



FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

WE PROFIT FOR YOU NOT FROM YOU

# **We Care. We Share. Join Us.**

## **FNDECCU Annual Report**

# **2013**



# VISION AND MISSION STATEMENTS

## **VISION STATEMENT**

Enhancing people's lives  
as the first choice in  
business and financial services.

## **MISSION STATEMENT**

Building financially strong communities by  
safeguarding members' investment and  
exceeding expectations through  
professional, convenient and courteous service.

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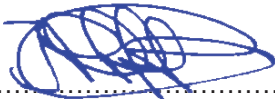
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## NOTICE OF 5<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the fifth (5th) Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited will be held at **Bird Rock Beach Hotel on Thursday July 3, 2014 at 5:00pm** to conduct the following business:

1. To confirm minutes of the 4<sup>th</sup> Annual General Meeting held on Wednesday August 21, 2013.
2. To consider matters arising from the minutes of the 4<sup>th</sup> Annual General Meeting.
3. To receive and approve the reports of the Board of Directors, Treasurer, Credit Committee and Supervisory Committee for the year ended December 31, 2013.
4. To consider and approve the Auditors' Report and Financial Statements for the Year ended December 31, 2013.
5. To Declare Dividends for the year ended December 31, 2013.
6. To elect officers to the Board of Directors, Credit Committee and Supervisory Committee.
7. To set maximum borrowing limit for the ensuing year.
8. To appoint Auditors for the ensuing Year.
9. To transact any other general business of the Society.

**By Order of the Board of Directors:**



.....  
**Trevor Phipps (Mr.)**  
**SECRETARY**  
**June 17, 2013.**

**NOTE: Transportation** will be provided for members to attend the meeting from Baker's Corner and Shoreline Plaza Bus Stations from 4:15 p.m. and at the Bus Stop on Wellington Road from 4:15. **Light refreshment** will be served at the end of the meeting.

# AGENDA

**THEME:** “We Care. We Share. Join US.”

**REGISTRATION** - (5:00 p.m. to 5.30p.m.)

**OPENING SESSION** - (5:30 to 6:00)

1. Call to order
2. National Anthem
3. Invocation
4. President’s Remarks.
5. Introduction of Featured speaker
6. Feature Address
7. Adjournment

## **BUSINESS SESSION**

8. Call to order.
9. Ascertainment of a Quorum and Apologies for Absence
10. Confirmation of Minutes of the 4th Annual General Meeting
11. Matters Arising from the minutes of the 4th Annual General meeting
12. Reports and Adoptions:
  - (a) Board of Directors
  - (b) Supervisory Committee
  - (c) Credit Committee
  - (d) Treasurer
  - (e) Auditors
13. Declaration of dividends
14. Setting of Maximum Liability
15. Appointment of Auditors
16. Elections of Officers
17. Any Other Business
18. Vote of Thanks
19. Adjournment

## CREDIT UNION PRAYER

Lord, make me an instrument of thy peace

Where there is hatred, let me sow love;

Where there is injury, pardon;

Where there is doubt, faith;

Where there is despair, hope;

Where there is darkness, light; and

Where there is sadness, joy.

O divine Master, grant that I may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving, that we receive

For its is in pardoning that we are pardoned;

And it is in dying that we are born to eternal life.

Bless O Lord our deliberations, and grant that

Whatever we may say and do, will have thy

Blessing and guidance

Through Jesus Christ Our Lord,

AMEN

# STANDING ORDERS

1. A member must stand when addressing the Chairperson.
2. Speeches are to be clear and relevant to the subject before the meeting.
3. A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take his seat.
4. No member shall address the meeting except through the Chairperson.
5. A member may not speak twice on the same subject except:
  - (a) The mover of a motion, who has a right to reply
  - (b) He rises to object or explain (with the permission of the Chair)
  - (c) The mover of a procedural motion (adjournment, lay on the table, motion to postpone) has no right to reply.
6. No speeches are to be made after the “Question” period has been put and carried or negated.
7. A member rising on a “Point of Order” must state the point clearly and concisely. (A “Point of order” must have relevance to the “Standing Order”).
8. A member should not “Call” another member “To Order” but may draw attention of the Chair to a “Breach of Order”.
9. In no event shall a member call the Chair to order.
10. A “Question” should not be put to the vote if a member desires to speak on it or to move an amendment to it – except that a procedural motion, the “Previous Question”, “Proceed to Next Business,” or the Closure: “That the Question be Now Put” may be moved at any time.
11. Only one amendment should be before the meeting at one or the same time.
12. When a motion is withdrawn any amendment to it fails.
13. The Chairperson has the right to a “Casting Vote”.
14. If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.
15. Provision is to be made for protection of the Chairperson from vilification (personal abuse).
16. No member shall impute improper motives against another member.

# MINUTES OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

MINUTES OF THE Fourth ( 4th ) ANNUAL GENERAL MEETING HELD AT THE OCEAN TERRACE INN CONFERENCE ROOM, FORTLANDS, BASSETERRE ON WEDNESDAY, AUGUST 23, 2013

## OPENING SESSION

The Fourth Annual General Meeting was called to order at 5.40pm by the Chairman of the Opening Ceremony, Board Director Trevor Cornelius. The Opening Session commenced with the playing of the National Anthem by young brothers Messrs Z'Quan and T'Quan McDowell , followed by the invocation by Marvan Simpson and the reciting of the Credit Union prayer by the membership. Chairman Cornelius then welcomed the specially invited guests then all the members of the FND Credit Union present. Immediately following, he invited the President Dwight Warde to make his opening remarks.

### President's Opening Remarks:

President Warde also welcomed all the members for attending the meeting and specially thanked the members for their confidence in management and staff to help drive the Credit Union. He ensured the membership that the Board and Management is committed to providing more courteous and professional service to all the members. He pledged continued focus on people first as the institution continues to grow. He then informed the meeting that the keynote speaker for the afternoon, Mr. Andre Goindoo, Managing Director of CUNA Mutual in Trinidad did not make it to St. Kitts due to airline problems. However, he informed the meeting that Mrs. Lyn Bass , Operations Manager of the FNDECCU would be making a short presentation on the Family Indemnity Plan (FIP) , one of the products that Mr. Goindoo would have presented.

### Operations Manager Presentation:

Mrs. Bass first gave a brief background of CUNA Mutual in the Caribbean. She explained that CUNA Caribbean Insurance Society Limited was a wholly owned subsidiary of CUNA Mutual Group. Three products offered to members of the Caribbean Credit Union Movement were (1). Family Indemnity Plan, (2) Loan Protection and (3) life Savings . All three products were explained to the gathering. However, Mrs. Bass informed the members that the FNDECCU had a soft launch on the FIP and Mr. Goindoo presentation was expected to be the official launch of the product. However, details about the FIP was presented to members and they were encouraged to apply for the product.

## THE BUSINESS SESSION

The Business Session was called to order by President Warde at 6.05pm.

The quorum was ascertained by the Registrar of Credit Unions.

Apologies were made on behalf of Messrs. Auckland Hector, Diana Bowrin and Peter Jenkins .

### Confirmation of the minutes

The minutes were read by the General Manager in the absence of the Secretary.

There was no amendment to the minutes .

A motion to accept the minutes as presented was moved by Mr. Randolph Taylor and seconded by Mr. Carlson Nisbett.

No matters arose from the third (3rd) Annual General Meeting minutes.

### Board of Directors Report

President Warde presented the report from the Annual Report booklet. He commented on the depression within the economy and read part of the opinion and review of the economy by ECCB Governor. However, he stated that he was confident that the credit union will survive the economic turmoil bearing in mind that the three year business strategic plan, which began in 2012 and was completed in 2013 will be implemented. He then listed some strategies that was included in the plan. He explained that emphasis was placed on building youth accounts during the year and also encouraged the members to use the chequing Account, the newest product offer by FNDECCU. The President mentioned that the financial performance was below expectation. He noted that total assets had decreased as a result of the bad debt expense of \$184,500 causing the Credit Union to incur a loss of \$116,877. Notwithstanding, the Credit Union overall membership grew by 390 persons and its value by \$114,500.00. Deposits also increased by \$450,979 despite the depressed economy. Delinquency continued to be a major challenge affecting the growth of the credit union. Staff provided assistance to members who lost their jobs. However, other members used the excuse of the depressed economy to shirk their responsibilities. Legal action was taken in those cases where willful delinquency came to light. Strategies to ensure members adhered to their obligations and commitments are being used, as

# MINUTES OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

done in previous years. Mr. Warde stated that the Board employed consultants to undertake assignments with a view to improving efficiency within the Credit Union. An Operational review and the production of a Risk Management Module were two of such assignments. The President ended his presentation by thanking the members, staff and stakeholders for their support.

There were no amendments to the Board of Directors' Report and no matters arising from it.

The Board of Directors Report was approved on a motion moved by Mr. Samuel Lawrence and seconded by Mr. Carlson Nisbett.

## **Auditor's Report**

The Auditor's Report was presented by Mr. Earl Jeffers of Simmonds and Associates. A motion to adopt the Auditor's Report was moved by Shaun Lawrence and seconded by Javenel Caines then approved by the membership.

## **Treasurer's Report for year ending December 31st 2012**

### **Balance Sheet items:**

The report was presented by Treasurer, Gary Moving. He stated that there was growth in personal loans but the business loans continued to be sluggish. He was also concerned that members are not seeking loans for new innovation ideas but rather for already crowded and competitive industries. He mentioned that the Parking facilities were improved and new computers were purchased. New cash savings accounts were opened, which will generate better interest on un-lent monies. He pointed out that assets decreased by \$261,000 which was attributed to wear and tear on fixed assets and charges to bad debts provision. He stated that Liabilities also showed a small decline due to the repayments on the Development Bank, Social Security and ICDF loans. He noted that although Share Capital grew by 22.5% during the year the equity had decreased albeit a miniscule decrease of 0.3%.

### **Income Statement:**

Income decreased by 4% mainly due to decreases in loan Interest Income by over \$100,000.00 and loan fees and charges by over \$19,000.00. This contributed to the net loss of \$116,877.00 during the year. The Treasurer

highlighted the following: Payroll expense increased by \$42,000; motor Vehicle expense increased by \$8,700.00; Promotion and Advertisement for the year was \$149,000.00 an increase of \$35,900.00 over the previous year. He concluded by stating that 2012 was not a good year for the Credit Union as a loss was made. He suggested that the Loans portfolio needs to be increased at a faster pace, the effort to pull back bad debts needs to be enhanced and the expenditure in marketing and utilities needs to be reduced.

The report was approved on a motion moved by Shaun Lawrence and seconded by Javenel Caines.

## **Credit Committee Report**

The Credit Committee report was presented by Dennis Phillip on behalf of the Mr. Esrick Lanns, Chairman of the Committee. He then stated that the Chairman of the Credit Committee was retiring and gave an overview of his tenure with the Credit Committee.

Mr. Phillip informed the membership that personal loans had grown from 500 loans valuing \$5,325,060 to 588 totaling \$6,923,547.93. However, the Business loans fell from 230 loans valuing \$5,789,947.81 to 180 loans valuing \$4,762,505.95. He pointed the members to the Annual Report for the details. But concluded that delinquency continue to be a major concern and a serious challenge for Mangement. He appealed to the members to honour their obligations and commitments to the Credit union although he felt he was not speaking to the culprits. The Credit Committee report was approved on a motion moved by Mr. Phillip Browne and seconded by Ms. Marilyn Liburd.

## **Supervisory Committee Report**

The Report was presented by the Mr. Randolph Taylor, Chairman of the Committee. He stated that a work plan was designed for the year. Members of the Committee took the oath of Secrecy and one member resigned due to personal beliefs. The Committee members toured the Head Office to address issues including that of security. He also stated that a request was made at a Joint Committee meeting to audit the functions of and evaluate the relationship between management and staff. Operations procedures and internal controls were also carried out. He stated that a complaint via an anonymous letter was investigated. He concluded by stating the findings of the committee as follows: (1). Conditions under which loans

# MINUTES OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

were disbursed were being followed in compliance with the cooperative society act. (2) From a random audit, the Conditions under which loans were disbursed were being followed in compliance with the cooperative society act. (3) Loan officers were within approval limits established. He further stated the following in relation to the human relationship issues: (1) There is a fairly productive working environment. (2) Staff with few exceptions function and serve customers well. (3) Staff could be made more comfortable in their work spaces and (4) Long standing members should be recognized. He concluded by stating that the management, staff and management committees adhere to the procedures outlined in the bylaws and policy manual during the reporting period. The report was approved on a motion moved by Velda Browne and seconded by Anthony Williams

## Declaration of Dividends

No dividend could be paid as the Credit Union did not make a profit for the year under review.

## Elections of Officers:

The Nominating Committee's recommendations were presented by Mr. Peter Jenkins as follows:

Board of Directors nominations: With no nominations coming from the floor, it was moved by Mr. Ernest Pistana and seconded by Mr. Carlson Nisbett that nomination be ceased and was approved by the membership.

Credit Committee nominations: With no nominations coming from the floor, it was moved by Mr. Randolph Taylor and seconded by Ms. Jevanel Caines that nomination be ceased and was approved by the membership.

Supervisory Committee nominations: With no nominations coming from the floor, it was moved by Mr. Gary moving and seconded by Mr. Dennis Phillip that nomination be ceased before being approved by the membership.

All recommended nominees were elected to serve on their various committees.

Permission to approve \$600,000 as the maximum liability or borrowing limit of the Credit Union was sought and granted by the membership.

Permission to appoint Simmonds & Associates as the Credit Union's auditor was sought and granted.

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Board of Directors	Mr. Dwight Warde	1 <sup>st</sup>	2013	Mr. Dennis Phillip	1 <sup>st</sup>	3	2016
	Mr. Ernest Pistana	2 <sup>nd</sup>	2013	Mr. Trevor Phipps	1 <sup>st</sup>	3	2016
	Mr. Gary Moving	1 <sup>st</sup>	2013	Mr. Terrence Crossman	1 <sup>st</sup>	3	2016
	Mrs. Diana Powell	2 <sup>nd</sup>	2013	Mrs. Malvie James	1 <sup>st</sup>	3	2016

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Credit Committee	Mr. Esrick Lanns	2 <sup>nd</sup>	2013	Mr. Osbert DeSuza	1 <sup>st</sup>	3	2016
	Mr. Dennis Phillip	2 <sup>nd</sup>	2013	Mr. Sean Lawrence	1 <sup>st</sup>	3	2016

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Supervisory Committee	Mr. Randolph Taylor	2 <sup>nd</sup>	2013	Ms. Shermel Jeffers	1 <sup>st</sup>	3	2016
	Mrs. Euphemia Brice-Roberts	2 <sup>nd</sup>	2013	Mrs. Velda Irish-Browne	1 <sup>st</sup>	3	2016

# MINUTES OF 4<sup>TH</sup> ANNUAL GENERAL MEETING

## Presentation of Awards

The first award was presented to a longstanding Director Mr. Ernest Pistana, a founding member of the FND Credit Union predecessor. President Warde presented the award and credited the teachings and advices of Mr. Pistana as providing the founding stone of many a career. Having said goodbye to his "boss" Mr. Warde further acknowledged him as a real life superstar.

In accepting his award Mr. Pistana thanked the members for electing him as a Director over the years. He noted that the institution was at a cross roads and encouraged the members to be more active and proactive in the institution. He wished the new Board well in their endeavours.

Awardees Mr. Esrick Lanns and Mrs. Vera Manchester were absent. A summary of their contributions was read by was by General Manager, James Webbe.

## Vote Of Thanks

Before the vote of thanks were presented three gifts sponsored by the FND Credit Union were presented to members for the earliest member to arrive; winner of a quiz and random pick from the register.

The Vote of Thanks was given by Mrs. L. Patricia Williams, MMRO of the FNDECCU. She indicated that she was filling in for Mrs. Lyn Bass who earlier presented the keynote address in the absence of the advertised featured speaker who unfortunately did not make it to St. Kitts. Mrs.

Williams first thanked Marvan Simpson for invoking God's blessing on the meeting; Z'Quan and T'Quan McDowell for the excellent rendition of the National Anthem on the Steel Pan.; Mrs. Lyn Bass for her presentation on the CUNA Insurance Products on very short notice; The Registrar of Credit Unions for supervising the elections of the Officers; the Out-going members of the Board and Committees for their service over the years; management and Staff of OTI for the excellent accommodation and refreshments; the Photographer and videographer for capturing the event; special invited guest for taking the time out to be present with us and her co-workers for the assistance in the preparation for the AGM.

## Adjournment:

The 4th Annual General Meeting of the FND Enterprise Co-operative Credit Union Ltd adjourned at 8:22 pm .



Trevor Phipps  
BOARD SECRETARY

# BOARD OF DIRECTORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

Fellow Co-operators, your Board of Directors presents its report on the operations and performance of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) for the financial year ended December 31, 2013.

### OVERVIEW

2013 was another challenging year for the FND Enterprise Cooperative Credit Union as the institution continued to grapple with the negative effects experienced by the global economic recession and financial crisis. This phenomenon has caused many of our business clients to close and the cost of living in the federation to increase significantly affecting disposable incomes and the ability for members to save regularly, as is required for our Credit Union to thrive. This situation has also caused the delinquent loan situation to remain relatively high, as members continue to struggle financially, notwithstanding the robust collection effort carried out by the staff. Notwithstanding, the year was considered successful in that Credit Union returned to a profitable position during the period.

The Risk Module developed last year was approved and the policies implemented. Internal Controls were amended to ensure they meet the standards recommended.

### CORPORATE GOVERNANCE

#### BOARD OF DIRECTORS

At the 4th Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited held on August 23, 2013, Mr. Dennis Phillip, Mr. Trevor Phipps, Mr. Terrence Crossman and Mrs. Malvie James were elected for three year terms to fill the vacancies created by the compulsory retirement of Mr. Ernest Pistana and Mrs. Diana Bowrin-Powell who had completed their two terms in office and Mr. Gary Moving and Mr. Dwight Warde who had completed one three-year term but had decided not to put themselves for re-election. The Board hereby express its gratitude to all the retired directors for their invaluable service to the Credit Union. The Officers of the new Board were elected in accordance with section 16 of the By - Laws of the Credit Union. The directors' position, terms, years remaining and year of retirement are as follows:

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
R.A. Peter Jenkins	President	1 <sup>st</sup>	0	2014
Faron Lawrence	Vice President	2 <sup>nd</sup>	0	2014
Trevor Phipps	Secretary	1 <sup>st</sup>	2	2016
Terrence Crossman	Treasurer	1 <sup>st</sup>	2	2016
Malvie James	Assistant Secretary	1 <sup>st</sup>	2	2016
Auckland Hector	Director	2 <sup>nd</sup>	1	2015
Spencer Howell	Director	2 <sup>nd</sup>	1	2015
Dennis Phillip	Director	1 <sup>st</sup>	2	2016
Trevor Cornelius	Director	1 <sup>st</sup>	0	2014

# BOARD OF DIRECTORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### Meetings

During the period under review, your **Board of Directors** met monthly, in compliance with Article 15 (1) of the by-laws to conduct the regular business of the Credit Union; and when it was considered necessary, the Board met more than once per month to deal with specific issues. Fourteen (14) Board meetings were held during the year. The **Joint Committee** which is comprised of the Board of Directors, Credit Committee and Supervisory Committee held two (2) meetings during the period which include a Planning session with management staff with a view of revising the Business Plan.

### ADMINISTRATION AND MANAGEMENT

#### Staffing

In March 2013, the position of Deputy General Manager held by Mrs. Vera Manchester was made redundant. The Board takes this opportunity to express our gratitude to Mrs. Manchester for her long and dedicated service to the FND, our predecessor and for her three and a half years after the conversion. There were no other changes in staff during the year.

#### Staff, Committee and Members' Education and Training

During the year under review, Board, committee and staff members were again exposed to regional conferences during which workshops and seminars of a very high standard were delivered by high profile professionals. A wide variety of topics related to the Credit Union Movement and its operations were discussed:

#### Caribbean Confederation of Credit Unions:

Mr. James Webbe General Manager and Mr. Trevor Cornelius, Board Director represented the FND Credit Union at the 56<sup>th</sup> Annual International Convention and 42<sup>nd</sup> Annual General Meeting of the **Caribbean Confederation of Credit Unions (CCCU)** in collaboration with the **Credit Union Executives Society (CUES)** which was held at the RIU Hotel, Panama City, Panama from 23- 25 June, 2013.

Topics discussed included:

- Servant Leadership
- Strategic Management and the Balance Score Card.
- The Human Side of Financial Management.
- Delivering excellence in Member Service: Lead or Follow
- Thinking Differently in the Board Room.
- Re-thinking Board Meeting.

#### OECS Credit Union Summit

The 11th Annual OECS Summit was held at the Marriott Resort in St. Kitts from 21<sup>st</sup> – 25<sup>th</sup> August, 2013 and was hosted by the St. Kitts and Nevis National Cooperative League. The Summit was held under the Theme "Innovation – Cooperation – Integration: Strategies for a Successful Co-operative Movement" Members from the Board, Supervisory and Credit Committees and staff were exposed to training in the following topics.

- "Corporate Governance" for Volunteers and Managers of Cooperatives
- Innovation in Lending
- Adding Value to Co-operatives' Membership
- "Compliance" - Regulations and Statutory Financial Reporting Forms.
- Building relationships between Credit Unions and non- credit union cooperatives.

Knowledge and Ideas garnered from these workshops and seminars have been used to improve the operations of the institution.

### MARKETING AND EDUCATION AWARENESS PROGRAMMES:

#### Marketing and Marketing Research

The Marketing and Educational Awareness Programmes carried out last year continued in 2013. However, there was an increased focus on on-site presentations to employees of various business in St. Kitts where information and explanation were given about the various products offered by the Credit Union. This effort was fairly successful.

# BOARD OF DIRECTORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

The FND Credit Union continues to penetrate the local market using modest advertising in a variety of categories including Radio, TV, and Online, Word Of Mouth and newspapers.

We were able to reduce our communication cost by the increased use of the credit union's facebook page, [www.facebook.com/FNDCreditUnion](http://www.facebook.com/FNDCreditUnion), email and other social media.

### Education and Awareness

A new member information kit was designed and produced during the year. All new members are presented with foundation principles of credit union, which include Operating, Governance, Safety and Soundness and consumer protection. The kit also includes advice on tracking and managing one's finances. Visits and presentations to various companies, religious groups and at schools also continued during the year.

The initiatives undertaken in 2013 to boost the awareness of the credit union yielded noticeable positive results in membership, savings and deposits.

### PERFORMANCE

#### Financial

The performance of the FNDECCU during the 2013 financial year was as projected. The Credit Union recorded positive growth in all areas of operations and returned to generating a surplus of \$49,537.00 after recording a loss of \$116,877.00 in the previous year.

Details of the Credit Union's financial performance are presented in the Treasurer's Report page 14 and Financial Statements pages 25-46.

#### Loans Portfolio and Delinquency

Adequate Loans portfolio growth is necessary for any financial institutional to increase its profitability. The credit union increased its portfolio during the year by \$324,315 or just 3% but had to provide \$83,855.00 for bad debt. Although, the bad debt expense reduced considerably when compared with previous years, delinquency continue to be of concern to the Board. We have instructed staff to meet with members who have genuine financial problems to counsel and if deemed necessary re-schedule loans to make life easier for the members. However, we have

also implored management to take all steps necessary, including legal action to recover funds from members who have rescinded on their responsibly and commitment to repay their loans.

### Membership and Services

At 31<sup>st</sup> December, 2012, there were 1525 shareholders valuing \$627,810.00 indicating an average share value per member of \$411.68. When compared with the period under review ended 31<sup>st</sup> December, 2013, the number of shareholders had grown to 1815 with a total share value of \$770,960.00 showing an average value of shares per member of \$424.77. The figures show that the number of shareholders increased by 290 or 19% and the corresponding value of shares increased by \$143,150.00 or 23%. It is also noticeable that the average share value per member increased during the period.

Total Deposits as at December 31, 2013 was \$4,231,905.83, an increase of \$971,209.00 or 30% over December 2012. This is a positive a signal when compared with last year's performance where there was an increase \$458,979.00 or 16% over the previous year balance.

The credit union introduced a new insurance product to our members during the year namely CUNA MUTUAL's Family Indemnity Plan (FIP). The Plan offers cash benefits to cover final expenses in the death of members and their loved ones. The loan Protection and Life Savings are two other products that the Credit Union is contemplating introducing.

### FUTURE OUTLOOK

The Board is concerned that the interest rate charged on loans to our members is relatively high and is taking the necessary steps to reduce the cost of operations which will allow us to return lower our interest rate on loans. However, we are appealing to our members to save regularly with your Credit Union so that the necessary funding will be available to assist you with lower rates loans. It is our intention to clear our long term debts which we are paying relatively higher interest in the very near future with a view to reducing operation cost. Our Business Plan is presently being revised to incorporate above strategy.

# BOARD OF DIRECTORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

Some members have requested internet banking and ATMs. The necessary research and financial projections will be carried out to determine the feasibility of introducing these requested products.

In addition your Board has mandated that the Credit Union be PEARLS compliant in relation to bad debt provisioning within the next year. We are happy to say that the Credit Union is 95% along the way of meeting this target as at 31/12/2013. However, the Standard of Excellence for delinquency is 5% but the delinquency is still at 20% at the end of the reporting period. Consequently, even more vigorous activities will be implemented in order to be fully compliant with the International Standard.

### CONCLUSION

Gratitude is extended to most of our members whose support and dedication have realized growth and stability in the Credit Union. For us to live up to our mantra of "People Helping People" your loyalty and active participation is crucial. We are also gratified by the collective efforts of the committees, management and staff as we all endeavour to build financially strong communities and enrich your pride in our noble institution.

Presented for and on behalf of the Board of Directors.



R.A. Peter Jenkins  
President/Chairman

# TREASURER'S REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### OVERVIEW

Recovering from a loss of \$116,877 in 2012, the FND Enterprise Cooperative Credit Union (FNDECCU) recorded a profit of \$50,198. That represents a positive movement of \$167,075.

Business loans took on new importance growing the portfolio by a significant 13.2% which is the first increase recorded within the last four years. This is in keeping with the general movement in the business sector and the positive movement in the economy of 1.7% in 2013.

However, the Personal loans disbursed decreased by a significant 41.2% or \$1,762,499.93. This was due to FNDECCU's decision to curb loans disbursed for debt consolidation. This decision may have affected the growth in the portfolio but the decision has improved the overall delinquency.

### ASSETS

Total Assets increased by \$ 469,717 or 3.3% over when Total Assets declined by \$261,000.00 from the previous year. The increase in Assets in 2013 is attributable to the increase in Cash by \$225,721, increase in Loans and Other Receivables by \$253,300 and the purchase of Tangible Assets including a new vehicle for \$100,000.00, photocopier and scanner equipment valuing \$26,618, an alarm and a telephone system totalling \$9,346.

### LIABILITIES

Overall Liabilities increased by \$263,415. This net increase is mainly due to the growth in Total Deposits by \$971,208 or 29.8%. However, the FNDECCU continued to repay loans received from the Social Security Board, the Development Bank of St. Kitts and Nevis and the ICDF Taiwan. During 2013, the total loans payable decreased by \$712,164.

### EQUITY

Total Equity which is mainly Share Capital, Statutory Reserve and Retained Earnings increased by \$213,302 mainly due to the surplus of \$52,427 and the increase in Share Capital of \$143,150 or 22.8%. The Special Reserve (Donated Capital) was also reclassified between the Statutory Reserve and the Retained Earnings to reflect a more appropriate Equity structure for FNDECCU.

### SURPLUS FOR THE YEAR

#### *Income*

Total Income increased by just \$8,064 or 0.4% over 2012. Interest Income increased by \$11,791. However, Fees and Other Charges declined by \$31,627 due to the decrease in the overall disbursement of loans during 2013. Consequently, the increase in the Total Income was as a result of the Gain on Disposal of Fixed Assets totalling \$24,500.00.

#### *Expenses*

Total Expenses decreased by \$161,240 or 8.3% from 2012. There were some notable decreases in some expenses while others showed increases. Bad Debt provision was reduced by \$100,727, Promotion and Advertisement decreased by \$70,011 while Salaries and Social Security decreased by \$19,800. Expenditure on Meeting and Conventions and Vehicle Expenses was lowered by \$16,727 and \$11,102 respectively.

Interest paid to depositors grew by \$20,200 while interest paid on loans decreased by \$43,699. Depreciation expense increased by \$19,204 as a result of the addition to Fixed Assets during the year. Office Maintenance increased by \$14,426 mainly due to expense incurred in repainting the FNDECCU building.

### CONCLUSION

FNDECCU rebounded from incurring a loss of \$116,877 in 2012, to generating a surplus of \$52,427 in 2013. The turnaround was due to the close monitoring of our expenses and better management of debt collection during the year.

Management must continue to exercise the same controls in expenditure and debt collection but must increase its Loans Portfolio with a view to generating more loans interest thus improving profitability in 2014.

  
.....  
Terrence Crossman  
Treasurer

# CREDIT COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

The Credit committee is pleased to present to the membership of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) the report on the activities of the Credit Committee and the loans portfolio performance for the year ended December 31, 2013.

The members of the Credit Committee were:

- Mr. Wendell Huggins , Chairman
- Mr. Sean Lawrence , Secretary
- Mr. Osbert De Suza, Member
- Mr. Valdemar Warner, Member
- Ms. Gallio Gumbs, Member

The table below provides information relative to the terms of the members.

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Wendell Huggins	Chairman	1 <sup>st</sup>	0	2014
Sean Lawrence	Secretary	1 <sup>st</sup>	2	2016
Gallio Gumbs	Member	1 <sup>st</sup>	0	2014
Osbert De Suza	Member	1 <sup>st</sup>	2	2016
Valdemar Warner	Member	2 <sup>nd</sup>	1	2015

### MEETINGS:

The meetings of the committee were held on average once per month to review and approve loan applications, to analyze the delinquent loans and provide advice/directives to staff. Approvals were based on the guidelines set out in the Credit Union's by-laws and loan policy. As in 2012, a total of 11 meetings were held.

### LOANS PORTFOLIO

- At 31st December, 2013 the Business loans portfolio amounted to \$4,912,680.26 for 159 loans compared to \$4,762,505.95 for 180 loans at 31st December, 2012. The figures show that the number of loans decreased by 21 but the value increased by \$150,174.31. This reflects a very positive sign when compared with the previous two years where in 2011, the portfolio decreased by \$1,431,344.06 and by \$1,027,435.88 in 2012.
- The Personal loans portfolio as at 31st December, 2013 was 572 for \$7,156,365.36 compared with \$6,923,547.93 for 588 as at 31st December, 2012. This indicates a small decrease in the number of loans in this portfolio but shows a small increase in value of \$232,817.43

Loan Type	2013		2012	
	No.	Value	No	Value
Business Loans	159	\$4,912,680.26	180	\$ 4,762,505.95
Personal Loans	572	\$7,156,365.36	588	\$ 6,923,547.93
<b>Totals</b>	<b>731</b>	<b>\$12,069,045.62</b>	<b>768</b>	<b>\$11,686,053.88</b>

# CREDIT COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### BUSINESS LOANS DISBURSED BY PURPOSE

PURPOSE	2013		2012	
	No.	Value	No.	Value
AIR CONDITIONING	-	-	1	35,000.00
AUTO MECHANIC	1	40,000.00	1	31,000.00
BUS	13	588,645.91	16	550,661.65
CONSTRUCTION	1	25,000.00	-	-
ELECTRICAL SERVICES	1	25,000.00	-	-
ENTERTAINMENT	3	30,000.00	1	10,000.00
FARMING	2	25,000.00	5	161,000.00
FISHING	1	40,700.00	-	-
GRAPHIC ARTS	1	140,000.00	1	50,000.00
LANDSCAPING	2	25,800.00	-	-
PARALEGAL SERVICES	-	-	1	35,000.00
RESTAURANT/CATERING	-	-	5	172,500.00
RETAIL	13	581,606.19	26	463,198.59
SECURITY SERVICES	-	-	1	25,000.00
TAXI/TOURISM SERVICES	3	81,045.42	4	268,000.00
MANUFACTURING	2	60,102.91	2	15,200.00
MASSAGE THERAPY	-	-	1	35,000.00
ONLINE PAYMENT SERVICE	1	20,739.55	-	-
TRUCKING	5	449,067.52	2	60,525.18
VEHICLE RENTALS	1	32,700.00	-	-
<b>TOTALS</b>	<b>50</b>	<b>\$2,165,407.50</b>	<b>67</b>	<b>\$1,912,085.42</b>

50 Business loans valuing \$2,165,407.50 were disbursed during 2013; 39 totaling \$1,876,339.98 in St. Kitts and 11 amounting to \$289,067.52 in Nevis. This compared favourably with the previous year, when 67 Business Loans totaling \$1,912,085.42 were disbursed: 57 loans valuing \$1,764,585.42 in St. Kitts and 10 loans totaling \$147,500.00 in Nevis. Although there was a decrease in the number of loans disbursed by 17, the value disbursed increased by \$253,322.08 or 13.2%. This is a very positive sign and supports our prediction last year that economic activity would have improved during 2013, which would have had a positive impact on our business portfolio. The Credit Union will continue to make funds available to new and existing members with good, researched and prepared business ideas with a view to increasing our business loans portfolio and by extension the overall business climate in the Federation.

# CREDIT COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

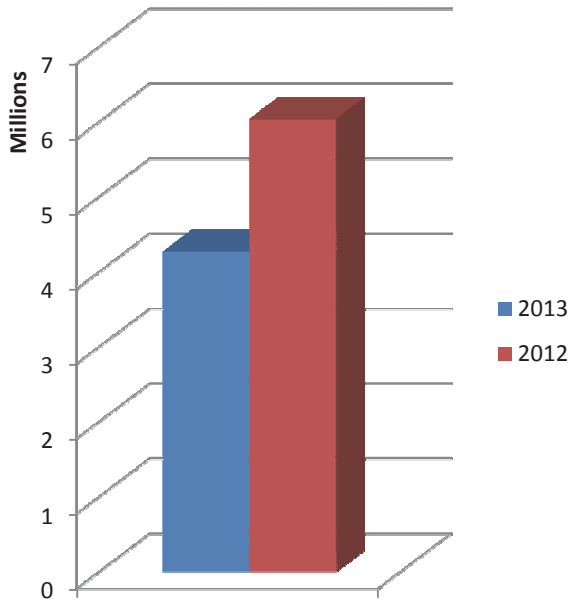
### PERSONAL LOANS DISBURSED

PURPOSE	2013		2012	
	No.	Value	No.	Value
BOAT PURCHASE	-	-	2	38,700.00
COMPUTER PURCHASE	1	15,000.00	-	-
DEBT CONSOLIDATION	67	1,066,285.35	120	1,966,777.22
EDUCATION	10	117,304.25	11	274,500.00
FUNERAL EXPENSES	4	32,587.26	2	28,500.00
HOUSEHOLD PURCHASES	28	205,308.75	29	222,200.00
LEGAL FEES	1	28,000.00	3	48,000.00
MEDICAL EXPENSES	10	93,208.02	11	177,500.00
MUSICAL EQUIP. PURCHASE	2	35,000.00	2	17,000.00
PROPERTY FENCING	1	6,921.15	2	20,000.00
LAND PURCHASE	1	28,000.00	3	107,000.00
PROPERTY REPAIRS	29	366,014.93	44	841,844.46
PURCHASE OF PROPERTY	2	290,000.00	-	-
SCHOOL FEES & SUPPLIES	7	35,291.27	18	127,800.00
TRAVEL/SHOPPING	145	1,122,777.99	107	987,000.00
VACATION	9	63,000.00	22	176,400.00
VEHICLE PURCHASE	22	408,125.38	33	597,100.00
VEHICLE MAINTENANCE	27	286,644.26	27	308,108.11
VEHICLE INSURANCE	3	23,000.00	3	25,000.00
WEDDING EXPENSES	3	34,329.93	5	53,500.00
MISCELLANEOUS PERSONAL EXPENSES	3	20,131.32	4	22,500.00
<b>TOTAL</b>	<b>375</b>	<b>\$4,276,929.86</b>	<b>448</b>	<b>\$6,039,429.79</b>

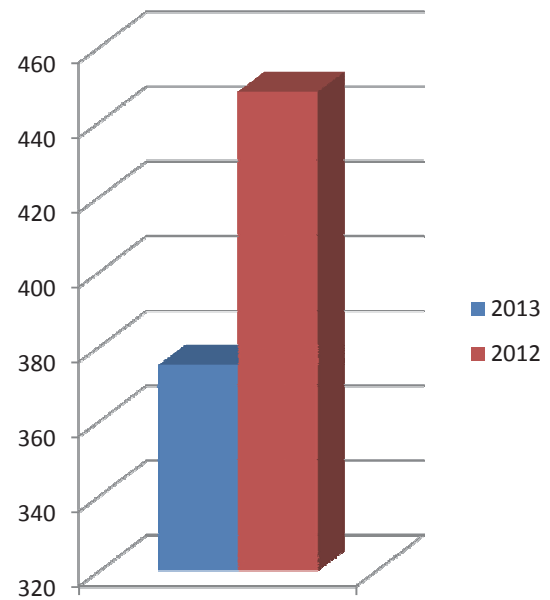
375 Personal loans valuing \$4,276,929.86 were disbursed during the reporting period. The Head Office disbursed 262 totaling \$3,284,820.94 and the Nevis Branch disbursed another 113 loans amounting to \$992,108.92. The figures indicate that there was a significant decrease in both number and amount disbursed when compared to the previous year. In comparison to 2012, there were 448 Person loans amounting to \$6,039,429.79 with 319 loans in St. Kitts amounting \$4,782,729.79 and 129 loans in Nevis amounting to \$1,256,700.00.

# CREDIT COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013



Value of Personal Loans Disbursed



Number of Personal Loans Disbursed

### DELINQUENCY

Delinquency continues to be a concern of the Credit Committee, the Board and Management. Vigorous and aggressive collection efforts including referral to our Lawyers were carried out during the year. However, your Credit Union was empathetic to those members who unfortunately lost their jobs or experienced adverse circumstances. We have made arrangements to make life easier by providing counseling and rescheduling loans on a case by case basis.

### CONCLUSION

The Credit Union continues to provide its members with invaluable financial support as we strive to enhance our lives by building 'financially strong communities'. We will only succeed if all our members live up to the mantra of "people helping people". The Credit Committee would like to thank the General Manager and the entire Loans Division and the Branch officers for the reliable support given during the year.

We also thank the members who used the FND Credit Union as their first choice for your financial needs as this is the only way to ensure that we all succeed. Finally, we continue to remind you to **SAVE** regularly, **BORROW** prudently and **REPAY** promptly.

Wendell Huggins  
Chairman  
On behalf of the Credit Committee

# SUPERVISORY COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

At the 4th Annual General Meeting in keeping with Section 17 (1) of the by- Laws of the FNDECCU the following Committee members were elected:

Mrs. Velda Irish-Browne	-	3 Years
Ms. Shermel Jeffers	-	3 Years

The returning members are:

Mrs. Tonya Lawrence	-	Secretary
Mr. Denis Johnson	-	Chairman
Mr. Carl Osbourne	-	Member

The Supervisory Committee convened its first meeting on September 3, 2013, and elected Mr. Denis Johnson as Chairman and Mrs. Tonya Lawrence as Secretary. The committee then slated a date to hold monthly meetings. The first Tuesday of every month was selected as the meeting dates for the committee.

In accordance with the FNDECCU By- laws; (17) Section (1-11), the Supervisory Committee monitors all aspects of the Credit Union's activities. It is charged with the responsibility of ensuring that the Credit Union is prudently managed and members' assets are safeguarded. This responsibility includes, but is not limited to the following:

- Examining the books of the Society
- Scrutinizing and appraising the policies and operating procedures;
- Confirming cash instruments, property and securities of the Society;
- Confirming the shares, deposits and other balances or holdings of members;
- Monitoring the management of the Society
- Liaise with the internal auditor and the external auditor;
- Auditing the functions of the management and staff;
- Auditing the asset-liability management and liquidity of the credit union
- paid attention to the risk management of the credit union;
- Verified the assets of the society to determine whether they were properly protected

- investigating complaints made by members affecting the proper management of the credit union;
- annual random verification of a sample of members' pass books and accounts;
- Ensuring that all advances, loans, deposits, other transactions and other decisions involving Directors, Committee members and employees are in compliance with the Act, Regulations, By-Laws and Policies of the credit union.

At its second meeting on October 1, 2013, The Supervisory Committee continued its effort to comply with FNDECCU's By-Laws, rules and Regulations. We met to evaluate and address the issues and concerns expressed by staff members. During our term, issues were raised regarding the operations, human resource structure; loan delinquency, and remuneration package. The committee decided to address the operations and human resource structure of the organization by getting copies of the Job Descriptions for each staff member.

At our third meeting held on November 12, 2013, three committee members were present and the committee moved right into analyzing the Job Descriptions to become familiar with the task and responsibilities of each staff member. The Plan of Action from this project was to interview staff and inquire on matters relating to their Job descriptions. At this meeting the Chair of the Supervisory Committee spoke about its work plan and was requested to audit the functions of the management and staff and evaluate the relationship between management and staff.

There were no other meetings held for the next two month period. However on its resumption the Supervisory Committee continued its obligation of reviewing the Job Descriptions and plans to interview the staff. The meeting was held on February 11, 2014 with three committee members present. The committee constructed an interview time table to interview staff over a month period. It was decided to draft a questionnaire that would be used to conduct the exercise undertaken. The questionnaire comprised of ten questions.

At our fifth meeting, with all committee members present the committee decided to interview the St. Kitts office April 23rd, 24th, and 28th and the Nevis Branch on May 7th. The General Manager was sent an email concerning the dates that he would then disseminate to the staff. The committee is pleased to say that the exercise was carried out and a report is pending.

## SUPERVISORY COMMITTEE REPORT

### FOR THE YEAR ENDED DECEMBER 31, 2013

The Supervisory Committee is pleased to present to the membership its report of the FND Enterprise Cooperative Credit Union for the year ended 31st December, 2013. Additionally, the Supervisory Committee takes pleasure to report that to the best of its knowledge, the Management, staff, as well as the Management Committees adhered to the policies and procedures outlined in the FNDECCU By-laws No 1 of 2009 and the Policy Manual, during the period of review. We wish to thank all the members for demonstrating confidence in its ability to supervise the operations of the FNDECCU in 2013.



Mr. Denis Johnson  
Chairman

*On behalf of the Supervisory Committee*

## NOMINATING COMMITTEE REPORT

### FOR THE YEAR ENDED DECEMBER 31, 2013

The Board of Directors appointed a Nominating Committee in accordance with Article 12, Section 1 (a) of the By-Laws of the FND Co-operative Credit Union Limited, for the purpose of nominating members to fill vacancies for which elections will be held at the 5th Annual General Meeting.

The Nominating Committee's role is to ensure that there is a smooth and legitimate nominating process of qualified persons who are evaluated before being presented as nominees for election. The Nominating Committee paid specific attention to the selection of nominees who it felt could contribute immensely to the strategic path outlined by management and adopted by the Board.

The Nominating Committee comprised of the following persons:

Mrs. Tonya Lawrence	-	Supervisory Committee (Chairperson)
Mr. Aukland O. Hector	-	Director
Mr. Shanwa Broadbelt	-	Staff Member

The Nominating Committee is pleased to present its report to the 5th Annual General Meeting.

Directors R.A. Peter Jenkins (President), Trevor Cornelius and Faron Lawrence are due to retire. Both Mr. Jenkins and Mr. Cornelius having served their first terms and have offered to serve for a second term. However, Mr. Faron Lawrence is due to retire having served his first

and second terms. We would like to publicly express our gratitude to Mr. Lawrence for his contribution to the FNDECCU since inception. Therefore, one vacant position has been created on the Board.

Mr. Denis Johnson (Chairman) and Mrs. Tonya Lawrence of the Supervisory Committee, have both completed their first terms and have offered to serve again for a second term.

Mr. Wendell Huggins, Chairman of the Credit Committee, has served his first term and has offered to serve a second term. However, Ms. Gallio Gumbs, having served one term, also is eligible to serve for a second term but has decided to take her leave from the Credit Committee due to personal commitments. Therefore, two vacancies were created on that Committee.

In light of the need for replacements to fill these voluntary positions and after careful deliberations, the Nominating Committee is of the view that it has presented the best candidates to fill all of the available vacant positions. The Committee believes that the nominees, if given the chance, will serve the Credit Union with distinction, willingly giving their time, expertise and experience for the enhancement of the FND Enterprise Cooperative Credit Union and the Credit Union Movement on a whole.

The Nominating Committee's recommendations are as follows:

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Board of Directors	Mr. R.A. Peter Jenkins	1st	2014	Mr. R.A Peter Jenkins	2nd	3	2017
	Mr. Trevor Cornelius	1st	2014	Mr. Trevor Cornelius	2nd	3	2017
	Mr. Faron Lawrence	2nd	2014	Mr. Howard McEachrane	1st	3	2017

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Credit Committee	Mr. Wendell Huggins	1st	2014	Mr. Wendell Huggins	2nd	3	2017
	Ms. Gallio Gumbs	1st	2014	Mr. Cremoy Agard	1st	3	2017

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Supervisory Committee	Mr. Denis Johnson	1st	2014	Mr. Denis Johnson	2nd	3	2017
	Mrs. Tonya Lawrence	1st	2014	Mrs. Tonya Lawrence	2nd	3	2017

# NOMINATING COMMITTEE REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### BRIEF BIOGRAPHY OF NEW NOMINEES

**Mr. Howard McEachrane** is a fellow of the Institute of Chartered Accountants of England and Wales. He hails from Scarborough, Tobago of the beautiful twin Republic of Trinidad & Tobago. Despite being born and receiving his early education in Trinidad, he is a citizen of St. Kitts and Nevis as well as Grenada, Carriacou and Petit Martinique. His professional career commenced as far back as 1964 where he performed Auditing and Accounting services for Pannell Kerr Foster (PKF) Trinidad, Jamaica and England. In 1974 – 2002 he held the post of Financial Controller/ Executive Director of St. Kitts Nevis Anguilla Trading and Development Co. Ltd (TDC) before migrating to Grenada where he assumed the post of Managing Director at the Grenada Breweries Ltd. Between the period 2005 -2009, Howard was also employed as General Manager at the Grenada Distillers Ltd before returning to St. Kitts in 2009. Since then he has been a self employed Associate of PKF St. Kitts Nevis where he provides services in Financial Management, Auditing, Training and Consulting. Mr. McEachrane is very family oriented and is married with a son and daughter. His community work has involved being the President of the St. Kitts Nevis Chamber of Industry and Commerce, the St. Kitts Nevis Association of Chartered Accountants and the Rotary Club of both St. Kitts and Grenada. He has also held Directorship positions at the Grenada Chamber of Industry and Commerce, the Grenada Bureau of Standards and at the Cave Hill School of Business, University of the West Indies in Barbados. He has also served at a regional level as a Director of the Caribbean Associate of Industry and Commerce. With all these achievements, it is safe to refer to Mr. McEachrane as a Caribbean man. Added to such an extensive professional career span outlined, and him being a past member of the Supervisory Committee of the FNDECCU, there is no doubt that the membership will benefit from Howard's knowledge and experiences.

**Mr. Cremoy Agard** was an employee of the former Foundation for National Development. During his six (6) year stint at the institution, he was employed in the Loans Department as a Projects Officer where he processed loans for small business operators ranging from \$1,000.00 to \$50,000.00. He also performed the same function for United Way Funding in Lawton, Oklahoma where he assisted clients in different selling practices to attain maximum profit, recommended adjusted repayment

schemes for struggling operators and assisted in marketing strategies to attract more customers. Cremoy started his quest for higher education after leaving the FND and was successful in obtaining his Bachelor's Degree of Accounting in 2009 with a minor in Economics that resulted in him graduating Cum Laude from Cameron University in Lawton Oklahoma, USA. He then pursued his second degree and attained a Master's of Business Administration in 2012. A sample of the many highlights of his college years were his receipt of finance education and training on Wall Street in 2012, the opportunity to update a Portfolio Management Board on real time economic conditions that facilitated all successful investment transactions, winning a Business Strategy Research competition in 2011 as well as being awarded a Merit Award distinction from the Society for Human Resource Management in 2012. Mr. Agard currently holds the post of Financial Analyst in the Ministry of Finance where his duties are, but not limited to, collecting and analyzing Fiscal and Economic Data, conducting research and writing reports and collate and classify data for both St. Kitts and Nevis. Prior to this his work experiences include being a Projects Officer, Bookkeeper, Supervisor and an Assistant Auditor. Community work has always been a part of Cremoy as he enjoys giving back to his community. His 2007-2013 stint in Lawton Oklahoma saw his involvement as a volunteer to the Salvation Army Soup Kitchen, Heat Aid Program and Disaster Relief Initiatives, project leader for Students in Free Enterprise (SIFE) that honoured volunteer firemen along with conducting food drives for the needy as well as area clean up exercises. Currently in his community of Old Road, Cremoy is a member of the Community Upliftment Enhancement Team (CUET) that recognizes mainly elder people and also promotes health awareness activities. He is married and the proud father of a son and is active in the Wesleyan Holiness Church in Old Road as Treasurer on the Board of Directors where he partakes in the distribution of food to persons in need and older folks in his community.

Presented for and behalf of the Nominating Committee

  
.....  
Tonya Lawrence  
CHAIRPERSON

# AUDITORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### *Simmonds and Associates*

*Chartered Accountant*

**PARTNER:** W.B. SIMMONDS FCCA  
**ASSOCIATE:** A. St. R. KNIGHT

P.O. BOX 126  
NEW STREET  
BASSETERRE  
ST. KITTS, W.I.

TEL: (869) 465-2832

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#### **REPORT OF THE AUDITORS TO THE MEMBERS OF FND ENTERPRISE CO-OPERATIVE CREDIT UNION LIMITED**

We have audited the financial statements of FND Enterprise Co-operative Credit Union Limited as at December 31, 2013, which comprise the statement of financial position, the statement of comprehensive income and statement of cash flows for the year and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

# AUDITORS' REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2013

### *Simmonds and Associates*

*Chartered Accountant*

**PARTNER:** W.B. SIMMONDS FCCA  
**ASSOCIATE:** A. St. R. KNIGHT

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#### **REPORT OF THE AUDITORS TO THE MEMBERS OF FND ENTERPRISE CO-OPERATIVE CREDIT UNION LIMITED (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FND Enterprise Cooperative Credit Union Limited as of December 31, 2013, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.



Simmonds and Associates  
ST. KITTS

# STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(Expressed in Eastern Caribbean Dollars)

	Notes	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	3	2,056,155	1,830,434
Loans and other receivables	4	11,175,226	10,938,926
Investments	5	196,850	196,850
		<b>13,428,231</b>	<b>12,966,210</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	932,681	900,713
Intangible assets	7	22,435	46,707
Deferred cost	8	540	540
		<b>955,656</b>	<b>947,960</b>
<b>TOTAL ASSETS</b>		<b>14,383,887</b>	<b>13,914,170</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans Payable	9	2,332,060	3,044,224
Security Deposits	10	3,540	3,540
Members Deposit	11	4,231,905	3,260,697
Trade Payables	12	84,723	87,352
		<b>6,652,228</b>	<b>6,395,813</b>
<b>Equity</b>			
Share Capital	13	770,960	627,810
Statutory Reserve Fund	14	4,394,230	4,391,340
Development Fund	14	2,620	2,620
Capital Grants	16	180,916	163,191
Retained Earnings	15	2,382,933	2,333,396
		<b>7,731,659</b>	<b>7,518,357</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,383,887</b>	<b>13,914,170</b>

The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

These financial statements were approved by the Board of directors on 19 June, 2014 and signed on its behalf by:

President   
Mr. R.A. Peter Jenkins

Treasurer   
Mr Terrence Crossman

**"We Care. We Share. Join US!"**

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in Eastern Caribbean Dollars)

	Notes	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
Fees and Other Charges	17	223,621	255,248
Interest income	3	1,713,794	1,702,003
Other Income	19	50,198	22,298
		<u>1,987,613</u>	<u>1,979,549</u>
Administrative expenses	20	(1,153,762)	(1,244,857)
Other expenses	21	(479,118)	(525,784)
Finance costs	22	(302,306)	(325,785)
<b>Surplus/(Loss) for the year</b>		<b>52,427</b>	<b>(116,877)</b>
<b>Retained Earnings at start of year</b>		<u><b>2,333,396</b></u>	<u><b>2,453,233</b></u>
		<u><b>2,385,823</b></u>	<u><b>2,336,356</b></u>
Transfer to statutory reserve fund:			
Entrance Fees		(2,890)	(2,960)
<b>Retained Earnings at end of the year</b>		<u><b>2,382,933</b></u>	<u><b>2,333,396</b></u>

The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN MEMBERS' EQUITY****FOR THE YEAR ENDED DECEMBER 31, 2013**

(Expressed in Eastern Caribbean Dollars)

	Share Capital	Special Reserve	Statutory Reserve Fund	Development Fund	Capital Grants	Retained Earnings	Total
<b>Balance at January 1, 2012</b>	<b>513,665</b>	<b>6,699,033</b>	<b>95,297</b>	<b>2,620</b>	<b>169,466</b>	<b>60,154</b>	<b>7,540,235</b>
Transferred from Special Reserve	-	(6,699,033)	4,293,083	-	-	2,405,950	-
Shares Issued	114,145	-	-	-	-	-	114,145
Dividends	-	-	-	-	-	(12,871)	(12,871)
Amortized in the year	-	-	-	-	(6,275)	-	(6,275)
Entrance Fees	-	-	2,960	-	-	(2,960)	-
Surplus for the year	-	-	-	-	-	(116,877)	(116,877)
<b>Balance at December 31, 2012</b>	<b>627,810</b>	<b>-</b>	<b>4,391,340</b>	<b>2,620</b>	<b>163,191</b>	<b>2,333,396</b>	<b>7,518,357</b>
Shares Issued	143,150	-	-	-	-	-	143,150
Capital Grants in the year	-	-	-	-	30,000	-	30,000
Amortized in the year	-	-	-	-	(12,275)	-	(12,275)
Entrance Fees	-	-	2,890	-	-	(2,890)	-
Surplus for the year	-	-	-	-	-	52,427	52,427
<b>Balance at December 31, 2013</b>	<b>770,960</b>	<b>-</b>	<b>4,394,230</b>	<b>2,620</b>	<b>180,916</b>	<b>2,382,933</b>	<b>7,731,659</b>

The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the year	52,427	(116,877)
Adjustment for non-cash income and expenses:		
Depreciation of property, plant and equipment	104,964	85,067
Amortisation of intangibles	25,265	25,065
Amortisation of capital grants	(12,275)	(6,275)
Changes in operating assets and liabilities		
(Increase) in loans receivable	(240,460)	(419,994)
Decrease in other receivables	4,159	6,962
Decrease in Loans payable	(712,164)	(577,671)
(Decrease) in trade payables	(2,630)	(8,843)
Increase in members deposits	971,208	347,154
	<u>190,494</u>	<u>(665,412)</u>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of Software	(992)	(3,468)
Purchase of vehicle	(70,000)	-
Purchase of office furniture and fittings	(967)	(14,274)
Purchase of plant and equipment	(35,964)	(5,654)
Building Improvement	-	(121,794)
<b>Net cash used in investing activities</b>	<u>(107,923)</u>	<u>(145,190)</u>
<b>Cash flows from financing activities</b>		
Issue of shares	143,150	114,145
Dividends paid to shareholders	-	(12,871)
<b>Net cash from financing activities</b>	<u>143,150</u>	<u>101,274</u>
Net increase/(decrease) in cash and cash equivalents	225,721	(709,328)
Cash and cash equivalents at beginning of year	1,830,434	2,539,762
<b>Cash and cash equivalents at end of year</b>	<u>2,056,155</u>	<u>1,830,434</u>

The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

# ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

## 1. General information

FND Enterprise Co-operative Credit Union Limited was registered under section 241 of the Co-operatives Societies Act of 1995 of St. Christopher and Nevis on July 20, 2009. A resolution was passed on June 24, 2010 to transfer the assets and liabilities of the Foundation for National Development to a Credit Union named FND Enterprise Co-operative Credit Union Limited. The year end of the Credit Union was established as December 31. Consequently the first Financial Statements was for the five months ending December 31, 2009. Although the Credit Union was formed on July 20, 2009 it began operations effective August 1, 2009. The Credit Union was automatically re-registered on October 17, 2011 under the new Co-operatives Society Act, 2011 which has replaced the Co-operatives Societies Act of 1995.

Its registered office is Bladen Commercial Development, Basseterre, St. Kitts. It conducts business at Bladen Commercial Development and Waterfront, Charlestown, Nevis.

## 2. Basis of preparation and accounting policies

### (a) *Statement of Compliance*

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board.

### (b) *Basis of preparation*

These financial statements of FND Enterprise Co-operative Credit Union are prepared under the historical cost convention. They are presented in Eastern Caribbean Dollars (EC\$) (US \$1 = EC \$2.70)

### (c) *Use of estimates and judgements*

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies.

### (d) *Standards and Interpretations to published standards effective in the financial year 2013 which are not relevant or have no significant effect on the Credit Union's financial statements.*

IFRS 10 replaces the parts of IAS 27 that deals with consolidated financial statements. Under IFRS 10 control is the only basis for consolidation. There is also a new definition for control that contains three elements (a) power of investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investors return. IFRS 10 is required to be applied from 1 January 2013.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 2. Basis of preparation and accounting policies (*continued*)

- (d) *Standards and Interpretations to published standards effective in the financial year 2013 which are not relevant or have no significant effect on the Credit Union's financial statements. (continued)*

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

IFRS 11 replaces IAS 31 Interests in joint ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IFRS 11 is required to be applied from 1 January 2013.

IFRS 12 is a disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. IFRS 12 is required to be applied from 1 January 2013.

IAS 19 revised Employee Benefits effective for annual period beginning 1 January 2013.

IAS 27 revised Separate Financial Statements effective for annual period beginning 1 January 2013.

IAS 28 revised Investments in Associates and Joint Ventures effective for annual period beginning 1 January 2013.

IFRS 9 Financial Instruments, is the first phase of the project to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010. IFRS 9 was previously required to be applied from 1 January 2015. However, the implementation date has been further delayed.

IFRS 13 Fair Value Measurement, establishes a single source of guidance for fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement. It applies to both financial instruments and non-financial instrument items.

Mandatory Effective Date and Transition Disclosures was issued in December 2011. These amendments require IFRS 9 to be applied for annual periods beginning on or after 1 January 2015. These amendments modify the relief from restating prior periods.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of "currently has a legally enforceable right of set-off"; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods on or before 1 January 2014.

# ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2013

### 2. Basis of preparation and accounting policies (*continued*)

#### (e) *Revenue recognition*

##### i) Interest

Interest is recognised using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial asset.

##### ii) Fees and other charges

Revenue from fees, fines and other charges is recognised when it is probable that the economic benefits associated with the transaction will flow to the Credit Union, the amount of revenue and the stage of completion of the transaction can be reliably measured.

#### (f) *Borrowing Costs*

Borrowing costs are interest and other costs that the Credit Union incurs in connection with borrowing of funds, members deposits, bank loans, bank overdrafts and any other financial liability. Interest is calculated using the effective interest method which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial liability.

Borrowing costs are recognised as an expense in the Statement of Comprehensive Income in the period in which they occur.

#### (g) *Income Tax*

Section 242 (2) of The Co-operative Societies Act, 2011-31 exempts credit unions and other registered societies from the payment of income tax, corporation tax and any other tax on the income.

#### (h) *Property, plant and equipment*

Fixed assets are recorded at cost and are being depreciated on the straight line basis at annual rates estimated to write off the assets over their useful lives.

Building	2.5%	Computer Equipment	33 1/3%
Furniture & Fittings	15-20%	Intangible Assets	
Motor Vehicles	20%	(Computer Software)	20%
Office Equipment	20-33 1/3%	Plant and Equipment	10%

A full year's depreciation would be taken in the year of acquisition and none in the year of disposal.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 2. Basis of preparation and accounting policies (*continued*)

#### (i) *Impairment of assets*

Each year property, plant and equipment, intangible assets and investments are reviewed. Any impairment is recognised in profit or loss.

Provision for Loan Losses is estimated using PEARLS where 35% of debts older than 30 days but less than 12 months are provided for and all debts over one year are provided for in full. The Credit Union has decided to gradually adopt Pearls over five years by annually reducing the gap between Pearls and the current provision until full compliance is achieved by the year 2015.

#### (j) *Account Receivables and Payables*

Receivables and Payables mainly refer to interest on transactions. Expenses owing at the reporting date are stated on the accrual basis.

#### (k) *Financial Instruments*

Financial assets and liabilities are recognised when the credit union becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments are added to or deducted from the fair value of the financial assets or financial liabilities.

Financial assets are classified as Loans and Receivables, Held-to-Maturity investments and Available-for-Sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases and sales are recognised and derecognised on a trade date basis.

Held to Maturity investments such as treasury bills are non-derivatives financial assets with fixed or determinable payments and fixed maturity dates that the credit union intends to hold to maturity. Subsequent to initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial investments are those non-derivative financial investments that are not classified as held-to-maturity or as loans and receivables. These include shares in companies and other credit unions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. These include trade and other receivables, bank balances and loans to members.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 2. Basis of preparation and accounting policies (*continued*)

#### (l) *Impairment of financial investment*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

### 3. Cash

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
Current Accounts	427,924	682,168
Savings Accounts	1,500,704	1,066,896
Cash in Hand	<u>127,527</u>	<u>81,370</u>
<b>Total Cash and Bank Balances</b>	<b><u>2,056,155</u></b>	<b><u>1,830,434</u></b>

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>4. Loans and other receivables</b>		
General Loans	12,014,570	11,609,255
Loans at Solicitors	531,873	613,439
Staff Loans	55,042	76,799
Unearned interest on Discount loan	<u>(2,720)</u>	<u>(25,043)</u>
<b>Total loans receivable</b>	<b>12,598,765</b>	<b>12,274,450</b>
Less: Provision for Loan Losses	<u>(1,482,599)</u>	<u>(1,398,743)</u>
	<b>11,116,166</b>	<b>10,875,707</b>
 Other Receivables	 <u>25,390</u>	 <u>25,506</u>
	<b>11,141,556</b>	<b>10,901,213</b>
Insurance Premiums Prepaid	<u>33,670</u>	<u>37,713</u>
	<b>11,175,226</b>	<b>10,938,926</b>

Unearned Interest represents interest on FND clients' loans charged in advance not due at the end of the year, but would be set off against Loans Receivable at the appropriate time.

Provision for Loan Losses is estimated using PEARLS where 35% of debts older than 30 days but less than 12 months are provided for and all debts over one year are provided for in full. The Credit Union has decided to gradually adopt Pearls over five years by annually reducing the gap between Pearls and the current provision until full compliance is achieved by the year 2015.

The Credit Union controls its credit risk by placing limits on each customer according to the customer's ability to repay regularly. The Credit Union also holds collateral against the assets of the customer in addition to personal guarantees.

### 5. Investments

Government of St. Kitts and Nevis		
Treasury Bills face value \$200,000	196,750	196,750
St.Kitts Co-operative Credit Union	<u>100</u>	<u>100</u>
	<b>196,850</b>	<b>196,850</b>

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 6. Property, plant and equipment

	<u>Land</u>	<u>Building &amp; Improvement</u>	<u>Plant &amp; Equipment</u>	<u>Furniture &amp; Fittings</u>	<u>Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
At January 1, 2012	130,000	703,588	118,200	238,061	138,037	116,000	1,443,886
Additions	121,794	-	-	14,274	4,667	-	140,735
<b>At December 31, 2012</b>	<b>251,794</b>	<b>703,588</b>	<b>118,200</b>	<b>252,335</b>	<b>142,704</b>	<b>116,000</b>	<b>1,584,621</b>
Additions	-	-	-	967	26,618	100,000	127,585
Disposals	-	-	-	-	-	(116,000)	(116,000)
<b>At December 31, 2013</b>	<b>251,794</b>	<b>703,588</b>	<b>118,200</b>	<b>253,302</b>	<b>169,322</b>	<b>100,000</b>	<b>1,596,206</b>

#### Accumulated depreciation

At January 1, 2012	-	228,666	41,417	147,306	102,415	115,999	635,803
Charge for the year	3,045	17,591	9,542	21,588	19,922	-	71,688
<b>At December 31, 2012</b>	<b>3,045</b>	<b>246,257</b>	<b>50,959</b>	<b>168,894</b>	<b>122,337</b>	<b>115,999</b>	<b>707,491</b>
Disposals for the year	-	-	-	-	-	(115,999)	(115,999)
Charge for the year	3,045	17,588	8,405	21,470	19,920	20,000	104,961
<b>At December 31, 2013</b>	<b>6,090</b>	<b>263,845</b>	<b>59,364</b>	<b>190,364</b>	<b>142,257</b>	<b>20,000</b>	<b>681,920</b>

#### Carrying amount

At December 31, 2013	<u>245,704</u>	<u>439,743</u>	<u>58,836</u>	<u>62,938</u>	<u>27,065</u>	<u>80,000</u>	<u>932,681</u>
At December 31, 2012	<u>248,749</u>	<u>457,331</u>	<u>67,241</u>	<u>83,441</u>	<u>20,369</u>	<u>1</u>	<u>900,713</u>
At December 31, 2011	<u>130,000</u>	<u>474,922</u>	<u>76,783</u>	<u>90,755</u>	<u>35,622</u>	<u>1</u>	<u>844,058</u>

At December 31, 2009 Property, Plant and Equipment was transferred from the Foundation for National Development (St. Kitts-Nevis) Limited at the same costs as the closing entries of the Foundation. No depreciation was taken in the year of disposal but a full year's depreciation was taken in the year of acquisition by the Credit Union.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>7. Intangible Assets</b>		
<b>Software:</b>		
<b>Cost</b>		
Opening Balance	125,327	121,859
Additions	992	3,468
	<u><b>126,319</b></u>	<u><b>125,327</b></u>
<b>Accumulated amortization</b>		
Opening Balance	78,620	53,555
Annual Amortisation (note 21)	25,264	25,065
	<u><b>103,884</b></u>	<u><b>78,620</b></u>
<b>Carrying amount</b>	<u><b>22,435</b></u>	<u><b>46,707</b></u>

Intangible assets relate to software programs and are amortised at the rate of 20% per annum. Impairment loss becomes effective if there is a change in the programs before the assets are fully depreciated.

### 8. Deferred cost

**540**

**540**

The amount against Deferred Cost refers to cost of pearls software not yet put into use.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>9. Loans Payable</b>		
Development Bank	-	37,184
Eastern Benevolent Society	109,144	103,946
Social Security Board	1,530,912	1,937,545
International Co-operation and Development Fund	672,050	940,870
	<u>2,312,106</u>	<u>3,019,545</u>
Interest Payable	19,954	24,679
	<u>2,332,060</u>	<u>3,044,224</u>

The loan with the Eastern Benevolent Society Funeral Home Ltd bears interest at the rate of 5% per annum and is repayable on demand.

The loan with Social Security Board reflecting a balance of \$1,530,912 bears an interest rate of 7% per annum. It is secured by every new mortgage that is written by the FNDECCU and every new bill of sale that stands in its favour as a mortgage.

The loan with the International Co-operation and Development Fund is unsecured and bears an interest rate of 5% per annum. The loan is repayable in seven years after a grace period of three years, commencing from the date of the loan agreement. The loan will be repaid in eight consecutive and semi-annual equal installments, provided however, that the final installment shall be the balance of the loan. The first such installment was paid on September 15, 2012.

### 10. Security Deposits

3,540

3,540

This represents security deposits for loans granted to clients of FND Enterprise Co-operative Credit Union Limited.

### 11. Members deposits

Savings	3,185,986	2,468,347
Term Deposits	986,386	763,635
	<u>4,172,372</u>	<u>3,231,982</u>
Chequeing Accounts	41,323	9,303
Interest Due on Savings and Deposits	18,210	19,412
	<u>4,231,905</u>	<u>3,260,697</u>

Liquidity risk varies according to cash flows. The Credit Union controls its liquidity to enable it to cover its interest accrued to members' deposits.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 12. Trade payables

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
Audit fees	27,100	27,100
Social Security Fund	9,780	11,358
Bills of Sale	2,452	9,787
Other payables	45,391	39,107
	<u>84,723</u>	<u>87,352</u>

Other Payables refer to sundry accruals paid for early in the following year.

### 13. Share capital

Opening Balance	627,810	513,665
Shares issued	143,150	114,145
<b>Balance to date</b>	<u><b>770,960</b></u>	<u><b>627,810</b></u>

Section 96 of the Co-operative Societies Act, No.31 of 2011 of the Laws of St. Christopher and Nevis, Article VIII Section 24 of the By-Laws of the Credit Union provide for the sale of an unlimited quantity of non withdrawal, redeemable shares at a par value of \$5.00 each to its members.

### 14. Statutory reserve and Development fund

Balance at beginning of year	4,391,340	4,388,380
Entrance fees	2,890	2,960
	<u><b>4,394,230</b></u>	<u><b>4,391,340</b></u>
 Development Fund (1%)	 2,620	 2,620
	<u><b>4,396,850</b></u>	<u><b>4,393,960</b></u>

Section 125 of the Co-operative Societies Act, 2011, No. 31 requires that the Credit Union transfer no less than twenty five percent (25%) of the Net Surplus in each year to a Statutory Reserves and other Institutional Capital until the Reserve equals 10% of Total Assets. At December 31, 2013 the Credit Union's Statutory Reserves and other Institutional Capital was forty seven percent (47%) of the Total Assets. Thus, no transfer from the Net Surplus was made to Statutory Reserve for 2013.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 15. Special Reserve

The Special Reserve was restated as follows:

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
Statutory Reserves	4,293,083	4,293,083
Retained Earnings	2,382,933	2,333,396
	<u><u>6,676,016</u></u>	<u><u>6,626,479</u></u>

The Special Reserve, which refers to Donated Funds and Retained Earnings received from the Foundation for National Development has been reclassified in the 2012 Accounts to reflect that the transferred Retained Earnings continue as Retained Earnings and Donated Funds as Statutory Reserve. The figures in the previous year have been adjusted to reflect this. The Statement of Changes in Members' Equity on page 6 was also amended.

### 16. Capital Grant

Balance brought forward	163,191	169,466
Additions for the year	30,000	-
Write-offs for the year	(12,275)	(6,275)
	<u><u>180,916</u></u>	<u><u>163,191</u></u>

Capital Grants are the amortised amounts against certain fixed assets financed by international donor agencies and the Government of St.Kitts and Nevis. The amortised amounts are offset against the total depreciation on the Fixed Assets.

### 17. Fees and Other Charges

Loan fees	163,431	184,961
Conference Facilities	41,140	43,257
Technical Assistance	15,600	20,000
Entrance fees	2,890	2,960
Rental of Equipment	560	4,070
	<u><u>223,621</u></u>	<u><u>255,248</u></u>

# ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>18. Interest income</b>		
Interest on loans	1,666,104	1,658,669
Interest on deposit accounts	34,654	29,179
Interest on held to maturity investment- treasury bills	13,036	14,155
	<u><u>1,713,794</u></u>	<u><u>1,702,003</u></u>
<b>19. Other income</b>		
Gain on disposal of Assets	24,500	-
Miscellaneous Income	13,423	16,023
Amortisation of capital grant	12,275	6,275
	<u><u>50,198</u></u>	<u><u>22,298</u></u>
<b>20. Administrative expenses</b>		
Salaries	705,926	720,636
Promotion and Advertising	79,761	149,772
Electricity and water	71,589	78,715
Emoluments imposts	65,771	70,861
Stationery and office supplies	51,741	39,653
Rents	45,500	42,000
Telecommunication	38,322	38,602
Travel Allowances	27,280	31,680
Group Insurance	22,353	21,394
Staff Benefits	17,157	1,260
Vehicle Expenses	12,824	23,926
Conference Room Expense	7,331	8,814
Postage	6,819	9,443
Training	1,388	8,101
	<u><u>1,153,762</u></u>	<u><u>1,244,857</u></u>

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2013

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
<b>21. Other expenses</b>		
Depreciation	104,964	85,067
Bad debts and provisions	83,855	184,582
Office Maintenance	55,681	41,255
Meetings and conventions	47,095	63,822
MIS Support	38,741	33,601
Audit fees and expenses	30,439	30,787
Amortisation of intangible assets (note 7)	25,264	25,065
Legal fees	13,262	842
Legal settlement	11,952	-
Equipment maintenance	17,373	14,143
Professional Fees	13,290	4,120
Insurance	9,358	9,529
Affiliation dues	8,095	11,536
Donation and subscription	7,683	6,725
Entertainment	102	467
Security	5,733	5,090
Office consumables	2,582	2,752
Travelling expenses	2,357	1,140
Miscellaneous	1,292	1,751
Member Benefit/Training	-	3,510
	<u><u>479,118</u></u>	<u><u>525,784</u></u>
<b>22. Finance Costs</b>		
Interest expenses:		
Interest on Loans	170,309	214,008
Interest and bank charges	131,997	111,777
	<u><u>302,306</u></u>	<u><u>325,785</u></u>
<b>23. Taxation</b>		

Under the provision of the Income Tax Ordinance of St. Kitts and Nevis, all friendly Societies are exempted from Income Tax. The Credit Union is classified as a friendly Society.

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 24. Events after the end of the reporting period

The Credit Union issues letters of guarantees in the normal course of business. There were no contingent liabilities nor capital commitments at December 31, 2013.

### 25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions. The Credit Union grants loans to Board and Committee members and key management staff.

	Year ended December 31, 2013 \$	Year ended December 31, 2012 \$
Loans disbursed to Directors and key management	<u>-</u>	<u>50,000</u>
Loan balances to Key management including directors and committee members	<u>213,138</u>	<u>280,138</u>
Key management compensation	<u>490,976</u>	<u>513,351</u>

# ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2013

### 26. Capital Management

The Credit Union manages its funds to ensure that it will continue as a going concern while maximising returns for members at minimum risk. Capital is managed as per the guidelines established by the Co-operative Societies Act, 2011, the Co-operatives Societies Regulations, 1997 and International Prudential Standards for Credit Unions (PEARLS).

Capital is managed by the Board and management in accordance with established policy. This policy implementation is monitored by the Supervisory Committee and implemented by management.

The Credit Union currently has 53.3% of its total deposits held as reserve which far exceed the current Co-operatives Act requirement of a minimum of 10% of total deposits to be held as liquid reserves.

Two primary ratios used by PEARLS to assess capital adequacy are

Net Loans/ Total assets	Standard range (70 to 80%)	Actual 77%
Net Value of Assets/Total Shares & Deposits	Standard $\geq$ 111%	Actual 183%

The capital and funds of the society consists of qualifying shares, savings, deposits and loans from members and non-members, donated capital and institutional capital transferred from The Foundation For National Development (St. Kitts-Nevis) Limited.

Liquid reserves are managed such that its total is at all times greater than 10% of Total assets.

The total Share Capital purchased by the members is unlimited but may not exceed the equivalent of 10% of the total Assets of the Credit Union and no single member or connected party is allowed to own more than 20% of the total shares of the Society.

Loans are not made to members if the total lent to that member exceeds 10% of the credit union's share capital, retained earnings and liquid reserves or members' ordinary deposits and the credit unions reserves, whichever is less.

### 27. Financial Instruments

Categories of financial instrument.

	31-Dec-13	31-Dec-12
<b>Financial assets</b>		
Cash and Bank balances	2,056,155	1,830,434
Loans and Receivables	11,141,556	10,901,213
Held-to-maturity investments	196,750	196,750
Available for Sale investments	100	100
	<b>13,394,561</b>	<b>12,928,497</b>
<b>Financial Liabilities</b>		
Amortised cost	6,652,228	6,395,814

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 27. Financial Instruments *(continued)*

#### Risk management

The Credit Union manages its risk through the use of internal reports and by ensuring that financial assets remain within established guidelines set by the Board of Directors and those mandated by law and PEARLS. The Supervisory Committee on a monthly basis confirms and monitor financial instruments and monitors the risk management of the Credit Union. These risks include interest risk, credit risk and liquidity risk.

#### Interest rate risk

Interest rate risk is the risk of changes to profitability as a result of interest rate changes. Cash at Bank, Treasury bills, members' deposits and loans, as well as loans from institutions are all subjected to interest rate changes however, these rates have remained constant over the years. Loans from institutions are all fixed and are not subject to changes in base rates. The Credit Union is therefore not subject to any significant interest rate risk due to rate changes.

#### As at December 31, 2013

	1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>					
Cash resources	1,837,782	-	-	218,373	2,056,155
Loan and other receivables	231,500	9,387,517	1,497,149	25,390	11,141,556
Investments	196,850	-	-	-	196,850
	<b>2,266,132</b>	<b>9,387,517</b>	<b>1,497,149</b>	<b>243,763</b>	<b>13,394,561</b>
<b>Liabilities</b>					
Loans Payable	707,178	1,624,882	-	-	2,332,060
Security Deposits	-	-	-	3,540	3,540
Members Deposit	4,076,183	155,722	-	-	4,231,905
Trade Payables	-	-	-	84,723	84,723
	<b>4,783,361</b>	<b>1,780,604</b>	<b>-</b>	<b>88,263</b>	<b>6,652,228</b>
	<b>(2,517,229)</b>	<b>7,606,913</b>	<b>1,497,149</b>	<b>155,500</b>	<b>6,742,333</b>

## ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

### 27. Financial Instruments (*continued*)

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

As at December 31, 2012

	1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>					
Cash resources	1,260,629	-	-	569,805	1,830,434
Loan and other receivables	272,155	8,428,655	2,174,897	25,506	10,901,213
Investments	196,850	-	-	-	196,850
	<b>1,729,634</b>	<b>8,428,655</b>	<b>2,174,897</b>	<b>595,311</b>	<b>12,928,497</b>
<b>Liabilities</b>					
Loans Payable	844,132	2,200,092	-	-	3,044,224
Security Deposits	-	-	-	3,540	3,540
Members deposit	2,675,895	584,802	-	-	3,260,697
Trade payables	-	-	-	87,352	87,352
	<b>3,520,027</b>	<b>2,784,894</b>	<b>-</b>	<b>90,892</b>	<b>6,395,813</b>
	<b>(1,790,393)</b>	<b>5,643,761</b>	<b>2,174,897</b>	<b>504,419</b>	<b>6,532,684</b>

The Credit Union manages its credit risk by spreading its cash resources with different reputable financial institutions and establishing maximum levels to be deposited at each institution. Loans are granted to members after careful consideration of their character, financial condition and sureties to ascertain the ability to repay fully and promptly their obligation. Loans over stipulated limits must be approved by the Credit Committee. The Credit Union also monitors its loan portfolio to ensure it is not unduly exposed to any particular business sector.

#### Liquidity risk

The loan portfolio comprises short, medium and long term loans. There are also loans from institutions for which monthly and quarterly payments have to be made. These liabilities are financed by members' deposits and shares. The Credit Union has to have adequate liquid resources to meet demands on deposits and loan repayments. The guidelines established by PEARLS and the Co-operatives Act as well as experience gained over the years are used to manage the Credit Union's liquidity risk.

# ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2013

### 27. Financial Instruments *(continued)*

#### Liquidity risk *(continued)*

##### As at December 31, 2013

	1 year	1 to 5 years	Over 5 years	Total
<b>Assets</b>				
Cash resources	2,056,155	-	-	2,056,155
Loan and other receivables	256,890	9,387,517	1,497,149	11,141,556
Investments	196,850	-	-	196,850
	<b>2,509,895</b>	<b>9,387,517</b>	<b>1,497,149</b>	<b>13,394,561</b>
	1 year	1 to 5 years	Over 5 years	Total
<b>Liabilities</b>				
Loans Payable	707,178	1,624,882	-	2,332,060
Security Deposits	3,540	-	-	3,540
Members Deposit	4,076,183	155,722	-	4,231,905
Trade Payables	84,723	-	-	84,723
	<b>4,871,624</b>	<b>1,780,604</b>	<b>-</b>	<b>6,652,228</b>
<b>Net Liquidity Gap</b>	<b>(2,361,729)</b>	<b>7,606,913</b>	<b>1,497,149</b>	<b>6,742,333</b>

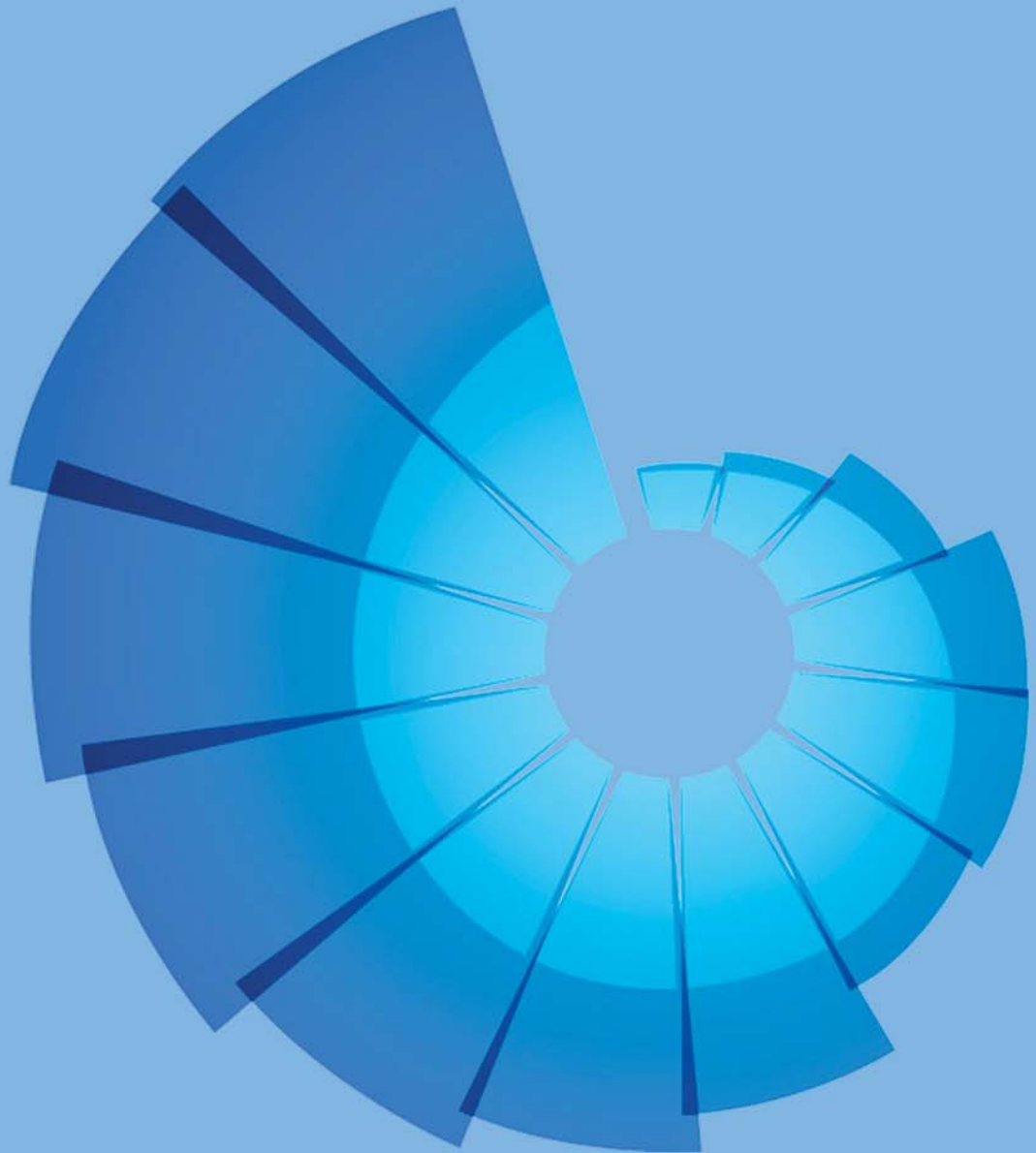
##### As at December 31, 2012

	1 year	1 to 5 years	Over 5 years	Total
<b>Assets</b>				
Cash resources	1,830,434	-	-	1,830,434
Loan and other receivables	297,661	8,428,655	2,174,897	10,901,213
Investments	196,850	-	-	196,850
	<b>2,324,945</b>	<b>8,428,655</b>	<b>2,174,897</b>	<b>12,928,497</b>
	1 year	1 to 5 years	Over 5 years	Total
<b>Liabilities</b>				
Loans Payable	844,132	2,200,092	-	3,044,224
Security Deposits	3,540	-	-	3,540
Members Deposit	2,675,895	584,802	-	3,260,697
Trade Payables	87,352	-	-	87,352
	<b>3,610,919</b>	<b>2,784,894</b>	<b>-</b>	<b>6,395,813</b>
<b>Net Liquidity Gap</b>	<b>(1,285,974)</b>	<b>5,643,761</b>	<b>2,174,897</b>	<b>6,532,684</b>



# Notes

## Notes



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