Caribe Federal Credit Union

CONSOLIDATED AUDITED FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND SUPPLEMENTARY INFORMATION

For the years ended
December 31, 2023 and 2022

Caribe Federal Credit Union
For the years ended
December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS:

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, 2023 and 2022, 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, 2023 and 2022, 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.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 2 to the financial statements, the Credit Union changed the manner in which it accounts for its allowance for credit losses for the year 2023. The cumulative effect of the change in accounting principle resulted in an adjustment to the opening balance of unappropriated earnings in the amount of $14,621,926.

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 GAAS will always detect a material misstatement when it exists.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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.

EMPHASIS OF A MATTER

Allowance for Credit Losses on Loans Held in Portfolio (receivable): Quantitative Models and Qualitative Adjustments

As described in Note 2 of the financial statements, the Credit Union follows the Current Expected Credit Losses (CECL) model to establish and assess the Allowance for Credit Losses (ACL) to cover expected losses in the loan portfolio. As of December 31, 2023, the allowance for credit losses represented $21,574,348 out of a total loan portfolio of $530,338,989.

This CECL model establishes a prospective methodology reflecting expected credit losses over the life of financial assets. The quantitative model framework includes competitive risk scenarios to generate defaults and prepayments over the life of the assets, along with other loan-level modeling techniques to estimate loss severity. As part of this methodology, management evaluates various macroeconomic scenarios and may apply probability weighting to the outcome of selected loss scenarios. The ACL also includes a qualitative framework addressing expected but unobservable losses within the quantitative model framework. To identify potential losses not captured through the models, management assessed model limitations as well as the different risks covered by the variables used in each quantitative model.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

EMPHASIS OF A MATTER (CONTINUED)

The main considerations for determining performance procedures related to the allowance for credit losses in quantitative models and qualitative adjustments were: (i) significant management judgment in determining the allowance for credit losses, including qualitative adjustments to financial instrument portfolios, which involved a high degree of effort, judgment, and subjectivity on the part of the auditor, in executing procedures and evaluating audit evidence related to the allowance for credit losses; and (ii) audit effort included the use of professionals with specialized skills and knowledge.

These procedures also included, among others, testing the process for estimating the allowance for credit losses by: (i) assessing the methodology used, including models for estimating the ACL; (ii) assessing the reasonableness in the selection of macroeconomic scenarios selected by management, including probability weighting applied to the outcome of expected losses; (iii) evaluating the reasonableness of qualitative adjustments to the allowance for credit losses of loan portfolios; and (iv) testing the data used in the allowance for credit losses.

SUPPLEMENTARY 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 43-48 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.

Guaynabo, Puerto Rico
March 27, 2024

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Assets		2023		2022
Cash, cash equivalents and restricted cash	$	31,067,237	$	29,770,086
Certificates of deposits (maturity greater than three months)		17,118,134		14,200,685
Investments in securities:				
Available for sale		31,875,711		52,174,175
Held to maturity		58,713,615		-
Total investments in securities		90,589,326		52,174,175
Loans receivable in portfolio:		529,792,579		546,543,106
Allowance for credit losses		(21,574,348)		(7,924,875)
Loans receivable in portfolio, net		508,218,231		538,618,231
Accrued interest receivable		2,039,106		1,809,831
Accounts receivable, net		837,226		66,357
Prepaid expenses		389,664		348,142
Property and equipment, net		11,343,122		11,492,280
NCUSIF deposit		5,405,540		5,057,111
Art collections		107,619		107,619
Foreclosed and repossessed assets		349,794		273,371
Other assets		757,601		807,688
Total assets	$	668,222,600	$	654,725,576

Liabilities and Members' Equity				
Members' shares accounts	$	586,719,336	$	556,664,893
Borrowed funds		12,530,822		25,059,983
Accounts payable and accrued liabilities		5,226,151		4,472,966
Accounts payable to auto dealers		2,636,086		3,268,284
Total liabilities		607,112,395		589,466,126

Members' Equity				
Unappropriated earnings		61,934,494		67,985,275
Accumulated other comprehensive (loss)		(824,289)		(2,725,825)
Total members' equity		61,110,205		65,259,450
Total liabilities and members' equity	$	668,222,600	$	654,725,576

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

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES

For the years ended December 31, 2023 and 2022

	2023	2022
Interest income:		
Interest and fees on loans	$ 37,889,624	$ 30,279,326
Interest on investments	2,602,374	381,035
Total interest income	40,491,998	30,660,361
Interest expense:		
Interest and dividends on members' shares and savings accounts	9,836,052	6,186,444
Income before provision for credit losses	30,655,946	24,473,917
Provision for credit losses	(12,309,800)	(8,264,960)
Net interest income after provision for credit losses	18,346,146	16,208,957
Other income (excluding interest)	4,862,253	1,316,320
Other expenses (excluding interest)		
Compensation and benefits	7,717,252	7,169,275
Occupancy and related	2,761,857	2,740,542
Other	4,158,145	3,523,768
Total other expenses (excluding interest)	14,637,254	13,433,585
Net income	$ 8,571,145	$ 4,091,692

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

	2023	2022
Net income	$ 8,571,145	$ 4,091,692
Other comprehensive income (expenses):		
Changes in net unrealized gain (loss) on investment securities available for sale during the year	1,901,536	(2,028,968)
Total comprehensive net income	$ 10,472,681	$ 2,062,724

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

	Unappropriated Earnings	Accumulated Other Comprehensive gain (loss)	Total
Balance, December 31, 2021	$ 63,893,583	$ (696,857)	$ 63,196,726
Net income	4,091,692	-	4,091,692
Other comprehensive loss	-	(2,028,968)	(2,028,968)
Balance, December 31, 2022	67,985,275	(2,725,825)	65,259,450
Cummulative effect of change in accounting principle (See note 2)	(14,621,926)	-	(14,621,926)
Net income	8,571,145	-	8,571,145
Other comprehensive income	-	1,901,536	1,901,536
Balance, December 31, 2023	$ 61,934,494	$ (824,289)	$ 61,110,205

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 8,571,145	$ 4,091,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	937,466	885,289
Bad debt expense	1,273	-
(Accretion)/Amortization of deferred loan origination fees, net	(104,218)	(365)
Loss (Gain) on sale of mortgage loans held-for-sale	11,074	(61,769)
Loss on disposition of other assets	71,683	4,748
(Gain) from sale of repossessed assets	-	(109,436)
Amortization of premium/discount on investment securities, net	828,399	47,558
Provision for possible credit losses	12,309,800	8,264,960
Proceeds from sale of mortgage loans held-for-sale	223,822	3,578,192
Recoveries of loans previously charged-off	1,678,128	545,373
Dividends credited on members' shares accounts	9,337,740	5,756,880
(Increase)/decrease in assets:		
Accrued interest receivable	(229,275)	(644,643)
Accounts receivable, net	(769,596)	155,600
Prepaid expenses	(41,522)	(78,643)
Other assets	50,087	(498,481)
(Decrease)/increase in liabilities:		
Accounts payable and accrued liabilities	753,185	26,326,635
Accounts payable to auto dealers	(632,198)	(4,259,035)
Total adjustments	24,425,848	39,912,863
Net cash provided by operating activities	32,996,993	44,004,555
Cash flows from investing activities:		
Net decrease in certificates of deposit	(2,917,449)	21,423,866
Acquisition of investment securities	(39,243,550)	(32,712,965)
Proceeds from maturities of investment securities	-	55,200,000
Net increases in loans to members	1,540,160	(128,001,650)
Acquisitions of property and equipment	1,158,307	(462,393)
Acquisition of art collections	-	(15,000)
Proceeds from sale of repossessed assets	(76,423)	150,088
Deposit in NCUSIF	(348,429)	(437,228)
Net cash used in investing activities	(39,887,384)	(84,855,282)
Cash flows from financing activities:		
Net increase in shares accounts	20,716,703	38,079,280
Proceeds from line of credit	(12,529,161)	-
Net cash provided by financing activities	8,187,542	38,079,280
Net increase/(decrease) in cash and cash equivalents	1,297,151	(2,771,447)
Cash and cash equivalents at beginning of year	29,770,086	32,541,533
Cash and cash equivalents at end of year	$ 31,067,237	$ 29,770,086

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, 2023 and 2022 was $9,645,213 and $6,094,546, respectively.

During the year ended December 31, 2023, changes in accounting principle for cumulative first day adjustment of CECL were recognized for $14,621,926.

Also, the Credit Union charged-off approximately $14,836,004 during the year ended December 31, 2023.

Also, during the years ended December 31, 2023 and 2022, unrealized gain (loss) on securities available-for-sale were recognized for $1,901,536 and ($2,028,968), 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 (loss).

During the year ended December 31, 2023 and 2022, there were $1,096,822 and $440,741, respectively, of loans transferred (net) to automobiles and real estate owned.

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

1. ORGANIZATION

Caribe Federal Credit Union (the Credit Union or Parent Company) 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. 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.

- Business Alliance Insurance Agency (BAIA) - It is a subsidiary of BCA. Incorporated during year 2008 and began operations in 2009. BAIA 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies followed the Credit Union are in conformity with 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 BCA (which was consolidated with BAIA). All significant intercompany balances and transactions between the Credit Union and the subsidiary BCA have been eliminated in the preparation of this consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP 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

Certain figures in the accompanying 2022 financial statements were reclassified to conform to the 2023 presentation.

Tax Exemption

The Credit Union, their subsidiaries or affiliates shall be exempt from all kinds of income, property, patent, or any other tax imposed or imposed later by the Commonwealth of Puerto Rico or any political subdivision thereof. Several previous laws eliminated the exemption from excise taxes and from the sales and use tax (IVU) on the purchases of goods and services by credit unions.

All members' shares and securities issued by credit unions and by any of their subsidiaries or affiliates are exempt, including the total value and the dividends or interests paid in accordance with them, from any types of contributions from revenues, property, excise taxes, municipal taxes or other taxes imposed or then later could be imposed by the Commonwealth of Puerto Rico or any of its political subdivisions.

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.

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 (3) months or less to be cash equivalents.

Restricted Cash

The Credit Union adopted the ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial condition and in the statement of cash flows. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are segregated from other assets to mark clear boundaries of their use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Marketable Securities

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 invested in federally sponsored and guaranteed financial instruments. Marketable securities mainly consist of agency securities and obligations issued by the United States Government, obligations of United States corporations, and securities collateralized by mortgages on residential, commercial, and other assets in the United States. Investment securities are classified into two categories and accounted for as follows:

Classified as held-to-maturity

Debt securities that the Credit Union intends and has the ability to hold until maturity is classified as held-to-maturity debt securities and are recorded at amortized cost. An allowance for credit losses (ACL) is established for expected credit losses over the remaining term of the held-to-maturity debt securities.

The Credit Union has established a methodology for estimating credit losses that considers qualitative factors, including internal credit ratings and the underlying payment source to determine the amount of expected credit losses. Held-to-maturity debt securities are adjusted through the ACL when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life.

There may be certain financial assets for which the expectation of zero credit loss after evaluating historical loss information, making necessary adjustments for current conditions and reasonable and sustainable forecasts, and considering any collateral.

Factors to consider when evaluating whether expectations of zero credit loss are appropriate may include, among others:

- A financial asset that is fully collateralized by cash or cash equivalents;
- Principal and interest payments guaranteed by the government of the United States of America.

The Credit Union cannot sell or transfer held-to-maturity securities without questioning its intention to hold the debt securities until maturity unless a non-recurring or unusual event has occurred that could not have been reasonably anticipated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classified as available-for-sale

Debt securities classified as available-for-sale are recorded at fair value. Decreases in fair value below amortized cost of securities not related to estimated credit losses are recorded through comprehensive income. If the Credit Union intends to sell or believes it is more likely than not to be required to sell the debt security, it is written down to its fair value through operations.

The Credit Union's available-for-sale securities portfolio is primarily composed of United States Treasury bonds and obligations of the United States Government. These securities have an explicit or implicit guarantee from the government of the United States, have high ratings from major rating agencies, and have a long history without credit losses. Therefore, the Credit Union applies a zero-credit loss assumption, and no ACL has been established for these securities.

The Credit Union monitors the composition of its securities portfolio and credit performance to determine if any provision is considered necessary. Available-for-sale debt securities are written off when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life. The specific identification method is used to determine realized gains and losses on available-for-sale debt securities, which are included in net gain or loss on the sale of debt securities in the income statement.

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.

At December 31, 2023 and 2022, there was no outstanding balance of the mortgage loans held for sale. During the year ended December 2023 and 2022, proceeds from loans held for sale were $223,822 and $3,578,192, respectively, and a net gain of $11,074 and $61,769, respectively, were recognized during the years then ended, which are included within interest and fees on loans.

Deferred 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members

The Credit Union extends credit to its members through personal loans, auto loans, mortgages, credit cards and lines of credit. During 2023 and 2022, the Credit Union originated loans with an aggregated dollar value of approximately $148,941,730 and $286,155,585, respectively. Loans are stated at the amount of unpaid principal, reduced by an allowance for credit losses and net origination fees. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

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 $3,140,093 and $512,331, on December 31, 2023, and 2022, respectively. If interest on those had been accrued, such income would have approximately $173,387 and $23,096, at December 31, 2023 and 2022, respectively.

Accounting Standards Update (ASU) from FASB - Financial Instruments: Credit Losses (Topic 326)

The Expected Credit Losses (CECL) model is applied to financial assets measured at amortized cost that are subject to credit losses and certain exposures outside of the balance sheet. CECL establishes a prospective methodology that reflects expected credit losses over the life of financial assets, beginning when such assets are acquired or originated. Under the revised methodology, credit losses are measured based on past events, current conditions, and reasonable and supportable forecasts that affect the recoverability of financial assets. CECL also revises the approach for recognizing credit losses on securities available for sale by replacing the direct write-off approach with the allowance approach and limiting the credit reserve to the amount by which the market value of the security is below amortized cost.

As a result of the adoption, the Credit Union recorded an increase in its allowance for credit losses related to its loan portfolio. The adoption of CECL was recognized under the Weighted Average Remaining Maturity (WARM) and Vintage approach. Therefore, adjustments to record the increase in the reserve for credit losses were recorded as a decrease in the surplus for the implementation year as a first-day adjustment. The total adjustment, as a result of the cumulative effect in accounting change, on capital or undivided earnings related to the adoption of CECL was $14,621,926.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses

The Credit Union establishes the allowance for credit losses (ACL) for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, adjusted for expected prepayments, in accordance with ASC 326 "Financial Instruments - Credit Losses." An ACL is recognized for all loans, including originated and acquired loans, from inception, with a corresponding provision for credit losses charge. Losses on loans are charged by reducing the ACL, and recoveries are credited as increases.

The Credit Union follows a methodology to estimate the ACL that includes a reasonable and justifiable forecast period to estimate credit losses, considering both quantitative and qualitative factors as well as the economic outlook. As part of this methodology, management evaluates various macroeconomic scenarios provided by third parties. As of December 31, 2023, management applied probability weighting to the outcomes of selected scenarios. This assessment includes comparison procedures as well as careful analysis of the underlying assumptions used to construct the scenarios. The Credit Union considers additional macroeconomic scenarios as part of its qualitative adjustment framework.

The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined as the best forecasts of expected credit losses within the Credit Union's loan portfolios and include indicators such as unemployment rate, various measures of employment levels, housing prices, gross domestic product, and measures of disposable income, among others. The determined loss framework includes a reasonable and justifiable period, with historical macroeconomic variables at the model input level.

The Credit Union developed quantitative models at the loan level segmented by loan type. This segmentation was determined by evaluating their risk characteristics, including repayment sources, terms, collateral type, among others.

To generate expected credit losses, the output of these models is combined with information on historical losses based on weighted averages and estimated life of the developed segments.

The Credit Union has designated collateral-dependent loans when foreclosure is probable or when foreclosure is not probable but practical history is used. Practical history is used when payment is expected to be substantially provided through the sale or foreclosure of collateral. The ACL for collateral-dependent loans is measured based on the fair value of the collateral fewer selling costs. The fair value of the collateral is based on appraisals, which may be adjusted due to their age, and the type, location, and condition of the property or area or general market conditions to reflect the expected change in value between the effective date of the appraisal and the measurement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Loans

The Credit Union applied ASU 2022-02 "Debt Modifications for Troubled Debt Restructurings." The ASU eliminates accounting guidance for troubled debt restructurings (TDR) by creditors who have adopted Topic 326 of the Accounting Standards Codification (ASC) and enhances disclosures for certain loan restructurings when a borrower is experiencing financial difficulties.

ASU 2022-02, or Accounting Standards Update 2022-02, is an accounting standard issued by the Financial Accounting Standards Board (FASB) that may have specific implications for disclosure of restructured loans under TDR agreements. There were no modified loans in delinquency as of December 31, 2023.

Loan Portfolio Quality Indicators for the Commercial Loans

In addition to reviewing the commercial portfolio concentration risk, the Credit Union implemented a process of evaluation of the quality of commercial credit. 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. For commercial loans, management carried out an assessment of individual risk considering the probability of recovery and the quality of the collateral. The Credit Union used the following classifications for assessing the risk within the portfolio:

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

Special Mention - The loan has potential weaknesses, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Portfolio Quality Indicators for Consumer Loans

The Credit Union measures the various credit risks of its portfolio by loan types. The delinquency, and credit score quality information per member and customer are quality indicators that the Credit Union monitors and utilizes in assessing credit quality.

Credit Score 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 to Members' Risk Exposure

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

Level 1 - 720 or more, member has little or no additional risk.

Level 2 - 719 to 670, member represents a nominal risk of loss.

Level 3 – 669 or less, member is experiencing some degree of financial difficulty, and represents a potential risk of loss.

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

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";

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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;

- 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounts Receivable

Accounts receivables are stated at their net realizable value.

Property and Equipment

Property and equipment are recorded at their acquisition cost. Improvements that extend the useful life of the asset are capitalized. Maintenance and repairs that do not extend the useful life of such assets are expensed as incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the related asset.

Management evaluates the carrying amount of property and equipment when events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The recoverability of the asset that will be used and retained is determined by comparing the carrying amount to the future undiscounted cash flows expected to be generated by the asset.

If it is determined that an impairment in the value of any fixed asset has occurred, the difference between the future undiscounted cash flows and the carrying amount of the property and equipment is recognized against operations for the year.

For the years ended December 31, 2023, and 2022, the Cooperative did not recognize impairment losses on fixed assets.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Repossessed Properties

Properties acquired through foreclosure or other types of liquidation are recorded at fair market value less estimated disposal costs. The difference between the loan's carrying amount and the fair market value less the cost of sale is recorded as an adjustment to the ACL. After the property is foreclosed, any impairment loss arising from periodic revaluations of the properties, as well as any gains or losses from the sale of these properties, are charged against operations in the period incurred. The cost of maintenance and operation of such properties is recorded as expense as incurred.

Right of Use Assets

As required by the US GAAP, the Credit Union adopted the provisions of Accounting Standards Codification No.842, Leases.

Lease contracts, which were identified as operating leases, are recognized in the statement of financial position as “Right-Of-Use assets” (ROU) and in liabilities as “Lease liabilities”, for those with terms longer than one year. Lease liabilities and their corresponding “ROU” assets are initially recorded based on the present value of future lease payments, during the expected term of the lease. An incremental borrowing rate is used, which is the rate that is incurred to borrow on a guaranteed basis, over a similar term in an amount equal to the lease payments. The ROU asset could include the initial direct costs paid for the lease and any incentives paid to the lessor.

During the year ended December 31, 2023 and 2022, the BCA subsidiary BAIA possess an operating lease agreement (note 13).

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.

Advertising and Promotional Costs

Advertising and promotional costs are expended as incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Credit Union adopted ASC 820, which defines the concept of fair value, establishes a consistent framework for measuring fair value, and expanded disclosures on fair value measurements.

Determination of Fair Value

Pursuant to ASC 820 provisions, the Credit Union determines fair value by the price that would be received to sell the asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Credit Union seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurement, in accordance with the fair value hierarchy provided by ASC 820.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls entirely will be determined based on the lowest-level input that is significant to the entire fair value measurement.

Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- *Level 1 Input* - They correspond to prices quoted (unadjusted) in active markets for active or passive identical to which the entity can access the date of measurement. The active market for the asset or liability is the market in which transactions for the asset or liability occur frequently and there is enough volume to continuously provide information about pricing.

- *Level 2 Input* - Correspond to prices quoted for similar assets or liabilities in active markets, quoted prices for assets or liabilities that are identical or similar in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially, either in time or between those who make the market (for example, a principal-to-principal market); inputs other than quoted prices that are observable in the asset or liability (for example, interest rates, yield curves, speeds of pre-payment, severity of losses, credit risks, and failure to pay rates); and inputs that are mainly derived from or are corroborated by observable data through correlation or other means (confirmed by the market inputs).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- _Level 3 Input_ - They are unobservable inputs for the asset or liability. Unobservable inputs are used only for the measurement of fair value in the way that the observable inputs are not available, what happens in situations where there is little activity in the market, if any, for the asset or liability at the date of measurement.

Subsequent Events

The Credit Union adopted ASC 855, relating to Subsequent Events. ASC 855 establishes general standards for the accounting and disclosure of events that occurred after the date of the balance sheet but before the date of issuance of the financial statements. Specifically, it establishes the period after the date of the balance sheet during which the Credit Union's management must evaluate events or transactions that may have occurred and would need to be recorded or disclosed in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure that should be provided for these events that occurred after the date of the balance sheet.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As of December 31, 2023, and 2022, the balance of cash, cash equivalents and restricted cash consisted of the following:

	2023	2022
Cash in banks	$ 10,282,396	$ 16,044,926
Treasury Bills with original maturity of less than 90 days	18,982,103	11,437,930
Change Fund	1,170,250	1,460,302
Total cash and cash equivalents	$ 30,434,749	$ 28,943,158
Restricted cash	632,488	826,928
Total cash, cash equivalents and restricted cash	$ 31,067,237	$ 29,770,086

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 $13,838,125 and $18,640,577 exceeded the amounts covered by federal depository insurance limits for the years ended December 31, 2023, and 2022, respectively. There was no bank balance of deposits exceeding the NCUA depository insurance limits at both December 31, 2023, and 2022, and the balance of deposits in *Banco Cooperativo* amounting to $1,602,797 and $1,557,350 on December 31, 2023 and 2022, respectively, were uninsured at that date.

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3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Restricted Cash

The Credit Union adopted the ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial condition and in the statement of cash flows. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are segregated from other assets to mark clear boundaries of their use. As of December 31, 2023, and 2022, the Credit Union had deposited $632,488 and $826,928, respectively, in restricted cash for the payment of property taxes and insurance on properties that serve as collateral under mortgage loans.

4. CERTIFICATES OF DEPOSITS

As of December 31, 2023, and 2022, the Credit Union maintains certificates of deposits mostly in denominations of $250,000. The schedules maturities are as follows:

	2023	2022
Due in one year or less	$ 16,868,134	$ 13,203,685
Due after one year through three years	250,000	997,000
Total certificates of deposits	$ 17,118,134	$ 14,200,685

5. INVESTMENTS IN SECURITIES

As of December 31, 2023, and 2022, the amortized cost and the estimate fair market value of investment securities available-for-sale and held-to-maturity are as follows:

2023

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	$ 28,200,000	$ -	$ (651,021)	$ 27,548,979
Federal Farm Credit Bank (FFCB)	4,500,000	-	(173,268)	4,326,732
Total	$ 32,700,000	$ -	$ (824,289)	$ 31,875,711

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
United States Treasury Bills	$ 58,713,615	$ -	$ (28,022)	$ 58,685,593

5. INVESTMENTS IN SECURITIES (CONTINUED)

2022

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Mortgage Corporation (FHLMC)	$ 3,100,000	$ -	$ (106,203)	$ 2,993,797
Federal Home Loan Bank (FHLB)	35,700,000	-	(1,960,313)	33,739,687
Federal Farm Credit Bank (FFCB)	16,100,000	-	(659,309)	15,440,691
Total	$ 54,900,000	$ -	$ (2,725,825)	$ 52,174,175

The following table shows the unrealized losses, estimated market value, and the length of time investments have been on the Credit Union's books in an unrealized loss position as of December 31, 2023 and 2022:

	As of December 31, 2023					
	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 Bank (FHLB)	$ 27,548,979	$ (651,021)	$ -	$ -	$ 27,548,979	$ (651,021)
Federal Farm Credit Bank (FFCB)	2,446,921	(53,079)	1,879,811	(120,189)	4,326,732	(173,268)
Total	$ 29,995,900	$ (704,100)	$ 1,879,811	$ (120,189)	$ 31,875,711	$ (824,289)

	As of December 31, 2022					
	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)	$ 2,993,797	$ (106,203)	$ -	$ -	$ 2,993,797	$ (106,203)
Federal Home Loan Bank (FHLB)	7,260,695	(239,305)	26,478,993	(1,721,007)	33,739,688	(1,960,312)
Federal Farm Credit Bank (FFCB)	11,272,723	(327,277)	4,167,967	(332,033)	15,440,690	(659,310)
Total	$ 21,527,215	$ (672,785)	$ 30,646,960	$ (2,053,040)	$ 52,174,175	$ (2,725,825)

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5. INVESTMENTS IN SECURITIES (CONTINUED)

During the year ended December 31, 2023, management determined that no expected credit losses were anticipated for unrealized losses over securities. All the investments in securities principal and interest payments are guaranteed by the government of the United States of America, therefore, contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit loss provisions were required for the years ended December 31, 2023 and 2022. The available for sale debt securities portfolio reflects unrealized losses of approximately $824,289 and $2,725,825 required for the year ended December 31, 2023 and 2022, respectively, primarily driven by mortgage-backed securities, which have been impacted by a decrease in their fair value due to rising interest rates.

The amortized cost and estimated fair value of investment securities, on December 31, 2023 and 2022, by contractual maturity, are shown below. Investment expected maturities may differ from original contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2023		2022	
Due Date	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year or less	$ 89,413,615	$ 88,681,493	$ 22,200,000	$ 21,527,215
Due after one year through three years	2,000,000	1,879,811	32,700,000	30,646,960
Total	$ 91,413,615	$ 90,561,304	$ 54,900,000	$ 52,174,175

6. LOANS RECEIVABLE IN PORTFOLIO

As of December 31, 2023, and 2022, the portfolio of loans of the Credit Union by type is as follows:

	2023	2022
Loans to members:		
Commercial:		
Corporations and individuals	$ 21,222,024	$ 20,860,981
Total commercial	21,222,024	20,860,981
Consumer:		
Unsecured	156,304,540	153,813,342
Mortgage	28,398,259	23,208,097
Auto	293,879,076	324,362,315
Share secured loans	13,575,947	11,429,303
Credit cards	16,547,965	12,915,650
Lines of credit	411,178	395,610
Total consumer	509,116,965	526,124,317
Total loans	530,338,989	546,985,298
Less: Allowance credit losses	(21,574,348)	(7,924,875)
Less: Net unamortized deferred origination fees	(546,410)	(442,192)
Total loans to members, net	$ 508,218,231	$ 538,618,231

6. LOANS RECEIVABLE IN PORTFOLIO (CONTINUED)

The allowance for credit losses in the Credit Union's loans held in portfolio and unfunded commitments for the years ended December 31, 2023, and 2022, is presented below:

Allowance for credit losses-loans held in portfolio:		2023	
	Commercial	Consumer	Total
Beginning balance	$ 202,871	$ 7,722,004	$ 7,924,875
Change in accounting principle-			
Cummulative effect of first day adjustment of CECL	391,276	14,230,650	$ 14,621,926
Provision during the year	-	12,185,423	12,185,423
Recoveries of loans previously charged-off	-	1,678,128	1,678,128
Loans charge-offs	-	(14,836,004)	(14,836,004)
Ending balance	$ 594,147	$ 20,980,201	$ 21,574,348
Evaluation of Allowance:			
Allowance evaluated individually	$ -	$ -	$ -
Allowance evaluated collectively	594,147	20,980,201	21,574,348
Total	$ 594,147	$ 20,980,201	$ 21,574,348
Loan Ending Balance:			
Evaluated individually for impairment	$ -	$ -	$ -
Evaluated collectively for impairment	21,222,024	509,116,965	530,338,989
Total	$ 21,222,024	$ 509,116,965	$ 530,338,989

Allowance for credit losses-unfunded commitments:		2023	
	Commercial	Consumer	Total
Beginning balance	$ -	$ -	$ -
Provision during the year	124,377	-	124,377
Ending balance	$ 124,377	$ -	$ 124,377

The allowance for credit losses for unfunded commitments is presented as part of accounts payable and accrued liabilities in the balance sheet (see note 12). The provision for credit losses (PCL) presented as part of the statement of income and expenses for the year ended December 31, 2023, would be as follows:

		2023	
	Commercial	Consumer	Total
Provision for credit losses-loans	$ -	$ 12,185,423	$ 12,185,423
Provision for credit losses-unfunded commitments	124,377	-	124,377
Total	$ 124,377	$ 12,185,423	$ 12,309,800

6. LOANS RECEIVABLE IN PORTFOLIO (CONTINUED)

2022	Commercial	Consumer	Total
Beginning balance	$ 579,338	$ 4,557,828	$ 5,137,166
Provision during the year	(376,467)	8,641,427	8,264,960
Recoveries of loans previously charged-off	-	545,373	545,373
Loans charge-offs	-	(6,022,624)	(6,022,624)
Ending balance	$ 202,871	$ 7,722,004	$ 7,924,875
Evaluation of Allowance:			
Allowance evaluated individually	$ 1,177	$ 340,356	$ 341,533
Allowance evaluated collectively	201,694	7,381,648	7,583,342
Total	$ 202,871	$ 7,722,004	$ 7,924,875
Loan Ending Balance:			
Evaluated individually for impairment	$ 1,571,181	$ 2,079,350	$ 3,650,531
Evaluated collectively for impairment	19,289,800	524,044,967	543,334,767
Total	$ 20,860,981	$ 526,124,317	$ 546,985,298

At December 31, 2023 and 2022 and based on the most recent analysis performed, the risk category of members' commercial loans is as follows:

December 31, 2023	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	$ 19,969,231	$ -	$ 1,252,793	$ -	$ 21,222,024
Total commercial	$ 19,969,231	$ -	$ 1,252,793	$ -	$ 21,222,024

December 31, 2022	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	$ 20,707,500	$ -	$ 153,481	$ -	$ 20,860,981
Total commercial	$ 20,707,500	$ -	$ 153,481	$ -	$ 20,860,981

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6. LOANS RECEIVABLE IN PORTFOLIO (CONTINUED)

The following table summarizes the aging of the loans' receivable portfolio in past due on December 31, 2023 and 2022:

Age Analysis of Loan to members Receivables by Category as of December 31, 2023

December 31, 2023	Current or 0-59 days	60-89 days	Over 89 days	Total	Over 89 days and Non Accruing
Unsecured	$ 155,441,718	$ 668,617	$ 194,205	$ 156,304,540	$ 619,634
Mortgage	28,398,259	-	-	28,398,259	-
Auto	290,948,378	2,491,069	439,629	293,879,076	1,062,059
Share secured loans	13,401,320	117,692	56,935	13,575,947	93,204
Credit cards	16,450,587	88,955	8,423	16,547,965	112,403
Lines of credit	411,178	-	-	411,178	-
Total consumer loans	505,051,440	3,366,333	699,192	509,116,965	1,887,300
Commercial	19,969,231	-	1,252,793	21,222,024	1,252,793
Total loans to members	$ 525,020,671	$ 3,366,333	$ 1,951,985	$ 530,338,989	$ 3,140,093

Age Analysis of Loan to members Receivables by Category as of December 31, 2022

December 31, 2022	Current or 0-59 days	60-89 days	Over 89 days	Total	Over 89 days and Non Accruing
Unsecured	$ 153,573,607	$ 167,642	$ 72,093	$ 153,813,342	$ 72,093
Mortgage	23,068,230	-	139,867	23,208,097	139,867
Auto	323,329,537	885,888	146,890	324,362,315	146,890
Share secured loans	11,429,303	-	-	11,429,303	-
Credit cards	12,904,262	11,388	-	12,915,650	-
Lines of credit	395,610	-	-	395,610	-
Total consumer loans	524,700,549	1,064,918	358,850	526,124,317	358,850
Commercial	19,289,800	1,417,700	153,481	20,860,981	153,481
Total loans to members	$ 543,990,349	$ 2,482,618	$ 512,331	$ 546,985,298	$ 512,331

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6. LOANS RECEIVABLE IN PORTFOLIO (CONTINUED)

The following table represents the recorded investment in consumer loans based on different levels of risk of loss for the years ended December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Credit Quality Levels	Loans Balance	%	Loans Balance	%
Upper Level	$ 373,983,921	74%	$ 404,078,234	78%
Middle Level	70,041,398	14%	70,506,624	14%
Lower Level	64,133,231	12%	44,845,125	9%
	508,158,550	100%	519,429,983	100%
Credit score not available	958,415		6,694,334	
Total consumer loans	$ 509,116,965		$ 526,124,317	

Below is a summary of the type of concession granted to modified loans with balances as of December 31, 2023, and 2022:

	For the year ended					
	December 31, 2023			December 31, 2022		
	Reduction in interest rate and/or maturity date	Principal forgiveness	Total	Reduction in interest rate and/or maturity date	Principal forgiveness	Total
Consumer:						
Personal	$ 407,530	$ -	$ 407,530	$ 339,440	$ -	$ 339,440
Mortgage	-	-	-	-	-	-
Line of Credit	24,819	-	24,819	24,902	-	24,902
Auto	58,080	-	58,080	41,130	-	41,130
Credit Card	24,944	-	24,944	27,841	-	27,841
Total consumer loans	$ 515,373	$ -	$ 515,373	$ 433,313	$ -	$ 433,313
Commercial	-	-	-	248,767	-	248,767
Total	$ 515,373	$ -	$ 515,373	$ 682,080	$ -	$ 682,080

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6. LOANS RECEIVABLE IN PORTFOLIO (CONTINUED)

Loans to Related Parties

Certain officers, directors, and employees of the Credit Union had loans and share accounts with the Credit Union during 2023 and 2022. 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, 2023 and 2022, are as follow:

	2023	2022
Beginning balance of loans	$ 2,775,276	$ 2,565,018
Originations	809,254	1,240,451
Recoveries	(816,015)	(1,030,193)
Ending balance of loans	$ 2,768,515	$ 2,775,276
Shares	$ 4,065,714	$ 4,017,423

7. ACCRUED INTEREST RECEIVABLE

At December 31, 2023 and 2022, the following are the components of accrued interest receivable:

	2023	2022
Accrued interests on loans	$ 1,891,652	$ 1,773,818
Accrued interests on investments	147,454	36,013
Total accrued interest receivable	$ 2,039,106	$ 1,809,831

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8. PROPERTY AND EQUIPMENT

As of December 31, 2023, and 2022, the property and equipment were composed of the following:

	Useful Life (in Years)	2023	2022
Buildings	40	$ 12,827,289	$ 12,808,873
Furniture and fixtures	1-5	1,598,208	1,560,900
Office equipment, principally information systems	1-5	4,912,948	4,476,117
		19,338,445	18,845,890
Less accumulated depreciation and amortization		(10,576,868)	(9,935,155)
		8,761,577	8,910,735
Land		2,581,545	2,581,545
Total property and equipment		$ 11,343,122	$ 11,492,280

Depreciation and amortization expense charged to operations was $937,466 and $885,289 for the years ended December 31, 2023 and 2022, respectively.

9. FORECLOSED AND REPOSSESSED ASSETS

As of December 31, 2023, and 2022, the movement in foreclosure and repossessed assets are as follow:

	2023	2022
Balance, beginning of year	$ 273,371	$ 314,023
Repossessed assets during the year	1,096,822	440,741
Sale of repossessed assets	(1,020,399)	(481,393)
Balance, ending of year	$ 349,794	$ 273,371

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10. OTHER ASSETS

As of December 31, 2023, and 2022, the other assets were composed of the following:

	2023	2022
Deposits in Banco Cooperativo	$ 179,819	$ 179,819
Investment in FHLB NY	51,400	56,100
Deposits for annual meeting	48,044	27,500
Others	478,338	544,269
Total other assets	$ 757,601	$ 807,688

11. MEMBERS' SHARES ACCOUNTS

As of December 31, 2023, and 2022, members' shares accounts are summarized as follows:

	Weighted-Average Dividend Rate at December 31,	2023	2022
Shares drafts	0.05%	$ 29,612,731	$ 28,324,395
Regular shares (excluding escrow shares)	1.11%	366,304,370	416,433,682
Share certificates:	3.08%		
0.00% - 1.99%		8,053,158	32,238,250
2.00% - 2.99%		22,711,556	38,329,691
3.00% - 4.99%		160,037,521	41,338,875
		190,802,235	111,906,816
Total members shares accounts		$ 586,719,336	$ 556,664,893

As of December 31, 2023, and 2022, the NCUA insured, and Credit Union shares members' accounts up to $250,000.

The composition of insured and uninsured members' shares and deposits balances at December 31, 2023 and 2022 follows:

Type	2023	2022
Uninsured member shares and deposits	$ 47,110,617	$ 39,658,071
Insured member shares and deposits	540,241,207	517,833,750
Insured escrow	(632,488)	(826,928)
Total share and share certificates accounts	$ 586,719,336	$ 556,664,893

11. MEMBERS' SHARES ACCOUNTS (CONTINUED)

At December 31, 2023, scheduled maturities of share certificates for the next five years are as follows:

Year ending December 31,	Amount
2024	$ 112,856,041
2025	55,283,291
2026	10,910,297
2027	7,236,841
2028	4,515,765
	$ 190,802,235

Dividends expense on members' shares accounts for the years ended December 31, 2023 and 2022 is summarized as follows:

Type	2023	2022
Regular shares	$ 4,424,700	$ 4,671,357
Share drafts	12,097	12,241
Share certificates	4,900,943	1,073,282
Total dividend expense on members' shares and savings	$ 9,337,740	$ 5,756,880

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2023, and 2022 the composition of accounts payable and accrued liabilities is as follows:

	2023	2022
Dividends payable	$ 308,183	$ 117,344
Accrued payroll and related	463,309	436,051
Annual members' meeting	100,000	100,000
Accounts payable - trade	98,037	81,908
Accounts payable - ATM	513,144	319,878
Escrow accounts	632,488	826,928
Allowance for credit losses - unfunded commitments	124,377	-
Other accruals	2,986,613	2,590,857
Total accounts payable and accrued liabilities	$ 5,226,151	$ 4,472,966

13. LEASES WITH RIGHT OF USE

Business Alliance Insurance Agency (BAIA) leases an office facility on a month-to-month basis rent agreement to an unrelated party. This operating lease commenced on June 1, 2022 to May 30, 2024 (2 years term) with monthly payments of $1,800 and an incremental borrowing rate of 2.48%.

The right-of-use asset and the lease liability under this operating lease totalized $8,960 as of December 31, 2023, and $30,057 as of December 31, 2022; and was included in the accompanying consolidated statements of financial condition as part of the Other Assets caption.

14. OTHER INCOME (EXCLUDING INTEREST)

The other income, excluding interest income, for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
ATM card fees and charges, net	$ 385,386	$ 241,327
Master card fees and charges, net	48,888	11,203
Other fees, charges and expenses	453,230	423,820
Sponsorships other	243,103	247,150
CDFI Grant	3,065,116	59,884
Other income	283,327	31,777
	4,479,050	1,015,161
Other income from BCA	383,203	301,159
Total other income (excluding interest)	$ 4,862,253	$ 1,316,320

15. OTHER EXPENSES (EXCLUDING INTEREST)

The other expenses, excluding interest expenses, for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Compensation and benefits	$ 7,717,252	$ 7,169,275
Occupancy and related:		
Depreciation and amortization	937,466	885,289
Occupancy and utilities	396,729	466,864
Communications	303,077	258,822
Insurance	440,405	392,816
Rent	35,704	36,330
Repairs and maintenance	426,042	505,732
Security	222,434	194,689
	2,761,857	2,740,542
Other operating expenses:		
Professional services and contracted services	1,128,623	904,933
Education and promotional	558,620	631,686
Loan servicing and collection	430,042	510,517
Annual meeting	195,281	209,391
Monthly statements	119,931	179,014
Online Services	725,719	206,460
Bank service charges	170,356	112,213
Federal operating	101,918	91,301
Office supplies	88,209	87,290
Commission and fees	59,554	43,428
Travel and conferences	162,004	161,407
Employees activities	19,528	14,549
Loss (Gain) on disposition of assets	71,683	(104,688)
Loss on sale investments securities	-	173,520
Dues and subscriptions	44,568	34,095
Other miscellaneous	282,109	268,652
Total other operating expenses	4,158,145	3,523,768
Total non-interest expenses	$ 14,637,254	$ 13,433,585

16. 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.

16. 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, 2023 and 2022, the Credit Union contributed $199,499 and $181,697, respectively, to the pension plan.

17. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES

Exposure of the Cooperative and Puerto Rico's Fiscal Situation

The credit quality of the Credit Union's loan portfolio necessarily reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico, its consumers, and businesses. The effects of the prolonged recession are reflected in the limited demand for loans, an increase in foreclosure rates, and loan moratoriums granted in Puerto Rico. While PROMESA provides a process to address Puerto Rico's fiscal crisis, the duration and complexity of Title III proceedings for the Puerto Rican government suggest a risk of further economic contraction. This could have an impact on Puerto Rico's economic activity where the Credit Union conducts its business. The accompanying financial statements do not include adjustments related to the effect of uncertainties related to Puerto Rico's economic conditions and their effects on the Credit Union.

Interest Rate Risk

Interest rate risk is the exposure of the economies and the current or future capital of a cooperative to adverse changes in market rates. This risk is a normal part of the risks managed by financial institutions and cooperatives. Proper management of this risk results in a significant source of profitability and value for cooperatives; However, excessive interest rate risk can strain economies, capital, liquidity, and solvency of financial institutions. During the years ended December 31, 2023 and 2022, the effect of the monetary policy of the Federal Reserve of the United States of America, regarding the pace of interest rate increases, has pressured the balance sheets of financial institutions in general, specifically on the aforementioned items. As of December 31, 2023, the Credit Union was closely measuring and monitoring this risk to anticipate and effectively control any adverse effects that may arise from exposure to it.

17. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Credit Union maintains several claims against third parties, mainly demanding 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, 2023 and 2022, the Credit Union had outstanding the following commitments to extended credit with its members:

Lines of Credit	2023	2022
Commercial	$ 1,073,720	$ 1,684,534
Consumer	1,147,922	1,165,690
Credit cards	42,169,652	34,705,593
	$ 44,391,294	$ 37,555,817

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, 2023, and 2022, payments amounted to $2,636,086 and $3,268,284, respectively, and are recorded as accounts payable to dealers in the accompanying financial statements.

Off-Balance Sheet Risk

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 more than 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.

17. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 (2) financial institutions. As of December 31, 2023, the outstanding balance of $12,530,822. With certain exceptions, substantially all assets of the Credit Union serve as collateral for the line of credit facility. The outstanding balance is expected to be repaid on May 24, 2024 The unused amount was $92,520,181 as of December 31, 2023. Interest is charged when applicable based on the advance term, usually below prime rate. Interest expense for the year ended December 31, 2023 amounted to $498,312.

18. FAIR VALUE MEASUREMENTS

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, 2023 and 2022 are as follows:

		Fair Value Measurement At Reporting Date Using:		
Asset Class	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Available-for-sale securities	$ 31,875,711	$ -	$ 31,875,711	$ -
Held to maturity	$ 58,685,593	$ 55,637,270	$ 3,048,323	$ -
Total	$ 90,561,304	$ 55,637,270	$ 34,924,034	$ -
December 31, 2022				
Available-for-sale securities	$ 52,174,175	$ -	$ 52,174,175	$ -

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18. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments Measured on a Non-Recurring Basis

The level of inputs used to determine each adjustment and the carrying value of the related asset as of December 31, 2023, and 2022, are summarized below:

Asset Class	Fair Value	Fair Value Measurement At Reporting Date Using: Level 1	Level 2	Level 3
December 31, 2023				
Assets acquired in liquidation of loans	$ 349,794	$ -	$ -	$ 349,794
December 31, 2022				
Assets acquired in liquidation of loans	$ 273,371	$ -	$ -	$ 273,371

Estimated Fair Value

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, 2023 and 2022:

	December 31, 2023 Carrying Amount	December 31, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial Assets:				
Cash, cash equivalents and restricted cash	$ 31,067,237	$ 31,067,237	$ 29,770,086	$ 29,770,086
Certificates of deposits	17,118,134	17,118,134	14,200,685	14,200,685
Investments in securities	90,589,326	90,554,321	52,174,175	52,174,175
Loans receivable (net of unamortized deferred origination fees)	508,218,231	503,424,000	538,618,231	487,753,996
Accrued interest receivable	2,039,106	2,039,106	1,809,831	1,809,831
Foreclosed and repossessed assets	349,794	349,794	273,371	273,371
	$ 649,381,828	$ 644,552,592	$ 636,846,379	$ 585,982,144
Financial Liabilities				
Members' shares accounts	$ 586,719,336	586,719,336	$ 556,664,893	556,664,893
Off- Balance Sheet Financial:				
Commitments to extend credit	$ 44,391,294	$ 44,391,294	$ 37,555,817	$ 37,555,817

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

18. FAIR VALUE MEASUREMENTS (CONTINUED)

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, cash equivalents and restricted cash- 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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19. REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by its primary federal regulator, the NCUA. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under the capital adequacy guidelines 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 GAAP. 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.

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" will have to comply with the NCUA's risk-based capital ("RBC") final rule which amends NCUA's Prompt Corrective Action ("PCA") regulations, part 702, or the newly created Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed $500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish a RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other Banking agencies. Accordingly, the RBC rule adopts a 10 percent RBC ratio level for "well capitalized" credit unions, and an 8 percent RBC ratio level for "adequately capitalized" credit unions.

The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio requirement in 2022 and that requirement would increase to a minimum of 10 percent in 2024. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702. Management has selected CCULR for calculating its RBC as of December 31, 2023 and 2022.

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19. REGULATORY CAPITAL (CONTINUED)

As of December 31, 2023, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Credit Union's category. The Credit Union's net worth amounts and ratios are as follows:

	CFCU Actual		
Period	Net Worth Amount	Net Worth to Total Assets Ratio	CFCU Category
2023	$ 71,731,185	10.58%	Well Capitalized
2022	$ 67,985,275	10.39%	Well Capitalized

20. SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events through March 27, 2024, 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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Assets	CFCU	BCA	Eliminations	2023
Cash, cash equivalents and restricted cash	$ 30,565,859	$ 501,378	$ -	$ 31,067,237
Certificates of deposits (maturity greater than three months)	17,097,374	20,760	-	17,118,134
Investments in securities	90,589,326	-	-	90,589,326
Loans receivable in portfolio, net	508,218,231	-	-	508,218,231
Accrued interest receivable	2,039,106	-	-	2,039,106
Accounts receivable, net	773,184	64,042	-	837,226
Prepaid expenses	326,140	63,524	-	389,664
Property and equipment, net	11,338,882	4,240	-	11,343,122
NCUSIF deposit	5,405,540	-	-	5,405,540
Art collections	107,619	-	-	107,619
Foreclosed and repossessed assets	349,794	-	-	349,794
Investment in unconsolidated subsidiary, net	534,088	-	(534,088)	-
Other assets	746,106	11,495	-	757,601
Total assets	$ 668,091,249	$ 665,439	$ (534,088)	$ 668,222,600
Liabilities and Members' Equity				
Members' shares accounts	$ 586,719,336	$ -	$ -	$ 586,719,336
Borrowed funds	12,530,822	-	-	12,530,822
Accounts payable and accrued liabilities	5,094,800	131,351	-	5,226,151
Accounts payable to auto dealers	2,636,086	-	-	2,636,086
Total liabilities	606,981,044	131,351	-	607,112,395
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	-	-	-	-
Unappropriated earnings	61,934,494	-	-	61,934,494
Accumulated deficit	-	(965,912)	965,912	-
Accumulated other comprehensive loss	(824,289)	-	-	(824,289)
Total members' equity	61,110,205	534,088	(534,088)	61,110,205
Total liabilities and members' equity	$ 668,091,249	$ 665,439	$ (534,088)	$ 668,222,600

	CFCU	BCA	Eliminations	2023
Interest income:				
Interest and fees on loans	$ 37,889,624	$ -	$ -	$ 37,889,624
Interest on investments	2,602,374	-	-	2,602,374
Total interest income	40,491,998	-	-	40,491,998
Interest expense:				
Interest and dividends on members' shares and savings accounts	9,836,052	-	-	9,836,052
Income before provision for credit losses	30,655,946	-	-	30,655,946
Provision for credit losses	(12,309,800)	-	-	(12,309,800)
Net interest income after provision for credit losses	18,346,146	-	-	18,346,146
Other income (excluding interest)	4,474,381	387,872	-	4,862,253
Other expenses (excluding interest):				
Compensation and benefits	7,717,252	-	-	7,717,252
Occupancy and related	2,725,712	36,145	-	2,761,857
Other	3,874,510	283,635	-	4,158,145
Total other expenses (excluding interest)	14,317,474	319,780	-	14,637,254
Income before participation in losses of unconsolidated subsidiary and regulatory charges	8,503,053	68,092	-	8,571,145
Participation in profit of unconsolidated subsidiary	68,092	-	(68,092)	-
Net income	$ 8,571,145	$ 68,092	$ (68,092)	$ 8,571,145

Caribe Federal Credit Union

CONSOLIDATING SCHEDULE OF OTHER EXPENSES (EXCLUDING INTEREST)

For the year ended December 31, 2023

	CFCU	BCA	Eliminations	2023
Compensation and benefits	$ 7,717,252	$ -	$ -	$ 7,717,252
Occupancy and related:				
Depreciation and amortization	935,823	1,643	-	937,466
Occupancy and utilities	389,799	6,930	-	396,729
Communications	303,077	-	-	303,077
Insurance	435,138	5,267	-	440,405
Rent	13,498	22,206	-	35,704
Repairs and maintenance	425,942	100	-	426,042
Security	222,434	-	-	222,434
	2,725,711	36,146	-	2,761,857
Other operating expenses:				
Professional services and contracted services	953,391	175,232	-	1,128,623
Education and promotional	558,620	-	-	558,620
Loan servicing and collection	430,042	-	-	430,042
Annual meeting	195,281	-	-	195,281
Monthly statements	119,931	-	-	119,931
Online Services	725,719	-	-	725,719
Bank service charges	160,783	9,573	-	170,356
Federal operating	101,918	-	-	101,918
Office supplies	86,492	1,717	-	88,209
Commission and fees	-	59,554	-	59,554
Travel and conferences	162,004	-	-	162,004
Employees activities	19,528	-	-	19,528
Loss on disposition of assets	71,683	-	-	71,683
Dues and subscriptions	44,568	-	-	44,568
Other miscellaneous	244,552	37,557	-	282,109
Total other operating expenses	3,874,512	283,633	-	4,158,145
Total other expenses (excluding interest)	$ 14,317,475	$ 319,779	$ -	$ 14,637,254

Caribe Federal Credit Union

CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

At December 31, 2022

Assets	CFCU	BCA	Eliminations	2022
Cash, cash equivalents and restricted cash	$ 29,312,305	$ 457,781	$ -	$ 29,770,086
Certificates of deposits (maturity greater than three months)	14,180,000	20,685	-	14,200,685
Investment securities	52,174,175	-	-	52,174,175
Loans receivable in portfolio, net	538,618,231	-	-	538,618,231
Accrued interest receivable	1,809,831	-	-	1,809,831
Accounts receivable, net	16,113	50,244	-	66,357
Prepaid expenses	314,691	33,451	-	348,142
Property and equipment, net	11,487,642	4,638	-	11,492,280
NCUSIF deposit	5,057,111	-	-	5,057,111
Art collections	107,619	-	-	107,619
Foreclosed and repossessed assets	273,371	-	-	273,371
Investment in unconsolidated subsidiary, net	465,995	-	(465,995)	-
Other assets	777,631	30,057	-	807,688
Total assets	$ 654,594,715	$ 596,856	$ (465,995)	$ 654,725,576
Liabilities and Members' Equity				
Members' shares accounts	$ 556,664,893	$ -	$ -	$ 556,664,893
Borrowed funds	25,059,983	-	-	25,059,983
Accounts payable and accrued liabilities	4,342,105	130,861	-	4,472,966
Accounts payable to auto dealers	3,268,284	-	-	3,268,284
Total liabilities	589,335,265	130,861	-	589,466,126
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	64,173,529	-	-	64,173,529
Accumulated deficit	-	(1,034,005)	1,034,005	-
Accumulated other comprehensive loss	(2,725,825)	-	-	(2,725,825)
Total members' equity	65,259,450	465,995	(465,995)	65,259,450
Total liabilities and members' equity	$ 654,594,715	$ 596,856	$ (465,995)	$ 654,725,576

	CFCU	BCA	Eliminations	2022
Interest income:				
Interest and fees on loans	$ 30,279,326	$ -	$ -	$ 30,279,326
Interest on investments	381,035	-	-	381,035
Total interest income	30,660,361	-	-	30,660,361
Interest expense:				
Interest and dividends on members' shares and savings accounts	6,186,444	-	-	6,186,444
Net interest income	24,473,917	-	-	24,473,917
Provision for loan losses	(8,264,960)	-	-	(8,264,960)
Net interest income after provision for loan losses	16,208,957	-	-	16,208,957
Other income (excluding interest)	1,015,161	301,159	-	1,316,320
Other expenses (excluding interest)				
Compensation and benefits	7,169,275	-	-	7,169,275
Occupancy and related	2,703,092	37,450	-	2,740,542
Other	3,316,027	207,741	-	3,523,768
Total other expenses (excluding interest)	13,188,394	245,191	-	13,433,585
Income before participation in losses of unconsolidated subsidiary and regulatory charges	4,035,724	55,968	-	4,091,692
Participation in profit of unconsolidated subsidiary	55,967	-	(55,967)	-
Net income	$ 4,091,691	$ 55,968	$ (55,967)	$ 4,091,692

Caribe Federal Credit Union
CONSOLIDATING SCHEDULE OF OTHER EXPENSES (EXCLUDING INTEREST)
For the year ended December 31, 2022

	CFCU	BCA	Eliminations	2022
Compensation and benefits	$ 7,169,275	$ -	$ -	$ 7,169,275
Occupancy and related:				
Depreciation and amortization	883,330	1,959	-	885,289
Occupancy and utilities	459,228	7,636	-	466,864
Communications	258,822		-	258,822
Insurance	387,918	4,898	-	392,816
Rent	13,732	22,598	-	36,330
Repairs and maintenance	505,373	359	-	505,732
Security	194,689	-	-	194,689
	2,703,092	37,450	-	2,740,542
Other operating expenses:				
Professional services and contracted services	789,214	115,719	-	904,933
Education and promotional	631,686		-	631,686
Loan servicing and collection	510,517		-	510,517
Annual meeting	209,391		-	209,391
Monthly statements	179,014		-	179,014
Online Services	206,460		-	206,460
Bank service charges	107,990	4,223	-	112,213
Federal operating	91,301		-	91,301
Office supplies	85,448	1,842	-	87,290
Commission and fees	-	43,428	-	43,428
Travel and conferences	161,407		-	161,407
Employees activities	14,549		-	14,549
(Gain) on disposition of assets	(104,688)		-	(104,688)
Loss on sale investments securities	173,520			173,520
Dues and subscriptions	34,095		-	34,095
Other miscellaneous	226,123	42,529	-	268,652
Total other operating expenses	3,316,027	207,741	-	3,523,768
Total other expenses (excluding interest)	$ 13,188,394	$ 245,191	$ -	$ 13,433,585