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if you have any questions, comments or concerns

ADMINISTRATOR'S REPORT

TO MEMBERS/OWNERS OF
ST. FRANCIS XAVIER CREDIT
UNION LTD.

July 9, 2023

In order to invoke God's blessings on our gathering today, let us together please pray for PEACE in our world.

PEACE PRAYER
OF
ST FRANCIS OF ASSISI

*Lord, make me an instrument
of Thy peace:
Where there is hatred,
let me sow love;
Where there is injury, pardon;
Where there is 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,
It is in pardoning that
we are pardoned,
And it is in dying that
we are born to eternal life.*

Amen

MEETING AGENDA

1. ***National Anthem***
2. ***Credit Union's Prayer and minute of silence for departed members – 10:00 a.m.-10:05a.m.***
3. ***Introduction and meeting protocols – Administrator - 10:05a.m. – 10:15a.m.***
4. ***Raffle 2 prizes 10:15a.m. – 10:25a.m.***
5. ***Report to members/owners on findings – Administrator - 10:25a.m. – 11a.m.***
6. ***Operations and fixed assets – 11:00a.m. – 11:10a.m.***
7. ***Financial Highlights 11:10a.m. – 11:20a.m.***
8. ***Questions and answers – 11:20 a.m. - 11:50 a.m. – Administrator and staff***
9. ***Raffle – 4 prizes of 11:50a.m. – 12:10p.m.***
10. ***Presentation of dividend and rebate 12:10p.m. – 12:20p.m.***
11. ***Raffles –(3 prizes) 12:20p.m. -12:35p.m.***
12. ***Lunch and refreshments will be served - 12:35p.m.***

2) Introduction and Meeting Protocol

Good morning. First of all, I would like to thank you all for attending this special meeting and to welcome all members/owners. This is a Special Meeting called by the Administrator with the required approval from the Registrar of Credit Unions (Registrar) as per section 61 (8) of the Credit Unions Act. This Special Meeting was called to update you, the members/owners, on the affairs of the credit union and of the steps taken to protect your equities in the credit union since I was appointed on 10 March, 2023 – nearly four months ago. For clarity, I advise that since this not an Annual General Meeting (AGM), the normal protocols such as reading of reports from the Board of Directors, General Manager and the committees will not occur and neither will voting to elect any members to the Board or Committees.

You have all been provided with booklets which contain my report on the business of the credit union and on plans to improve the overall management and governance. This impartial report is based on facts after reviewing many reports, practices, policies and procedures and after discussions with the staff and other relevant parties. My review was completed principally to determine the cause of the numerous issues which were identified by examinations conducted by the Registrar, special investigations and to implement solutions. The purpose of this important effort is to improve the financial management of your credit union in accordance with best

practices and in compliance with the CUA and the Money Laundering and Terrorism (Prevention) Act to ensure your funds remain safe and that the credit union remains viable for a very long time.

As the Administrator, I am asking members to allow for the meeting and the reading of the report to proceed in an orderly fashion and avoid unnecessary disruptions. Members who choose to be disruptive and partake in disrespectful behaviour will be asked to leave the meeting or will be removed as may be required. I therefore ask for your respect, patience and careful attention to the contents of the report. The information is very important and is based on facts.

As noted in the agenda, an allotted time has been set to ask the Administrator or staff any questions about the report. Where we can respond we will do so and where we may be unable to response due to the pending court case, answers may be deferred.

I thank you for your understanding and look forward to your kind support and cooperation.

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TO MEMBERS/OWNERS OF
ST. FRANCIS XAVIER CREDIT UNION
LTD.

July 9, 2023

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Administrator Report to Members/Owners on Findings

i) Introduction

On the 10th of March, 2023 the Registrar appointed me as the Administrator to manage Saint Francis Xavier Credit Union Ltd. (SFXCU) pursuant to section 61 (1) of the Credit Union Act, 2011 (CUA) Chapter 314 of the Laws of Belize. The Registrar took the decision after carefully considering the critical deficiencies in governance and risk management practices, as well as material weaknesses in internal controls which were uncovered during several examinations conducted by the Registrar and by independent audit reviews. The Registrar was of the view that these unattended matters could have destabilized the credit union and that the appointment was required to protect the equities and interests of the members of the credit union.

The Administrator was therefore appointed and charged to perform the following duties:

- (a) Carry on the ordinary management and conduct operations of the credit union and its branches in accordance with the CUA, by-laws, and policies and procedures of the credit union;

- (b) Ensure that accurate and punctual monthly, quarterly, and annual financial statements and related reports of financial condition of the credit union are prepared;
- (c) Work with the internal and external auditors to ensure compliance with internal controls, procedures and policies;
- (d) Ensure the development and strengthening of policies and procedures to procure sound operations and governance of the credit union;
- (e) Take all prudent measures required to secure compliance by the credit union with all applicable laws, regulations, by-laws, policies and procedures, directives and orders of the Registrar;
- (f) Manage the review and examinations by the credit union's auditors and Registrar, including responding to requests for information, coordination of documentation and provide on-site support during reviews;
- (g) Adhere to all policies and procedures of the credit union and ensure that they are communicated to and implemented by all employees;
- (h) Consider and take prudent measures to implement corrective actions recommended in the Registrar's Special Examination Report and the Special Investigation Report by Shawn Mahler.

- (i) Perform such other tasks relating to the management of the credit union's affairs as may be assigned by the Registrar.

Since the appointment and while performing the duties assigned, my primary responsibility was to ensure that the credit union continued to perform normally at all its branches and also to respond to queries and questions from members. Since my appointment, staff members of the credit union reported to work and continued to perform their duties diligently. They were instrumental in ensuring that all services to members continued uninterrupted and that the business of the credit union continued seamlessly. I believe that the staff should be thanked and applauded for their efforts and commitment to you, the members, during this period.

ii) Preface

This report was completed to provide all member owners with as much information as possible regarding the work of the Administrator and covers a wide cross section of the critical management areas necessary to manage a financial institution with \$117 million dollars in total assets. In trying to compile the report in a simple and easy to understand format, the report was produced using multiple sub-headings which address the critical management areas which were the subject of the examination and Special Investigation findings. I also highlighted actions, where applicable, which have been, or which will be undertaken by the Administrator to change and improve the management of your credit union. I make mention that the Registrar is updated regularly on the affairs of the credit union as required by the CUA.

The independent audit for the fiscal year 2022/2023 was also completed and the results are contained in the report. The external auditor also issued a letter of recommendation which reaffirmed the facts herein disclosed in this report. These are described below for your knowledge.

iii) Deficiencies identified in various Examinations and Independent Investigation Reports

There were several examinations during the period 2017 - 2022 and two independent Investigation reports being the Agreed Upon Procedures and Special Investigation Reports conducted by Ms. Shawn Mahler, which were conducted in 2022. The findings, some of which were material weaknesses, were all brought to the attention of management and the Boards. Both management and the previous and recently suspended Boards had given their undertaking to remedy these issues; however, based on my review, the majority of these matters were addressed superficially or not addressed at all. It was evident that there was no earnest attempt to implement the required solutions with involvement of the wider staff and this continues to be a cause for concern. As a matter of fact, the responses to the Registrar regarding the issues raised suggested a level of disrespect and disregard for the Registrar's office. Quite a few of these matters remained unaddressed. Since my appointment, I have established temporary measures to improve the governance of the credit union. These measures are now serving to provide guidance to staff while I have engaged a specialist team where required, to rewrite or strengthen existing policies and procedures.

iv) Enterprise Governance

My review sought to ensure that senior management and the Board were sufficiently in tune with the credit union's business and that they were ensuring that the risks

faced by the credit union were being assessed, managed and mitigated. The review also encompassed assessment of whether the credit union's resources, including its employees, were being managed appropriately and in line with the credit union's strategic goals. The overall management as described above is known as enterprise governance.

In determining whether there was sufficient oversight by the senior management and the Board in managing the credit union's business, I reviewed the most recent strategic plan covering the period 2022-2025 and the previous strategic plan, and I also requested the credit union's policies and procedures including the Investment Policy, Liquidity Policy, Human Resources Policy, Credit Policy, Business Continuity Plan among others to understand if they were adequate and being adhered to. Of the total documents requested, I learned that certain basic but critical policies and procedures were not in existence and the documents which were presented, were either outdated and being reviewed, while others were simply inadequate and needed to be redone to appropriately address the current risks and other critical management considerations. As an example, the strategic plan for the current period was a replication of the previous strategic plan and contained no meaningful implementation strategy. As a matter of fact, only certain senior management officials knew of the intricacies of the plan and so, logically, the implementation

would have been virtually impossible without the inclusion and support of other managers and supervisors.

The absence of a proper enterprise governance framework is a material weakness and represents a major risk to the credit union's viability. The critical management areas mentioned are major components which require strong oversight to enable the credit union to prudently invest members' funds and deliver satisfactory returns.

As part of my duties, I am in the process of updating and creating the required policies and procedures documents to provide guidance and instructions to the Board, relevant committees, and staff members going forward.

v) Ineffective Organizational Structure

The organizational structure of a business refers to the manner in which work is distributed in a business and assigned to various job titles. It also ensures that clear roles and responsibilities are assigned to those job titles to ensure the business can function efficiently and effectively. Staff members are normally assigned to perform in these job titles, and they are advised what are their roles and responsibilities by way of a job description. These are then connected to ensure that the organization performs as a team to attend to members' needs.

The credit union was fortunate to have revised its organizational structure in February of 2023. The updated structure eliminated the post of an assistant general

manager and introduced the position of an operations manager whose purpose was to oversee the majority of the credit union's functions and branches. Unfortunately, with the introduction of the operations manager, and a lack of clarity as to the purpose of the change, all existing policies and procedures were immediately affected. These changes to policies and procedures, and organizational structure were not addressed nor communicated to the staff as a part of the overall implementation plan. The revised structure also did not include the creation of a human resources department which was a corrective action by the Registrar stemming from the examination findings.

Apart from these obvious issues, the previous and revised structure did not adequately address the enterprise governance requirements of the credit union. The structure allowed for branches to act as self-contained units so that adequate management and oversight of all their functions were not evident and this required improvement.

The structure, in part, allowed for central management of certain critical areas such as anti-money laundering compliance and Information Technology, however this has proven to be inconsistent and mostly on a branch-by-branch basis. The structure does not address the management of other critical management areas such as risk management including arrears and bad loans collection, liquidity management, finance and budget management among others.

Given the number of branches and value of assets under management, my review revealed a need for a revised structure to include the establishment of a well-organized head office body that oversees the critical management areas of the credit union. This body will be able to provide management and the Board with reports assessing the business of the credit union and with recommendations on how to improve performance.

A revised structure has already been drafted that addresses the critical management areas which is currently being finalized together with an implementation plan.

vi) Risk Management including Credit Risk and Collateral Management

Risk management refers to the continuous process of identifying, assessing, monitoring and mitigating all risks that a business face. The risks faced by the credit union are numerous – credit risk, liquidity risk, capital risk, regulatory risk, interest rate risks, and reputational risk are just a few that I can mention. These are all areas that can significantly impact the credit union’s business and it is a requirement for senior management and the Board to ensure that these are being managed at all times.

Credit risk management is a specific type of risk. It is the process in which the credit union accepts, assesses and approves loans to members and includes the credit

union's policies and procedures in managing members' loans in arrears and collection of bad debt – loans in arrears more than 90 days.

Collateral management refers to the process that deals with all securities that are used to secure members' loans including preparation, execution, registration and safe custody.

All these areas are related and were carefully reviewed including the credit union's lending policies and procedures, its practices, arrears management and bad debt collection. It was obvious from my review that the staff tried their best to grant loans, address arrears, bad debt collection and securities management. Despite their best efforts, due to certain questionable practices, outdated and shallow policies and procedures, their efforts were not as effective.

These processes are critical to ensure that the credit union grants loans that are always repaid punctually and that the risks are mitigated by taking securities such as mortgages over properties, shares, bill of sale over vehicles, etc. in the right manner. In all, my review revealed that while management and the Board followed certain policies, procedures and undocumented practices, there were frequent instances where policies and procedures were ignored or avoided without proper justification. These transgressions included lending on an unsecured basis, breaching repayment guidelines, careless assessments, or the absence thereof, and lack of proper

documentation. These various lapses all contributed to substandard lending practices resulting in a high number of loans going into arrears. It also contributed to the significant increase in bad loans and the need for the credit union to set aside profits to provide for these loan losses. In addition, upon review of the security documentation, it was found that the credit union was preparing documents that were inadequate and did not allow for efficient collection of the loans when they went into significant arrears. This has caused significant delays and additional costs in trying to recover bad loans. Legal advice has been sought regarding how these issues can be remedied and to provide guidance to ensure that future legal documents are prepared correctly.

All of these issues which I discovered had already been documented in previous examination reports and were well known to management, but were not promptly and adequately addressed. This practice obviously affected the quality of assets and provisioning requirements which in turn negatively affected the credit union's level of profits and its ability to deliver improved returns to its members.

vii) Information Security Governance Framework

Information security governance is the manner in which the credit union protects and ensures the integrity of its information and your personal data that is stored in the system. It includes systems in place to prevent unauthorized access, storing and

accessing data, cyber security systems, etc. The credit union is expected to have in place the proper management systems and security protocols and polices to ensure that all its information assets are held securely at all times.

My review identified that the credit union needs to review and improve the systems currently in place. I have sought the assistance of an external consultant who, along with staff, are already working on ways to improve the credit union's cybersecurity system and to develop policies and procedures to ensure your data is secured and protected. The credit union is therefore compelled to ensure that it protects its information technology infrastructure as it introduces online and other technological services to improve convenience to members.

viii) Business Continuity Plan

Business continuity planning refers to the ability of a business to continue offering services to members in the event of a disaster, natural or otherwise e.g. a hurricane, severe black-outs, computer hacking, robbery, a fire, etc. It therefore covers areas such as having a proper computer back-up system, adequate stand-by generators, security and other services, alternative business locations, technical expertise and staff plans to properly address any disaster.

The review indicated that the credit union does have a business continuity plan however it is limited and outdated. The plan does not adequately address all the

potential risks and it was obvious that not much attention was given to ensuring the integrity of this very serious issue. As an example, the credit union's back up computer system is not located in a safe and secure location and does not have a reliable and stable power source in the event it is required. In any financial service business, this is an extremely critical matter that should have been immediately attended but was not.

ix) Updating of Credit Union's By-Laws

The credit union's by-laws is a document that provides the framework for the operation and management of the credit union's affairs. It is an important governance document that describes and guides management and the Board about a broad range of management requirements and its relationship with you, its members. It is generally reviewed and updated regularly to ensure it is up-to-date and adequately addresses the changing circumstances of the credit union.

Based on my research and documents that were available to me, the credit union has not updated its by-laws since 2003 and it is obvious that this document is outdated. The entire financial industry has been experiencing changes related to financial reporting, money laundering compliance, member needs and demands and technological advancements that warrant the need for changes to this fundamental

governance document. My review suggests that management and the Board have been grossly negligent in addressing this requirement.

This document is currently being reviewed taking into consideration the fact that the law governing credit unions is also being revised with a view to strengthen management and governance issues among others.

x) Lack of Human Resources Department

One of the most critical areas in any business is the existence of a human resources function that fairly and objectively oversees the following areas for all employees -

- Recruitment
- Training and talent management
- Appraisals
- Motivation and rewards
- Compensation and benefits
- Succession planning
- Manpower planning
- Disciplinary procedures
- Termination

Despite the existence of SFXCU for decades, my review revealed that there is no Human Resources Department. I was advised that while this was being contemplated, there was apparently no implementation plan which was further evidenced by the fact that it was not included in the revised organizational structure completed in February 2023. This is a pivotal department that assists in improving morale, productivity and in moulding a culture of teamwork among staff within the organization. It provides stability, fairness and transparency through policies, procedures and performance management.

There is currently an ad hoc structure that only partially oversees certain aspects of the human resource function, but this is not consistent. The current structure identifies positions within a basic hierarchical structure identified by job titles and is attached to a rudimentary salary structure which was established in 2020. Also, the credit union's appraisal procedures are non-existent and the majority or all staff members have not been officially appraised for approximately 5-7 years. Staff meetings are sparse. My review revealed that these failings are totally unacceptable, demoralizing and unfair to staff. Over time, this has and will continue to affect performance.

This is a monumental exercise and plans are being devised to address the creation of a Human Resource Department and to address the issues incrementally with an experienced individual who can attend to the needs and management of the human

resources function in the credit union. I recently arranged and attended all staff meetings where factual updates were provided about the credit union and the way forward.

xi) Conclusion

My independent review identified that SFXCU lacks an effective organizational structure, risk management policies and procedures, and an information security governance framework. In addition, its lending policies and procedures and business continuity plan, are outdated and inadequate and lacks a Human Resource Department which is required to manage this extremely important resource in the credit union. All these findings allowed me to conclude that the credit union's governance and organizational structure are currently inadequate and have been a part of the reason why the various examinations and special investigation reports identified many weaknesses and raise concerns about the viability of the credit union.

I chose to report on the findings which I considered to be high risk areas and if not addressed, will continue to adversely affect the credit union's business. My review identified other issues which, due to time constraints today will be revealed in future reports.

My review sought to explain to members the seriousness and importance of these findings. The negative impact of leaving the issues unaddressed are likely to result in critical situations for which SFXCU's structure is not prepared, and the lack of attention to proper financial and human resource management are likely to contribute to a deterioration of the credit union's business going forward. I believe you will agree with me that these findings are extremely important and should not be overlooked. I strongly encourage members to be inquisitive and demand that their questions are answered truthfully in relation to the management of the credit union. It is only in this way that management and the Board can be held accountable and responsible for their decisions going forward. At the end of the day, the credit union's sole purpose is to ensure that every member can benefit and that the process through which your money is managed is prudent and transparent.

On a final note, I would like to thank you members for your patience and for allowing the Registrar and Administrator to carry out their roles in protecting and improving the business of your credit union, SFXCU, to ensure viability and long-term success.

6) Operations and fixed assets

The operations of the credit union encompasses several areas including the standardization of all policies and procedures that's governs cash management, account opening, website, marketing, etc. across the business, management of buildings, vehicles, equipment etc.

The current organizational structure does not have the operations defined and it encompasses many areas. It also does not separate the functioning of the Corozal branch from the whole business. I believe the credit union would perform more effectively with this separation in place and the Operations Unit should be a separate functioning area under the revised organisation structure.

Buildings and condition

The credit union owns all buildings which they occupy except the Caye Caulker Branch. The Sarteneja and San Pedro branches are in fair condition except for the amount of clutter that is stored in office on the upper floor of the Sarteneja branch. The Corozal main office has been neglected for years and is a concern for staff safety and comfort and likewise for members convenience. There are numerous areas of risks in cash handling, access and safety concerns which would require major renovations to the building. This was being contemplated but it would appear that there was a level of complacency and the building has remained in its current state.

Since the Administrator assumed office, all the interior staff restrooms were renovated, the tiles were cleaned and a major security risk was attended to with the construction of a proper perimeter fence in the rear of the building. We are also assessing the Walsh building to cure the mould problem caused by a leaking roof which caused staff to become ill. Until this has been assessed and plans to address the building have been completed, staff have moved downstairs in recently renovated offices. Plans are also underway to remove all the clutter from inside and around building to improve the aesthetics of the credit unions main office and to paint the building. The glass wall in the front of the building was also replaced with the proper materials and is a marked improvement to what was there before. We are

hoping to improve the building to ensure it represents the branding and stature of the SFXCU.

Vehicles and condition

Except for the sole vehicle assigned to senior management, all the other vehicles used by management and staff to do the work of the credit union are in deplorable condition. Majority were handed down from senior management. They all have over 300,000 kilometres and are constantly in the mechanic shop for repairs. This presented a major risk for staff and is a considerable cost to the credit union.

Authorization was granted to replace one of the vehicles and the others will be replaced based on the credit union's cashflow.

7) [Financial Highlights and dividend and rebate declaration](#)

Financial Highlights, Dividend and rebate declaration

SFXCU audited financial figures reported a surplus for March 2023 in the amount of \$3,845,565.00 and for the prior year it was \$4,720,158.00. This was a decline of \$874,593.00.

Cause for decrease in surplus.

The decrease in the surplus was mainly as a result of the following:

- 1) The total provision for March 2023 amounted to \$1,665,958 as opposed to last year in the amount of \$1,369,503. This increase in provisioning is as a result of a deteriorating loan portfolio that is currently on the credit union's books. The reason for this increase was described earlier.

- 2) Increase in operating expenses as follows:
- 3) Computer upgrades saw an increase of \$68,555 for the period ended March 2023. As of last year, the total number of computer upgrades amounted to \$161,477 and for the prior year stood at \$92,922. This was mainly due to upgrade cost in storage capacity for files and core banking system database, upgrade of the firewall devices, purchase of genuine licenses for Office 365 and antivirus program and acquiring license for VMWARE.

These upgrades were necessary to accommodate a new core computer system that has been in the works since 2019. This project is being reassessed to ensure that the credit union can benefit from an investment of close to \$500,000.00 to date.

- 4) Cost to hold the 2022 Annual General Meeting saw an increase of \$177,524. The total amount for March 2023 stood at \$214,605 as opposed to the prior year in the amount of \$37,081. The main reason for the substantial increase is due to the purchase of AGM Books, T Shirts, Food, security (police), purchase of facemasks as opposed to the previous when only AGM books were purchased as no physical AGM was held due to Covid19.
- 5) Professional fees expense saw an increase of \$212,519. For the period ended March 2023, the professional fees amounted to \$276,529 as opposed to the prior year amounting to \$64,010. The increase was due to lawyers' fees paid in the amount of \$126,000.00 associated with certain decisions taken by the board related to management of the credit union. Also, it includes the payment of Pen Testing Costs paid to external service provider and audit fees in the amount of \$132,000.00.

6) Other expenses had a significant increase of \$272,000 during the period ended March 2023. As of March 2023, other expenses amounted to \$370,225 as opposed to the prior year which amounted to \$98,224. The significant increase was due to \$210,000 being expenses for the creation of Shared Services Network (SSN) which allows the connection to be made from Credit Unions to Credit Unions and Credit Unions to Banks. It also includes the payment of a settlement sum of \$75,000 agreed by the board regarding a potential defamation of character law suit.

Capital requirements.

Based on the total surplus for the current period March 2023, the Credit Union opted to distribute the surplus as follows:

- 1) 5% percent to the Education Fund which amounted to \$192,278.00 which is the maximum percentage that can be allocated to this fund under the Credit Union Act.
- 2) 14.7% allocated to the Statutory Reserve which amounted to \$565,298.

10) Dividend and rebate declaration

Based on the credit union's performance and to ensure its viability going forward approval was sought, and the following dividend and rebate percentages were approved to distribute to members-

Dividend - 3.75%

Rebate - 5.5%

ORDEN DEL DÍA DE LA REUNIÓN

1. *Himno Nacional*
2. *Oración de la Cooperativa de Crédito y minuto de silencio por los miembros fallecidos – 10:00 a.m.-10:05a.m.*
3. *Introducción y protocolos de reunión – Administrador - 10:05a.m. – 10:15a.m.*
4. *Sorteo de 2 premios de \$1.000 cada uno 10:15 – 10:20*
5. *Informe a los miembros/propietarios sobre los resultados – Administrador - 10:15 a.m. – 10:50a.m.*
6. *Operaciones y activos fijos – 10:50a.m. – 11:00am*
7. *Aspectos financieros destacados 11:00a.m. – 11:10a.m.*
8. *Preguntas y respuestas – 11:10 a.m. - 11:30 a.m. – Administrador y personal*
9. *Sorteo – 4 premios de (\$1.000,00 cada uno) 11:30a.m. – 11:45a.m.*
10. *Presentación de dividendos y reembolsos 11:45a.m. – 11:55a.m.*
11. *Sorteos – (2 premios de \$1,000.00 cada uno y premio principal de \$2,000.00) 11:55 a.m. -12:15p.m.*
12. *Almuerzo y refrigerios 12:15p.m. - 1:00 p.m.*

2) Introducción y Protocolo de la Reunión

Buenos días. En primer lugar, me gustaría darles las gracias a todos por asistir a esta reunión especial y dar la bienvenida a todos los miembros/propietarios. Esta es una Asamblea Extraordinaria convocada por el Administrador con la aprobación requerida del Registrador de Cooperativas de Crédito (Registrador) según la sección 61 (8) de la Ley de Cooperativas de Crédito. Esta Reunión Especial fue convocada para actualizarlos a ustedes, los miembros/propietarios, sobre los asuntos de la cooperativa de crédito y sobre las medidas tomadas para proteger sus acciones en la cooperativa de crédito desde que fui nombrado el 10 de marzo de 2023 – hace casi cuatro meses. Para mayor claridad, les informo que dado que esta no es una Asamblea General Anual (AGM), no se producirán los protocolos normales, como la lectura de los informes de la Junta Directiva, el Gerente General y los comités, y tampoco se votará para elegir a ningún miembro de la Junta o los Comités. A todos ustedes se les han proporcionado folletos que contienen mi informe sobre el negocio de la cooperativa de crédito y sobre los planes para mejorar la gestión general y la gobernanza. Este informe imparcial se basa en hechos después de revisar muchos informes, prácticas, políticas y procedimientos y después de conversaciones con el personal y otras partes relevantes. Mi revisión se llevó a cabo principalmente para determinar la causa de los numerosos problemas detectados por los exámenes realizados por el Registrador, las investigaciones especiales y para aplicar

soluciones. El propósito de este importante esfuerzo es mejorar la gestión financiera de su cooperativa de crédito de acuerdo con las mejores prácticas y de conformidad con la CUA y la Ley de (Prevención de) Blanqueo de Dinero y Terrorismo para garantizar que sus fondos permanezcan seguros y que la cooperativa de crédito siga siendo viable durante mucho tiempo.

Como Administrador, pido a los miembros que permitan que la reunión y la lectura del informe se desarrollen de manera ordenada y eviten interrupciones innecesarias. A los miembros que elijan ser disruptivos y participar en un comportamiento irrespetuoso se les pedirá que abandonen la reunión o serán eliminados según sea necesario. Por lo tanto, pido su respeto, paciencia y cuidadosa atención al contenido del informe. La información es muy importante y se basa en hechos.

Como se indica en el orden del día, se ha fijado un tiempo para plantear al Administrador o al personal cualquier pregunta sobre el informe. Cuando podamos responder, lo haremos y cuando no podamos responder debido al caso judicial pendiente, las respuestas pueden ser diferidas.

Le agradezco su comprensión y espero contar con su amable apoyo y cooperación.

INFORME DEL
ADMINISTRADOR

A LOS MIEMBROS/PROPIETARIOS DE
ST. FRANCIS XAVIER CREDIT UNION
LTD.

Julio 9, 2023

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Informe de la administradora a los miembros/propietarios sobre los hallazgos

i) Introducción

El 10 de marzo de 2023, el Registrador me nombró Administrador para gestionar Saint Francis Xavier Credit Union Ltd. (SFXCU) (SFXCU) de conformidad con la sección 61 (1) de la Ley de Cooperativas de Crédito, 2011 (CUA) Capítulo 314 de las Leyes de Belize. El Registrador tomó la decisión tras considerar cuidadosamente las deficiencias críticas en las prácticas de gobernanza y gestión de riesgos, así como las debilidades materiales en los controles internos que se descubrieron durante varios exámenes realizados por el Registrador y por revisiones de auditorías independientes. El Registrador opinó que estos asuntos desatendidos podrían haber desestabilizado la cooperativa de crédito y que el nombramiento era necesario para proteger la equidad y los intereses de los miembros de la cooperativa de crédito.

Por consiguiente, el Administrador fue nombrado y encargado de desempeñar las siguientes funciones:

- (a) Llevar a cabo la gestión ordinaria y dirigir las operaciones de la cooperativa de crédito y sus sucursales de conformidad con la CUA, los estatutos y las políticas y procedimientos de la cooperativa de crédito;

- (b) Garantizar que se preparen con precisión y puntualidad los estados financieros mensuales, trimestrales y anuales, así como los correspondientes informes sobre la situación financiera de la cooperativa de crédito;
- (c) Trabajar con los auditores internos y externos para garantizar el cumplimiento de los controles, procedimientos y políticas internas;
- (d) Garantizar el desarrollo y el fortalecimiento de las políticas y los procedimientos para procurar un funcionamiento y una gobernanza sólidos de la cooperativa de crédito;
- (e) Adoptar todas las medidas prudentes necesarias para garantizar el cumplimiento por parte de la cooperativa de crédito de todas las leyes, reglamentos, estatutos, políticas y procedimientos aplicables, directivas y órdenes del Registrador;
- (f) Gestionar la revisión y los exámenes de los auditores y el Registrador de la cooperativa de crédito, incluida la respuesta a las solicitudes de información, la coordinación de la documentación y la prestación de apoyo en el lugar durante las revisiones;

- (g) Adherirse a todas las políticas y procedimientos de la cooperativa de crédito y asegurarse de que todos los empleados los comunican y aplican;
- (h) Considerar y adoptar medidas prudentes para aplicar las acciones correctivas recomendadas en el Informe de Examen Especial del Registrador y en el Informe de Investigación Especial de Shawn Mahler.
- (i) Realizar las demás tareas relacionadas con la gestión de los asuntos de la cooperativa de crédito que le asigne el Registrador.

Desde el nombramiento y mientras realizaba las tareas asignadas, mi principal responsabilidad era asegurar que la cooperativa de ahorro y crédito continuara desempeñándose normalmente en todas sus sucursales y también responder a las consultas y preguntas de los miembros. Desde mi nombramiento, los miembros del personal de la cooperativa de crédito se presentaron a trabajar y siguieron desempeñando sus funciones con diligencia. Fueron fundamentales para garantizar que todos los servicios a los socios continuaran sin interrupción y que la actividad de la cooperativa de crédito siguiera sin problemas. Creo que el personal debe ser agradecido y aplaudido por sus esfuerzos y compromiso con ustedes, los miembros, durante este período.

ii) Prefacio

Este informe se completó para proporcionar a todos los propietarios miembros la mayor cantidad de información posible sobre el trabajo del Administrador y cubre una amplia sección transversal de las áreas críticas de gestión necesarias para gestionar una institución financiera con \$ 117 millones de dólares en activos totales. Al tratar de compilar el informe en un formato simple y fácil de entender, el se elaboró utilizando múltiples subtítulos que abordan las áreas críticas de gestión que fueron objeto del examen y los hallazgos de la investigación especial. También destaque las acciones que, en su caso, haya emprendido o vaya a emprender el Administrador para cambiar y mejorar la gestión de su cooperativa de crédito. Menciono que el Registrador es puesto al día regularmente sobre los asuntos de la cooperativa de crédito tal y como exige la CUA.

La auditoría independiente para el año fiscal 2022/2023 también se completó y los resultados están contenidos en el informe. El auditor externo también emitió una carta de recomendación que reafirmaba los hechos aquí expuestos en este informe. Estos se describen a continuación para su conocimiento.

iii) Deficiencias identificadas en diversos exámenes e informes de investigación independientes

Hubo varios exámenes durante el período 2017-2022 y dos informes de investigación independientes que son los Procedimientos Acordados y los Informes Especiales de Investigación realizados por la Sra. Shawn Mahler, que se llevaron a cabo en 2022. Todas las conclusiones, algunas de las cuales eran deficiencias importantes, se señalaron a la atención de la gerencia y de los Juntas. Tanto la gerencia como las Juntas anteriores y el recientemente suspendido se habían comprometido a remediar estos problemas; sin embargo, según mi revisión, la mayoría de estos asuntos fueron abordados superficialmente o no fueron abordados en absoluto. Era evidente que no había ningún intento serio de aplicar las soluciones requeridas con la participación de todo el personal y esto sigue siendo motivo de preocupación. De hecho, las respuestas al Registrador en relación con las cuestiones planteadas sugerían un nivel de falta de respeto y desprecio hacia la oficina del Registrador.

Muchas de estas cuestiones quedaron sin abordar. Desde mi nombramiento, he establecido medidas temporales para mejorar la gobernanza de la cooperativa de crédito. Estas medidas ahora están sirviendo para proporcionar orientación al personal mientras he contratado a un equipo de especialistas cuando es necesario, para reescribir o fortalecer las políticas y procedimientos existentes.

iv) Gobernanza empresarial

Mi revisión pretendía asegurar que la alta gerencia y la junta directiva estaban suficientemente en sintonía con el negocio de la cooperativa de crédito y que estaban asegurando que los riesgos a los que se enfrentaba la cooperativa de crédito estaban siendo evaluados, gestionados y mitigados. La revisión también abarcó la evaluación de si los recursos de la cooperativa de crédito, incluidos sus empleados, se estaban gestionando adecuadamente y en consonancia con los objetivos estratégicos de la cooperativa de crédito. La gestión global descrita anteriormente se conoce como gobernanza empresarial.

Para determinar si existía una supervisión suficiente por parte de la alta gerencia y la Junta Directiva en la gestión de los negocios de la cooperativa de crédito, revisé el plan estratégico más reciente que cubre el período 2022-2025 y el plan estratégico anterior, y también solicité las políticas y procedimientos de la cooperativa de crédito, incluyendo la Política de Inversiones, la Política de Liquidez, la Política de Recursos Humanos, la Política de Crédito, el Plan de Continuidad de Negocios, entre otros, para entender si eran adecuados y se cumplían. Del total de documentos solicitados, me enteré de que no existían ciertas políticas y procedimientos básicos pero críticos, y los documentos que se presentaron, o bien estaban obsoletos y en proceso de revisión, mientras que otros eran simplemente inadecuados y debían rehacerse para abordar adecuadamente los riesgos actuales y otras consideraciones

críticas de gestión. Por ejemplo, el plan estratégico para el periodo actual era una réplica del plan estratégico anterior y no contenía ninguna estrategia de aplicación significativa. De hecho, sólo ciertos altos funcionarios de la gerencia conocían los detalles complicados del plan, por lo que lógicamente, la implementación habría sido prácticamente imposible sin la inclusión y el apoyo de otros gerentes y supervisores.

La ausencia de un marco de gobernanza empresarial adecuado es una debilidad material y representa un riesgo importante para la viabilidad de la cooperativa de crédito. Las áreas críticas de gestión mencionadas son componentes principales que requieren una fuerte supervisión para permitir a la cooperativa de crédito invertir prudentemente los fondos de los socios y obtener rendimientos satisfactorios..

Como parte de mis funciones, estoy en el proceso de actualizar y crear los documentos de políticas y procedimientos requeridos para proporcionar orientación e instrucciones a la Junta, los comités relevantes y los miembros del personal en el futuro.

v) Estructura organizativa ineficaz

La estructura organizativa de una empresa se refiere a la manera en que el trabajo se distribuye en una empresa y se asigna a varios títulos de trabajo. También garantiza que se asignen roles y responsabilidades claras a esos títulos de trabajo para garantizar que el negocio pueda funcionar de manera eficiente y efectiva. Los

miembros del personal normalmente son asignados para desempeñarse en estos títulos de trabajo, y se les informa cuáles son sus funciones y responsabilidades a través de una descripción del trabajo. Estos se conectan para garantizar que la organización funcione como un equipo para atender las necesidades de los miembros.

La cooperativa de crédito tuvo la suerte de revisar su estructura organizativa en febrero de 2023. La estructura actualizada eliminó el puesto de subgerente general e introdujo el puesto de gerente de operaciones cuyo propósito era supervisar la mayoría de las funciones y sucursales de la cooperativa de crédito. Lamentablemente, con la introducción del director de operaciones y la falta de claridad sobre el propósito del cambio, todas las políticas y procedimientos existentes se vieron afectados de inmediato. La estructura revisada tampoco incluía la creación de un departamento de recursos humanos, que era una medida correctiva del Registrador derivada de los resultados del examen.

Aparte de estas cuestiones obvias, la estructura anterior y la revisada no abordaban adecuadamente los requisitos de gobernanza empresarial de la cooperativa de crédito. La estructura permitía que las sucursales actuar como unidades autónomas, por lo que no resultaba evidente una gestión y supervisión adecuadas de todas sus funciones, lo que requería mejoras.

La estructura, en parte, permitió la gestión central de ciertas áreas críticas, como el cumplimiento contra el lavado de dinero y la tecnología de la información, sin embargo, esto ha demostrado ser inconsistente y principalmente sucursal por sucursal. La estructura no aborda la gestión de otras áreas críticas de gestión, como la gestión de riesgos, incluidos los atrasos y el cobro de préstamos incobrables, la gestión de liquidez, la gestión financiera y presupuestaria, entre otras.

Dado el número de sucursales y el valor de los activos gestionados, mi revisión reveló la necesidad de una estructura revisada que incluya el establecimiento de un órgano central bien organizado que supervise las áreas críticas de gestión de la cooperativa de crédito. Este organismo podrá proporcionar a la gerencia y a la Junta Directiva informes que evalúen el negocio de la cooperativa de ahorro y crédito y recomendaciones sobre cómo mejorar el desempeño.

Ya se ha redactado una estructura revisada que aborda las áreas críticas de gestión y que se está ultimando junto con un plan de aplicación.

vi) [Gestión de riesgos, incluidos el riesgo de crédito y la gestión de garantías](#)

La gestión de riesgos se refiere al proceso continuo de identificar, evaluar, monitorear y mitigar todos los riesgos que enfrenta una empresa. Los riesgos a los que se enfrenta la cooperativa de crédito son numerosos: riesgo de crédito, riesgo de

liquidez, riesgo de capital, riesgo normativo, riesgo de tipos de interés y riesgo reputacional son sólo algunos de los que puedo mencionar. Todas estas áreas pueden tener un impacto significativo en el negocio de la cooperativa de crédito y es un requisito para la alta gestión y el Junta asegurar que se están gestionando en todo momento.

La gestión del riesgo de crédito es un tipo específico de riesgo. Es el proceso por el cual la cooperativa de crédito acepta, evalúa y aprueba los préstamos a los miembros e incluye las políticas y procedimientos de la cooperativa de crédito en la gestión de los préstamos en mora de los miembros y el cobro de deudas incobrables - préstamos en mora de más de 90 días.

La gestión de garantías se refiere al proceso que se ocupa de todos los valores que se utilizan para garantizar los préstamos de los miembros, incluida la preparación, ejecución, registro y custodia segura.

Todas estas áreas están relacionadas y se revisaron cuidadosamente, incluidas las políticas y procedimientos de préstamo de la cooperativa de crédito, sus prácticas, la gestión de los atrasos y el cobro de deudas incobrables. Era obvio a partir de mi revisión que el personal hizo todo lo posible para otorgar préstamos, abordar los atrasos, el cobro de deudas incobrables y la gestión de valores. A pesar de sus mejores esfuerzos, debido a ciertas prácticas cuestionables, políticas y

procedimientos desactualizados y superficiales, sus esfuerzos no fueron tan efectivos.

Estos procesos son críticos para garantizar que la cooperativa de crédito otorgue préstamos que siempre se paguen puntualmente y que los riesgos se mitiguen al tomar valores tales como hipotecas sobre propiedades, acciones, factura de venta sobre vehículos, etc. de la manera correcta. En conjunto, mi revisión reveló que, si bien la gerencia y la Junta siguieron ciertas políticas, procedimientos y prácticas no documentadas, hubo casos frecuentes en que las políticas y procedimientos fueron ignorados o evitados sin la debida justificación.

Estas transgresiones incluían la concesión de préstamos sin garantía, el incumplimiento de las directrices de reembolso, las evaluaciones descuidadas, o la ausencia de las mismas, y la falta de documentación adecuada. Todos estos diversos lapsos contribuyeron a prácticas crediticias deficientes que dieron lugar a un gran número de préstamos atrasados. También contribuyó al aumento significativo de los préstamos dudosos y a la necesidad de que la cooperativa de crédito reservara beneficios para hacer frente a estas pérdidas de préstamos. Además, al revisar la documentación de seguridad, se descubrió que la cooperativa de crédito preparaba documentos que eran inadecuados y no permitían el cobro eficiente de los préstamos cuando entraban en atrasos significativos. Esto ha causado retrasos significativos y costes adicionales al intentar recuperar los préstamos dudosos. Se ha buscado

asesoramiento jurídico sobre cómo se pueden remediar estas cuestiones y para proporcionar orientación para garantizar que los futuros documentos jurídicos se preparen correctamente.

Todos estos problemas que descubrí ya habían sido documentados en informes de exámenes anteriores y eran bien conocidos por la gerencia, pero no se abordaron de manera rápida y adecuada. Esta práctica obviamente afectó la calidad de los activos y los requisitos de provisiones, lo que a su vez afectó negativamente el nivel de ganancias de la cooperativa de ahorro y crédito y su capacidad para ofrecer mejores rendimientos a sus miembros.

vii) Marco de Gobernanza de la Seguridad de la Información

El gobierno de seguridad de la información es la manera en que la cooperativa de ahorro y crédito protege y garantiza la integridad de su información y sus datos personales que se almacenan en el sistema. Incluye los sistemas establecidos para impedir el acceso no autorizado, el almacenamiento y acceso a los datos, los sistemas de ciberseguridad, etc. Se espera que la cooperativa de crédito disponga de los sistemas de gestión y los protocolos y políticas de seguridad adecuados para garantizar que todos sus activos de información se mantienen seguros en todo momento.

Mi revisión identificó que la cooperativa de crédito necesita revisar y mejorar los sistemas actualmente implantados. He buscado la ayuda de un consultor externo que, junto con el personal, ya está trabajando en formas de mejorar el sistema de seguridad cibernética de la cooperativa de crédito y desarrollar políticas y procedimientos para garantizar que sus datos estén seguros y protegidos. Por lo tanto, la cooperativa de crédito se ve obligada a garantizar la protección de su infraestructura informática a medida que introduce servicios en línea y otros servicios tecnológicos para mejorar la comodidad de los miembros..

viii) Plan de Continuidad del Negocio

La planificación de la continuidad del negocio se refiere a la capacidad de una empresa para continuar ofreciendo servicios a los miembros en caso de un desastre, natural o de otro tipo, por ejemplo, un huracán, apagones severos, piratería informática, robo, incendio, etc. Por lo tanto, abarca áreas como disponer de un sistema informático de reserva adecuado, generadores de reserva adecuados, servicios de seguridad y de otro tipo, ubicaciones empresariales alternativas, conocimientos técnicos y planes de personal para hacer frente adecuadamente a cualquier catástrofe.

La revisión indicó que la cooperativa de ahorro y crédito tiene un plan de continuidad del negocio, sin embargo, es limitado y está desactualizado. El plan no aborda

adecuadamente todos los riesgos potenciales y era obvio que no se prestó mucha atención a garantizar la integridad de este problema tan grave. Por ejemplo, el sistema informático de copia de seguridad de la cooperativa de crédito no se encuentra en un lugar seguro ni dispone de una fuente de alimentación fiable y estable en caso de que sea necesario. En cualquier empresa de servicios financieros, se trata de un asunto extremadamente crítico que debería haber sido atendido de inmediato, pero no lo fue.

ix) Actualización de los Estatutos de la Cooperativa de Crédito

Los estatutos de la cooperativa de crédito son un documento que proporciona el marco para la operación y gestión de los asuntos de la cooperativa de crédito. Es un importante documento de gobierno que describe y guía a la gerencia y a la Junta sobre una amplia gama de requisitos de administración y su relación con usted, sus miembros. Por lo general, se revisa y actualiza regularmente para garantizar que esté actualizado y aborde adecuadamente las circunstancias cambiantes de la cooperativa de ahorro y crédito.

Con base en mi investigación y documentos que estaban disponibles para mí, la cooperativa de ahorro y crédito no ha actualizado sus estatutos desde 2003 y es obvio que este documento está obsoleto. Toda la industria financiera ha estado experimentando cambios relacionados con la información financiera, el

cumplimiento del lavado de dinero, las necesidades y demandas de los miembros y los avances tecnológicos que justifican la necesidad de cambios en este documento fundamental de gobernanza. Mi revisión sugiere que la gerencia y la Junta han sido extremadamente negligentes al abordar este requisito.

Este documento se está revisando actualmente teniendo en cuenta que también se está revisando la ley que rige las cooperativas de crédito con vistas a reforzar las cuestiones de gestión y gobernanza, entre otras.

x) Falta de Departamento de Recursos Humanos

Una de las áreas más críticas en cualquier negocio es la existencia de una función de recursos humanos que supervise de manera justa y objetiva las siguientes áreas para todos los empleados. -

- Reclutamiento
- Formación y gestión del talento
- Tasaciones
- Motivación y recompensas
- Compensación y beneficios
- Planificación de la sucesión
- Planificación de la mano de obra
- Procedimientos disciplinarios

- Terminación

A pesar de la existencia de SFXCU durante décadas, mi revisión reveló que no existe un Departamento de Recursos Humanos. Se me informó de que, mientras se contemplaba esto, aparentemente no había un plan de implementación, lo que se evidenció aún más por el hecho de que no se incluyó en la estructura organizativa revisada completada en febrero de 2023. Este es un departamento fundamental que ayuda a mejorar la moral, la productividad y a moldear una cultura de trabajo en equipo entre el personal dentro de la organización. Proporciona estabilidad, equidad y transparencia mediante políticas, procedimientos y gestión del rendimiento.

Actualmente existe una estructura ad hoc que sólo supervisa parcialmente ciertos aspectos de la función de recursos humanos, pero esto no es coherente. La estructura actual identifica los puestos dentro de una estructura jerárquica básica identificada por los títulos de trabajo y está vinculada a una estructura salarial rudimentaria que se estableció en 2020. Además, los procedimientos de evaluación de la cooperativa de crédito son inexistentes y la mayoría o la totalidad de los miembros del personal no han sido evaluados oficialmente desde hace aproximadamente 5-7 años. Las reuniones de personal son escasas. Mi revisión reveló que estos fallos son totalmente inaceptables, desmoralizadores e injustos para el personal. Con el tiempo, esto ha afectado y seguirá afectando al rendimiento.

Este es un ejercicio monumental y se están diseñando planes para abordar la creación de un Departamento de Recursos Humanos y para abordar las cuestiones de forma incremental con una persona experimentada que pueda atender las necesidades y la gestión de la función de recursos humanos en la cooperativa de crédito. Recientemente organicé y asistí a todas las reuniones del personal donde se proporcionaron actualizaciones objetivas sobre la cooperativa de crédito y el camino a seguir.

xi) Conclusión

Mi revisión independiente identificó que SFXCU carece de una estructura organizativa efectiva, políticas y procedimientos de gestión de riesgos y un marco de gobierno de seguridad de la información. Además, sus políticas y procedimientos de préstamo y su plan de continuidad del negocio están desactualizados e inadecuados y carecen de un Departamento de Recursos Humanos que se requiere para administrar este recurso extremadamente importante en la cooperativa de crédito. Todos estos resultados me permitieron concluir que la gobernanza y la estructura organizativa de la cooperativa de crédito son actualmente inadecuadas y han sido parte de la razón por la que los diversos exámenes e informes especiales de investigación identificaron muchas debilidades y plantean preocupaciones sobre la viabilidad de la cooperativa de crédito.

Yo elegí informar sobre los resultados que consideré como áreas de alto riesgo y que, si no se abordan, continuarán afectando negativamente el negocio de la cooperativa de crédito. En mi revisión se identificaron otros problemas que, debido a las limitaciones de tiempo de hoy, se revelarán en futuros informes.

Mi revisión pretendía explicar a los miembros la gravedad e importancia de estos resultados. Es probable que el impacto negativo de dejar los problemas sin abordar resulte en situaciones críticas para las cuales la estructura de SFXCU no está preparada, y es probable que la falta de atención a la gestión adecuada de los recursos financieros y humanos contribuya a un deterioro del negocio de la cooperativa de ahorro y crédito en el futuro. Creo que estarán de acuerdo conmigo en que estos resultados son extremadamente importantes y no deben pasarse por alto. Recomiendo encarecidamente a los miembros que sean inquisitivos y exijan que sus preguntas sean respondidas con sinceridad en relación con la administración de la cooperativa de crédito. Es solo de esta manera que la gestión y la Junta pueden rendir cuentas y ser responsables de sus decisiones en el futuro. Al final del día, el único propósito de la cooperativa de crédito es garantizar que cada miembro pueda beneficiarse y que el proceso a través del cual se administra su dinero sea prudente y transparente.

Por último, me gustaría dar las gracias a los miembros por su paciencia y por permitir que el Registrador y el Administrador lleven a cabo sus funciones de protección y

mejora de el negocio de su cooperativa de crédito, SFXCU, para garantizar la viabilidad y el éxito a largo plazo.

6) Operaciones y Activos Fijos

Las operaciones de la cooperativa de crédito abarcan varias áreas, incluida la estandarización de todas las políticas y procedimientos que rigen la gestión del efectivo, la apertura de cuentas, el sitio web, el marketing, etc. en toda la empresa, la gestión de edificios, vehículos, equipos, etc.

La estructura organizativa actual no tiene las operaciones definidas y abarca muchas áreas. Tampoco separa el funcionamiento de la sucursal de Corozal de todo el negocio. Creo que la cooperativa de crédito funcionaría más eficientemente con esta separación y la Unidad de Operaciones debería ser un área de funcionamiento separada dentro de la estructura organizativa revisada.

Edificios y Estado

La cooperativa de crédito es propietaria de todos los edificios que ocupa, excepto la sucursal de Caye Caulker. Las sucursales de Sarteneja y San Pedro están en buenas condiciones, excepto por la cantidad de desorden que se almacena en la oficina en el piso superior de la sucursal de Sarteneja. La oficina principal de Corozal ha sido descuidada durante años y es una preocupación por la seguridad y comodidad del personal y también por la conveniencia de los miembros. Existen numerosas áreas de riesgos en el manejo de efectivo, el acceso y las preocupaciones de seguridad que requerirían renovaciones importantes en el edificio. Esto se estaba contemplando, pero parece que había un nivel de complacencia y el edificio se ha mantenido en su estado actual.

Desde que el Administrador asumió el cargo, se renovaron todos los baños interiores del personal, se limpiaron las baldosas y se atendió un riesgo importante para la seguridad con la construcción de una cerca perimetral adecuada en la parte trasera del edificio. También estamos evaluando el edificio Walsh para curar el problema de moho causado por un techo con goteras que causó que el personal se enfermara. Hasta que esto se haya evaluado y se hayan completado los planes para abordar el edificio, el personal se ha mudado a las oficinas recientemente renovadas. También hay planes en marcha para eliminar todo el desorden del interior y alrededor del edificio para mejorar la estética de la oficina principal de las cooperativas de crédito y pintar el edificio. La pared de vidrio en el frente del edificio también fue reemplazada con los materiales adecuados y es una mejora notable de lo que había antes. Esperamos mejorar el edificio para que represente la marca y el prestigio de la SFXCU.

Vehículos y Estado

A excepción del único vehículo asignado a la alta gerencia, todos los demás vehículos utilizados por la gerencia y el personal para hacer el trabajo de la cooperativa de crédito están en condiciones deplorables. La mayoría fueron transmitidas por la alta gerencia. Todos ellos tienen más de 300.000 kilómetros y están constantemente en el taller mecánico para reparaciones. Esto presentó un riesgo importante para el personal y es un costo considerable para la cooperativa de crédito.

Se otorgó autorización para reemplazar uno de los vehículos y los otros serán reemplazados en función del flujo de efectivo de la cooperativa de crédito.

7) Aspectos financieros destacados y declaración de dividendos y reembolsos

Aspectos financieros destacados, declaración de dividendos y reembolsos

Las cifras financieras auditadas de SFXCU reportaron un superávit para marzo de 2023 por un monto de \$ 3,845,565.00 y para el año anterior fue de \$ 4,720,158.00. Esto fue una disminución de \$ 874,593.00.

Causa para la disminución del superávit.

La disminución del superávit se debió principalmente a lo siguiente:

- 1) La provisión total para marzo de 2023 ascendió a \$ 1,665,958 en comparación con el año pasado por un monto de \$ 1,369,503. Este aumento en las provisiones es el resultado de un deterioro de la cartera de préstamos que actualmente está en los libros de la cooperativa de crédito. La razón de este aumento se describió anteriormente.
- 2) Aumento de los gastos operativos de la siguiente manera:
- 3) Las actualizaciones de computadoras experimentaron un aumento de \$ 68,555 para el período finalizado en marzo de 2023. Al año pasado, el número total de actualizaciones de computadoras ascendió a 161.477 dólares y el año anterior ascendió a 92.922 dólares. Esto se debió principalmente al costo de actualización en la capacidad de almacenamiento de archivos y la base de datos del sistema bancario central, la actualización de los dispositivos de

firewall, la compra de licencias genuinas para Office 365 y el programa antivirus y la adquisición de licencias para VMWARE..

Estas actualizaciones fueron necesarias para dar cabida a un nuevo sistema computarizado central que ha estado en obras desde 2019. Este proyecto se está reevaluando para garantizar que la cooperativa de crédito pueda beneficiarse de una inversión cercana a los 500.000 dólares hasta la fecha.

- 4) El coste de celebración de la Junta General Anual de 2022 experimentó un aumento de 177.524 \$. El importe total para marzo de 2023 ascendió a 214.605 dólares, frente a los 37.081 dólares del año anterior. La razón principal de este aumento sustancial se debe a la compra de libros de la AGM, camisetas, comida, seguridad (policía), compra de mascarillas, a diferencia de la anterior, en la que solo se compraron libros de la AGM, ya que no se celebró ninguna AGM física debido a Covid19.

- 5) Los gastos por honorarios profesionales experimentaron un aumento de \$ 212,519. Para el período finalizado en marzo de 2023, los honorarios profesionales ascendieron a \$ 276,529 en comparación con el año anterior que ascendió a \$ 64,010. El aumento se debió a los honorarios de abogados pagados por un monto de \$126,000.00 asociados con ciertas decisiones tomadas por la junta relacionadas con la administración de la cooperativa de crédito. Además, incluye el pago de los costos de prueba de pluma pagados al proveedor de servicios externos y los honorarios de auditoría por un monto de \$ 132,000.00.

6) Otros gastos tuvieron un aumento significativo de \$ 272,000 durante el período finalizado en marzo de 2023. A partir de marzo de 2023, otros gastos ascendieron a \$ 370,225 en comparación con el año anterior, que ascendió a \$ 98,224. El aumento significativo se debió a que \$ 210,000 fueron gastos para la creación de la Red de Servicios Compartidos (SSN) que permite que la conexión se realice de las cooperativas de crédito a las cooperativas de crédito y de las cooperativas de crédito a los bancos. También incluye el pago de una suma de liquidación de \$ 75,000 acordada por la junta con respecto a una posible demanda por difamación de carácter.

Requisitos de Capital .

Con base en el superávit total para el período actual de marzo de 2023, la Cooperativa de Ahorro y Crédito optó por distribuir el superávit de la siguiente manera::

- 1) 5% al Fondo de Educación que ascendió a \$192,278.00 que es el porcentaje máximo que se puede asignar a este fondo bajo la Ley de Cooperativas de Crédito.
- 2) 14.7% asignado a la Reserva Estatutaria que ascendió a \$ 565,298.

10) Declaración de Dividendos y Reembolsos

Con base en el desempeño de la cooperativa de crédito y para garantizar su viabilidad en el futuro, se buscó la aprobación, y se aprobaron los siguientes porcentajes de dividendos y reembolsos para distribuir a los miembros. -

Dividendo - 3.75%

Rebaja - 5.5%

CREDIT UNION ACCOUNTS PROFILE AS AT 31 MAY 2023

NUMBER OF STAFF

Branch	Number of Staff per branch
Corozal	49
Caye Caulker	5
San Pedro	11
Sarteneja	7
TOTAL	72

The average years of service for staff members is between 10 to 11 years

SHARE ACCOUNTS – ACTIVE AND INACTIVE OVER LAST 6 MONTHS

The columns in yellow represent that number of members who have not operated their accounts in 6 months.

Branch	Number of share accounts	Balances	Number of inactive share account 6 months	Balance	Percentage of members
Corozal	22502	\$58,882	11965	\$9,663	53%
Caye Caulker	1264	\$ 3,966	700	\$ 377	55%
San Pedro	5106	\$12,598	3101	\$2,088	61%
Sarteneja	2018	\$ 3,051	1024	\$ 482	51%
TOTALS	30890	\$78,497	16790	\$12,610	Average of 55% of members have not deposited to their share accounts over 6 months

TOTAL LOANS			LOANS IN ARREARS		NON PERFORMING LOANS				TOTAL NON PERFORMING LOANS	BALANCE OF TOTAL NONPERFORMING LOANS
BRANCH	Number of loan including loans in arrears and non-performing	Balance	Number of account in arrears 30-89 days	Balance	Number of loans in arrears 90-360	Balance	Number of loans in arrears over 360 days	Balance		
Corozal	5,835	\$64,767	160	\$2,035	442	\$4,553	161	\$1,762	605	\$6,315
Caye Caulker	193	\$5,173	16	\$268	21	\$401	5	\$89	26	\$490
San Pedro	584	\$14,500	15	\$142	14	\$171	10	\$183	24	\$355
Sarteneja	565	\$5,876	73	\$710	39	\$648	6	\$42	45	\$689
TOTALS	7,177	\$90,316	264	\$3,155	516	\$5,773	182	\$2,076	698	\$7,849

LOAN ACCOUNTS \$'000

DEPOSIT ACCOUNTS AND FIXED DEPOSIT ACCOUNTS

Branch	Number of accounts	Balance	With online feature	With ATM card
Corozal	75	\$4,328		7,263
Caye Caulker	1	\$30		479
San Pedro	6	\$297		2,168
Sarteneja	0	0		320
TOTAL	82	\$4,655	997 members	10,230

**SAINT FRANCIS
XAVIER CREDIT
UNION LIMITED**

*Financial Statements for the Years Ended
March 31, 2023 and 2022 and Independent
Auditors' Report*

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of: Saint Francis Xavier Credit Union Limited

Opinion

We have audited the financial statements of Saint Francis Xavier Credit Union Limited which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of income and expenses, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Saint Francis Xavier Credit Union Limited as at March 31, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with the modified cash basis of accounting.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Saint Francis Xavier Credit Union Limited in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2A to the financial statements, which describes the modified cash basis of accounting used to prepare the financial statements.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages I - IV are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of Saint Francis Xavier Credit Union Limited's management. These schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated

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in all material respects when considered in relation to the basic financial statements taken as a whole.

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

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

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

Those charged with governance are responsible for overseeing Saint Francis Xavier Credit Union Limited's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause Saint Francis Xavier Credit Union Limited to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature in blue ink that reads 'HLB Belize LLP'.

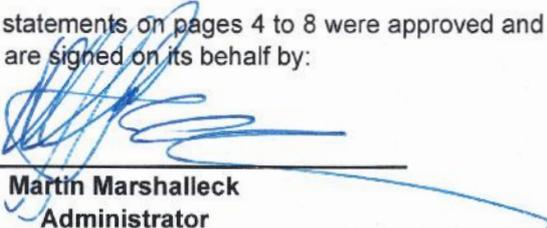
Chartered Accountants
Belize City, Belize
June 15, 2023

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS AS AT MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

<u>ASSETS</u>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:			
Cash and cash equivalents	2e. 3.	\$ 12,512,522	\$ 7,896,166
Fixed deposits	2f. 4.	5,938,348	5,907,813
Interest receivable	2g. 5.	166,676	121,423
Other receivable	2h. 5.	62,762	59,279
Prepayments	2i.	404,333	845,566
Stationery and supplies	2j. 2o.	82,425	88,312
Total current assets		<u>19,167,066</u>	<u>14,918,559</u>
NON-CURRENT ASSETS:			
Loans receivable	2k. 6.	92,179,448	93,692,056
Less: allowance for loan losses	2l. 6.	(3,321,879)	(2,128,838)
Investments	2m. 8.	3,109,236	3,134,236
Property, plant and equipment – net	2n. 2o. 7.	6,105,499	5,978,459
Total non-current assets		<u>98,072,304</u>	<u>100,675,913</u>
TOTAL ASSETS		<u>\$ 117,239,370</u>	<u>\$ 115,594,472</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES:			
Accounts payable	2p.	\$ 772,961	\$ 414,109
Current portion of long term debt	2s. 11.	600,000	658,125
Members' deposits	2q. 9.	82,598,730	81,786,415
Total current liabilities		<u>83,971,691</u>	<u>82,858,649</u>
NON-CURRENT LIABILITIES:			
Severance payable	2r. 10.	1,367,510	1,341,567
Long term debt	2s. 11.	-	600,000
Total non-current liabilities		<u>1,367,510</u>	<u>1,941,567</u>
Total liabilities		<u>85,339,201</u>	<u>84,800,216</u>
EQUITY:			
Members' shares – mandatory	2t.	616,500	607,548
Members' shares – voluntary	2t.	1,530,320	1,513,120
Burial scheme fund	12.	2,447,017	2,293,249
Education fund	2u. 13.	820,836	769,243
Loan protection (life) fund	2v.	645,690	334,233
Other reserve	2x. 13.	1,067,170	1,095,311
Revaluation reserve	2n. 14.	504,715	504,715
Statutory reserve fund	2w. 13.	15,669,199	15,096,918
Undistributed surplus	2y. 13.	8,598,722	8,579,919
Total equity		<u>31,900,169</u>	<u>30,794,256</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 117,239,370</u>	<u>\$ 115,594,472</u>

The financial statements on pages 4 to 8 were approved and authorized for issue by the Administrator on June 15, 2023 and are signed on its behalf by:


Martin Marshalleck
 Administrator

The notes on pages 9 to 20 are integral part of these financial statements.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

STATEMENTS OF INCOME AND EXPENSES – MODIFIED CASH BASIS FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
INCOME	2z.		
Interest income on loans		\$ 10,073,653	\$ 9,619,065
Interest income on debentures		51,875	51,875
Investment income		237,618	262,375
Other income		608,504	301,644
Passbook sale income		29,170	21,663
Service fees income		719,942	956,938
GROSS INCOME		<u>11,720,762</u>	<u>11,213,560</u>
OPERATING EXPENSES	2z.		
Advertising		24,964	29,864
Annual general meeting		214,605	37,081
Bad debt		1,665,958	1,369,503
Bank charges and overdraft interest		40,839	30,237
Belize Credit Union League dues		7,610	7,185
Central Bank returns and compliance cost		5,000	5,000
Computer upgrades		161,477	92,922
Delinquency cost		2,346	3,405
Depreciation		357,345	370,980
Donation		8,986	8,339
Insurance		90,118	90,416
Interest expense - DFC		9,455	21,731
Interest expense - members term deposits		83,106	102,729
Legal fees		15,555	5,451
Loan protection (life) fund expense		602,288	582,886
Loss on disposal of assets		13,443	2,528
Office supplies		125,170	98,770
Officer allowances		94,619	100,800
Officer meeting, traveling and miscellaneous costs		84,698	42,506
Other expense		370,225	98,224
Professional fees		276,529	64,010
Property taxes		3,410	3,561
Regulatory penalties and fines		7,900	-
Rent		70,571	39,660
Repairs and maintenance		196,640	224,721
Security		193,687	159,316
Severance		234,178	174,019
Social security		82,120	68,372
Staff allowance		154,138	151,781
Staff social		47,142	16,091
Travelling and subsistence		57,252	54,572
Uniform allowance		56,259	51,300
Utilities		194,847	204,072
Vehicle running		55,319	57,416
Wages and salaries		2,267,398	2,123,954
TOTAL OPERATING EXPENSES		<u>7,875,197</u>	<u>6,493,402</u>
SURPLUS		<u>\$ 3,845,565</u>	<u>\$ 4,720,158</u>

The notes on pages 9 to 20 are integral part of these financial statements.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

STATEMENTS OF CHANGES IN FUND BALANCE FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

	Burial scheme fund	Education fund	Loan protection (life) fund	Revaluation reserve	Statutory reserve fund	Other reserve	Undistributed surplus	Total
Balance as at March 31, 2022	\$ 2,293,249	\$ 769,243	\$ 334,233	\$ 504,715	\$ 15,096,918	\$ 1,095,311	\$ 8,579,919	\$ 28,673,588
Burial scheme dues	396,768	-	-	-	-	-	-	\$ 396,768
Burial scheme payments	(243,000)	-	-	-	-	-	-	\$ (243,000)
Education, donation and training	-	(140,685)	-	-	-	-	-	\$ (140,685)
Loan protection provision	-	-	602,288	-	-	-	-	\$ 602,288
Loan protection settlement	-	-	(290,831)	-	-	-	-	\$ (290,831)
Entrance fees	-	-	-	-	6,430	-	-	\$ 6,430
Cash overs - net	-	-	-	-	553	-	-	\$ 553
Other reserves expense	-	-	-	-	-	(28,141)	-	\$ (28,141)
Dividends declared and paid (4%)	-	-	-	-	-	-	(2,610,416)	\$ (2,610,416)
Rebate paid (5%)	-	-	-	-	-	-	(458,770)	\$ (458,770)
Surplus distribution	-	192,278	-	-	565,298	-	3,087,989	\$ 3,845,565
Balance as at March 31, 2023	\$ 2,447,017	\$ 820,836	\$ 645,690	\$ 504,715	\$ 15,669,199	\$ 1,067,170	\$ 8,598,722	\$ 29,753,349

Continued on page 7.

The notes on pages 9 to 20 are integral part of these financial statements.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

STATEMENTS OF CHANGES IN FUND BALANCE (CONTINUED) FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

	Burial scheme fund	Education fund	Loan protection (life) fund	Revaluation reserve	Statutory reserve fund	Other reserve	Undistributed surplus	Total
Balance as at March 31, 2021	\$ 2,276,541	\$ 612,728	\$ 358,105	\$ 504,715	\$ 14,355,308	\$ 1,155,961	\$ 7,170,489	\$ 26,433,847
Burial scheme dues	383,208	-	-	-	-	-	-	383,208
Burial scheme payments	(366,500)	-	-	-	-	-	-	(366,500)
Cash overs - net	-	-	-	-	1,114	-	-	1,114
Dividends declared and paid (3%)	-	-	-	-	-	-	(1,895,290)	(1,895,290)
Education, donation and training	-	(79,493)	-	-	-	-	-	(79,493)
Rebate paid (5%)	-	-	-	-	-	-	(398,243)	(398,243)
Other reserves expense	-	-	-	-	-	(107,852)	-	(107,852)
Entrance fees	-	-	-	-	6,511	-	-	6,511
Loan protection provision	-	-	582,886	-	-	-	-	582,886
Loan protection settlement	-	-	(606,758)	-	-	-	-	(606,758)
Surplus distribution	-	236,008	-	-	733,985	47,202	3,702,963	4,720,158
Balance as at March 31, 2022	\$ 2,293,249	\$ 769,243	\$ 334,233	\$ 504,715	\$ 15,096,918	\$ 1,095,311	\$ 8,579,919	\$ 28,673,588

The notes on pages 9 to 20 are integral part of these financial statements.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Surplus	\$ 3,845,565	\$ 4,720,158
Adjustments for:		
Depreciation	357,345	370,980
Severance expense	234,178	174,019
Loss on disposal of property, plant and equipment	13,443	2,528
Loan protection (life) fund	602,288	582,886
Bad debt expense	1,665,958	1,369,503
Interest income on investments	(289,493)	(314,250)
Interest expense on long term debt	9,455	21,731
Operating surplus before working capital changes	<u>6,438,739</u>	<u>6,927,555</u>
Changes in:		
Other receivable	(3,483)	79,644
Prepayments	441,233	(354,311)
Stationery and supplies	5,887	18,360
Loans receivable	1,039,691	(8,466,157)
Accounts payable	358,852	(136,664)
Members' deposits	812,315	6,475,380
Cash provided by operating activities	<u>9,093,234</u>	<u>4,543,807</u>
Severance paid	(208,235)	(6,647)
Net cash provided by operating activities	<u>8,884,999</u>	<u>4,537,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	244,240	369,131
Fixed deposits	(30,535)	524,367
Investments	25,000	20,000
Additions to property, plant and equipment	(498,503)	(308,540)
Proceeds from sale of property, plant and equipment	675	51
Net cash (used in) provided by investing activities	<u>(259,123)</u>	<u>605,009</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid for long term debt	(9,455)	(21,731)
Change in burial scheme – net	153,768	16,708
Change in education fund – net	(140,685)	(79,493)
Loan protection (life) fund settlements	(290,831)	(606,758)
Statutory reserve fund	6,983	7,625
Members' shares – mandatory	8,952	(40,056)
Members' shares – voluntary	17,200	14,720
Other reserves - net	(28,141)	(107,852)
Dividends paid	(2,610,416)	(1,895,290)
Rebates paid	(458,770)	(398,243)
Repayments of long term debt	(658,125)	(832,500)
Net cash used in financing activities	<u>(4,009,520)</u>	<u>(3,942,870)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,616,356	1,199,299
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,896,166	6,696,867
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,512,522</u>	<u>\$ 7,896,166</u>

The notes on pages 9 to 20 are integral part of these financial statements.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

1. STATUS

Saint Francis Xavier Credit Union Limited (“SFXCUL”) was incorporated in 1947 under the Credit Unions Act. The Credit Union is currently governed by Credit Unions Act Chapter 314 Revised Edition 2020. The main objective of SFXCUL is to promote thrift among its members, to receive savings of its members either as payment on shares or as deposits, and to make loans to members exclusively for provident or productive purposes. As at March 31, 2023 SFXCUL had 30,863 members (2022: 30,829). SFXCUL’s registered office is located at #79 Corner 5th Avenue & 1st Street North Corozal Town, Belize C.A.

Saint Francis Xavier Credit Union Limited is supervised by the Registrar of Credit Unions. On March 10, 2023, the Governor of the Central Bank of Belize, in his capacity as Registrar of Credit Unions (Registrar), advised that pursuant to section 61(1) of the Credit Unions Act Chapter 314 of the Laws of Belize (Revised Edition 2020), an Administrator has been appointed to St. Francis Xavier Credit Union Limited. The Administrator is Mr. Martin Marshalleck and he is being assisted by his team along with a team from the Central Bank of Belize appointed by the Registrar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

SFXCUL uses a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, certain revenues are recognized when received rather than when earned and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

b. Functional and presentation currency

The financial statements are presented in Belize dollars, which is SFXCUL’s functional currency.

c. Foreign currency translations

Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. All differences arising on settlement or translation of monetary items are taken to the income statement.

d. Changes in accounting policies

No changes to the accounting policies were identified and the comparative information has accordingly remained unchanged since the prior reporting period.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of 3 months or less.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- f. Fixed deposits
Fixed deposits comprise of term deposits held at the bank with maturity dates of 3 months to 2 years from the date of acquisition.

- g. Interest receivable
Interest receivable represents interest earned on fixed deposits that has not yet been received.

- h. Other receivable
Other receivable comprises of miscellaneous receivables from members.

- i. Prepayments
Prepayments represent costs paid in advance of their intended use or coverage. Prepayments are expensed in the period the service is delivered.

- j. Stationery and supplies
Use of stationery and supplies is analyzed on a regular basis and are expensed in the period used.

- k. Loans receivable
Loans are recognized when cash is advanced to the member borrowers.

- l. Allowance for loan losses
This account is treated as a contra-asset account to member loans receivable in accordance with the Credit Unions Act (CUA) Requirement No. 2 of 2013. The account is funded through charges to income as a provision expense for charging off loans and other assets or portions of such loans and other assets which have been adversely classified.

- m. Investments
SFXCUL accounts for its minority equity investments at cost. Any change in the investment value is recognized in profit and loss. Under this method dividends are treated as income when received.

- n. Property, plant and equipment
Property, plant and equipment are carried at cost, with the exception of land which are carried at revalued amounts. Property and equipment are depreciated on a straight line basis as follows:

Building	40 years
Computer hardware & software	5 years
Furniture & fixtures	15 years
Generator	20 years
Office equipment	10 years
Vehicles	7 years

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Property, plant and equipment (Continued)

Maintenance and repairs are expensed as incurred. Major asset additions and expenditures that significantly increase value or extend useful asset life are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and gains or losses on disposal are included in income for the year.

An item of property, plant and equipment and any significant part recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Assets held under revaluation model

Assets held under the revaluation model are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

The cost and accumulated depreciation accounts are restated proportionately with the revaluation. Any increase arising on the revaluation of such asset is recognised as a transfer in equity under the heading of revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such asset is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

o. Impairment of non-financial asset

SFXCUL assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An impairment loss is recognised immediately in statement of income and expenses, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Impairment of non-financial asset (Continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

p. Accounts payable

Accounts payable comprises of member deposits and loan payments that have not yet been applied against respective member accounts.

q. Members' deposits

Members' deposits, savings and fixed savings are treated as current liabilities.

r. Severance payable

Severance payable represents the accrual of salaries payable to employees in the event of their resignation or termination in accordance with the SFXCUL Severance Pay policy. Employees with at least 5 years or more of continuous employment are entitled to a minimum of two week's salary for each year of service. Upon retirement, employees with at least 10 years or more of continuous employment are entitled to up to five weeks salary for each year of service.

s. Borrowings

Borrowings (loans) are recognized net of transaction costs incurred.

Long term borrowings (loans) are shown as long-term debt on the statement of financial position, except for the portion due within 12 months of the reporting date which is classified as current liabilities and shown as short-term debt.

t. Members' shares

As per the Credit Unions Act, members' shares in SFXCUL represent members' capital.

u. Education fund

In accordance with SFXCUL's by-laws an amount not exceeding 5% of the net surplus, before declaration of dividends is set aside in this fund. The accumulated amount within this fund will be used for purposes such as training of members and staff, promotion campaigns and any other educational purposes as may be deemed by the Administrator/Board of Directors.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. Loan protection (life) fund

On August 1, 2005 SFXCUL also initiated the Loan Protection & Life Savings Scheme. The costs of this scheme are borne by SFXCUL. The loan protection (life) fund is an internal insurance fund set aside by SFXCUL to be used for write-off of loans and payment of other benefits related to the natural death of a member. Premiums are determined using a flat rate of \$0.32 per \$1,000 for savings and \$0.52 for qualifying loans and savings up to the coverage maximum. Coverage becomes effective immediately upon the member joining SFXCUL. The scheme offers protection of savings up to a maximum of \$20,000 with set percentages tiered by age and loan protection up to a maximum of \$40,000. The maximum age for the loan protection coverage is 70 years.

w. Statutory reserve fund

Each year, in accordance with Credit Unions Act, SFXCUL transfers at least 10% of its net surplus, before declaration of dividends, to the statutory reserve fund. In addition, all entrance fees and fines collected from members each year are transferred to this fund. This fund cannot be distributed to members.

x. Other reserves

Other reserves are amounts set aside by the Administrator/Board of Directors to be used for any purpose that the Credit Union may utilize it for. Allocation of surplus to these reserves are recommended by the Administrator/Board of Directors and to be confirmed at annual meetings as permitted by the Credit Unions Act.

y. Dividends and rebates

Dividends not exceeding 8% are declared and paid annually on member shares/deposit balances. Dividends are calculated based on the average of the lowest share balance during each quarter of the financial year.

Rebates are declared and paid annually to each member in proportion to the volume of loan business done with the Credit Union during the year.

Dividends are credited to the members' shares/deposit accounts along with interest rebates given to members who qualify. Dividends and rebates are recommended by the Administrator/Board of Directors and approved at SFXCUL's Annual General Meeting.

z. Income and expense recognition

Interest income on loans, dividends and other income are recognized when collected. Interest income on fixed deposits is recognized when earned. Expenses are recognized when incurred. Interest on special deposits and personal checking accounts are paid quarterly and monthly, respectively. Interest on term deposits may be paid quarterly or monthly. The interest rates paid on member accounts are determined by the Administrator/Board of Directors.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa. Taxes

Management evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

ab. Segment Reporting

SFXCUL currently has, in addition to its main branch in Corozal Town, 3 branch offices located in Sarteneja, Caye Caulker and San Pedro Town. Management has considered it necessary to report the operation of these branches independently in supplementary information in an effort to give further detail about the operations of these units. It should be duly noted however, that these amounts have been reported in the combined totals presented in the financial statements.

3. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 2,143,758	\$ 2,970,169
Current and checking accounts	10,368,764	4,925,997
	<u>\$ 12,512,522</u>	<u>\$ 7,896,166</u>

4. FIXED DEPOSITS

Institution	Maturity	Rate	<u>2023</u>	<u>2022</u>
Belize Bank Ltd.	June 13, 2023	1.50%	\$ 821,086	\$ 821,086
Belize Bank Ltd.	April 8, 2023	1.50%	247,782	247,782
Belize Bank Ltd.	June 13, 2023	1.50%	778,184	778,184
Belize Bank Ltd.	June 13, 2023	1.05%	1,001,884	-
Belize Bank Ltd.	April 8, 2023	1.50%	362,267	362,267
Belize Bank Ltd.	June 11, 2022	1.05%	-	991,417
*Belize Bank Ltd.	August 29, 2023	1.05%	1,931,361	-
*Belize Bank Ltd.	April 8, 2023	1.50%	795,784	795,784
*Belize Bank Ltd.	August 29, 2022	1.05%	-	1,911,293
			<u>\$ 5,938,348</u>	<u>\$ 5,907,813</u>

*Held as security for lines of credit. See Note 15.

5. INTEREST AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
Mortgage fees receivable	3,352	950
Other receivables	59,410	58,329
Interest receivable	166,676	121,423
	<u>\$ 229,438</u>	<u>\$ 180,702</u>

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

6. LOANS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Agriculture loans	\$ 5,251,767	\$ 5,768,600
Business loans	9,811,590	6,236,349
Consumer loans	35,900,331	41,250,179
Debt refinancing loans	977,359	1,135,936
Educational loans	4,450,454	5,228,468
Housing and home improvement loans	23,741,106	23,105,286
Real estate loans	2,239,362	1,981,659
Medical	6,226,769	5,605,300
Staff and related party loans	3,580,710	3,380,279
Total loans receivable - gross	<u>92,179,448</u>	<u>93,692,056</u>
Less: allowance for loan losses	<u>(3,321,879)</u>	<u>(2,128,838)</u>
Total loans receivable - net	<u>\$ 88,857,569</u>	<u>\$ 91,563,218</u>

Allowance for loan losses comprises of:

Balance, beginning of year	\$ 2,128,838	1,090,633
Additional provision for the year	1,665,958	1,369,503
Write-offs	(472,917)	(331,298)
Balance, end of year	<u>\$ 3,321,879</u>	<u>\$ 2,128,838</u>

The maturity distribution of loans receivable is as follows:

	<u>2023</u>	<u>2022</u>
Less than 1 year	\$ 487,428	\$ 593,999
1-3 years	7,759,946	8,026,299
More than 3 years	83,932,074	85,071,758
	<u>\$ 92,179,448</u>	<u>\$ 93,692,056</u>

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

7. PROPERTY, PLANT AND EQUIPMENT

Cost (c), Valuation (v)	Land	Building	Computer hardware & software	Furniture & fixtures	Generator	Office equipment	Vehicles	Work in progress	Total
	(v)	(c)	(c)	(c)	(c)	(c)	(c)	(c)	
Brought forward, April 1, 2022	\$2,053,485	\$3,445,930	\$ 844,514	\$ 617,922	\$ 266,600	\$ 969,922	\$ 682,050	\$ 154,918	9,035,341
Additions	-	28,773	392,673	21,156	-	21,892	-	34,009	498,503
Disposals	-	-	(66,588)	(17,371)	(2,482)	(56,806)	-	-	(143,247)
Carried forward, March 31, 2023	<u>2,053,485</u>	<u>3,474,703</u>	<u>1,170,599</u>	<u>621,707</u>	<u>264,118</u>	<u>935,008</u>	<u>682,050</u>	<u>188,927</u>	<u>9,390,597</u>
Accumulated Depreciation									
Brought forward, April 1, 2022	-	912,208	652,183	308,842	107,030	570,658	505,961	-	3,056,882
Additions	-	86,796	81,674	40,786	11,450	74,131	62,508	-	357,345
Disposals	-	-	(65,668)	(13,968)	(810)	(48,683)	-	-	(129,129)
Carried forward, March 31, 2023	-	<u>999,004</u>	<u>668,189</u>	<u>335,660</u>	<u>117,670</u>	<u>596,106</u>	<u>568,469</u>	-	<u>3,285,098</u>
Net Book Value									
March 31, 2023	<u>\$2,053,485</u>	<u>\$2,475,699</u>	<u>\$ 502,410</u>	<u>\$ 286,047</u>	<u>\$ 146,448</u>	<u>\$ 338,902</u>	<u>\$ 113,581</u>	<u>\$ 188,927</u>	<u>\$ 6,105,499</u>

During the financial year ended March 31, 2020 SFXCUL had an independent qualified appraiser value all land held, revaluation surpluses and loss were incurred. See also Note 2n. and 14.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Building	Computer hardware & software	Furniture & fixtures	Generator	Office equipment	Vehicles	Work in progress	Total
Cost (c), Valuation (v)	(v)	(c)	(c)	(c)	(c)	(c)	(c)	(c)	
Brought forward, April 1, 2021	\$2,053,485	\$3,445,930	\$ 824,258	\$ 568,579	\$ 250,696	\$ 947,187	\$ 683,515	\$ -	\$ 8,773,650
Additions	-	-	22,286	49,343	15,904	43,589	22,500	154,918	308,540
Disposals	-	-	(2,030)	-	-	(20,854)	(23,965)	-	(46,849)
Carried forward, March 31, 2022	2,053,485	3,445,930	844,514	617,922	266,600	969,922	682,050	154,918	9,035,341
Accumulated Depreciation									
Brought forward, April 1, 2021	-	826,072	576,017	268,720	96,204	509,469	453,690	-	2,730,172
Additions	-	86,136	76,608	40,122	10,826	81,054	76,234	-	370,980
Disposals	-	-	(442)	-	-	(19,865)	(23,963)	-	(44,270)
Carried forward, March 31, 2022	-	912,208	652,183	308,842	107,030	570,658	505,961	-	3,056,882
Net Book Value									
March 31, 2022	\$2,053,485	\$2,533,722	\$ 192,331	\$ 309,080	\$ 159,570	\$ 399,264	\$ 176,089	\$ 154,918	\$ 5,978,459

During the financial year ended March 31, 2020 SFXCUL had an independent qualified appraiser value all land held, revaluation surpluses and loss were incurred. See also Note 2n. and 14.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

8. INVESTMENTS

	<u>2023</u>	<u>2022</u>
109,152 fully paid ordinary shares at par value \$2.00 each in Belize Electricity Limited.	\$ 259,236	\$ 259,236
45 fully paid redeemable preference shares at par value \$1,000.00 each in Belize Credit Union League Limited.	-	25,000
7.00% National Gas Company (Belize) Ltd. Senior Secured Bonds 2019. Interest is payable in May and November of each year until it's maturity on May 15, 2029.	2,000,000	2,000,000
6.25% Belize Water Services Debenture maturing December 31, 2030.	350,000	350,000
6% Belize Electricity Limited Debenture maturing June 30, 2032.	500,000	500,000
	<u>\$ 3,109,236</u>	<u>\$ 3,134,236</u>

9. MEMBERS' DEPOSITS

	<u>2023</u>	<u>2022</u>
Savings/deposits	\$ 77,952,958	\$ 76,747,365
Term deposits	4,645,772	5,039,050
	<u>\$ 82,598,730</u>	<u>\$ 81,786,415</u>

10. SEVERANCE PAYABLE

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,341,567	\$ 1,174,195
Additional provision for the year	234,178	174,019
Severance paid	(208,235)	(6,647)
Balance, end of year	<u>\$ 1,367,510</u>	<u>\$ 1,341,567</u>

The expected maturity distribution of severance payable is as follows:

	<u>2023</u>	<u>2022</u>
Less than 1 year	\$ -	\$ 194,633
More than 1 year	1,367,510	1,146,934
	<u>\$ 1,367,510</u>	<u>\$ 1,341,567</u>

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)**

11. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
a. Development Finance Corporation unsecured loan of \$650,000 for a period of 7 years inclusive of a grace period of 3 years on principal balances. Interest is charged at a rate of 2% per annum on the outstanding principal balance. Repayment of the loan was completed during the 2023 fiscal year.	\$ -	\$ 40,625
b. Development Finance Corporation secured loan of \$350,000 for a period of 7 years inclusive of a grace period of 2 years on principal balances. Interest is charged at a rate of 6.5% per annum on the outstanding principal balance. Repayment of the loan was completed during the 2023 fiscal year. (See also Note 4).	-	17,500
c. Development Finance Corporation unsecured loan of \$3,000,000 for a period of 7 years inclusive of a grace period of 2 years on principal balances. Interest is charged at a rate of 1.0% per annum on the outstanding principal balance. Repayment of the loan principal amount of \$3,000,000 is made in 5 equal and consecutive annual installments of \$600,000 each.	600,000	1,200,000
	\$ 600,000	\$ 1,258,125
Less: current portion	(600,000)	(658,125)
Total long term portion	\$ -	\$ 600,000

12. BURIAL SCHEME FUND

The Burial Scheme Program – Womb to the Tomb was approved in the 2003 Annual General Meeting. The program was initiated effective July 1, 2003 through the Burial Scheme Fund whereby members make an annual contribution of \$24.00 deducted from their shares account on July 1 of each year once they meet the eligibility criteria. In order for a member to qualify under the scheme, the member must maintain \$100.00 in their shares account at all times before and after fees are paid and must have a minimum of \$124.00 in their shares account to be able to pay the annual premium of \$24.00 at July 1 of each year. Once proof of death of a member who qualifies under the scheme is presented, a cash settlement of \$4,000.00 or \$2,000.00 (for members who joined after March 31, 2003 and were 50 years or more and meet the requirement) is paid to the beneficiary. The SFXCUL reserves the right to terminate this burial scheme giving 31 days’ notice.

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)**

13. DISTRIBUTION OF SURPLUS

	<u>2023</u>	<u>2022</u>
Education fund 5% (2022 - 5%)	\$ 192,278	\$ 236,008
Statutory reserve fund 14.7% (2022 - 15.55%)	565,298	733,985
Undistributed surplus 80.3% (2022 - 78.45%)	3,087,989	3,702,963
Other reserve 0% (2022 - 1%)	-	47,202
	<u>\$ 3,845,565</u>	<u>\$ 4,720,158</u>

14. REVALUATION RESERVE

An appraisal of all land held was done during the financial year ended March 31, 2020 by an independent appraiser. The resulting increase in the carrying amount of the land was reflected in a revaluation reserve and losses were recognized in the statement of income and expenses.

15. COMMITMENTS

Belize Bank Limited overdraft facility in the amount of \$2,500,000 which carries an interest rate of 5.5% and secured by a fixed term deposit. As of March 31, 2023 the balance on the account was not in an overdraft position. See Note 4 for details of security. Overdraft annually reviewed with next review being January 1, 2024.

Belize Bank Limited credit card facility in the amount of \$43,000 which carries an interest rate of 18% per annum and secured by a fixed term deposit. As of March 31, 2023 the balance on the account was not in an credit position. See Note 4 for details of security. Overdraft annually reviewed with next review being January 1, 2024.

As at March 31, 2023, member loans totaling \$135,267 (2022:\$367,790) had been approved but were not yet disbursed.

16. TAXATION

As a registered credit union in Belize, SFXCUL is exempt from taxes on income and receipts assessed under the Income and Business Tax Act.

General Sales Tax of 12.5% is a tax on consumer spending that is collected at the point of sale of a business' good or service. SFXCUL pays General Sales Tax as a regular consumer.

17. POST – REPORTING DATE EVENTS

There were no adjusting or significant non-adjusting events that occurred between the March 31, 2023 reporting date and the date of authorization for issuance.

* * * * *

Supplemental

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES BY BRANCHES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

COROZAL OPERATIONS

INCOME

	<u>2023</u>	<u>2022</u>
Interest income on loans	\$ 7,471,997	\$ 6,978,862
Interest income on debentures	51,875	51,875
Investment income	227,395	252,180
Other income	489,689	260,459
Passbook sale income	21,582	14,592
Service fees income	497,321	714,038
GROSS INCOME	8,759,859	8,272,006

OPERATING EXPENSES

Advertising	20,856	22,513
Annual general meeting	199,453	31,148
Bad debt	1,446,102	1,037,283
Bank charges and overdraft interest	40,172	29,160
Belize Credit Union League dues	7,610	7,185
Central Bank returns and compliance cost	5,000	5,000
Computer upgrades	159,774	90,909
Delinquency cost	1,407	2,306
Depreciation	247,454	256,200
Donation	5,810	7,205
Insurance	67,729	68,895
Interest expense - DFC	9,455	21,731
Interest expense - members term deposits	76,133	95,212
Legal fees	13,549	4,969
Loan protection (life) fund expense	457,675	446,914
Loss on disposal of assets	4,810	939
Office supplies	98,691	71,046
Officer allowances	94,619	100,800
Officer meeting, traveling and miscellaneous costs	84,698	42,506
Other expense	345,245	68,647
Professional fees	272,237	63,255
Property taxes	2,785	2,686
Regulatory penalties and fines	7,900	-
Rent	1,400	-
Repairs and maintenance	129,800	123,310
Security	97,267	67,405
Severance	234,178	174,019
Social security	56,361	45,850
Staff allowance	90,725	86,011
Staff social	44,598	13,952
Travelling and subsistence	19,940	19,187
Uniform allowance	39,159	34,200
Utilities	107,171	107,045
Vehicle running	43,259	48,330
Wages and salaries	1,639,067	1,535,218
TOTAL OPERATING EXPENSES	6,172,089	4,731,036
Surplus Corozal Branch	\$ 2,587,770	\$ 3,540,970

SAINT FRANCIS XAVIER CREDIT UNION LIMITED

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES BY BRANCHES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

SARTENEJA OPERATIONS

INCOME

	<u>2023</u>	<u>2022</u>
Interest income on loans	\$ 628,585	\$ 554,233
Investment income	4,804	4,746
Other income	44,620	17,065
Passbook sale income	1,734	1,435
Service fees income	64,403	67,168
GROSS INCOME	<u>744,146</u>	<u>644,647</u>

OPERATING EXPENSES

Advertising	681	140
Annual general meeting	5,382	1,090
Bad debt	68,048	54,854
Bank charges and overdraft interest	112	108
Depreciation	37,156	40,723
Donation	900	250
Insurance	7,973	6,567
Interest expense - members term deposits	1,042	2,257
Legal fees	1,743	99
Loan protection (life) fund expense	38,539	35,693
Loss on disposal of assets	2,790	1,589
Office supplies	8,111	6,651
Other expense	6,645	5,173
Professional fees	220	-
Rent	3,996	4,760
Repairs and maintenance	24,468	27,499
Security	2,522	5,304
Social security	6,852	5,836
Staff allowance	9,840	8,400
Staff social	21	-
Travelling and subsistence	3,371	1,875
Uniform allowance	4,500	4,500
Utilities	19,516	19,778
Vehicle running	8,885	6,946
Wages and salaries	169,805	153,852
TOTAL OPERATING EXPENSES	<u>433,118</u>	<u>393,944</u>

Surplus Sarteneja Branch

	<u>\$ 311,028</u>	<u>\$ 250,703</u>
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SAINT FRANCIS XAVIER CREDIT UNION LIMITED

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES BY BRANCHES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

SAN PEDRO OPERATIONS

INCOME

	<u>2023</u>	<u>2022</u>
Interest income on loans	\$ 1,407,687	\$ 1,587,772
Investment income	5,419	5,449
Other income	57,416	15,495
Passbook sale income	4,390	4,370
Service fees income	103,189	135,244
GROSS INCOME	<u>1,578,101</u>	<u>1,748,330</u>

OPERATING EXPENSES

Advertising	2,332	6,873
Annual general meeting	4,494	3,277
Bad debt	5,968	204,297
Bank charges and overdraft interest	344	851
Computer upgrades	1,554	1,199
Delinquency cost	518	949
Depreciation	50,219	51,094
Donation	800	250
Insurance	11,968	11,946
Interest expense - member term deposits	5,931	5,260
Legal fees	263	375
Loan protection (life) fund expense	80,765	76,625
Loss on disposal of assets	5,843	-
Office supplies	13,968	17,666
Other expense	14,506	21,931
Professional fees	2,740	415
Property taxes	625	875
Rent	31,875	2,500
Repairs and maintenance	31,358	57,403
Security	62,486	57,384
Social security	14,038	12,625
Staff allowance	41,108	44,666
Staff social	2,195	1,876
Travelling and subsistence	15,711	16,766
Uniform allowance	9,900	9,900
Utilities	48,026	57,221
Vehicle running	2,537	1,589
Wages and salaries	331,009	319,902
TOTAL OPERATING EXPENSES	<u>793,081</u>	<u>985,715</u>

Surplus San Pedro Branch

	<u>\$ 785,020</u>	<u>\$ 762,615</u>
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SAINT FRANCIS XAVIER CREDIT UNION LIMITED

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES BY BRANCHES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (IN BELIZE DOLLARS)

CAYE CAULKER OPERATIONS

INCOME

	<u>2023</u>	<u>2022</u>
Interest income on loans	\$ 565,384	\$ 498,198
Other income	16,779	8,625
Passbook sale income	1,464	1,266
Service fees income	55,029	40,488
GROSS INCOME	638,656	548,577

OPERATING EXPENSES

Advertising	1,095	338
Annual general meeting	5,276	1,566
Bad debt	145,840	73,069
Bank charges and overdraft interest	211	118
Computer upgrades	149	814
Delinquency cost	421	150
Depreciation	22,516	22,963
Donation	1,476	634
Insurance	2,448	3,008
Legal fees	-	8
Loan protection (life) fund expense	25,309	23,654
Office supplies	4,400	3,407
Other expense	3,829	2,473
Professional fees	1,332	340
Rent	33,300	32,400
Repairs and maintenance	11,014	16,509
Security	31,412	29,223
Social security	4,869	4,061
Staff allowance	12,465	12,704
Staff social	328	263
Travelling and subsistence	18,230	16,744
Uniform allowance	2,700	2,700
Utilities	20,134	20,028
Vehicle running	638	551
Wages and salaries	127,517	114,982
TOTAL OPERATING EXPENSES	476,909	382,707

Surplus Caye Caulker Branch

	\$ 161,747	\$ 165,870
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Kindly Email: sfxcuadbusiness@gmail.com
if you have any questions, comments or concerns



ADMINISTRATOR'S REPORT

TO MEMBERS/OWNERS OF
ST. FRANCIS XAVIER CREDIT UNION LTD.

July 9, 2023