



**BERMUDA  
CREDIT UNION  
CO-OP SOCIETY**

**ANNUAL REPORT 2023**







**Bermuda Credit Union Co-op. Society**  
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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42<sup>nd</sup> 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, December 13, 2023 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

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Ronaldine Burgess  
**BOARD SECRETARY**



Prayer of St. Francis of Assisi

Credit Union Prayer

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

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

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



**41<sup>st</sup> Annual General Meeting  
Bermuda Credit Union Cooperative Society  
July 7<sup>th</sup> 2022  
Dr. E. F. Gordon Hall  
49 Union Square  
Hamilton**



The meeting was opened at 5:49 p.m. by the President Bro. Graham Nesbitt.

All present repeated the Credit Union Prayer.

Bro. Graham welcomed the members and welcomed our guest, Sis. Lloyquita Simons, from the Bermuda Public Service Union (BPSU), Mr. Ronald Simmons, our Auditor, Moore, Stephens and Butterfield. He said this is the Credit Union's 50<sup>th</sup> year in operation. (the meeting applauded)

Sis. Ronnie asked all present to be upstanding in observing a moment of silence for those members and Board of Directors who had passed since we last met.

Sis. Ronnie then read the minutes of the previous meeting held May 15<sup>th</sup> 2019, which were adopted, moved by Sis. Delores Glasford second by Sis. Edna-mae Tuzo.

**Bro. Graham** – said because this is our 50<sup>th</sup> year we have asked our sister unions, who are now a part of the Credit Union's Board of Directors to come and bring greetings on us achieving 50 years in operation. Bro. Anthony Wolffe is now on the Board of Director's representing the Bermuda Union of Teachers (BUT) please welcome Bro. Anthony. (the meeting applauded)

**Bro. Anthony Wolffe, BUT** – said it is pleasure to be standing here representing the BUT, it is important to first applaud the Bermuda Industrial Union for having the foresight, the courage and the nerve to venture into such a large venture and to know that 50 years later it is still standing. It is also equally important to applaud the membership for standing behind and supporting the venture and ensuring it remains sustainable. Also applaud Bro. Micah and the staff of the Credit Union. (the meeting applauded) They are pleased that they allowed the sister unions to come on board and they jumped on without hesitation, he says long live the Bermuda Credit Union. (the meeting applauded)

**Bro. Graham** – said we will now have greetings from Sis. Lloyquita Symonds, Assistant General Secretary, BPSU. (the meeting applauded)

**Sis. Lloyquita** – said on behalf of their President, Bro. Armell Thomas, the Executive Committee, the General Council, the Secretariat and members of the BPSU, she extends greetings as the Bermuda Credit Union Cooperative Society celebrates it's 50<sup>th</sup> year in operation. The BPSU is proud of its long-standing connection with the Bermuda Credit Union as a member and an investor; in 2015 the BPSU formed a strategic partnership with the Credit Union to provide their members with greater access to credit. The BPSU takes this opportunity to wish the Credit Union ongoing success as it continues to build on its impressive reputation and historic achievements. (the meeting applauded)

**Bro. Graham** – said he has been informed that our newest nominee to the Board of Directors, Bro. Cordell Riley, will have to leave shortly to attend a pressing matter; he will ask him to stand to be recognized by the meeting. (the meeting applauded)

### **Board of Director's Report**

Bro. Graham presented the report of the Board of Directors and introduced each Director and gave apologies for those Directors not present, he also presented our young representative Bro. Ryan Robinson-Perinchief. (the meeting applauded) He informed them that Sis. Paula Cox and Bro. Jason Hayward had resigned and Bro. Glen Simmons and Sis. Katherine Landy were now deceased. He then read the report. Bro. Graham said he would like to personally thank the staff because without them we would not have achieved what we have achieved today. He asked the meeting to thank the staff. (the meeting applauded the staff)

There were no questions the report was adopted, moved by Sis. Mandisa Richardson, seconded by Bro. Patrick Hayward.

### **Auditor's Report**

**Mr. Ronald Simmons, Auditor of Moore, Stephens & Butterfield** – said it has been already established from the last AGM, in this annual report there are 3 years audited financial statements being presented. The audited opinion does not vary much so he will read the Audited opinion for the most recent Audit that has been completed which is for the year ended December 31<sup>st</sup> 2019.

The report was then questioned.

**Bro. Cordell Riley** – asked Mr. Simmons if it is his role to advise or recommend steps where he had an unqualified opinion.

**Mr. Simmons** – said things that come to their attention during the course of the Audit that they can assist with they will communicate in a management letter, or they issue a governance report which is required by auditing standards.

**Sis. BettyJean Gilbert** – said regarding the statement in his report that the Credit Union cannot lend to any one member an amount exceeding 10% or 2% of aggregate withdrawable shares whichever is less; is he saying the Credit Union went above.

**Mr. Simmons** – answered yes, there was an incident that happened.

There were no further questions, Mr. Simmons was thanked for his report and left the room.

Bro. Graham read the names of those members who had passed since we last met, the meeting then recited the pledge to the members.



## Treasurers Report

**Bro. Gershon Gibbons, Treasurer** – presented the Treasurer’s report, he thanked the Board for allowing him to come on to assist the Credit Union to try and move forward, he will try his best to make sure the Credit Union is moving in a positive direction. The report was then questioned.

**Sis. BettyJean** – said on the Auditors report under ‘*Emphasis of Matter*’ are we going to become compliant, are the issues going to be addressed, so it does not show back up on the Auditors’ Report.

**Bro. Gershon** – responded yes, we are working to get caught up, we are just finishing our 2020 financial statements and we are waiting for the Auditor to start auditing. The 2021 statements are trying to be addressed now; so hopefully by the end of the year the Auditor would have finished the Audit for 2021. So that by next year when we have our AGM, we should be able to say the Auditor is looking at our 2022 statements. Once we get to that point, meaning that the financial statements are presented fairly and everybody knows our position, it means that management and the Board are working to clean up any of the outstanding Audit points. There are concerns to try and make sure we are compliant with the BMA, WOCCU and the CCCU that is important. One of the major concerns is the delinquency, some of the issues being brought up by the Auditor is because we are late with presenting the statements, laws change so when laws change if we were doing something back in 2019 but it is coming up in 2021, we have to go back to 2019 and put that information in. So, until we address the concerns and know where we are moving forward, we can know we are putting the right things in place. We are also looking at some of the points that the Auditor has made, and they are being addressed.

**Sis. BettyJean** – asked about the loan that was over ten years is it being addressed.

**Bro. Micah** – said that is a matter caused by the delinquency, in that particular case a member’s daughter, after obtaining a loan left the island, after calling the father, he added the loan to his loan, he could not afford to pay it back in ten years. So, delinquency again is causing us to take action when there is no other option, we made sure somebody was responsible.

**Bro. Roger Lambert** – said with the delinquency getting down to 10% would it help to have an ATM installed.

**Bro. Gershon** – said the more we have in surpluses it would allow us to make things more available to the membership, so the answer is yes but in reality, ATMs are almost extinct because of the way technology is going. Also, most people do not use cash, they use a card that is something that will help us as part of moving forward because we want to be at least with the other financial institutions in what services they provide to their members and clients. We are looking into making sure we are competitive and along with them to use the Credit Union as their first financial institution.

**Bro. Graham** – said if they have a credit card or debit card once they give the Credit Union their information, they can transfer money onto their card if they are travelling.

There were further questions on the installation of an ATM and the cost, which will be analyzed before it is installed.

There were no further questions, Bro. Gershon was thanked for his report, the report was adopted, moved by Bro. Edmund Simons, second by Bro. Daffeth Wallace.

### Credit Committee Report

Bro. Larry Holder, Chairman of the Credit Committee presented the report, the report was then questioned.

**Bro. Craig Daniels** – asked regarding the delinquent member is there a strategic process that we go through to reclaim.

**Bro. Larry** – said that is not done by the Credit Committee but on Union Corner the President and others have made it very clear if members are out there, please come in and if they know of members let us know.

**Bro. Graham** – said delinquency is a thorn in his side, he does not appreciate members taking our money and not coming to pay it back, the Board over the years has been pressing very hard, we have a bounty hunter. We do have a list of delinquent members, that list is available for any member who wishes to assist in finding these funds because it is their money.

**Sis. Evernell Davis, (Collector)** – said she does not play, she has been in this field over 30 years, she is given a name and she goes out, she gets them on WhatsApp. She also has her private investigator license, she does what she has to do, she does not give them an excuse not to pay. She lets them know if they are unable to come in, call her, she will take the receipt book and go and get it and bring it in. (the meeting applauded)

**Ford** – said whoever is on that list, that money that they have gotten belongs to him, he wants the list so he can see whoever is on that list and if they are not paying. They owe him money and they have to take it around to where they got it from.

**Bro. Graham** – said in addition to using the bounty hunter, we also use the courts and warrants have been put out on certain individuals that we know have left the island, once they come in the warrant will take effect and they cannot go out. But they come in and they are gone within a certain amount of days, by the time we hear about it, they are gone so we try every angle.

There were a few more questions on the report.

The report was then adopted, moved by Bro. Graham Maule, seconded by Sis. Andrea Santucci.

### Supervisory Committee Report

**Bro. Wayne Mouchette, Chairman** – said it is unfortunate that we are talking about delinquency before he goes into his report. He wants to say they go around to those hostile institutions, they cannot get a loan, they come here to a friendlier institution and sometimes they want to pull the wool over our eyes, it's a mindset. He asked if he was a delinquent member of the Bermuda Credit Union, and he goes to Maryland and joins a Credit Union in his name there to say he is delinquent in Bermuda. (the answer was no) Bro. Wayne said he thinks it is about time we do some networking, it is important.

He then presented the report from the Supervisory Committee, he was thanked for his report, the report was then questioned.

**Sis. Wanda Francis** – said she heard it mentioned that they are using the courts and Bailiffs, one recommendation is to go back to the Bailiffs with a list because they have to process from every area of the courts. In the position where she works, she does see some of their requests so they can take the list back to the Bailiffs to get it updated to make sure it is current.

**Bro. Graham** – said we know it has been a slow process even when we were going through the Bermuda Credit Association.

The report was adopted, moved by Bro. Patrick Hayward, seconded by Bro. Graham Maule.

### Nominating Committee Report

Sis. Mandisa Richardson presented the report of the nominating committee, the following Directors and Committee members will be retiring at this AGM:

**Board:** Bro. Graham Nesbitt, Sis. Ronaldine Burgess, Bro. Cecil Durham, Bro. Clarence Smith, Bro. Chris Furbert, Sis. Helena 'Molly' Burgess, Bro. Michael Charles, Bro. Quinton Butterfield, Bro. Shervin Dill and Sis. Renee Jones.

**Credit Committee:** Bro. Lawrence Holder, Sis. Terrylyn Lewis, Bro. Edmund Simons, the Hon. Derrick Burgess, JP, MP, Sis. Dee-Anne Martin-Iris, Sis. Leah Richardson and Sis. Prinzie Bailey.

**Supervisory Committee:** Bro. Wayne Mouchette, Sis. Delores Glasford, Sis. Carla Burgess, and Sis. Corlita Spalding-Davis.

The Nominating Committee recommended that all Board members retiring be returned also since we last met three Board members had resigned and two Board members had passed, four of those vacancies were filled on an interim basis as follows: Bro. Gershon Gibbons became Treasurer due to the resignation of Sis. Larissa Burgess as Treasurer. Sis. Katherine Landy and Bro. Glen Simmons passed away and Sis. Paula Cox resigned, those positions were filled by Sis. Shakia Smith, Bro. Anthony Wolffe and Bro. Ryan Robinson-Perinchief.

The Nominating Committee is recommending that all Directors be returned to serve between 1-2 year terms for some, and that the interim Directors be nominated for a three-year term, along with Bro. Cordell Riley to fill the fifth vacancy on the Board.

Their recommendation for the Credit Committee was that all retiring volunteers be returned for another year.

Regarding the Supervisory Committee they recommended that all retiring volunteers be returned for another one-year term with one new recommendation of Bro. Calvin Burgess to sit on the committee.

Sis. Mandisa was thanked for the report from the Nominating Committee.

**Bro. Graham** – said this is looking to be his last year as President of the Credit Union, he is giving them notice if they require him to stay longer, he will stay longer but he thinks after 15 years of being in this position and seeing the struggle and the progress made over these years, he thinks it is time to hand the mantle on. He did not achieve everything he wanted, the delinquency is still a sore in his side, he is only asking for one more year, they heard it is two years, he loves this Credit Union, he feels one more year gives him enough time to put some things together, it gives them enough time, the next AGM they may see somebody else standing up here. He felt it was unfair to stand here tonight and say bye, he is gone, he is on a new venture, but the Credit Union is his heart. He and Bro. Micah had some hard conversations, it hurts him to say he has to go but he has to make way for the young folks. If it is their wish, he will stay for one year and try to create a smooth transition between him and the next President. (the meeting applauded)

### Elections

**Bro. Llewellyn Ming, Returning Officer** – asked if there were any other nominations from the floor for the Board of Directors, there were none.

**Motion:** Bro. Edmund moved *'that all nominations be closed, and we accept the recommendation of the Nominating Committee'*, he was seconded by Sis. Mandisa. The motion was passed, the meeting welcomed the new Board of Directors.

**Bro. Llewellyn** – asked if there were any other nominations from the floor for the Credit Committee, there were none, nominations were closed.

**Motion:** Bro. Mark Anthony Swan moved ‘*that we accept the recommendation of the Nominating Committee*’, he was seconded by Bro. Patrick Hayward. The motion was passed, the meeting welcomed the new Credit Committee.

**Bro. Llewellyn** – asked if there were any other nominations from the floor for the Supervisory Committee, there were none, nominations were closed.

**Motion:** Bro. Patrick moved ‘*that we accept the recommendation of the Nominating Committee*’, he was seconded by Bro. Leroy Furbert. The motion was passed, the meeting welcomed the new Supervisory Committee.

**Bro. Llewellyn** – wished all newly appointed volunteers success until the next AGM and welcomed all volunteers.

Bro. Graham read the names of all the Board members and asked the meeting to welcome them.

#### **Appointment of Auditor**

**Bro. Graham** – said he would recommend that we continue with Moore, Stephens and Butterfield.

**Motion:** Bro. Llewellyn moved that ‘*we continue with Moore, Stephens and Butterfield as our Auditors*’, he was seconded by Bro. Daffeth. The meeting approved the motion.

**Raffle Draw** – was then conducted.

**Bro. Graham** – said he thinks it is only right that they hear from a young member, he is intelligent, this young brother and we should hear what he is bringing to the Credit Union Board, he appreciates him. He had said to him he needs to say something tonight.

The meeting welcomed Bro. Ryan Robinson-Perinchief.

**Bro. Ryan** – said he will give them a bit of a background, he has been a member of the Credit Union for maybe 10 years. He went to Bermuda Institute, the Berkeley Institute, he got a law degree from Durham University, in England, he is not a practicing lawyer yet, but he has all of the academic credentials. He went to the University of Oxford and studied for his master’s in public policy and he recently came back to Bermuda. Bro. Micah can attest that although he just

joined the Board in February, he used to come around every time he was back on island and check in with Bro. Micah.

He was presented with the opportunity to join the Board a few months ago and he is honoured to have been elected to the Board to serve them for the next three years. So, thanks and he is looking forward to staying on the Board and hopefully helping to make some of the improvements. He had a conversation with Bro. Micah and Bro. Graham, they talked about how Bro. Micah, Bro. Graham and the Board have worked very hard over the past 10-15 years at stabilizing the Credit Union and they hope that the next few years and the next phase can be moved from stable to growth. So, he looks forward to being a part of that and he thinks that the need, and the recognition of young people and him being on the Board is evidence of that. We have also set up a new Member Enhancement Committee to look at some of the issues presented when it comes to modernizing and digitizing. So, thank you, he is honoured and he looks forward to working with the current Board to learn as well as to contribute. (the meeting applauded)

**Bro. Graham** – said once again he wants to thank the members, the staff, the committees and the Board for their assistance over the years.

There being no further business the meeting was closed at 8:22 p.m.

Signed,



Sis. Ronnie Burgess  
Secretary to the Board



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**Bro. Graham Nesbitt, President**

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**Date approved**



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

At this the 42<sup>nd</sup> Annual General Meeting of our Credit Union it is with a feeling of a sense of determination that I present the report of the Board of Directors. Challenging though it has been, let us see them as opportunities. As I review our performance since our last meeting, there are strong indicators of the wholehearted support of the members. During that time our asset size has moved from \$30,185,135.00 to \$35,598,533.00, and our loan portfolio from \$14,333,727.00 to \$19,228,995.00 a growth of over \$5.5M and 4.80M respectively!

The efforts made to ensure our Credit Union gets stronger and stronger are more encouraged by the member buy-in we have been experiencing. At our last strategic planning retreat, the balanced score card gave us the following mandate.

1. Expand Loans and Savings Offerings
2. Target and Acquire New Members
3. Brand Building and Community Outreach
4. Use of Technology to provide 24x7 service
5. Implement Government & Strategic Partnerships
6. Lobby for Legislative Changes
7. Manage Regulator Relationships
8. Satisfied Members Achieving their Financial Goals
9. Satisfied Partners Achieving Mutual Objectives
10. Always Compliant and Provide Timely and Accurate Compliance Reports
11. Primary Financial Institution for the Members
12. Competent, Engaged, Member-Centric Team
13. Efficient Process to Execute Strategy
14. Empowering Culture where Core Values are Lived
15. Prudent Governance, Compliant Risk and Financial Management
16. Visionary Leaders and General Manager

All of these stacked on the balanced score card of the Board, Credit, Supervisory Committees and staff have been our ongoing target as we serve our members daily and all of them are equally important. We continue to work at these. One which we are working towards is the full ability of the members to do their transactions online. This we expect will make point # 13 truly realized by strategically providing efficient service to the members. We have striven to execute well-planned services to the members always ensuring these harmonize with points #s 10 and 15.

Prudence involves decision-making many times that require the will of the stakeholders to see and accept the reason for it considering the long-term benefit. When that does not take place it hampers and even blocks the ability of the Credit Union to properly operate. The fact that the BASEL Committee endorses the Credit Union's operating standards means that the evidence is there that it should be the Credit Union's best practices. Credit Unions that operate by these standards never fail to satisfy adequately members' needs.

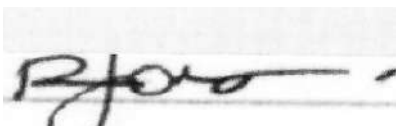
Our determination to operate by these standards has made it possible to prove to the regulator who abides by the BASEL Committee that notwithstanding our unique threats such as loan delinquency we are striving to the safe and sound. There is no doubt that the Credit Union’s prudential standards cater to the member. The insurance coverage on our loans and savings, the not for profit but for service mantra, the avoidance of service charges to members, the bond concept, the strong concentration of the roll within local communities and economies that credit unions foster are some of the reasons for not only defending our posture but being unapologetic about it.

When we brainstormed at our eighth strategic planning retreat last November, the COVID-19 pandemic as we emerged from it tempered our projections. In addition to the afore stated Loans and Assets projections compared with the actual performance, the table below shows our actual performance as against our projections.

KPA	Projections	Actual	Variance
	\$	\$	\$
Shares	31.688M	33.963M	2.275M
Revenue	1.757M	1.643M	(114,000.00)
Expenses	1.497M	1.326M	171,000.00
Surplus	81,226.02	316,416.27	235,190.25

This table shows how important it is that we have to always look at the big picture in the stewardship our funds as members. Though the actual savings far exceeded the projections set at our retreat, the revenue underperformed. It means holding strain on expenditure to ensure certain prudential goals such as our continuing as a going concern is not jeopardized. The approach taken has always been and always will be the one. Credit Unions raison d’etre is to better the lives of its members. If the Credit Union itself does not operate to make it stronger, better it would be acting contrary to the tenets of a co-operative one of which is sound financial education.

As we come together to review and plan, it has been a worthwhile period collaborating with other members of the Board, the Credit and Supervisory committees in carrying the co-operative baton. My sincere thanks to the staff as we move forward. Most of all, my deep appreciation to the members for their continued support of the Credit Union.



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 Renee Jones  
**PRESIDENT**



BOARD MEETING ATTENDANCE

2022	Comments	January	February	March	April	May	June	July	August	September	October	November	December	Total	KEY
PRESIDENT - G. NESBITT	Resigned July 2022	1	1	A	A	1	1	1	R	1	R	R	R	5	V-Vacation
PRESIDENT - R. JONES	President July 2022	1	S	1	1	1	E	1	1	1	1	E	1	9	W-Working
1ST VICE PRESIDENT - C. DURHAM	1st Vice President July 2022	S	1	S	S	S	S	S	S	S	S	S	S	1	E-Excused
1ST & 2ND VICE PRESIDENT - C. SMITH	Commenced Feb. 2022; 2nd VP effective July 2022	1	1	1	E	1	1	1	1	1	1	1	1	10	A-Absent
2ND VP - R. ROBINSON-PERINCHIEF		1	1	1	1	1	1	1	1	1	1	1	1	10	S-Sick
SECRETARY - R. BURGESS		1	1	1	1	1	1	1	1	1	1	1	1	12	R-Resigned
TREASURER - G. GIBBONS		A	A	A	A	A	A	A	1	1	1	E	1	4	
DIRECTOR - C. FURBERT		1	1	1	1	1	1	1	1	1	1	1	S	11	
DIRECTOR - M. BURGESS		1	A	1	A	1	1	A	A	A	A	A	A	5	
DIRECTOR - S. DILL		A	A	A	A	A	A	1	A	A	A	A	A	1	
DIRECTOR - Q. BUTTERFIELD		1	1	1	1	1	E	1	1	1	1	1	1	11	
DIRECTOR - DR. M. CHARLES		1	1	1	1	1	1	1	1	1	1	1	1	12	
DIRECTOR - S. SMITH		1	A	1	1	1	1	1	A	1	1	S	A	8	
DIRECTOR - A. WOLFFE		1	1	1	1	1	1	1	1	1	1	E	1	5	
DIRECTOR - C. RILEY															





## TREASURER'S REPORT

At our 41<sup>st</sup> Annual General Meeting last July I laid out some challenges we have been tackling some of which are our efforts are (1) being solvent (2) meeting the Institutional Capital prudential standard (3) delinquent loans control and the attendant adequate loan loss provisioning and (4) current audited financial statements. These are three of some eight key prudential performance areas that as Treasurer is incumbent upon me as I serve you the members to ensure the safety and soundness of the Credit Union. The other key prudential performance areas are as follows:

- Expenses to Total Assets
- Non-Performing Assets ratio
- Return on Assets (ROA) ratio
- Liquidity ratio
- Asset growth

Some 16 months later, what have we achieved? Not only that, have we strategized so that any gains made are maintained and slippage is clearly steered away from? Let us now see what our performance has been when measured against the standards.

In the key area of solvency, the prudential standard set by the World Council of Credit Unions is greater than 110%. We have achieved at September 2023 96.23%. Had we achieved the 110% and greater we would have received a Code 1, the mark of real prudence. We have scored a code 2. It means we have not achieved the prudential standard we ought to. However, when we met our last AGM, we were at 94.60%. This means we have improved by just about 2%. The question is how was this achieved? It was the constant sticking to our task of efficiency. Fully aware of our circumstances, we devoted our efforts to all of the steps outlined in those prudential standards.

One of such is our Expenses to Total Assets ratio. Consistently, over the past years our expenses to assets hovered at 6% within the boundary of not being over 8% of total assets. We managed to meet our monthly obligations whilst sticking to this thus improving our solvency, this all important standard. In spite of this our surplus level or our return on assets (ROA) continues to be under 1%. The table below gives a clear picture of the challenges we have been facing.

	Revenue	Expenses	Surplus	ROA
	\$	\$	\$	%
2018	1,244,589.00	1,229,343.00	15,246.00	0.08
2019	1,357,914.00	1,340,217.00	17,697.00	0.08
2020	1,495,897.00	1,441,567.00	54,330.00	0.09
2021	1,837,215.00	1,741,357.00	92,857.00	0.32
2022	1,926,476.00	1,722,806.00	203,669.00	0.63
2023 YTD	1,643,116.00	1,326,699.00	316,416.00	0.88

The table shows that though in 2018 we made a surplus of just over \$15,000.00 as at September 2023 the surplus for this year up to that date was \$316,416.00. Though this represents 20 times increase in surplus, the Return On Assets is still below the prudential standards because where as in 2018 our assets were



Seated Left to right: Terence Burgess, Manager Technology & Operations; Micah Davis, General Manager; Sosina Mekonnen, Manager, Accounting

Standing Left to right: Kaidyelyn Pimental, Member Core Representative; Angela Johnston, Member Core Representative; Colleen DeSilva, Member Core Representative; Ricklesha Worrell, Loans & Delinquency Control Officer;

Missing: Dionne Glasford, Loans & Delinquency Control Officer

\$17.4M as at September our assets were \$35.5M. Our asset size has doubled since then, but the income earned is way below what this should be.

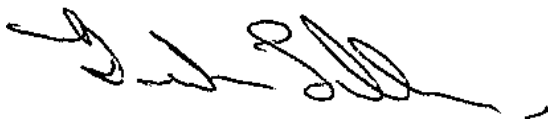
It is from our Income that we are able to grow another key performance standard, namely our Institutional Capital. The standard is that this should be 10% of our Institutional Capital. At present it is 3.36%. This AGM has on its agenda the passing of the resolution to offer deferred shares to the amount of \$3.5M to you fellow members which will be used to shore up our Institutional Capital. The prospectus which accompanies clearly outlines the process in making us of this facility and at the same standing by our Credit Union once again in ensuring its safety and soundness. What we are doing here is to clearly show we not only know what our challenges are but we are strategizing to ensure Credit Union is financially sound. It is a feeling of achievement that as Treasurer, our planning retreats are not in vain in foreseeing and acting on the steps we need to take for this Credit Union's future.

As Treasurer, every step along the way I have supported the measured steps we have taken at the Board level to ensure our prudential standards are met whilst fulfilling our obligations whether its our human resources or the facilities we can take on within our means. As we see the surplus made on the year being audited namely 2020, it is a far cry from what it should be so we could offer a dividend. With this gap of some \$2M in our Institutional Capital we are obligated to care for that first as a co-operative.

However, even when we close that Institutional Capital gap using that \$3.5M and leaving us with a buffer for further asset growth there is still our perennial challenge of the delinquent borrowers. Those loans by our delinquent members still stand at the same figure as at our last AGM of some \$3.5M. Though we have been setting aside monthly loan loss provisions which at present is \$20,000.00 monthly the loan loss provision is a mere \$744,142.65 in total. It means we will need to have a further provision of some \$2.7M while we pursue these members. The prudent thing to do is to continue to write off these loans but still pursue these members. That is the reason for the resolution at this meeting to allocate the \$744,142.65 to some of these loans.

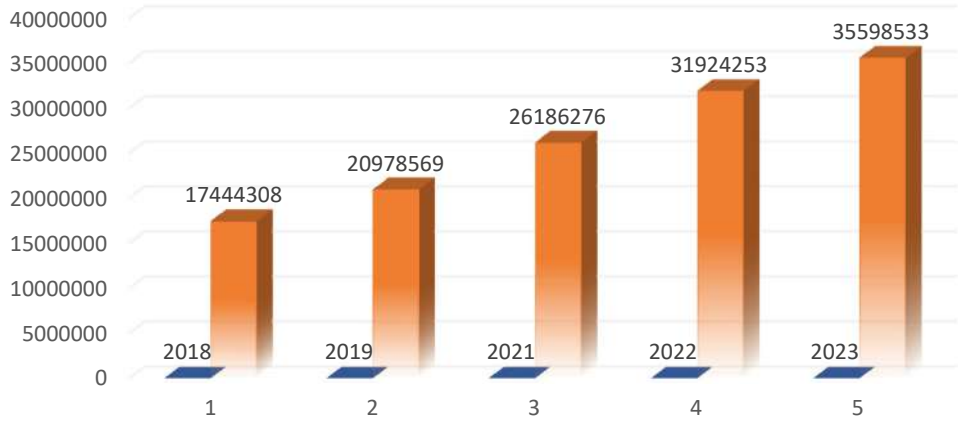
We know for certainty that the current loans are serviced and the delinquency on those loans is well within the WOCCU PEARLS-M standard of 5% of the loan portfolio. If we continue to carry these amounts on our books it makes it more difficult than it already is in convincing the regulator, the Bermuda Monetary Authority to increase our lending limit. This is a restriction that this Credit Union has placed under due to the delinquency on these loans granted in the past some of which were granted over twenty years ago. We have to show from all angles that these delinquent loans are dealt with and one of those actions is to write them off but emphasizing not forgetting them.

Our goal is to get to the point where our key prudential standards are met and to ensure we receive dividends on our savings. It is a very long road, but we must continue to work for the continued uplift of the Credit Union. As members, we have continued to be very supportive of our Credit Union and I am confident this will continue. On behalf of the Board of Directors, Credit an Supervisory Committees I wish to reiterate profound appreciation for the commitment to your Credit Union. In closing. I also wish to encourage the staff to keep up the good work. It was indeed a pleasure serving once again.



.....  
Gershon Gibbons  
**TREASURER**

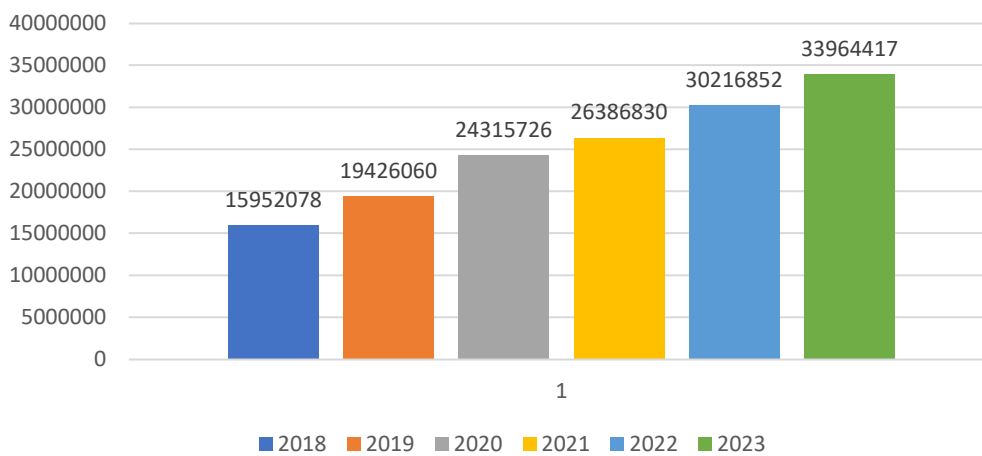
## ASSETS GROWTH



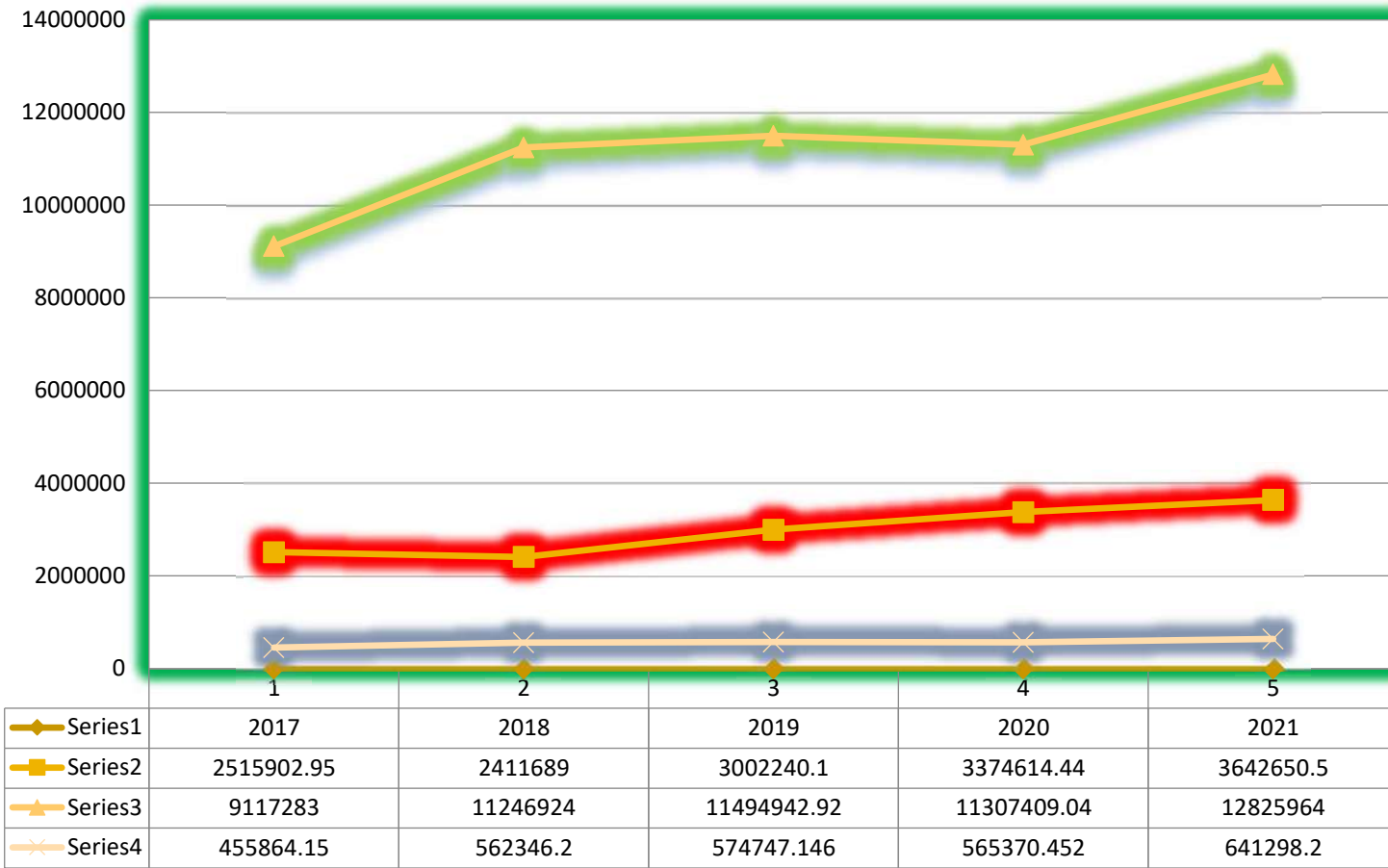
## LOANS GROWTH



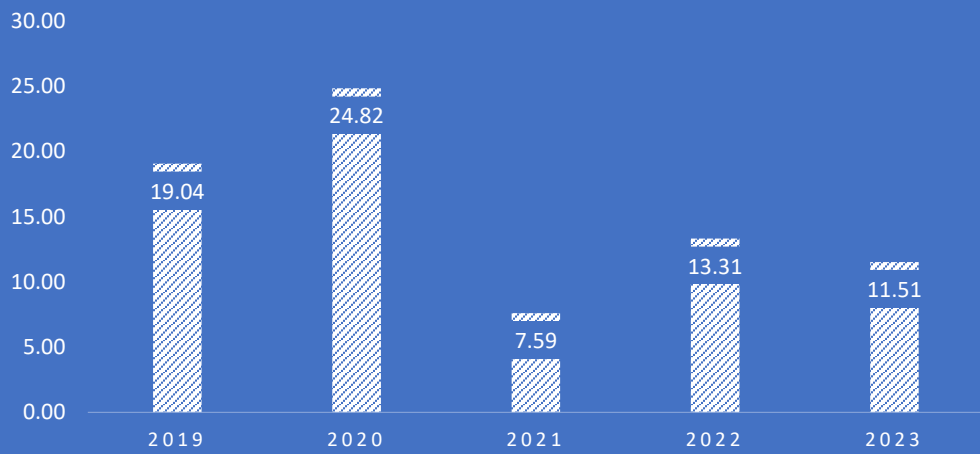
## SAVINGS GROWTH



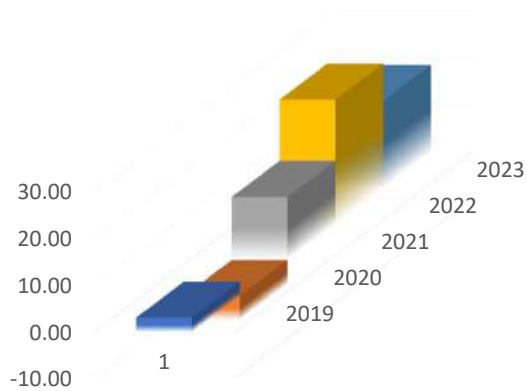
## DELINQUENT LOANS



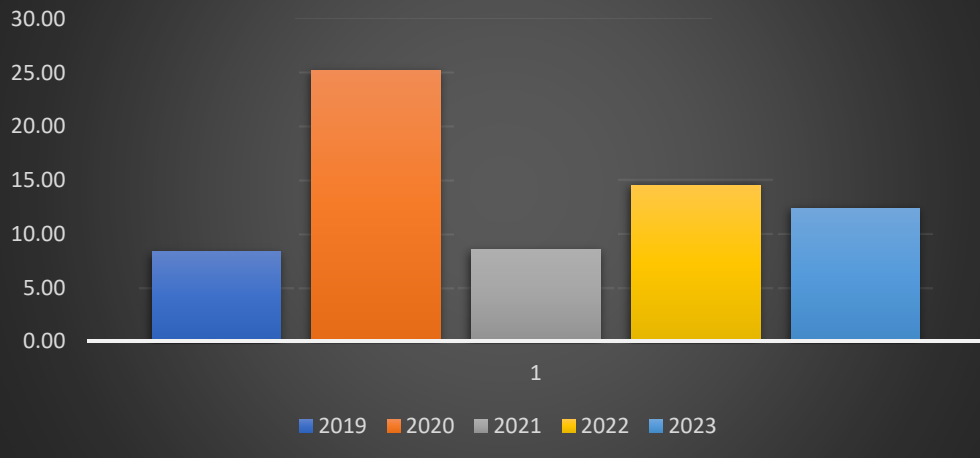
## ASSET CHANGE



## LOAN CHANGE



## SAVINGS CHANGE





\*

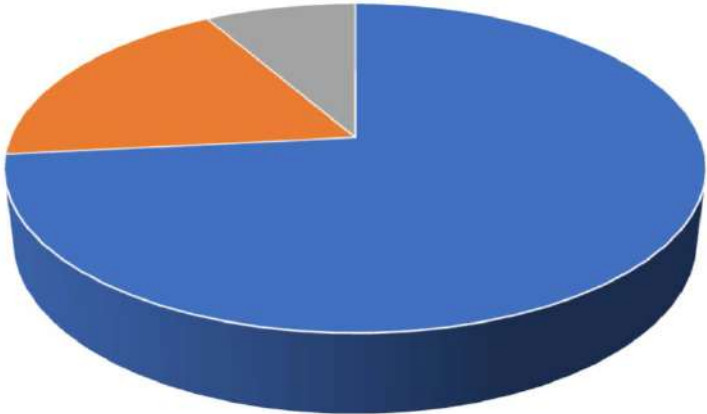
LET US LOOK AT THE MONEY WE HAVE

2020		2019	INCREASE (DECREASE)
\$		\$	%
<b>WE THE MEMBERS OWN</b>			
19,081,724.00	SHARES	14,453,790.00	32.02
5,819,361.00	SPECIAL DEPOSITS	4,972,270.00	17.04
<b>WE ALSO OWN</b>			
1,145,390.00	STATUTORY & LEGAL RESERVES	1,130,282.00	1.34
(4,886.00)	RETAINED EARNINGS & UNDISTRIBUTED SURPLUS	(59,216.00)	-91.75
106,000.00	CONTRIBUTED SURPLUS	106,000.00	0.00
-	OTHER RESERVES	-	
26,147,589.00	<b>MAKING THE GRAND TOTAL OWNED BY MEMBERS</b>	20,603,126.00	26.91
<b>LET US SEE HOW THE MONEY WAS BEING USED</b>			
11,560,343.00	LOANS TO US AS MEMBERS	11,914,474.00	-2.97
578,878.00	OTHER RECEIVABLES	441,679.00	31.06
3,121,359.00	CASH IN HAND AND AT BANK	2,595,068.00	20.28
58,463.00	TO PURCHASE ASSETS	53,405.00	9.47
11,251,458.00	INVESTMENT IN OTHERS	5,973,943.00	88.34
<b>26,570,501.00</b>		<b>20,978,569.00</b>	26.66
422,912.00	LESS AMOUNT WE OWED TO OTHERS AT YEAR END	375,443.00	12.64
<b>26,147,589.00</b>		<b>20,603,126.00</b>	26.91
<b>LET'S EXAMINE HOW OUR INCOME WAS EARNED</b>			
<b>OUR INCOME WAS EARNED FROM</b>			
1,097,250.00	INTEREST ON MEMBERS' LOANS	1,151,147.00	-4.68
274,350.00	INTEREST ON INVESTMENTS	167,014.00	64.27
124,297.00	OTHER INCOME	39,753.00	10.16
<b>1,495,897.00</b>		<b>1,357,914.00</b>	10.16
<b>OUR COST TO OPERATE THE CREDIT UNION WAS</b>			
1,237,098.00	ADMINISTRATION	1,272,575.00	-2.79
204,469.00	FINANCIAL	67,642.00	202.28
<b>1,441,567.00</b>		<b>1,340,217.00</b>	7.56
54,330.00	<b>GIVING A SURPLUS BEFORE STATUTORY RESERVES OF</b>	17,697.00	207.00
54,330.00	<b>GIVING A NET SURPLUS OF</b>	17,697.00	207.00
-	TO WHICH WE ADD THE PREVIOUS YEAR'S UNDISTRIBUTED SURPLUS	-	
-	LESS DISTRIBUTION APPROVED AT LAST AGM	-	
<b>54,330.00</b>	<b>MAKING A GRAND TOTAL UNDISTRIBUTED SURPLUS AVAILABLE FOR DISTRIBUTION AT THE AGM</b>	<b>17,697.00</b>	207.00

## HIGHLIGHTS OF OUR FINANCIAL PERFORMANCE

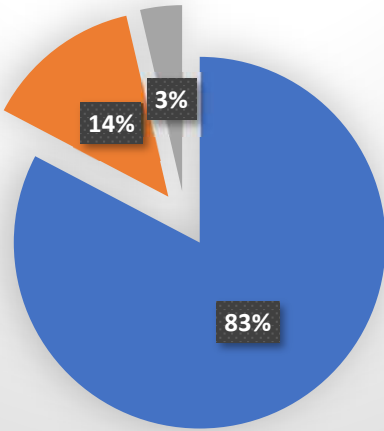
KEY AREAS	2020	2019	INCREASE	INCREASE
				%
	\$	\$	\$	
Share capital	19,081,724	14,453,790	4,627,934	32.02
Members' deposits	5,819,361	4,972,270	847,091	17.04
Loans	11,560,343	11,914,474	(354,131)	-2.97
Interest on members' loans	1,097,250	1,151,147	(53,897)	-4.68
Income earned from other investments	274,350	167,014	107,336	64.27
Liquid assets	3,121,359	2,595,068	526,291	20.28
Operating expenses	1,441,567	1,340,217	101,350	7.56
Net surplus	54,330	17,697	36,633	207.00
Total assets	26,570,501	20,978,569	5,591,932	26.66
Total liabilities	5,891,195	5,829,081	62,114	1.07
Statutory reserves	1,145,390	1,130,282	15,108	1.34
<b>INCOME &amp; EXPENDITURE</b>				
Income	1,495,897	1,357,914	137,983	10.16
Expenditure	1,441,567	1,340,217	101,350	7.56

**SOURCE OF FUNDS**



LOAN INTEREST	1,097,250
INVESTMENT INCOME	274,350
OTHER INCOME	124,297

**USE OF FUNDS**



ADMINISTRATIVE COSTS	1,237,098
FINANCIAL COSTS	204,469
SURPLUS	54,330

\*

FRM  
3B

**CREDIT UNION MONTHLY FINANCIAL RETURN**  
**PROFILE OF MEMBERS LOANS AND ADVANCES CONT'D.**  
**AS AT: December 31, 2020**

**BERMUDA CREDIT  
UNION CO-OP  
SOCIETY**

**BUSINESS IDENTIFICATION #:**                      **CREDIT UNION'S NAME:**

C.

<b>LOANS DELINQUENCY &amp; ALLOWANCE REPORT</b>				
<b>CATEGORIES</b>	<b>Number</b>		<b>%</b>	<b>Allowance Req'd</b>
Current Loans (less than 31 days)	515	7,723,685.05	0%	
Delinquent Loans (32 - 60 days)	15	209,109.55	0%	
Delinquent Loans (61 - 90 days)	11	255,969.04	10%	25,596.90
Delinquent Loans (91 -180 days)	21	364,080.02	30%	109,224.01
Delinquent Loans (181 - 364 days)	30	430,331.90	60%	258,199.14
Delinquent Loans (over 364 days)	123	2,324,233.48	100%	2,324,233.48
<b>TOTAL PROVISIONS</b>		11,307,409.04		<b>2,717,253.53</b>
		11,307,409.04		24.03%
			0.00	
<b>TOTAL DELINQUENT LOANS</b>		3,374,614.44		
<b>ACTUAL LOAN LOSS ALLOWANCE</b>		246,500.94		
<b>TOTAL LOSS ALLOWANCE REQUIRED</b>		2,717,253.53		
<b>% DELINQUENCY OF TOTAL LOAN</b>			24.03%	
<b>(SHORTFALL)/EXCESS ALLOWANCE</b>		-2,470,752.59		

**PEARLS-M  
KEY RATIOS**

**BERMUDA CREDIT UNION CO-OP. SOCIETY**

Period Ending: Dec-20 CODE CODE ASSIGNMENTS  
STANDARD 12/31/2020 PERFORMANCE CODE 1 CODE 2 CODE 3 CODE 4 CODE 5

**PROTECTION**

*1. P1 - Adequacy of A.L.L. for Delinq. < 2 mos	0%	0.00%						
2. P2 - Adequacy of A.L.L. for Delinq. 2 - 12 mos	60%	0.00%	5	>/=100%	80%<100%	40%<80%	10%<40%	<10%
*3. P3 - Delinq. Loans > 12 mos./Delinq. Loans	100%	2.18%	5	>/=100%	80%<100%	40%<80%	10%<40%	<10%
4. P6 - Solvency Evaluation	>100%	96.23%	2	>/=100%	80%<100%	40%<80%	10%<40%	<10%
*5. P7 - Net Capital / Total Assets	≥10%	4.69%	4	>/=8%	<8%-5%	</=4.90-3%	</=3%-5%	<0.5%

**EFFECTIVE FINANCIAL STRUCTURE**

*6. E1 - Net Loans / Total Assets	60-80%	41.59%	4	60-80%	<60%>80%	<50%&>85.9€	<30%&>90.9€	<10%&>95.99%
7. E4 - Non-financial Investments / Total Assets	0%	0.00%						
*8. E5 - Total Savings / Total Assets	70-80%	93.26%	4	70-80%	<70%>80%	<60%&>85.9€	<40%&>90.9€	<10%&>95.99%
9. E8 - Institutional Capital / Total Assets	≥8%	4.71%	4	>/=8%	<8%-5%	</=4.90-3%	</=3%-5%	<0.5%

**ASSET QUALITY**

*10. A1 - Delinquent Loans / Gross Loans	≤5%	24.03%	5	</=5%	6.50%<5%	8.00%<6.5%	10%<8.50%	10%
*11. A2 - Total Non-Earning Assets / Total Assets		0.76%	1	</=7%	>7%-9%	>9%-11%	>11%-14%	>14%
12. A3 - Net Charge-offs / Average Loans		0.00%						

**RATES OF RETURN & COSTS**

13. R1 - Gross Income / Average Assets		5.16%						
*14. R6 - Cost of Funds / Average Members' Savin	>inflation	0.82%			greater than or equal to inflation of current period			
*15. R9 - Operating Expenses / Average Assets	≤8%	4.66%	1	</=8.0%	10%<8%	14%<10%	17%<14%	>17%
16. R10 - Provision for Loan Loss / Avg. Assets		0.93%						
*17. R12 - Net Income / Average Assets	sufficient to maintain cap. reqmt.	0.20%	5	>/=2.3%	1.5%>2/3%	0.9%<1.5%	0.5%<0.9%	<0.9%

**LIQUIDITY**

*18. L1 - Total Liquidity/Total Members' Savings	20-30%	69.96%	5	20%-29.99%	<20%&>29.9€	<18%&>39.9€	<16%&>49.9€	<14%&>49.99%
*19. L2 - Liquidity Reserve / Total Members' Savings								

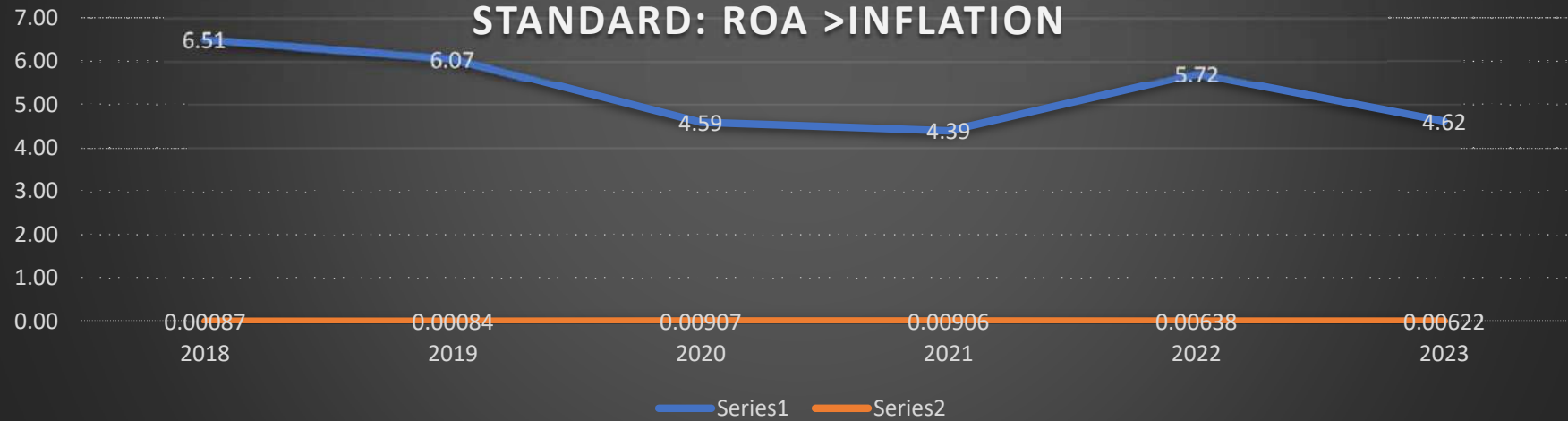
**SIGNS OF GROWTH**

*20. S1 - Growth in Total Assets	>inflation	20.26%			greater than or equal to inflation of current period			
*21. S7 - Growth in Membership	≥ 5	9.59%	1	>/=5%	4.0%<5.0%	3.0%<4.0%	2.0%<3.0%	<2.0%

**COMPOSITE CODE**

**3.83**

**OPERATING EXPENSES/AVERAGE ASSETS & NET INCOME**  
**AVERAGE**  
**ASSETS (ROA)**  
**STANDARD: EXPENSES < 8% AVE. ASSETS**  
**STANDARD: ROA > INFLATION**





Seated: Mr. Larence Holder, Chairman

Standing Left to right: Prinzine Bailey, member; Leah Richardson, member; Terrylynn Lewis, member

Missing: Mr. Edmund Simons, Honourable, Derick Burgess

## **CREDIT COMMITTEE REPORT**

For the year under review it was with much effort and determination that the Credit Committee sought to serve you the members as this was during a significant period in Bermuda's indeed the world's history. It was during the pandemic. The Credit Committee beat the odds navigating yet adhering to social distancing we managed to approve some \$3,616,029.46 worth of loans which was even a tad higher than the previous year a normal year where the approval was for \$3,5467,827.24.

Not forgetting the fact that as the Credit Committee, the dubbed heart of the Credit Union we used our hearts tempered by policy to direct our heads, our brains to make the best decision of each individual borrowing member. This interaction between heart and head was the enabler in reaching the decision, would this loan approval be in the best interest of the individual member and also at the same time in the best interest of the Credit Union.

As we reviewed the applications week after week, the statistics speak for themselves as to where member loans needs are greatest. The statistics show that the purchase of automobiles was the leading loan purpose making up 32.27% or one third of loans disbursed. Debt consolidation comes second with 10.35% of loans disbursed which was a bit lower than the 14.21% the previous. It was encouraging to see education loans were 8.51% of the disbursements. Though down from 10.57% from the year before this was quite understandable as restrictions due to the pandemic significantly affected the schools' curricula locally and overseas.

Worthy of note is our continued commitment to building entrepreneurship among our members. Loans making up 7.38% of the approved sum were for loans for business in partnership with the Bermuda Economic Development Corporation (BEDC). As a collective we must ensure these local entrepreneurs by our support for them and buy locally.

No amount of gratitude expressed would be enough to those of our saving members who have placed these funds in their account thus enabling fellow members to borrow truly living up the Credit Union's mission-people saving together and borrowing from one another. It is expected that these borrowing members will honour their commitments because past transgressions of some of our borrowing members pose a present danger that we have to be doggedly battling. At our last meeting the delinquency rate was 22.36% of the total portfolio. As at October of this year when this report was written it was 18.48%. Though the percentage rate has declined by some 4%, it is still unacceptably high because the World Council of Credit Unions Prudential standard is that it should be no more than 5%. Though the work on this has been a long road and will continue to be, it is something we can ill afford to keep tackling since it cuts to the heart of remaining a going concern.

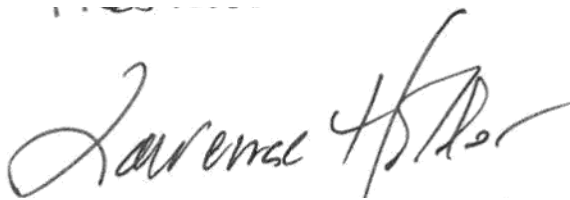
The Credit Committee in its weekly deliberations on our fellow members' obligations know the value added our highly regarded financial Co-operative that the Credit Union is has brought to our members. The year-to-date 2023 figures show that some \$9.5M worth of loans have been disbursed. Your Credit Committee is doing everything possible to ensure it not just walks like a Credit Union, talks like a Credit Union but is truly a Credit Union – People Helping People, Borrowing from one another.

The challenges we have faced with delinquent loans is a stark reminder that whilst we cannot wish this challenge away but take decisive action to tackle this, the Committee must continue to satisfy member's borrowing needs though not in unbridled manner. Like our other over 82,000 credit unions worldwide we fully subscribe to the 6Cs in lending namely Character, Capacity, Collateral, Capital, Condition and Capability. We have confidence that there are members in our Credit Union who fit these criteria when they apply for a loan. The Credit Committee is committed to assisting members, thus fulfilling its role.



The fact that the Bermuda Economic Development Corporation (BEDC) continually recognizes our role in partnering with us in providing support for entrepreneurial activities and we have been singled out for commendation by the BEDC it testifies to our contribution. The loans we grant contribute to what is referred to as the turn within the community. Our loans are predominantly granted for activities within our local economy and even if such loans may be to members carrying out activities overseas it is complementing the collective effort of the International Credit Union Movement by being that port in a storm, that shoulder to lean on irrespective of colour, class or creed which are the tenets of the International Co-operative Movement.

We extend our thanks to the other members of the volunteer corps namely the Board of Directors and the Supervisory Committee who in accordance with the Loans Policy have had to make their input on certain loans. Sincere thanks to the staff who continuously provide us with the support information to lead us to that determinate conclusion, most times approval and the occasional deferral. To you the members, we acknowledge the reciprocity. Without you there would be no Credit Union. When you save you help the brothers and sisters, fellow co-operators to find the means to balance the intangible balance sheet; balance their lives, This reciprocity, this symbiosis is clearly articulated in the international motto 'I am My Brother's Keeper. Once again sincere thanks to you the saving and borrowing members. Serving you for yet another year has been quite a tickle.

A handwritten signature in black ink, appearing to read 'Lawrence Holder', written in a cursive style.

.....  
Lawrence Holder  
**CHAIRMAN**

COMPARATIVE STATISTICS LOANS DISBURSED - 2019-2020

PURPOSE	NO. OF LOANS	2019		NO. OF LOANS	2020	
		VALUE \$	%AGE		VALUE \$	%AGE
TAXES & LEGAL COSTS	7	74,862.45	2.10	4	65,913.00	1.82
AUTOMOBILES / BIKE	93	1,107,126.88	31.06	46	1,170,518.01	32.37
VACATIONS	17	12,000.00	0.34	1	-	0.00
REAL ESTATE	1	65,000.00	1.82	4	60,000.00	1.66
RENT / MORTGAGE	12	9,000.00	0.25	11	62,100.00	1.72
CONSOLIDATION	85	506,472.39	14.21	57	374,678.18	10.36
HOME FURNISHINGS / EQUIPMENT	24	128,863.00	3.61	28	199,980.88	5.53
MEDICAL	16	104,100.00	2.92	10	81,398.80	2.25
INSURANCE / LICENSE	2	55,950.00	1.57	4	12,850.00	0.36
HOME IMPROVEMENTS / ADDITIONS	38	248,537.00	6.97	28	307,627.08	8.51
CHRISTMAS			0.00	5	13,500.00	0.37
DENTAL	5	9,000.00	0.25	2	12,000.00	0.33
WEDDINGS / FUNERALS	17	116,297.50	3.26	4	43,632.83	1.21
EDUCATION	51	376,930.00	10.57	25	307,640.00	8.51
EXTENSIONS				2	90,677.87	
REPAIRS / MAINTENANCE	1	2,500.00	0.07	1	-	0.00
BUSINESS PURPOSE	12	105,450.86	2.96	8	267,000.00	7.38
RECREATION				3	55,000.00	
INVESTMENT	0	-	0.00	0	-	0.00
MISCELLANEOUS	0	-	0.00	0	-	0.00
USED VEHICLE	0	-	0.00	1	16,000.00	0.44
TRAVEL	39	311,400.00	8.74	12	65,300.00	1.81
VEHICLE REPAIRS	13	44,146.13	1.24	4	8,928.15	0.25
LOAN RE-WRITE	17	287,191.03	8.06	4	268,136.29	7.42
HOTEL PENSION	1	-			-	0.00
FUNERALS						
BIKES				28	133,148.37	
	451	3,564,827.24		264	3,616,029.46	1.44

PURPOSE	2019	2020	%AGE
	VALUE	VALUE	CHANGE
	\$	\$	'20/'19
Taxes and Legal costs	74,862.45	65,913.00	(11.95)
Motor Cars and Cycles	1,107,126.88	1,170,518.01	5.73
Vacations	12,000.00	0.00	
Real Estate	65,000.00	60,000.00	(7.69)
Rent Mortgage	9,000.00	62,100.00	590.00
Debt Consolidation	506,472.39	374,678.18	(26.02)
Home Furnishings	128,863.00	199,980.88	55.19
Medical	104,100.00	81,398.80	(21.81)
Insurance/licence	55,950.00	12,850.00	(77.03)
Home Improvements	248,537.00	307,627.08	23.78
Christmas	0.00	13,500.00	
Dental	9,000.00	12,000.00	33.33
Weddings/funerals	116,297.50	43,632.83	(62.48)
Education	376,930.00	307,640.00	(18.38)
Extensions/re-writes	287,191.03	90,677.87	(68.43)
Repairs/Maintenance	2,500.00	0.00	(100.00)
Business Purpose	105,450.86	267,000.00	153.20
Investment	0	-	
Recreational vehicles	0	-	
Miscellaneous	0.00	0.00	
Used Vehicles	0.00	16,000.00	
Split loans	0	-	
Travel	311,400.00	65,300.00	(79.03)
Motor Vehicle Repairs	44,146.13	8,928.15	(79.78)
Recreation		55,000.00	
Hotel Pension	-	0	
Loan re-writes		268,136.29	
Bikes		133,148.37	
	3,564,827.24	3,616,029.46	1.44





Left to Right: Wayne Mouchette, Chairman; Carlita Spalding Davis, member; Calvin Burgess, member

Missing: Carla Burgess; Delores Glasford (deceased)

# **SUPERVISORY COMMITTEE REPORT**

Wayne Mouchette – Chairman  
Delores Glasford  
Corlita Spalding – Davis  
Carla Burgess  
Calvin Burgess

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

Shortly after being elected by the members of the Credit Union at the Annual General Meeting the Supervisory Committee reviewed responsibilities.

- Determine that internal controls are established and effectively maintained to achieve the Credit Union's financial.
- Ensure that the Credit Union's accounting records and financial reports are promptly prepared and accurately reflect operations and results.
- Confirm that policies and controls procedures are sufficient to safeguard against errors, conflict of interest, self-dealing and fraud.
- Conduct, or cause to be conducted, a verification of the loan and share accounts of the members in accordance with the Credit Unions policy and regulatory requirements.
- Consider the business of the Credit Union and its members to be confidential in nature and treat it accordingly. Ensure that any member records in the possession of the Committee are in a secure place.
- Attend monthly Supervisory Committee meetings every month.
- Attend regular and special meetings of the Board when required. (It is always the goal of the Supervisory Committee to attend Board Meetings quarterly. This was not achieved, but the Chairman/ Secretary will attend whenever their schedule permitted).

## **Board and Joint Meetings**

Whenever loans for volunteers are being considered, a joint meeting is called, at least one member of the Committee is present. The Committee thoroughly examined all loans that were granted to other volunteers. If the Committee was not convinced that a volunteer was a good candidate for a loan, they did not approve the loan and made a note of this decision accordingly.

## **Planned Internal Audit Activity for 2020**

Based on the above the Supervisory Committee conducted audits /test in the following areas:

- Cash Count
- Members Loans
- Volunteers Loans
- Delinquent Accounts

The results of the audit/test were satisfactory. The Supervisory Committee however, wanted to perform audit/test on bank reconciliation but after speaking with Ms. Sosina Mekonnen Accounts Manager we have a better understanding of why the bank rec wasn't up to date, due to vacations, front desk break coverage or out sick.

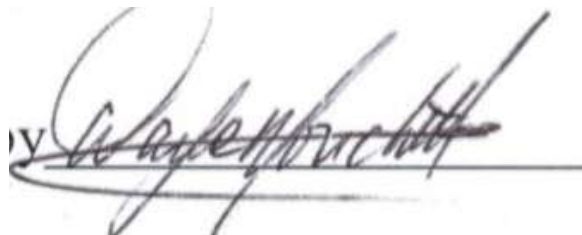
## **Delinquent Loan Accounts**

The request made by the Supervisory Committee to review the files of delinquent members, the count of delinquent loans and the duration that most accounts have been outstanding. Our investigation indicates that measures have been taken to retrieve the outstanding amount and controls to prevent delinquency have been established.

## **Conclusion**

It is crucial that the Credit Union takes immediate action to ensure its audited financial statements are filed on time. The Supervisory Committee is committed to carrying out its functions diligently and will work towards expediting the completion of the audits. We are pleased with the improved working relationship between the Credit Union and the regulators, and we will continue to intensify our efforts in this regard. We would also like to express our gratitude to the Credit Union Team for their hard work and dedication in maintaining the account during these challenging times.

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

A handwritten signature in black ink, appearing to read 'Wayne Mouchette', written over a horizontal line.

Wayne Mouchette

Chair/Secretary

# AUDITED FINANCIAL STATEMENTS 2020



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

**DECEMBER 31, 2020**

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## **Management Responsibility**

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and making objective decisions affecting the measurement of transactions in which judgment is required. Management is also responsible for monitoring the activities of the 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.

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**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, 2020, 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, 2020, 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.

*Moose Stephens & Butterfield*

Chartered Professional Accountants  
Hamilton, Bermuda  
November 20, 2023

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

**BALANCE SHEET**

**DECEMBER 31, 2020**

**(Expressed in Bermuda dollars)**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 442,001	\$ 2,595,068
Short-term deposits (Note 4)	2,679,358	3,615,890
Investments (Note 4)	11,251,458	2,358,053
Loans to members, net (Notes 5 and 10)	11,560,343	11,914,474
Accrued interest receivable	256,956	292,990
Other current assets	321,922	148,689
Total current assets	<u>26,512,038</u>	<u>20,925,164</u>
Capital assets (Note 6)	<u>58,463</u>	<u>53,405</u>
	<u>\$ 26,570,501</u>	<u>\$ 20,978,569</u>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 422,912	\$ 375,443
Members' shares (Notes 5 and 7)	19,081,724	14,453,790
Members' deposits (Notes 8 and 10)	<u>5,819,361</u>	<u>4,972,270</u>
	<u>25,323,997</u>	<u>19,801,503</u>

**MEMBERS' EQUITY**

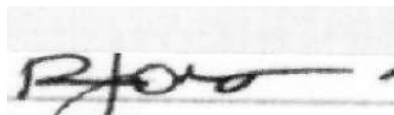
Contributed surplus (Note 9)	106,000	106,000
Reserve fund (Note 9)	1,145,390	1,130,282
Accumulated deficit	<u>(4,886)</u>	<u>(59,216)</u>
	<u>1,246,504</u>	<u>1,177,066</u>
	<u>\$ 26,570,501</u>	<u>\$ 20,978,569</u>

*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, 2020**

**(Expressed in Bermuda dollars)**

	<b>2020</b>	<b>2019</b>
<b>FINANCIAL INCOME</b>		
Interest on loans to members (Note 5)	\$ 1,097,250	\$ 1,151,147
Investment income	<u>274,350</u>	<u>167,014</u>
	<u>1,371,600</u>	<u>1,318,161</u>
<b>FINANCIAL EXPENSE</b>		
Interest on members' deposits (Note 8)	<u>204,469</u>	<u>67,642</u>
<b>FINANCIAL MARGIN</b>	<u>1,167,131</u>	<u>1,250,519</u>
<b>OTHER INCOME</b>		
Loan origination fees	31,740	34,519
Other (Note 7)	<u>92,557</u>	<u>5,234</u>
	<u>124,297</u>	<u>39,753</u>
<b>GROSS MARGIN</b>	<u>1,291,428</u>	<u>1,290,272</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	776,616	729,287
General business (Note 11)	256,502	382,824
Occupancy (Note 11)	112,730	71,270
Bad debts written off	90,050	60,000
Conferences and meetings	<u>1,200</u>	<u>29,194</u>
	<u>1,237,098</u>	<u>1,272,575</u>
<b>NET INCOME</b>	\$ <u>54,330</u>	\$ <u>17,697</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, 2020**

(Expressed in Bermuda dollars)

	2020	2019
<b>CONTRIBUTED SURPLUS</b>		
Balance, end of year (Note 9)	\$ <u>106,000</u>	\$ <u>106,000</u>
<b>RESERVE FUND</b>		
Balance, beginning of year	1,130,282	1,029,359
Additions during the year (Note 9)	<u>15,108</u>	<u>100,923</u>
Balance, end of year	<u>1,145,390</u>	<u>1,130,282</u>
<b>DEVELOPMENT FOUNDATION</b>		
Balance, beginning of year	-	-
Transfers and donations (Note 9)	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>
<b>ACCUMULATED DEFICIT</b>		
Balance, beginning of year	(59,216)	(76,913)
Net income	<u>54,330</u>	<u>17,697</u>
Balance, end of year	<u>(4,886)</u>	<u>(59,216)</u>
<b>MEMBERS' EQUITY</b>	<b>\$ <u>1,246,504</u></b>	<b>\$ <u>1,177,066</u></b>

*See accompanying notes to the financial statements.*

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2020**

**(Expressed in Bermuda dollars)**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 54,330	\$ 17,697
Amortisation (Note 11)	16,272	13,980
Bad debts written off (Note 5)	90,050	60,000
	<u>160,652</u>	<u>91,677</u>
Adjustments for working capital changes:		
Decrease (increase) in loans to members	264,081	(241,182)
Decrease (increase) in accrued interest receivable	36,034	(88,923)
Increase in other current assets	(173,233)	(3,929)
Decrease (increase) in short-term deposits	936,532	(1,550,290)
Increase in investments	(8,893,405)	(38,598)
Increase in accounts payable and accrued expenses	47,469	62,940
Increase in members' shares	4,627,934	1,760,585
Increase in members' deposits	847,091	1,012,781
Net cash (used in) from operating activities	<u>(2,146,845)</u>	<u>1,005,061</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	<u>(21,330)</u>	<u>(46,659)</u>
Net cash used in investing activities	<u>(21,330)</u>	<u>(46,659)</u>
<b>FINANCING ACTIVITIES</b>		
Addition to reserve fund (Note 9)	<u>15,108</u>	<u>100,923</u>
Net cash from financing activities	<u>15,108</u>	<u>100,923</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,153,067)</b>	<b>1,059,325</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<u><b>2,595,068</b></u>	<u><b>1,535,743</b></u>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<u><b>\$ 442,001</b></u>	<u><b>\$ 2,595,068</b></u>

*See accompanying notes to the financial statements.*

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**(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, 2020, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at December 31, 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, 2022, 2021, 2020 and 2019 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, 2020**

**(Expressed in Bermuda dollars)**

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

Non-compliance: The reserve fund and other institutional capital as at December 31, 2020, amount to \$1,246,504 which is 4.69% of total assets (2019 - 1,177,066 which is 5.61% of total assets (Non-compliance)). Actual reserve fund as at December 31, 2020, amount to \$1,145,390 (2019 - \$1,130,282).

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, 2020, amount to \$1,246,504 which is 4.69% of total assets (2019 - \$1,177,066 which is 5.61% 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, 2020 and 2019 (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, 2020, highly liquid assets and withdrawable savings amount to \$14,372,817 and \$19,081,724, respectively. Therefore, the minimum liquidity ratio as at December 31, 2020, is 75.32%.

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%.

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, 2020, the Credit Union has outstanding loans to members in the amount of \$60,314 (2019 - \$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, 2020**

**(Expressed in Bermuda dollars)**

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

Non-compliance: As at December 31, 2020, the highest outstanding balance of a single loan to an individual member amounted to \$160,884, which is higher than 10% of the Credit Union's institutional capital at \$124,650 (2019 - \$117,707 with highest outstanding balance of a single loan being \$161,898 (Non-compliance)).

In-compliance: As at December 31, 2020, the percentage of loans to members (net of allowance for doubtful accounts) to total assets is 43.51% (2019 - 56.79% (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, 2020 and 2019, 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 Standard (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, 2020**

**(Expressed in Bermuda dollars)**

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

**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, 2020**

**(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, 2020**

**(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, 2020**

**(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.

Financial assets (liabilities) disclosed at fair value:	Total	December 31, 2020		
		Level 1	Level 2	Level 3
Cash and cash equivalents	442,001	-	442,001	-
Short-term deposits	2,679,358	-	2,679,358	-
Investments	11,251,458	-	11,251,458	-
Loans to members, net	11,560,343	-	11,560,343	-
Accrued interest receivable	256,956	-	256,956	-
Other current assets	321,922	-	321,922	-
Accounts payable and accrued expenses	(422,912)	-	(422,912)	-
Members' shares	(19,081,724)	-	(19,081,724)	-
Members' deposits	(5,819,361)	-	(5,819,361)	-

Financial assets (liabilities) disclosed at fair value:	Total	December 31, 2019		
		Level 1	Level 2	Level 3
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	-	11,914,474	-
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)	-	(14,453,790)	-
Members' deposits	(4,972,270)	-	(4,972,270)	-

During the year ended December 31, 2020, 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, 2020 and 2019, 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.

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**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.

**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.

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

**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).

**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.

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

**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 \$155,505 (2019 - \$178,758).

**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, 2020, the investments held by the Credit Union amounted to \$11,251,458 (2019 – \$2,358,053). The valuation of the investments as at December 31, 2020 is based on prices obtained from a third party pricing services provider. Management believes that the prices obtained from the third party pricing services provider have been developed in accordance with fair value pricing principles and are in line with the Credit Union's investment valuation policy.

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. This deposit was renewed for further periods of one year in April 2020 and April 2021 at an interest rate of 0.75 and 0.80%, respectively. The deposit was not renewed after maturing in April 2022. (See Note 15).

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.

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**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%. The deposit was renewed for another year at an interest rate of 0.2% and matured in October 2021. This deposit was renewed for one year in October 2021 and October 2022 at an interest rate of interest rate of 0.1% and 1.4%, respectively. The deposit was renewed for one year on October 5, 2023 at interest rate of 3.5% (See Note 15).

In February 2020, June 2020, October 2020 and December 2020 the Credit Union invested \$2,500,000, \$3,000,000, \$1,750,000 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 August 31, 2023, amount to \$11,436,748 (See Note 15).

**5. LOANS TO MEMBERS, NET**

Loans to members are stated net of an allowance for doubtful accounts of \$262,145 (2019 - \$161,683), bear interest of 12% per annum (2019 - 12% per annum) and are repayable over periods of up to ten years. Maturity dates are as follows:

	<b>2020</b>	<b>2019</b>
Under 1 year	\$ 1,852,174	\$ 1,739,300
1 to 2 years	1,463,972	1,343,925
2 to 4 years	5,353,213	5,013,116
Over 4 years	<u>3,153,129</u>	<u>3,979,816</u>
	11,822,488	12,076,157
Less: Allowance for doubtful accounts	<u>(262,145)</u>	<u>(161,683)</u>
	<u>\$ 11,560,343</u>	<u>\$ 11,914,474</u>

Loans are secured by members' shares in the amount of \$3,564,845 (2019- \$3,312,326) (See Note 7). Interest income recorded in the statement of earnings amounted to \$1,097,250 (2019 - \$1,151,147).

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.

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:

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**5. LOANS TO MEMBERS, NET (continued)**

- 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 \$161,683, at December 31, 2019 to \$262,145 at December 31, 2020. The balance of provision as at August 31, 2023, increased to \$722,145 (See Note 15).

The total loan portfolio as at December 31, 2020, amounted to \$11,560,343 (2019 - \$11,914,474) which includes fully collateralized share loans and overdrawn balances in the amount of \$954,153 (2019 - \$1,117,393). 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 \$10,606,190 (2019 - \$10,797,081) 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 August 31, 2023, the permanent shares transferred to reserve amounted to \$152,989 (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.

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 BD\$ 1 million.

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

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**5. LOANS TO MEMBERS, NET (continued)**

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. The Credit Union is within the limit put in place by the BMA for Net Loans to Total Assets prudential standard (See Note 15).

At November 20, 2023, 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

**6. CAPITAL ASSETS**

Capital assets as at December 31, 2020, comprise of the following:

			<u>2020</u>	<u>2019</u>
	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer and office equipment	\$ 340,599	\$ 292,210	\$ 48,389	\$ 44,875
Furniture and fixtures	129,202	122,231	6,971	5,040
Leasehold improvements	<u>63,712</u>	<u>60,609</u>	<u>3,103</u>	<u>3,490</u>
	<u>\$ 533,513</u>	<u>\$ 475,050</u>	<u>\$ 58,463</u>	<u>\$ 53,405</u>

During the year, the Credit Union purchased capital assets for \$21,330 (2019 - \$46,659).

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

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**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, 2020, shares of \$3,564,845 (2019 - \$3,312,326) were held as collateral for loans to members (See Note 5).

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

	<b>2020</b>	<b>2019</b>
Bermuda Industrial Union (BIU) Construction Division	\$ 22,202	\$ 22,203
BIU General	(30,945)	(21,210)
BIU Gas	<u>29,736</u>	<u>26,755</u>
	<u>\$ 20,993</u>	<u>\$ 27,748</u>

No dividends were declared for the years ended December 31, 2020 and 2019.

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 2020 (2019 - \$Nil).

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.



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**8. MEMBERS' DEPOSITS**

Members' deposits represent funds deposited with the Credit Union from members, which have maturities of one to five years (2019 - one to four years) and bear interest rates of 0.55% to 1% as of December 31, 2020, (2019 - 0.90% to 2.70%). As at December 31, 2020, accrued interest of \$47,919 (2019 - \$32,852) is included in accounts payable and accrued liabilities. Interest expense charged to statement of earnings amounted to \$204,469 (2019 - \$67,642). The deposits mature as follows:

	<b>2020</b>	<b>2019</b>
Under 1 year	\$ 3,727,159	\$ 2,426,354
1 to 2 years	285,785	345,849
2 to 4 years	1,193,223	1,227,708
Over 4 years	<u>613,194</u>	<u>972,359</u>
	<u>\$ 5,819,361</u>	<u>\$ 4,972,270</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.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, 2020 and 2019 (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 \$608 (2019 - \$749). 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.

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**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, 2020, the permanent shares amounted to \$114,674 (2019 - \$100,174) (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, 2020 and 2019.

**10. RELATED PARTY TRANSACTIONS**

As at December 31, 2020, the total value of interest bearing loans due from directors and officers amounted to \$546,536 representing 5% of total loans (2019 - \$505,783 which is 4% of total loans). All loans are in good standing. The total value of interest bearing deposits due to directors amounted to \$385,648 representing 7% of total members' deposits (2019 - \$568,213 which is 11% 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**

	<b>2020</b>	<b>2019</b>
General business		
Office expenses	\$ 96,431	\$ 126,609
Insurance	31,165	101,595
Professional fees	12,887	50,603
Audit expenses	41,280	41,281
Computer services	58,484	34,129
Advertising	15,753	28,607
	<u>\$ 256,000</u>	<u>\$ 382,824</u>
Occupancy		
Rent	\$ 24,720	\$ 24,720
Utilities and communication	20,113	17,785
Amortisation	16,272	13,980
Security	38,956	7,414
Repairs and maintenance	12,669	7,371
	<u>\$ 112,730</u>	<u>\$ 71,270</u>

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**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.

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**14. COMPARATIVES**

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

**15. SUBSEQUENT EVENTS**

The Credit Union evaluated events and transactions occurring from January 1, 2021, through to November 20, 2023, 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 Cooperative Society" (See Note 1).

The Credit Union is required to comply with the provisions of the Act. For the year ended December 31, 2020, the Credit Union was not in compliance with some provisions of the Act. The following is the compliance status as at August 31, 2023:

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, 2022, 2021, 2020 and 2019 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 August 31, 2023, amount to \$1,669,140 which is 4.75% 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.

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**15. SUBSEQUENT EVENTS (continued)**

Non-compliance: The reserve fund and other institutional capital as at August 31, 2023, amount to \$1,669,140 which is 4.75% 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.

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 August 31, 2023, highly liquid assets and withdrawable savings amount to \$16,299,620 and \$28,039,006, respectively. Therefore, the minimum liquidity ratio as at August 31, 2023, is 58.13%.

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 August 31, 2023, 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.

Non-compliance: As at August 31, 2023, the outstanding balance of a single loan to an individual member amounted to \$171,080 which is more than 10% of the Credit Union's institutional capital at \$166,914.

In-compliance: As at August 31, 2023, the percentage of loans to members (net of allowance for doubtful accounts) to total assets was 51.54%

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 August 31, 2023.

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**15. SUBSEQUENT EVENTS (continued)**

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 August 31, 2023, the permanent shares transferred to reserve amounted \$152,989 (See Note 5).

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 August 31, 2023, increased to \$722,145 (See Note 5).

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. This deposit was renewed for further periods of one year in April 2020 and April 2021 at an interest rate of 0.75 and 0.80%, respectively. The deposit was not renewed after maturing in April 2022. (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 one year in October 2021 and in October 2022 at an interest rate of interest rate of 0.1% and 1.4%, respectively. The deposit was renewed for one year on October 5, 2023 at interest rate of 3.5% (See Note 4).

In February 2020, June 2020, October 2020 and December 2020 the Credit Union invested \$2,500,000, \$3,000,000, \$1,750,000 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 August 31, 2023, amount to \$11,436,748 (See Note 4). Effective March 24, 2021, the CUFMCL was renamed to CUMAX Wealth Management Limited.

**BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**(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 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 November 20, 2023, the Credit Union had submitted declarations of insured deposits, for all relevant periods. Agreed-upon procedures to assist BDIC in evaluating the validity of the declarations of insured deposits submitted for the quarters ended June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022 were completed on September 21, 2022, and no significant exceptions were noted. In addition, similar agreed-upon procedures for the quarters ended June 30, 2022, September 30, 2022, December 31, 2022 and March 31, 2023 were completed on June 5, 2023, and no significant exceptions were noted. As of November 20, 2023, the Credit Union is in compliance with the Act as it has submitted declarations of insured deposits that are due.

The Credit Union has recorded payments to BDIC as an asset in the statement of financial position, in keeping with the practice of Credit Unions in the United States which are regulated by the National Credit Union Administration. The balance has increased from \$84,718 as at December 31, 2020 to \$249,316 as at August 31, 2023.

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. Bermuda has now dropped all health regulations as it pertains to COVID-19. Most businesses are back to fully working in-person and the airport is fully operational. The economic landscape in Bermuda is similar to that worldwide, in that, businesses are seeing increased costs with inflation rates on the rise. 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, 2020 have not been adjusted to reflect their impact.

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.

# **RESOLUTIONS**



Notice is hereby given that the 42nd 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 December 13th, 2023 commencing at 6:00 p.m. Registration commences 5:30 p.m.

ORDER OF BUSINESS:

- a) Ascertaining a quorum
- b) Accepting apologies for absence
- c) Minutes of previous AGM and adoption
- d) Taking Reports of
  - i. Board of Directors
  - ii. Other Sub-Committees
  - iii. Treasurer and Auditor
  - iv. Credit Committee
  - v. Supervisory Committee
- e) Distribution of Surplus
- f) Recommending any loan write-offs
- g) Fixing of Maximum Liability Limit of borrowing by the Credit Union
- h) Elections to
  - i. Board of Directors
  - j. Credit Committee
  - k. Supervisory Committee
  - l. Management of any Registered Society
- i) Any other business
- j) Adjournment.

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

**Members interested in serving as volunteers on the Board of Directors, Credit Committee or Supervisory Committee are requested to submit their expression of interest and resume to the Nominating Committee no later than 1<sup>st</sup> December 2023 by emailing [bcu@mbrscu.bm](mailto:bcu@mbrscu.bm) or mail to the Bermuda Credit Union at 49 Union Square, Hamilton HM 12 Bermuda.**

**AMENDMENT OF THE BERMUDA CREDIT UNION CO-OP SOCIETY'S CONSTITUTION TO THE 42ND ANNUAL GENERAL MEETING EXCERPTS (DRAFT)**

Whereas the existing Constitution of the Bermuda Credit Union Co-operative Society was last amended in 2017; and

Whereas the existing Constitution retains elements which reflect the Credit Unions Act 1982; and

Whereas the Board of Directors have undertaken a review of the Constitution with a view to recommending changes to various rules in order to maintain regulatory compliance in accordance with the Credit Unions Act 2010 and best practice as established by the World Council of Credit Unions; and

Whereas the members and peoples of Bermuda would be better served by the modification of the existing Constitution to reflect the Strategic Vision as adopted by the Bermuda Credit Union;

Be it resolved at the 42ND Annual General Meeting the Constitution of the Bermuda Credit Union be modified.

**EXISTING RULE**

Part 1: Membership; Section 1; Subsection (2)

In order to qualify for the membership of the Credit Union, a person, other than a registered Credit Union shall be

- (a) a citizen or resident of Bermuda;
- (b) shall not be an undischarged bankrupt;
- (c) shall not be certified to be of unsound mind; and
- (d) shall be sixteen years of age or over.

**PROPOSED NEW RULE**

Membership in the Credit Union shall be limited to:

- a) a natural person who resides or works in Bermuda, provided that such person—
  - a. shall not be an undischarged bankrupt;
  - b. shall not be certified to be of unsound mind; and
  - c. shall be eighteen years of age or older;
- b) Trade unions, associations, co-operatives, sporting or community-based organizations operating in Bermuda, where their admission as an entity has been approved by the Board.

(SECTION 1; SUBSECTION (7) TO BE DELETED AS A CONSEQUENTIAL AMENDMENT).

**EXISTING RULE:**

Part 1: Membership; Section 1; Subsection (3)

A member of the Credit Union who has not attained the age of sixteen years may not obtain credit from the Credit Union and may not serve as a member of the board of directors, the supervisory committee

or the credit committee.

#### PROPOSED NEW RULE

A member of the Credit Union who has not attained the age of eighteen years may not obtain credit from the Credit Union and may not serve as a member of the board of directors, the supervisory committee or the credit committee.

#### EXISTING RULE

Part 1: Membership; Section 2

Accounts of Individual Sole

Where a member requires a spouse or significant other to be party to the account a Power of Attorney must be issued by the member.

#### PROPOSED NEW RULE

Membership Accounts

- (1) The account for a natural person that is a member of the Credit Union must be an individual sole account. Where a member who is a natural person requires a spouse or significant other to be party to the account a Power of Attorney must be issued by the member.
- (2) Where a trade union, an association, another type of co-operative, a sporting or community-based organisation is a member as an entity, the account shall be in the name of that organisation and the Credit Union shall recognise any individual authorized by a resolution of the directors of that organisation to manage the account of said organisation.

#### EXISTING RULE

Part 2: Meetings; Section 16; Subsections (1) to (4)

#### PROPOSED ADDITIONAL SUBSECTIONS

- (5) Not less than 60 days prior to each Annual General Meeting, the Board of Directors shall appoint a Nominating Committee, whose duty shall be the selection of suitable members to be considered for election to the Board, Credit Committee and Supervisory Committee.
- (6) The Nominating Committee shall consist of five (5) members in total and shall include at least one (1) director who shall Chair the Nominating Committee, but not more than two (2) directors. The remaining members of the Nominating Committee shall be chosen from the general membership as approved by the Board. No member of the Board, Credit or Supervisory Committee whose term is expiring shall form part of the Nominating Committee.
- (7) The Nominating Committee shall consider the suitability of each member seeking election in keeping with section 26 of these bye-laws and nominate at the Annual General Meeting one member for each vacancy for which elections are being held. A written biographical profile must be presented at the Annual General Meeting on each person being nominated by the Nominating Committee, and in the case where any nominations arise from the floor.

## EXISTING RULE

### Part 3: Governance and Management; Section 26

(1) The Credit Union shall be governed and managed by a Board of Directors which shall be constituted in accordance with this Act and the bylaws of the Credit Union.

(2) The Board shall be constituted by not less than five or not more than fifteen directors, as specified in the bylaws. The BIU shall have not less than a majority of 80% of directors unless agreed to the BIU. The reduction to 80% may only be by attrition.

(3) The members of the Credit Union may amend the bylaws to vary the number of directors, but no amendment to decrease the number of directors shall affect an incumbent director.

(4) A person who—

(a) has been sentenced by a in any country for an offence involving fraud or dishonesty and has not received a free pardon for that offence;

(b) is not in good financial standing with the Credit Union;

(c) has made an arrangement with his or her creditors;

(d) was a director of a failed Credit Union of the same type;

(e) has been convicted on indictment of an offence in connection with the promotion, formation or management of a body corporate;

(f) has been convicted of an offence under this Act;

(g) is of unsound mind and has been so found by a court in Bermuda;

(h) is or becomes bankrupt;

(i) is under the age of eighteen years;

(j) has not been a member of the Credit Union or a duly appointed representative of a member Credit Union for the past twelve months;

(k) is a member who has not transacted any business with the Credit Union for twelve consecutive months, or who represents a member Credit Union who has not transacted any business with the Credit Union for twelve consecutive months;

(l) is an employee of the Credit Union or of the Authority, or is a partner or employee of the Credit Union's auditor, or of the apex body;

(m) holds less than the minimum level of equity shares in accordance with section 3(1); or

(n) is already part of the management of another Credit Union of the same type,

shall not be deemed 'fit and proper' and shall not constitute part of the management of the Credit Union, until his or her disability is removed, but he or she shall retain his or her membership of the Credit Union during the period of such disability.

(5) For the purposes of this Part "management" includes—

(a) a person who holds membership of the Board or any committee established by the Credit Union; and

(b) a person who is employed by the Board.

(6) A person who knowingly holds membership of the Board or of a committee of the Credit Union, or who knowingly seeks employment with, or is employed or continues to be employed by the Credit Union

whilst disqualified under this section commits an offence and is liable on summary conviction to a fine not exceeding ten thousand dollars or to imprisonment for a term not exceeding one year or both.

#### PROPOSED NEW RULE

- (1) The Credit Union shall be governed and managed by a Board of Directors which shall be constituted in accordance with this Act and the bylaws of the Credit Union.
- (2) The Board shall be constituted by not less than five or not more than nine directors, as specified in the bylaws. The BIU shall have not less than a majority of 80% of directors unless agreed to the BIU. The reduction to 80% may only be by attrition.
- (3) The members of the Credit Union may amend the bylaws to vary the number of directors, but no amendment to decrease the number of directors shall affect an incumbent director.
- (4) For the purposes of this Part “management” includes—
  - (a) a person who holds membership of the Board or any committee established by the Credit Union; and
  - (b) a person who is employed by the Board.
- (5) Every person who constitutes, or is to constitute, a part of the management of the Credit Union shall be a fit and proper person to hold the particular position which he holds or is to hold. In determining whether a person is a fit and proper person, regard shall be had to the criteria prescribed by paragraph 1 of Schedule 2 of the Credit Unions Act, in addition to the management eligibility requirements that are approved by the Board from time to time.
- (6) No member shall be eligible to constitute part of the management of the Credit Union if he is not in good standing. “In Good Standing” means a member whose accounts are not in arrears and who is compliant with all the policies and procedures of the Credit Union.
- (7) If a member who forms part of the management of the Credit Union is not in good standing at any time and continues to be so for a period of two months, or is otherwise disqualified under this section, the Board shall declare his seat vacant.

#### EXISTING RULE

Part 8: Reconstruction of Credit Unions

Part 9: Winding Up Proceedings

Part 10: Fees and Delegation of Powers

Part 11: Settlement of Disputes

Part 12: Investigations

Part 13: Offences

#### PROPOSED DELETION

*(It is proposed to delete Parts 8 to 13 as the rules in these sections are superseded by the Credit Unions Act 2010.)*

For the full amendment, please visit our website at [www.bcu.bm](http://www.bcu.bm) and give your comments by emailing the Secretary of the Board at [bcu@mbrscu.bm](mailto:bcu@mbrscu.bm) or mail your feedback to the Bermuda Credit Union at 49 Union Square, Hamilton HM 12 Bermuda no later than seven days before the date of the Annual General Meeting.

BERMUDA CREDIT UNION CO-OP. SOCIETY

RESOLUTION TO WRITE OFF LOANS

Whereas loans granted to members some of which precede year 2000 have remained delinquent on the Credit Union's books inspite of varying attempts to have these members honour their obligations including legal action and;

whereas the Credit Union's PEARLS-M prudential standards endorsed by the Credit Unions Act 2010 stipulates that delinquency as a percentage of loan portfolio should be no more than 5% whilst the Credit Union's presently 18.48 % and;

whereas the Credit Union is required to be compliant with the Credit Unions Act 2010 and;

whereas the required provision for loan loss should be \$3,648,834.29 whilst the actual provision for loan loss is \$742,144.65 therefore a shortfall of \$2,906,689.64.

***Be it resolved at this the 42<sup>nd</sup> Annual General Meeting of the Credit Union this day December 13, 2023 that delinquent loans in the amount of \$742,144.65 be written off but that such written off loans be pursued by the Credit Union.***



Ronaldine Burgess  
**SECRETARY**  
**BOARD OF DIRECTORS**

# **BERMUDA CREDIT UNION CO-OPERATIVE SOCIETY**

## **DEFERRED SHARES PROPOSAL**

The Bermuda Credit Union Co-op. Society in its most recent five year-strategic planning retreat in November 2022 compared the projected asset size with the actual size which was \$31.41M. Based on trends in growth over the past five years it is projected that by 2028 the Credit Union's asset size will be some \$38M. The PEARLS-M prudential standards set by the World Council of Credit Unions outline standards that the Credit Union should meet. The PEARLS-M acronym requires the following from the Credit Union in the following Key Performance Areas (KPA): P-Protection; E-Effective Financial Structure; A-Asset Quality; R-Rate of Return and Cost; L-Liquidity; S-Signs of Growth; M-Management. The KPA Effective Financial Structure requires that the Institutional Capital which acts as a buffer against shocks should be not less than 10% of Total Assets. At present the Credit Union's Institutional Capital is 4.04% of Total Assets. The Institutional Capital at March 2023 should be \$3.24M but the actual is \$1.17M, a shortfall of \$2.07M

Growing at the rate of the projected \$2M per year over the next five years, Management is expected to ensure the required surpluses of \$200,000.00 per annum are made such that there is no shortfall in the transfer each year towards Institutional Capital. Therefore, the Credit Union is offering Deferred Shares to would-be investors to the amount of \$3,500,000.00.

### **1. FORWARD LOOKING STATEMENTS**

Other than the Historical Financial Data concerning the Credit Union contained in this Offer Memorandum, certain matters discussed in this Offer, including without limitation, statements of expectations, the discussions of future plans and financial projections, contain forward-looking statements. Although the Management believes that in making these statements, they are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in this offer should therefore consider these to be forward- looking statements. We are cognizant of the fact that future events or circumstances could cause actual results to differ from those anticipated.

These forward-looking statements are therefore subject to a level of uncertainty. Once this Offer Memorandum has been signed by or on behalf of the Credit Union, there are important factors that could cause actual results to differ materially from those in forward-looking statements and should be considered as being beyond the Credit Union's control. These factors include the following:

- a pandemic or an epidemic
- economic, social and other conditions prevailing both within and outside of Bermuda, including actual rates of growth of the Bermudian and regional economies, instability, high domestic inflation.



- adverse climatic events and natural disasters
- changes in any legislation or policy adversely affecting the revenues or expenses of the Credit Union.
- any other factor negatively impacting on the realization of the assumptions on which the Credit Union's financial projections are based.
- factors unknown to the Credit Union

## **1.2 RESPONSIBILITY FOR THE CONTENTS OF THIS OFFER MEMORANDUM**

This Offer Memorandum has been reviewed and approved by the Board of Directors of the Credit Union. The Directors of the Credit Union are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Offer Memorandum is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

Neither the Bermuda Monetary Authority nor any other Government agency or regulatory authority in Bermuda has made any determination on the accuracy or adequacy of the matters contained in the Offer Memorandum.

## **1.3 CONTENTS OF THE OFFER MEMORANDUM**

This Offer Memorandum contains important information for prospective investors in the Credit Union. We are therefore asking all prospective investors to read the Offer Memorandum carefully in its entirety before applying for subscription.

This Offer Memorandum also contains summaries of certain documents which the Board of Directors of the Credit Union believe are accurate. Prospective investors may wish to inspect the actual documents that are summarized, copies of which will be available for inspection where necessary. Any summaries of such documents appearing in this Offer Memorandum are qualified in their entirety by reference to the complete document.

The publication of this Offer Memorandum shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Credit Union since the date of this Offer Memorandum.

No person is authorized to provide information or to make any representation whatsoever in connection with this Offer Memorandum, which is not contained in this Offering Document.

This Offering Document is intended for use in Bermuda only and is not to be construed as making an offer to persons outside of Bermuda to subscribe for any of the Deferred Shares in the Bermuda Credit Union Co-op. Society

#### 1.4 APPLICATION TO SUBSCRIBE FOR DEFERRED SHARES

This Offer Memorandum is not a recommendation by the Credit Union that prospective investors should submit Application Forms to subscribe for Deferred Shares in the Credit Union. Prospective investors in the Credit Union are expected to make their own assessment of the Credit Union, and the merits and risks of subscribing for these Deferred Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Deferred Shares, including but not limited to any tax implications.

Each Applicant who submits an Application Form acknowledges and agrees that:

- i. He/she has been afforded a meaningful opportunity to review the Offer Memorandum (including the summary of key information on the issue in (section 3), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Offer Memorandum; and

No person connected with the Credit Union has made any representation concerning the Credit Union or this Offer Memorandum not contained in this Offer Memorandum, on which the Applicant has relied in submitting his/her Application Form.

#### 2. DEFINITIONS

In this Offering Document, the following words and phrases shall, unless the context otherwise requires, be read and construed as having the following meanings ascribed thereto:

“Act”	The Credit Unions Act 2010
“Allotment”	The allocation and issuance of Deferred Shares to Applicants
“Applicant” “Applicants”	or The person(s) and other Member organisations by whom an application is made
"Application" "Applications"	or The Application Form(s) completed by the Applicant(s) for the subscription of Deferred Shares comprised in the Offer, duly delivered to Bermuda Credit Union Co-operative Society and/or broker CUMAX Wealth Management Ltd. in accordance with the terms of this Offering Document
“Application Form”	The prescribed form set out in the appendix of this Offering Document
“Approved Payment Method”	Any of the methods described in the Application forms for the payment of the Subscription Price
“BMA”	The Bermuda Monetary Authority
“Closing Date”	The time of closing of the Offer
“Deferred Shares	All of the Deferred Shares offered for subscription by the Credit Union in accordance with the terms of this Offering Document, namely BD\$3,500,000.00 Deferred Shares of Bermuda Credit Union Co-operative Society with a BD\$1 par value and

redemption value of BD\$1 per share, the subject of this Offer

“Directors”	The Board of Directors of Bermuda Credit Union Co-operative Society
“Dividend Rate”	The Deferred Stock Units will attract an annual dividend/distribution payment of 3.50%, payable quarterly, which will be treated similar to interest payments payable on debt instruments. As such the payments will be a direct obligation by Bermuda Credit Union Co-operative Society to Deferred Shareholders, similar to the interest paid on debt instruments, and such payments will not be paid from Surplus.
“Issue Amount”	Three Million, Five Hundred Thousand Bermuda Dollars) denominated notes (BD\$3,500,000.00)
“BD”	The lawful currency of Bermuda
“Members”	Membership in sole in accordance with the Constitution of the Bermuda Credit Union Co-operative Society.
“Offer”	The offer of the Deferred Shares for subscription
“Offer Price”	BD\$1.00 per Deferred Share
“Opening Date”	The time of opening of the Offer, as set forth in the Summary of Key Features of the Offer Section of this Offering Document
“Rules”	The rules governing the Members of the Credit Union

### 3. SUMMARY OF KEY FEATURES OF THE DEFERRED SHARE OFFER

The offer with respect to the 3.50% Deferred Shares are to Members of Bermuda Credit Union Co-op Society. and other Member organizations ONLY.

The summary features of the issue are as follows:

<b>Issuer:</b>	Bermuda Credit Union Co-op Society duly registered under the laws of Bermuda under the Credit Unions Act located at 49 Union Square, Hamilton HM 12
<b>Lead Arranger:</b>	Bermuda Credit Union Co-op. Society
<b>Legal Advisors:</b>	Wakefield, Quin Limited
<b>Securities:</b>	3,500,000 Deferred Shares with BD\$1.00 par value and redemption value of BD\$1 per share
<b>Offer Price:</b>	BD\$1.00 per Deferred Share
<b>Issue Amount:</b>	Three Million, Five Hundred Thousand Dollars (BD\$3,500,000.00)
<b>Minimum subscription:</b>	Three Hundred and Fifty Bermuda Dollars (\$350.00)
<b>Tenor:</b>	Sixty-three months (63 months)
<b>Offer Period:</b>	December 14, 2023 to February 13, 2024
<b>Redemption Date:</b>	February 28, 2029
<b>How Payable:</b>	In full on application in Bermuda Dollars
<b>Liquidity:</b>	The Issuer intends to apply for a listing of the 3.50% Fixed Rate Deferred Shares on the Stock Exchange. This statement is not to be construed as a guarantee that the Deferred Shares will be listed.
<b>Dividend Rate:</b>	Fixed at 3.50% per annum
<b>Dividend Payments:</b>	The first dividend payment will become due and payable on March 15 <sup>th</sup> . Thereafter it will be payable quarterly on the 15th day of the month. If the date for payment on any dividend is not a

	business day, then payment will be made on the next following business day
<b>Use of Proceeds</b>	The Funds raised by the Deferred Shares will be used to bring Institutional Capital to the required Prudential Standard
<b>Redemption</b>	The Deferred Shares are to be redeemed in one bullet payment on February 28,2029. Redemption will be at the price at which Investors subscribe for Deferred Shares
<b>Liquidation Rights</b>	In the event of a dissolution or liquidation of Bermuda Credit Union Co-op. Society, holders of the Deferred Shares notes will rank for repayment or return of capital above the Shares including Permanent Shares held by Members but after Members' deposits.
<b>Voting Rights</b>	None
<b>Tax Status:</b>	All payments of dividends on the Deferred Shares will be subject to withholding taxes, where applicable.
<b>Special Conditions:</b>	The offer with respect of the 3.50% Deferred Shares is being made solely to Members of Bermuda Credit Union Co-op Society and Member Organizations. Non-members who wish to participate in the Offer should apply for membership in the Credit Union. The 3.50% Fixed Rate Deferred Shares, the subject of this Offer, cannot be hypothecated.
<b>Registrar &amp; Transfer Agent:</b>	To be selected

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#### 4. PROFESSIONAL ADVISORS TO THE OFFER

##### Lead Arranger for the Offer

Bermuda Credit  
Union Co-op.  
Society

##### Legal Advisors to the Credit Union for the Offer

Wakefield Quin Limited  
Victoria Place  
31 Victoria Street  
Hamilton  
Bermuda

##### Registrar & Transfer Agents

CUMAX Wealth Management Ltd.

##### Paying Agents for the Offer

CUMAX Wealth  
Management  
Ltd.

##### Auditors and Reporting Accountants

Moore Stephens  
& Butterfield  
Box HM 2278  
Hamilton HMJX  
Bermuda

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## **5. ABOUT THE OFFER**

The Credit Union is seeking to raise up to \$3,500,000 dollars from subscriptions for 3,500,000 Shares.

Prospective investors are being recommended to read all of the sections referred to carefully, together with the remainder of this document. Those prospective investors who wish to subscribe for Shares should also refer to the full terms and conditions set out in Section 1.3 before completing the Application Form set out in the Appendices.

### **a. USE OF PROCEEDS**

It is the Credit Union's intention to use the proceeds of this offering to achieved the prudential standard in Institutional Capital.

The Credit Union also intends to pay the expenses associated with the Invitation out of the fundraising proceeds. The Credit Union estimates that the expenses in the Invitation will not exceed approximately Two Hundred and Fifty Thousand Dollars (BD\$250,000.00) inclusive of General Consumption Tax, and shall include the following services:

- a. Legal fees.
- b. Brokerage fees; and
- c. Registrar fees (if applicable)

### **b. KEY DATES**

An Application Form for use by all Applicants is provided at Appendix 1 at the end of this Offer Memorandum, together with notes on how to complete it. The subscription list for the Deferred Shares will open at 9:00 a.m. on the Opening Date: December 14, 2023 and will close at 4:30 p.m. on the Closing Date: February 14, 2024, subject to the right of the Credit Union to (a) close the subscription list at any time after 9:00 a.m. on the Opening Date: December 14, 2023, once the issue is fully subscribed and (b) extend the Closing Date for any reason. In either case, the Credit Union will arrange for an informational notice to be posted on its website.

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## **6. INFORMATION ABOUT THE CREDIT UNION**

The Bermuda Credit Union Co-operative Society is gradually gaining its significance as part of the Financial Services Sector with a strong commitment to the local community. As the metamorphosis continues on-going effort is being made to articulate the Credit Union difference,

Bermuda Co-operative Credit Union Society made a name change from BIU Members Credit Union Co-op. Society in 2019 with the aim of embracing similar organisations on the island thus enabling all persons to be afforded the opportunity to become a member.

### **a. SITUATION ANALYSIS**

Bermuda Credit Union Co-operative Society strives to be a safe and sound financial co-operative by adhering to the PEARLS-M prudential standards. While this is being pursued the Credit Union grapples with a high rate of loan delinquency. Whilst pursuing these recalcitrant members it must also focus on the growth of the Credit Union to better serve the members. Without the required Institutional Capital there would be an existential deficiency.



## **VISION**

To be a world-class provider of financial services to members by 2025

## **MISSION STATEMENT**

To be the primary financial institution of the members

## **Credo**

We work to empower the un-served and under-served persons in the community. We also embrace and offer the cooperative hand to those in the society who though have been able to achieve their financial goals, not an alternative but our commitment to complementarity within the pluralist system where all financial institutions must co-exist.

## **Mantra**

We do take care.

## **MEMBERSHIP**

**Membership shall be open to:**

- a.* **members of the Bermuda Industrial Union, together with their spouses and immediate members of their families;**
- b.* **the Bermuda Industrial Union as an organization;**
- c.* **such body corporate owned by the Bermuda Industrial Union;**
- d.* **the employees of the Credit Union;**
- e.* **members of registered Trade Unions in the islands of Bermuda**
- f.* **persons with common membership in an association or organisation including, but not limited to religious, social, co-operative, labour or educational groups.**

## **7. BERMUDA CREDIT UNION'S PRODUCTS AND SERVICES**

The Bermuda Credit Union through the insurance arm of Credit Unions worldwide, CUNA Mutual Insurance Society provides insurance on savings so that in the event of death the first \$4,000.00 may either double or triple to the beneficiary/ies. There is a permanent disability benefit.

Members savings up to \$25,000.00 are also insured against bankruptcy. This is possible due to the Credit Union's payment of premiums to the Bermuda Deposit Insurance Company.

### **a. SAVING INSTRUMENTS**

***Permanent Shares***

These represent part of the permanent capital of the of the the credit union. In the onboarding process, prospective members are required to place \$50.00 in this account. In accordance with the resolution passed by the august body, the members at the Annual General meeting in 2019, permanent shares “shall mean shares issued at no par value, paid up in cash and invested as risk capital, which form a permanent part of the capital of the Society.” Permanent Shares are rewarded with dividend allocated from each year’s surplus.

***Ordinary Shares***

On registering for membership, prospective members are also required to start their account with a minimum of \$7.00. Ordinary shares also earn dividends.

***Fixed Deposits***

The Fixed Deposit Account is an interest-bearing term which has a fixed maturity date and a fixed interest rate from inception to maturity. The minimum amount required for opening this account is BD\$1,000.00. Contracts may be held for fixed terms of 30, 60, 90, 180, and up to 1,825 days.. The competitive rates offered on these accounts are comparable to any similar instrument in the market.

***Ordinary Deposits***

The Ordinary deposit is offered by the credit union to its members and seeks to provide an account that pays a pre-determined rate of interest on members savings

based on market conditions, with interest credited monthly. The Ordinary Deposit account is linked to the Credit Union's debit card and members can deposit and withdraw funds as required.

***CU-CLUBBS***

This is an acronym. It stands for Credit Union's-Children Let Us Build Our Bermudian Savings. Interest earned on this 0.75% per annum and applied to the account monthly. It is for your young savers up to age 18. This account is initiated by the parent/ward of a child or children. The minimum amount to open this account is \$5.00

***Gift To Myself***

This account is the response to the Club Hand. The interest earned is 0.50% per annum and is applied monthly. Deposits and withdrawals may done as required

***Golden Harvest***

The Golden Harvest is a long-term savings plan for at least 5 years. Members may make monthly savings towards a goal. In the event of death it is the savings goal the member's beneficiary receives even if only the first month's commitment was paid.

***Deferred Shares***

Deferred Shares will form part of our permanent capital. These will be normally offered to our members as the credit union is seeking finance for a specific project. Tenure will be 5 years, with interest being paid quarterly.

**LOAN PRODUCTS**

### Regular loans

The Credit Union currently offers loans four times the members shares up to \$100,000.00 which is approximately 10% of Institutional Capital in accordance with the Prudential Standards The maximum period to repay these loans is 10 years

### BEDC Loans

The Credit Union in tandem with the Bermuda Economic Development Corporation (BEDC) also lends who are engaged in entrepreneurial activity.

### Share Loans

Members may also borrow within shares

### OTHER SERVICES - INSURANCE

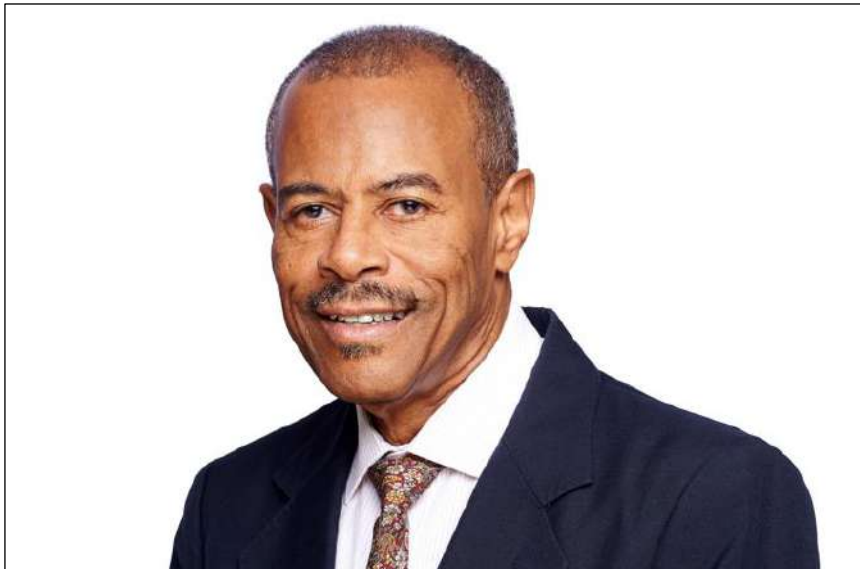
#### FAMILY INDEMNITY PLAN

Members enjoy that peace of mind that if a loved one dies funds are available for final costs. Up to six persons may be placed on the policy and the maximum coverage is \$15,000.00 for funeral costs. The one premium covers six persons.

## Board of Directors



Renee Jones, President – Certificate Risk Based lending 2011; Certificate Credit Administration 2022- Caribbean Confederation of Credit Unions. Treasurer, Caribbean Confederation of Credit Unions 2021 to present.



Clarence Smith, 1st Vice President - Certificate Corporate Governance 2009- Caribbean Confederation of Credit Unions



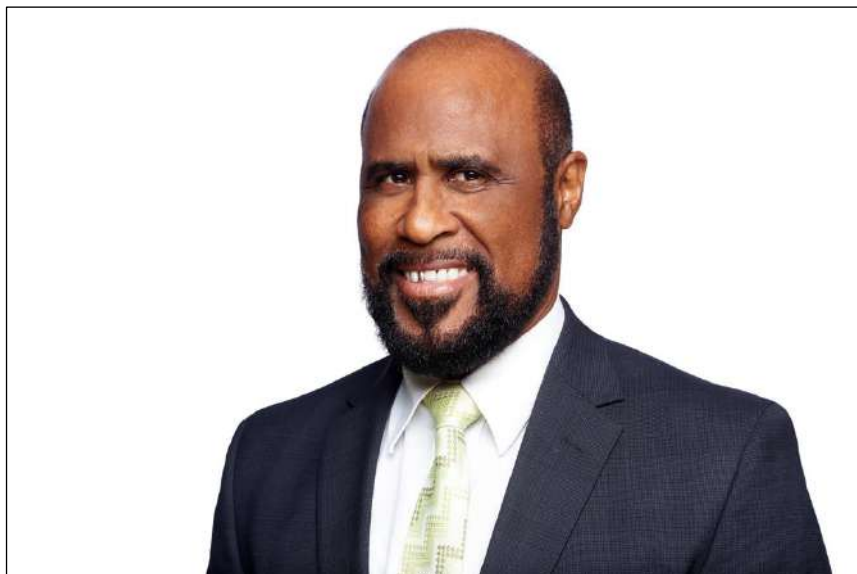
Ryan Robinson-Perinchief, 2nd Vice President-Certificate Corporate Governance; Certificate Strategic Planning; Certificate Financial Management 2022 – Caribbean Confederation of Credit Unions



Gershon Gibbons, Treasurer - Certificate Corporate Governance; Certificate Strategic Planning; Certificate Financial Management 2020 – Caribbean Confederation of Credit Unions



Ronaldine Burgess, Board Secretary – Certificate Directors’ Professional Development Program, Canadian Co-operative Association 2003; Certificate Corporate Governance 2009; Certificate Strategic Planning 2010 – Caribbean Confederation of Credit Unions



Chris Furbert Board member– Certificate Corporate Governance 2009 – Caribbean Confederation of Credit Unions

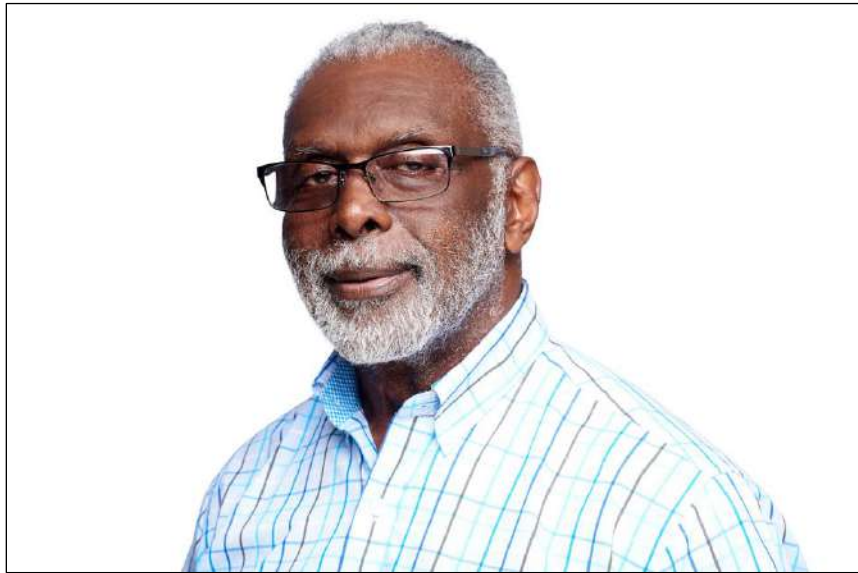


Helena 'Molly' Burgess Board member- Certificate Corporate Governance 2009 – Caribbean Confederation of Credit Unions

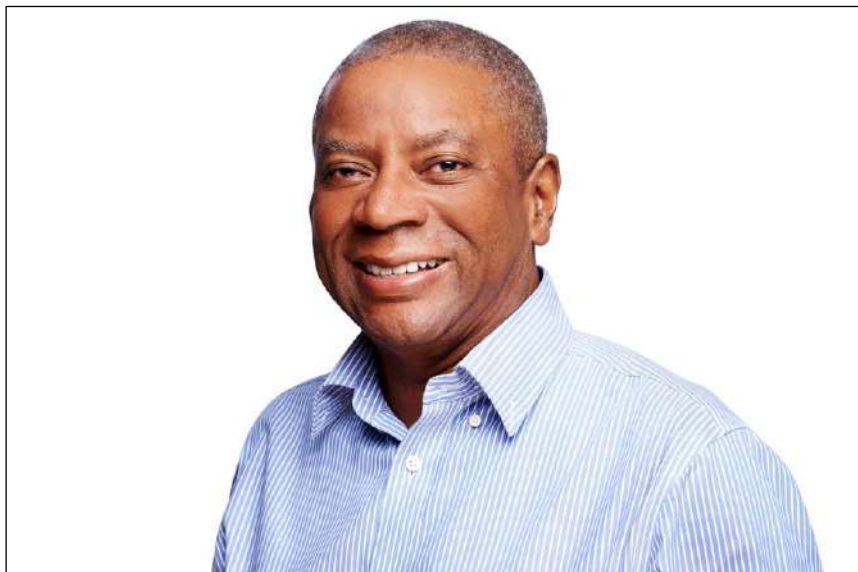


Cecil Durham, Board member – Certificate Strategic Planning 2010- Caribbean Confederation of Credit Unions





Dr. Michael Charles, Board member – Certificate Corporate Governance 2014; Certificate Strategic Planning 2014, Caribbean Confederation of Credit Unions. Carib Development Educator 2014



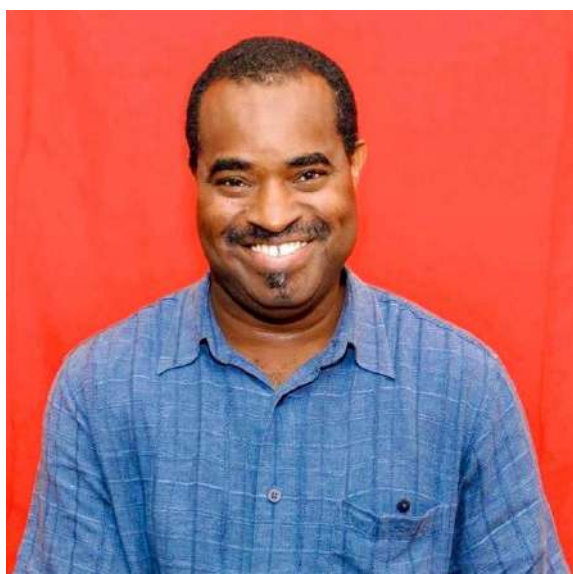
Shervin Dill, Board member – Certificate Corporate Governance 2017; Certificate Strategic Planning 2017; Certificate Auditing Techniques 2017- Caribbean Confederation of Credit Unions



Shakia Smith, Board member-Certificate Corporate Governance 2021- Caribbean Confederation of Credit Unions



Anthony Wolffe, Board member - Certificate Corporate Governance 2021- Caribbean Confederation of Credit Unions

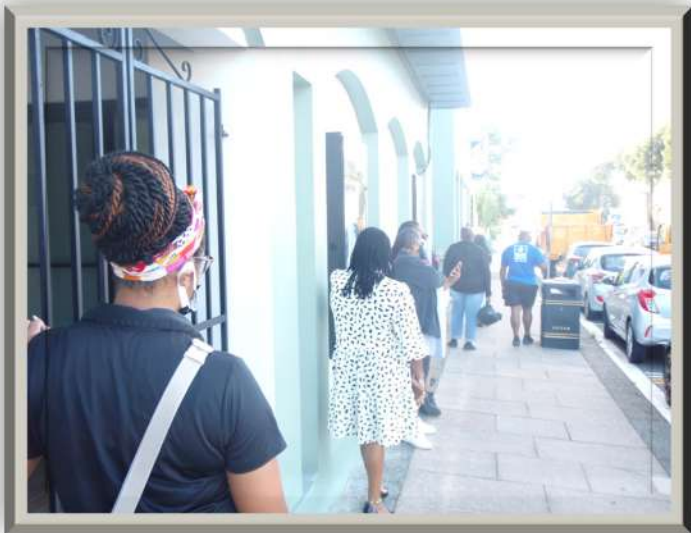


Cordell Riley, Board member- Certificate Corporate Governance; Certificate Strategic Planning 2022 – Caribbean Confederation of Credit Unions



# MEMOIRS







# **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.

## 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











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



# BERMUDA CREDIT UNION CO-OP SOCIETY

Bermuda Credit Union CO-OP Society  
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