Caribe Federal Credit Union

CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the years ended
December 31, 2021 and 2020

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LLAVONA CASAS CPA/PSC
Tus socios para el éxito

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

The Board of Directors
Caribe Federal Credit Union
Guaynabo, Puerto Rico

AUDITORS' OPINION

We have audited the accompanying consolidated financial statements of the Caribe Federal Credit Union ("the Credit Union") which comprise the consolidated statements of financial condition as of December 31,2021 and 2020, and the related statements of income and expenses, changes in members' equity, comprehensive net income and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2021 and 2020, and the results of its operations, changes in members' equity, comprehensive net income and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. 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 required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

SUPPLMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Credit Union 's consolidated financial statements. The consolidating information in pages 44-46 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the consolidated financial statements as whole.

March 24, 2022
Guaynabo, Puerto Rico

Stamp No E-459732
was affixed to the original.

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Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2021 and 2020

Assets	**2021**	**2020**
Cash and cash equivalents	$ 32,541,533	$ 15,827,600
Certificates of deposits	35,624,551	64,432,470
Investment securities	76,737,736	94,835,425
Loans to members, net	422,942,972	315,744,879
Accrued interest receivable	1,165,188	1,067,208
Accounts receivable, net	221,957	131,297
Prepaid expenses	270,930	299,034
Property and equipment, net	11,919,924	12,347,032
NCUSIF deposit	4,619,883	3,766,065
Art collections	92,619	92,619
Foreclosed and repossessed assets	314,023	536,695
Other assets	307,776	469,021
Total assets	$ 586,759,092	$ 509,549,345
Liabilities and Members' Equity		
Members' shares accounts	$ 512,828,733	$ 442,468,984
Accounts payable and accrued liabilities	3,206,314	3,739,336
Accounts payable to auto dealers	7,527,319	4,863,531
Total liabilities	523,562,366	451,071,851
Members' Equity		
Appropriated regular reserve	3,811,746	3,811,746
Unappropriated earnings	60,081,837	54,650,287
Accumulated other comprehensive (loss) gain	(696,857)	15,461
Total members' equity	63,196,726	58,477,494
Total liabilities and members' equity	$ 586,759,092	$ 509,549,345

The accompanying notes are an integral part of the consolidated financial statements.

Caribe Federal Credit Union

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES

For the years ended December 31, 2021 and 2020

	2021	2020
Interest income:		
Interest and fees on loans	$ 19,523,634	$ 16,961,779
Interest on investments	708,088	1,504,581
Total interest income	20,231,722	18,466,360
Interest expense:		
Interest and dividends on members' shares and savings accounts	2,933,470	3,775,726
Net interest income	17,298,252	14,690,634
Provision for loan losses	(2,017,254)	(1,418,575)
Net interest income after provision for loan losses	15,280,998	13,272,059
Service fee and non-interest income	1,130,819	926,902
Non-interest expenses:		
Compensation and benefits	5,756,743	5,170,580
Occupancy and related	2,667,802	2,543,059
Other	2,555,722	2,278,701
Total non-interest expenses	10,980,267	9,992,340
Net income	$ 5,431,550	$ 4,206,621

The accompanying notes are an integral part of the consolidated financial statements.

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2021 and 2020

	2021	2020
Net income	$ 5,431,550	$ 4,206,621
Other comprehensive income:		
Unrealized holding gain (loss) on investment securities available for sale	(712,318)	(1,591)
Total comprehensive income	$ 4,719,232	$ 4,205,030

The accompanying notes are an integral part of the consolidated financial statements.

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the years ended on December 31, 2021 and 2020

	Appropriated Regular Reserve	Unappropriated Earnings	Accumulated Other Comprehensive gain (loss)	Total
Balance, December 31, 2019	$ 3,811,746	$ 50,443,666	$ 17,052	$ 54,272,464
Net income	-	4,206,621	-	4,206,621
Net unrealized loss on investment securities available-for-sale	-	-	(1,591)	(1,591)
Balance, December 31, 2020	3,811,746	54,650,287	15,461	58,477,494
Net income	-	5,431,550	-	5,431,550
Net unrealized loss on investment securities available-for-sale	-	-	(712,318)	(712,318)
Balance, December 31, 2021	$ 3,811,746	$ 60,081,837	$ (696,857)	$ 63,196,726

The accompanying notes are an integral part of the consolidated financial statements

Caribe Federal Credit Union

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended on December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	$ 5,431,550	$ 4,206,621
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	880,963	801,416
(Accretion)/Amortization of deferred loan origination fees, net	(39,507)	(31,861)
(Gain)/loss on sale of mortgage loans held-for-sale	(193,766)	(186,565)
(Gain)/loss on disposition of other assets	(29,341)	(8,151)
(Gain)/loss from sale of repossessed assets	(162,300)	-
Amortization of premium/discount on investment securities, net	591	1,188
Capitalized interest on certificate of deposit	80	60
Provision for possible loan losses	2,017,254	1,487,281
Proceeds from sale of mortgage loans held-for-sale	9,464,097	5,085,561
Recoveries of loans previously charged-off	440,277	444,147
Dividends credited on members' shares accounts	2,988,110	3,797,567
(Increase)/decrease in assets:		
Accrued interest receivable	(97,980)	(15,297)
Accounts receivable, net	(90,660)	(89,140)
Prepaid expenses	28,104	(22,594)
Other assets	499,162	(207,555)
(Decrease)/increase in liabilities:		
Accounts payable and accrued liabilities	(533,022)	620,855
Accounts payable to auto dealers	2,663,788	1,661,141
Total adjustments	17,835,850	13,338,053
Net cash provided by operating activities	23,267,400	17,544,674
Cash flows from investing activities:		
Net (increase)/decrease in certificates of deposit	28,807,839	(2,576,241)
Acquisition of investment securities	(96,400,000)	(120,217,000)
Proceeds from maturities of investment securities	113,784,780	43,241,148
Net increases in loans to members	(118,886,448)	(8,670,343)
Acquisitions of property and equipment	(424,514)	(437,132)
Proceeds from sale of repossessed assets	47,055	-
Deposit in NCUSIF	(853,818)	(401,323)
Net cash used in investing activities	(73,925,106)	(89,060,891)
Cash flows from financing activities:		
Net increase in shares accounts	67,371,639	76,851,408
Net cash provided by financing activities	67,371,639	76,851,408
Net increase in cash and cash equivalents	16,713,933	5,335,191
Cash and cash equivalents at beginning of year	15,827,600	10,492,409
Cash and cash equivalents at end of year	$ 32,541,533	$ 15,827,600

The accompanying notes are an integral part of the consolidated financial statements.

Supplemental Disclosures of Cash Flow Information

Interest and dividend paid for the years ended December 31, 2021 and 2020 was $2,948,830 and $3,797,567, respectively.

Also, during the years ended December 31, 2021 and 2020, unrealized gain (loss) on securities available-for-sale were recognized for ($712,318) and ($1,591), respectively, representing a non-cash item. Those charges are not reported as part of the net income for those years since they represent other comprehensive income.

During the years ended December 31, 2021 and 2020, the transfers of loans, net to other real estate owned was $285,111 and $253,494, respectively.

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1. ORGANIZATION

Caribe Federal Credit Union ("the Credit Union") is a nonprofit organization established in 1951 organized and chartered under the Federal Credit Union Act. The Credit Union serves federal employees in Puerto Rico and the U.S. Virgin Islands, members of the *Liga de Estudiantes de Arte de San Juan,* select employee groups in Puerto Rico and immediate family members. Its purpose is to promote thrift among its members by affording them an opportunity to accumulate their savings and create for them a source of credit for productive purposes.

Business Consortium Alliance, Inc. (BCA) is a wholly owned subsidiary of the Credit Union (Parent Company). It is a credit union service organization ("CUSO") under the United States Credit Union Act. It was engaged in the development of its lines of business and in providing services to the Credit Union.

During the year ended December 31, 2008, Business Alliance Insurance Agency (BAIA) was incorporated and began operations in 2009. The Company was created to conduct and operate a general insurance agency business for insurance companies organized or admitted doing business in the Commonwealth of Puerto Rico. It is a subsidiary of BCA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies followed the Credit Union are in conformity he generally accepted accounting principles in the United States of America (US GAAP). The most significant policies are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiary Business Consortium Alliance, Inc. (BCA), which was consolidated with Business Alliance Agency (BAIA). All significant intercompany balances and transactions between the Credit Union and the subsidiary have been eliminated in the preparation of the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

In the accompanying financial statements, certain 2020 figures were reclassified to conform to the 2021 presentation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Credit Union to credit risk include cash balances and certificate of deposits with several financial institutions located in Puerto Rico and the United States; which were insured for up to $250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). The balances may exceed amounts insured by the FDIC.

Credit risk for loans receivable and share accounts are also concentrated since most of the Credit Union's members are in the Puerto Rico geographical area.

Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA) up to $250,000 per institution. The bank balance of deposits in commercial banks amounting to $23,726,247 and $17,202,538 exceeded the amounts covered by federal depository insurance limits for the years ended December 31, 2021, and 2020, respectively. There was no bank balance of deposits exceeding the NCUA depository insurance limits at both December 31, 2021, and 2020, and the balance of deposits in *Banco Cooperativo* amounting to $905,858 and $671,854 on December 31, 2021 and 2020, respectively, were uninsured at that date.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Credit Union considers all highly liquid investment securities acquired with an original maturity of three months or less to be cash equivalents.

Investment Securities

Investment securities consist mainly of obligations issued by the Government of the United States and its political subdivisions. The Credit Union records the investments in securities in accordance with *Accounting for Certain Investments in Debts and Equity Securities.* The Credit Union classifies investments in debt instruments as securities available for sale and held-to-maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are made in accordance with the Credit Union's policies, which incorporate the regulations of National Credit Union Administration (NCUA), hence they are principally in federally sponsored and guaranteed instruments. Gains or losses on disposition are based on the net proceeds and the adjustment carrying amount of the securities sold, using the specific identification method. Interest income is recorded on an accrual basis.

Securities held-to-maturity

Securities held-to-maturity are those which the management has the intent to hold to maturity. These investments are reported at cost, adjusted for amortization of premiums or accretion of discounts, which are recognized in investment interest income using the effective interest method over the period of maturity.

Securities available-for-sale

Securities available-for-sale are presented at fair market value. Unrealized gains and losses on securities available-for-sale are excluded from earnings and recognized as an increase or decrease in other comprehensive income. Investment securities in this classification could be sold any time in response to economic and strategic factors.

Other than temporary decline in the fair market value

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are other than temporary are reflected as realized losses. In estimating other than temporary impairment, management considers: (1) the credit union intent to sell the debt security prior to recovery and, (2) whether it is more likely than not that it will not have to sell the debt prior to recovery, the security would not be considered other than temporarily impaired unless there is a credit loss. When the Credit union does not intend to sell a security, and it is more likely than not, the Credit Union will not have to sell the security before recovery of its cost basis, it will recognize the credit component of other than temporary impairment of a debt security in earnings and the remaining portion in accumulated other comprehensive income (loss).

Loans Held for Sale

Loans held for sale consists of mortgage loans carried at the lower of original cost or market value in compliance with FASB ASC 948-310. Market value is determined either on a loan-by-loan basis or on a combined related pool. Net unrealized losses are recognized through a valuation allowance by charges to income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and net origination fees. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely and recoveries of previously charged off amounts are credited to the allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of collectability of loans and prior loan loss experience.

The evaluations take into consideration such factors as changes in the nature and volume of loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions and collection efforts that the borrowers' financial condition is such that collection of interest is doubtful. Regularly, this is applied to loans with the delinquency greater than 89 days. The revenue for such interests not accrued is recognized when collected.

Loan Origination Fees

Loan origination fees are deferred and recognized over the life of the loan as an adjustment of yield. The unamortized balance of the net origination fees is reported as part of the loan balance to which it relates. The periodic amortization is reported on the income statement as interest income.

Accounts Receivable

Accounts receivable are stated at their net realizable value.

Property and Equipment

Land is carried at cost. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line- method over the estimated useful lives of the assets. Leasehold improvements are stated at cost, less accumulated amortization. Assets classified as construction in process are not depreciated until the asset has been completed and placed into service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Credit Union periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No indications of impairment are evident at December 31, 2021 and 2020.

Art Collection

Art collections are capitalized at their cost at the date of purchase or, if the items were contributed, at their fair or appraised value at the contribution date.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent (1%) of its insured shares. The deposit is refunded to the credit union if its insurance coverage is terminated, it obtains its insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Assets Acquired in Liquidation of Loans

Assets acquired in satisfaction of loans are initially recorded at the fair value of the real estate or repossessed property less the cost of selling it at the date of foreclosure or repossession. At the time properties are acquired in full or partial satisfaction of loans, any excess of the loan balance over the estimated fair value of the property is charged against the allowance for loan and lease losses. After foreclosure or repossession, these properties are carried at the lower of cost or fair value less estimated cost to sell based on recent appraised values or options to purchase the foreclosed or repossessed property. Any excess of the carrying value over the estimated fair value, less estimated costs to sell, is charged to non-interest expense. The costs and expenses associated to holding these properties in portfolio are expensed as incurred.

Members’ Shares Accounts

The dividend rates are set by the Board of Directors based on an evaluation of current and future market conditions. Dividends on members’ shares accounts are based on available earnings at the end of the corresponding period and are not guaranteed by the Credit Union. Dividends are credited to the members’ share accounts on the last day of the month for which dividends are declared. Members share accounts are subordinated to all other liabilities of the Credit Union upon liquidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not for the payment of dividends. The statutory reserve consists of $3,811,746 for 2021 and 2020.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income/(loss). Other comprehensive income/(loss) includes unrealized gains and losses on investment securities available-for-sale securities.

Advertising and Promotional Costs

Advertising and promotional costs are expended as incurred.

Federal and State Income Taxes

The Credit Unions is exempt, by statute, from federal and state income taxes.

New Accounting Update Not Yet Adopted

Measurement of Credit Losses on Financial Instruments. In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13 Credit Losses (Topic 326-Financial Instruments), which includes an impairment model known as the current expected credit loss model (CECL), that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses based on the lifetime losses of loans portfolios adjusted by prospective qualitative factors. The new standard is effective for the Credit Union for annual periods in fiscal years beginning after December 15, 2022, that is, for fiscal year 2023 (an additional one-year deferral was proposed due to coronavirus pandemic). Even the effect of the new standard has not yet been determined by the Credit Union, management believes that current conservative policies applied for the allowance for loan losses will help mitigate any possible effect.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for the fiscal years beginning after December 15, 2021 with an option to early adopt. The Credit Union is evaluating whether to early adopt and the effect that ASU 2016-02 will have on its consolidated financial statements, regulatory capital, and related disclosures.

3. CASH AND CASH EQUIVALENTS

As of December 31, 2021, and 2020, the balance of cash and cash equivalents consisted of the following:

	2021	2020
Cash in banks	$ 19,678,135	$ 14,657,146
Treasury Bills with original maturity of less than 90 days	11,694,413	-
Petty cash	200	200
Change Fund	1,168,785	1,170,254
Total cash and cash equivalents	$ 32,541,533	$ 15,827,600

4. CERTIFICATES OF DEPOSITS

As of December 31, 2021, and 2020, the Credit Union maintains certificates of deposits mostly in denominations of $250,000. The schedules maturities are as follows:

	2021	2020
Due in one year or less	$ 21,194,551	$ 41,509,470
Due after one year through five years	14,430,000	22,923,000
Total certificates of deposits	$ 35,624,551	$ 64,432,470

5. INVESTMENT SECURITIES

At December 31, 2021 and 2020 the investment securities were as follows:

	2021	2020
Investment securities:		
Available for Sale	$ 69,738,143	$ 55,117,620
Held to maturity	6,999,593	39,717,805
Total investment securities	$ 76,737,736	$ 94,835,425

As of December 31, 2021, and 2020, the amortized cost and the estimate fair market value of investment securities available-for-sale and held-to-maturity are as follows:

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5. INVESTMENT SECURITIES (CONTINUED)

2021

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Mortgage Corporation (FHLMC)	$ 7,735,000	$ -	$ (28,693)	$ 7,706,307
Federal Home Loan Bank (FHLB)	39,100,000	-	(491,494)	38,608,506
Federal Farm Credit Bank (FFCB)	23,600,000	-	(176,670)	23,423,330
Total	$ 70,435,000	$ -	$ (696,857)	$ 69,738,143

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Farm Credit Bank (FFCB)	$ 1,500,000	$ 1,362	$ -	$ 1,501,362
United States Treasury Bills	5,499,593	78	(12)	5,499,659
Total	$ 6,999,593	$ 1,440	$ (12)	$ 7,001,021

2020

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Mortgage Corporation (FHLMC)	$ 18,735,000	$ 3,443	$ (320)	$ 18,738,123
Federal National Mortgage Association (FNMA)	1,500,000	2,238	-	1,502,238
Federal Home Loan Bank (FHLB)	15,329,159	2,916	(3,337)	15,328,738
Federal Farm Credit Bank (FFCB)	19,538,000	10,860	(339)	19,548,521
Total	$ 55,102,159	$ 19,457	$ (3,996)	$ 55,117,620

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	$ 2,998,717	$ -	$ (145)	$ 2,998,572
Federal Farm Credit Bank (FFCB)	3,000,000	24,497	-	3,024,497
Federal Home Loan Mortgage Corporation (FHLMC)	1,500,000	1,424	-	1,501,424
Federal National Mortgage Association (FNMA)	1,500,000	2,066	-	1,502,066
United States Treasury Bills	30,719,088	-	(1,149)	30,717,939
Total	$ 39,717,805	$ 27,987	$ (1,294)	$ 39,744,498

5. INVESTMENT SECURITIES (CONTINUED)

The amortized cost and estimated fair value of investment securities, on December 31, 2021 and 2020, by contractual maturity, are shown below. Investment expected maturities may differ from original contractual maturities because of borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2021		2020	
Due Date	**Amortized Cost**	**Market Value**	**Amortized Cost**	**Market Value**
Due in one year or less	$ 19,034,593	$ 19,022,900	$ 35,717,804	$ 35,721,807
Due after one year through five years	58,400,000	57,716,264	59,102,159	59,140,311
Total	$ 77,434,593	$ 76,739,164	$ 94,819,963	$ 94,862,118

As of December 31, 2021

	Continuing Unrealized Losses for Less Than 12 months		Continuing Unrealized Losses for 12 months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal Home Loan Mortgage Corporation (FHLMC)	$ 7,706,307	$ (28,693)	$ -	$ -	$ 7,706,307	$ (28,693)
Federal Home Loan Bank (FHLB)	38,608,506	(491,494)	-	-	38,608,506	(491,494)
Federal Farm Credit Bank (FFCB)	23,423,330	(176,670)	-	-	23,423,330	(176,670)
Total	$ 69,738,143	$ (696,857)	$ -	$ -	$ 69,738,143	$ (696,857)

As of December 31, 2020

	Continuing Unrealized Losses for Less Than 12 months		Continuing Unrealized Losses for 12 months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal Home Loan Mortgage Corporation (FHLMC)	$ 1,999,680	$ (320)	$ -	$ -	$ 1,999,680	$ (320)
Federal Home Loan Bank (FHLB)	7,896,663	(3,337)	-	-	7,896,663	(3,337)
Federal Farm Credit Bank (FFCB)	3,387,661	(339)	-	-	3,387,661	(339)
Total	$ 13,284,004	$ (3,996)	$ -	$ -	$ 13,284,004	$ (3,996)

5. INVESTMENT SECURITIES (CONTINUED)

Unrealized losses as of December 31, 2021 and 2020 have not been recognized into income because they are not considered to be other-than temporary. Management considers the unrealized losses to be market driven, rather than credit driven and no loss will be realized unless the securities are sold.

6. LOANS

As of December 31, 2021, and 2020, the portfolio of loans of the Credit Union by type is as follows:

	2021	2020
Loans to members:		
Commercial:		
Corporations and individuals	$ 25,018,256	$ 25,449,667
Total commercial	25,018,256	25,449,667
Consumer:		
Unsecured	115,230,930	79,420,691
Mortgage	23,077,540	25,915,134
Auto	244,555,711	169,239,618
Share secured loans	9,807,585	9,065,668
Credit cards	10,505,676	10,618,579
Lines of credit	326,996	359,147
Total consumer	403,504,438	294,618,837
Total loans	428,522,694	320,068,504
Less: Allowance for loan losses	(5,137,166)	(3,841,562)
Less: Net unamortized deferred origination fees	(442,556)	(482,063)
Total loans to members, net	$ 422,942,972	$ 315,744,879

Loans Held for Sale

At December 31, 2021, the outstanding balance of the mortgage loans held for sale was $140,000. These loans carried net unamortized deferred origination fees of $2,105 for a net loan held for sale balance of $137,895. Proceeds from loans held for sale were $9,464,097 and a net gain of $193,766 was recognized during the year ended December 31, 2021, which is included within interest and fees on loans.

6. LOANS (CONTINUED)

COVID 19 Moratoriums on Loan Repayments

In working with borrowers affected by the COVID 19 pandemic, the Credit Union has agreed to let consumer borrowers that were current in their payments or no more than 2 payments in arrears to defer payments on their loans in some cases for up to six months but not beyond September 30, 2020, with few exceptions. For both consumer and residential mortgage loans subject to the deferral programs, each borrower was required to begin making their regularly scheduled loan payment at the end of the deferral period and the deferred amounts were moved to the end of the loan. The payment deferral programs were applied prospectively beginning, in some instances, with the scheduled contractual payment due in March. For commercial loans, any request for payment deferral, including extensions of the repayment moratorium, is analyzed on a case -by case basis. Moratoriums on loan repayments for consumer and residential mortgage products in Puerto Rico were mandated by local law. A loan modification under these dispositions is not required to be considered as a TDR loan. As of December 31, 2020, the Credit Union had under deferred repayment arrangements 3,093 loans, totaling approximately $65.6 million. The deferred repayment arrangements as of December 31, 2021 were 68 loans, totaling approximately $305,254.

Paycheck Protection Program

The Credit Union participates in the Paycheck Protection Program or PPP, established by the *CARES Act*, promulgated as a result of the COVID-19 crisis. This Program was implemented through the Small Business Administration (SBA), which certified the Credit Union as a lender and guarantees the loans granted under the Program 100%. The Program provides small businesses with funds to pay payroll costs, including fringe benefits, interest on mortgages, rent, utilities and working capital needs. These loans can be forgiven if businesses keep their payroll during the crisis or restore their payroll afterward. As of December 31, 2021, there were no outstanding balances from these loans. During the year ended December 31, 2020, the Credit Union originated 29 loans under the Program, of which approximately $379,000 were outstanding as of December 31, 2020.

Allowance for Loan Losses

The allowance for loan losses reflects management judgement of probable loan losses inherent in the portfolio at balance sheet date. The Credit Union uses a disciplined methodology to establish the allowance for loan losses each quarter. A minimum of 1.20% of the outstanding loans portfolio is required by policy. To determine the total allowance for loan losses, management estimates the provision needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a collectively basis.

6. LOANS (CONTINUED)

The allowance for loan losses consists of amounts applicable to: (1) consumer loans (personal auto, mortgage, line of credit and credit card) and (2) commercial loans portfolios.

The establishment of the allowance for loan relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to individually evaluated loans, economic conditions, and delinquency trends. Individually loans are evaluated based on each situation by experienced collection officers and reviewed by management.

Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged ("charge -off") against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Loan Charge-Offs

Loans recommended for charge-off must meet at least one of the following standards:

- A non-performing loan more than six month past due without a payment of at least 75 percent of a regular monthly installment within the last 90 days. In cases of non-performing loans, transfers from shares and proceeds from the sale of collateral generally do not constitute "payments";

- A loan in bankruptcy, within 60 days of receipt of notification of filing from the bankruptcy court, unless the credit union can clearly demonstrate and document that repayment is likely to occur. Loans with collateral may be written down to the value of the collateral, less cost to sell. However, in Chapters 11 and 13 bankruptcy proceedings, if the court lowers the amount that the borrower must pay, the credit union should immediately charge off that portion of the debt discharged by the court;

- A fraudulent loan, no later than 90 days of discovery or when the loss is determined, whichever is shorter;

- On the death of the debtor, there appears to be little hope that there are sufficient assets available from the estate or from insurance to recover the debt;

6. LOANS (CONTINUED)

- On liquidation of the collateral, a deficiency balance exists, and the borrower(s) has indicated that no further payments are forthcoming;

- Where CFCU has foreclosed an estimate loan loss, but has not yet sold the collateral on hand, CFCU may transfer the loan balance into the Collateral in Process of Liquidation account. It should charge-off any outstanding loan balance in excess of the property, less the cost to sell;

- Where CFCU has foreclosed an estimate loan loss, but has not yet sold the property securing the real estate loan at the fair value of the property, CFCU may transfer the loan balance into the Other Real Estate Owned (OREO) account and should charge-off any outstanding loan balance in excess of the value of property, less cost to sell;

- A delinquent loan in the hands of an attorney or collection agency, unless there are extenuating circumstances to indicate CFCU will collect the loan;

- A loan deemed uncollectible, where additional collection efforts are non-productive regardless of the number of months delinquent;

- A "skip" where the credit union has had no contact for 90 days.

When a loan meeting of the above criteria is not recommended for charge-off, the collections department will report that fact to the board of directors in a separate written report. The report will include an explanation as to why the loan should be kept open and not assigned to nonperforming asset status (e.g., the debtor has agreed to and is making regular periodic payments).

A summary of the changes in the allowance for loan losses, by portfolio segment, is as follows:

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6. LOANS (CONTINUED)

2021

	Commercial	Consumer	Total
Beginning balance	$ 1,828,023	$ 2,013,539	$ 3,841,562
Provision during the year	(1,248,685)	3,265,939	2,017,254
Recoveries of loans previously charged-off	-	440,278	440,278
Loans charge-offs	-	(1,161,928)	(1,161,928)
Ending balance	$ 579,338	$ 4,557,828	$ 5,137,166
Evaluation of Allowance:			
Allowance evaluated individually	$ 171,214	$ 259,482	$ 430,696
Allowance evaluated collectively	408,124	4,298,346	4,706,470
Total	$ 579,338	$ 4,557,828	$ 5,137,166
Loan Ending Balance:			
Evaluated individually for impairment	$ 2,139,765	$ 1,066,815	$ 3,206,580
Evaluated collectively for impairment	22,878,491	402,437,623	425,316,114
Total	$ 25,018,256	$ 403,504,438	$ 428,522,694

2020

	Commercial	Consumer	Total
Beginning balance	$ 955,877	$ 3,007,795	$ 3,963,672
Provision during the year	1,623,397	(204,822)	1,418,575
Recoveries of loans previously charged-off	34,238	409,899	444,137
Loans charge-offs	(785,489)	(1,199,333)	(1,984,822)
Ending balance	$ 1,828,023	$ 2,013,539	$ 3,841,562
Evaluation of Allowance:			
Allowance evaluated individually	$ 1,006,437	$ 528,134	$ 1,534,571
Allowance evaluated collectively	821,586	1,485,405	2,306,991
Total	$ 1,828,023	$ 2,013,539	$ 3,841,562
Loan Ending Balance:			
Evaluated individually for impairment	$ 2,577,875	$ 1,431,368	$ 4,009,243
Evaluated collectively for impairment	22,871,792	293,187,469	316,059,261
Total	$ 25,449,667	$ 294,618,837	$ 320,068,504

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6. LOANS (CONTINUED)

Non-Accruing Loans

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach over 89 days past due.

Loans in which the accrual of interest has been discontinued or reduced amounted to $1,849,740 and $2,608,063, on December 31, 2021, and 2020, respectively. If interest on those had been accrued, such income would have approximately $525,077 and $474,178, at December 31, 2021 and 2020, respectively.

The following table summarizes the aging of the loans' receivable portfolio:

Age Analysis of Loan to members Receivables by Category as of December 31, 2021

December 31, 2021	Current or 0-59	60-89	Over 89	Total	Over 89 Non Accruing
Unsecured	$ 115,112,920	$ 105,000	$ 13,010	$ 115,230,930	$ 67,502
Mortgage	22,899,538	36,156	141,846	23,077,540	141,846
Auto	244,462,352	64,165	29,194	244,555,711	53,687
Share secured loans	9,807,585	-	-	9,807,585	-
Credit cards	10,473,393	26,501	5,782	10,505,676	27,629
Lines of credit	326,996	-	-	326,996	-
Total consumer loans	403,082,784	231,822	189,832	403,504,438	290,664
Commercial	23,445,235	13,945	1,559,076	25,018,256	1,559,076
Total loans to members	$ 426,528,019	$ 245,767	$ 1,748,908	$ 428,522,694	$ 1,849,740

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6. LOANS (CONTINUED)

Age Analysis of Loan to members Receivables by Category as of December 31, 2020

December 31, 2020	Current or 0-59	60-89	Over 89	Total	Over 89 Non Accruing
Unsecured	$ 79,409,574	$ 11,117	$ -	$ 79,420,691	$ -
Mortgage	25,308,387	37,992	568,755	25,915,134	568,755
Auto	169,120,442	56,626	62,550	169,239,618	62,550
Share secured loans	9,065,668	-	-	9,065,668	-
Credit cards	10,609,729	8,850	-	10,618,579	-
Lines of credit	359,147	-	-	359,147	-
Total consumer loans	293,872,947	114,585	631,305	294,618,837	631,305
Commercial	23,472,909	-	1,976,758	25,449,667	1,976,758
Total loans to members	$ 317,345,856	$ 114,585	$ 2,608,063	$ 320,068,504	$ 2,608,063

Credit Quality Information

Consumer Loans - The use of risk classifications in consumer loans allows management to estimate their exposure to different types of risk. The Credit Union has established policies to evaluate application for loans using FICO credit scores, among other information, provided by major credit reporting agencies. A FICO score is a credit score developed by a third party that take information and analyze it to predict consumer behavior, such as how likely someone is to pay their bills on time or not, or whether they are able to handle a larger credit line. Generally, the FICO score range is 300 to 850, with the higher number representing less risk to the lender.

Credit Quality Levels, Credit Score and Loans' Risk Exposure

The different levels of risk of loss established internally by the Credit Union according to the FICO credit scores are as follows:

Upper Level - 700 or more, member has little or no additional risk.

Middle Level - 660 to 699, member represents a nominal risk of loss.

Lower Level - 659 or less, member is experiencing some degree of financial difficulty, and represents a potential risk of loss.

6. LOANS (CONTINUED)

These levels are reviewed periodically, as well as other statistics and external factors, to monitor the performance of the portfolio.

The following table represents the recorded investment in consumer loans based on different levels of risk of loss for the years ended December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
Credit Quality Levels	Loans Balance	%	Loans Balance	%
Upper Level	$ 338,406,960	85%	$ 251,042,649	86%
Middle Level	39,969,955	10%	22,692,132	8%
Lower Level	20,923,333	5%	17,937,868	6%
	399,300,248	100%	291,672,649	100%
Credit score not available	4,204,190		2,946,188	
Total consumer loans	$ 403,504,438		$ 294,618,837	

Commercial Loans - The Credit Union categorizes member business loans into risk categories based on relevant information about the ability of the borrower to service their debts such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Credit Union analyzes member business loans individually by classifying the loans as to credit risk. This analysis is limited to member business loans. The Credit Union uses the following definitions for classified risk rating:

Pass - The debtor has adequate capital and the ability to repay the debt in the normal course of operations.

Special Mention - The loan has the potential weakness, such as negative financial trends, a limited financial history, a serious documentation flaws, or inadequate control on the part of the financial institution. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset. However, a loan rated "special mention" is considered fully collectible.

Substandard - A loan is "substandard" if there is the potential for loss. Such loans have well-defined weakness and are not fully protected either by the paying capacity of the borrower or the value of the secondary source of repayment. These loans are characterized by the distinct possibility that your financial institution could sustain some loss if the deficiencies are not corrected.

6. LOANS (CONTINUED)

Doubtful and loss - The lowest risk ratings of "doubtful" and "loss" indicate increased loss potential. Such loans should have been already recognized and, more than likely, charged off.

At December 31, 2021 and 2020 and based on the most recent analysis performed, the risk category of loans is as follows:

	December 31, 2021				
	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	$ 23,300,799	$ -	$ 158,381	$ 1,559,076	$ 25,018,256
Total commercial	$ 23,300,799	$ -	$ 158,381	$ 1,559,076	$ 25,018,256

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	$ 23,309,484	$ -	$ 163,425	$ 1,976,758	$ 25,449,667
Total commercial	$ 23,309,484	$ -	$ 163,425	$ 1,976,758	$ 25,449,667

Impaired Loans

The following table includes the recorded investment and unpaid principal for impaired loans receivables with associated allowance amount. The Credit Union determined the specific allowance based on the net charge-off experience for the last two years, the specific losses estimated on an individual basis, the present net value of future cash flows, discontinued at the loan's effective rate for troubled restructuring (TDR) and in cases of collateral depended loans, the fair value of the collateral fewer selling costs.

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6. LOANS (CONTINUED)

	Impaired Loans by Category for the year ended December 31, 2021		**Impaired Loans by Category for the year ended December 31, 2020**	
	Unpaid Principal of Impaired Loans (cases)	Specific Associated Allowance for the Impaired Loan (Cases)	Unpaid Principal of Impaired Loans (cases)	Specific Associated Allowance for the Impaired Loan (Cases)
Consumer:				
Unsecured	$ 237,879	$ 101,659	$ 102,390	$ 81,096
Mortgage	715,669	64,895	1,161,071	354,138
Auto	76,348	62,483	153,001	77,994
Credit cards	36,919	30,445	14,906	14,906
Total consumer	1,066,815	259,482	1,431,368	528,134
Commercial	2,139,765	171,214	2,577,875	1,006,437
Total	$ 3,206,580	$ 430,696	$ 4,009,243	$ 1,534,571

Loans secured by collateral consist of $314,064,934 and of $232,937,453 for 2021 and 2020, respectively. The remaining balance represents loans partially secured and unsecured. The collections from most of the members' loans are by direct deposit through payroll deduction.

Troubled Debt Restructuring (TDR)

In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for the other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. In cases where the Credit Union grants to the member new terms that provide for a reduction of either interest or principal (on non-collateral dependent loans) measures any impairment based on the present value of expected future cash flows at the loan effective interest rate.

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6. LOANS (CONTINUED)

The following table presents the restructured loans by category:

	For the year ended December 31, 2021					
	Restructured Loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Mortgage	6	$ 537,667	$ 49,689	-	-	-
Total consumer loans	6	537,667	49,689	-	-	-
Commercial	2	408,353	48,153	-	-	-
Total	8	$ 946,020	$ 97,842	-	$ -	$ -

	For the year ended December 31, 2020					
	Restructured Loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Personal	4	$ 7,287	$ 729	-	-	-
Mortgage	6	554,325	57,007	-	-	-
Auto	1	2,364	236	-	-	-
Total consumer loans	11	563,976	57,972	-	-	-
Commercial	2	437,693	55,839	-	-	-
Total	13	$ 1,001,669	$ 113,811	-	$ -	$ -

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6. LOANS (CONTINUED)

Loans to Related Parties

Certain officers, directors, and employees of the Credit Union had loans and share accounts with the Credit Union during 2021 and 2020. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. Total loans outstanding and shares to these related parties at December 31, 2021 and 2020, are as follow:

	2021	2020
Beginning balance of loans	$ 2,402,287	$ 2,057,736
Originations	1,233,637	833,178
Recoveries	(1,070,906)	(488,627)
Ending balance of loans	$ 2,565,018	$ 2,402,287
Shares	$ 4,227,544	$ 5,561,788

7. ACCRUED INTEREST RECEIVABLE

At December 31, 2021 and 2020, the following are the components of accrued interest receivable:

	2021	2020
Accrued interests on loans	$ 1,092,640	$ 891,703
Accrued interests on investments	72,548	175,505
Total accrued interest receivable	$ 1,165,188	$ 1,067,208

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8. PROPERTY AND EQUIPMENT

As of December 31, 2021, and 2020, the property and equipment were composed of the following:

	Useful Life (in Years)	2021	2020
Buildings	40	$ 12,808,873	$ 12,975,371
Furniture and fixtures	1-5	1,418,955	1,370,131
Office equipment, principally Information systems	1-5	4,160,416	3,730,087
		18,388,244	18,075,589
Less accumulated depreciation and amortization		(9,049,865)	(8,310,101)
		9,338,379	9,765,488
Land		2,581,545	2,581,545
Total property and equipment		$ 11,919,924	$ 12,347,032

Depreciation and amortization expense charged to operations was approximately $880,963 and $801,416 for the years ended December 31, 2021 and 2020, respectively.

9. FORECLOSURE AND REPOSSESSED ASSETS

As of December 31, 2021, and 2020, the foreclosure and repossessed assets are as follow:

	2021	2020
Balance, beginning of year	$ 536,695	$ 400,456
Repossessed assets during the year	362,750	327,508
Sale of repossessed assets	(585,422)	(215,320)
Change of the allowance of repossessed assets	-	24,051
Balance, ending of year	$ 314,023	$ 536,695

10. OTHER ASSETS

As of December 31, 2021, and 2020, the other assets were composed of the following:

	2021	2020
Deposits in Banco Cooperativo	$ 137,066	$ 129,383
Investment in FHLB NY	62,700	62,700
Deposits for annual meeting	-	27,500
Others	108,010	249,438
Total other assets	$ 307,776	$ 469,021

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11. MEMBERS' SHARES ACCOUNTS

As of December 31, 2021, and 2020, members' shares accounts are summarized as follows:

	Weighted-Average Dividend Rate at December 31,	2021	2020
Shares drafts	0.05%	$ 27,058,645	$ 25,049,529
Regular shares (excluding escrow shares)	0.55%	428,931,282	345,331,465
Share certificates:	1.15%		
0.00% - 2.00%		48,378,268	61,738,182
2.01% - 3.00%		8,460,538	10,349,808
		56,838,806	72,087,990
Total members shares accounts		$ 512,828,733	$ 442,468,984

As of December 31, 2021, and 2020, the NCUA insured, and Credit Union shares members' accounts up to $250,000.

The composition of insured and uninsured members' shares and deposits balances follows:

Type	2021	2020
Uninsured member shares and deposits	$ 33,438,552	$ 28,416,025
Insured member shares and deposits	479,933,457	414,639,808
Insured escrow	(543,276)	(586,849)
Total share and share certificates accounts	$ 512,828,733	$ 442,468,984

11. MEMBERS' SHARES ACCOUNTS (CONTINUED)

At December 31, 2021, scheduled maturities of share certificates are as follows:

Year ending December 31,	Amount
2022	$ 31,476,166
2023	12,203,049
2024	7,710,960
2025	3,176,225
2026	2,272,406
	$ 56,838,806

Dividends expense on members' shares accounts is summarized as follows:

Type	2021	2020
Regular shares	$ 2,192,706	$ 2,521,277
Share drafts	11,724	20,705
Share certificates	729,040	1,233,744
Total dividends expense	$ 2,933,470	$ 3,775,726

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2021, and 2020 the composition of accounts payable and accrued liabilities is as follows:

	2021	2020
Dividends payable	$ 25,446	$ 40,806
Accrued payroll and related	354,691	316,929
Annual members' meeting	100,000	100,000
Accounts payable - trade	63,037	69,446
Accounts payable - ATM	72,979	80,136
Escrow accounts	543,276	620,329
Other accruals	2,046,885	2,511,690
Total accounts payable and accrued liabilities	$ 3,206,314	$ 3,739,336

13. SERVICE FEE AND NON-INTEREST INCOME

Service fee and non-interest income for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
ATM card fees and charges, net	$ 204,599	$ 122,475
Master card fees and charges, net	(23,720)	(63,248)
Other fees, charges and expenses	548,302	498,213
Sponsorships other	157,962	94,154
Other non-interest income	17,150	9,664
	904,293	661,258
Non-interest income from BCA	226,526	265,644
Total service fee and non-interest income	$ 1,130,819	$ 926,902

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14. NON-INTEREST EXPENSES

The detail of non-interest expenses for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Compensation and benefits	$ 5,756,743	$ 5,170,580
Occupancy and related:		
Depreciation and amortization	880,963	801,416
Occupancy and utilities	355,099	373,983
Communications	453,618	370,066
Insurance	393,680	354,339
Rent	35,483	36,829
Repairs and maintenance	385,546	444,583
Security	163,413	161,843
	2,667,802	2,543,059
Other operating expenses:		
Professional services and contracted services	843,062	728,175
Education and promotional	482,775	441,021
Loan servicing and collection	444,457	305,900
Annual meeting	191,290	13,365
Monthly statements	169,477	150,307
Bank service charges	84,815	78,571
Federal operating	98,592	115,073
Office supplies	75,151	66,969
Commission and fees	45,010	58,616
Travel and conferences	32,605	33,099
Employees activities	13,201	2,605
Loss (gain) on disposition of assets	(191,642)	3,675
Dues and subscriptions	32,713	28,521
Other miscellaneous	234,216	252,804
Total other operating expenses	2,555,722	2,278,701
Total non-interest expenses	$ 10,980,267	$ 9,992,340

15. DEFERRED COMPENSATION PLAN

The employees of the Credit Union participate in a group deferred compensation plan through contributions to a life annuity accumulation contract administered by an insurance company. The plan was effective on October 1, 1993. The Credit Union matches the participant's contribution up to a 5% of the employee compensation. All participants contribute at least 3% of their total gross compensation. The participants' annual deposit should not exceed $15,000 from the gross compensation or $16,500 for participants over 50 years old.

15. DEFERRED COMPENSATION PLAN (CONTINUED)

Employees are eligible to enter the plan if they have attained eighteen (18) years old and completed twelve months of service. The normal retirement date is the first day of the month after the participants 62nd birthday and after completing twenty (20) years of service.

The plan also provides for early retirement. A participant may elect to retire at any time after attaining fifty-five (55) years old and completing seven (7) years of service. Vesting is accumulated after the second year on the plan for a period of five years at 20% per year. At termination of employment, the vested portion of a participant's account will be paid following the next annual benefit payment date.

During the years ended December 31, 2021 and 2020, the Credit Union contributed $161,009 and $138,996, respectively, to the pension plan.

16. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES

Litigation

The Credit Union maintains several claims against third parties, mainly demands payment of money and repossessions of assets, as part of its ordinary operations as a financial institution. Based upon counsel and management's opinion the outcome of such matters is not expected to have a material adverse effect on the Credit Union's financial condition.

Loan Commitments

At December 31, 2021 and 2020, the Credit Union had outstanding the following commitments to extended credit with its members:

Lines of Credit	2021	2020
Commercial	$ 964,403	$ 1,019,976
Consumer	1,214,304	1,274,153
Credit Cards	29,241,012	25,508,574
	$ 31,419,719	$ 27,802,703

In addition, the Credit Union had pending to deliver certain payments to auto dealers subject to the presentation of required documents. As of December 31, 2021, and 2020, payments amounted to $7,527,319 and $4,863,531, respectively, and are recorded as accounts payable to dealers in the accompanying financial statements.

16. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Credit Union is a party to financial statements with off- balance sheet risk in the normal course of business to meet the financing needs of its members. These financial statements include commitments to extend credit and involve, to varying degrees, elements of credit and interest risk in excess of the amount recognized in the statement of financial position. The contractual notional amounts of those instruments reflect the extent of the Credit Union has classes of financial instruments.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial statements for commitments to extend credit is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Unless noted otherwise, the Credit Union does not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a member if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterpart.

Line of Credit

The Credit Union has a line of credit facility with two financial institutions. As of December 31, 2021, and 2020 there are not outstanding balances in the subject lines of credit. With certain exceptions, substantially all assets of the Credit Union serve as collateral for the line of credit facility. The unused amount was $39,238,437 and $39,900,662 as of December 31, 2021 and 2020, respectively. Interest is charged when applicable based on the advance term, usually below prime rate.

Lease Commitments

Business Alliance Insurance Agency (BAIA) leases an office facility under a month to month basis to an unrelated party. On October 1, 2020, BAIA renewed this lease agreement for 25 additional months. BAIA shall have the option to extend the term of this lease. The lease requires BAIA to pay 20% of the monthly electricity bill. For the years ended December 31, 2021 and 2020, the rental expense for this lease was approximately $21,284 and $20,700, respectively.

16. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

The future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms more than one year as of December 31, 2021 are $17,250.

Fiscal Crisis

The Commonwealth remains amid a profound fiscal crisis affecting the central government and many of its instrumentalities, public corporations and municipalities. This fiscal crisis has been primarily the result of economic contraction, persistent and significant budget deficits, a high debt burden, unfunded legacy obligations, and lack of access to the capital markets, among other factors. As a result of the crisis, the Commonwealth and certain of its instrumentalities have been unable to make debt service payments on their outstanding bonds and notes since 2016. The escalating fiscal and economic crisis and imminent widespread defaults prompted the U.S. Congress to enact the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") in June 2016. The Commonwealth and several of its instrumentalities are currently in the process of restructuring their debts through the debt restructuring mechanisms provided by PROMESA.

Risks and Uncertainties related to COVID-19

The COVID-19 pandemic has caused significant disruption in economic activity in the Credit Union's markets. In response to the COVID-19 pandemic, Puerto Rico's Governor has issued several executive orders including, among other things, a stay-at-home mandate on March 15, 2020, which was subsequently extended until June 15, 2020, the lockdown of non-essential businesses, and a nightly curfew. On May 4, 2020, the Puerto Rico government began to implement a plan for the gradual reopening of the economy. While substantially all parts of the economy of Puerto Rico have reopened, under new guidelines that affect how individuals interact and how businesses and governments operate, the operations and financial results of the Credit Union have been and could continue to be adversely affected by the COVID-19 pandemic.

The Credit Union's business, financial condition and results of operations generally rely upon the ability of the Credit Union's borrowers to repay their loans, the value of collateral underlying the Credit Union's secured loans, and demand for loans and other products and services that the Credit Union offers, which are highly dependent on the business environment in the primary markets in which the Credit Union operates. Governments globally intervened with fiscal policies to mitigate the impact of the COVID-19 pandemic, including through the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act of 2020") in the U.S., which were intended to provide economic relief to businesses and individuals. Some of the provisions of the CARES Act of 2020 improved the

16. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

ability of impacted borrowers to repay their loans, including by providing direct cash payments to eligible taxpayers, including Puerto Rico residents, below specified income limits, expanded unemployment insurance benefits and eligibility, and relief designed to prevent layoffs and business closures at small businesses. The absence of further relief considering the continuing pandemic may adversely affect the ability of borrowers to continue to repay their loans.

Exposure of the Credit Union

The credit quality of Credit Union's loan portfolio reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico consumers and businesses. The effects of the prolonged recession have been reflected in limited loan demand, an increase in the rate of foreclosures and delinquencies on loans granted in Puerto Rico. While PROMESA provides a process to address the Commonwealth's fiscal crisis, the length and complexity of the Title III proceedings for the Commonwealth and various of its instrumentalities and the adjustment measures required by the fiscal plans present significant economic risks. In addition, the measures taken to address the fiscal crisis and those that will have to be taken in the near future will likely affect many of our individual customers and customers' businesses, which could cause credit losses that adversely affect us and may negatively affect consumer confidence. This, in turn, could result in reductions in consumer spending that may also adversely impact our interest and non-interest revenues. If global or local economic conditions worsen or the Government of Puerto Rico and the Oversight Board are unable to adequately manage the Commonwealth's fiscal and economic challenges, including by consummating an orderly restructuring of its debt obligations while continuing to provide essential services, these adverse effects could continue or worsen in ways that we are not able to predict.

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 Fair Value Measurements provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair Value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three levels fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 assets and liabilities are financial instruments whose value is calculated using pricing models and or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The estimated fair values of the Credit Union's financial statements, none of which are held for trading purposes, are as follows at December 31, 2021 and 2020:

	December 31, 2021		**December 31, 2020**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 32,541,533	$ 32,541,533	$ 15,827,600	$ 15,827,600
Certificates of deposits	35,624,551	35,624,551	64,432,470	64,432,470
Investment securities	76,737,736	76,739,164	94,835,425	94,862,118
Loans receivable (net of unamortized deferred origination fees)	422,942,972	374,295,599	315,744,879	303,919,208
Accrued interest receivable	1,165,188	1,165,188	1,067,208	1,067,208
Assets acquired in liquidation of loans	314,023	314,023	536,695	536,695
	$ 569,326,003	$ 520,680,058	$ 492,444,277	$ 480,645,299
Financial Liabilities				
Members' shares accounts	$ 512,828,733	512,828,733	$ 442,468,984	442,468,984
Off- Balance Sheet Financial:				
Commitments to extend credit	$ 29,241,012	$ 29,241,012	$ 27,802,703	$ 27,802,703

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts in the preceding table that is included in the statement of financial condition under the applicable captions.

The Credit Union has no financial instruments that are held or issued for trading purposes.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and cash equivalents- The carrying amount approximates fair value due to the short-term nature of these instruments.

- Certificates of Deposit- For long-term certificates of deposit, fair value has been determined discounting the principal and interest to be received at rates currently offered by other financial institutions for certificates with similar terms and characteristics.

- Investment securities - Fair values have been determined using quoted market prices for all investment securities.

- Accrued Interest Receivable - The fair value of the accrued interest receivable approximates the carrying amount in the financial statements.

- Members' shares accounts:

  (a) Regular shares and share drafts accounts - The fair value of members' regular shares and share drafts having no fixed maturity is the amount payable on demand at the reporting date.

  (b) Share certificates - The fair value of fixed maturity members' share certificates is estimated using the rates currently offered for deposits with similar remaining maturities.

- Commitments to extend credit - The estimated fair value of the commitments to extend credit represents the Credit Union are potentially unfunded under such lines of credit.

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments Measured on a Recurring Basis

The fair values of assets and liabilities measured on a recurring basis at December 31, 2021 and 2020 are as follows:

		Fair Value Measurement At Reporting Date Using:		
Asset Class	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
December 31, 2021				
Available-for-sale securities	$ 69,738,143	$ -	$ 69,738,143	-
Held-to-maturity securities	$ 7,001,021	$ -	$ 7,001,021	-
Assets acquired in liquidation of loans	$ 314,023	-	-	$ 314,023
December 31, 2020				
Available for sale securities	$ 55,117,620	$ -	$ 55,117,620	-
Held-to-maturity securities	$ 39,744,498	$ -	$ 39,744,498	-
Assets acquired in liquidation of loans	$ 536,695	-	-	$ 536,695

18. REGULATORY CAPITAL

As of December 31, 2021, and 2020, the Credit Union's net worth to total assets ratio is categorized as "well capitalized" as per the most recent call report. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 7% as defined under the regulatory framework provisions of Section 38 of the FDI Act. Credit Unions whose net worth ratio falls below 7% will be subject to Prompt Corrective Actions requirements.

The Credit Union net worth ratio at December 31, 2021 and 2020 follows:

	CFCU Actual		
Period	Net Worth Amount	Net Worth to Total Assets Ratio (1)	CFCU Category (2)
2021	$ 63,893,583	10.89%	Well Capitalized
2020	$ 58,462,033	11.47%	Well Capitalized

18. REGULATORY CAPITAL (CONTINUED)

(1) In performing its calculation of total assets, the credit union used the monthly average over the quarter option, as permitted by regulation.
(2) There are no conditions or events since the most recent Call Report that management believes have changed the Credit Union's category.

Under capital adequacy regulations and the regulatory framework for Prompt Corrective Action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Risk Based Net Worth (RBNW) Ratio

The RBNW requirement only applies to complex Credit Unions (CU) as defined by the National Credit Administration (NCUA). A complex CU is one with more than $50 million in assets and with a risk based net worth requirement of more than 6%. The RBNW is based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. The Credit Union RBNW ratio for 2021 and 2020 was 4.83% and 4.72%, respectively, based on most recent CALL Report.

19. SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events through March 24, 2022, the date the consolidated financial statements were available to be issued. The Credit Union is not aware of any additional subsequent events that require recognition or disclosure in the audited consolidated financial statements.

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Caribe Federal Credit Union

CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

At December 31, 2021

Assets	**CFCU**	**BCA**	**Eliminations**	**2021**
Cash and cash equivalents	$ 32,160,574	$ 380,959	$ -	$ 32,541,533
Certificates of deposits	35,604,000	20,551	-	35,624,551
Investment securities	76,737,736	-	-	76,737,736
Loans to members, net	422,942,972	-	-	422,942,972
Accrued interest receivable	1,165,188	-	-	1,165,188
Accounts receivable, net	180,625	41,332	-	221,957
Prepaid expenses	246,367	24,563	-	270,930
Property and equipment, net	11,913,326	6,598	-	11,919,924
NCUSIF deposit	4,619,883	-	-	4,619,883
Art collections	92,619	-	-	92,619
Foreclosed and repossessed assets	314,023	-	-	314,023
Investment in unconsolidated subsidiary, net	410,028	-	(410,028)	-
Other assets	307,776	-	-	307,776
Total assets	$ 586,695,117	$ 474,003	$ (410,028)	$ 586,759,092
Liabilities and Members' Equity				
Members' shares accounts	$ 512,828,733	$ -	$ -	$ 512,828,733
Accounts payable and accrued liabilities	3,142,339	63,975	-	3,206,314
Accounts payable to auto dealers	7,527,319	-	-	7,527,319
Total liabilities	523,498,391	63,975	-	523,562,366
Members' Equity				
Capital stock - authorized 10,000 shares with a par value of $100, issued and outstanding 5,000 shares	-	500,000	(500,000)	-
Additional paid-in capital	-	1,000,000	(1,000,000)	-
Appropriated regular reserve	3,811,746	-	-	3,811,746
Unappropriated earnings	60,081,837	-	-	60,081,837
Accumulated deficit	-	(1,089,972)	1,089,972	-
Accumulated other comprehensive loss	(696,857)	-	-	(696,857)
Total members' equity	63,196,726	410,028	(410,028)	63,196,726
Total liabilities and members' equity	$ 586,695,117	$ 474,003	$ (410,028)	$ 586,759,092

Caribe Federal Credit Union
CONSOLIDATING STATEMENT OF INCOME AND EXPENSES
For the year ended December 31, 2021

	CFCU	BCA	Eliminations	2021
Interest income:				
Interest and fees on loans	$ 19,523,634	$ -	$ -	$ 19,523,634
Interest on investments	708,088	-	-	708,088
Total interest income	20,231,722	-	-	20,231,722
Interest expense:				
Interest and dividends on members' shares and savings accounts	2,933,470	-	-	2,933,470
Net interest income	17,298,252	-	-	17,298,252
Provision for loan losses	(2,017,254)	-	-	(2,017,254)
Net interest income after provision for loan los	15,280,998	-	-	15,280,998
Service fee and non-interest income	904,293	226,526	-	1,130,819
Non-interest expenses:				
Compensation and benefits	5,756,743	-	-	5,756,743
Occupancy and related	2,636,196	31,606	-	2,667,802
Other	2,379,535	176,187	-	2,555,722
Total non-interest expenses	10,772,474	207,793	-	10,980,267
Income before participation in losses of unconsolidated subsidiary and regulatory cha	5,412,817	18,733	-	5,431,550
Participation in profit of unconsolidated subsidiary	19,606	-	(19,606)	-
Net income	$ 5,432,423	$ 18,733	$ (19,606)	$ 5,431,550

Caribe Federal Credit Union
CONSOLIDATING SCHEDULE OF NON-INTEREST EXPENSES
For the years ended December 31, 2021

	CFCU	BCA	Eliminations	2021
Compensation and benefits	$ 5,756,743	$ -	$ -	$ 5,756,743
Occupancy and related:				
Depreciation and amortization	879,125	1,838	-	880,963
Occupancy and utilities	350,805	4,294	-	355,099
Communications	453,618	-	-	453,618
Insurance	389,743	3,937	-	393,680
Rent	13,997	21,486	-	35,483
Repairs and maintenance	385,495	51	-	385,546
Security	163,413	-	-	163,413
	2,636,196	31,606	-	2,667,802
Other operating expenses:				
Professional services and contracted services	730,430	112,632	-	843,062
Education and promotional	480,135	2,640.00	-	482,775
Loan servicing and collection	444,457	-	-	444,457
Annual meeting	191,290	-	-	191,290
Monthly statements	169,477	-	-	169,477
Bank service charges	80,988	3,827	-	84,815
Federal operating	98,592	-	-	98,592
Office supplies	73,097	2,054	-	75,151
Commission and fees	-	45,010	-	45,010
Travel and conferences	32,605	-	-	32,605
Employees activities	13,201	-	-	13,201
(Gain) on disposition of assets	(191,642)	-	-	(191,642)
Dues and subscriptions	32,713	-	-	32,713
Other miscellaneous	224,192	10,024	-	234,216
Total other operating expenses	2,379,535	176,187	-	2,555,722
Total non-interest expenses	$ 10,772,474	$ 207,793	$ -	$ 10,980,267