



# EMBRACING *Change*

FOR GREATER SECURITY



TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION

# 43RD ANNUAL GENERAL MEETING

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# BOARD DIRECTORS



**SHARON RAHMING**  
BOARD CHAIRPERSON



**ITALIA SEYMOUR**  
VICE CHAIRMAN



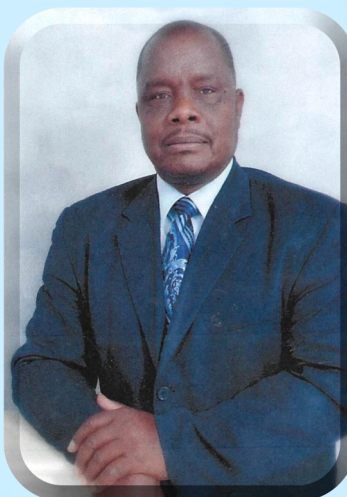
**THERESA DELEVEAUX**  
TREASURER



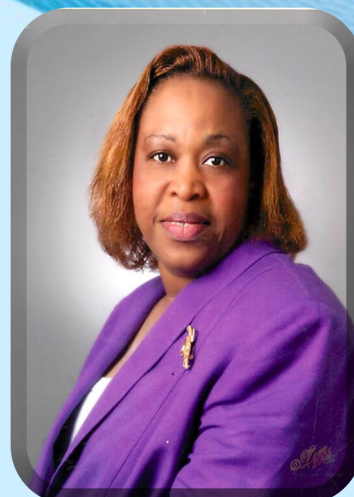
**CHERYL BOWE-MOSS**  
SECRETARY



**EDNA GLINTON**  
ASSISTANT TREASURER



**W. JOHNLEY FERGUSON**  
DIRECTOR



**GERALDINE STEVENS**  
DIRECTOR

## SUPERVISORY COMMITTEE



**Graham Mckinney**  
Chairperson

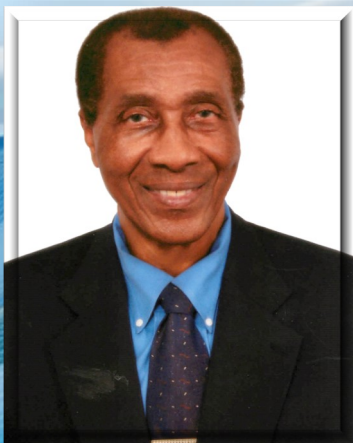


**Renee Mayers**  
Secretary



**Shavado Gibson**  
Member

## CREDIT COMMITTEE



**E. J. Bowe**  
Chairman



**Bernadette Davis-Smith**  
Secretary



**Theresa Mortimer**



**Sophia Thompson-Williams**

## NOMINATIONS COMMITTEE

## EDUCATION COMMITTEE



**Barbara Bowe**  
Chairperson



**Doreth Campbell**  
Member



**Marcia Munnings**  
Member



**Terrence King**  
Member

## SENIOR MANAGEMENT TEAM

### GENERAL MANAGER



**Byron Miller**

### CHIEF RISK MANAGER



**Randolph Minnis**



**Sophia Moss**  
Senior Operations Manager



**Lynette Moore**  
Financial Controller



**G. Dave Urich**  
Senior Credit/Delinquency  
Manager



**Jarrod Thompson**  
Senior Information Technology  
Manager

## MANAGEMENT TEAM



**Elaine Ferguson**  
Credit Risk Manager



**Hadassah Marche**  
Branch Manager Abaco



**Tonia Percentie**  
Branch Manager (FPO)



**Yvonne Rahming**  
Marketing Manager

## MANAGEMENT TEAM CONT'D



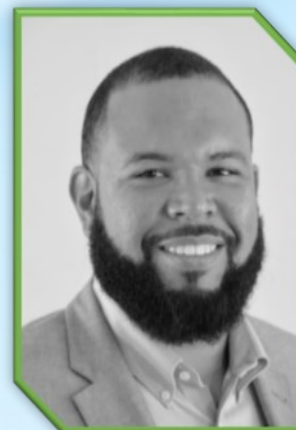
**C. Andrew Pratt**  
Collections Manager



**JOANNE BOWE**  
INTERNAL AUDITOR



**RANDY TAYLOR**  
COMPLIANCE MANAGER



**MARCUS BAIN**  
PROPERTY MANAGER



**JACQUELINE WHYMNS**  
H.R. MANAGER



**SHARELL BASTIAN**  
MORTGAGE MANAGER

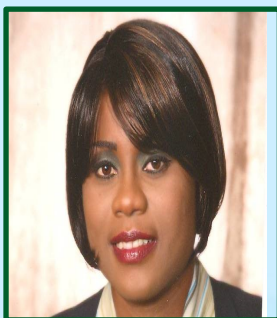


**Joanne Gibson**  
Asst. Manager Credit



**Camille Burrows**  
Asst. Manager Data Info.

## SUPERVISORS



**SAMANTHA COLEBROOK**  
OPERATIONS SUPERVISOR



**CLAUDETTE DANIEL**  
SUPERVISOR MEMBER SERVICES



**BIANKA BROWN**  
SUPERVISOR FREEPORT



**FELONIE SHEPHERD**  
TELLER SUPERVISOR




















**MARIA RHODRIQUEZ**  
CORPORATE ADMINISTRATOR



# EMPLOYEES

				
<b>EVELYNDA SMITH</b> CLERK III LOANS	<b>KENDRICK MINNS</b> CLERK III (COLLECTIONS)	<b>RHONDA ARTHUR</b> CLERK III	<b>MARCUS COOPER</b> INTERNAL AUDIT/CLERK	<b>BETTY HANNA</b> CLERK III (COLLECTIONS)
				
<b>EARLA MOSS</b> CLERK II (COLLECTIONS)	<b>TALOV WILSON</b> CLERK II (I.T.)	<b>HOLLY PINDER-DEAN</b> CLERK II (COLLECTIONS)	<b>CINDY EDGECOMBE</b> CLERK II (FREEPORT)	<b>MCALOX CORNEILLE</b> CLERK II (I.T.)
				
<b>CHEERESE MAJOR</b> CLERK II (COMPLIANCE)	<b>NIGELLA THOMPSON</b> CLERK II (PROPERTY AB)	<b>SAMEA GRAY</b> INTERNAL AUDIT CLERK II	<b>CORENE MOXEY</b> CLERK II (MS)	<b>SHEILAMAE SANDS</b> CLERK II
				
<b>TIFFANY COOPER</b> CLERK II	<b>AARON BOWLEG</b> CLERK II (COLLECTIONS)	<b>GIOVANNI WILLIAMS</b> ACCOUNTS CLERK II	<b>ZSIA POITIER</b> CLERK I (I.T.)	<b>DONNA DARVILLE</b> CLERK I (LOANS)
				
<b>LYNDA SMITH</b> CLERK I (LOANS)	<b>PHILENDRA SYMONETTE</b> CLERK I (MS)	<b>SHANIKA BAILLOU</b> CLERK I (FREEPORT)	<b>SEKERON DORSETTE</b> CLERK I (TELLER)	<b>JAMAL FRASER</b> CLERK I (TELLER)

# EMPLOYEES CONT'D

				
<b>TROY BABBS</b> CLERK I (HR)	<b>DAVINYA LIGHTBOURNE</b> CLERK I (ATM)	<b>JIMICA FRANCOIS</b> CLERK I (MS)	<b>MARIE SEYMOUR</b> CLERK I (MS)	<b>SYRENA HOLLINGSWORTH</b> CLERK I (TELLER)
				
<b>BRANDO POITIER</b> CLERK I (I.T.)	<b>PATRINIQUE ASTWOOD</b> CLERK I (TELLER)	<b>KERTISHA RUSSELL</b> CLERK I (TELLER)	<b>BODEISHA ROLLE</b>	<b>CHRISTOFF JOHNSON</b> CLERK I (COLLECTIONS)
				
<b>PHEONA BROWN STUBBS</b> CLERK I (FINANCE)	<b>CAMILLE ROLLE</b> CLERK I (FREEPORT)	<b>NADIA JOHNSON</b> CLERK I (TELLER)	<b>SHAKIA JOHNSON</b> CLERK I (TELLER)	<b>BRANDON JONES</b> CLERK I (TELLER)
				
<b>BRANDEN BARR</b> MESSENGER	<b>LESON THURSTON</b> CLERK I (TELLER)			

“ In our  
togetherness  
(as a team),  
castles  
are built.”  
Irish Proverb



## **RETIRING BOARD & COMMITTEES MEMBERS**

In accordance with Section XIV 46 of the Bye-Laws, **Tenure of Office**, the tables below shows the list of elected persons on the Board, Supervisory Committee, Credit Committee and Nominations Committee and the dates of their retirement.

<b>Directors</b>	<b>Elected or Reelected</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Cheryl Bowe-Moss	2019			*
Sharon Rahming	2018		*	
Edna Glinton	2019			*
Geraldine Stevens	2017	*		
Walter J. Ferguson	2017	*		
Theresa Deleveaux	2018		*	
Italia Seymour	2017	*		

## **RETIRING SUPERVISORY COMMITTEE MEMBERS**

<b>Supervisors</b>	<b>Elected or Reelected</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Elbert Thompson	2019			*
Renee Mayers	2017	*		
Graham McKinney	2018		*	

## **RETIRING CREDIT COMMITTEE MEMBERS**

<b>Member</b>	<b>Elected or Reelected</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Ernest J. Bowe	2018		*	
Bernadette Davis-Smith	2019			*
Patrick Smith	2017	*		

## **RETIRING NOMINATIONS COMMITTEE MEMBERS**

<b>Member</b>	<b>Elected or Reelected</b>	<b>2020</b>
Sophia Thompson-Williamson	2019	*
Theresa Mortimer	2019	*

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED***Minutes of the***42<sup>ND</sup> ANNUAL GENERAL MEETING*****Theme: “Service & Products You Can Trust”*****1.0 CALL TO ORDER**

- 1.1 The 42<sup>nd</sup> Annual General Meeting (AGM) of the Teachers and Salaried Workers Co-operative Credit Union Limited was called to order at 9:20 a.m. by Chairperson, Mrs. Sharon Rahming,
- 1.2 Chairperson Mrs. Sharon Rahming apologized for the meeting’s late start due to a delay with registration. A quorum was met; therefore, the meeting commenced.
- 1.3 Everyone was invited to follow the Agenda found on page-2 of the AGM booklet.

**2.0 PRAYER**

- 2.1 Chairperson Mrs. Sharon Rahming invited all to stand as Mr. Graham McKinney was invited to the podium for the invocation.
- 2.2 The National Anthem was sung.

**3.0 APOLOGIES**

- 3.1 Chairperson, Mrs. Sharon Rahming gave apologies for two Directors, Mr. Johnley Ferguson and Ms. Geraldine Stevens, who were both hospitalized. She asked everyone to please pray that God will give them a speedy recovery.

**4.0 READING OF THE ANNUAL GENERAL MEETING NOTICE**

- 4.1 Secretary, Mrs. Cheryl Bowe-Moss read the Notice of the AGM found on page-6 of the booklet.

**5.0 ASCERTAINMENT OF QUORUM**

- 5.1 Secretary, Mrs. Cheryl Bowe-Moss stated that at 9:25 a.m. there was one-hundred twenty-five (125) registered members which exceeds the required one hundred (100) persons for a quorum.

**6.0 STANDING ORDERS**

- 6.1 Assistant Secretary, Mrs. Italia Seymour read the Standing Orders found on page-3 of the booklet.

**7.0 GREETINGS FROM THE LEAGUE**

- 7.1 Chairperson, Mrs. Sharon Rahming invited Mr. Welbourne Cunningham, Vice Chairman of The Bahamas Cooperative League Limited to the podium to bring greetings.
- 7.2 Mr. Cunningham thanked Chairperson, Mrs. Sharon Rahming and extended greetings to all on behalf of the affiliates, Board and Staff of the Bahamas Cooperative League Limited. Congratulations were extended to the Members, Board, Committee Members and Staff of the Teachers & Salaried Workers Cooperative Credit Union on the hosting of the 42nd Annual General Meeting. He commended the Credit Union for its success at providing much needed financial services to its members and developing Teachers & Salaried Workers into the largest Cooperative Credit Union in The Bahamas.
- 7.3 Mr. Cunningham stated that the theme of the AGM: “Services and Products You Can Trust” speaks to what most Bahamians are searching for in a financial institution. The steady growth and performance of the Credit Union over the last 42 years is a testament to its stakeholders. The 4.08 percent-age growth in assets in 2018, and a 32.86 percent growth in investment over the previous year is in-

deed excellent and he applauded the 3.4 percent increase in interest income at the end of 2018.

- 7.4 He noted that traditional financial institutions were becoming more aggressive in pursuing many of the Credit Union's members so we must be vigilant. Also, financial institutions are changing their strategies by increasing their fees and physical locations which provides the Teachers & Salaried Workers Cooperative Credit Union and the movement with a greater opportunity to empower the citizens of The Bahamas.
- 7.5 Mr. Cunningham applauded the Credit Union for seeking ways to be viable to its membership and its persistence to attract additional members. The upgrade to the Credit Union's Data Centre, Payment System Development, ATM Services and other programs should be invaluable to the delivery of more efficient and speedy service to the members.
- 7.6 Credit Unions remain the best secret in the country and therefore, we must increase our collaborative efforts to spread the word about the benefits of our great movement. Mr. Cunningham encouraged the leadership of the Teachers & Salaried Workers Cooperative Credit Union to continue to implement programs and initiatives to assist members with achieving its dreams while attracting and retaining new members.
- 7.7 Mr. Cunningham extended thanks to the Credit Union for its continuous support of the Bahamas Co-operative League Limited and best wishes for a productive Annual General Meeting and a successful 2019.

#### **8.0 ADOPTION OF THE AGENDA**

- 8.1 Motion to adopt the Agenda as amended was moved by Mr. Dencil Kerr, seconded by Ms. Laurie Knowles and was carried.

#### **9.0 READING OF THE 41<sup>st</sup> AGM MINUTES**

- 9.1 Motion to dispense the reading of the minutes of the 41<sup>st</sup> AGM was moved by Mr. Ernest Bowe, seconded by Ms. Pamela Hall and was carried unanimously.

#### **10.0 CORRECTION OF THE 40<sup>th</sup> AGM MINUTES**

- 10.1 Page 14, Item 13.2.3 - portfolio changed to portfolios.
- 10.2 Page 16, Item 13.8.2 - "nominations were" not "was".
- 10.3 Page 17, Item 14.4.2 - "collapsed" with a D.
- 10.4 Page 18, Item 15.9 – Apostrophe on “members”
- 10.5 Page 18, Item 15.13 – change to "bad debts investment property."
- 10.6 Page 19, Item add “percent” after standard at 6.21.
- 10.7 Page 20, Item 16.5 - should be “PAID”.
- 10.8 Page 24, Item 22.2.1 - second line change there to “their”.
- 10.9 Page 30 – change name to “Ms. Lynda Taylor”.

#### **11.0 APPROVAL OF THE 41<sup>st</sup> AGM MINUTES**

- 11.1 Motion to approve the Meeting Minutes of the 41<sup>st</sup> AGM with corrections was moved by Mr. Leroy Sumner, seconded by Ms. Terrecita O'Brien and was carried unanimously.

#### **12.0 MATTERS ARISING**

- 12.1 Chairperson, Mrs. Sharon Rahming went through each page with no matters arising put forward by the membership.

**13.0 BOARD OF DIRECTORS' REPORT - 2018 YEAR IN REVIEW**

- 13.1 The report found on page-4 was read into the Minutes by Chairperson, Mrs. Sharon Rahming. Chairperson, Mrs. Sharon Rahming made corrections on the Board of Director's Report as follows:
- 13.1.1 Delete the words actual losses and put net profit in the first line.
  - 13.1.2 Delete the figure \$662,140 to \$767,615 for the net profit for 2018.
  - 13.1.3 Delete sentence to read, "However, 2018 would have been a better year than 2017 in terms of profit if we had done a better job at managing the loan portfolio, loan loss provisioning and the high investment property investment".
- 13.2 Motion to accept the Board of Directors' Report was moved by Mr. Leroy Sumner, seconded by Mr. Christoff Cartwright and was carried.

**14.0 QUESTIONS ARISING FROM THE BOARD REPORT**

- 14.1 Mr. Leroy Sumner thanked the Board for an excellent report. He queried what was meant by considerable investments made by the Board with regard to the Data Centre Upgrade and precisely what was the investment.
- 14.1.1 Secretary, Mrs. Cheryl Bowe-Moss advised, the investment in the Data Centre cost well over \$200,000.00 to update the entire room, to put in the state-of-the-art equipment that is needed for online banking and switching to make the Credit Union ready to be online with all of the other commercial banks.
  - 14.1.2 Mr. Leroy Sumner queried if it included ATM Services.
  - 14.1.3 Secretary, Mrs. Cheryl Bowe-Moss advised: all of the card services, online accounts, cashing and debit cards were all tied to the Data Centre.
- 14.2 Mr. Leroy Sumner stated that on the VISA branding he understood that Teachers moved away from the visa card through the League that was all encompassing with all of the affiliates.
- 14.2.1 Secretary, Mrs. Cheryl Bowe-Moss advised; not only the Credit Union but other affiliates moved their visa cards from the League have all gone to a better deal around the visa card: they are now getting a lower rate on their visa card with the switch out.
  - 14.2.2 Mr. Leroy Sumner stated that the reason the credit card was initiated with the League as the central and focal point was so it could be collectively setup for all the affiliates. He questioned if negotiations with the carrier could have been conducted collectively with the affiliates.
  - 14.2.3 Secretary, Mrs. Cheryl Bowe-Moss advised that the Credit Union was not presented with a viable alternative from the League and was one of the more recent Credit Unions to separate its credit card services from the League.
  - 14.2.4 Mr. Leroy Sumner stated that the League takes its instructions from its affiliates and cannot do anything on its own unless instructed by its affiliates. He questioned if the affiliates advise the League of their decision before separating.
  - 14.2.5 Secretary, Mrs. Cheryl Bowe-Moss stated she could not answer for the League. However, the Credit Union did approach the League.

**15.0 TREASURER'S REPORT**

- 15.1 The Treasurer's Report for the year, at 31<sup>st</sup> December 2018 was presented by Treasurer, Ms. There-

sa Deleveaux highlighted as follows:

- 15.2 Despite the depressed economy and reduction in our loan portfolio the Credit Union was able to see significant growth.
- 15.3 Assets totaled \$8,419,395 an increase of 4.1%.
- 15.4 Liabilities totaled \$7,492,581 an increase of 4%.
- 15.5 Equity totaled \$925,814 an increase of 4.9%
  - 15.5.1 Operational Profit and Loss Statement showed a Total Income of \$14,515,098 and Total Expenses of \$13,747,483, resulting in a Net Profit of \$767,615, with Total Comprehensive Income totaling \$930,964.
- 15.6 The Board and Management must continue to aggressively pursue delinquent loans and ensure that rent receivables are collected in a timely manner. It is critical to keep loan loss provisioning and outstanding rent at a minimum which is essential to the Credit Union realizing a Net Profit at year end.
- 15.7 Income is broken down into three areas: The Nassau (Head Office), Grand Bahama Branch and Abaco Branch. At the end of 2018, all three investment properties made a Net Loss.
  - 15.7.1 The two investment properties in Nassau Net Loss totaled \$99,228.
  - 15.7.2 Grand Bahama investment property Net Loss totaled \$55,655.
  - 15.7.3 Abaco investment properties Net Loss totaled \$559,937.
  - 15.7.4 The Comprehensive Net Loss totaled of \$281,037.
- 15.8 Highlighted Expenses:
  - 15.8.1 Board and Committees Development Travel totaled \$41,095.
  - 15.8.2 Staff travel training and development totaled \$82,522.
  - 15.8.3 If it were not for the high loan provisioning the Credit Union would have performed better
- 15.9 Investment Property Analysis:
  - 15.9.1 Income from East Street Complex was \$419,940 and because it is rented by the government, there is no provisioning. However, provisioning will be provided next year. Expenses totaled \$469,409 resulting in a Net Loss of \$49,469. Rent receivable totals \$372,309.
  - 15.9.2 Income from Tonique Darling Highway investment property was \$162,839. Some units had overdue rent which after three months must be provided. Expenses totaled \$199,917 with a Net Loss of \$49,758 and Rent Receivable \$9,807.
  - 15.9.2 Freeport Complex Income totaled \$106,488 with provisioning totalling \$21,245, Expenses \$140,898, with a Net Loss of \$55,655 and rent receivable \$81,170.
  - 15.9.3 Abaco Complex Income totaled \$233,005; provisioning totaled \$9,305. Expenses totaled \$802,247 with a Net Loss of \$559,937 and Rent Receivable \$27,033.
  - 15.9.4 As at 31<sup>st</sup> December 2018, outstanding rent receivable for current tenant total \$409,319 of which \$87,551 was provided for.
  - 15.9.5 Board and Management have taken the necessary steps to collect outstanding rent, inclusive of funds owed for accounts written-off for several past tenants through eviction

and the court systems.

15.10 STATUTORY RESERVE DEPOSIT.

15.10.1 Statutory Reserve at the end of December was slightly above the 10% requirement of assets totalling \$21,761,256 or 10.14%, a favorable overage of \$293,736.

15.11 LIQUIDITY RESERVE DEPOSIT.

15.11.1 Liquidity reserves held with the League totaled \$19,293,064 or 10.10%, which is slightly above the PEARLS requirement ratio standard of 10% of total member deposit resulting in a favorable overage of \$183,777 at 31<sup>st</sup> December 2018.

15.12 DELINQUENCY.

15.12.1 For the year ending, 31<sup>st</sup> December 2018. There were 699 delinquent loans totalling \$15,474,647 of which, loan loss provisioning totaled \$5,116,493 in accordance with the PEARLS standard.

15.12.2 Provisioning with the PEARLS standard refer to any loan that goes delinquent between 30 and 365 days that must be provided for. Loans over one year which is over 365 days must be 100% provided for.

15.12.3 The new provisioning accounting standard for 2019 will provision at day one of each loan. Therefore, it is very important when members borrow, if they come into some difficulty, they must come into the Credit Union and arrange to pay their loans to prevent the Credit Union from being hit hard with provisioning.

15.12.4 Security held against delinquent loans totaled \$8,556,567 resulting in an exposure totaling \$6,918,080 to the Credit Union.

15.12.5 Delinquent Loans over 12 months remain the largest category. There are 400 of these loans totaling \$9,457,940, representing 61.1 percent of the total delinquent loans.

15.12.6 Delinquent loans total as of 31<sup>st</sup> December 2018 stood at 15.6 percent, well over the required PEARLS standard of 5 percent.

15.12.7 During the year, the Collections Department collected \$99,075 on delinquent mortgages. However, as at 31<sup>st</sup> December 2018, the outstanding balance in delinquent mortgage totaled \$8,282,137.

15.12.8 Even though the Collections Department aggressively pursue delinquent members by telephone calls, weekly pickups and through the courts, the Credit Union provisions for delinquent loans noted in the financials totaled \$1,990,315 and \$85,711 for Investment Properties delinquent members at 31<sup>st</sup> December 2018.

15.12.9 The Board continues to monitor Management's collection efforts in accordance with policy. Delinquent loans 365 days and over deemed uncollectible in accordance with International Accounting Standards, Management was mandated to outsource to a collection agency. The Board also mandated foreclosures of delinquent properties via assistance of real estate companies, placement of advertisements in newspapers and through the courts to ensure the recovery of the Credit Union's assets.

15.13 THE PEARLS RATIO ANALYSIS

15.13.1 The PEARLS ratios as of 31<sup>st</sup> December 2018, all but one was below the accounting standard requirement. Every effort was made in 2019 by the Board and Management to

seek ways to bring deficiencies into compliance, namely loans, delinquency and capital. If these deficiencies are not adequately addressed, the Credit Union's bottom line will decline. If the owners (members) do not utilize the Credit Union's loan products which is the largest moneymaking elements, and seek loans through our competitors, we are only hurting ourselves. Loan interest maybe higher, however, the Credit Union gives higher returns on the funds held for its members over the competitors. Therefore, we must work as a team to grow the loans portfolio from 40.46% to between 70% and 80%. This will not only bring the loans ratio into compliance with the required PEARLS standard, but it will also increase the Credit Union's bottom line.

15.13.2 If Members' Equity is below the required 10%, there cannot be payments on dividends on Qualifying and Equity Shares.

15.13.3 Statutory Reserve under Members' Equity is below the required 10% standing at 6.46% of Total Assets, a short fall of \$7,592,520 that must be corrected sooner than later to be compliant with the law and avoid the possibility of having to pay a penalty to our Regulators. The Regulators gave the Credit Union a time frame to bring the statutory reserve into compliance.

15.13.4 Liquidity is above the required 10% at standing at 10.10%.

#### 15.14 CONCLUSION.

15.14.1 Although the Credit Union made a profit during 2018, there is still much more to be done to yield better profitable bottom line and become fully compliant with the law. To achieve this goal, we must ensure that we offer the best products and services that will assist members to become financially sound.

15.14.2 Treasurer, Ms. Theresa Deleveaux extended thanks and appreciation to Management and Staff, especially the Finance Department for the assistance rendered for the past three years; Board and Committee Members, for the confidence, cooperation and support shown over the years and sincere appreciation and thanks was given to the membership, for the opportunity to serve. In order to ensure continuous growth, members were asked to always remember that the organization belongs to them. Therefore, they must demand quality services, be committed and continue to use and market the product and services of the Credit Union.

15.15 Motion to accept the Treasurer's Report was moved by Ms. Paula Hall, seconded by Mr. Gerald Ingraham and was carried.

#### **16.0 THE FLOOR WAS OPENED FOR QUESTIONS ON THE TREASURER'S REPORT HIGHLIGHTED AS FOLLOWS:**

16.1 Mrs. Edna Ginton commended the Treasurer on her report and questioned why only one of the PEARLS ratios, the liquidity reserve met the requirements.

16.1.1 Treasurer, Ms. Theresa Deleveaux advised that the law speaks against investing in investment properties however, the Credit Union invested in properties. She stated that the members as owners, must know the law and ask questions and ensure they get the correct answers.

16.2 A question was asked on the reason expenses were high on the properties, especially Abaco.

16.2.1 Treasurer, Ms. Theresa Deleveaux advised that the Abaco Complex is large, and the

upkeep is expensive, when also factoring in depreciation, security, and things that need to be fixed. She reported that efforts were being made to sell the properties.

- 16.3 Mr. Leroy Sumner suggested regarding the expenses on the investment properties, that when (tenant) contracts are negotiated, that they include every single thing that is listed in this provision, such as, repairs and maintenance, insurance, taxes, janitorial services. This was supposed to have been in place and it means therefore that we have fallen asleep at the wheel and not passed through those costs to the tenants. He stated that he drafted the contract and every ratio was there that speaks to the square footage and the multiplication which ought to be done for each agreement because that is the way commercial properties are rented or leased. He recommended taking a look at the contracts to see whether or not tenants are billed for all charges and sharing in the cost of the security and other things.
- 16.3.1 Treasurer, Ms. Theresa Deleveaux noted that the leases crafted by Mr. Sumner did not consider depreciation and the CAM charges factored into the lease agreements did not cover the expenses. Discussion ensued.
- 16.3.2 Secretary, Mrs. Cheryl Bowe-Moss advised that the Investment Committee went through the properties in their entirety along with the contracts and everything is not included as well as the rent was below breakeven with the CAM charges. That was the problem.
- 16.3.3 Mr. Leroy Sumner stated that the rent is something that increases over time when a contract was renewed, and the CAM charges also increased.
- 16.3.4 Secretary, Mrs. Cheryl Bowe-Moss advised that all of that was taken into consideration and it still did not contain everything to do what was needed to be done.
- 16.3.5 Treasurer, Ms. Theresa Deleveaux cautiously advised that Abaco property now valued at \$17 million would be difficult to sell. She noted that the Board wanted to hold a special meeting so members could brainstorm ideas on what can be done with the Abaco Complex.
- 16.4 A member queried if the value of property in Abaco increased because the cost to construct was approximately \$13 million and now it is \$17 million.
- 16.4.1 Treasurer, Ms. Theresa Deleveaux advised that there was a lot of improvements and extra money spent.
- 16.5 A member highlighted a possible oversight on page 32 under Statutory Reserve where it was listed at the end of December as slightly above the required 10 percent.
- 16.5.1 Treasurer, Ms. Theresa Deleveaux advised that there are two statutory reserves. One that is required by the law that is lodged at the League under liability, and the other is under capital which strengthens the organization and where dividends are derived from.
- 16.6 Mr. Leroy Sumner observed that the PEARLS ratio as a management tool has always been a troubling ratio for the Credit Union and as a result, it has been said that it is not an appropriate management tool for the Credit Union. It was suggested, at the time when he was a part of the Board, that PEARLS not be used as a management tool in the Act, but allow it to be in the bye-laws and regulations, so that we are in a position to change the PEARLS ratio as a management tool in the event something else comes up, that might have been a better instrument to manage finances. It is howev-



er, in the Act and to remove it the Act must be amended. He stated that it was his understanding that a new (accounting) standard was to be implement that may be worse or better. He suggested looking at a different instrument.

16.6.1 Treasurer, Ms. Theresa Deleveaux advised the new accounting standard will be worse than PEARLS, however, as a financial institution, the Credit Union must be guided by standards.

16.6.2 Mr. Leroy Sumner stated that prior to the PEARLS, the CAMEL rating system was used and was a better tool for the Credit Union at the time. The Credit Union was hitting all its targets when the World Council used it on a trial basis. However, the World Council has since changed to PEARLS, so we are stuck with it.

## 17.0 EXTERNAL AUDITOR'S REPORT

17.1 The External Audit firm Baker Tilly's representative, Ms. Norene Campbell was invited to the podium to present the Audit Report. She apologized for the absence of the Auditor, Mr. James Gomez and directed everyone's attention to the financial statement found on pages 41 to 98. The Management of the Credit Union is responsible for the financial statements which start at page 46. The auditors are responsible for the Auditors' Report which is on page 43 to 45. Highlights as follows:

17.2 The Qualified Opinion found on page 43 was issued based on the non-acceptance of accounting standard and was read into the Minutes by Auditor, Ms. Noreen Campbell as follows:

17.2.1 We audited the financial statements of the Teachers & Salaried Workers Cooperative Credit Union Limited (the Credit Union), which comprise the statement of financial position as at 31<sup>st</sup> December, 2018, and the statement of comprehensive income, statement in changes of members and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

17.2.3 In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at 31<sup>st</sup> December, 2018, and its finances performance and its cash flows for the year then ended in accordance the International Financial Reporting Standards (IFRSs).

17.2.4 Basis for Qualified Opinion.

17.2.5 As disclosed in note 3(C) (ii) to the financial statements, IFRS 9, financial instruments which is effective for annual periods beginning on or after January 2018, has not been adopted by the Credit Union. This standard requires reclassification of financial instruments into new categories, and to provide for impairment of certain financial instruments based on expected losses, instead of experienced losses. As stated in note 3(A), the Central Bank of the Bahamas has permitted Credit Unions in the Commonwealth of the Bahamas to defer the effective date of IFRS 9 to 1<sup>st</sup> January 2019.

17.3 Auditor, Ms. Noreen Campbell reported that as of the date of the audit report, Management had not assessed the impact of this standard on the Credit Union, and therefore, the auditors were unable to assess the impact of the non-adoption of the standard. The new standard will require the

Credit Union provide provisions for impairment for losses on the initial issue of a loan or any other financial instruments. The Credit Unions of Bahamas were not ready and therefore did not adopt the new standards.

17.3.1 The financial statements are produced based on the international financial reporting standard; but the law takes precedence in a country over the standard. The (Bahamas Co-operative) League wrote to the Central Bank and asked for a deferment of the (new) standard which requires losses to be provided on initial approval.

17.4 Auditor, Ms. Noreen Campbell drew attention to the financial statements found on pages 46 to 49 that included the Balance Sheet, the Income Statement, the Equity Statement and the Cash Flow. The rest of the pages are the note to the financial statements that sets out, explain and give the composition. Highlights as followed:

17.4.1 Cash and Cash Equivalent had an increase of \$3 million or 26 percent. One of the reasons for this is because members and others coming in and depositing cash while loans are going down due to people moving their loans resulting in extra cash.

17.4.2 Time deposits with banks has a slight increase of \$48 thousand. That's just interest earned.

17.4.3 Deposit with the League: The Credit Union deposited \$1.1 million at the League and earned interest of \$678,000 on those deposits.

17.4.4 Loans receivable reduced. The Net Loan Receivable includes the Loans, the Provision, the Interest receivable and that decreased by \$7.4 million over last year.

17.4.5 Provisions during the year was \$2.2 million.

17.4.6 There is \$189,000 worth of recovery and the Total loan loss provision at the end of 31<sup>st</sup> December 2018, was \$5.1 million.

17.4.7 Other Assets shown on page 63 increased by \$1.8 million.

17.4.8 The Credit Union Data Center, disaster recovery project, ATM machines, those increased by \$991,000. That income is ongoing and therefore it's classified as other assets. As soon as the project is completed, they will be moved to their respective classification of assets. Maybe fixed assets and other matters.

17.4.9 Prepaid Expenses increased by \$420,000. That is software and other expenses and interest receivable \$156,000.

17.4.10 Investment in the League increased by the required \$1,200.00 worth of shares from the League annually.

17.4.11 Available for Sale total amount is \$28 million, an increase of \$8.8 million. The Credit Union purchased additional \$4.5 million worth of government bond. There was some redemption of \$4.5 million, and the Credit Union also made additional investment of \$4 million. Hence, investment increased by \$8.8 million.

17.4.12 Investment Properties reduced by \$462,000 due to an additional \$212,000 as capitalized expenditure.

17.4.13 Fixed Assets, Property Plant Equipment had a net increase of \$682,000.

17.4.14 The Credit Union spent \$1.3 million to renovate the highway property, replace air conditioning system and that is the increase, that makes up your increase in assets of \$8.4

- million or 4 percent.
- 17.4.15 Liability increased by \$7.4 million as a result of an increase in member deposit. Regular Member Deposits increased by \$2.1 million.
- 17.4.16 Other deposits increased by \$5.38 million. Regular members increased by \$1.4 million minus \$524,000 and deposits by \$3.5 million.
- 17.4.17 Members Equity had an overall increase of \$925,000 or 5 percent.
- 17.4.17 Members Shares or Qualifying shares had a net decrease of \$5,000
- 17.4.18 \$1,075,000 was transferred from Retain Earning into the reserve and it is now \$13,875. This reserve is the Credit Union's own shares that trade on the stock exchange. The movement in the market prices goes into this account and although, it's in a negative balance in a loss, there was an increase in the portfolio.
- 17.4.19 Retain Earnings reduced by \$307,000.
- 17.4.20 The Loan Interest Incomes increased by \$92,000 or by 1 percent.
- 17.4.21 Investment Interest Income increased by 27 percent or \$234,000.
- 17.4.22 The Credit Union purchased more government bonds that gives bigger rates of 4.25 percent. The Credit Union had \$1.57 million interest which came from investment, with \$636,000 from government bonds.
- 17.4.23 Interest from the League totaled \$177,000.
- 17.4.24 Interest Expense reduced by \$133,000 or 3 percent. This is because a lot of the long-term deposits that members had, started maturing. They are however, being rolled over at lower rates, so the Credit Union pays less.
- 17.4.25 Provision for Loan Impairment had a provision of \$2.179 million, there was a recovery of \$189,000 so the provision is \$1,990 an increase of \$10,000.
- 17.4.26 Other Income increased by \$124,000 due to increases in fees earned and dividend investments opened by the Credit Union.
- 17.4.27 Rental Income decreased, maintenance fees increase resulting in a net interest of other income of \$468,000 or 7 percent.
- 17.4.28 Operating Expenses increased by \$789,000 or 40 percent which includes: salaries that increased by \$16,000; general business expenses increase by \$141,000; stationary, office supplies, equipment, Value Added Tax.
- 17.4.29 Ms. Norene Campbell explained that the Credit Union is partially VAT exempt meaning that the monies it spends on VAT, it cannot claim back all of it. Because the largest income of the Credit Union is interest and there is no VAT on interest. This means that if the Credit Union spends \$200,000 on VAT a year, it cannot claim all of that and therefore, VAT is an expense.
- 17.4.30 Occupancy increased by \$337,000 which includes utilities, security, building maintenance, et cetera.
- 17.4.31 Members' security increased by \$44,000, LPS Insurance increase as the share deposit increase.
- 17.4.32 Computer costs increased by \$234,000 meaning software costs and marketing cost decreased.

17.4.33 The Net Profit combined totaled \$767,000; the Head Office made profit of \$52,000, Freeport was \$996 and Abaco made a loss of \$281.

17.5 Motion to accept the Auditors Report was moved by Ms. Ancela Hanna, seconded by Ms. Marina Knowles and was carried

## 18.0 QUESTIONS FOR THE AUDITORS FROM THE FLOOR

18.1 Mr. Leroy Sumner requested clarification on the software and other related matters termed as considerable investment. He stated that when he asked about it earlier, he was advised the sum was \$200,000. However, based on what was just said, the cost in excess of a million dollars, where is that difference coming in and why is that differential in the data center.

18.1.1 Secretary, Mrs. Cheryl Bowe-Moss stated the actual expense for the computer system for this year are outlined on the bottom of page 34. It outlines computer costs, computer software depreciation, software subscriptions and maintenance and stationery. All of that is what is apportioned to this year and the \$200,000 difference.

18.1.2 Auditor, Ms. Noreen Campbell advised that there may be a confusion between expenses and assets. On page 53, other assets, includes the data center. There are ongoing projects between Nassau and Canada and the ATM machines. When she spoke earlier, she was referring to the assets.

18.2 Ms. Pamela Hall stated she heard the Auditor mention there was \$4 plus million government registered stock that was purchased.

18.2.1 Auditor, Ms. Noreen Campbell advised she made an error, (the government registered stock) was redeemed \$900.

18.2.2 Ms. Pamela Halls asked what other local shares the Credit Union has.

18.2.3 Auditor, Ms. Noreen Campbell advised the composition of financial investments was on page 64. The Credit Union has \$22.718 million in government bond BGRS, corporate bonds with BLI, \$484,000 with Public Health Authority and \$140,700 Clifton Heritage bonds. In terms of bonds or interest, the Credit Union owns \$23.3 million. The Credit Union owns a total of \$4.7 million in equity shares and those bring dividends with preference shares, in a portfolio with Royal Fidelity, some at Commonwealth Bank, Bank of The Bahamas and Arawak Cay Development. The Credit Union's total investment of bonds which earn interest and equity which earn dividend is \$28 million.

18.3 Mr. Patrick Smith requested a better understanding of the \$381,000 cost for software subscription and maintenance on page 76, that seems quite high. He asked the Treasurer to explain what the money was spent on, what was the expected effect and outcome. He stated that computer software is supposed to make the operation more efficient and should be generating better profit directly or indirectly.

18.3.1 Secretary, Mrs. Cheryl Bowe-Moss advised that every facet of the upgrade requires continuous subscriptions. There are subscriptions with Microsoft, the Cruise Network, the Switch Software for that provider and other areas of the network coming together for: the data card, the debit card, for the ATM card, for the online banking, they are all different service providers that enable the system to run. Given that this is the first year of the investment, returns will not be seen in the first year. Returns will come

as the system is used. The testing of the credit and debit cards is rolling out and next will be the roll-out on the new online banking, where members can go online at home or on their phones to access their business live. The branches also must go live and backup support. The Credit Union has local and international backups.

- 18.4 Ms. Norene Campbell stated that years ago businesses operated with purchased software. However, in the last ten or so years, (business) do not own the software unless they created. Now, when software is purchased one is forced to purchase the maintenance of the software. Therefore, you must factor in of the cost of computer. Thank you.
- 18.5 Mrs. Edna Glinton questioned when the Credit Union must comply with the new standards.
- 18.5.1 Auditor, Ms. Noreen Campbell advised that is not a question she can answer, but for Management. They should, however, be complying now. Further, this is the last year (Baker Tilly) will be the auditors, so the next auditor will determine whether the Credit Union complied properly with the standards.
- 18.5.2 Secretary, Mrs. Cheryl Bowe-Moss stated that for the entire year the Credit Union was under the gun with an army of dictates. As soon as they completed one qualification for the Central Bank, there is another one. The Credit Union was really hit with the change in the basic requirement in provisioning and the statutory reserve. The movement as a group went before the Central Bank requesting leniency to get these things done. The Credit Union has no choice, it must comply with the (standard changes) that are being sent to us in six-point font on long paper, with a checklist every month with a deadline.
- 18.6 Mr. Leroy Sumner stated the Credit Union went to the ninth degree with the Central Bank during the transition period and it was a long arduous task. However, when the government moved supervision of Credit Unions under the Central Bank, we got the absolute assurance from the then Governor of the Central Bank, that Credit Unions will always be regarded as Credit Unions. That they will do everything humanly possible to ensure that there will be no departure from Credit Union administration. Why then are they now piling all these banking principles on to Credit Unions which is now beginning to cause Credit Unions to almost look like banks. It sometimes seems as if we are laying down and playing dead for them to walk over us. We need to stand firm as a group and go back to the Central Bank and say this is not what you told us. Credit Unions are Credit Unions. Credit Unions around the world as seen in the World Council reports on Credit Unions, are doing extremely well because they are still treated as Credit Unions.
- 18.6.1 Chairperson, Mrs. Sharon Rahming read from the Central Bank Guidelines for Corporate Governance of Credit Unions that stated that they “recognize Credit Unions as a financial institution and a not for profit organizations. In this respect, Credit Unions are different from other deposit taking financial institutions. The Central Bank is aware that Credit Unions work as-cooperatives, valuing volunteering, cooperation and member participation. Therefore, the Central Bank is committed to ensuring that the unique characteristics of Credit Unions are maintained while still fulfilling its obligation to-protect the interest of Credit Unions' members.” Therefore, she advised, the Central Bank is not walking all over us. They are watching what we are doing, and we need to be transparent. We need to make sure that the people's monies are safe.

**19.0 2018-2019 PROPOSED BUDGET**

- 19.1 Treasurer, Ms. Theresa Deleveaux presented the 2018-2019 proposed Budget found on page 32-34 highlighted as follows:
- 19.2 At the end of 2019, we have \$13,397,300 in Income and Expenses of \$12 million which is on page 35.
- 19.3 Total Operating Expenses \$12,614,100 is a profit of \$783,200.
- 19.4 Properties Investments at the end of 2019, a Net Loss of \$662,000, and our Net Income of \$121,200. It is, therefore, very important that every effort be made to divest ourselves of these investment properties so we could get some of that back to our bottom line.
- 19.5 Treasurer, Ms. Theresa Deleveaux asked members to pay attention to the interest on regular deposits under Operating Expenses. Under Equity, which is in the balance sheet and the Statutory Reserve, which is required to be at 10 percent, however it is only 6 percent. The Credit Union must ensure that it has income, so that funds can go into return earnings. A proposal from Management is that next year, we might have to come to the membership for an approval on a reduction in what we call dividends.
- 19.6 It is important that members try to do business with our institution to increase the loans portfolio. And right now, there are many (loan) specials going on. For persons who qualify and those who want to join.
- 19.7 The Credit Union is cash heavy and with no one to lend it to, it will cost us money. The banks are not paying any interest on the funds they are holding for the Credit Union. However, once we can lend out those funds, we will be able to get the profits.

**20.0 QUESTIONS ON THE BUDGET FROM THE FLOOR**

- 20.1 Mrs. Edna Glinton stated that the problem with the Credit Union and loans, is that the interest rates are high. Economics teaches that the higher the interest rate, the more you want to decrease the number of requests for loans or you do not want people to borrow. If the rates are high, persons who need to borrow will go where the rates are lower. Mrs. Edna Glinton advised that she pushed and encouraged people, like her daughter, who can pay and qualify for a loan, to get their mortgage from the Credit Union. However, when her daughter did a comparison with other financial institutions, she stated it does not make sense to get a mortgage with the Credit Union because the interest was too high. If the Credit Union wants to encourage people to get loans, it must attract them. The reason the Council put out all the information with the new standards is because we are financial institution lending out money. The economy is in problems worldwide, so if you are lending out money, it must be safe and secure to protect the funds of those you are using to lend. People should not feel that they are being punished when they come to the Credit Union. The Credit Union is competing with banks and with the other lending establishments and therefore, we should protect those who come to us and treat them as if they are owners.
- 20.1.1 Treasurer, Ms. Theresa Deleveaux advised that the Credit Union have some nice specials coming up with low interest rates and it also has different rates to help members.
- 20.2 Ms. Keva Cartwright questioned if the Credit Union has decided that we will no longer be investing in properties because of how the market is and because it is not a good investment to make.
- 20.2.1 Treasurer, Ms. Theresa Deleveaux advised it is the law not to invest in properties and it

- should not have been invested in from the start. We must try to divest ourselves of the properties.
- 20.2.2 Secretary, Mrs. Cheryl Bowe-Moss asked members if they knew of any potential buyers, the Credit Union has a good property in South Ocean that can be purchased.
- 20.3 Mr. Leroy Sumner noted that last year, the Credit Union gave away \$300 to Junior Cooperatives and this year, \$7,500 is budgeted.
- 20.3.1 Treasurer, Ms. Theresa Deleveaux advised that the Credit Union has three school cooperatives and the Board approved that each one be given \$2,500 which account for the \$7,500. However, last year only one Junior Cooperative received the funds allotted.
- 20.3.2 Secretary, Mrs. Cheryl Bowe-Moss reported that last year, Preston Albury got the benefit of the fund, and this year there is Patrick J Bethel in Abaco and the others are taking suit in trying to develop themselves. The schools were featured on TV doing production of coconut oils and cookies and so forth.
- 20.4 Mr. Leroy Sumner asked if the schools are attached to the Department of Cooperatives and who was looking after them.
- 20.4.1 Secretary, Mrs. Cheryl Bowe-Moss advised the schools are registered at the Department of Cooperatives. She further advised that she was responsible for the schools at the Department of Cooperatives.
- 20.4.2 Mr. Leroy Sumner made reference to item 50 (F) in the Credit Union Act, 2015 where it says that, "a person is not eligible to be a director if he or she is a professional advisor who provide services to the cooperative Credit Union in his or her professional capacity or has provided such services in 12 month preceding the date in which he may be elected."
- 20.4.3 Secretary, Mrs. Cheryl Bowe-Moss stated the key phrase is a Credit Union.
- 20.4.4 Mr. Leroy Sumner stated that this is what the Act is saying that's why he asked the question and if it is an issue it needs to be addressed.
- 20.4.5 Secretary, Mrs. Cheryl Bowe-Moss advised that we are very much in compliance and this matter has been raised by the same persons with the former administration and the former governor of the Central Bank. A junior (school) cooperative is a multipurpose cooperative and it is not a Credit Union. It is registered under the Cooperative Societies Act with a totally different Regulator. There is no conflict of interest as the member is suggesting again. Discussion ensued.
- 20.5 Motion to approve the Budget for 2019-2020 was moved by Ms. Pamela Hall, seconded by Mr. Patrick Smith and was carried

## **21.0 SUPERVISORY COMMITTEE REPORT**

- 21.1 Mr. Graham McKinney introduced himself as the Secretary to the Supervisory Committee and apologized for the absence of the Chairperson, Ms. Renee Mayers, who had a previous engagement that was simultaneously being held. He referred to the Supervisory Committee's report on page 99 in the booklet and proceeded to read the report aloud (see booklet for the full report).

**22.0 QUESTIONS FROM THE FLOOR FOR THE SUPERVISORY COMMITTEE**

- 22.1 Mr. Hugh Chase referred to page 100 where it said many of the Central Bank requirements were met as far as the handling of reporting on dormant accounts. He asked what has really been done with dormant accounts, were any reviews carried out
- 22.1.1 Mr. Graham McKinney advised that the dormant accounts are supposed to be handled by Internal Audit and is a part of their function. What has happened in the past is it was slipping through the cracks because of workload in that area. The workload has not changed, but there has been an effort to push that at least once per week, the dormant accounts are reviewed so if there are any existing issues, they are ironed out.
- 22.2 Motion to accept the Supervisory Committee Report was moved by Mrs. Edna Ginton, seconded by Ms. Eleanor Bain and was carried.

**23.0 CREDIT COMMITTEE REPORT**

- 23.1 Ms. Yvette Cooper, Chairman of the Credit Committee was invited to the podium to present the Credit Committee Report found on page 39 (see report for full report). Ms. Yvette Cooper read aloud the full report. The floor was then opened for questions.
- 23.2 Mrs. Edna Ginton requested clarification on the consumer loans ceiling of \$100,000 which is protected by insurance with League. She asked if we still have provisions for those loans or does that cover it in terms of the risks.
- 23.2.1 Chairperson, Mrs. Sharon Rahming advised that if a person is unable to pay then the League covers. We are protected up to \$100,000.
- 23.2.2 Ms. Yvette Cooper advised that it is provided for.
- 23.3 Motion to accept the Credit Committee Report was moved by Ms. Vienna McKenzie, seconded Mr. Levi Wilmott and was carried.

**24.0** A recess was taken at 12:11 p.m. after which, the AGM reconvened at 12:23 p.m.

**25.0 EDUCATION COMMITTEE REPORT**

- 25.1 Ms. Barbara Bowe, Chairperson of the Education Committee was invited to the podium to present their report found on page 102 (see report for full details). Ms. Barbara Bowe read aloud the Education Committee Report.
- 25.2 No questions were proffered from the floor for the Education Committee.
- 25.3 Motion to accept the Education Committee Report was moved by Mrs. LeAnna Deveaux-Miller, seconded by Ms. Lori Knowles and was carried.

**26.0 RESOLUTIONS**

Secretary, Mrs. Cheryl Bowe-Moss presented the Resolutions as follows:

**26.1 RESOLUTION 1**

**WHEREAS** the audited accounts for 2018 indicate that there are sufficient funds to provide a cash dividend to shareholders of the Teachers and Salaried Workers Cooperative Credit Union, and,  
**WHEREAS** the Directors have determined that after the payment of such dividend, the Credit Union will be able to meet all of its continuing obligations and provide adequate funds for reinvestments in the business:

**BE IT RESOLVED** that this Annual General Meeting approves payment of one and a quarter per-



cent(1.25%) interest on Regular Share (RS) deposits; three quarter percent (.75%) interest on Dividend Reinvestments; three quarter percent (.75%) Interest on Retirement Accounts; one half percent (.50) interest on Deposit Accounts (D1); one half percent (.50) interest on Share Deposits (SD).

Resolution #1 was passed by majority vote with one member against and four abstentions.

26.2 **RESOLUTION 2.**

**APPOINTMENT OF AUDITORS**

BE IT RESOLVED that the Board of Directors be responsible for the appointment the year ending 31<sup>st</sup> December 2019.

Resolution #2 passed unanimously.

26.3 **RESOLUTION 3.**

**REMUNERATIONS.**

**CONSIDERING** the new Bahamas Cooperative Credit Union Act, 2015, came into effect in June of 2015, the Act, for first time, provides for remuneration of Directors and Committee Members within connection with their duties as Directors or a Committee Member of a cooperative Credit Union. Remunerations for the purpose of the Act includes any honorarium, stipend or payment in cash or in kind, however designated.

**WHEREAS** Section 58 of the Act provides that, for Directors and Members of a Committee to be paid any remuneration, the amount must be fixed (agreed) and ratified by resolution each year at the Annual General Meeting.

**BE IT RESOLVED** and **RATIFIED** that remunerations to Directors and Committee Members be fixed and ratified as follows:

**Part (i): DIRECTORS.**

That the remuneration for Directors be fixed and ratified at \$530 per month in arrears until the next Annual General Meeting in 2020.

**Part (ii): SUPERVISORY AND CREDIT COMMITTEE MEMBERS**

That the remuneration for Supervisory Committee and Credit Committee members be fixed and ratified at \$250 each per month, in arrears until the next annual general meeting.

Resolution #3 passed unanimously

26.4 **RESOLUTION 4**

We have to bring before you, in the interest of having a meeting just to do this, a fourth resolution. And it's for us to divest of the real estate investment properties.

**BE IT RESOLVED** that the Board, divest of the real estate investment properties as directed by the Regulator.

Resolution #4 passed unanimously.

**27.0 NOMINATION COMMITTEE REPORT**

27.1 Ms. Keva Cartwright, Chairperson of the Nomination was invited to the podium to present the Nomination Committee Report as follows:

27.2 Ms. Keva Cartwright advised that the Nominating Committee was comprised of herself, Ms. Willamae Johnson and Board Liaison, Mrs. Sharon Rahming and Ms. Theresa Deleveaux.

- 27.3 There were two vacancies on the Board of Directors. The terms have ended for Mrs. Cheryl Bowe-Moss and Mr. Henry Campbell and there was one vacancy on the Supervisory Committee. The term ended for Mr. Elbert Thompson; and one vacancy on the Credit Committee; the term ended for Ms. Yvette Cooper. There were two vacancies on the Nomination Committee, as the Nomination Committee only last until the next AGM.
- 27.4 Advertisements were placed in the local newspaper, the Nassau Guardian and posted in the branches from the 1<sup>st</sup> of April 2019, to the 26<sup>th</sup> of April 2019, inviting members to apply for vacancies on the Board of Directors and the Supervisory and Credit Committee.
- 27.5 The Bahamas Cooperative Credit Union's Regulation, 2015, outlines the fit and proper criteria for all Members and Committee Member as well as the Central Bank of The Bahamas provides their definition for fit and proper guidelines for Credit Unions position. These standards are standards of integrity and upstanding capability of the person, to ensure the integrity of those persons who will hold positions in the Credit Union.
- 27.5.1 As ratified by the membership at the 2006 AGM, applicants to be nominated for positions on the Board of Directors must have served on Education Committee and then on the Supervisory Committee before becoming eligible to serve on the Board. Additionally, all applicants must, at least, have attended the last AGM.
- 27.5.2 On point number three, on the 12<sup>th</sup> of May 2016, the Policy on retiring Board of Directors was approved, and the policy mandates no former member of the Board of Directors who has retired from the Board and has received a retirement bonus and or send off party, or served three consecutive terms to be nominated to the return to the Board.
- 27.5.3 The fourth criteria, applicants for positions on the Supervisory and Credit Committee are required to have Credit Union experience and training and should have attended Credit Union educational workshops. And this is ratified at the 40<sup>th</sup> AGM on the 20<sup>th</sup> May 2017.
- 27.5.4 The Central Bank of The Bahamas' guidelines for the proper governance of Credit Unions, dated the 22<sup>nd</sup> of December 2015 highlights six key risk management policies that should be adhered to by the Credit Union. They are Capital Risk; Credit Risk Management; Operational Risk Management; Interest Rate Risk Management and Reputational Risk Management, which covers Anti Money Laundering and Know Your Customer guideline.
- 27.5.5 Persons nominated for positions on Committees and the Board will be required to uphold and manage the key risk management requirements of the Central Bank, if they are elected. The Credit Committee was established by the law on the 8<sup>th</sup> of June 2015 and election to this Committee is a step between serving on Education Committee and the Supervisory Committee.
- 27.6 The Nominations Committee met on Wednesday, the 1<sup>st</sup> May 2019 to review applications that were received.
- 27.6.1 Applicants received for the Board of Directors vacancies were Mrs. Cheryl Bowe-Moss, Mr. Henry Campbell and Mrs. Edna Turner Ginton, Rev. Berkley Smith and

Mr. Leroy Sumner.

27.6.1.1 Rev. Berkley Smith and Mr. Leroy Sumner were deemed ineligible to be nominated to serve on the Board of Directors as per the policy on retiring Directors.

27.6.2 One applicant was received for Supervisory Committee, namely, Mr. Elbert Thompson and no applicants were received for Credit Committee.

27.7 According to the byelaws of the Credit Union, where the number of nominees does not exceed the number of persons to be elected, the Chairman shall declare all the nominees elected. Therefore, since there is only one eligible nominee for the position on the Supervisory Committee, the Chairman is called upon to declare Mr. Elbert Thompson elected.

27.7.1 As no applicants were received to fill the vacancy on the Credit Committee, nominations will be taken from the floor. Persons being nominated must satisfy the fit and proper requirements as set out in the regulation and meet the stipulation expressed above. Election for vacancy will not be held today, as the new Nominations Committee will meet to determine the eligibility of applicants, especially as it relates to the fit and proper guidelines. A Special Called meeting will be held at a date to be advised to the shareholders.

27.8 Nominations and elections are to be held today for the two vacancies on the Nomination Committee.

27.9 The low number of submissions to fill vacant positions should be our concern and members are encouraged to present themselves to serve in the Credit Union as positions become available. This is the only way that we will ensure the strong and vibrant growth of this Credit Union in The Bahamas.

### **30.0 QUESTION FROM THE FLOOR FOR THE NOMINATING COMMITTEE**

30.1 Mr. Leroy Sumner pointed out to the Committee that they declared the one nominee for the Supervisory Committee elected unopposed, however, that is not what the law says, and the Committee cannot supersede the laws. He read the following passage from the byelaws: The following procedures shall apply to the conduct of the elections in keeping with Section 48(2)(3)(D) and 49 of the Act and the Regulations. It states at each Annual General Meeting, the members shall appoint the Nominating Committee. The Nominating Committee shall nominate, at the Annual General Meeting at least one member for each vacancy for which elections are to be held.

30.1.1 Mr. Leroy Sumner stated that after the Nomination Committees' candidates have been placed before the members, the Chairman shall outline the fit and proper requirements as outlined in the Act to the membership and then ask for any nomination from that floor.

30.1.2 Treasurer, Ms. Theresa Deleveaux stated that the policy that speaks to that is from our Credit Union and was spoken to last year. She questioned why every year this same question arises. When she was a Regulator, Mrs. Edna Ginton got on the floor last year and said when the Nominating Committee came into effect its purpose is to scrutinize to ensure that applicants have the requisite qualifications in accordance with the regulations, to carry out the duties. Members who regularly attend AGM will remem-

ber that it was stated that there will be no nominations from the floor.

30.1.3 A member stated that delinquent members could not attend the meeting, and therefore the members present are all eligible to run for any post that is open, then why do we have to have a special call meeting. Majority of the membership is in attendance and should be given the right if they want, to nominate someone from the floor to run for those position.

30.1.4 Treasurer, Ms. Theresa Deleveaux stated that ads were placed inviting persons to apply for nomination and that there was a nominating period. Anyone who had an interest to run out of concern for their Credit Union would have applied. Discussion ensued.

30.2 Secretary, Mrs. Cheryl Bowe-Moss made a motion for the revision of byelaw 45(1) (4) to be amended to reflect that no nominations be taken from the floor henceforth. The motion was seconded by Mrs. Leanna Deveaux-Miller. The motion was carried unanimously.

### 31.0 ELECTIONS

31.1 Board of Directors: Mrs. Edna Ginton, Mr. Henry Campbell and Mrs. Cheryl Bowe-Moss, nominees for Directors of the Board were invited to address the membership and introduce themselves.

31.2 Voting for the Board of Directors:

Board of Directors	No. Votes
Mrs. Edna Ginton	162
Mr. Henry Campbell	67
Mrs. Cheryl Bowe-Moss	103

31.2.1 Ms. Edna Ginton & Ms. Cheryl Bowe-Moss were successful in the elections.

31.2.2 Chairperson, Mrs. Sharon Rahming thanked Mr. Henry Campbell for his invaluable service on the Board. She advised Mr. Henry Campbell that he will be missed.

31.2.3 Chairperson, Mrs. Sharon Rahming congratulated the newest Director, Mrs. Edna Ginton and returning Director, Mrs. Cheryl Bowe-Moss.

31.3 Nominations Committee Nominations from the Floor:

31.3.1 The following persons were nominated from the floor for the Nominations Committee:

Mrs. Sophia Thompson-Williamson

Mrs. Gloria Brown-Gilbert

Mrs. Angela Hunt

Ms. Theresa Mortimer

31.3.2 Motion to close nominations for the Nominations Committee was moved by Mrs. Willamae Johnson, seconded by Mrs. Bernadette Smith and was carried.

31.3.3 The nominees were invited to address the membership and introduce themselves.

31.3.4 Those are your candidates. You are to vote for two persons. We would like these persons to come up please.

31.4 Voting for the Nomination Committee:

Board of Directors	No. Votes
Mrs. Sophia Thompson-Williamson	72
Mrs. Gloria Brown-Gilbert	51
Ms. Angela Hunt	65
Mrs. Theresa Sands-Mortimer	119

31.4.1 Ms. Theresa Sands-Mortimer & and Ms. Sophia Williams were successful in the elections.

31.5 Nomination from the floor for the Credit Committee:

31.5.1 Chairperson, Mrs. Sharon Rahming advised that there was only one vacancy for the Credit Committee and a special AGM will be held. The Nominating Committee will scrutinize the nominated candidates prior to the special call meeting.

31.5.2 The following persons were nominated from the floor:

Mrs. Bernadette Davis-Smith

Ms. Angela Hunt

31.5.3 Motion to close the nominations was moved by Mrs. Cheryl Bowe-Moss, seconded by Mr. Gary Ingraham and was carried.

31.5.4 Chairperson, Mrs. Sharon Rahming advised both nominees that they have two weeks to send in their resumes to the Corporate Secretary.

31.6 Motion to destroy the ballots was moved by Mr. E.J. Bowe, seconded by Ms. Eleanor Bain and was carried.

**32.0 VOTE OF THANKS**

32.1 Mr. Henry Campbell thanked Mr. Welbourne Cunningham for bringing greeting from the Bahamas Cooperative League, the Management and Staff of Breezes for their lovely accommodations, the Supervisory Committee, Education Committee, Nomination Committee for their arduous task and making AGM a success. He extended God's blessings until the next meeting.

**33.0 ADJOURNMENT**

There being no further business to discuss, motion to adjourn the 42nd AGM of Teachers and Salaried Workers' Co-operative Credit Union Limited at 2:15 p.m., was moved by Mrs. Cheryl Bowe-Moss, seconded by Mr. E. J. Bowe and was carried.

  
Sharon Rahming  
Chairperson

  
Cheryl Bowe-Moss  
Secretary

**MEMBERS IN ATTENDANCE AT THE 41<sup>ST</sup> ANNUAL GENERAL MEETING (2018)****Members**

Bain, Candice A.	Deveaux-Miller, LeAnna	McGarrell, Clothilde	Smith, Jannell C.	Gibson, Joanne C.
Bain, Cardinal R.	Duncombe, Birdie C.	McIntosh, Lillie B.	Smith, Leonie	Johnson, Christoff D.
Bain, Nathalie L.	Edgecombe, Alkeisha L.	McKenzie, Cynthia P.	Smith, Maud D.	Knowles, Shirley A.
Bain, Sharon D.	Edwards, Vincent H.	McKenzie, Vienna	Smith, Maydene B.	Lightbourne, Samantha
Bain, Wilson A.	Evans, Joanne E.	Meronard, Barbara E.	Smith, Michelle G.	Major Cheereese L.
Bain-Wilkinson, Eleanor	Farrington, Rajpatee J.	Missick-Jones, Stephanie	Smith, Sheila E.	Marche, Hadassah A.
Barnett, Merrell E.	Ferguson, Margaret L.	Moncur-Morley, Arlette	Smith, Yvonne B.	McDonald, Philendra J.
Bastian, Cynthia L.	Ferguson, Sheila	Morris, Mandelia K.	Somerset, Dennis E.	Moore, Lynette T.
Bodie, Philip A.	Ferguson-Williams, Nicola	Moss, Donna M.	Somerset, Donette V.	Moss, Sophia S.
Bowe, Barbara L.	Forbes, Annamae	Munnings, Cherilyn M.	Stevens, Sherman A.	Moxey, Corene E.
Brown-Gilbert, Gloria E.	Forbes, Maudline I.	Murphy, Winifred L.	Strachan, Crystal C.	Percentie, Tonia D.
Burrows, Annabelle C.	Gardiner, Shernell A.	Musgrove, Eleanor Z.	Strachan, Thaddeus E.	Poitier, Brando E.
Burrows, Barbara M.	Gibson, Shavado E.	Musgrove, John	Strachan-Thompson, Deidre	Pratt, Caudray A.
Burrows, Delores	Gilbert, Adriann N. M.	Nesbitt, Michelle L.	Sturup, Janet D.	Rahming, Yvonne A.
Butler, Rosemary	Gilbert, Natasha M.	Newbold, Suzanne V. (Dr.)	Sumner, Leroy M.	Saunders-Gardiner, Tamaría
Butler, Wesley C. (Jr.)	Ginton, Edna D.	Neymour, Lavardo R.	Sweeting, Dominique S.	Stuart, Charlene I.
Campbell, Doreth C.	Grant-McKenzie, Vienna L.	O'Brien, Teresita L.	Symonette, Beverly	Thompson, Calvin W.
Campbell, Sebastian S.	Green, Christine	Oliver, Berrynetta A.	Symonette, Donald R.	Whymns, Jacqueline
Cartwright, Christophe K.	Hall, Antonio S.	Pennerman, Margo M.	Taylor, Beverly C.	Zonicle, Deborah M.
Cartwright, Keva V.	Hall, Pamela S.	Poitier, Alfred L.	Taylor, Enith J.	
Cash, Lindamae	Hall, Sherlyn W.	Pratt, Eula A.	Taylor, Lorraine P.	<b>Board</b>
Chambers-Thompson, Annette	Ingraham, Gary A.	Pratt, Lynette C.	Taylor, Lunda L.	Bowe-Moss, Cheryl
Charlton, Ivy F.	Ingraham, Sheila M.	Price, Anthony R.	Thompson, Christine A.	Campbell, Henry S.
Charlton, Nicole	Joffre-Mackey, Shantell	Rahming, Katherine I.	Thompson, Colyn G.	Deleveaux, Theresa D.
Charlton, Soniamae P.	Johnson, Beulah G.	Reckley, Barbara	Thompson, Eloise R.	Rahming, Sharon D.
Chase, Hugh G.	Johnson, Gwendolyn D.	Rolle, Doreen A. M.	Thurston, Patricia D.	Seymour, Italia A.E.
Chase, Primrose	Johnson, Inez	Rolle, Edith L.	Treco, Kenreece L.	Stevens, Geraldine
Coakley, Rosemary R.	Johnson, Virginia J.	Rolle, McDonald	Wallace, Jeslyn A.	<b>Supervisory Committee</b>
Collie, Vernal	Johnson, Willamae M.	Rolle, Patrinella J.	White-Maksyhung, Anastacia	Mayers, Renee
Cooper, Valderine V.C.	Kelly, Daisy M.	Rolle, Sarahmae G.	Wilkinson, Hartley E.	McKinney, Graham W.
Cunningham, Welbourne	Kemp, Carmen A.	Rolle, Sherla	Williams, Genesta R.	Thompson, Elbert
Curry, Antona J.	Kerr, Maud V.	Rolle-Russell, Ignacia	Williams, Johnathan P.	<b>Credit Committee</b>
Curry, Michael A.	King, Dwight B.	Romer, Barbara L.	Williams, Lennox	Bowe, Ernest J.
Curry, Rufus R.	King, Terrence J.	Romer, Terry A.	Williamson, Harrison E.	Cooper, Yvette N.
Davis, Barbara J.	Lewis, Sharon L.	Rose, Theresa J.	Wilmott, Leulle B.	Smith, Patrick E.
Davis, Vernita A.	Lightbourne, Briann J.	Roxborough, Catherine	Zonicle-Newton, Samra	
Davis-Smith, Bernadette	Lightbourne, Elva D.	Russell, Paulamae	<b>Staff</b>	<b>TOTAL MEMBERS  205</b>
Dean, Antoinette G.	Lightfoot, George I.	Saunders, Antoinette M.	Burrows, Camille	<b>Auditors</b>
Dean, Kenyetta T.	Longley, Bonnie	Saunders, Jill R.	Butler, Sonovia D.	Campbell, Noreen R.
Dean, Royann N.	Longley, Gladys L.	Scavella, Halcie M.	Colebrook, Samantha	
Dean, Vivian G.	Lozaique, Hyacinth L.	Skinner, Sabrina A.	Corneille, McAlex	<b>Bahamas Co-operative</b>
Deleveaux, Andrea L.	Lundy-Ferguson, Amanda	Smith, Berkley J.	Ferguson, Elaine M.	<b>League Representative</b>
Demeritte, Ramona P.	Mackey, Joycelyn R.	Smith, Beulah J.	Ferguson, Kendreka V.	Walter, Evans V.
	Mackey, Leroy	Smith, Chivonne M.	Gibson, Alfreda V.	



## BOARD OF DIRECTORS REPORT

### THEME: EMBRACING CHANGE FOR GREATER SECURITY

*“To every thing there is a season, and a time to every purpose under the heaven.”  
Ecclesiastes 3:1*

The year posed significant challenges for the entity, Board, Management, Staff, Members and the Bahamian economy. Our metal was seriously tested, but we proved our resilience. We embraced each challenge head-on with God, embracing the changes forced and otherwise, for the greater security of the credit union and benefit of you our members.

We are pleased to report that we are compliant with the Regulator. This in and of itself is a major success.

The computerization and further upgrade of the I.T. Department was completed. Our system is fully protected, providing real time data with proper secure offsite backup. Training in this area must be ongoing to stay ahead of the changing technology.

The Board was driven to review the entire organization particularly its efficiency and service to you our members. We found it expedient to upgrade the professional capabilities of staff compliment to offer much improved products and services to you our most valuable clients.

Hurricane Dorian came upon us in September 2019 wreaking mass destruction in Grand Bahama and Abaco. We are proud to report that our plaza was the only other structure than the new Government Complex that was left standing with minimal damages. This speaks volumes to the diligence and care in its construction and maintenance. Despite the Abaco investment being an ‘albatross’ around our neck with the Regulator and a financial bleed, it stood tall. It was able to provide a ‘safe’ haven to some Abaco victims during the storm. Thanks to the services of our security firm’s vigilance, damages were minimized and the complex secured. All damages were covered by our insurance. We are pleased to advise that the expected reopening date for our Abaco branch was October 2020.

The island of Grand Bahama suffered significant damage but our dedicated Staff were back at the office servicing our members as soon as the all clear was given. We were the first financial institution servicing its clients in Grand Bahama after the storm.

New Providence suffered minimal damage. Members were able to be serviced immediately.

Your Board is pleased to inform that immediately after the storm passed humanitarian relief items were shipped to Grand Bahama while the displaced Abaco Branch Staff were relocated with assistance to New Providence and Grand Bahama. You will be pleased to know that during the recovery period and to date, no Staff has suffered any loss in earning, position nor benefit.



## BOARD OF DIRECTORS REPORT CONT'D

The year had its challenges indeed! If it were not for the resilience, depth of knowledge, commitment and dedication to the entity by the Board, Management and Staff, this great credit union would have had to close its doors. This demonstrates why it is critical that when a person is desirous of coming forward to the Board and Committees that they be properly vetted, qualified, have exhibited integrity, steadfastness, volunteerism and truly are prepared to give of themselves and time unselfishly to fulfil their duties as per the law.

There is a minor setback with the ATM platform. This is being resolved actively. We are testing our new Debit card product before rolling it out to you, our members. This card will ease the way you do business locally and internationally.

In conclusion, the Board pledges to continue to be compliant with the Regulator. To progress the credit union to higher heights by keeping abreast of technology and financial trends and providing quality and efficient service to our members, in real time.

We thank all retiring directors and Committee Members for their service. We witnessed the resignation of Director Johnley Ferguson in January due to illness and the passing of Director Geraldine Stevens in May. We extend condolences to the family of late director Mrs Geraldine Stevens. May she rest in peace.

On behalf of this great credit union, we thank both directors for their dedicated service even through their illnesses attending meetings and giving sage advice and support to the team.

Special thanks is extended to the Management and Staff and especially you, our members because without you, this great credit union would not exist.

With God at the head of the ship, all things are possible.

### **Board of Directors**

*Sharon Rahming*, Board Chairman

*Italia Seymour*, Vice Chairman

*Theresa Deleveaux*, Treasurer

*Cheryl Bowe-Moss*, Secretary

*Edna Ginton*, Assistant Treasurer





## TREASURER'S REPORT



It is an honor to present the Treasurer's report for the year ending December 31, 2019. Despite the depressed economy and the reduction in our loan portfolio, your credit union was still able to see significant growth.

### Financial Condition

As at 31<sup>st</sup> December, 2019, Teachers and Salaried Workers Co-operative Credit Union assets totaled **\$224,431,302** an increase of **\$9,756,102** or **4.1%** compared with 31<sup>st</sup> December 2018 balance of **\$214,675,200**. Liabilities totaled **\$202,388,002** showing an increase of **\$7,704,700** or **4.0%** compared with December 2018 balance of **\$194,683,302**. Equity totaled **\$22,043,300** showing an increase of **\$2,051,402** or **4.9%** compared with December 2018.

### OPERATION

#### Income & Expenses:

For the year under review, the Credit Union's operational profit and loss statement showed total income of **\$13,126,785**, and total expenses **\$10,808,461** resulting with a net profit of **\$2,318,324**. Total comprehensive income totaled **\$2,738,989**. During 2020 the Board and Management must continue to aggressively follow-up on delinquent loans and ensure that rent receivables are collected in a timely manner. It is critical to keep loan loss provisioning and outstanding rent at a minimum which is essential to the credit union realizing a net profit at year end.

The break-down by branches are:-

**Nassau** - Income for the year ending 31<sup>st</sup> December 2019 totaled **\$9,401,560**. Expenses totaled **\$8,559,717**. The net income on investment properties was **\$53,278**, resulting in a comprehensive net profit of **\$841,843**.

**Grand Bahama** - Income for the year ending 31<sup>st</sup> December 2019 totaled **\$2,572,194**, Expenses totaled **\$949,894**. The net loss on investment properties was **\$43,221** resulting in a comprehensive net profit of **\$1,622,300**.

**Abaco** - Income for the year ended 31<sup>st</sup> December 2019 totaled **\$1,206,310**, Expenses totaled **\$1,352,129**. The net loss on investment properties was **\$553,093** resulting in a comprehensive net loss of **\$145,819**.

**HIGHLIGHTED EXPENSES**

Item	December 2019	December 2018	% Increase/ Decrease	Variance
Board & Committee Development & Travel	\$ 17,685	\$41,095	-56.97%	\$23,410
Staff travel, training & Development	\$118,139	\$82,522	43.16%	\$35,617
Salaries	\$2,055,930	\$2,038,745	0.84%	\$17,185
Staff Benefits	\$507,605	\$559,356	-9.25%	\$51,751
Members Education	\$4,323	\$3,401	27.11%	\$922
Board & Committees Out-of-pocket expense	\$62,020	\$62,520	-0.80%	\$500
Board & Committee Meetings	\$5,589	\$5,268	13.69%	\$72)
Loans Provision	\$5,116,493	\$1,990,315	179.84%	\$3,579,296
Bad Debt Investment Property	\$28,707	\$24,620	16.60%	\$4,087
Investment Property	\$1,590,928	\$1,637,091	-3.12%	\$50,250
Advertising & Promotions	\$112,968	\$104,607	7.99%	\$8,361
Marketing	\$1,738	\$12,137	-85.68%	\$10,399
Donation	\$14,188	\$10,829	31.02%	\$3,359
Vat Expenses	\$161,933	\$149,055	8.64%	\$12,878

**INVESTMENT PROPERTIES ANALYSIS**

Property	Income As At Dec. 2019	Provision	Expenses	Net Income / (Loss)	Rent Receivable
East Street Office Complex	\$472,633	\$0	(\$394,602)	\$78,031	\$424,268
TWD Highway Plaza	\$172,609	(\$26,989)	(\$197,362)	(\$24,753)	\$32,590
Freeport Plaza	\$150,434	(\$68,126)	(\$193,655)	(\$43,221)	\$83,010
Abaco Complex	\$252,216	(\$19,461)	(\$805,309)	(\$553,093)	\$27,700
Income/loss as at Dec. 31, 2019	\$1,047,892	(\$114,576)	(\$1,590,928)	(\$543,036)	\$567,568

As at 31<sup>st</sup> December, 2019 outstanding rent receivable from current tenants totaled **\$567,568** of which **\$114,576** is provided for. Board and Management has taken the necessary steps to collect outstanding rent inclusive of funds owed for accounts written-off for several past tenants through eviction and the court system.

**STATUTORY RESERVE DEPOSIT**

Statutory Reserve at the end of December 2019, was slightly above the required 10% of assets totaling \$22,573,950 (\$22,443,130) or 10.14% a favorable overage of \$130,820.

### LIQUIDITY RESERVE DEPOSIT

Liquidity Reserves held with the League totaling \$20,015,698 (19,937,857) or 10.04% slightly above the required PEARLS ratio standard of 10.00% of total member deposits resulting with a favorable overage of \$77,841 as at December 31, 2019.

### MEMBERS EQUITY

Total Equity stood at \$22,043,300 or 9.9% of total Assets (\$22,443,130); resulting with a shortfall of \$399,830 high is below the 10% of total Assets require to pay dividends on Qualifying and Equity Shares.

### DELINQUENCY

For the year ending December 31, 2019, 702 delinquent loans totaled \$15,377,603, of which loan loss provision totaling \$5,569,611 in accordance with PEARLS had to be provided for. Security held against delinquent loans totaled \$8,481,762 resulting in an exposure totaling \$6,895,841 to the credit union. Loans over 12 months remain the largest category with 444 loans totaling \$10,756,867 representing 69.9% of total delinquent loans. Delinquent loans to total loans as at 31<sup>st</sup> December, 2019 stood at 16.8%, which is above the required PEARLS standard of 5%. Recoveries of bad debt during the year totaled \$207,794.

During the year the Collections Department collected \$324,206 on delinquent mortgages. However, as at 31<sup>st</sup> December 2019 the outstanding balance totaled \$6,536,355.

Even though the Collections Department aggressively pursued delinquent members by telephone calls, weekly pick-ups or through the courts, the credit union provisions for delinquent loans noted in the financials totaled **\$5,569,611** and **\$114,576** for Investment Properties for delinquent members at 31<sup>st</sup> December 2019.

The Board continues to monitor Management's collection efforts in accordance with policy and that all loans delinquent 365 days and over which have been deemed uncollectable in accordance with International Accounting Standards Management was mandated that portfolio is outsource to a collections agency. The Board also mandated foreclosures of delinquent properties, then to seek assistance of Real Estate Companies, placement of advertisements in newspapers and through the courts to ensure the recovery of the credit union's assets.

### PEARLS RATIO ANALYSIS

As at December 31, 2019, all but one (1) of Credit Union's PEARLS ratios were below the required accounting standard. During 2019, every effort will be made by Board and Management to seek ways to bring deficiencies into compliance namely loans, delinquency and capital. If these deficiencies are not adequately addressed the Credit Union's bottom line will be affected. If we, the owners do not utilize the credit union's largest money-making element, being loans, but rather seek to do business with other financial institutions, we are only hurting ourselves. Therefore, we must work as a team to grow the loans portfolio from 34.66% to 70-80%. This will not only bring the loans ratio in compliance with the required PEARLS standard but will also increase the Credit Union's bottom line.

Additionally, it should be noted that if Members' Equity is below 10% of assets there cannot be any payment of dividends on Qualifying and Equity Shares. Board and Management wish to bring to your attention that Statutory Reserve under Members Equity is below the required 10% standing at **7.13%** of total assets a shortfall of **\$6,443,130** that must be corrected sooner than later to be compliant with Law and avoid the possibility of having to pay a penalty to the Regulator.

- Solvency 110.79 ( $\geq 111\%$ )\*
- Net Loans 34.66% (70-80%)\*
- Financial Investment 12.39% ( $< 2\%$ )\*
- Non-financial Investments 9.69% (0%)\*
- Savings Deposits 88.82% (70-80%)\*
- Institutional Capital .78% ( $\geq 10\%$ )\*
- Delinquency 9.42% ( $\leq 5\%$ )\*
- Non-earning Assets 14.02% ( $\leq 5\%$ )\*
- Net Income/Avg. Assets 1.03% (10%)\*
- Statutory Reserves 7.13% ( $> 10\%$ )
- Liquidity Reserves 10.04% (10%)
- Capital Ratio 9.88% ( $> 10\%$ )\*

### CONCLUSION

Although the credit union made a profit during 2019 there is still much more to be done in order for us to yield a more profitable bottom line and become fully compliant with the Law. In order for us to achieve this goal we must ensure that we offer the best products and services that will assist our members to become financially sound.

I wish to extend thanks and appreciation to Management and staff especially the finance department for the assistance rendered for the past three years that I served as Treasurer. To my fellow Board and Committee Members, thank you for the confidence, cooperation and support shown over the past years. Last, but not least, my sincere appreciation and thanks to you, the membership, for the opportunity to serve this great institution. Without you there would be no credit union.

As we go forward in 2019, let us not only be recognized as the largest but rather the Credit Union with a difference providing the best quality products and services to the membership. In order to ensure continued growth we must always remember that this organization belongs to us. We must demand quality services, be committed and continue to use and market the products and services of the credit union.

On behalf of the Board, our profound thanks for your patronage over the years. May God continue to bless each of you.

*Theresa D. Deleveaux*

Theresa D. Deleveaux

Treasurer

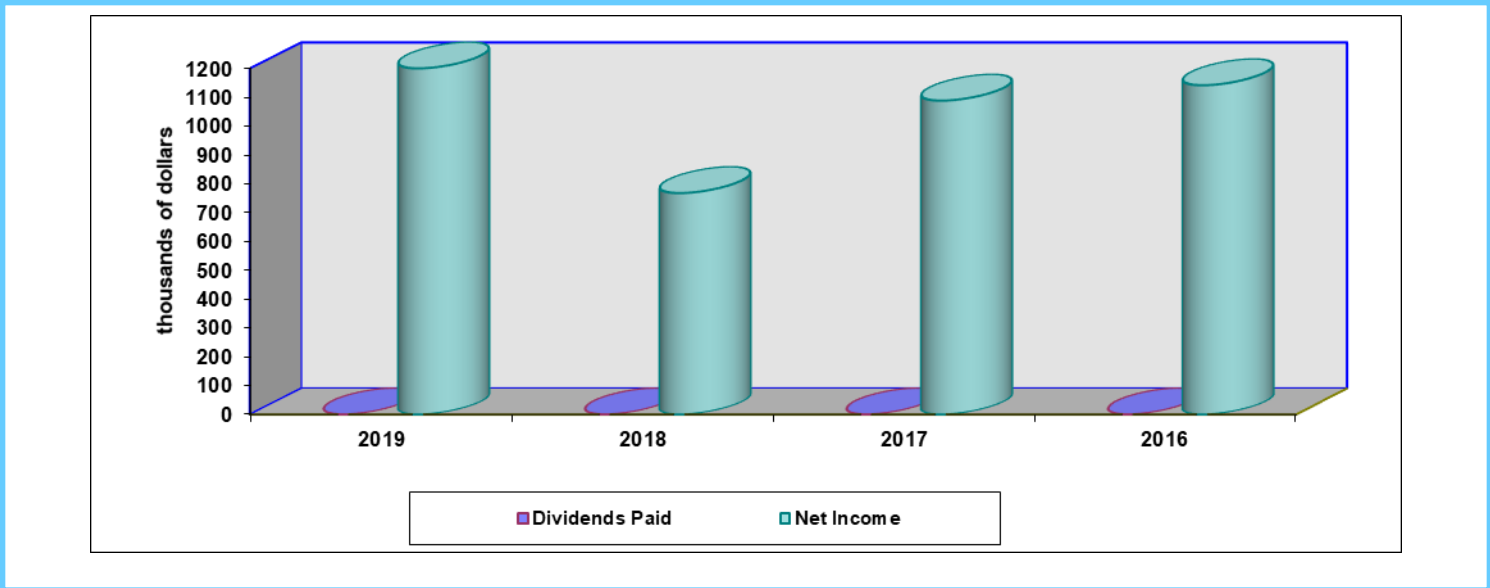
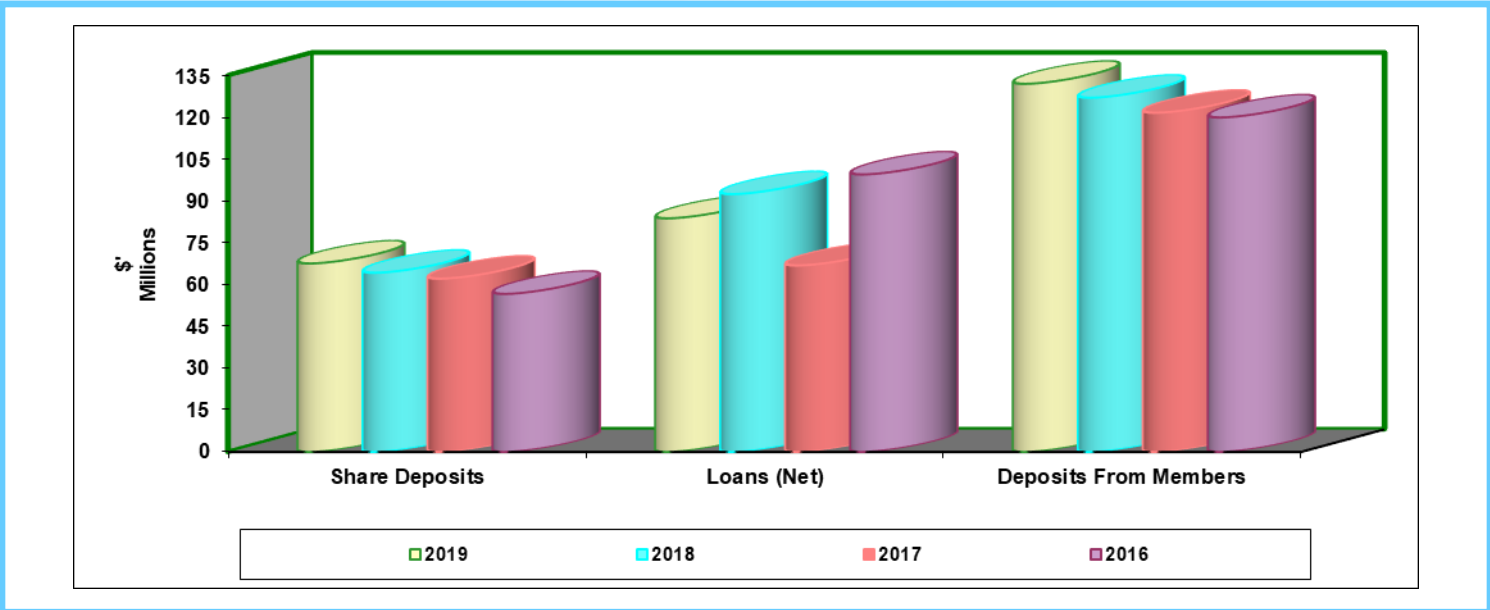
On behalf of The Board of Directors



# KEY FINANCIAL DATA

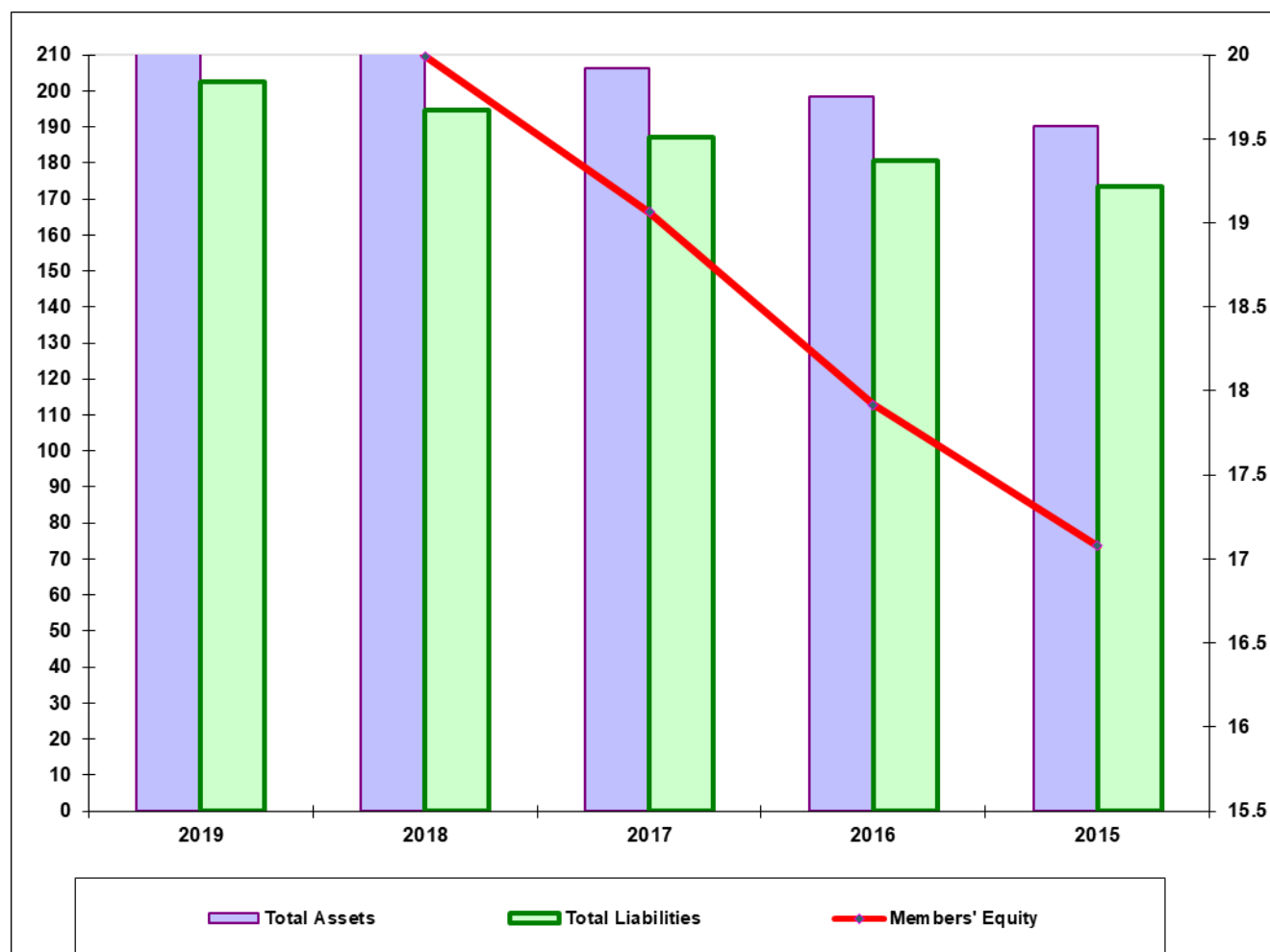
## PAST FOUR YEARS

	2019	2018	2017	2016
Share Deposits	\$67,502,001	\$64,179,576	\$62,056,780	\$56,596,031
Loans (Net)	83,675,577	92,361,087	99,789,662	99,404,973
Deposits From Members	131,876,565	126,893,293	121,507,247	119,818,008



## FOUR-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Total assets	\$224,431,302	\$214,675,200	\$206,256,805	\$198,514,386	\$190,346,396
Total liabilities	202,388,002	194,683,302	187,190,721	180,597,109	173,268,958
Members' equity	22,043,300	19,991,898	19,066,084	17,917,277	17,077,438
Total revenue	13,966,883	14,515,098	14,051,512	13,744,785	12,864,305
Total expenses	11,648,559	13,747,483	12,963,334	12,603,300	12,752,402
Net income/ (loss)	2,318,324	767,615	1,088,178	1,141,485	111,903
Dividends Paid	-	-	-	-	-



Audited Financial Statements

**TEACHERS AND SALARIED  
WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

December 31, 2019

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Financial Statements

December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Members of:

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

### ***Opinion***

We have audited the financial statements of Teachers and Salaried Workers Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### ***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 25 where the Credit Union has a shortfall in the required regulatory reserves which is composed of the Credit Union's statutory reserves, retained earnings and members' shares as at December 31, 2019 by 0.1% or amounting to \$200,082.

### ***Basis for Opinion***

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

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

To the Members of:

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

**Key Audit Matters (continued)**

<b>Financial investments - \$27,769,914</b>	
<b>The risk</b>	<b>Our response</b>
<p>The existence and valuation of the Credit Union's financial investments - comprising of listed equity and secondary market equity and debt securities, is a key driver of the Credit Union's members' equity and performance.</p> <p>The ownership, valuation and disclosure of investment securities are considered to be a key audit area due to the material financial impact of this asset class on the Credit Union's financial statements as disclosed in Note 11.</p>	<p>In this area, our audit procedures included obtaining position confirmations from the investment manager and / or custodians and comparing the Credit Union's valuations of the portfolio of investments to independent pricing sources.</p> <p>We also considered the adequacy of the Credit Union's disclosures in respect of the fair value hierarchy in Note 27.</p>

<b>Provision for loan impairment and expected credit losses - \$495,216</b>	
<b>The risk</b>	<b>Our response</b>
<p>The existence and valuation of the Credit Union's loan receivables, comprising on various loan type of services, is the key driver of the Credit Union's net asset value and performance.</p> <p>As disclosed in Note 8 to these financial statements, the Credit Union's loan receivables amounted to \$83.68 million and the related allowance for loan impairment and expected credit losses amounted to \$5.57 million as at December 31, 2019.</p> <p>Provision for loan impairment and expected credit losses during the year amounted to \$495,216.</p> <p>The ownership, valuation and disclosure of loan receivables are considered to be a key audit area due to the material financial impact of this asset class on the Credit Union's financial statements.</p>	<p>As part of our audit procedures, we:</p> <ul style="list-style-type: none"> <li>• evaluated the competence, objectivity and independence of our internal experts;</li> <li>• tested the completeness and accuracy of the input data used in the impairment model calculations;</li> <li>• involved our internal experts to assess and review the: <ul style="list-style-type: none"> <li>» methodology applied by the Credit Union in calculating the impairment provision to assess its consistency with the requirements of IFRS 9;</li> <li>» the "Expected Credit Loss ("ECL")" impairment model prepared by management which included testing the appropriateness and reasonableness of key assumptions and judgments used.</li> </ul> </li> <li>• for balances determined to be individually impaired, we tested a sample to assess the reasonableness of management's estimated provisions; and</li> <li>• checked the appropriateness of the disclosures made in relation to the impairment of insurance and reinsurance receivables included in these financial statements.</li> </ul>

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Credit Union's financial reporting process.

To the Members of:

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

To the Members of:

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED**

***Report and Other Legal and Regulatory Requirements***

In our opinion, the Credit Union, of which we are the auditors, has kept its accounting and other records in accordance with the provisions of the Bahamas Co-operative Credit Unions Act, 2015, the Regulations, and its Bye-Laws.

June 29, 2020

**CHARTERED ACCOUNTANTS**

Nassau, The Bahamas

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Financial Position  
(Expressed in Bahamian dollars)

December 31, 2019

	Notes	2019 \$	2018 \$
<b>ASSETS</b>			
Cash and cash equivalents	5, 26	18,736,490	14,766,156
Time deposits with banks	6, 26	17,094,032	2,740,733
Deposits with the League	7, 18, 26	42,991,592	41,452,278
Loans receivable, net	8, 18, 26	83,675,577	92,361,087
Other assets	9, 26	5,257,527	5,345,530
Investment in the League	10, 18, 26	31,400	30,200
Financial investments	11, 26	27,769,914	28,050,954
Investment properties, net	12	21,742,657	22,423,562
Right-of-use asset	28	31,288	-
Fixed assets, net	13	7,100,825	7,504,700
<b>TOTAL ASSETS</b>		<b>224,431,302</b>	<b>214,675,200</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>LIABILITIES</b>			
Members' regular deposits	14, 18, 26	67,502,001	64,179,576
Other deposits	15, 18, 26	131,876,565	126,893,293
Other liabilities	16, 26	3,009,436	3,610,433
		202,388,002	194,683,302
<b>MEMBERS' EQUITY</b>			
Members' shares	17(i), 18	4,493,550	4,458,200
Statutory reserve	17(ii)	16,000,000	13,875,000
Surplus loan reserve	17(iii)	-	511,963
Fair value reserve	3(c), 17(iv)	( 199,748)	( 620,413)
Retained earnings		1,749,498	1,767,148
		22,043,300	19,991,898
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>		<b>224,431,302</b>	<b>214,675,200</b>

These financial statements were approved on behalf of the Board and authorized for issue on June 29, 2020, and signed on its behalf by:

\_\_\_\_\_  
Sharon Rahming  
Chairman

\_\_\_\_\_  
Theresa Deleveaux  
Treasurer

See accompanying notes. Independent Auditors' Report pages 1 through 4.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Comprehensive Income  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	Notes	2019 \$	2018 \$
<b>INTEREST INCOME</b>			
Loans	18, 19	10,224,205	11,373,777
Investments	19	1,946,976	1,570,508
		12,171,181	12,944,285
<b>INTEREST EXPENSE</b>			
Members' regular shares and other deposits	18, 19	( 3,258,531)	( 3,885,825)
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>			
	19	8,912,650	9,058,460
Provision for loan impairment and expected credit losses	8(b)	( 495,216)	( 2,179,594)
Recoveries of bad debts	8(b)	207,794	189,279
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>			
		8,625,228	7,068,145
<b>NON-INTEREST INCOME (LOSS)</b>			
Other income	20	747,810	648,541
Loss on rental properties	21	( 543,036)	( 714,819)
		204,774	( 66,278)
Net interest and other income		8,830,002	7,001,867
<b>OPERATING EXPENSES</b>			
Personnel	18, 22	2,681,674	2,680,624
Occupancy	22	1,076,000	1,201,969
General business	22	1,040,453	966,150
Computer costs	22	938,533	633,214
Members' security	22	457,655	413,198
Organizational	18, 22	188,469	211,524
Marketing	22	128,894	127,573
		6,511,678	6,234,252
<b>PROFIT FOR THE YEAR</b>		2,318,324	767,615
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>			
Net change in unrealized gain on financial assets at fair value through OCI (FVTOCI)	17(iv)	420,665	163,349
		420,665	163,349
<b>TOTAL COMPREHENSIVE INCOME</b>		2,738,989	930,964

See accompanying notes. Independent Auditors' Report pages 1 through 4.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Changes in Members' Equity  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	Notes	Members' Shares \$	Statutory Reserve \$	Surplus Loan Reserve \$	Fair Value Reserve \$	Retained Earnings \$	Total \$
<b>Balances as at December 31, 2017</b>		4,463,350	12,800,000	511,963	(783,762)	2,074,533	19,066,084
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	-	-	767,615	767,615
Net change in unrealized gain on financial assets at FVTOCI	17(iv)	-	-	-	163,349	-	163,349
<b>Total comprehensive income for the year</b>		-	-	-	163,349	767,615	930,964
<b>Transactions with members</b>							
Shares issued during the year	17(i)	50,850	-	-	-	-	50,850
Shares redeemed during the year	17(i)	( 56,000)	-	-	-	-	( 56,000)
<b>Total transactions with members</b>		( 5,150)	-	-	-	-	( 5,150)
Statutory reserve	17(ii)	-	1,075,000	-	-	(1,075,000)	-
<b>Balances as at December 31, 2018</b>		4,458,200	13,875,000	511,963	(620,413)	1,767,148	19,991,898
Effect on change in accounting policy from adoption of IFRS 9	3(c)	-	-	(511,963)	-	( 210,974)	( 722,937)
<b>Balances as at January 1, 2019</b>		4,458,200	13,875,000	-	(620,413)	1,556,174	19,268,961
<b>Comprehensive income for the year</b>							
Profit for the year		-	-	-	-	2,318,324	2,318,324
Net change in unrealized gain on financial assets at FVTOCI	17(iv)	-	-	-	420,665	-	420,665
<b>Total comprehensive income for the year</b>		-	-	-	420,665	2,318,324	2,738,989
<b>Transactions with members</b>							
Shares issued during the year	17(i)	161,400	-	-	-	-	161,400
Shares redeemed during the year	17(i)	( 126,050)	-	-	-	-	( 126,050)
<b>Total transactions with members</b>		35,350	-	-	-	-	35,350
Statutory reserve	17(ii)	-	2,125,000	-	-	(2,125,000)	-
<b>Balances as at December 31, 2019</b>		4,493,550	16,000,000	-	(199,748)	1,749,498	22,043,300

See accompanying notes. Independent Auditors' Report pages 1 through 4.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities:</b>			
Profit for the year		2,318,324	767,615
Adjustments for:			
Effect of change in accounting policy - IFRS 9	3(c)	( 210,974)	-
Depreciation and amortization	12, 13, 28	1,368,214	1,244,427
Interest income	19	(12,171,181)	(12,944,285)
Dividend income	20	( 117,745)	( 72,223)
Interest expense on members' regular shares and deposits	19	3,258,531	3,885,825
Provision for loan impairment and expected credit losses	8	495,216	2,179,594
Provision for rent receivable losses	9	27,026	24,620
Loss on disposal of fixed assets	13	203	-
		( 5,032,386)	( 4,914,427)
<b>Changes in operating assets and liabilities:</b>			
Interest received		11,441,336	12,231,138
Interest paid		( 3,995,237)	( 3,900,875)
Net decrease in loans to members		7,613,779	5,248,981
Decrease (increase) in other assets		60,977	( 1,890,527)
Increase in members' regular deposits		3,322,425	2,122,796
Increase in other deposits		4,983,272	5,386,046
Increase (decrease) in other liabilities		90,655	( 16,261)
<b>Net cash provided by operating activities</b>		<b>18,484,821</b>	<b>14,266,871</b>
<b>Cash flows from investing activities:</b>			
Dividends received		117,745	72,457
Increase in deposits with the League		( 935,000)	( 1,142,000)
Increase in time deposits		(14,353,299)	-
Net decrease (increase) in financial investments		891,788	( 8,675,180)
Subscriptions of shares in the League during the year	10	( 1,200)	( 1,200)
Purchase of fixed assets during the year	13	( 255,749)	( 1,252,727)
Purchase of investment properties during the year	12	( 14,122)	(212,336)
<b>Net cash used in investing activities</b>		<b>(14,549,837)</b>	<b>(11,210,986)</b>
<b>Cash flows from financing activity:</b>			
Shares issued during the year	17	161,400	50,850
Shares redeemed during the year	17	( 126,050)	( 56,000)
<b>Net cash provided by financing activity</b>		<b>35,350</b>	<b>( 5,150)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,970,334</b>	<b>3,050,735</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>14,766,156</b>	<b>11,715,421</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<b>18,736,490</b>	<b>14,766,156</b>

See accompanying notes. Independent Auditors' Report pages 1 through 4.



# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 1. GENERAL

Teachers and Salaried Workers Co-operative Credit Union Limited (“the Credit Union”) was established in 1977 under the laws of the Commonwealth of The Bahamas. The Credit Union is registered under the provisions of the Bahamas Co-operative Credit Unions Act, 2015 (previously under the Co-operative Societies Act, 2005) (“the Act”). The Credit Union provides a full range of services including the acceptance of deposits and granting of loans. The Credit Union operates from 3 locations: New Providence, Grand Bahama and Abaco.

The principal objectives of the Credit Union are as follows:

- a) To promote thrift among its members by affording them an opportunity to accumulate their savings;
- b) To create for its members, a source of credit for provident or productive purposes at a reasonable rate of interest; and
- c) To provide the opportunity for members to use and control their money for their mutual benefit in accordance with co-operative principles.

The registered office of the Credit Union is located at East Street South and Independence Drive, Nassau, The Bahamas, which is also the location of the Head Office.

The Credit Union is a member of The Bahamas Co-operative League Limited (the “League”).

## 2. LAWS AND REGULATIONS

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a) **Statement of compliance** – The Credit Union’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).
- b) **Basis of preparation** – These financial statements have been prepared under the historical cost convention except for financial assets at fair value through OCI.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### i) New standards issued & effective or adopted:

The Credit Union adopted the following amended standards during the year:

- *IFRS 9, Financial Instruments*, is effective for annual periods beginning on or after January 1, 2018. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, on the recognition and de-recognition of financial assets and financial liabilities.

The Regulator, The Central Bank of The Bahamas, has permitted credit unions in the Commonwealth of The Bahamas to defer the effective date of IFRS 9 to January 1, 2019.

The Credit Union has adopted this standard in 2019, and has performed its analysis of the impact of the standard on its financial statements as at January 1, 2019.

The impact of transition to IFRS 9 on the opening accumulated surplus is as follows:

	<b>Amount \$</b>
Allowance for bad debts as per IAS 39 as at December 31, 2018	5,116,493
Less: allowance for expected credit losses as per IFRS 9 as at January 1, 2019	(5,839,430)
Effect of change in accounting policy on the adoption of IFRS 9 as of January 1, 2019	( 722,937)

The Credit Union effect the change in accounting policy on the adoption of IFRS 9 by adjusting the retained earnings and surplus loan reserve as follows:

	<b>Amount \$</b>
Adjustment to retained earnings at January 1, 2019	(210,974)
Adjustment on surplus loan reserve at January 1, 2019	(511,963)
Effect of change in accounting policy on the adoption of IFRS 9 as of January 1, 2019	(722,937)

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Notes to Financial Statements

December 31, 2019

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

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

*i) New standards issued & effective or adopted (continued)*

Effective January 1, 2019, the Credit Union has applied the changes on the classification of its financial assets in accordance with IFRS 9 as follows:

	<b>IAS 39 classification (December 31, 2018)</b>	<b>IFRS 9 Reclassification</b>	<b>IFRS 9 carrying amount January 1, 2019</b>	<b>Retained earnings effect January 1, 2019</b>
Loans receivable, net	Loans and receivable	Amortized cost	92,361,087	(210,974)
<b>Financial investments</b>				
Debt securities	Available for sale	Amortized cost	23,716,541	-
Equity investments	Available for sale	Fair value through other comprehensive income	4,053,373	-

Balances of cash and cash equivalents, time deposits with banks, deposits with League, other assets and investment in the League at January 1, 2019 were reclassified from “Loans and receivables” to “Amortized cost”. There was no effect on retained earnings with regards to the reclassification of accounts.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Credit Union has determined that the application of IFRS 9's impairment requirements at January 1, 2019 results in an additional allowance for impairment as follows:

	<b>\$</b>
Allowance for impairment losses at December 31, 2018 under IAS 39	5,116,493
Additional allowance for impairment and expected credit losses recognized at January 1, 2019 on:	
Loans receivable	722,937
<b>Allowance for loan impairment and expected credit losses at January 1, 2019 under IFRS 9</b>	<b>5,839,430</b>

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Co-operative has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as asset changes. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in accumulated surplus and reserves as at January 1, 2019. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) *Changes in accounting policies and disclosures (continued)*

#### i) *New standards issued & effective or adopted (continued)*

- *IFRS 16, Leases*, replaces IAS 17 “Leases” along with three Interpretations, as follows:
  - International Financial Reporting Interpretations Committee (*IFRIC*) 4,
  - *Determining whether an Arrangement contains a Lease*;
  - Standards Interpretations Committee (*SIC*) 15, *Operating Leases-Incentives*; and
  - *SIC 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The adoption of this new Standard has resulted in the Credit Union recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Credit Union has adopted this standard, and performed an analysis of the impact of the standard on its financial statements for the year ended December 31, 2019 (note 28).

As a result of the adoption of this standard, \$45,054 was recognized as right-of-use assets and as lease liability as at January 1, 2019.

#### **Other Standards and amendments that are effective for annual periods beginning on or after January 1, 2019:**

- *IFRIC 23, Uncertainty over Income Tax Treatments*;
- *IFRS 9, Financial Instruments - Prepayment Features with Negative Compensation* (Amendments to IFRS 9);
- *IAS 28, Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28);
- Annual Improvements to IFRS 2015-2017 Cycle; and
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

These amendments do not have any significant impact on these financial statements of the Credit Union, therefore the disclosures have not been made.

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Credit Union**

At the date of authorization of the Credit Union’s financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Credit Union. Information on those expected to be relevant to the Credit Union’s financial statements is provided below.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) *Changes in accounting policies and disclosures (continued)*

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Credit Union (continued)**

Management anticipates that all relevant pronouncements will be adopted in the Credit Union's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments neither yet effective nor adopted by the Credit Union are listed as follows:

- IFRS 17, *Insurance Contracts*;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Conceptual Framework for Financial Reporting.

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made. However, whilst they do not affect these financials statements, they will impact some entities. Entities should assess the anticipated impact of these new Standards and amendments on their financial statements based on their own facts and circumstances and make appropriate disclosures.

- d) **Head office-branch accounting** – The financial statements include the accounts of the Credit Union's Head Office in New Providence and the two branches in Grand Bahama and Abaco. All balances and transactions between the Head Office and the branches have been eliminated.

### e) **Foreign currency translation**

#### Functional and presentation currency

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

#### Transactions and balances

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

- f) **Cash and cash equivalents** – Cash and cash equivalents are carried in the statement of financial position at amortized cost using the effective interest method. Cash and cash equivalents comprise cash on hand and at banks, and fixed deposits with original maturities of 90 days or less.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- g) **Time deposits with banks** – Time deposits with banks represent deposits at banks with original maturities of more than 180 days. These deposits are recognized in the statement of financial position at amortized cost using the effective interest method.
- h) **Deposits with the League** – Deposits with the League represent the proceeds of the statutory reserves fund and the liquidity reserve fund, which are deposited with and administered by the League, as required by the Act. Other deposits are also held at the League. These deposits are carried at amortized cost using the effective interest method in the statement of financial position.
- i) **Other assets** – Other assets, which include refundable deposits, prepaid expenses, interest receivable and other receivables, are carried at cost in the statement of financial position, net of allowance for impairment, due to their short-term nature.
- j) **Non-performing financial assets** – All loans to members on which principal or interest payments are overdue in excess of thirty (30) days are classified by management as non-performing and monitored closely for impairment.
- k) **Offsetting financial instruments** – Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.
- l) **Financial instruments** – A financial instrument is any contract that gives rise to both a financial asset of one enterprise and financial liability or equity of another enterprise.

### Recognition and derecognition

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVTOCI).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l) *Financial instruments (continued)*

#### **Classification and initial measurement of financial assets (continued)**

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognized in profit or loss are presented within net interest and other income and provision for loan impairment and expected credit losses.

#### **Subsequent measurement of financial assets**

##### ***Financial assets at amortized cost***

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

As at December 31, 2019, the Credit Union's cash and cash equivalents, time deposits with banks, deposits with the League, loans receivable, other assets and financial investments in debt securities fall into this category.

##### ***Financial assets at fair value through other comprehensive income (FVTOCI)***

The Credit Union accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

As at December 31, 2019, the Credit Union's financial investments in equity securities and investment in the League are classified as financial assets at FVTOCI.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l) *Financial instruments (continued)*

#### **Classification and subsequent measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Credit Unions' financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Credit Union designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within "interest income" or "interest expense".

The Credit Union's financial liabilities include members' regular deposits, other deposits and other liabilities which are measured at amortized cost using the effective interest rate method. Discounting, however, is omitted where the effect of discounting is immaterial.

#### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses - the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Credit Union first identifying a credit loss event. Instead the Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

To comply with IFRS 9, the Credit Union have estimated forward-looking losses for all outstanding loans. How the losses are estimated depends upon the performance of the loan. Three stages were recognized as shown below.

Stage 1: Performing loans - 12-month loss forecast;

Stage 2: Significantly increased risk and not low risk - Lifetime loss forecast; and

Stage 3: Impaired loans - Lifetime loss forecast.



# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l) *Financial instruments (continued)*

#### **Impairment of financial assets (continued)**

The model structure follows a Basel II approach (Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD)) with the addition of probability of attrition (PA) to facilitate lifetime loss forecasting. Considering both PD and PA provides a competing risks approach necessary for accurate long-range forecasting.

The models are estimated in stages: vintage decomposition, macroeconomic correlations, and loan-level discrete time survival modeling. Each stage provides necessary inputs to the next.

Vintage decomposition is performed with an Age-Period-Cohort (APC) algorithm. The APC algorithm provides three decomposition components: (1) a lifecycle function versus the age of the account, (2) a vintage function versus loan origination date quantifying unique risk scaling by vintage, and (3) an environment function versus calendar date that captures systematic affects across all accounts on a given date, most commonly macroeconomic drivers. The APC algorithm produces these estimates nonparametrically, so it does not explain what changes in underwriting might drive changes in the vintage function or what macroeconomic changes may cause the observed movements in the environment function. To provide explanation, additional modeling is done.

In a second phase, a model is built to represent the environmental component as a function of factors such as macroeconomic indicators like house prices and unemployment. Similarly, to explain how shifts in underwriting affect the vintage function, a multihorizon survival model (MSM) is created with the APC lifecycle and environment as inputs alongside origination or behavioral scoring factors. The coefficients of the MSM are also functions of forecast horizon to capture the changing value of the information with time.

To create forecasts, macroeconomic scenarios are used to extend the environment function. This future estimate of the environment function is combined with lifecycle and credit quality for a given account in order to create forecasts.

#### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l) *Financial instruments (continued)*

#### Fair value measurement hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Credit Union's financial assets at FVTPL are classified within Level 1 and 2 (see Note 27).

- m) **Provisions** – Provisions for restructuring costs and legal claims are recognized when the Credit Union has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.
- n) **Related parties** – Related parties represent entities or individuals who can exercise significant influence or control over the operations and policies of the Credit Union. In these financial statements, current and past members of the Board of Directors, committee members (one year past), management staff and their close relatives are classified as related parties.

The Credit Union is a member of the League and has a representative on the Board of Directors. Accordingly, the League is considered a related party in these financial statements.

All related party balances and transactions are shown as such in these financial statements (see Note 18).

- o) **Investment properties** – Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Credit Union, are classified as investment properties. Investment properties comprise office buildings leased out under operating lease agreements and land which is held for capital appreciation.

Some properties may be partially occupied by the Credit Union, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Credit Union can be sold separately, the Credit Union accounts for the portions separately. The portion that is owner-occupied is accounted for as property, plant and equipment under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### o) *Investment properties (continued)*

When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Credit Union considers the owner-occupied portion as insignificant when the property is more than 5% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Credit Union uses the size of the property measured in square feet.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

After initial recognition, the Credit Union has elected to account for investment property at cost, measuring the investment property at its initial recognition value, less accumulated depreciation and impairment losses, if any. Every three (3) years, independent appraisers determine the fair value of all investment properties.

Land is not depreciated. Depreciation on buildings is calculated using the straight-line method to allocate their cost over 40 years.

### p) *Right-of-use of asset and leases*

#### **Credit Union as a lessee**

##### ***Measurement and recognition of leases as a lessee***

At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### p) *Right-of-use of asset and leases (continued)*

#### **Credit Union as a lessee (continued)**

##### ***Measurement and recognition of leases as a lessee (continued)***

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets are presented as a separate line item and lease liability have been included in other liabilities (see Note 16).

#### **The Credit Union as a lessor**

The Credit Union's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor, the Credit Union classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

### q) **Fixed assets, net** - Fixed assets are carried at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributed to the acquisition of an item.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### q) *Fixed assets, net (continued)*

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate costs over the estimated useful lives as follows:

Buildings	-	40 years
Building improvements	-	5 years
Furniture and fixtures	-	5 years
Computer system and equipment	-	5 years
Motor vehicles	-	4 years

The asset's useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized within other income in the statement of comprehensive income.

- r) **Members' regular deposits** - Members' regular deposits represent the deposit holdings of the Credit Union's members, to satisfy membership requirements and facilitate eligibility for loans and other benefits. These deposits earn interest on the first day of the month following such deposits, provided that the amounts paid in on the first day of any month shall earn interest from that day. The rate of interest payable on members' regular deposits is recommended by the Board of Directors through a resolution to the general membership, and voted on by the members at the annual general meetings.
- s) **Other deposits** - Other deposits represent term and other deposits, savings accounts and retirement accounts, which are held by members and non-members of the Credit Union. These deposits, if interest bearing, bear interest at rates that are also set by the Board of Directors, but do not require the approval of the general membership at the annual general meetings.
- t) **Members' shares** - Members' shares consist of qualifying and investment equity shares held by the Credit Union's members, to satisfy membership requirements. These shares are classified as equity in the statement of financial position.

#### Qualifying shares

Qualifying shares are shares required to become a member of the Credit Union as described in the Credit Union's Bye-Laws. Each member of the Credit Union is required to own a minimum of 1 qualifying share with a par value of \$50 each (2018: 1 share at \$50 each). These shares entitle each member to 1 vote at the annual general meetings.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### t) *Members' shares (continued)*

#### Equity shares

Equity shares are investment shares issued to members of the Credit Union. Each member is required to hold a minimum of 4 equity shares with a par value of \$50 per share. These shares can be redeemed upon account closure.

- u) **Statutory reserve** – This reserve is set up in accordance with the provisions of the Bahamas Co-operative Credit Unions Act, 2015 set out in Note 2(a) to the financial statements. The proceeds of this reserve are deposited with the League, and are not available for distribution.
- v) **Fair valuation reserve** – This represents the accumulated unrealized gains and losses arising on changes in the fair value of financial assets at FVTOCI.
- w) **Retained earnings** – Retained earnings represent the undistributed surplus after statutory appropriations and dividends.
- x) **Dividends declaration** – Section 33 (2)(b) of The Bahamas Co-operative Credit Union Act, 2015, states that the Credit Union “shall not pay a dividend or make any payment to an account or out of its surplus unless the requirements under section 65 (2)(b) have been complied with”, (see Note 25).
- y) **Interest income and expense recognition** – Interest income and expense are recognized in the statement of comprehensive income for all instruments measured at amortized cost using the effective interest method. Loan origination fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loans. Loan interest income is not recognized on loans that are past due for periods exceeding 90 days.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

- z) **Fees and other income** – Fees and other income are recognized on the accrual basis. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.
- aa) **Operating expenses** – Operating expenses are recognized on the accrual basis in the statement of comprehensive income.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- bb) **League dues and stabilization fees** – The League has fixed its dues at \$12 annually per member, while stabilization fees are set at \$3 annually per member.
- cc) **Employee benefits** – The Credit Union’s employees participate in a defined contribution pension plan, administered by an external party. A defined contribution pension plan is a pension plan under which the Credit Union pays fixed contributions into a separate entity.

The Credit Union has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Credit Union’s contributions are recognized as employee benefits expense in the statement of comprehensive income when they are due.

- dd) **Taxation** - Under the current system of taxation in The Bahamas, the Credit Union is exempt from paying income taxes. Value Added Tax (“VAT”) was introduced in the Commonwealth of The Bahamas in January 1, 2015 as part of a broader reform of the tax system. The broad based consumption tax is applied to almost all goods and services that are imported, bought and sold for use in The Bahamas. Effective July 1, 2018, the standard VAT rate was increased from 7.5% to 12%. The Credit Union’s fees and other income are subject to the standard VAT rate while its interest income are exempt from output VAT. The Credit Union has registered with the Ministry of Finance and is a VAT registrant with a VAT Certificate and Tax Identification Number (100317642). The Credit Union is obligated to comply with the VAT Bill and Associated Regulations.
- ee) **Post-reporting date events** - Post-reporting date events that provide additional information about the Credit Union’s position at the reporting date (adjusting event) are reflected in the financial statements. Post-reporting date events that are not adjusting events, if any, are disclosed when material to the financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

### **Operating lease commitments – Credit Union as a lessee**

For any new contracts entered into on or after January 1, 2019, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### Operating lease commitments – Credit Union as a lessee (continued)

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union;
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

During the year, the Credit Union identified its contract with a service provider as a lease contract under IFRS 16 (see Note 28).

### Operating lease commitments – Credit Union as a lessor

The Credit Union also earns rental income from operating leases of its investment properties (see Note 21). Rental income is recognized on a straight-line basis over the term of the lease.

### Estimates

#### *Estimation of provisions for loan impairment and expected credit losses (ECLs) on loans receivable*

The Credit Union uses a provision matrix to calculate ECLs for receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance, as applicable).

The provision matrix is initially based on the Credit Union’s historical observed default rates. The Credit Union will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to change in circumstances and of forecast economic conditions. The Credit Union’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Credit Union’s accounts receivable and contract assets is disclosed in Note 8.

Provision for loan impairment and expected credit losses incurred during the year amounted to \$495,216 (2018: \$2,179,594). The carrying values of the Credit Union’s receivables, net of allowance for loan impairment and expected credit losses as at December 31, 2019 amounted to \$83,675,577 (2018: \$92,361,087).



# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

### Estimates (continued)

#### *Estimation of useful lives of fixed assets and right-of-use assets*

Useful lives of fixed assets and intangible assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Any reduction in the estimated useful lives of fixed assets and intangible assets would increase the Credit Union's recorded operating expenses and decrease the assets.

Net carrying values of fixed assets amounted to \$7,100,825 as at December 31, 2019 (2018: \$7,504,700).

Net carrying values of right-of-use assets amounted to \$31,288 as at December 31, 2019 (2018: Nil).

### Legal proceedings and claims

The Credit Union is involved, as a plaintiff, in a number of legal proceedings relative to outstanding loans. The Credit Union evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Credit Union to adjust the amount that it provides or accrues for any matter.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	Interest Rate (%)	2019 \$	2018 \$
Teller cash floats, ATM cash and vault holdings	-	972,756	1,265,531
FirstCaribbean International Bank (Bahamas) Limited	0.05	15,035,356	10,937,441
Fidelity Bank Bahamas Limited - Savings account	1.25	1,067,911	1,112,064
Fidelity Bank Bahamas Limited - Settlement accounts	-	90,696	90,183
Royal Fidelity - Cash account	-	1,496,556	541,815
Bank of The Bahamas Limited - Current account	-	73,215	59,226
Cash on hand and at banks		18,736,490	14,006,260
Fidelity Bank Bahamas Limited - Fixed deposits	1.25 - 1.5	-	759,896
		18,736,490	14,766,156

The Credit Union has a credit facility with its Banker, FirstCaribbean International Bank (Bahamas) Limited:

- Customs bond in the amount of \$5,000.

The credit facility is fully secured by time deposits (see Note 6).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 6. TIME DEPOSITS WITH BANKS

Time deposits with banks, which have original maturities of six (6) months to one (1) year, are as follows:

	Interest Rate %	2019 \$	2018 \$
Fidelity Bank Bahamas Limited	2.00	13,640,508	2,295,057
FirstCaribbean International Bank (Bahamas) Limited - Nassau	1.25 - 1.50	3,445,451	437,620
FirstCaribbean International Bank (Bahamas) Limited - Freeport (i)	0.50	8,073	8,056
<b>Time deposits with banks in the statement of financial position</b>		17,094,032	2,740,733
Pledged as security (i)		( 5,000)	( 5,000)
		17,089,032	2,735,733

i) The time deposit with FirstCaribbean International Bank (Bahamas) Limited is hypothecated for the credit facility in Note 5.

ii) Total interest income earned during the year amounted to \$244,591 (2018: \$58,275).

## 7. DEPOSITS WITH THE LEAGUE

Deposits with the League are comprised of the following:

	Interest Rate %	2019 \$	2018 \$
<b>Statutory reserve deposits (i)</b>	1.44-1.46		
Balance, beginning of year		21,761,256	20,751,887
Additional deposits during the year		495,000	660,000
Interest earned during the year (Note 19)		317,694	349,369
Balance, end of year		22,573,950	21,761,256
<b>Liquidity reserve deposits (ii)</b>	1.44-1.46		
Balance, beginning of year		19,293,064	18,486,571
Additional deposits during the year		440,000	482,000
Interest earned during the year (Note 19)		282,634	324,493
Balance, end of year		20,015,698	19,293,064
<b>Other deposits (iii)</b>	1.00		
Balance, beginning of year		397,958	393,267
Interest earned during the year (Note 19)		3,986	4,691
Balance, end of year		401,944	397,958
		42,991,592	41,452,278

Total interest income earned during the year amounted to \$604,314 (2018: \$678,588).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 7. DEPOSITS WITH THE LEAGUE (continued)

- i) **Statutory Reserve** - There is a surplus in statutory reserves held with the League as follows:

	2019	2018
	\$	\$
Statutory deposits with the League	22,573,950	21,761,256
Requirement (10% of total assets)	(22,443,130)	(21,467,520)
Surplus in statutory reserve deposits	130,820	293,736

- ii) **Liquidity Reserve** - The Act stipulates that not less than 10% of members' deposits are kept in a "liquidity reserve fund". At the reporting date, there was a surplus in the liquidity reserve fund as follows:

	2019	2018
	\$	\$
Liquidity reserve deposits with the League	20,015,698	19,293,064
Requirement (10% of members' deposits)	(19,937,857)	(19,107,287)
Surplus in liquidity reserve deposits	77,841	185,777

- iii) Other deposit held with the League matures on April 14, 2020 (2018: April 14, 2019).

## 8. LOANS RECEIVABLE, net

- a) Loans receivable, net are as follows:

	Interest Rate %	2019	2018
		\$	\$
Consumer	8.25 - 11.75	53,212,950	57,356,410
Real estate mortgages	4.75 - 8.25	34,167,687	38,046,612
Chattel mortgages	11.75	2,211,196	2,177,903
Business	11.75	1,790,053	1,916,084
		91,381,886	99,497,009
Accrued interest		313,083	377,635
		91,694,969	99,874,644
Less: Deferred loan service fees		( 2,449,781)	( 2,397,064)
Less: Allowance for loan impairment and expected credit losses		( 5,569,611)	( 5,116,493)
		83,675,577	92,361,087

At December 31, 2019, non-performing loans on which interest accrual is suspended totaled \$10,756,867 (2018: \$9,457,940).

The Credit Union has liens on the share deposits of all members with outstanding loans and credit card balances.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 8. LOANS RECEIVABLE, net (continued)

- b) The movement in the allowance for loan impairment and expected credit losses is as follows:

	2019 \$	2018 \$
<b>Balance as at the beginning of the year, as previously reported</b>	5,116,493	\$ 4,729,133
Effect of change in accounting policy on adoption of IFRS 9 (Note 3 (c))	722,937	-
<b>Adjusted balance as at the beginning of the year</b>	5,839,430	4,729,133
Provision for the year	495,216	2,179,594
Loans written off	( 765,035)	(1,792,234)
<b>Allowance, end of year (Note 8(a))</b>	5,569,611	5,116,493

Recoveries of bad debts during the year amounted to \$207,794 (2018: \$189,279).

- c) Delinquent loans:

The following is a summary of delinquent loans and its credit exposure:

Period in arrears	As at December 31, 2019			
	Number of accounts in arrears	Total delinquent loans \$	Value of security \$	Credit Exposure \$
Within 1 month	-	-	-	-
2 to 3 months	64	1,086,953	596,199	490,754
4 to 6 months	53	541,391	217,756	323,635
7 to 12 months	141	2,992,392	1,435,546	1,556,846
Over 1 year	444	10,756,867	6,232,261	4,524,606
	702	\$15,377,603	\$8,481,762	\$6,895,841

Period in arrears	As at December 31, 2018			
	Number of accounts in arrears	Total delinquent loans \$	Value of security \$	Credit Exposure \$
Within 1 month	-	-	-	-
2 to 3 months	141	2,653,478	1,369,280	1,284,198
4 to 6 months	56	2,258,376	1,514,121	744,255
7 to 12 months	102	1,104,853	361,634	743,219
Over 1 year	400	9,457,940	5,311,532	4,146,408
	699	\$15,474,647	\$8,556,567	\$6,918,080

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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December 31, 2019

**8. LOANS RECEIVABLE, net (continued)**

d) Analysis of loan loss provision and provision rate based on loan outstanding balance:

The following is an analysis of the summary of expected credit losses (ECL) and their calculated provision rate based on all outstanding loans by segment:

<b>As at December 31, 2019</b>						
<b>Segment</b>	<b>Total outstanding balance</b>	<b>Stage 1 ECL</b>	<b>Stage 2 ECL</b>	<b>Stage 3 ECL</b>	<b>Total loan loss provision</b>	<b>Provision rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Auto	2,188,710	9,098	2,203	58,921	70,222	3%
Commercial and Industrial Line	750,568	625	-	6,333	6,958	1%
Commercial and Industrial Loan	2,746,491	4,073	2,514	54,359	60,946	2%
Consumer Line	34,103,371	593,406	65,464	2,704,391	3,363,261	10%
Consumer Loan	15,411,863	181,835	213,131	885,989	1,280,955	8%
Commercial Real Estate	25,879,465	792	8,098	593,945	602,835	2%
Residential Real Estate	7,860,701	11,988	201	172,245	184,434	2%
	<b>\$88,941,169</b>	<b>\$801,817</b>	<b>\$291,611</b>	<b>\$4,476,183</b>	<b>\$5,569,611</b>	

<b>As at December 31, 2018</b>						
<b>Segment</b>	<b>Total outstanding balance</b>	<b>Stage 1 ECL</b>	<b>Stage 2 ECL</b>	<b>Stage 3 ECL</b>	<b>Total loan loss provision</b>	<b>Provision rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Auto	2,390,637	13,094	20,164	47,773	81,031	3%
Commercial and Industrial Line	953,300	2,015	-	6,033	8,048	1%
Commercial and Industrial Loan	3,302,762	9,722	4,313	54,359	68,394	2%
Consumer Line	38,462,687	986,488	142,365	2,633,219	3,762,072	10%
Consumer Loan	16,030,056	196,590	199,608	774,255	1,170,453	7%
Commercial Real Estate	28,537,592	6,876	23,160	540,521	570,557	2%
Residential Real Estate	9,013,718	16,846	12,146	149,883	178,875	2%
	<b>\$98,690,752</b>	<b>\$1,231,631</b>	<b>\$401,756</b>	<b>\$4,206,043</b>	<b>\$5,839,430</b>	

e) Concentration of loans:

At December 31, 2019, there was one (1) member loan (2018: one (1)) totaling \$1,600,928 (2018: \$1,862,351), which exceeded 5% of total equity.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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December 31, 2019

**9. OTHER ASSETS**

Other assets represent the following:

	2019	2018
	\$	\$
Other deposits (i)	3,425,141	3,339,108
Rent receivable, net of allowance for expected credit losses of \$114,576 (2018: \$87,551)	452,992	402,768
Prepaid expenses	520,619	694,356
Investments and deposits interest receivable	600,797	410,749
Security deposits	70,782	70,882
Accounts receivable - other	187,196	427,667
	5,257,527	5,345,530

i) The major amounts included in other deposits are as follows:

- The Data Center Project, the Disaster Recovery Project between Nassau and Canada, and ATM machines for the debit and credit card projects, these projects are ongoing at December 31, 2019.

Once these projects are completed, the costs will be transferred to the relevant asset classifications, such as investment properties and fixed assets, net.

Provision for rent receivable losses during the year amounted to \$28,707 (2018: \$24,620).

**10. INVESTMENT IN THE LEAGUE**

The movement in the investment in the League is as follows:

	2019	2018
	\$	\$
Balance, beginning of year	30,200	29,000
Share subscriptions during the year	1,200	1,200
Balance, end of year	31,400	30,200

At December 31, 2019, the number of shares in the League held by the Credit Union totaled 628 (2018: 604).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 11. FINANCIAL INVESTMENTS

Financial investments are comprised of the following:

	2019	2018
	\$	\$
<b>Amortized Cost</b>		
The Bahamas Government Registered Stocks	23,093,000	22,718,000
Corporate Bonds	623,541	625,172
	<u>23,716,541</u>	<u>23,343,172</u>
<b>Fair Value Through OCI</b>		
Preference shares	1,489,617	1,006,311
Prime Income Fund - Series 2	1,398,424	3,068,312
Quoted Equities	842,675	431,941
Bank of The Bahamas Limited (136,448 ordinary shares)	320,653	199,214
Arawak Port Development (115 ordinary shares (cost: \$1,150))	2,004	2,004
	<u>4,053,373</u>	<u>4,707,782</u>
	<u>27,769,914</u>	<u>28,050,954</u>

The movements in financial assets at FVTOCI during the year was as follows:

	2019	2018
	\$	\$
Balance, beginning of the year	4,707,782	1,462,393
Net movement during the year	(1,075,074)	3,082,040
Net change in unrealized gain on financial assets at FVTOCI	420,665	163,349
Balance, end of the year	<u>4,053,373</u>	<u>4,707,782</u>

## 12. INVESTMENT PROPERTIES, net

a) Details of investment properties, net are as follows:

	Vacant Properties \$	Rental Properties \$	Total \$
<b>Cost</b>			
Balance at December 31, 2017	1,759,524	24,584,561	26,344,085
Additions during the year	-	212,336	212,336
Balance at December 31, 2018	1,759,524	24,796,897	26,556,421
Additions during the year	-	14,122	14,122
Balance at December 31, 2019	<u>1,759,524</u>	<u>24,811,019</u>	<u>26,570,543</u>
<b>Accumulated depreciation</b>			
Balance at December 31, 2017	-	3,458,350	3,458,350
Additions during the year (Note 21)	-	674,509	674,509
Balance at December 31, 2018	-	4,132,859	4,132,859
Additions during the year (Note 21)	-	695,027	695,027
Balance at December 31, 2019	<u>-</u>	<u>4,827,886</u>	<u>4,827,886</u>
<b>Net carrying values</b>			
As at December 31, 2019	<u>1,759,524</u>	<u>19,983,133</u>	<u>21,742,657</u>
As at December 31, 2018	<u>1,759,524</u>	<u>20,664,038</u>	<u>22,423,562</u>

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

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## 12. INVESTMENT PROPERTIES, net (continued)

b) Net carrying values of each investment property is as follows:

	Carrying Values	
	2019	2018
	\$	\$
<b>Vacant Properties</b>		
South Ocean	1,225,650	1,225,650
Milo Butler Highway	206,111	206,111
Baillou Hill Road, South	63,431	63,431
#151 Central Pines, Abaco	264,332	264,332
	<u>1,759,524</u>	<u>1,759,524</u>
<b>Rental Properties</b>		
East Street South	4,585,680	4,746,736
Tonique Williams-Darling Highway	1,307,955	1,365,457
Freeport	1,604,398	1,676,893
Abaco	12,485,100	12,874,952
	<u>19,983,133</u>	<u>20,664,038</u>
	<u>21,742,657</u>	<u>22,423,562</u>

c) Fair value disclosure:

The fair values of the Credit Union's investment properties were determined by external, independent property appraisers, who are members of the Bahamas Real Estate Association, and have the appropriate, professional qualifications and experience in the location and category of the property being valued.

The fair values were based on a combination of the replacement cost approach, the income approach and the market comparable approach that reflects recent prices for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation techniques during the year.

Property	Type	Fair Value	
		2019	2018
		\$	\$
South Ocean	Vacant	2,780,000	2,296,000
Milo Butler Highway	Vacant	261,000	261,000
Baillou Hill Road South	Vacant	85,000	105,000
East Street South	Land and building	5,560,000	5,560,000
Tonique Williams-Darling Highway	Land and building	3,325,000	3,325,000
Freeport	Land and building	1,673,541	2,140,000
Abaco Complex	Land and building	15,283,400	14,287,900
#151 Central Pines, Abaco*	Land and unoccupied building	178,000	178,000
		<u>29,145,941</u>	<u>28,152,900</u>

\*Management is of the opinion that this property is not permanently impaired, and therefore no impairment provision has been made.



**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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**13. FIXED ASSETS, net**

Fixed assets, net are comprised of the following:

	Land \$	Buildings and Improvements \$	Furniture and Fixtures \$	Computer System and Equipment \$	Motor Vehicles \$	Total \$
<b>Cost</b>						
Balance at December 31, 2017	689,535	8,704,942	1,500,173	1,512,019	174,585	12,581,254
Additions	-	468,635	473,456	310,636	-	1,252,727
Disposals	-	-	( 1,566)	-	-	( 1,566)
Balance at December 31, 2018	689,535	9,173,577	1,972,063	1,822,655	174,585	13,832,415
Additions	-	45,348	60,235	150,166	-	255,749
Disposals	-	-	( 2,575)	( 628)	-	( 3,203)
Balance at December 31, 2019	689,535	9,218,925	2,029,723	1,972,193	174,585	14,084,961
<b>Accumulated depreciation</b>						
Balance at December 31, 2017	-	3,026,147	1,254,578	1,305,306	173,332	5,759,363
Additions	-	278,352	152,952	137,361	1,253	569,918
Disposals	-	-	( 1,566)	-	-	( 1,566)
Balance at December 31, 2018	-	3,304,499	1,405,964	1,442,667	174,585	6,327,715
Additions (Note 22)	-	335,084	185,487	138,850	-	659,421
Disposals	-	-	( 2,575)	( 425)	-	( 3,000)
Balance at December 31, 2019	-	3,639,583	1,588,876	1,581,092	174,585	6,984,136
<b>Net carrying values</b>						
As at December 31, 2019	689,535	5,579,342	440,847	391,101	-	7,100,825
As at December 31, 2018	689,535	5,869,078	566,099	379,988	-	7,504,700

Loss on disposal of fixed assets during the year amounted to \$203 (2018: Nil).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

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## 14. MEMBERS' REGULAR DEPOSITS

The movement in members' regular deposits are as follows:

	Interest Rate %	2019 \$	2018 \$
Balance, beginning of year	1.25-2.5	64,179,576	62,056,780
Add: savings and interest		51,552,361	51,203,040
Less: withdrawals and transfers		(48,229,936)	(49,080,244)
Balance, end of year		67,502,001	64,179,576

## 15. OTHER DEPOSITS

Other deposits are comprised of the following:

	As at December 31, 2019				
	Interest Rate (%)	Members \$	Minors \$	Depositors \$	Total \$
Term deposits	0.75 - 4.00	95,359,239	402,024	2,395,101	98,156,364
Other deposits					
Savings	0.50	24,931,933	512,360	3,718,757	29,163,050
Christmas club accounts	0.75	519,264	642	-	519,906
Vacation club deposits	0.75	91,366	3,279	-	94,645
Bill paying accounts	0.50	48,574	-	-	48,574
		120,950,376	918,305	6,113,858	127,982,539
Dividend reinvestment	0.75	25,948	-	-	25,948
Preferred equity shares	3.50	1,656,650	-	-	1,656,650
Retirement savings	0.75	2,211,428	-	-	2,211,428
		124,844,402	918,305	6,113,858	131,876,565
	As at December 31, 2018				
	Interest Rate (%)	Members \$	Minors \$	Depositors \$	Total \$
Term deposits	0.25 - 3.00	97,447,173	610,816	2,373,369	100,431,358
Other deposits					
Savings	0.25 - 0.50	18,241,071	643,251	2,716,000	21,600,322
Christmas club accounts	0.75	497,978	535	-	498,513
Vacation club deposits	0.75	92,448	3,359	-	95,807
Bill paying accounts	0.50	29,401	-	-	29,401
		116,308,071	1,257,961	5,089,369	122,655,401
Dividend reinvestment	0.75	22,497	-	-	22,497
Preferred equity shares	3.50	1,887,100	-	-	1,887,100
Retirement savings	0.75	2,328,295	-	-	2,328,295
		120,545,963	1,257,961	5,089,369	126,893,293

At December 31, 2019, there was one (1) member (2018: one (1)) with deposits which exceeded 10% of the Credit Union's equity. The deposit totaled \$2,280,672 (2018: \$2,262,247).

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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Notes to Financial Statements

December 31, 2019

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**16. OTHER LIABILITIES**

Other liabilities are comprised of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accrued interest payable		
Members' regular deposits	787,957	1,529,660
Fixed deposits	1,223,773	1,218,776
	<u>2,011,730</u>	<u>2,748,436</u>
Other payables		
Dormant accounts	471,581	477,067
Accrued expenses	296,476	181,535
Share loan insurance	74,755	79,408
Tenants' security deposits	90,933	90,838
Unallocated collections	32,154	33,149
Lease liability (Note 28)	31,807	-
	<u>997,706</u>	<u>861,997</u>
	<u>3,009,436</u>	<u>3,610,433</u>

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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**17. MEMBERS' EQUITY**

*i) Members' Shares*

Members' shares consist of the following:

	2019			2018		
	Qualifying \$	Equity \$	Total \$	Qualifying \$	Equity \$	Total \$
Balance, beginning of year	884,100	3,574,100	4,458,200	880,350	3,583,000	4,463,350
Shares issued	30,050	131,350	161,400	26,350	24,500	50,850
Shares redeemed	( 29,550)	( 96,500)	( 126,050)	( 22,600)	( 33,400)	( 56,000)
Balance, end of year	884,600	3,608,950	4,493,550	884,100	3,574,100	4,458,200

The authorized share capital of the Credit Union consists of the following:

- a) Qualifying shares – These are unlimited authorized shares, where each member of the Credit Union is required to hold 1 share (\$50). These shares also determine the amount of members in the Credit Union; and
- b) Equity shares – These authorized shares are an unlimited amount, which are investment shares that each member is required to hold a minimum of 4 shares (\$200).

At December 31, 2019, there were 17692 members (2018: 17,682 members) of the Credit Union.

*ii) Statutory Reserve*

The movement in the statutory reserve is as follows:

	2019 \$	2018 \$
Balance, beginning of year	13,875,000	12,800,000
Transfer from retained earnings	2,125,000	1,075,000
Balance, end of year	16,000,000	13,875,000
Requirement (10% of total assets)	22,443,130	21,467,520
Deficiency in statutory reserve	( 6,443,130)	( 7,592,520)

The requirement to hold 10% of the Credit Union's assets in a statutory reserve in members' equity has not been met. The current amount of the statutory reserve in equity is 7.13% (2018: 6.46%) of total assets.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

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## 17. MEMBERS' EQUITY (continued)

### iii) *Surplus Loan Reserve*

The movement in the surplus loan reserve is as follows:

	2019	2018
	\$	\$
Balance, beginning of year, as previously reported	511,963	511,963
Effect of change in accounting policy - IFRS 9, (Note 3 (c))	(511,963)	-
Balance, beginning of year as restated	-	511,963

This reserve is an additional provision for loan losses, representing 0.5% of the performing loan portfolio of the Credit Union. This reserve is an appropriation of retained earnings and is not available for distribution to the members. On January 1, 2019, the Credit Union utilized this reserve to effect the change in accounting policy on adoption of IFRS 9.

### iv) *Fair Value Reserve*

The movement in the fair value reserve is as follows:

	2019	2018
	\$	\$
Balance, beginning of year	(620,413)	(783,762)
Net change in unrealized gain on financial assets at FVTOCI during the year	420,665	163,349
Balance, end of year	(199,748)	(620,413)

## 18. RELATED PARTIES BALANCES AND TRANSACTIONS

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

	2019	2018
	\$	\$
<b>Balances:</b>		
Loans receivable, net	1,995,444	2,673,389
Members regular deposits	2,971,382	3,184,422
Other deposits	702,993	772,186
Members' shares	34,500	41,250
Deposits with the League	42,991,592	41,452,278
Investment in the League	31,400	30,200
<b>Transactions:</b>		
Interest income on loans	165,332	240,463
Interest income on deposits with the League	604,314	678,588
Interest expense	68,860	69,093
Salaries and bonus	868,305	928,614
Medical and pension	156,731	189,764
Other benefits	45,193	65,919
League expenses	75,496	63,396
Board allowances and expenses	51,696	80,412
Sub-committee allowances and expenses	33,598	28,471
Directors and officers insurance	4,653	4,650
Credit card expenses	44,834	44,205

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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**19. NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT AND  
EXPECTED CREDIT LOSSES**

Net interest income before provision for loan impairment and expected credit losses is comprised of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Net interest income on members' loans and deposits</b>		
Interest earned on loans to members	10,224,205	11,373,777
Interest expense on members' regular shares and deposits	( 3,258,531)	( 3,885,825)
	<u>6,965,674</u>	<u>7,487,952</u>
<b>Interest income on investments</b>		
Financial investments (Note 11)	1,078,408	814,367
Deposits with the League (Note 7)	604,314	678,588
Time deposits with banks (Note 6)	244,591	58,275
Other	19,663	19,278
	<u>1,946,976</u>	<u>1,570,508</u>
	<u>8,912,650</u>	<u>9,058,460</u>

**20. OTHER INCOME**

Other income is comprised of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loan services fees	164,000	175,826
Service charges	150,757	125,737
Dividend income	117,745	72,223
Entrance fees	113,680	117,580
Rebate on LP/LS Insurance	102,683	79,205
Other income	65,557	44,462
ATM fees	33,388	33,508
	<u>747,810</u>	<u>648,541</u>

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**21. PROFITS (LOSSES) ON RENTAL PROPERTIES**

Profit (loss) by location on rental properties is as follows:

	<b>As at December 31, 2019</b>				
	<b>East Street South \$</b>	<b>Tonique Williams- Darling Highway \$</b>	<b>Freeport \$</b>	<b>Abaco \$</b>	<b>Total \$</b>
<b>Income</b>					
Rental income	472,633	172,609	150,434	252,216	1,047,892
<b>Expenses</b>					
Depreciation (Note 12)	175,179	57,502	72,495	389,851	695,027
Repairs and maintenance	121,504	53,523	46,884	77,834	299,745
Insurance	60,961	18,064	27,772	186,200	292,997
Security	-	-	18,815	103,750	122,565
Taxes	31,400	49,108	949	1,922	83,379
Utilities	1,620	2,929	22,937	22,095	49,581
(Recovery)/increase in bad debt	-	13,881	( 185)	15,011	28,707
Other expenses	3,938	2,355	1,233	8,646	16,172
Janitorial	-	-	2,755	-	2,755
	<b>394,602</b>	<b>197,362</b>	<b>193,655</b>	<b>805,309</b>	<b>1,590,928</b>
Profit (loss) for the year	78,031	( 24,753)	( 43,221)	(553,093)	( 543,036)

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Notes to Financial Statements

December 31, 2019

**21. PROFITS (LOSSES) ON RENTAL PROPERTIES (continued)**

	As at December 31, 2018				Total \$
	East Street South \$	Tonique Williams- Darling Highway \$	Freeport \$	Abaco \$	
<b>Income</b>					
Rental income	419,940	162,839	106,488	233,005	922,272
<b>Expenses</b>					
Depreciation (Note 12)	169,532	57,502	47,082	400,393	674,509
Repairs and maintenance	201,947	66,389	11,052	64,859	344,247
Insurance	60,960	18,111	26,460	184,200	289,731
Security	-	-	30,068	113,296	143,364
Taxes	31,416	49,606	1,161	1,634	83,817
Utilities	1,044	5,776	24,324	32,324	63,468
(Recovery) increase in bad debt	-	12,680	21,245	( 9,305)	24,620
Other expenses	4,217	2,533	751	4,696	12,197
Janitorial	293	-	-	845	1,138
	469,409	212,597	162,143	792,942	1,637,091
Loss for the year	( 49,469)	( 49,758)	( 55,655)	(559,937)	( 714,819)

Investment properties are either leased to third parties on operating leases or are vacant.

Although the risks associated with rights that the Credit Union retains in underlying assets are not considered to be significant, the Credit Union employs strategies to further minimize these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Credit Union when a property has been subjected to excess wear-and-tear during the lease term.

The lease contracts are all non-cancellable for 1 - 5 years from the commencement of the lease. Future minimum lease rentals are as follows:

	Minimum lease payments due				Total \$
	Within 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	
December 31, 2019	552,959	418,524	291,904	-	1,263,387
December 31, 2018	726,590	477,887	350,100	280,500	1,835,077



# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 22. OPERATING EXPENSES

Operating expenses are comprised of the following:

	2019	2018
	\$	\$
<u>Personnel</u>		
Salaries	2,055,930	2,038,745
Medical and pension (Note 24)	341,174	366,055
Other benefits	71,187	95,299
National insurance	95,244	98,003
Travel, training and development	118,139	82,522
	<u>2,681,674</u>	<u>2,680,624</u>
<u>General business</u>		
Depreciation - furniture and fixtures	185,487	152,953
Insurance - general	114,479	113,203
Professional and legal fees	210,545	113,804
Value Added Tax (VAT)	161,933	149,055
Equipment maintenance	129,313	159,495
Stationery and supplies	52,477	105,057
Depreciation - motor vehicles	-	1,254
Armored car services	30,442	35,217
Motor vehicles license and maintenance	20,965	22,637
Bank charges	103,031	92,984
Courier and postage	7,155	5,842
Insurance - motor vehicles	4,371	4,303
Other general expense	20,255	10,346
	<u>1,040,453</u>	<u>966,150</u>
<u>Occupancy</u>		
Utilities	328,723	423,745
Depreciation - Building and improvements	335,084	278,352
General maintenance	183,225	293,715
Security services	182,174	174,636
Property tax	31,226	31,521
Amortization - right of use asset	13,766	-
Interest expense - right of use asset	1,802	-
	<u>1,076,000</u>	<u>1,201,969</u>
<u>Computer costs</u>		
Computer software - depreciation	49,943	68,066
Software subscription and maintenance	692,483	381,644
Computer stationery and ATM expense	40,336	58,458
Computer hardware - depreciation	88,907	69,295
Internet	66,864	55,751
	<u>938,533</u>	<u>633,214</u>

(Continued)

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 22. OPERATING EXPENSES (continued)

	2019	2018
	\$	\$
<i>Members' security</i>		
Loans and savings insurance premium	423,651	391,360
Bond insurance premium	34,004	21,838
	<u>457,655</u>	<u>413,198</u>
<i>Organizational</i>		
Board and committee development and travel	17,685	41,095
Board and committee remuneration	62,020	62,520
Annual general meetings and anniversary expenses	41,153	41,769
Stabilization fees	53,046	52,821
Board and committee meetings	5,589	5,268
Insurance - officers liabilities	4,653	4,650
Members' education	4,323	3,401
	<u>188,469</u>	<u>211,524</u>
<i>Marketing</i>		
Advertising and promotions	112,968	104,607
Marketing	1,738	12,137
Donations and gifts	14,188	10,829
	<u>128,894</u>	<u>127,573</u>
	<u>6,511,678</u>	<u>6,234,252</u>

(Concluded)

## 23. COMMITMENTS AND CONTINGENCIES

### i) Commitments

- a) Commitments for undrawn loans at December 31, 2019 totaled \$226,014 (2018: \$4,671,674).
- b) Commitment for capital expenditure at December 31, 2019 totaled \$268,000 (2018: \$255,203).

### ii) Contingent liabilities

- a) The Credit Union is a party to an agreement between The Bahamas Cooperative League Ltd. and Scotiabank (Bahamas) Limited relating to the Credit Union's issuance of credit cards to its members. In that agreement, the Credit Union indemnifies Scotiabank (Bahamas) Limited against credit card losses by settling balances that have become overdue more than 90 days. For those delinquent accounts, the Credit Union converts the balances outstanding to loans and pursues collection of the amount from the credit card holders.

At December 31, 2019, the total balance outstanding on Scotiabank (Bahamas) Limited credit cards was Nil (2018: \$158,382) on Nil (2018: 353) cards. There were no (Nil) delinquent balances converted to loans at December 31, 2019 (2018: 12).

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 23. COMMITMENTS AND CONTINGENCIES (continued)

### ii) Contingent liabilities (continued)

- b) The Credit Union entered into an agreement with Fidelity Bank (Bahamas) Limited to facilitate the Credit Union's issuance of credit cards to its members. In that agreement, the Credit Union indemnifies Fidelity Bank (Bahamas) Limited against credit card losses by settling balances that have become overdue more than 90 days. For those delinquent accounts, the Credit Union converts the balances outstanding to loans and pursues collection of the amount from the credit card holders.

At December 31, 2019, the total balance outstanding on Fidelity Bank (Bahamas) Limited credit cards was \$173,931 (2018: \$102,169) on 84 (2018: 46) cards. There were no delinquent balances converted to loans at December 31, 2019 and 2018, respectively.

### iii) Litigation

The Credit Union is involved in several actions that it has brought against members who are in default of their loan commitments, and tenants who are in default of their lease agreements. These matters are in active litigation by the Credit Union's lawyers.

## 24. PENSION PLAN

The Credit Union provides retirement benefits for eligible employees. The plan is a defined contribution plan and employees' participation in the plan is compulsory with a vesting period of ten (10) years. The employees' and Credit Union's contributions are 5% and 10% respectively, of the employee's base compensation. The Credit Union's contributions to the plan during the year was \$182,765 (2018: \$189,936) and is included in personnel expenses in the statement of comprehensive income.

## 25. CAPITAL MANAGEMENT

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

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

The Credit Union's Board reviews the capital structure on a monthly basis. As part of the review, the Board considers the provision of the Bahamas Co-operative Credit Unions Act, 2015, Section 65 (2), which states that:

*"Every society shall ensure that –*

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

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 25. CAPITAL MANAGEMENT (continued)

The table below summarizes the composition of the Credit Union's regulatory capital and the ratios for the end of the reporting period:

	2019 \$	2018 \$
<b>Provision (a)</b>		
Liquidity reserve deposits	20,015,698	19,293,064
Members' regular and other deposits	199,378,566	191,072,869
Actual ratio	10.0%	10.0%
Required ratio	10.0%	10.0%
Excess/(shortfall) of regulation	0.0%	0.0%
<b>Provision (b)</b>		
Regulatory reserves	22,243,048	20,100,348
Total assets	224,431,302	214,675,200
Actual ratio	9.9%	9.4%
Required ratio	10.0%	10.0%
Shortfall	-0.1%	-0.6%

## 26. FINANCIAL RISK MANAGEMENT

By its nature, the Credit Union's activities are principally related to the use of financial instruments. This will involve analysis, evaluation and management of some degree of risk or combination of risks. The Credit Union's aims are, therefore, to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Credit Union's financial performance.

The Board of Directors ("the Board") is ultimately responsible for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are designed to identify and analyze the risk faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. Risk management procedures are closely integrated into all key business processes. The Credit Union regularly reviews its risk management policies, procedures and systems to reflect recommendations and best practice, as well as changes in markets and products.

The Board, through the following committees, is responsible for monitoring compliance with the Credit Union's risk management policies and procedures:

i) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. This Committee undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Board.

ii) Credit Committee

The Credit Committee oversees the approval and disbursements of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 26. FINANCIAL RISK MANAGEMENT (continued)

The Credit Union accepts deposits from members at agreed rates of interest and seeks to earn above average interest margins by investing these funds in high quality assets, as well as lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

These activities expose the Credit Union to a variety of financial risks, the most important risks are:

- Credit Risk
- Liquidity Risk
- Market Risk (including currency risk, equity price risk and interest rate risk)

### **Credit risk**

Credit risk is the risk of suffering financial losses should any of the Credit Union's members or other counterparties fail to fulfill their contractual obligations to the Credit Union. Credit risk arises mainly from loans and advances to members, including loan commitments arising from such lending activities, and investments in debt securities as part of the Credit Union's treasury management activities. The Credit Union seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to borrowers with a rate of credit standings. Such exposures involve not just on-balance sheet loans and advances to members, but also guarantees and other commitments.

Credit risk is the greatest risk facing the Credit Union and management therefore carefully manages its exposure to credit risk. Provisions are provided for loan impairment and expected credit losses as of the statement of financial position date (see Note 8). Significant changes in the economies or sectors that represent a concentration in the credit Union's portfolio could result in losses that are different from those provided for as of the statement of financial position date.

The Credit Union's Directors and Management Committee are responsible for approving and monitoring the Credit Union's credit exposure, which is done through review and approval of the Credit Union's lending policy, and limits on credit exposure to individual borrowers. Prior to advancing funds, an assessment is made of the credit quality of each borrower. The Credit Union does not use an automated credit scoring system; exposure to credit risk is managed through regular analysis of the ability of borrowers to meet contractual obligations, performed by branch managers and the Directors. It is the Credit Union's policy to have members repay their loans rather than relying exclusively on security.

Maximum credit exposure at the year-end approximates the carrying value of all financial assets. The classes of financial instruments to which the Credit Union is most exposed to credit risk are loans and advances to members, cash at banks and certain investment securities. The Credit Union places its deposits with banks in good standing with the Central Bank of The Bahamas and other regulators in which deposits are placed. Investment securities with credit risk mainly comprise debt securities issued by the Government of the Commonwealth of The Bahamas, which currently maintains investment grade credit ratings.

The Credit Union employs a range of policies and practices to mitigate credit risk. The most traditional is the taking of security for funds advanced, which is common practice.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 26. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

The Credit Union implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral or other credit risk mitigation for loans to members include, first mortgages on property, chattel mortgages, restricted deposits from members and salary deductions from employers.

The geographical locations of the Credit Union's financial assets are as follows:

(Expressed in B\$'000)	As at December 31, 2019			Total \$
	Nassau \$	Freeport \$	Abaco \$	
Cash and cash equivalents (excluding cash on hand)	12,972	3,329	1463	17,764
Time deposits with banks	17,086	8	-	17,094
Deposits with the League	42,992	-	-	42,992
Loans receivable, net	52,767	21,549	9,360	83,676
Other assets	1,130	44	35	1,209
Investment in the League	31	-	-	31
Financial investments	27,770	-	-	27,770
<b>Total financial assets</b>	<b>154,748</b>	<b>24,930</b>	<b>10,858</b>	<b>190,536</b>

(Expressed in B\$'000)	As at December 31, 2018			Total \$
	Nassau \$	Freeport \$	Abaco \$	
Cash and cash equivalents (excluding cash on hand)	9,963	1,672	1,324	12,959
Time deposits with banks	2,733	8	-	2,741
Deposits with the League	41,452	-	-	41,452
Loans receivable, net	59,649	21,731	10,981	92,361
Other assets	1,243	15	53	1,311
Investment in the League	30	-	-	30
Financial investments	28,051	-	-	28,051
<b>Total financial assets</b>	<b>143,121</b>	<b>23,426</b>	<b>12,358</b>	<b>178,905</b>

The following table shows the loan portfolio by individual and institutional members:

	2019 \$	2018 \$
Individual members	89,167,578	96,799,250
Institutional members	2,214,308	2,697,758
	<b>91,381,886</b>	<b>99,497,008</b>

The following table analyses the credit quality of the loan portfolio:

	2019 \$	2018 \$
Neither past due nor impaired	84,486,045	92,578,929
Past due but not impaired	2,371,235	2,771,672
Impaired	4,524,606	4,146,408
<b>Gross</b>	<b>91,381,886</b>	<b>99,497,009</b>
Add: accrued interest	313,083	377,635
Less: deferred service fees	( 2,449,781)	( 2,397,064)
Less: allowance for loan impairment and expected credit losses	( 5,569,611)	( 5,116,493)
<b>Net</b>	<b>83,675,577</b>	<b>92,361,087</b>

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 26. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### *Renegotiated loans*

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payments will most likely continue. These policies are continuously reviewed.

### Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Credit Union will encounter difficulty in meeting its obligations and commitments associated with its financial liabilities. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Credit Union is exposed to daily calls on its available cash resources from general savings deposits, loans draw-downs, guarantees, withdrawal of shares and operating commitments. The Credit Union does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

#### *Liquidity risk management process*

The liquidity risk management process is monitored by the Manager and includes:

- Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of the Credit Union's source of funds which includes, cash and bank balances, items in the course of collection and investment maturities in order to determine their ability to meet its commitments;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruptions to cash flow;
- Maintaining committed lines of credit with its Banker and the League;
- Monitoring the statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to liabilities; and
- Matching and mismatching of the maturities and interest rates of financial assets and financial liabilities. An unmatched position potentially enhances profitability, but can increase liquidity risk.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Notes to Financial Statements

December 31, 2019

**26. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

**Financial liabilities cash flows**

The table below summarizes the Credit Union's exposure to liquidity risk, based on the remaining contractual repayment obligations:

	As at December 31, 2019				
	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
<b>Liabilities:</b>					
Members' regular deposits	67,502,001	-	-	-	67,502,001
Other deposits	36,277,051	5,128,312	19,387,544	71,083,658	131,876,565
Other liabilities	268,948	12,500	2,165,474	562,514	3,009,436
<b>Total liabilities</b>	<b>104,048,000</b>	<b>5,140,812</b>	<b>21,553,018</b>	<b>71,646,172</b>	<b>202,388,002</b>
	As at December 31, 2018				
	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
<b>Liabilities:</b>					
Members' regular deposits	64,179,576	-	-	-	64,179,576
Other deposits	28,957,950	5,207,980	20,300,678	72,426,685	126,893,293
Other liabilities	197,615	35,000	2,959,503	567,906	3,760,024
<b>Total liabilities</b>	<b>93,335,141</b>	<b>5,242,980</b>	<b>23,260,181</b>	<b>72,994,591</b>	<b>194,832,893</b>

**Market risk**

The Credit Union takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk arises from open positions in foreign currencies (currency risk), equity products (equity price risk) and interest rates (interest rate risk), all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.



# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 26. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### *Currency risk*

Currency risk or foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union has minimum exposure to currency risk, as all its assets and liabilities are stated in Bahamian dollars, which is the Credit Union's functional and presentational currency.

#### *Equity price risk*

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Credit Union is exposed to equity price risk on its quoted financial instruments, held as a part of its investment portfolio totaling \$1,165,332 (2018: \$201,218).

- Sensitivity Analysis – The Credit Union's quoted equity securities are traded on the Bahamas International Stock Exchange (BISX). If equity prices had been 5% higher/lower, total comprehensive income would have increased/decreased by \$58,267 (2018: \$10,061).

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and arises mainly from interest bearing time and other deposits, loans receivable, debt securities, members' regular deposits and other deposits.

Floating rate instruments expose the Credit Union to cash flow interest rate risk, whereas fixed interest rate instruments expose the Credit Union to fair value interest rate risk. The Credit Union takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments as determined by the League. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken.

The Credit Union does not attempt to hedge specifically against the impact of changes in market interest rates on cash flow and interest margins. Management maintains a general policy of fixing the interest rate spread between interest earned on financial assets and interest incurred on financial liabilities.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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Notes to Financial Statements

December 31, 2019

**26. FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

***Interest rate risk (continued)***

The tables below summarize the Credit Union's exposure to interest rate risks. They include the Credit Union's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	As at December 31, 2019				Total \$
	Within one (1) Year \$	1 to 5 Years \$	Over 5 Years \$	Non-Interest Bearing \$	
<b>Assets:</b>					
Cash and cash equivalents	16,103,267	-	-	2,633,223	18,736,490
Time deposits with banks	17,094,032	-	-	-	17,094,032
Deposits with the League	401,944	-	42,589,648	-	42,991,592
Loans receivable, net	3,854,562	33,450,482	39,786,192	6,584,341	83,675,577
Financial investments	-	8,789,896	16,416,262	2,595,156	27,801,314
Other assets	-	-	-	1,209,084	1,209,084
<b>Total assets</b>	<b>37,453,805</b>	<b>42,240,378</b>	<b>98,792,102</b>	<b>13,021,804</b>	<b>191,508,089</b>
<b>Liabilities:</b>					
Members' regular deposits	67,502,001	-	-	-	67,502,001
Other deposits	56,954,171	71,083,658	-	3,838,736	131,876,565
Other liabilities	-	-	-	3,009,436	3,009,436
<b>Total liabilities</b>	<b>124,456,172</b>	<b>71,083,658</b>	<b>-</b>	<b>6,848,172</b>	<b>202,388,002</b>
<b>Total interest repricing gap</b>	<b>( 87,002,367)</b>	<b>( 28,843,280)</b>	<b>98,792,102</b>	<b>6,173,632</b>	<b>( 10,879,913)</b>
<b>Cumulative gap</b>	<b>( 87,002,367)</b>	<b>(115,845,647)</b>	<b>(17,053,545)</b>	<b>( 10,879,913)</b>	<b>-</b>

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
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Notes to Financial Statements

December 31, 2019

**26. FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

*Interest rate risk (continued)*

	As at December 31, 2018				Total \$
	Within one (1) Year \$	1 to 5 Years \$	Over 5 Years \$	Non-Interest Bearing \$	
<b>Assets:</b>					
Cash and cash equivalents	12,049,505	-	-	149,409	12,198,914
Time deposits with banks	3,500,630	-	-	-	3,500,630
Deposits with the League	397,958	-	41,054,320	-	41,452,278
Loans receivable, net	4,501,953	27,387,043	58,150,072	2,322,019	92,361,087
Financial investments	-	6,324,800	17,018,372	4,737,982	28,081,154
Other assets	-	-	-	1,311,000	1,311,000
<b>Total assets</b>	<b>20,450,046</b>	<b>33,711,843</b>	<b>116,222,764</b>	<b>8,520,410</b>	<b>178,905,063</b>
<b>Liabilities:</b>					
Members' regular deposits	64,179,576	-	-	-	64,179,576
Other deposits	51,750,607	72,426,685	-	2,716,000	126,893,292
Other liabilities	-	-	-	3,760,024	3,760,024
<b>Total liabilities</b>	<b>115,930,183</b>	<b>72,426,685</b>	<b>-</b>	<b>6,476,024</b>	<b>194,832,892</b>
<b>Total interest repricing gap</b>	<b>( 95,480,137)</b>	<b>( 38,714,842)</b>	<b>116,222,764</b>	<b>2,044,386</b>	<b>( 15,927,829)</b>
<b>Cumulative gap</b>	<b>( 95,480,137)</b>	<b>(134,194,979)</b>	<b>17,972,215</b>	<b>(15,927,829)</b>	<b>-</b>

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

### b) *Financial instruments measured at fair value:*

Quoted securities classified as financial assets through OCI are measured by reference to quoted market prices on the Bahamas International Stock Exchange (BISX).

### c) *Fair value hierarchy:*

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level consists of listed equity securities traded on the Bahamas International Stock Exchange (BISX).
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This includes government debt securities and other securities with observable inputs.

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Notes to Financial Statements

December 31, 2019

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

c) *Fair value hierarchy (continued):*

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. The Credit Union has no financial instruments categorized in this level.

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

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial investments</b>				
Financial assets at FVTOCI	1,165,332	2,888,041	-	4,053,373

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial investments</b>				
Financial assets at FVTOCI	633,159	4,074,623	-	4,707,782

**28. LEASE COMMITMENTS**

On December 12, 2017, the Credit Union has agreed and accepted the price quotation made by Terago Networks Inc. (“the Service Provider”) for a colocation package with a target service start date on December 1, 2017 with a contract term of 36 months.

On February 6, 2019, the Credit Union has started to avail the full rack package (42U Cabinet, 2kW redundant Pwr) from the Service Provider for a period of one (1) year.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

## 28. LEASE COMMITMENTS (continued)

In 2019, the Credit Union has adopted the new standard IFRS 16, *Leases* and has accounted the net carrying values of its right of use asset and lease liability as follows:

	2019 \$
<b>Right of use assets (cost)</b>	
At January 1	45,054
Additions during the year	-
At December 31	45,054
<b>Accumulated amortization</b>	
At January 1	-
Amortization during the year	13,766
At December 31	13,766
<b>Net carrying value at December 31</b>	<b>31,288</b>
	<b>2019 \$</b>
<b>Lease liability</b>	
At January 1	45,054
Add: interest expense during the year	1,802
Less: lease payments during the year	(15,049)
At December 31	31,807

The lease liability is included in other liabilities in the Credit Union's statement of financial position.

## 29. EVENTS AFTER THE REPORTING PERIOD

There were no other material events of significance impacting the Credit Union since December 31, 2019 and up to June 29, 2020 that require disclosure in these financial statements.

In June 2019, the Credit Union entered into a sales agreement with the Central Bank of The Bahamas for a sale of a lot located in Frank Watson Boulevard (also known as South Ocean investment property) for a total amount of \$2,000,000. As of June 29, 2020, the conveyance of the investment property is still in process and sale is still for consummation after the zoning inspection and payment of government fees.

The Credit Union hired / appointed new executives to manage its day to day operations, as follows:

<u>Executive Position</u>	<u>Hiring / Appointment date</u>
General Manager	February 3, 2020
Senior Collections Manager	February 10, 2020
Compliance Manager	June 2, 2020
Chief Risk Manager	June 8, 2020

Management believes the newly appointed key executives will be bringing years of management and operational expertise to the Credit Union.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements

December 31, 2019

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## 29. EVENTS AFTER THE REPORTING PERIOD (continued)

On March 11, 2020, World Health Organization made an assessment that the outbreak of the Novel Coronavirus (COVID-19) can be characterized as pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities. The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorization of these financial statements. Nevertheless, these developments may directly or indirectly impact the future financial results, cash flows, and financial position of the Credit Union.

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

The primary purpose of our examination for the year ended December 31, 2019 was to express an opinion on the basic financial statements of Teachers and Salaried Workers Co-operative Credit Union Limited ("the Credit Union") presented on pages 5 through 55, taken as a whole.

The supplementary information for the year ended December 31, 2019 presented on pages 56 through 65 is not considered necessary for a fair presentation of the Credit Union's financial position and the results of its operations and its cash flows in accordance with International Financial Reporting Standards, and is presented for supplementary analysis purposes. Such information has been subjected to the audit procedures applied on the examination of the basic financial statements.

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

**CHARTERED ACCOUNTANTS**

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Nassau, The Bahamas



**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Profit or Loss - Nassau, Head Office  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>INTEREST INCOME</b>		
Loans	6,656,581	7,563,687
Investments	1,945,488	1,568,974
	<u>8,602,069</u>	<u>9,132,661</u>
<b>INTEREST EXPENSE</b>		
Members' regular shares and other deposits	2,833,010	(3,278,868)
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>		
	5,769,059	5,853,793
Provision for loan impairment and expected credit losses	( 246,964)	(1,257,066)
Recoveries of bad debts	153,240	122,905
	<u>5,675,335</u>	<u>4,719,632</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>		
	5,675,335	4,719,632
<b>NON-INTEREST INCOME (LOSS)</b>		
Other income	592,973	505,821
Income (loss) on rental properties	53,278	( 99,226)
	<u>646,251</u>	<u>406,595</u>
Net interest and other income	6,321,586	5,126,227
<b>OPERATING EXPENSES</b>		
Personnel	2,216,268	2,193,994
Computer costs	890,240	587,599
General business	829,613	677,719
Occupancy	821,748	912,979
Members' security	446,940	402,279
Organizational	169,211	193,368
Marketing	105,723	106,245
	<u>5,479,743</u>	<u>5,074,183</u>
<b>PROFIT FOR THE YEAR</b>	<u>841,843</u>	<u>52,044</u>

## TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Statement of Operating Expenses - Nassau, Head Office  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019	2018
	\$	\$
<i><u>Personnel</u></i>		
Salaries	1,719,602	1,684,993
Medical and pension	265,821	292,410
Travel, training and development	93,917	58,008
Staff benefits	59,085	78,842
National insurance	77,843	79,741
	2,216,268	2,193,994
<i><u>Computer costs</u></i>		
Software subscription and maintenance	683,922	377,607
Computer hardware - depreciation	71,497	54,982
Internet	51,813	41,637
Computer software - depreciation	47,472	64,399
Computer stationery and ATM expense	35,536	48,974
	890,240	587,599
<i><u>General business</u></i>		
Professional and legal fees	202,357	108,831
Value Added Tax (VAT)	132,550	122,048
Depreciation - furniture & equipment	130,479	77,103
Equipment maintenance	103,792	123,776
Bank charges	81,019	68,586
Insurance	68,751	68,449
Stationery and supplies	45,016	53,280
Armored car services	22,547	23,667
Other general expense	20,206	9,979
Vehicle expenses	14,823	16,876
Courier and postage	5,086	2,254
Insurance - motor vehicles	2,987	2,870
Depreciation - vehicles	-	-
	829,613	677,719
<i><u>Occupancy</u></i>		
Utilities	264,288	317,033
Depreciation - building and improvements	236,403	181,405
General maintenance	137,934	246,844
Security services	136,329	136,176
Property tax	31,226	31,521
Amortization - right-of-use asset	13,766	-
Interest expense - right-of-use asset	1,802	-
	821,748	912,979
<i><u>Members' security</u></i>		
Loans and savings insurance premium	423,651	391,360
Bond insurance premium	23,289	10,919
	446,940	402,279

(Continued)

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Operating Expenses - Nassau, Head Office  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<i>Organizational</i>		
Board and committee remuneration	62,020	62,520
Annual general meetings and anniversary expenses	40,399	41,328
Stabilization fees	39,978	39,837
Board and committee development and travel	12,397	37,794
Board and committee meetings	5,580	4,990
Insurance - officers liabilities	4,653	4,650
Members' education	4,184	2,249
	169,211	193,368
<i>Marketing</i>		
Advertising and promotions	93,084	83,904
Donations and gifts	11,051	10,479
Marketing	1,588	11,862
	105,723	106,245
	5,479,743	5,074,183

(Concluded)

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Profit or Loss - Freeport Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>INTEREST INCOME</b>		
Loans	2,436,662	2,595,553
Investments	768	732
	<u>2,437,430</u>	<u>2,596,285</u>
<b>INTEREST EXPENSE</b>		
Members' regular shares and other deposits	( 294,082)	( 443,567)
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>	2,143,348	2,152,718
Provision for loan impairment and expected credit losses	( 136,716)	( 712,276)
Recoveries of bad debts	31,542	27,471
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT AND EXPECTED CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>	<u>2,038,174</u>	<u>1,467,913</u>
<b>NON-INTEREST INCOME (LOSS)</b>		
Other income	103,222	82,141
Loss on rental properties	( 43,221)	( 55,655)
	<u>60,001</u>	<u>26,486</u>
Net interest and other income	<u>2,098,175</u>	<u>1,494,399</u>
<b>OPERATING EXPENSES</b>		
Personnel	266,252	276,459
Occupancy	88,460	84,850
General business	61,654	79,752
Computer costs	27,676	24,856
Organizational	14,156	12,893
Marketing	11,743	12,864
Members' security	5,934	6,115
	<u>475,875</u>	<u>497,789</u>
<b>PROFIT FOR THE YEAR</b>	<u>1,622,300</u>	<u>996,610</u>

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Operating Expenses - Freeport Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<u>Personnel</u>		
Salaries	196,280	210,857
Medical and pension	36,508	33,635
Travel, training and development	16,118	11,666
National insurance	10,279	10,728
Other staff benefits	7,067	9,573
	266,252	276,459
<u>Occupancy</u>		
General maintenance	26,484	17,041
Utilities	25,510	41,940
Security services	25,339	16,365
Depreciation - building and improvements	11,127	9,504
	88,460	84,850
<u>General business</u>		
Equipment maintenance	12,882	15,537
Depreciation - furniture and fixtures	11,731	11,780
Value Added Tax (VAT)	11,398	10,036
Professional and legal fees	6,606	3,562
Stationery and supplies	4,614	24,710
Motor vehicles license and maintenance	3,902	3,486
Insurance - general	3,086	2,940
Bank charges	3,080	2,711
Armored car services	1,800	2,275
Courier and postage	1,437	2,083
Insurance - motor vehicle	618	626
Other general expense	500	6
	61,654	79,752
<u>Computer costs</u>		
Internet	8,891	7,322
Computer hardware - depreciation	7,910	6,026
Software subscription and maintenance	5,064	2,386
Computer stationery and ATM expense	4,488	7,070
Computer software - depreciation	1,323	2,052
	27,676	24,856
<u>Organizational</u>		
Stabilization fees	9,009	9,024
Board and committee development and travel	4,588	2,441
Annual general meetings and anniversary expenses	420	180
Members' education	139	970
Board and committee meetings	-	278
	14,156	12,893

(Continued)

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Operating Expenses - Freeport Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<i>Marketing</i>		
Advertising and promotions	10,453	12,689
Donations and gifts	1,240	-
Marketing	50	175
	11,743	12,864
<i>Members' security</i>		
Bond insurance	5,934	6,115
	5,934	6,115
	475,875	497,789

*(Concluded)*

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Profit or Loss - Abaco Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>INTEREST INCOME</b>		
Loans	1,130,962	1,214,537
Investments	720	802
	<u>1,131,682</u>	<u>1,215,339</u>
<b>INTEREST EXPENSE</b>		
Members' regular shares and other deposits	( 131,439)	( 163,389)
<b>NET INTEREST INCOME BEFORE PROVISION FOR LOAN IMPAIRMENT AND EXPECTED LOSSES AND RECOVERIES OF BAD DEBTS</b>	1,000,243	1,051,950
Provision for loan impairment and expected credit losses	( 111,537)	( 210,252)
Recoveries of bad debts	23,013	38,903
	<u>911,719</u>	<u>880,601</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN IMPAIRMENT AND CREDIT LOSSES AND RECOVERIES OF BAD DEBTS</b>	911,719	880,601
<b>NON-INTEREST INCOME (LOSS)</b>		
Other income	51,615	60,579
Loss on rental properties	( 553,093)	( 559,937)
	<u>( 501,478)</u>	<u>( 499,358)</u>
Net interest and other income	410,241	381,243
<b>OPERATING EXPENSES</b>		
Personnel	199,154	210,171
Occupancy	165,792	204,140
General business	149,186	208,679
Computer costs	20,617	20,759
Marketing	11,428	8,464
Organizational	5,102	5,263
Members' security	4,781	4,804
	<u>556,060</u>	<u>662,280</u>
<b>LOSS FOR THE YEAR</b>	<u>( 145,819)</u>	<u>( 281,037)</u>

**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Operating Expenses - Abaco Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	2019 \$	2018 \$
<i><u>Personnel</u></i>		
Salaries	140,048	142,895
Medical and pension	38,845	40,010
Travel, training and development	8,104	12,848
National insurance	7,122	7,534
Staff benefits	5,035	6,884
	<u>199,154</u>	<u>210,171</u>
<i><u>Occupancy</u></i>		
Depreciation - building	87,554	87,443
Utilities	38,925	64,772
Building security	20,506	22,095
Building maintenance	18,807	29,830
	<u>165,792</u>	<u>204,140</u>
<i><u>General business</u></i>		
Depreciation - furniture & fixtures	43,277	64,070
Insurance	42,642	41,814
Bank charges	18,932	21,687
Value Added Tax (VAT)	17,985	16,971
Equipment maintenance	12,639	20,182
Armoured car services	6,095	9,275
Stationery and supplies	2,847	27,067
Vehicle expenses	2,240	2,275
Professional fees	1,582	1,411
Insurance - motor vehicle	766	807
Courier and postage	632	1,505
Depreciation - vehicles	-	1,254
Other general expense	( 451)	361
	<u>149,186</u>	<u>208,679</u>
<i><u>Computer costs</u></i>		
Computer hardware - depreciation	9,500	8,287
Internet	6,160	6,792
Software subscription	3,497	1,651
Computer software - depreciation	1,148	1,615
Computer stationery and ATM expense	312	2,414
	<u>20,617</u>	<u>20,759</u>
<i><u>Marketing</u></i>		
Advertising and promotions	9,431	8,014
Donations and gifts	1,897	350
Marketing	100	100
	<u>11,428</u>	<u>8,464</u>

(Continued)



**TEACHERS AND SALARIED WORKERS CO-OPERATIVE  
CREDIT UNION LIMITED**

Statement of Operating Expenses - Abaco Branch  
(Expressed in Bahamian dollars)

For the year ended December 31, 2019

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Organizational</i>		
Stabilization fees	4,059	3,960
Board and committee travel	700	860
AGM and anniversary expenses	334	261
Board and committee meetings	9	-
Members' education	-	182
	<u>5,102</u>	<u>5,263</u>
<i>Members' security</i>		
Bond insurance	4,781	4,804
	<u>4,781</u>	<u>4,804</u>
	<u>556,060</u>	<u>662,280</u>

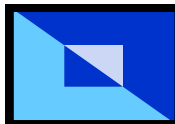
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## BUDGET FOR YEAR 2020 &amp; 2021

	Budget 2020 Combined	Budget 2019 Combined	Actual 2019 Combined	Est. Budget 2021 Combined
<b>1 FINANCIAL REVENUE:</b>				
2 Interest on General Loans	6,550,000	7,225,000	7,233,971	7,436,000
3 Interest on Mortgage Loans	2,336,000	2,712,000	2,377,709	2,653,000
4 Loan Service Fees	643,000	753,000	612,525	730,000
5 Interest on Statutory & Liquidity Reserves	695,000	689,000	604,349	730,000
6 Interest on Govt. & Bridge bonds	852,000	868,000	867,804	845,000
7 Interest on Deposits	452,000	251,000	264,254	330,000
8 Interest on Royal Fidelity Investments	261,000	183,000	210,569	215,000
9 Loan Skip Payment Fees	47,000	83,000	79,040	71,000
10 Late Loan Payment Fees	117,100	124,500	84,960	120,000
11 Dividends	118,000	72,000	117,745	124,000
12 Entrance Fees	(18,500)	183,900	117,125	13,000
13 Share Account Withdrawal Fees	81,500	76,200	103,582	103,000
14 ATM and Credit Card Fees	17,000	48,000	36,475	30,000
15 Service Fees	30,900	35,200	37,950	34,000
16 Rebate on LP/LS Insurance	103,000	82,000	102,683	103,000
17 Account Closing and Other Income	7,000	11,500	68,250	7,000
88 Insurance Settlements	160,000	-	-	-
<b>18 Total Operating Income</b>				
<b>19 OPERATING EXPENSES:</b>				
20 Interest on Regular Deposits	990,000	857,000	857,000	1,015,000
21 Interest on Fixed Deposits	1,925,000	2,271,000	2,401,531	1,734,000
22 Bad Debt Expense	2,148,000	2,050,000	287,422	1,702,000
23 Salaries and Overtime	2,205,000	2,169,300	2,055,930	2,260,000
24 N.I.B., Medical and Pension	459,000	505,000	436,418	470,000
25 Staff Benefits, Uniforms and Meetings	84,000	78,000	71,187	85,000
26 Staff Training and Conferences	103,000	87,500	86,375	136,000
27 Staff Travel	32,000	27,500	31,764	33,000
28 Depreciation - Furn. and Equip.	155,000	245,000	185,486	223,000
29 General and Automobile Insurance	131,000	123,400	118,850	150,000
30 Legal, Audit and Professional fees	143,000	148,100	210,545	172,000
31 VAT Expense	178,000	175,000	161,933	187,000
32 Equipment Maintenance	137,000	151,700	129,313	140,000
33 Office Supplies	57,000	65,800	52,477	59,000
34 Armoured car services	31,000	36,300	30,442	33,000
36 Automobile maintenance and gas	21,000	29,000	20,965	20,000
37 Bank and investment charges	113,000	104,700	102,992	117,000
38 Courier and postage fees	7,300	6,500	7,155	8,000
39 Collector's Fees and Teller's Allowances	171,000	25,000	20,291	24,000
40 LP/LS Insurance	424,000	411,000	423,651	435,000
41 Bond Insurance	35,000	33,000	34,004	37,000
42 Utilities	252,000	389,000	328,723	258,000
43 Depreciation - Buildings	359,000	397,100	335,084	436,000
44 Building Maintenance	282,000	216,000	183,225	179,000
	10,442,300	10,601,900	8,572,765	9,913,000

**BALANCE CARRIED FORWARD**

<b>BUDGET FOR YEAR 2020 &amp; 2021</b>				
	<b>Budget 2019 Combined</b>	<b>Budget 2019 Combined</b>	<b>Actual 2019 Combined</b>	<b>Est. Budget 2021 Combined</b>
	10,442,300	10,601,900	8,572,765	9,913,000
45 <b>Balance brought forward</b>	-	-	-	-
46 Building Security	183,000	181,500	182,174	187,000
47 Property Tax	24,000	32,000	31,226	32,000
48 Office Rent (Toronto)	21,000	16,500	15,049	22,000
49 Board - Travel	1,000	5,000	2,190	1,000
50 Board - International Conferences	-	30,000	1,295	15,000
51 Board - Training and Local Conferences	2,000	1,000	-	2,000
52 Board - Out-of-pocket expenses	35,000	44,600	44,520	44,500
53 Board and Committee Meetings	2,500	7,500	5,589	2,500
54 Supervisory Committee - Travel	5,000	2,500	3,781	6,000
55 Supervisory Committee - Training and Conferences	2,000	4,800	5,409	7,000
56 Supervisory Committee - Out-of-pocket expenses	7,000	9,000	8,500	9,000
57 Credit Committee - Training and Conferences	-	3,800	4,210	5,000
58 Credit Committee - Out-of-pocket expenses	6,000	9,000	9,000	9,000
59 Education Committee - Training and Conferences	-	3,800	800	3,000
60 AGM	10,000	40,000	36,797	38,000
61 Anniversary Activities	7,000	5,000	4,356	7,000
62 Stabilization fees	54,000	53,100	53,046	55,000
63 Directors and officers insurance	4,000	4,700	4,653	5,000
64 Membership - Training and education	6,000	6,000	3,271	6,000
65 Depreciation - Computer software	235,000	395,000	49,943	506,000
66 Maintenance - Computer systems	15,000	58,900	60,672	16,000
67 Software - System maintenance	180,000	233,100	206,519	184,000
68 Software - System security	125,000	166,300	123,933	129,000
69 Software - General applications	260,000	207,900	235,606	264,000
70 Software - Department applications	80,000	78,700	65,753	82,000
71 Computer supplies	36,000	62,000	40,336	38,000
72 Depreciation - Computer hardware	85,000	95,000	88,907	90,000
73 Internet	185,000	71,000	66,864	190,000
74 Advertising and promotion	99,000	148,500	112,968	103,000
75 Marketing and Membership Drive	20,000	18,500	2,790	21,000
76 Donations	10,000	10,000	13,506	11,000
77 Contributions to Junior Co-operatives	7,500	7,500	681	9,000
78 <b>Total Operating Expenses</b>	12,149,300	12,614,100	10,057,111	12,012,000
79 <b>FINANCIAL NET INCOME/(LOSS)</b>	<b>302,700</b>	<b>783,200</b>	<b>2,861,879</b>	<b>1,532,000</b>
<b>INVESTMENT PROPERTY</b>				
80 Rental Income and CAM charges	891,000	1,014,000	1,019,185	1,045,000
87 Insurance Settlements	985,000	-	-	-
<b>PROPERTY EXPENSES</b>				
81 Dep. Investment properties	741,000	706,000	695,027	711,000
82 Investment property expenses	1,281,000	970,000	867,194	828,000
83 <b>Total PROPERTY Expenses</b>	2,022,000	1,676,000	1,562,221	1,539,000
84 <b>NET INCOME/(LOSS) PROPERTY</b>	<b>(146,000)</b>	<b>(662,000)</b>	<b>(543,036)</b>	<b>(494,000)</b>
<b>NET INCOME/(LOSS)</b>	<b>156,700</b>	<b>121,200</b>	<b>2,318,843</b>	<b>1,038,000</b>
85 <b>(Increase)/Decrease in valuation reserve</b>	-	-	(420,665)	
86 <b>TOTAL COMPREHENSIVE INCOME</b>	<b>156,700</b>	<b>121,200</b>	<b>2,739,508</b>	<b>1,038,000</b>



## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee has oversight responsibility for monitoring the business affairs of the Credit Union. In that capacity, the Supervisory Committee provides an objective, supervisory function, ensuring that the Teachers and Salaried Workers Cooperative Credit Union Limited operates within established policies and procedures of the institution and in compliance with the Bahamas Co-operative Credit Unions Act 2015. Additionally, the committee seeks to ensure business practices are uniformed across the various branches, ethical and appropriate for the benefit of the members. We meet with and work closely with the Internal Audit and Compliance departments and report our findings and recommendations to Management and the Board of Directors for their necessary action, having completed our work independently from the Board of Directors. This report to the Annual General Meeting is a summary report.

The Supervisory Committee consists of three Members of the Credit Union who are elected on a rotational basis at the Annual General Meeting. In July 2019, a long serving member of the Committee tendered his resignation which then left a vacancy on the Supervisory Committee. This Supervisory Committee thanks Mr. Elbert Thompson for his service to the Teachers and Salaried Workers Co-operative Credit Union and its members.

In October 2019, after carrying out due diligence, the vacant position was temporarily filled by Mr. Shavado Gibson who previously served with distinction for a number of years on the Education Committee.

In addition to our regular meetings, during the past year the Committee interviewed management and staff, reviewed and inspected operations in Nassau and Grand Bahama and met with the Board of Directors on a several occasions. This Committee took a tour of the Abaco Branch following the devastation that was unleashed by Hurricane Dorian on the Abaco and Grand Bahama Branches. We are confident that with time we will see full restoration and function to all that was lost.

The main areas noted:

### 1. Risk Assessment and Management

In our Report last year, we advised that Management has met the regulators mandate to mitigate, manage, and assess risk at every level of the TSWCCUL and while a number of outstanding items remained, the Credit Union has since embarked upon an aggressive plan to train its Board, Committee Members, Management and staff in this very critical area of enterprise risk management. To date, the Risk Register is actively being populated as the Risk Universe taking true shape in our Credit Union. We are very pleased with the strides made and look forward to the full operation of the Risk Assessment and Management framework being put in place.

Additionally, because of the requirement of the Central Bank of The Bahamas to move to a more objective risk rating platform, the Credit Union undertook to have subject matter experts engaged to drive this initiative. This is a work in progress but the Supervisory Committee is pleased with the direction taken by the Credit Union and how it has now shifted its focus to become compliant in this regard.

### 2. Investment Properties

Since the resignation of the former Property Manager, to ensure no ground slippage with work that had already begun to get renters for the various properties, the Credit Union quickly engaged a new Property Manager who has taken flight to meet the challenges that currently exist.

With the significant damage sustained to the Abaco Property, a decision was taken to relocate our Abaco team members from that Branch to both Grand Bahama and Nassau locations. Recognizing that there would be some fall off in revenue collection from lease contracts for properties in Abaco and Grand Bahama due to the damages sustained from Hurricane Dorian. This Committee was pleased with the humanitarian gesture afforded to renters in the Abaco Complex in the form of a rent waiver. With our Grand Bahama Complex sustaining very little damage during the passage of Dorian, requisite repairs to the complex were immediately addressed and the Branch, since, Hurricane Dorian, has seen a steady climb upward in the collection of rent as Grand Bahamians are slowly bouncing back to some degree of normalcy. Overall, the Credit Un-

ion has taken an aggressive stance to pursue legal action against tenants who refuse to pay outstanding arrears across the Investment Portfolio.

We still wish to point out that divesting of the lease properties portfolio remains high on the agenda and major strides to sell such properties continue and some success in this area has already been realized.

### **3. Delinquency**

The delinquency rate is still a major weakness in the operations of the Credit Union and stands just over three times the Pearls Ratio Standard of 5%. Increased efforts must be made to reduce the delinquency rate. We trust that greater measures be put in place to increase the profitability of the credit union. Aggressive efforts by the Credit Union to have greater oversight of this area are underway with plans to identify a Delinquency Manager in a concerted effort to bring a strategic, quantifiable change in our portfolio as it relates to delinquency.

### **4. Loans**

Loans are our business. This most important vehicle keeps our ship afloat and our profitability as a Credit Union in the positive range, this also ensures our sustainability, no matter the financial climate we find ourselves in. We wish to stress the importance of exploring new and innovative ways to generate revenue through the loans portfolio and applaud the Credit Union for its initiatives this past year in the form of:

- a. Targeting new members that have the capacity to borrow with a reliance on increased technology.
- b. "Three for One" Loan Specials
- c. Home and Car Show in concert with the Credit League
- d. Skip Payment campaign
- e. The Supervisory Committee urges that interest rates must be reviewed and lowered to give our members the privilege of owning their own financial institute, while competing for a sizable part of the consumer, mortgage and investment pies.

### **5. Compliance with the Credit Union Act and Central Bank guidelines:**

- a. Liquidity and Statutory Reserves balance with the Bahamas Cooperative League are compliant.
- b. Statutory Reserves requirement based on equity shares is not compliant with the Act, but the Central Bank is satisfied the Credit Union is making progress in bringing its reserves compliant over the next few years. The marketing of the need to bring those reserves up to par is what we hope to see as an ongoing theme until fully compliant.

### **6. Internal Audit and Compliance Matters**

We reported last year that the Data Center project exceeded the approved budget and are pleased to advise that a full Audit was carried out and presented to the Board and management highlighting areas of grave deficiencies and included much needed recommendations to ensure the Credit Union establishes the right protocols, controls and policies to prevent any recurrence of this type of event and certainly not to this magnitude.

With the support of the Internal Audit and Compliance Departments, which underwent restructuring in May, 2019, the Supervisory Committee is satisfied that the Credit Union will now benefit from utilizing an even stronger mechanism in place to ensure proper due diligence and policing are carried out across its operations. The Supervisory Committee will continue to monitor these mechanisms and make necessary recommendations to ensure that these vital areas are kept on the cutting edge mainly in industry and efficiency standards.

### **7. Staffing and Human Resources**

#### **a. Staffing:**

In 2019 we noted a significant spike in in the number of resignations from the Credit Union both at the management and supervisory levels. The level of turnover was startling with some twelve persons having tendered resignations. The twelve resignations came to affect the Credit Union this way:

- Four out of the Twelve or Thirty-Three percent (33%) of the resignations were from Management positions

- Eight out of the Twelve or Sixty-Seven percent (67%) of the resignations were from non- Management positions
- Main Branch saw Nine out of Twelve or Seventy-Five percent (75%) of resignations for the year
- Abaco Branch saw Two out of Twelve or Seventeen percent (17%) of resignations for the year
- Grand Bahama saw One out of Twelve or Eight percent (8%) of resignations for the year

We are pleased to note that half or Fifty Percent (50%) or those vacancies were filled during the same year.

It is imperative that the Credit Union carry out measures to build a strong and committed team of leaders as well as staff and provide the internal structure that drives staff retention and promote harmony among team members.

- b Training: To ensure that our members receive the highest level of service, our management and staff must be exposed to and participate in training as a continuous business activity to improve our overall performance. While strides have been made in this regard we encourage continued efforts in this vein. Further, we encourage the establishment of visible measurements to assess the return on investment for all training offered.

Central Bank guidelines require that the Supervisory Committee possess a strong technical knowledge for our oversight responsibilities. We are pleased to advise that our Committee brings with it experience and sound technical training. Some training undertaken by the Supervisory Committee in 2019 included:

- Information Sharing on the Bahamas Credit Bureau
- CUES Training - Strategic Thinking; Customer Centricity; and Board Governance

We do look forward to additional training in 2020

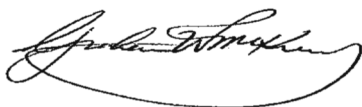
## CONCLUSION

We commend the Board of Directors, Management and Staff for their due diligence in ensuring that our credit union continues to see steady growth. We note the many losses that our members sustained either directly or indirectly from, during and as a result of Hurricane Dorian. Remember your Credit Union is here and your Credit Union Cares. We further encourage the Board of Directors, Management and Staff to make every effort to continue to bring down our delinquency thereby increasing our profitability.

The overall success of this organization depends on us; every member-owner; every staff member-owner; every committee member-owner; so let us play our roles effectively and realize new growth and surpass our expectations as we move forward together helping one another. We further encourage you to participate in every opportunity your credit union provides to educate, serve and preserve you.

**Your Supervisory Committee,**

Committed to serve you!



**Graham McKinney - Chairman**



**Renee Mayers - Secretary**

**Shavado Gibson - Member**



## CREDIT COMMITTEE REPORT

The credit Committee was severely challenged during 2019 with ensuring that only quality loans were granted by TSWCCU, particularly mortgages and large consolidation loans. These challenges were compounded following the onslaught of Hurricane Dorian in September, 2019 which inflicted catastrophic damage to our Marsh Harbour Office. This office is closed. Our Freeport office withstood hurricane Dorian very well and was able to resume operation within a short period thereafter.

The Credit Committee members are:

Chairman-- Ernest J. Bowe

Secretary- Bernadette Davis Smith

Patrick Smith -- (Resigned January 8, 2020)

(Board Appointment)-- Sharon Rahming

(Board Appointment)-- Theresa Deleveaux

In accordance with Section 78 of The Bahamas Co-operative Credit Union Act, 2015, the committee:

- Met every month;
- Kept minutes of its meetings;
- Submitted monthly reports to the Board of Directors;
- Submitted an Annual Report to the Annual General Meeting

### Consumer Loans

The Loans Department approved a total of 1417 Consumer Loans totaling \$8,722,539.18 during the year 2019. The Committee selected approximately 600 of these to review. The selection was conducted by random sample. These consumer loans were already disbursed and the CC held its review on-screen via the COP System to identify and document any adverse findings.

### Consumer Loans Approved by CC

The Credit Committee approved four (4) Consumer loans totaling \$46,479.68. These loan requests were mainly for medical, home improvement, various personal expenses, debt consolidations, travel and educational purposes. The lending ceiling on consumer loans is \$100,000 which is protected by insurance with The Bahamas Co-operative League limited.

### Mortgage

Twelve (12) Mortgage Loans totaling \$1,716,259.79 were reviewed and approved by the Credit Committee. These loans were mainly for real estates, home renovations, payments of home insurance and new home construction.

**Mortgage Loans Declined**

There were six (6) of these totaling \$1,027,706.29.

**Mortgage Loans Deferred**

There were four (4) in this category totaling \$725,000.00

**Declined/Deferred Loans Reasons**

Loans were declined based upon the inability of members to repay, high loan exposures and debt service ratios, net pay below the required 25%, insufficient collateral, and the restriction period still in effect. Deferred loans mainly required supporting documentation, legal advices, and verification of information unavailable during the review process. Other reasons for declined *I* deferred loans are: applicant unemployed, need to have satisfactory confirmation on the check off (i.e. stability of company/employer) and lack of stable income (business closed).

**CONCLUSION**

The Committee wishes to thank you, the shareholders for the opportunity to serve you during 2019 and it is our hope that you will continue to place your confidence in us as we work together to make TSWCCUL the number one Financial Institution within The Bahamas. Special thanks to Management and Staff and in particular the loans, Mortgage, and Collection Departments for their valuable assistance and guidance throughout 2019 and to date.

As we move further into our relationship with our Regulator (The Central Bank of The Bahamas), we pledge to do all within our power to comply with the Regulatory requirements and to continue to discharge our duties with honesty, integrity and transparency. It is worth noting that Risk Ratings on loans are being dealt with on monthly basis as of September, 2019.

May Almighty God continue to bless our Credit Union and you the members and all stakeholders of TSWCCUL and may God bless the Commonwealth of The Bahamas.

Thank you



Ernest J. Bowe

Chairman







## EDUCATION COMMITTEE REPORT

Prepared by: Ms. Barbara Bowe, Chairperson  
Period: January 2019-December 2019

### EDUCATION COMMITTEE MEMBERS:

Ms. Barbara Bowe-Chairperson  
Mr. Terrence King-Vice Chairperson  
Mrs. Marcia Munnings-Secretary  
Mrs. Doreth Campbell-Chaplain

### EDUCATION COMMITTEE BOARD LIAISONS:

Mrs. Edna Ginton- Board Member

### STAFF LIAISON:

Mrs. Yvonne Rahming-Marketing Manager  
Ms. Azariah Griffin-Marketing Department  
Mrs. Rhonda Arthur-Marketing Department



With the adage, “**People Helping People to Help Themselves,**” in mind, we offer the following record of our efforts.

As volunteers, members of The Education Committee are appointed by, and serve at the pleasure of the Board of Directors. We are mandated to contribute to the education, training, growth, and development of our credit union members.

After the AGM held May 18, **Mrs. Edna Ginton**, became our newly appointed Board Liaison member. Our heartfelt gratitude and appreciation is extended to our committed and supportive Board Liaisons **Mr. Henry Campbell** and **Mrs. Italia Seymour**. Your contributions are recorded and can *never* be erased! Further, our dedicated assistant secretary, **Mrs. Edith Rolle**, resigned on the 23<sup>rd</sup> January, 2019 for personal reasons. Additionally, on October 24<sup>th</sup> **Mr. Shavado Gibson**, committee member, resigned as he was asked to serve on the Supervisory Committee.

The Education Committee held five meetings in the year 2019. Meetings were held in January, February, October, and two in November. In each meeting, we used the time to plan times and organize programs for informational sessions. Further, we used feedback and suggestions to assist us in carrying out our mandate more efficiently.

Within the calendar year, we hosted a total of two (2) informational sessions. The first was held on Thursday 28<sup>th</sup> February, with the theme, “**The Importance of Insurance.**” This particular session was held at the Bahamas Co-operative League Insurance Brokerage Ltd. building. Our presenters inclusive of **Mrs. Sherry Stevenson**, Insurance Manager, shared details of the *General, Burial Society*, as well as *Medical Insurance* plans.

Our second informational session, “**Budgeting**” was held Thursday 5<sup>th</sup> December, 2019. The presenters for this **EXCITING** session were **Mr. Gowon Bowe**, CFO Fidelity Group and **Mrs. Edna Ginton**, TSWCCUL Board Member-Assistant Treasurer and Education Committee Board Liaison. The second informational session was held at the Teachers and Salaried Workers Co-Operative Credit Union Limited Headquarters on Independence Drive. We were pleased with exceptional turnout of our members.

Our Marketing Manager, Mrs. Yvonne Rahming, and her hardworking team continue to be the wind beneath our wings. The most recent team included Ms. Azariah Griffin and Mrs. Rhonda Arthur. These women provided support and assisted with planning informational sessions.

We were grateful for the opportunity to organize and host information sessions on topics and issues our members deemed relevant. Our only hope is that more people get involved and attend the sessions when they are advertised and held in the future.

On Monday 29<sup>th</sup> July, 2019 three members of the Education Committee attended the World Credit Union Conference (WOCCU) meeting at the Atlantis Resort. Education Committee members: **Shavado Gibson, Doreth Campbell, and Barbara Bowe** attended sessions on “**Block Chain and Bitcoin Technology**” and “**Developing Strategies for Caribbean Market Trends**.” In addition, we joined our Board Liaison, **Mrs. Edna Ginton** at the “**World Council Annual General Meeting**.” We were privileged to celebrate with new member nations, **Croatia, Ukraine, and India**. Thanks for the opportunity to mingle with our brothers and sisters from around the world within the credit union network.

Thanks to our Board of Directors, Marketing Department, and the entire Staff for assisting us as we executed our duties. Your time and talent greatly assisted the efforts of the Education Committee.

My prayer is for us to empower ourselves in these uncertain, unprecedented times and in the end truly become, “People helping people to help ourselves.”

Submitted by,



Barbara L. Bowe

**Chairperson**

**Education Committee**

**TSWCCU Ltd.**



# 2020 RESOLUTIONS

## RESOLUTION 1

**WHEREAS** the audited accounts for 2019 indicate that there are sufficient funds to provide a cash dividend to shareholders of the Teachers and Salaried Workers Co-operative Credit Union Limited, and

**WHEREAS** the Directors have determined that after the payment of such dividend the Company will be able to meet all of its continuing obligations and provide adequate funds for reinvestment in the business;

**BE IT RESOLVED** that this Annual General Meeting approves payment of One and a Quarter Percent (1.25%) Interest on Regular Share (RS) Deposits; One and a Quarter Percent (1.25%) Interest on Mortgage Security (MG); Three Quarter Percent (0.75%) Interest on Dividend Reinvestments; Three Quarter Percent (0.75%) Interest on Retirement Accounts; Three Quarter Percent (0.75%) Vacation & Christmas Club (VC/C2); One Half Percent (0.50%) Interest on Deposit Accounts (D1); One Half Percent (0.50%) Interest on Share (Savings) Deposit (SD); One Half Percent (0.50%) Interest on Bill Paying Accounts.

## RESOLUTION 2

### APPOINTMENT OF AUDITORS

**BE IT RESOLVED** that the Board of Directors be responsible for the appointment of Auditors for the year ending December 31, 2020.

## RESOLUTION 3

### REMUNERATIONS

**CONSIDERING** the new Bahamas Co-Operative Credit Union Act, of 2015 came into effect in June of 2015. The Act for the first time provides for the remuneration of directors and committee members in connection with their duties as directors or a committee member of a cooperative credit union. Remunerations for the purpose of the Act, includes any honorarium, stipend or payment in cash or in kind, however designated.

**WHEREAS**, Section 58 of the Act provides that, for directors and members of a committees to be paid any remunerations, the amount must be fixed (agreed) and ratified by resolution each year at the annual general meeting.

**BE IT RESOLVED**, and **RATIFIED** that remunerations to Directors and Committee Members be fixed and ratified as follows:-

#### Part (i): DIRECTORS

(a) That the remuneration (stipend) for Directors be fixed and ratified at Five Hundred, and Thirty dollars (\$530.00) per month each, in arrears, until the next annual general meeting in 2021.

#### Part (ii): SUPERVISORY AND CREDIT COMMITTEE MEMBERS

(a) That the remuneration for Supervisory Committee and Credit Committee members be fixed and ratified at Two Hundred and Fifty dollars (\$250.00) each per month, in arrears until the next annual general meeting in 2021.

## NOMINATION & ELECTION GUIDELINES

The Nominations Committee shall consist of two (2) elected persons and three (3) directors, none of whom should be up for election.

The function of the Nomination Committee is to ensure that those persons putting their names forward for nomination to the Board, Supervisory Committee, Credit Committee or Nomination Committee are persons who have the requisite education, skill sets and have attended educational sessions put on by the Education Committee over the years.

The Nomination Committee is to meet the week following the close of nominations to scrutinize all applications for nomination.

The practice adopted by the Nomination Committee with respect to retiring Board or Committee Members, is to automatically recommend those persons to the Annual General Meeting.

The Nomination Committee's role is to ensure the “*audi alteram partem rule*” is enforced, which means to ensure that fairness prevails and that there is transparency. If there is a concern about an application, rather than not considering it, the applicant should be interviewed.

Nomination should be put forth for only one position. If a nominee is currently the holder of an unexpired lesser position, then he/she must resign said position to be considered for the higher position.

All applicants are required to have current Credit Union experience, training and attended Co- operative Credit Union educational workshops (Ratified by the 40TH Annual General Meeting minutes 20/5/17). Nominees must have at-least attended the last Annual General Meeting.

All nominees are to be written to in advance of the date of the Annual General Meeting informing them of the success or rejection of their application

### BYE-LAWS:

#### XIII ELECTIONS

- 45 (1) The following procedures shall apply to the conduct of elections in keeping with section 48 (2), (3)(b) and 49 of the Act and its regulations.
- a) At each annual general meeting the membership shall appoint a nomination committee;
  - b) The nomination committee shall nominate at the Annual General Meeting at least one member for each vacancy for which elections are to be held;
  - c) After the nomination committee’s candidates have been placed before the members, the chairman shall outline the fit and proper requirements as outlined in the Act to the membership and then ask for any nominations from the floor;
  - d) Each nominee introduced, either by the nominating committee or from the floor shall indicate his acceptance;
  - e) Where the number of nominees does not exceed the number of persons to be elected, the Chairman shall declare all the nominees elected;
  - f) If there is a need for elections, it shall be by ballot and shall be determined by a majority vote except where there is no contest;
- (2) No member may be elected to the Board, the Credit committee, the Supervisory committee unless he or she has satisfied the fit and proper requirements as set in the Regulations.

# TEACHERS AND SALARIED WORKERS CO-OPERATIVE CREDIT UNION LIMITED



## HEAD OFFICE BUILDING NASSAU

East Street & Independence Drive | P. O. Box N-8325 | Telephone: (242) 502-9200 | Fax: (242) 356-9691



## ABACO BRANCH OFFICE COMPLEX

Central Pines | P. O. Box AB-20187 | Marsh Harbour | Telephone: (242) 367-3613 | Fax: (242) 367-3612



## FREEPORT BRANCH OFFICE COMPLEX

West Atlantic Drive | P. O. Box F-42632 | Grand Bahama | Telephone: (242) 351-6185/89 | Fax: (242) 351-5036