co-operative Society" (See Note 15).

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

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

The name change was assented into Law on December 13, 2019. On May 27, 2020, the name change was approved by the Bermuda Monetary Authority ("BMA") and a license was issued under the name of "Bermuda Credit Union Co-operative Society" (See Note 15).

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2019, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 2019.

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

Non-compliance: Audited financial statements for the years ended December 31, 2020, 2019 and 2018 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: The reserve fund and other institutional capital as at December 31, 2019, amount to \$1,177,066 which is 5.61% of total assets (2018 - 1,058,446 which is 6.07% of total assets (Non-compliance)). Actual reserve fund as at December 31, 2019, amount to \$1,130,282 (2018 - \$1,029,359).

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

Non-compliance: The institutional capital as at December 31, 2019, amount to \$1,177,066 which is 5.61% of total assets (2018 - \$1,058,446 which is 6.07% of total assets (Non-compliance)).

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

In compliance: There were no distributions from the reserve fund to members for the years ending December 31, 2019 and 2018 (See Note 9).

Liquidity Requirements

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

In-compliance: As at December 31, 2019, highly liquid assets and withdrawable savings amount to \$8,569,011 and \$14,453,790, respectively. Therefore, the minimum liquidity ratio as at December 31, 2019, is 59.29%.

In-compliance: As at December 31, 2018, highly liquid assets and withdrawable savings amount to \$5,920,798 and \$12,113,870, respectively. Therefore, the minimum liquidity ratio as at December 31, 2018, is 48.88%.

Lending Requirements

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

Non-compliance: As at December 31, 2019, the Credit Union has outstanding loans to members in the amount of \$60,314 (2018 - \$60,314 (Non-compliance)) which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act.

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

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

1. NATURE OF OPERATIONS (continued)

Non-compliance: As at December 31, 2019, the highest outstanding balance of a single loan to an individual member amounted to \$161,898, which is higher than 10% of the Credit Union's institutional capital at \$117,707 (2018 - \$105,845 (Non-compliance)).

In-compliance: As at December 31, 2019, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 56.79% (2018 - 63.94% (In-compliance)).

Requirements for External Borrowing

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

In compliance: There are no outstanding borrowings as at December 31, 2019 and 2018, respectively.

The Credit Unions Act 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Functional and presentation currency

These financial statements are presented in Bermuda Dollars, which is the Credit Union's functional currency.

c) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

d) Revenue recognition

The Credit Union recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Credit Union is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Credit Union: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Loan origination fees

Loan origination fees are recognized as received.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Credit Union's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A liability is classified as current when: it is either expected to be settled in the Credit Union's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

f) Cash and cash equivalents

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

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

g) Investments and other financial assets

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets at amortized cost are non-derivative financial assets whose objective is to collect contractual cash flows and whose contractual terms give rise to cash flows that are solely repayment of principal and interest. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Credit Union's financial assets at amortized cost comprise cash and cash equivalents, short-term deposits, investments, due from entities owned or operated by members, loans to members, net, accrued interest receivable and other current assets in the balance sheet.

These financial assets are held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, defined as the date on which the Credit Union commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Credit Union has transferred substantially all risks and rewards of ownership. Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest method.

(i) Financial liabilities

The financial liabilities of the Credit Union are accounts payable and accrued expenses, members' shares and members' deposits and are classified as measured at amortized cost.

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(ii) Fair value measurement – valuation techniques

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. A number of assets and liabilities included in the Credit Union's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Credit Union's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the fair value hierarchy under which the Credit Union's financial instruments are valued in accordance with IFRS 13.

<u>Financial assets (liabilities) disclosed at fair value</u>	<u>Total</u>	<u>December 31, 2019</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	2,595,068	-	2,595,068	-
Short-term deposits	3,615,890	-	3,615,890	-
Investments	2,358,053	-	2,358,053	-
Loans to members, net	11,914,474	-	11,335,139	-
Accrued interest receivable	292,990	-	292,990	-
Other current assets	148,689	-	148,689	-
Accounts payable and accrued expenses	(375,443)	-	(375,443)	-
Members' shares	(14,453,790)	-	(13,874,455)	-
Members' deposits	(4,972,270)	-	(4,972,270)	-

<u>Financial assets (liabilities) disclosed at fair value</u>	<u>Total</u>	<u>December 31, 2018</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	1,535,743	-	1,535,743	-
Short-term deposits	2,065,600	-	2,065,600	-
Investments	2,319,455	-	2,319,455	-
Loans to members, net	11,153,957	-	11,153,957	-
Accrued interest receivable	204,067	-	204,067	-
Other current assets	144,760	-	144,760	-
Accounts payable and accrued expenses	(312,503)	-	(312,503)	-
Members' shares	(12,113,870)	-	(12,113,870)	-
Members' deposits	(3,959,489)	-	(3,959,489)	-

During the year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

h) Loans to members

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

The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectability of loans and prior loan loss experience. The methodology specified in the Credit Policy and Procedures Manual was not used to determine the allowance at December 31, 2019 and 2018, respectively, as management believe that, as a result of subsequent collections, the allowance computed using the prescribed methodology would have been materially overstated and not in accordance with IFRS.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Capital assets

Capital assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortisation is provided on the straight-line basis at the following annual rates which are estimated to write off the assets over their estimated useful lives:

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of capital assets is derecognised upon disposal or when there is no future economic benefit to the Credit Union. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

j) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent credit experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

l) Members' deposits

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

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within a relatively short period of time of recognition.

n) Provisions

Provisions are recognised when the Credit Union has a present (legal or constructive) obligation as a result of a past event, it is probable the Credit Union will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

o) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Credit Union based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and the industry in which the Credit Union operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Credit Union unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic (See Note 15).

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Use of estimates

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

q) Related parties

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

r) Subsequent events

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand of \$180,839 (2018 - \$41,131).

4. INVESTMENTS

The Credit Union's investments consist of marketable securities which are liquid, short-term investments and can be sold at any time after the date of acquisition. In diversifying its investment portfolio, the Credit Union made investments into the Credit Union Fund Management Company Limited ("CUFMCL") operated by the Jamaica Co-operative Credit Union League Ltd. CUFMCL is licenced by the Financial Services Commission of Jamaica. Effective March 24, 2021, the Credit Union Fund Management Company Limited was renamed to CUMAX Wealth Management Limited (See Note 15).

As of December 31, 2019, the investments held by the Credit Union amounted to \$2,358,053 (2018 - \$2,319,455).

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

4. INVESTMENTS (continued)

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in March 2017 at an interest of 1.45%. In April 2018 the deposit amount was increased to \$1,578,789 with an interest rate of 2.30%. The deposit matured on April 5, 2019 and was renewed for one year which matured in April 2020. The deposit was renewed for another year at an interest rate of 0.75% and matured in April 2021. This deposit was renewed on April 15, 2021 for another year at interest rate of .80% (See Note 15).

In February 2019 the Credit Union invested \$1,000,000 with Schroders (Bermuda) Limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 15).

In September 2019 the Credit Union invested \$1,000,000 as a one-year term deposit with Clarien Bank at an interest rate of 2.10%. The deposit was renewed for another year at an interest rate of 0.2% and matured in October 2021. This deposit was renewed for another year at interest rate of .1% (See Note 15).

In February 2020, June 2020, October 2020, December 2020 and April 2021 the Credit Union invested \$2,500,000, \$3,000,000, \$1,750,000, \$1,500,000, and \$500,000, respectively, with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. The total investment with CUFMCL as at November 30, 2021, amount to \$11,104,512 (See Note 15).

5. LOANS TO MEMBERS, NET

Loans to members are stated net of an allowance for doubtful accounts of \$161,683 (2018 - \$90,049), bear interest of 12% per annum (2018 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

	2019	2018
Under 1 year	\$ 1,739,300	\$ 1,051,843
1 to 2 years	1,343,925	1,224,803
2 to 4 years	5,013,116	2,730,010
Over 4 years	3,979,816	6,237,350
	<u>1,2076,157</u>	<u>11,244,006</u>
Less: Allowance for doubtful accounts	<u>(161,683)</u>	<u>(90,049)</u>
	<u>\$ 11,914,474</u>	<u>\$ 11,153,957</u>

Loans are secured by members' shares in the amount of \$3,312,326 (2018 - \$2,838,641) (See Note 7). Interest income recorded in the statement of earnings amounted to \$1,151,147 (2018 - \$1,061,652).

At the 39th Annual General Meeting of the Bermuda Credit Union Co-operative Society held on December 6, 2016, the membership approved that \$792,138 be used to write off delinquent loans.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

5. LOANS TO MEMBERS, NET (continued)

On July 6, 2012, the Credit Union received a Notice of Restriction from the BMA prohibiting the Credit Union from making loans to members or otherwise granting credit to any person with immediate effect.

On September 27, 2017, the BMA informed the Credit Union of extending the Notice of Restriction to January 31, 2018, after considering efforts made over the period of the restriction which commenced in July 2012. The BMA instructed the Credit Union to provide the following before the expiration of the variation of the restriction:

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

The Credit Union provided the BMA three quarterly Prudential Information Return (PIR) during 2018 providing proof that the rebuilding of the loan loss provision was being gradually done within the Credit Union's resources at the rate of \$5,000 per month from January 2018. Management accounts showed the provision moved from \$90,049, at December 31, 2018 to \$161,683 at December 31, 2019. The balance of provision as at November 30, 2021, increased to \$364,001 (See Note 15).

The total loan portfolio as at December 31, 2019, amounted to \$11,914,474 (2018 - \$11,153,957) which includes fully collateralized share loans and overdrawn balances in the amount of \$1,117,393 (2018 - \$504,908). Management believes that the lending limit imposed by the BMA of \$10,834,000 was not breached because the total loan portfolio, net of fully collateralized share loans and overdrawn balances, amounted to \$10,797,081 (2018 - \$10,649,049), which is lower than the imposed lending limit.

In September 2017 the Credit Union received formal approval from the membership at a Special General Meeting to strengthen the Institutional Capital by introducing Permanent Shares. The results of this action were also reflected in the quarterly PIR submitted to the BMA. A resolution was passed for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at November 30, 2021, the permanent shares transferred to reserve amounted to \$124,944 (See Notes 9 and 15).

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

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2019****(Expressed in Bermuda dollars)****5. LOANS TO MEMBERS, NET (continued)**

In February 2019 the Credit Union provided the BMA with its five-year plan outlining the projections towards closing the gap between the Loan Loss Provision and the actual provisions as well the projections for the Permanent Shares to go towards shoring up Institutional Capital. Since 2018 the Credit Union has utilized the services of a collector to pursue delinquent borrowers. In March 2019 the Board of Directors directed that the ceiling on loans to a member be \$50,000.

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

In May 2020 the BMA granted permission to the Credit Union to provide BEDC loan facilities to qualifying Credit Union members up to an aggregate limit of BDS 1 million (See Note 15).

In April 2021, the BMA granted the increase of the lending limit to \$19,921,000, which is equivalent to 80% of the total asset balance as at September 30, 2020, and has also extended the operation of this Variation until April 30, 2022 (See Note 15).

At November 30, 2021, the Credit Union was non-compliant with its loan loss provisioning requirements and was also non-compliant with the instructions from the BMA to provide a Board approved plan to address the short fall in provisions for delinquent loans.

Loan and Share insurance

The Credit Union pays premium to CUNA mutual for coverage of members' loans and members' shares at the time of death or disability of a member. The Life Savings protection benefit is on the first \$4,000 of savings. The Loan Protection ("LP") coverage is on loans up to \$50,000. The LP will not be paid when the loan is still in existence and the member is past 70 even if the loan was granted before age 70.

Age	Death of natural causes (beneficiary benefit) or permanent disability before age 60 (member benefit)	Accidental death (beneficiary benefit) or permanent disability before age 60 (member benefit)
Up to 54	Double	Triple
Between 55 and 59	75%	Twice 75%
Between 60 and 64	50%	Twice 50% (not for disability)
Between 66 and 69	25%	Twice 25% (not for disability)
70	No insurance benefit	No insurance benefit

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

6. CAPITAL ASSETS

Capital assets as at December 31, 2019, comprise of the following:

			2019	2018
	Cost	Accumulated Amortisation	Net Book Value	Net Book Value
Computer and office equipment	\$ 323,948	\$ 279,073	\$ 44,875	\$ 9,734
Furniture and fixtures	124,523	119,483	5,040	7,114
Leasehold improvements	<u>63,712</u>	<u>60,222</u>	<u>3,490</u>	<u>3,878</u>
	<u>\$ 512,183</u>	<u>\$ 458,778</u>	<u>\$ 53,405</u>	<u>\$ 20,726</u>

During the year, the Credit Union purchased capital assets for \$46,659 (2018 - \$8,218).

7. MEMBERS' SHARES

Amounts received from members through payroll deductions or cash deposits, which are not allocated to loan repayments, are recorded as additions to Members' shares. Members' shares are non-interest bearing and are repayable on demand except for a portion of shares held as collateral for loans to members. The collateral is generally calculated at one quarter of the original loan to the member. As at December 31, 2019, shares of \$3,312,326 (2018 - \$2,838,641) were held as collateral for loans to members (See Note 5).

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

	2019	2018
Bermuda Industrial Union (BIU) Construction Division	\$ 22,203	\$ 44,900
BIU General	(21,210)	(3,214)
BIU Gas	<u>26,755</u>	<u>10,951</u>
	<u>\$ 27,748</u>	<u>\$ 52,637</u>

No dividends were declared for the years ended December 31, 2019 and 2018.

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

It is the policy of the Credit Union to write-off members' shares from members' accounts which are inactive for more than a period of 12 months. There were no write-offs in 2019 (2018 - \$Nil).

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2019****(Expressed in Bermuda dollars)****8. MEMBERS' DEPOSITS**

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to four years and bear interest rates of 0.90% to 2.70% as of December 31, 2019, (2018 - 0.90% to 2.70%). As at December 31, 2019, accrued interest of \$32,852 (2018 - \$37,810) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$67,642 (2018 - \$93,054). The deposits mature as follows:

	2019	2018
Under 1 year	\$ 2,426,354	\$ 1,715,580
1 to 2 years	345,849	244,932
2 to 4 years	1,227,708	1,082,559
Over 4 years	<u>972,359</u>	<u>916,418</u>
	<u>\$ 4,972,270</u>	<u>\$ 3,959,489</u>

9. MEMBERS' EQUITY

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

Contributed Surplus

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

Reserve Fund

At the 2009 AGM, the members approved a transfer of \$1,000,000 from the 2008 retained earnings to the reserve fund. Further, in accordance with S.123 of The Credit Unions Act 1982, the Credit Union transferred 30% of net earnings for the year ended December 31, 2008, to the reserve fund. No transfers of year-end accumulated deficit were made to reserve fund for the periods ended December 31, 2019 and 2018 (See Note 1).

An entrance fee of \$2 per member is required to be paid by new members upon application to the Credit Union. These fees are included as additions to the reserve fund in the amount of \$749 (2018 - \$785). The reserve fund is established as a component of members' equity for the purpose of the repayment of shares to members and recoupment of losses sustained from loans and shall not be distributed to the members except upon the dissolution of the Credit Union.

In September 2017 the Credit Union received formal approval from the membership at a Special General Meeting to strengthen the Institutional Capital by introducing Permanent Shares.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2019****(Expressed in Bermuda dollars)****9. MEMBERS' EQUITY (continued)**

A resolution was passed for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at December 31, 2019, the permanent shares amounted to \$100,174 (2018 - \$Nil) (See Note 5).

Development Foundation

These funds are mandated by the members at Annual General Meeting to be used solely for development projects and disaster relief to other credit unions. In the 2009 AGM, the members approved a transfer of \$20,000 from the 2008 retained earnings to the Development Foundation. No transfers to the Development Foundation were made for the periods ended December 31, 2019 and 2018.

10. RELATED PARTY TRANSACTIONS

As at December 31, 2019, the total value of interest bearing loans due from directors and officers amounted to \$505,783 representing 4% of total loans (2018 - \$665,993 which is 6% of total loans). All loans are in good standing. The total value of interest bearing deposits due to directors amounted to \$568,213 representing 11% of total members' deposits (2018 - \$227,885 which is 6% of total members' deposits). These loans and deposits are on the same terms and conditions as have been accounted to all members of the Credit Union.

11. OPERATING EXPENSES

	2019	2018
General business		
Office expenses	\$ 126,609	\$ 90,114
Insurance	101,595	49,207
Professional fees	50,603	147,383
Audit expenses	41,281	44,265
Computer services	34,129	24,881
Advertising	28,607	41,484
	<u>\$ 382,824</u>	<u>\$ 397,334</u>
Occupancy		
Rent	\$ 24,720	\$ 24,720
Utilities and communication	17,785	20,413
Amortisation	13,980	5,952
Security	7,414	5,679
Repairs and maintenance	7,371	11,323
	<u>\$ 71,270</u>	<u>\$ 68,087</u>

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

12. FINANCIAL INSTRUMENTS

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

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

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

13. CAPITAL MANAGEMENT

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

14. COMPARATIVES

Certain accounts in the prior year financial statements were reclassified to conform with the current year financial statements presentation.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS

The Credit Union evaluated events and transactions occurring from January 1, 2020, through to February 7, 2022, for potential recognition or disclosure in the notes to the financial statements.

The Credit Unions Act 2010

A resolution was passed on September 12, 2017, to change the Credit Union's name from the "B.I.U. Members Credit Union Co-op Society" to the "Bermuda Credit Union Co-operative Society" (See Note 1).

The name change was assented into Law on December 13, 2019. On May 27, 2020, the name change was approved by the BMA and a license was issued under the name of "Bermuda Credit Union Co-operative Society" (See Note 1).

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2019, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at November 30, 2021:

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

Non-compliance: Audited financial statements for the years ended December 31, 2020, 2019 and 2018 were not delivered as of the required date.

Prudential Requirements

Reserve Funding Requirements

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

Non-compliance: The reserve fund and other institutional capital as at November 30, 2021, amount to \$1,320,275 which is 4.61% of total assets.

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

Non-compliance: The reserve fund and other institutional capital as at November 30, 2021, amount to \$1,320,275 which is 4.61% of total assets.

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

In compliance: There were no distributions from the reserve fund to members subsequent to year-end.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

Liquidity Requirements

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

In compliance: As at November 30, 2021, highly liquid assets and withdrawable savings amount to \$14,729,394 and \$21,587,599, respectively. Therefore, the minimum liquidity ratio as at November 30, 2021, is 68.23%.

Lending Requirements

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

Non-compliance: As at November 30, 2021, the Credit Union has outstanding loans to members in the amount of \$60,314 which are being repaid over a period of more than ten years, which is greater than the ten years permitted by the Act. This was occasioned by re-scheduled loans and not actual loan disbursements.

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

In compliance: As at November 30, 2021, the outstanding balance of a single loan to an individual member amounted to \$121,844 which is less than 10% of the Credit Union's institutional capital at \$132,027.

In-compliance: As at November 30, 2021, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 45.25%.

Requirements for External Borrowing

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

In-compliance: There are no outstanding borrowings as at November 30, 2021.

Other Subsequent Events

In September 2017, the Special General Meeting passed a resolution for members to place \$50 in Permanent Shares to assist with strengthening the Credit Union's Institutional Capital. As at November 30, 2021, the permanent shares transferred to reserve amounted \$124,944 (See Note 5).

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

In January 2018 the Credit Union commenced placing \$5,000 monthly towards loan loss provision as a means of decreasing the loan loss provision gap. This provision increased to \$7,500 since January 31, 2020. From January 31, 2021, it increased to \$10,000. The balance of provision as at January 31, 2022, increased to \$345,000 (See Note 5).

In May 2020 the BMA granted permission to the Credit Union to provide BEDC loan facilities to qualifying Credit Union members up to an aggregate limit of BDS 1 million (See Note 4).

In April 2021, the BMA granted the increase of the lending limit to \$19,921,000, which is equivalent to 80% of the total asset balance as at September 30, 2020, and has also extended the operation of this Variation until April 30, 2022 (See Note 4).

The Credit Union invested \$500,000 as a term deposit with Bermuda Commercial Bank ("BCB") in April 2017 at an interest of 2.35%. In April 2018 the deposit amount was increased to \$1,578,789 with an interest rate of 2.23%. The deposit matured on April 5, 2019 and was renewed for one year which matured in April 2020. The deposit was renewed for another year at an interest rate of 0.75% and matured in April 2021. This deposit is renewed on April 15, 2021 for another year at interest rate of .80% (See Note 4).

In February 2019 the Credit Union invested \$1,000,000 with Schroders (Bermuda) Limited. The returns are 1.78% per annum. The account was closed in June 2020 (See Note 4).

In September 2019 the Credit Union invested \$1,000,000 as a one-year term deposit with Clarien Bank at an interest rate of 2.10%. The deposit was renewed for another year at an interest rate of 0.2% and matured in October 2021. This deposit was renewed for another year at interest rate of .1% (See Note 4).

In February 2020, June 2020, October 2020, December 2020 and April 2021 the Credit Union invested \$2,500,000, \$3,000,000, \$1,750,000, \$1,500,000, and \$500,000, respectively, with the CUFMCL. The expected returns range from 4.80% to 7.84% per annum. The total investment with CUFMCL as at November 30, 2021, amount to \$11,104,512. Effective March 24, 2021, the CUFMCL was renamed to CUMAX Wealth Management Limited (See Note 4).

In July 2020, the Credit Union rolled out two new savings products: Family Indemnity Plan (FIP) and Golden Harvest Savings Plan (GHSP). FIP provide benefits to cover final expenses for the Credit Union members and up to five eligible family members. It also provides a lifetime insurance coverage for members who enroll before the age 76. FIP offers four plan options with monthly premium contribution of \$31.70; \$47.55; \$63.40 and \$95.10 and individual benefits of \$5,000; \$7,500; \$10,000 and \$15,000, respectively. GHSP is a savings plan designed to help the Credit Union members achieve their financial goals even in the event of total and permanent disability or passing. Under GHSP, members set their savings goal which is the essentially the Credit Union's coverage/contract limit that will be paid out at the expiry of the contract or in the event of total and permanent disability or passing.

BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(Expressed in Bermuda dollars)

15. SUBSEQUENT EVENTS (continued)

The Bermuda Deposit Insurance Company Corporation (BDIC), established under the Deposit Insurance Act 2011 (the "Act"), administers a scheme for the benefit of insured depositors in respect of their insured deposits placed with scheme members. Following discussions with BDIC as to the Credit Union's eligibility to join the scheme, it was determined that the Credit Union should be a scheme member in line with the Act, which requires all licensed credit unions to be scheme members. As of February 2022, the Credit Union had submitted declarations of insured deposits, for the period between January 1, 2019 and June 30, 2021 to the BDIC. BDIC premiums amounting to \$111,519 was accrued as of June 30, 2021.

As of the date of this report, the Credit Union is not in compliance with the Act as it has not submitted declarations of insured deposits for the periods September 30, 2021 and December 31, 2021.

Impact of COVID-19 (See Note 1)

The spread of COVID-19 has severely impacted many countries around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses, resulting in an economic slowdown. The Credit Union has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time and it is not possible to reliably estimate the severity of its consequences as well as the impact on the financial position and results of operations of the Credit Union for future periods. However, nothing has come to the attention of management casting significant doubt on the Credit Union's ability to continue as a going concern into the foreseeable future.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Credit Union's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, members, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Credit Union is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year 2021.

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

REPORT OF THE NOMINATING COMMITTEE TO THE 41st ANNUAL GENERAL MEETING OF THE BERMUDA CREDIT UNION CO-OP. SOCIETY

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

Mr. Edward Lightbourne
Mr. Anthony Seaman
Ms. M. Edwina Richardson

The said Nominating Committee reports as follows:

Directors and Committee Members retiring at this 41st Annual General Meeting July 6, 2022 are as follows:

BOARD OF DORECTORS

	RETIRING	RECOMMENDED	TERM
1.	Mr. Graham Nesbitt	Mr. Graham Nesbitt	2 years
2.	Miss Ronaldine Burgess	Miss Ronaldine Burgess	2 years
3.	Mr. Cecil Durham	Mr. Cecil Durham	2 years
4.	Mr. Clarence Smith	Mr. Clarence Smith	2 years
5.	Mr. Chris Furbert	Mr. Chris Furbert	1 year
6.	Ms. Helena 'Molly' Burgess	Ms. Helena 'Molly' Burgess	1 year
7.	Dr. Michael Charles	Dr. Michael Charles	1 year
8.	Mr. Quinton Butterfield	Mr. Quinton Butterfield	1 year
9.	Mr. Shervin Dill	Mr. Shervin Dill	1 year
10.	Mrs. Renee Jones	Mrs. Renee Jones	1 year

INTERIM BOARD APPOINTMENTS

Owing to the resignation of the Hon. Jason Hayward, the Hon. Paula Cox and the Treasurer, Miss Larissa Burgess from the Board and the death of two Board members namely, Miss Katherine Landy and Mr. Glenn Simmons there were five vacancies on the Board which has a complement of fifteen persons. Four of those vacancies were filled since the last Annual General Meeting on an interim basis until our next Annual General Meeting. This is the first Annual General Meeting since that Meeting. The interim appointees for four of the five vacancies are as follows:

1. Mr. Gershon Gibbons carrying out the role of the Treasurer
2. Mr. Anthony Wolffe
3. Mr. Ryan Robinson-Perinchief
4. Miss Shakia Smith

To fill the fifth vacancy, the Nominating Committee has nominated Mr. Cordell Riley. These five are being nominated for three years.

CREDIT COMMITTEE

	RETIRING	RECOMMENDED	TERM
1.	Mr. Lawrence Holder	Mr. Lawrence Holder	1 year
2.	Ms. Terrylyn Lewis	Ms. Terrylyn Lewis	1 year
3.	Mr. Edmund Simons	Mr. Edmund Simons	1 year
4.	Hon. Derrick Burgess J.P.	Hon. Derrick Burgess J.P.	1 year
5.	Mrs. Dee-Anne Martin-Iris	Mrs. Dee-Anne Martin-Iris	1 year
6.	Mrs. Leah Richardson	Mrs. Leah Richardson	1 year
7.	Ms. Prinzine Bailey	Ms. Prinzine Bailey	1 year

SUPERVISORY COMMITTEE

	RETIRING	RECOMMENDED	TERM
1.	Mr. Wayne Mouchette	Mr. Wayne Mouchette	1 year
2.	Mrs. Delores Glasford	Mrs. Delores Glasford	1 year
3.	Mrs. Carlita Spalding-Davis	Mrs. Carlita Spalding-Davis	1 year
4.	Mrs. Carla Burgess	Mrs. Carla Burgess	1 year
5.	New Nominee	Mr. Calvin Burgess	1 year


Edward Lightbourne
CHAIRMAN



Calvin Burgess has been a member of the Bermuda Credit Union since 1990. He was employed with the Department of Public Transport and is currently with the Department of Marine and Ports Services. He has been a member in very good standing. With the help of the Bermuda Credit Union and his business partner, they started BDA Home Solutions, an air conditioning and maintenance company.

Mr. Burgess is married to Mrs. Natalie Burgess and a father of 5 enjoys family time. His faith and relationship with his Lord and Savior Jesus Christ is very important to him. He volunteers with the Family Forum Group with the intention to help families with challenges in these times. He has a strong desire to be an influence to those around him with a positive attitude to aim for nothing but the best. He enjoys baking and has a new found passion for playing golf.

A quote Calvin loves to live by "Don't allow your past to determine your future but allow your future to determine your past".

PROFILE

Cordell W. Riley, JP, has been a member since 2015. He is in academia being a member of staff at the Bermuda College, and has taught at several American Universities in their Bermuda-based programmes. He has also worked with the Caribbean Community and Common Market (CARICOM) on a regional project. Mr Riley has been utilised by the Credit Union each year since 2018 in providing the business environment scan for its Annual Strategic Planning Retreat which is attended by all volunteers and staff. He is a member in very good standing.



PROFILE







BERMUDA
TONIGHT

Leon O'Brien
President, Beacon Collection

CREDIT UNION NEWS

At the Biennial Delegates Conference held March 11th 1972, the Delegates gave the General Membership of the Bermuda Industrial Union the power to decide on a Constitution for the Credit Union, at a General Membership Meeting.

It is hoped that every financial member of the Union will be interested or at least make an effort to find out what a Credit Union is all about. It will be open to financial members only.

At this meeting, Brother Leon Woods, who has up until now, been acting as the Organiser of the Credit Union, will make his first Major attempt to get the Credit Union off the ground.

CREDIT UNION

(Continued from page 5)

Bro. Eugene Blakeney, Leon Woods, Austin Wade, Boyd Smith and Christopher Paul.

On the Supervisory Committee are Sis. Barbara Ball and Bro. Calvert Bean and William Darrell.

The Credit Committee is composed of Sisters Ann Pinder, Carolyn Franklin and Bro. Clarence Lightbourne.

Bro. Woods told the members that it is the aim of the Credit Union to teach the worker how to handle his money and to help him to save for himself and for his family. He said, "We feel that the Credit Union can play a valuable part in helping the worker to provide for himself a financial foundation on which he can build with security and stability."

Any B.I.U. members and their families who are interested in joining the Credit Union should, at this time, come to the Union Headquarters for application forms (\$2.00 joining fee) and for information.

Our advice is "Check It out!"

October 1973

CREDIT UNION ELECTS OFFICERS

The B.I.U. Members' Credit Union Co-op Society held a meeting of B.I.U. Headquarters on Wednesday evening, October 24, and, in spite of the thunder, lightning and pouring rain, a goodly number of members turned up.

The purpose of this meeting was to elect officers for the Board of Directors, and the two committees required by the Society's constitution.

Bro. Leon Woods, an executive officer and member of the Nominations Committee, presented the names of those persons whom the committee considered most suitable for the positions they would hold.

Elected to the Board of Directors were

(Continued on page 6)

July 1974

Compton Pays Visit To B.I.U. ↓

Charles Compton, Assistant Vice-President of CUNA Mutual Insurance Society, an organisation that covers credit unions all over the world, paid a two-day visit to Bermuda last week to get a first-hand look at the progress of the B.I.U. Members' Credit Union Co-op Society.



Compton, who had spent a week conducting a seminar on credit unions in Yorkshire, England, fulfilled a promise made to Brother Leon Woods, that he would pay a brief visit to Bermuda. Bro. Woods met Compton at a seminar in 1971, and also visited his office in Madison, Wisconsin in May of this year.

Woods told The Workers Voice that Compton was "quite satisfied with the progress made by our credit union, and he's confident that the organisation can be an asset to B.I.U. members as well as to Bermuda in general."

Woods added that the CUNA vice president had expressed the willingness to lecture on credit unions at a future regularly scheduled B.I.U. seminar.

LEON WOODS- CREDIT UNION MEMOIRS- BERMUDA INDUSTRIAL UNION
(BIU) MEMBERS CREDIT UNION CO-OPERATIVE SOCIETY

Based on the memoirs from Mr. Leon Woods as he sat in a cozy reception room at the Extended Care section of the King Edward VII Memorial Hospital (KEMH), retrospectively he said that it all started in 1971. In that year, Mr. Reid Simmons went to a Trade Union meeting in Geneva, Switzerland and in discussions with a Mr. Frank Willius, the Managing Director of the Trade Union Movement in Britain, mention was made of Credit Unions. The little that Mr. Willius shared with Mr. Simmons inspired him enough to bring back the concept to Bermuda with a view to building the interest of the Bermuda Industrial Union (BIU) Executive Board and the General Council in this. At that time, the President of the BIU was Mr. Robert Johnston. Soon thereafter, the Chief Organizer, Mr. Ottiwell Simmons became President. While not averse to the Trade Union sponsoring a Credit Union, he was very cautious, since it involved becoming custodians of people's funds and this was out of the Trade Union's distinctive competence with Labour being its forte. Being however always involved with Finance coupled with the information Mr. Reid Simmons brought back from Geneva, Mr. Woods always had this penchant to be involved in a Credit Union. For the next two years, things were moving quite slowly for the Credit Union. However in 1973, because of a sponsorship of the American Federation of Free Trade Unions and the support of Mr. Bobby Ginton from the Bahamas, he was able for a five-week period to visit the Caribbean auditing Credit Union operations in Trinidad & Tobago, Guyana, Jamaica and Barbados.

Upon returning from the five-week training he immediately embarked upon writing the Credit Union Constitution. That year, he spent the entire Christmas and New Year's Holidays writing the Constitution. He took especial care to ensure there was a clear separation of entities between the Credit Union and the Trade Union. One of the first things he did was to ensure there was in place a Supervisory and a Credit Committee, with especially the Supervisory Committee enjoying independence from the Board which essentially comprised of the same BIU board. The Credit Union Constitution in its present form is still the one being used by the Credit Union today. A Committee however has now been put in place to bring that Constitution to reflect the dynamics revolving around the 2010 Credit Unions Act and the widening of the Common Bond to embrace the members of other Trade Unions in Bermuda.

The driving force behind his wanting to see a Credit Union formed was that at that time credit was not easy to come by from the banks by the ordinary Bermudian. His long dream is to see the Credit Union providing mortgages for its members. Though not yet realized he still strongly believes that is the way the Credit Union ought to go. At that time he was Treasurer of the Credit Union. One other BIU staff member though not receiving payment from the Credit Union took a keen interest in it and that was Delores Glasford. Two others who became involved were Shirley Jacobs who worked at KEMH and Glenda Gibson nee Darrell, who worked at Southampton Princess. In 1974, he and Mrs. Glasford would drive to the various companies with staff having BIU membership to have them save with the Credit Union by way of salary deductions. This led to exponential growth for the Credit Union. The Trade Union was very strong and there



FIRST CREDIT UNION MANAGER

Friends Who Have Left Us

Alecia Darrell
Terri-Lee Bascome-Smith
Brenda Hollis
Susane Dill
Ralph Powell
Anita Masters
Leroy Simmons
Troy Govia
Allan Outerbridge
Felicia Martin
Lloyd Van Putten
Carol-Ann Burchall
Arnold Burchall
Ervin Whitter
Terry Darrell
Diane Trott
William Burrows
Charles Gibson
Milton Murray
Navel Darrell
Jefferson Smith
Herman DeShields
Dennis Furbert
Collins Lorne Smith
Brenda Hollis
Wendell Baxter
Michael Skinner
Carlos Estravit
Linda Rodney
Erick Trott
Louis Somner
Linda Lee Hill
Terry Lambe

Rosheena Beek
Sakeena Talbott
Ruthlyn Fashala
Alfred DeShields
Glenda Anderson
Nola Smith
Beverly Smith
Alfred DeShields
Michael Fuhrtz
Carol-Ann Bailey
Donna Jacobs
Cecil White
Liberti Franklin
Voorhis Trott
Gloria-Ann Bean
Michelle Grimes
Naomi Harris
Mildred Philpotts
Enima Irving-Sobers
Braxton Outerbridge
Danae Preece-Saunders
LaVerne Furbert
Katherine Landy
Glenn Simmons
Malailka Douglas
Vincent Swan
Keenan Butterfield
Darius Tucker
Joan Jameson
Rhonda Simmons
Clarence Lightbourne
Alvon Brangman
John Holdipp III

DECEASED MEMBERS

STAFF NOW SERVING YOU

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

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

Mr. Terence Burgess – Operations & Technology; Certificate of Electronics, Bermuda College 1981-1984; Degree: Associate- Electronics & Computer Engineering, Rhode Island Institute of Technology 1984-1986; B.Sc.–Technical Management with Project Management & Risk Management- DeVry University, 2010; Certificate – Business Analytics – Harvard Business School Online, 2010; Tableau Data Analyst, 2010.

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

Kandyelyn Pimentel-Member Care Representative, eight and a half (8½) years banking experience with the Bank of Bermuda and previously worked with the Bermuda Industrial Union as Accounts Supervisor/Accounts Payable; Certificate Professional Secretary Penn Foster Career School-October 2009. She currently has assumed many of the functions of the Operations & Admin. Manager who recently resigned.

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

Angela Johnston - Member Care Representative; Sandys Secondary 1979 -1983, 25 years' experience in elderly care. Over eight years' service as a member of staff of the Credit Union.

Dionne Glasford – Loans Officer; The Berkeley Institute, Bermuda (Honour Roll Student); Katherine Gibbs College, Boston M.A. (Honours Graduate). Work experience – Vision Bermuda 2012-2021; Merck Sharp & Dohme 2005-2012; Fairmont Southampton 2000-2005.

PARLIAMENTARY RULES OF ORDER

1. ORDER OF BUSINESS

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

2. SUSPENSION OF STANDING ORDER

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

3. MINUTES

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

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

They shall state their name and the department which they represent, if recognized by the chair, they shall have the privilege of the floor and all the rights thereof.

All speakers are to make use of the microphones when addressing the Meeting in order that it be recorded and made a permanent record in the Meeting proceedings.

Should two or more persons rise at the same time, the chair shall decide, without debate, who is entitled to the floor.

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

4. SPEECHES

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

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

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

5. CHAIRMAN'S RULING

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

6. INTERRUPTION

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

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

7. MOTIONS AND AMENDMENTS

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

8. SUBSTANTIVE MOTIONS

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

9. RIGHT OF REPLY

The mover of the Original Motion shall, if no amendment be moved, have the right of reply at the close of the debate upon such motion. When an amendment is moved he shall be entitled to speak thereon in accordance with Standing Order No.8 and at the close of the debate on such amendment shall reply to the discussion, but shall introduce no new matter. The question shall then be put to the vote immediately,

and under no circumstances shall any further discussion be allowed once the question has been put from the Chair. The mover of an amendment shall not be entitled to reply.

10. WITHDRAWALS OR ADDITIONS

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

11. CLOSING DEBATE

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

12. ADJOURNMENT

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

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

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

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

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

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

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

