Cooperativa de Ahorro y Crédito de Barranquitas
CREDICENTROCOOP

AUDITED FINANCIAL STATEMENTS

For the years ended
December 31, 2022 and 2021

Cooperativa de Ahorro y Crédito de Barranquitas

AUDITED FINANCIAL STATEMENTS

For the years ended
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CONTENT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cooperativa de Ahorro y Crédito de Barranquitas
Barranquitas, Puerto Rico

REPORT ON THE FINANCIAL STATEMENTS:

ADVERSE OPINION ON GENERALLY ACCEPETED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA

We have audited the accompanying statements of financial condition of the Cooperativa de Ahorro y Crédito Barranquitas ("the credit union") as of December 31, 2022 and 2021 and the related statements of income and expenses, changes in members' equity, comprehensive net income, and cash flow for the years then ended and the corresponding notes to the consolidated financial statements.

In our opinion, because of the significance of the matters discussed in the paragraph of the Basis for Adverse Opinion at December 31, 2022 and 2021, according to generally accepted accounting principles in the United States, the consolidated financial statements referred to above do not present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2022 and 2021, the results of operations, changes in member's equity, comprehensive net income and cash flows for the years then ended, in accordance with generally accepted accounting principles in the United States.

BASIS FOR ADVERSE OPINION IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA

The management of the Cooperative decided to continue with the presentation that is promulgated by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC) in accordance with Law 255 of October 28, 2002, amended by Law 220 of 15 December 2015 of the Commonwealth of Puerto Rico (regulatory basis), which is considered an accounting basis different from the accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory base and accounting principles generally accepted in the United States of America are significant and far-reaching. If the items described in Note 1 had been classified in accordance with generally accepted accounting principles, total assets would decrease by $2,339,317 and $3,347,317, liabilities would increase by $79,823,750 and $61,383,075, and the member's' interest would decrease by $82,163,067 and $64,730,392 as of December 31, 2022 and 2021, respectively. In addition, the net economy would decrease by the amount of $1,000,000 and $4,347,317, for the years ended December 31, 2022 and 2021, respectively.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America (GAAS). Our responsibilities under those standards are described in more detail in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Cooperative and to comply with our other ethical responsibilities, in accordance with those ethical requirements related to our audit. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Credit Union’s management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States; this includes 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 assess whether there are any conditions or events, taken in the aggregate, that cast substantial doubt on the Credit union's ability to continue as a going concern within one year after the date the financial statements are made available are available to be issued.

AUDITORS’ REPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that contains our opinion. Reasonable certainty is a high level of assurance, but it is not absolute certainty and, therefore, is not a guarantee that an audit performed in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is greater than one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Errors are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that a user of the statements might make based on these financial statements.

When conducting an audit in accordance with GAAS, we:

- We exercise professional judgment and maintain professional skepticism during audit processes.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures that are responsive to those risks. Such procedures include examining, on a test basis, evidence about the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- We evaluate the adequacy of the accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as the general presentation of the financial statements.
- We conclude if, in our judgment, there are conditions or events, taken as a whole, that cast substantial doubt on the Cooperative's ability to continue as a going concern for a reasonable period.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

SUPPLEMENTAL INFORMATION

Our audit was performed for the purpose of expressing an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 48-52 is presented for purposes of additional analysis and is not part of the basic consolidated financial statements. Such supplemental information is the responsibility of management and is derived, and relates directly to, the accounting records and other records used to prepare the consolidated financial statements. The supplementary information was subject to auditing procedures applied to the consolidated financial statements and other additional procedures, including comparing and reconciling such information directly with the accounting records and other records used to prepare the consolidated financial statements or the same consolidated financial statements and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, except for the effect in the consolidated financial statements of what is described in the Basis for *Adverse Opinion* section of this report, the supplementary information is reasonably reflected, in all material respects, in relation to the consolidated financial statements taken as whole.

REPORT ON REGULATORY REQUIREMENTS:

OPINION ON REGULATORY BASIS OF ACCOUNTING

In our opinion, the financial statements accompanying present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2022 and 2021 and the results of operations, changes in members' equity and cash flows for the year ended, in accordance with the regulatory basis described in Note 1 of the financial statements.

San Juan, Puerto Rico
March 7, 2023

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Cooperativa de Ahorro y Crédito de Barranquitas
STATEMENTS OF FINANCIAL CONDITION
As of December 31, 2022, and 2021

ASSETS	**2022**	**2021**
Cash and equivalents	$ 12,975,842	$ 26,786,068
Saving certificates (due over three months)	2,400,000	4,350,000
Investments securities:		
Avilable for sale	55,311,977	62,723,994
Held to maturity	36,985,859	18,566,923
Loans, net of reserve for possible losses	287,637,628	179,517,383
Investments in cooperative entitites	20,288,698	16,651,595
Interest receivables	1,515,744	1,087,492
Property and equipment, net of accumulated depreciation	10,421,443	7,313,512
Other assets	12,215,982	4,934,804
Total assets	$ 439,753,173	$ 321,931,771
LIABILITIES AND MEMBER'S EQUITY		
Liabilites:		
Deposits and certificates of deposits	$ 337,745,567	$ 232,586,940
Accounts payable and accrued expenses	6,336,502	8,982,953
Total Liabilities	344,082,069	241,569,893
Member's equity:		
Shares, par value of $10	78,823,750	60,383,075
Reserve for undistributed capital	8,531,103	8,193,393
Reserve for social capital	2,339,317	1,562,573
Contingency reserve - 10% of net savings	762,408	424,698
Special temporary reserve	3,181,619	2,705,876
Reserve for contingencies	7,294,910	6,669,977
Accumulated comprehensive gain	(6,562,003)	(577,714)
Undistributed earnings	1,300,000	1,000,000
Total Member's Equity	95,671,104	80,361,878
Total liabilities and Member's equity	$ 439,753,173	$ 321,931,771

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

Cooperativa de Ahorro y Crédito de Barranquitas
STATEMENTS OF INCOME AND EXPENSES
For the years ended December 31, 2022 and 2021

	2022	2021
Income of financial operations:		
Interest Income		
Loans	$ 14,940,183	$ 12,378,422
Savings accounts and certificates	164,205	81,880
Investement securities	1,279,845	993,192
Total Interest Income	16,384,233	13,453,494
Interest expense:		
Deposits and certificates of deposits	(1,209,876)	(974,517)
Income before allowance for uncollectible loans	15,174,357	12,478,977
Allowance for uncollectible loans	(2,036,000)	(2,000,000)
Income after allowance for uncollectible loans	13,138,357	10,478,977
Other income (excluding interest)	3,224,745	4,487,448
Other expenses (excluding interest)	(11,978,005)	(9,711,449)
Net income before losses under special amortization	4,385,097	5,254,976
Losses under special amortization	(1,008,000)	(1,008,000)
NET INCOME	$ 3,377,097	$ 4,246,976

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

Cooperativa de Ahorro y Crédito de Barranquitas

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the years ended December 31, 2022 and 2021

	Shares	Reserve for indivisible capital	Special temporary reserve	Reserve for contingency 10% of net savings	Reserve for social capital	Reserve for contigencies	Accumulated net comprehensive gain (loss)	Undistributed earnings
Balance at December 31, 2020	$ 54,635,389	$ 7,768,696	$ 1,562,573	$ -	$ 2,321,443	$ 4,272,396	$ 792,463	$ 1,000,000
Additional investment from members	9,507,056	-	-	-	-	-	-	-
Capitalized dividends	1,000,000	-	-	-	-	-	-	(1,000,000)
Withdrawal of members	(4,759,370)	-	-	-	-	-	-	-
Transfer of inactive accounts to share capital net of claimed	-	-	-	-	-	-	-	-
Change in comprehensive net loss	-	-	-	-	384,433	-	(1,370,177)	-
Net economy	-	-	-	-	-	-	-	4,246,976
Contribution to reserve for indivisible capital	-	424,697	-	-	-	-	-	(424,697)
Contribution to the reserve of 10% of net economies	-	-	-	424,698	-	-	-	(424,698)
Reserve contribution for contingencies	-	-	-	-	-	571,316	-	(571,316)
Transfer CFDI funds to contingency reserve	-	-	-	-	-	1,826,265	-	(1,826,265)
Balance at December 31, 2021	$ 60,383,075	$ 8,193,393	$ 1,562,573	$ 424,698	$ 2,705,876	$ 6,669,977	$ (577,714)	$ 1,000,000
Additional investment from members	6,140,418	-	-	-	-	-	-	-
Transfer of shares acquisition assets and liabilities of a credit union	14,634,556	-	-	-	-	-	-	-
Surplus capitalized in shares	1,000,000	-	-	-	-	-	-	(1,000,000)
Withdrawal of members	(3,334,299)	-	-	-	-	-	-	-
Inactive account transfer	-	-	-	-	475,743	-	-	-
Change in comprehensive net loss	-	-	-	-	-	-	(5,984,289)	-
Net economy	-	-	-	-	-	-		3,377,097
Contribution to reserve for indivisible capital	-	33,710	-	-	-	-	-	(337,710)
Contribution to the reserve of 10% of net economies	-	-	-	33,710	-	-	-	(337,710)
Reserve contribution for contingencies	-	-	-	-	-	624,933	-	(624,933)
Special temporary reserve contribution	-	-	776,744	-	-	-	-	(776,744)
Balance at December 31, 2022	$ 78,823,750	$ 8,227,103	$ 2,339,317	$ 458,408	$ 3,181,619	$ 7,294,910	$ (6,562,003)	$ 1,300,000

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

Cooperativa de Ahorro y Crédito de Barranquitas
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flow from operating activities:		
Net Income	$ 3,377,097	$ 4,246,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	549,518	398,227
Provision for uncollectible loans	2,036,000	2,000,000
Amortization of loss on special investments	1,008,000	1,008,000
Amortization of premium and discount in marketable secutiries, n	101,404	202,050
Amortization Deferred Acquisition Cost - goodwill	437,794	-
Increase in deferred costs in loan origination	(78,954)	(9,656)
Dividends credit union entities	(624,790)	(451,260)
Loss (gain) on sale of investments	69,733	(168,587)
Increase (decrease) in interest receivable	(140,598)	106,025
Increase (decrease) in other assets	36,055	1,341,832
Increase in account payable and accrued expenses	(5,099,109)	1,540,145
Net cash provided by operating activities	1,672,150	10,213,752
Cash flow from investing activities		
Cash equivalent for acquisition of assets and liabilities of another credit union through voluntary merger agreement	8,924,323	-
Collection of account receivable - COSSEC	5,500,000	-
Increase in loans, net	(39,667,397)	(16,217,768)
Collection of loans charged against the reserve	729,327	705,722
(Increase) decrease in savings certificates	3,450,000	300,000
Purchase of property and equipment, net	(430,836)	(1,125,835)
Increase in investment in cooperatives entities	(127,850)	(457,705)
Product of sales and recoveries of repayments of marketable secur	12,611,221	28,885,599
Adquisition of negotiable securities	(11,350,598)	(59,305,000)
Net cash provided by investing activities	(20,361,810)	(47,214,987)
Cash flow from financing activities		
Increase in deposits, net	2,073,315	29,092,221
Increase (decrease) in certificate of deposits, net	6,140,418	9,507,056
Increase in shares, net	(3,334,299)	(4,759,370)
Net cash used in financing activities	4,879,434	33,839,907
Net increase (decrease) in cash and equivalents	(13,810,226)	(3,161,328)
Cash and equivalents at beginning of year	26,786,068	29,947,396
Cash and equivalents at end of year	$ 12,975,842	$ 26,786,068

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

Additional Disclosure to Statement of Cash Flows

Interest payments on deposits, certificates and obligations amounted to $1,173,183 and $974,517 for the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the following transactions were recorded, which did not represent cash transactions:

	2022	2021
Surplus capitalized in shares	$ 1,000,000	$ 1,000,000
Contribution to the indivisible capital reserve	$ 337,710	$ 424,697
Contribution to the reserve for contingency of 10%	$ 337,710	$ 424,698
CFDI funds transferred to contingency reserve	$ -	$ 1,826,265
Surpluses transferred to contingency reserve	$ 624,933	$ 571,316
Surpluses transferred to special temporary reserve	$ 776,744	$ -
Unclaimed accounts transferred to reserve for capital stock - net	$ 475,743	$ 384,433
Change in comprehensive net loss	$ (5,984,289)	$ (1,370,177)
Deferred acquisition cost - Goodwill assumed for Credit union acquisition through assisted voluntary merger agreement	$ 8,755,888	$ -
Assets assumed by acquisition of Cooperative at fair market value	$ 111,892,381	$ -
Fair value of the deposits, shares and other obligations assumed by the acquisition of a Credit union through an assisted voluntary merger agreement.	$ 120,648,269	$ -

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

1. MOST SIGNIFICANT ACCOUNTING ORGANIZATION AND POLICIES

Organization

The Credit Union or CREDICENTRO is regulated by Law 255, approved on October 28, 2002, known as "Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002", and by the Corporation for the Supervision and Insurance of Credit Unions in Puerto Rico (COSSEC). It is a nonprofit organization and is primarily dedicated to receiving savings from its members in the form of shares and deposits, (from non-members in the form of deposits) and to provide them financial and investment sources.

MOST SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies that the Credit Union follows are in accordance with industry practices, The Law Number 255, regulations issued by COSSEC (defined in the supplementary notes) and with generally accepted accounting principles in the United States of America. The most significant policies are the following:

Use of Estimates

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

Reclassifications

Certain reclassifications have been made in the financial statements of the Credit Union to adjust assets and liabilities related to revising the required presentation in accordance of the generally accepted accounting principles in the United States of America. Also, certain reclassifications have been made to the 2021 financial statements to correspond to the 2022 financial statements presentation.

Tax Exemption

The Credit Unions, its subsidiaries or affiliates shall be exempt of all kind of tax 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 political subdivision from it. Several previous laws eliminated the exemption from excise taxes and the sales and use tax (IVU) on purchases of goods and services enjoyed by Savings and Credit Cooperatives.

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.

The Credit Unions and their subsidiaries or affiliates are exempt from the payment of rights, excise taxes or state taxes or municipal taxes, including the payment of licenses, municipal taxes, permits and registrations, the payment of charges, rights, stamps or internal revenue vouchers related with the inscription of them in the Property Register, and other exemptions in accordance with the Article 6.08 from Law 255.

Cash and Cash Equivalents

The Credit Union consider as cash and cash equivalents checking accounts held at local banks, petty cash, branch operating fund, savings accounts, cash investments and savings certificates with maturity of ninety (90) days or less at the date of the consolidated financial statements.

Restricted Cash

The Credit Union adopted ASU Accounting Standard 2016-18, to identify its restricted cash in the statement of position and statement of cash flows. Restricted cash is an asset that is set aside 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 delineations of their use.

Concentration of Risk

The Credit Union maintains cash in various financial institutions (banks and credit unions) of Puerto Rico. The bank and credit unions accounts in each institution are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and by the Corporation for the Supervision and Insurance of Credit Unions in Puerto Rico (COSSEC), respectively.

Loans to Members and Non-Members

The Credit union grants personal loans to its members up to $50,000 and in mortgage loans up to $500,000, and to non-members in personal loans limited to the assets they have deposited in the Credit union.

Loans granted to members and non-members are documented according to the practices used in the administration of financial institutions, which are recognized as sound practices and in protection of the public interest. Loans receivables are recognized when the loan is disbursed and the transaction is evidenced with a promissory note or loan contract, and when the requirements established in the granting of loans have been met, subject to policies or regulations approved by the Board of Directors or the corresponding governing bodies.

Independently of the guarantees and collaterals offered, no credit union would grant a loan to any person, without confirming and documenting the existence of reliable sources for the repayment of the loan in the terms agreed to, providing that such sources could be enough deposits maintained and withheld by the Credit Union, including the non-members, liquid assets as established in Article 2.03 of Law 255.

Allowance for Possible Loan Losses

The Credit union adopted ASC 310-20, Fees and Other Non-Reimbursable Costs, this standard establishes that direct costs in granting credit be deferred and amortized and that the income generated in the borrowing activity by commissions is also recognized through of the life of the loans.

Reserve for Possible Loan Losses

The reserve for possible loan losses is an estimate prepared by management that includes the losses inherent to the loan portfolio as of the balance sheet date. The Credit union uses the guidelines offered by Regulation No. 8665, *Regulation on Accounting Standards for Savings and Credit unions*, which includes a reserve percentage, to the loan portfolio based on risk and degree of delinquency. Restructured and impaired commercial loans are evaluated on an individual basis.

Methodology Used for the Computation of the Allowance for Possible Losses in Commercial Loans

The Credit Union evaluates the loan loss reserve for commercial loans up to date on their payments as a percentage using the guidelines of Regulation No. 8665. Generally, impaired commercial loans are evaluated for possible losses individually. As of December 31, 2022 and 2021, the Credit Union evaluated the commercial loans in impairment individually.

The methodology used for the individual computation contemplated the present value of future cash flows discounted at the original rate of the loan or the comparison of the balance sheet with the fair market value of the collateral less the costs to sell said collateral in case of the Credit union have to repossess.

Methodology Used for the Computation of the Allowance for Possible Losses in Consumer Loans

For the consumer portfolio, the reserve estimate was used the percentage method established by Regulation 8665 of November 20, 2015 ("Regulation on accounting standards for Savings and Credit Cooperatives"). A reserve percentage required by degree of aging was applied.

Restructures Loans (TDR)

A debt restructuring ("TDR") is considered any existing loan for which the Credit Union has granted a concession, due to which the debtor is experiencing financial difficulties. Concessions in a TDR include principal reduction, term extensions and/or interest rate reductions. These TDRs are individually identified and measured for impairment.

The reserve assigned to restructured loans is determined by the present value of the cash flows discounted at the interest rate of the original loan or by comparing the balance of the loan with the value of its collateral, in case the loan is collateral dependent.

Quality Indicators of the Commercial Loans Portfolio

In addition to reviewing the commercial portfolio concentration risk, the Credit Union implemented a process of evaluation of the quality of commercial credit. 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:

Without Exception - The debtor has adequate capital and the ability to repay the debt in the normal course of operations.

Follow-Up - The loan is protected with sufficient collateral as of December 31 but, has the potential of deteriorating. The financial information of the debtor is not consistent or is under budget, presenting the possibility of short-term liquidity problems. Other typical features of this classification are: lack of recent financial information, low capitalization, or industry risks. The main source of repayment is still good, but there is a possibility to use the collateral or the help of a guarantor to repay the debt. Although this type of loan is current and it is understood that the recovery is not in doubt, frequency of payments could be affected.

Substandard - This type of loan is not adequately protected due to deterioration in the net capital of the debtor or of the collateral pledge. The debtor presents clear weaknesses in their financial condition which affects the recovery of the loan. It is likely that the Credit Union will not recover the whole loan balance. Loans classified in this category are regarded as in default and do not accumulate interest, so the payments received are applied to the principal.

Doubtful - The loan has the shortcomings of those presented in the category of "Substandard". In addition, the collectability of part or the entire loan is highly unlikely. The possibility of loss is extremely high, but there are some specific conditions that could be resolved in favor of the debtor and therefore strengthen the probability of recovery of the loan. The loan has not been charged to loss until there is a clearer view of the effect of the specific conditions listed above. These conditions could include a further injection of capital, new collateral, and refinance or liquidation proceedings. Loans classified in this category are regarded in default and do not accumulate interest, so the payments received are applied to the principal.

Quality Indicators of the Consumer Loans Portfolio

The Credit Union has various types of consumer loans which have different credit risks. The impairment, the empirical and the loan value-to-collateral are indicators of quality that the Credit Union monitors and uses in the evaluation of the provision for uncollectible loans in its consumer loan portfolio.

The main factor in the evaluation of the provision for uncollectible loans in the portfolio of consumer loans is the impairment presented by such portfolio. According to the Regulation 8665 of November 20, 2015, the percentage method, assigns the risk of consumer product according to its aging.

Indicator of the Loan-to-Value of the Collateral

The loan-to-value of the collateral is the ratio that compares the principal balance to the value of the collateral. In recent years, the real estate market for residential properties has experienced a decrease on its values. The proportion of loan-to-value of the collateral does not necessarily reflect the performance in the repayment of the same but provides an indicator of the value of the collateral and the exposure of the Credit Union. If the loan cannot be recovered, the loss the Credit Union would assume should be limited to the excess of the net realizable value of the property compared with the balance of the loan.

Credit risk concentration

There is a geographic concentration in the loan portfolio since the Cooperative's operations are carried out mostly with partners and clients in the town where it operates its headquarters and neighboring towns. Credit concentration by type of loan is presented in the notes to the financial statements.

COVID-19 moratoriums

The Credit union granted moratoriums on the payment of mortgage and consumer loans to all members financially affected by the pandemic in accordance with the provisions established in Law RCS 489 of April 14, 2021. In general, RCS 489, as approved, presents between other things, a voluntary customer-requested moratorium on personal loans, auto loans, home loans, and credit cards.

Modifications to the terms of these loans in moratorium due to COVID-19 do not automatically give rise to a restructured or impaired loan (TDR), considering that they must be current as of March 12, 2020. According to the U.S. GAAP, a debt restructuring (TDR) is considered, if the creditor for economic or legal reasons related to the debtor's financial difficulties, grants a concession that it would not otherwise consider. For these purposes, the “Financial Accounting Standard Board” (FASB) under an Interagency Agreement with the Federal Reserve Board (FRB), the "Federal Deposit Insurance Corporation (FDIC) and the "National Credit Union Administration" (NCUA), determines that short-term modifications made in good faith in response to COVID-19 to borrowers who were in good standing prior to any relief are not TDR and interest outstanding on these deferrals is deemed to accrue in the accounting records and is They would be charged once the payments begin.

Investments in Securities

Marketable securities consist mainly of securities issued by the Governments of the United States and Puerto Rico and securities collateralized with mortgages on residential, commercial property, and other assets. The Credit Union classifies investments in debt instruments, available for sale and held to maturity.

The Credit Union records the investments in securities in accordance with ASC 320 Accounting for Certain Investments in Debts and Equity Securities. Also, ASC 942-825, Financial Instruments, allows companies that elect to do so, the option to report some financial assets and liabilities at their market value and establish the requirements of presentation designed to ease the comparison between companies that choose different methods of measuring the same assets and liabilities.

Securities held-to-maturity

Securities held-to-maturity are those which the Management has the intent and ability to hold to maturity. These are reported at cost, adjusted by the amortization of premiums or discounts, using the effective interest method. The cost of the securities sold for the purpose to determine gains or losses are based by the amortized value and are written down using the specific-identification method.

Securities available for sale

Securities available-for-sale are presented at fair market value. The gains and losses by the difference between the book value and market value are presented in the capital section of the Credit Union. The Institution uses the specific-identification method to write-down those values sold or held.

The profit or loss made on the sale of available for sale securities is determined using the specific identification method to determine the cost of the instrument sold. In addition, management, assesses individually all the securities in the portfolio to determine whether any decline in market value is or not of a temporary nature. Any non-temporary decrease is reflected in the current period operations and reduces the value of the investment in the books.

Amortization of premiums and discounts

The premiums and discounts on debt securities are amortized over the remaining life of the related instrument as an adjustment on it using the effective interest method. Dividends and interest income are recognized when they are earned.

Other than temporary decline in the fair market value

The management of the Credit Union evaluates investments for other than temporary impairment in fair market value on an annual basis. To determine if the deterioration in the value of the instrument is of a temporary nature or not, the Credit Union considers all relevant and available information about the collectability of the instrument, including past events, current conditions and projections and reasonable estimates that supports the amount of cash receivables from the instrument. Within the evidence of this estimate, are the reasons for the deterioration, the duration and severity of the same, changes in valuation following the close of the fiscal year, the projected performance of the issuer and the general condition of the market in the geographical area or industry where it operates. Once the decrease is determined to be not a temporary decrease or is impaired, the value of the debt instrument is reduced, and the corresponding charge is recognized in the statement of income and expense for the anticipated credit losses.

The analysis of losses requires the management of the credit union to consider several factors that include but are not limited to the following: 1) the time period and severity in which the market value is below the amortized cost of the investment 2) the financial condition of the issuer of the debt instrument 3) the attributes of collateral and guarantees 4) the structure of payments of principal and interest of the investment carrying amount and the collectability of the instrument 5) changes in the credit rating granted by the major credit rating agencies 6) adverse conditions of the debt instrument, industry or geographical area 7) management's intention to sell the investment, or if it is more likely than not, the Credit Union will be required to sell the debt instrument before there is a recovery in the value of the instrument.

Comprehensive Net Economy

The Management of the Cooperative applied ASC 220, Comprehensive Income, which requires the disclosure of the comprehensive net economy. Comprehensive net economics is the total of: (1) operating profit plus (2) other changes in net assets (partners' share) arising from other sources.

Special Investments, Required by Law 220

As of December 31, 2022 and 2021, the Credit union did not have Special Investments in debt instruments issued by the Commonwealth of Puerto Rico, its agencies and public corporations (ELA). The balance of the Loss Under Special Amortization Law #220 was $2,339,137 and $3,347,317, as of December 31, 2022 and 2021, respectively.

In turn, as of December 31, 2022, it maintained a reserve in the capital section in the statement of position, Special Temporary Reserve, which covered the entire amount of the asset to be amortized of $2,339,317.

Investments in Credit Union Entities

Investments in credit union entities represent deposits made in entities and credit union organizations of Puerto Rico. The Credit Union records its investments in other cooperatives at cost, increasing them by equity in income of the cooperatives, they are distributed through dividends in shares. The Credit Union evaluates the impairment of investments in cooperative entities based on the consolidated financial statements issued by said entities.

Property and Equipment

Property and equipment are recorded at their acquisition cost. The improvements that prolong the life of the asset are capitalized. Maintenance and repairs that do not prolong the useful life of such assets are charged to operations. Depreciation and amortization are calculated using the straight-line over the estimated useful life of the related asset method.

Management evaluates the book value of the property and equipment when events or changes in circumstances indicate that the asset´s carrying value may not be recoverable. The recoverability of assets that will be used and retained is determined by comparing the book value with the future cash flows, undiscounted, which is expected to be generated by the asset. If it is determined that an impairment in the value of a fixed asset has occurred, the difference between future undiscounted cash flows, and the book value of property and equipment is recognized against the operations of the year. As of December 31, 2022, and 2021, the Credit Union did not recognize losses by impairment in the value of fixed assets.

The depreciation and amortization expense for the years ended December 31, 2022 and 2021, was $549,518 and $398,227, respectively.

Operating leases

Lease contracts, which were identified as operating leases, are recognized in the statement of position as right-of-use assets (ROU) and in liabilities as obligations payable under lease, for those with longer terms. one year old

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 incentives paid to the lessor. During the year ended December 31, 2022, leases were classified as operating and, as a result, a lease expense was recognized within operating expenses.

The leased property, which includes variable income payments made during the lease term and that are not based on a rate or index and renewable from year to year, are excluded from the measurement of "ROU" lease assets and liabilities. and are recognized as a lease expense as incurred.

The operating lease contracts maintained by the Credit union were valid for less than one year.

Foreclosed Properties

Property acquired through foreclosure or other liquidation is classified as available-for-sale and is recorded at the fair market value of the property received at the time of acquisition less cost to sell at the date of acquisition.

The amount of repossessed properties net of allocated reserves totaled $613,957 and $928,962 as of December 31, 2022 and 2021, respectively.

Deferred acquisition cost-Goodwill

The deferred acquisition cost represents the amount paid in excess of the estimated market value of the assets acquired (goodwill) of Cooperativa de Ahorro y Crédito Abraham Rosa, through an assisted voluntary merger agreement, carried out on June 30, 2022. As a result From this transaction, a goodwill was recognized, determined by the excess of the liabilities at their fair value over the assets acquired.

The Management of the Credit union determined that the application of ASC 350 Goodwill and Other Intangible Assets does not materially affect the financial position and the result of operations for said years. The Credit union determined the period to amortize the goodwill to ten (10) years.

Below is the statement of situation as of June 30, 2022 of the assets acquired at their fair market value and the obligations assumed at their fair value:

Fair value of assets acquired:		
Cash and cash equivalents	$	8,924,323
Savings certificates		1,500,000
Investments in securities		18,422,968
Loans receivable-net		71,139,221
Contribution - COSSEC		5,500,000
Investments in credit union entities		2,884,463
Interest receivable		287,654
Property and equipment, net of accumulated depreciation		3,226,613
Other assets		7,139
Total of assets	$	111,892,381
Fair value of assumed liabilities:		
Deposits	$	91,465,937
Certificates of deposits		11,619,375
Accrued accounts and expenses payable		2,928,401
Stock, par value of $10 per share		14,634,556
Total debts assumed	$	120,648,269
Deferred acquisition cost - goodwill	$	(8,755,888)

The movement of the unamortized balance of goodwill for the year ended December 31, 2022 is detailed below:

Beginning balance	$	-
Additions		8,755,888
Amortization charged against operations		(437,794)
Ending balance	$	8,318,094

Shares

Shares are accounted for using the cash method. This method is generally accepted in the savings and credit cooperatives of Puerto Rico. The Credit union does not issue share certificates that represent the common capital stock. However, a statement of account is kept for each member that shows his participation in the capital of the Credit union. The Credit union capital is not limited in terms of quantity and consists of payments made by members to subscribe shares and the distribution of dividends in shares. In accordance with the Regulations of the Credit union, the par value of the shares is ten dollars ($10). Pursuant to these regulations, every partner must subscribe for at least twelve (12) shares per year.

Retained Earnings Surplus

The Board of Directors shall provide for the distribution of the net surplus that the Credit Union has accumulated at the end of each year, after the amortization of accumulated losses, if any, followed by the contributions to the indivisible capital reserve, the mandatory and voluntary reserves, as provided in the regulations of the Credit Union and in Law 255, as amended. The distribution of surpluses will not proceed while the Credit Union has accumulated losses, with some exceptions as established by Law 255.

The surplus may be distributed based on reimbursement or return, computed taking into consideration the sponsorship of interest collected, or a combination of said reimbursement for sponsorship together with the payment of dividends on shares paid and not withdrawn at the end of the calendar year, in the proportions and amounts determined by the Board of Directors. Any distribution of surpluses will be made by means of accreditation of shares, never in cash.

Mandatory and Voluntary Reserves

The Credit union maintains the following mandatory reserve:

Special Temporary Reserve

This reserve is required by Law 220 of December 15, 2015 while the Credit union maintains losses under special amortization, and is made up of 10% of the unrealized loss of special investments plus other minimum contributions to the temporary reserve that may vary. between 5% to 100% of the surplus subject to the levels of indivisible capital and the CAEL compound index of the Credit union. The Credit union established the special temporary reserve related to special investments required by Law 220 as of December 31, 2022 and 2021.

Reserve for contingency 10% of Net Savings

This reserve was created in accordance with the requirements of Circular Letter No. 2021-02, which cooperatives must establish a contingency reserve consistent with a minimum of 10% of their savings, which will serve to strengthen and maintain adequate capitalization levels. before the changes that are coming. COSSEC is in the process of evaluating the implementation of the known accounting pronouncement Current Expected Credit Losses (CECL) and the impact that this change in the Generally Accepted Accounting Principles will have on the cooperative system. COSSEC indicates that there is a consensus that the change will have a significant effect on credit union finances.

Share Capital Reserve

This reserve was created to transfer those inactive accounts of more than five (5) years. If any person claims said account before five (5) years after it was reserved, the Credit union will return said amount less an administrative charge which will be deducted from the client's balance at the time of the claim.

Reserve for Contingencies

This reserve was created to reduce any loss of an unusual or extraordinary nature that could affect the economics of the Credit union's operations. For the year ended December 31, 2021, the Credit union transferred to the contingency account the amount of $1,826,265 from CDFI funds.

Recognition of Interest Revenue and Expense

The interest revenues from loans are recognized using the accumulation method up to ninety (90) days. The interests are computed over the unpaid balance. The interest expense over certificates of deposits is computed and paid periodically in accordance with the agreement between the Credit Union and the member or client. The interest expense for deposit accounts is computed daily from the average daily balance of the account.

Advertising and Promotion

The Credit Union recognizes the advertising and promotional expense against operations at the time it is incurred. The expense for this concept for the years ended December 31, 2021 and 2020 were $481,560 and $358,455, respectively.

Provision for Cooperative Education

The Credit union is obliged by Law 255, as amended, to set aside annually for educational purposes and integration of the Credit union movement in Puerto Rico, not less than one tenth of one percent (0.1%) of the total business volume. Within the three (3) months following the closing of their operations of each fiscal year, said cooperatives will determine the amount resulting from the computation, up to a maximum of four thousand dollars ($4,000).

Any Credit union whose total business volume exceeds four million dollars ($4,000,000) per year will be obliged to contribute an additional amount of five percent (5%) of its annual net surplus up to a maximum of six thousand dollars ($6,000).

Fair Value of Financial Instruments

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

Determination of the Fair Value

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

The fair value hierarchy gives the highest priority to prices quoted (unadjusted) in active markets for assets and liabilities identical (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 hierarchy of fair value within which the measurement at fair value falls completely, will be determined based on the input of lower level that is significant for all the measurement made at fair value. The following is a summary of the hierarchy used by the Credit Union to classify the 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 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).

- *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.

Income from the Federal-CDFI Program

The Credit union received a grant or scholarship from the Fund of Financial Institutions for Community Development of the Department of the Treasury of the United States of America (CDFI for its acronym in English). Designates organizations that provide financial services to low-income communities and communities that are underserved by conventional financial institutions. CDFI-certified credit unions are eligible to apply for grants through a variety of competitive programs administered by the CDFI Fund. These grants allow CDFIs to finance a wide range of activities, including; purchase of equipment, contracting of professional services, salaries, benefits and training for human resources, as well as allocate items to the various reserves of the Credit union among other various programs.

The amount of income recognized for this concept totaled $-0- and $1,826,265 for the years ended December 31, 2022 and 2021, respectively.

Subsequent Events

The Credit union adopted ASC 855, related to Subsequent Events. ASC 855 establishes general standards for accounting and disclosure of events that occurred after the date of the statement of position, but before the date of issuance of the financial statements. Specifically, it establishes the period after the date of the statement of position during which the Credit union's management must evaluate events or transactions that could occur and that 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 statement of financial position.

Recent Statements from the Accounting Board (FASB) applicable to credit unions:

The FASB issued ASU 2016-13 in June 2016 (Topic 326), which replaces the incurred loss model with a current expected credit loss ("CECL") model. The CECL model is applied to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet exposures. Under current US GAAP an entity reflects credit losses on financial assets measured on an amortized cost basis only when the losses are probable and have been incurred, generally considering only past events and current conditions in making these determinations.

ASU 2016-13 prospectively replaces this forward-looking approach using a methodology that reflects expected credit losses over the life of financial assets, beginning when those assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions, and reasonable and supportable forecasts that affect the collection of financial assets. ASU 2016-13 also revises the approach for recognizing credit losses on available-for-sale securities, replacing the direct amortization and reserve allocation approach and limiting the reserve allocation to the amount at which the fair value of values is less than amortized cost. Additionally, ASU 2016-13 requires that the initial allowance for credit losses on acquired credit-impaired financial assets be recorded as an increase in purchase price, with subsequent changes to the provision recorded as credit loss expense. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for credit losses. The modifications in this update are effective for fiscal years beginning after December 15, 2022. Early adoption was allowed as of January 1, 2021. The Credit Union has not determined the effect that this new pronouncement could have on its financial statements. financial.

Effect of the Fiscal Plan of the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico

On May 20, 2022, the COSSEC fiscal plan was certified by the Fiscal Supervision Board. The Fiscal Plan describes a comprehensive set of short, medium, and long-term measures that, when timely implemented by the Government, will pave the way for a healthier and more sustainable cooperative system in Puerto Rico.

The measures of this Fiscal Plan have been built around three main axes of reform of financial systems: implementing changes in governance, increasing transparency in accounting and improving supervision interventions. Short- and medium-term measures include, but are not limited to, a new governance structure for the Board of Directors for COSSEC, a concrete plan for the transition from regulatory pronouncements (RAP) to generally accepted accounting principles (GAAP) and how it oversees financial cooperatives, including assessing risk and stability, and how to deal with failing cooperatives.

This plan provides an overview of the long-term reforms that COSSEC must adopt to ensure that the cooperative system can prosper in the future. This plan also imposes an expeditiousness in the merger and consolidation processes in a period of 24 months after the approval of several amendments to Law No. 255 and the implementation of the ASC 320-10-35 Codification for investments in accordance with GAAP .

Also, based on this Standard, Credit unions must eliminate the asset Loss Under Special Amortization as of June 30, 2025. In turn, it is recommended that the real capital to total assets of the cooperatives should be at least 6% to as of June 30, 2025.

Accounting Standards that Differ from Generally Accepted Accounting Principles in the United States of America

The Savings and Credit unions in Puerto Rico present the shares of the members in the section of participation of members of the statement of situation. Accounting principles require shares to be filed in the shareholder depository section of the same state. In addition, they recognize the distribution of their surplus through a charge to retained earnings, and accounting principles require that such distributions be recognized as interest expense.

If the items presented in the following table had been classified in accordance with generally accepted accounting principles, total assets would decrease by $2,339,317 and

$3,347,317, liabilities would increase by $79,823,750 and $61,383,075, and partners' equity would decrease by $82,163,067 and $64,730,392 as of December 31, 2022 and 2021, respectively.

In addition, the net economy would decrease by the amount of $1,000,000 and $4,347,317, for the years ended December 31, 2022 and 2021, respectively.

Condensed Balance Sheet at December 31, 2022	**Statutory Financial Statements**	**Adjustments conform US GAAP**	**US GAAP Financial Statements**
Assets:			
Cash and savings certificates	$ 15,375,842	$ -	$ 15,375,842
Investments in marketable securities	92,297,836	-	92,297,836
Loans, net	287,637,628	-	287,637,628
Losses under special amortization Law 220 - 2015	2,339,317	(2,339,317)	-
Property and other assets	42,102,550	-	42,102,550
Total assets	$ 439,753,173	$ (2,339,317)	$ 437,413,856
Liabilities:			
Deposits, CD's and shares in GAAP	$ 337,745,567	$ 78,823,750	$ 416,569,317
Other liabilities	6,336,502	1,000,000	7,336,502
Total liabilities	344,082,069	79,823,750	423,905,819
Members' Equity			
Shares par value $10	78,823,750	(78,823,750)	-
Reserve for indivisible capital	8,531,103	(100,000)	8,431,103
Special temporary reserve	2,339,317	(2,339,317)	-
Other reserves	11,238,937	(100,000)	11,138,937
Cumulative comprehensive net loss	(6,562,003)	-	(6,562,003)
Surplus	1,300,000	(800,000)	500,000
Total members' equity	95,671,104	(82,163,067)	13,508,037
Total liabilities and members' equity	$ 439,753,173	$ (2,339,317)	$ 437,413,856

Condensed Statement of Income and Expenses for the year ended December 31, 2022	**Statutory Financial Statements**	**Adjustments to conform US GAAP**	**US GAAP Financial Statements**
Interest income	$ 16,388,637	$ -	$ 16,388,637
Interest expense	(1,209,876)	(1,000,000)	(2,209,876)
Net interest income	15,178,761	(1,000,000)	14,178,761
Provision for uncollectible loans	(2,036,000)	-	(2,036,000)
Income after allowance	13,142,761	(1,000,000)	12,142,761
Other income (excluding interest)	3,224,745	-	3,224,745
Other expenses (excluding interest)	(11,978,005)	-	(11,978,005)
Net Savings Before Loss Under Special Amortization	4,389,501	(1,000,000)	3,389,501
Loss amortization under special amortization	(1,008,000)	(2,339,317)	(3,347,317)
Use of reserves	-	2,339,317	2,339,317
Net income	$ 3,381,501	$ (1,000,000)	$ 2,381,501

2. CASH AND CASH EQUIVALENTS

As of December 31, 2022, and 2021, the balance of cash and cash equivalents consisted of the following:

At December 31, 2022 and 2021, the Credit Union had $210,704 and $212,919, respectively, on deposit in restricted cash for the payment of assessments and insurance on properties serving as collateral under mortgage loans and other required funds.

Risk Concentration

As of December 31, 2022, the Credit union maintains deposits in the amount of $13,679,456 in the Banco Cooperativo de Puerto Rico whose balances are not insured. However, by virtue of Article 2.04 of Law 255, cooperatives are authorized to make deposits in said institution.

As of December 31, 2022, the Credit union maintained cash on the amount covered by the FDIC and COSSEC insurance, for $1,188,456 and $1,750,000.

3. SAVING CERTIFICATES (maturity greater than three months)

Saving certificates with a maturity greater than three months have the following aggregate maturity as of December 31, 2022 and 2021:

Maturity	2022	2021
More than three months less than a year	$ 2,250,000	$ 2,500,000
Total	$ 2,250,000	$ 2,500,000

4. INVESTMENTS IN SECURITIES

As of December 31, 2022 and 2021, the Cooperative classified its investments *as available for sale and held to maturity*, the amortized cost and fair market value are as follows:

December 31, 2022	Available for sale			
Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
U.S MUNICIPAL BONDS AND NOTES	$ 10,797,702	$ -	$ (959,350)	$ 9,838,352
FHLB	8,005,820	-	(1,447,686)	6,558,134
FHLMC	585,655	-	(89,476)	496,179
FAMC	3,347,166	-	(278,523)	3,068,643
FFCB	276,459	-	(30,905)	245,554
FNMA	16,826,235	157	(687,860)	16,138,532
GNMA	14,535,286	17,711	(1,680,133)	12,872,864
Corporate Debt	6,739,336	-	(1,275,968)	5,463,368
Treasury Note	760,321	-	(129,970)	630,351
	$ 61,873,980	$ 17,868	$ (6,579,871)	$ 55,311,977

December 31,2022	Helt to maturity			
Type of Investment	Amortized cost	Unrealized Gain	Unrealized loss	Market value
Obligations guaranteed/backed by the Federal Government, the states of the United States (USA) and their agencies or possessions, except PR:				
Federal Farm Credit Bank (FFCB)	$ 18,562,891	$ -	$ (6,243,781)	$ 12,319,110
Municipal Bonds	18,422,968	1,650,557	(995,849)	19,077,676
	$ 36,985,859	$ 1,650,557	$ (7,239,630)	$ 31,396,786

December 31, 2021

Type of Investment	Available for sale: Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Obligations guaranteed/backed by the Federal Government, the states of the United States (USA) and their agencies or possessions, except PR:				
FHLB	$ 11,046,511	$ 5,052	$ (163,523)	$ 10,888,040
FFCB	8,103,393	2,040	(291,026)	7,814,407
FHLM	1,000,760	260,290	(17,705)	1,243,345
FNMA	1,071,743	2	(27,271)	1,044,474
GNMA	413,221	12	(12,233)	401,000
Treasury Note US	18,414,839	-	(155,619)	18,259,220
Corporate bonds	11,887,263	-	(203,231)	11,684,032
Municipal bonds	10,603,655	209,505	(183,805)	10,629,355
Federal Agricultural Mortgage Association (FAMC)	760,323	-	(202)	760,121
	$ 63,301,708	$ 476,901	$ (1,054,615)	$ 62,723,994

December 31,2021

Type of Investment	Held to maturity: Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
FFCB	$ 18,566,923	$ -	$ (1,140,977)	$ 17,425,946
	$ 18,566,923	$ -	$ (1,140,977)	$ 17,425,946

The amortized cost and the estimated market value of the investments in securities as of December 31, 2022 and 2021, according to their maturity, are presented below.

The expected maturities of the investments may differ from the original contract because the borrower has the right to cancel the obligation or prepay it.

Available for sale	**2022**		**2021**	
	Amortized cost	Market value	Amortized cost	Market value
Maturity				
Within a year	$ 8,788,147	$ 8,553,957	$ -	$ -
From one to five years	29,896,786	27,366,706	32,574,628	32,399,339
More than five years up to ten years	17,709,923	14,572,700	26,793,074	26,171,161
More than ten years	5,479,124	4,818,614	3,934,006	4,153,494
	$ 61,873,980	$ 55,311,977	$ 63,301,708	$ 62,723,994

Held until maturity	**2022**		**2021**	
	Amortized cost	Market value	Amortized cost	Market value
Maturity				
Within a year	$ -	$ -	$ -	$ -
From one to five years	558,851	539,423	-	-
More than five years up to ten years	9,425,306	10,589,211	-	-
More than ten years	27,001,702	20,268,152	18,566,923	17,425,946
	$ 36,985,859	$ 31,396,786	$ 18,566,923	$ 17,425,946

The following table shows the unrealized losses, the estimated market value and the time that the investments have been on the books of the Cooperative in an unrealized loss position as of December 31, 2022: During the year ended December 31, 2022, management determined that there were no expected credit losses for securities in unrealized losses. This analysis considered various factors including, but not limited to, issuer performance indicators, default rates, industry analyst reports, credit ratings and other information. The contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit loss reserves were required for the years ended December 31, 2022 and 2021.

Available for sale

December 31, 2022	Less than 12 months		More than 12 months	
Type of Investment	**Market value**	**Unrealized**	**Market value**	**Unrealized**
Obligations guaranteed/backed by the Federal Government, the states of the United States (USA) and their agencies or possessions, except PR:				
FHLB	$ -	$ -	$ 9,838,352	$ (959,350)
FFCB	-	-	6,558,134	(1,447,686)
FHLM	-	-	496,179	(89,476)
FNMA	-	-	3,068,610	(278,523)
GNMA	-	-	245,554	(30,905)
Treasury note	8,330,957	(234,189)	7,350,385	(453,514)
Corporate bonds	-	-	12,872,864	(1,680,290)
Municipal bonds	-	-	5,463,368	(1,275,968)
FAMC	-	-	630,351	(129,970)
	$ 8,330,957	$ (234,189)	$ 46,523,797	$ (6,345,682)

During the year ended December 31, 2022, management determined that there were no expected credit losses for securities in unrealized losses. This analysis considered various factors including, but not limited to, issuer performance indicators, default rates, industry analyst reports, credit ratings and other information. The contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit loss reserves were required for the years ended December 31, 2022 and 2021.

5. LOANS

The following table shows the total of the loan portfolio of the Credit Union by the type and class of financing as December 31, 2022 and 2021:

	2022	2021
Commercial:		
Corporations	$ 17,462,249	$ 9,078,745
Non-profit entities	6,299,168	1,527,309
Total commercial	23,761,417	10,606,054
Consumer:		
Personal	132,688,150	89,083,525
Collateral	10,049,532	5,713,313
Auto	82,655,602	42,083,519
Mortgage	41,398,822	34,739,130
Lines of credit	231,027	135,259
Credit cards	2,305,312	1,464,029
Total consumer loans	269,328,445	173,218,775
Total loans	293,089,862	183,824,829
Less: provison for uncollectible loans	(6,478,049)	(4,896,811)
Plus: Loan origination deferred costs	1,025,815	589,365
Total loans, net	$ 287,637,628	$ 179,517,383

The movement of the reserve for possible losses in the loan portfolio of the Credit union for the years ended December 31, 2022 and 2021, is presented below:

2022

	Commercial	Consumer	Total
Beginning balance	$ 385,660	$ 4,511,151	$ 4,896,811
Additional provision of the year	9,907	2,026,093	2,036,000
Reserve from the acquisition of a Credit union through an assisted voluntary merger agreement	101,041	616,507	717,548
Recoveries of loans previously reserved	-	729,327	729,327
Loans charged against the reserve	-	(1,901,637)	(1,901,637)
Ending balance	$ 496,608	$ 5,981,441	$ 6,478,049
Evaluation of reserve:			
Reserve evaluated individually	$ -	$ 409,198	$ 409,198
Reserve evaluated collectively	496,608	5,572,243	6,068,851
Total	$ 496,608	$ 5,981,441	$ 6,478,049
Loans balance:			
Evaluated individually	$ -	$ 1,363,994	1,363,994
Evaluated collectively	23,761,417	267,964,451	291,725,868
Total	$ 23,761,417	$ 269,328,445	$ 293,089,862

The commercial loan portfolio classified according to its risk category as of December 31, 2022 and 2021 is presented below:

	Without Exception	Follow-Up	Substandard	Doubtful	Total
December 31, 2022					
Corporations	$ 14,789,235	$ 1,990,876	$ 158,123	$ 524,015	$ 17,462,249
Non-profit entities	6,299,168	-	-	-	6,299,168
Total commercial	$ 21,088,403	$ 1,990,876	$ 158,123	$ 524,015	$ 23,761,417
December 31, 2021					
Corporations	$ 7,435,498	$ 1,364,410	$ 175,325	$ 103,512	$ 9,078,745
Non-profit entities	1,527,309	-	-	-	1,527,309
Total commercial	$ 8,962,807	$ 1,364,410	$ 175,325	$ 103,512	$ 10,606,054

The Credit Union monitors the aging of its commercial portfolio with the purpose of managing credit risk. Below are the categories of aging of the commercial portfolio as of December 31, 2022 and 2021:

	Maturity Days						
	Current or 0-60	61-180	181-360	360 or more	90+ & Accumulating	90+ & Not accumulating	Total
December 31, 2022							
Corporations	$ 17,303,374	$ 158,875	$ -	$ -	$ -	$ 158,875	$ 17,462,249
Non-profit entities	6,140,293	158,875	-	-	-	158,875	6,299,168
Total commercial	$ 23,443,667	$ 317,750	$ -	$ -	$ -	$ 317,750	$ 23,761,417
December 31, 2021							
Corporations	$ 8,975,233	$ 103,512	$ -	$ -	$ -	$ 103,512	$ 9,078,745
Non-profit entities	1,527,309	-	-	-	-	-	1,527,309
Total commercial	$ 10,502,542	$ 103,512	$ -	$ -	$ -	$ 103,512	$ 10,606,054

Below are categories of aging of the portfolio of consumer as of December 31, 2022 and 2021:

	Maturity Days						
	Current or 0-60	61-180	181-360	360 or more	90+ & Accumulating	90+ & Not accumulating	Total
December 31, 2022							
Personal	$ 132,021,288	$ 387,237	$ 279,625	$ -	$ -	$ 666,862	$ 132,688,150
Collateral	10,049,532	-	-	-	-	-	10,049,532
Auto	82,214,719	292,683	146,733	1,467	-	440,883	82,655,602
Mortgages	40,106,800	280,551	156,824	854,647	-	1,292,022	41,398,822
Lines of credit	231,027	-	-	-	-	-	231,027
Credit cards	2,276,747	18,923	9,642	-	-	-	2,305,312
Total consumer	$ 266,900,113	$ 979,394	$ 592,824	$ 856,114	$ -	$ 2,399,767	$ 269,328,445
December 31, 2021							
Personal	$ 88,601,949	$ 247,160	$ 234,416	$ -	$ -	$ 481,576	$ 89,083,525
Collateral	5,712,813	500	-	-	-	500	5,713,313
Auto	41,480,253	473,645	129,621	-	-	603,266	42,083,519
Mortgages	33,298,049	-	263,970	1,177,111	-	1,441,081	34,739,130
Lines of credit	135,259	-	-	-	-	-	135,259
Credit cards	1,438,379	16,985	7,935	730	-	-	1,464,029
Total consumer	$ 170,666,702	$ 738,290	$ 635,942	$ 1,177,841	$ -	$ 2,526,423	$ 173,218,775

Empirical Consumer Loans

Following we present the types of loans that make up the portfolio of consumer classified according to their empirical at the time of the approval as of December 31, 2022 and 2021:

		Distribution by credit scores				
	No Clasification	< 600	601-650	651-700	701 +	Total
December 31, 2022						
Personal	$ -	$ 6,684,753	$ 9,184,365	$ 20,690,321	$ 96,128,711	$ 132,688,150
Collateral	-	222,915	308,825	1,241,083	8,276,709	10,049,532
Auto	860,248	5,390,661	7,227,904	9,392,356	59,784,433	82,655,602
Mortgages	-	4,506,495	3,946,801	12,049,593	20,895,933	41,398,822
Lines of credit	-	56,183	-	71,171	103,673	231,027
Credit cards	676,854	106,712	449,850	411,575	660,321	2,305,312
Total consumer	$ 1,537,102	$ 16,967,719	$ 21,117,745	$ 43,856,099	$ 185,849,780	$ 269,328,445

		Distribution by credit scores				
	No Clasification	< 600	601-650	651-700	701 +	Total
December 31, 2021						
Personal	$ -	$ 4,422,945	$ 10,525,600	$ 17,853,158	$ 56,281,822	$ 89,083,525
Collateral	-	34,171	606,360	723,240	4,349,542	5,713,313
Auto	-	3,223,246	4,511,104	5,763,068	28,586,101	42,083,519
Mortgages	-	3,921,034	3,833,003	8,774,595	18,210,498	34,739,130
Lines of credit	-	2,131	19,244	65,646	48,238	135,259
Credit cards	-	84,182	280,947	342,290	756,610	1,464,029
Total consumer	$ -	$ 11,687,709	$ 19,776,258	$ 33,521,997	$ 108,232,811	$ 173,218,775

Impaired Loans

The following presents a summary of the portfolio of impaired loans as of December 31, 2022 and 2021:

	At the end of the year			For the year ended
	Unpaid Principal Balance	Recognized Investment	Specific Reserve	Recognized Interest Income
December 31, 2022				
Commercial:				
Corporations	$ 317,750	$ 324,018	$ 31,775	$ 5,486
Total commercial	$ 317,750	$ 324,018	$ 31,775	$ 5,486
Consumer:				
Personal	$ 666,862	$ 680,707	$ 217,260	$ 11,510
Collateralized	-	-	-	-
Auto	440,883	446,946	111,360	7,610
Mortgage	1,292,022	1,310,903	96,111	22,300
Credit cards	28,565	28,565	8,606	492
Total consumer	$ 2,428,332	$ 2,467,121	$ 433,337	$ 41,912
Total	$ 2,746,082	$ 2,791,139	$ 465,112	$ 47,398

	At the end of the year			For the year ended
	Unpaid Principal Balance	Recognized Investment	Specific Reserve	Recognized Interest Income
December 31, 2021				
Commercial:				
Corporations	$ 103,512	$ 124,214	$ 82,810	$ 1,787
Total commercial	$ 103,512	$ 124,214	$ 82,810	$ 1,787
Consumer:				
Personal	$ 481,576	$ 577,892	$ 385,261	$ 8,312
Auto	500	600	400	9
Mortgage	603,266	723,918	482,612	10,413
Credit cards	1,441,081	1,729,297	1,152,864	24,873
Other	25,650	30,780	20,520	442
Total consumer	$ 2,552,073	$ 3,062,487	$ 2,041,657	$ 44,049
Total	$ 2,655,585	$ 3,186,701	$ 2,124,467	$ 45,836

The following is a summary of the type of concession to the restructured loans during the year ended December 31, 2022 and 2021:

	Restructured Loans			Delinquent restructured loans		
	Number of loans	Principal balance	Reserve required	Number of loans	Principal balance	Reserve required
December 31, 2022						
Consumer:						
Personal	116	$ 1,363,994	$ 409,198	3	$ 20,719	$ 10,360
Total Consumer	116	$ 1,363,994	$ 409,198	3	$ 20,719	$ 10,360
December 31, 2021						
Consumer:						
Personal	133	$ 1,628,248	$ 488,474	6	$ 54,290	$ 16,287
Total Consumer	133	1,628,248	488,474	6	54,290	16,287

The following is a summary of the type of concession granted to the restructured loans during the year ended December 31, 2022 and 2021:

	Type of concession			
	Interest rate	Maturity date	Principal reduction	Total
December 31, 2022				
Consumer				
Personal	$ 1,363,994	$ -	$ -	$ 1,363,994
Total consumer	$ 1,363,994	$ -	$ -	$ 1,363,994
December 31, 2021				
Consumer				
Personal	$ 1,628,248	$ -	$ -	$ 1,628,248
Total consumer	$ 1,628,248	$ -	$ -	$ 1,628,248

6. INVESTMENTS IN COOPERATIVES ENTITIES

The investments in cooperatives entities as of December 31, 2022, and 2021, are composed of the following:

In the case of COSVI, on March 25, 2022, A.M. Best Company, the certifying house that issues credit ratings for insurance companies, maintained the "under evaluation with negative implications" designation for COSVI, and affirmed the ccc rating.

7. PROPERTY AND EQUIPMENT

As of December 31, 2022, and 2021, the property and equipment were composed of the following:

8. OTHER ASSETS

As of December 31, 2022 and 2021, the other assets are made up of the following:

	2022	2021
Loss under special amortization Law 220 - 2015	$ 2,339,317	$ 3,347,317
Deferred acquisition cost-goodwill	8,318,094	-
Repossessed properties	613,957	928,962
Prepaid COSSEC fee	465,086	334,151
Bonds, insurance and prepaid expenses	252,585	161,398
Other accounts receivable and effects in transit	226,943	162,976
	$ 12,215,982	$ 4,934,804

The movement in the Credit union's Loss Under Special Amortization as of December 31, 2022 and 2021 was as follows:

	2022	2021
Beginning balance	$ 3,347,317	$ 4,355,317
Amortization	(1,008,000)	(1,008,000)
Balance at end of year	$ 2,339,317	$ 3,347,317

The Loss Under Special Amortization arises from the other than temporary impairment of the investments of the Commonwealth of PR or special investments, since an impairment of such investments was determined. Law #255, as amended by Law #220, allows amortizing the impairment of special investments over a period of up to fifteen (15) years as an asset Loss under Special Amortization.

In turn, as of December 31, 2022, it maintained a reserve in the capital section of the balance sheet, Special Temporary Reserve, which covered the total amount of the asset to be amortized of $2,339,317.

9.DEPOSITS AND CERTIFICATE OF DEPOSITS

The regular savings accounts earn interests fluctuating between 0.10% and 0.60% computed daily and credited monthly. The Credit Union has a policy to allow savings withdrawals on any operating day. However, when deemed necessary, the Board of Directors may require members that they notify their intention to make withdrawals up to thirty (30) days in advance.

The percentage of interest in the certificates varies according to the amount and time negotiated (average 1.57%). The savings balances maintained in the Christmas savings plan are payable in October and accrue annual interest of 1.00% for members and 0.25% for non-members. Savings balances maintained in the summer plan are payable in May and earn annual interest of 1.00% for members and 0.25% for non-members. Deposits are made up of the following:

Deposits and savings certificates as of December 31, 2022 and 2021 was as follows:

The following shows the maturity of the deposits and certificates of deposits in aggregated form for the following five years as of December 31, 2022 and 2021:

	2022	2021
Savings account without contract of maturity	$ 308,119,193	$ 202,960,566
Maturity of less than one year	16,680,061	16,680,061
Maturity between one and three years	8,206,330	8,206,330
Maturity between three and five years	4,341,975	4,341,975
Maturity over five years	398,008	398,008
Total deposits	$ 337,745,567	$ 232,586,940

Interest expense incurred during the years ended December 31, 2022 and 2021 was as follows:

Interes expenses	2022	2021
Certificates of deposits	$ 527,593	$ 448,020
Deposits	673,683	517,991
Certain events	8,600	8,506
Total	$ 1,209,876	$ 974,517

Deposits and shares are insured by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico, COSSEC, up to $250,000.

As of December 31, 2021, the Credit Union held a total of $416,569,317 in deposits, savings certificates, and shares, of which $24,491,920 were uninsured.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, 2022, and 2021 the accounts payable and accumulated expenses were the following:

	2022	2021
Outstanding checks payable	$ 1,961,490	$ 6,909,294
Insurance and policies payable	348,480	223,446
Pension plan	145,000	470,000
Money orders and manager's checks	24,794	15,279
Vacation and bonus	383,553	280,027
Escrow accounts	285,891	222,109
Interest payable on deposits and certificates	36,693	-
CFDI funds to be recognized as income	271,988	-
Accounts payable and other accrued expenses	2,878,613	862,798
	$ 6,336,502	$ 8,982,953

11. LINE OF CREDIT

As of December 31, 2022, and 2021 the accounts payable and accumulated expenses were the following:

As of December 31, 2021, the Credit Union had a revolving line of credit for operational capital and liquidity support with the Banco Cooperativo of Puerto Rico. The amount of credit granted to the Credit Union in this line of credit amounts to $1,500,000 and the interest rate is based in the *prime rate* determined from time to time by Citibank N.A. plus 1%. The revolving line of credit was extended without any collateral and has an expiration date April 30, 2022. As of December 31, 2021, the line of credit with Banco Cooperativo had a zero balance.

12.OTHER INCOME (EXCLUDING INTEREST)

The other income for the years ended December 31, 2022 and 2021 it consists of the following:

13.RETIREMENT PLAN

The Credit union has a defined contribution plan for all regular employees. The plan provides benefits for normal withdrawal, early withdrawal and emergency withdrawal. The Credit union minimum annual contribution, including administration costs, is calculated based on the salary of each covered employee. The Credit union will contribute four percent (4%) of the compensation of each employee who qualifies for this plan. This amount may vary as established by Section 1165 (e) of the Puerto Rico Internal Revenue Code.

Plan expenses for the years ended December 31, 2022 and 2021 was $232,506 and $206,261, respectively.

14. GROUP LIFE INSURANCE OF SHARES, LOANS AND FUNERAL

The Credit union offered loan insurance, with coverage up to $50,000, for loans originated up to 2012. As of 2012, said insurance is borne by the member. In addition, the Credit union offers funeral insurance on the balance in shares of the partners. Insurance is maintained with the Life Insurance Credit union.

15. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Legal contingencies

The Credit union maintains several claims against third parties, mainly for money collection demands and asset repossession, as part of its normal and current operations as a financial institution.

The Credit union is involved in several legal actions commonly related to financial institutions of its nature. The effect of these, based on the opinion of management and its legal advisors, is not, nor will it be significant for the financial statements of the Credit union.

Agreement for the Purchase and "Servicing" of Loans

The Barranquitas Credicentro Savings and Credit union entered into an agreement for the purchase and "servicing" of loans with several loan sales companies (selling party), which said selling companies are in charge of the administration and collections of the loans.

Loans are made primarily for the purchase of commercial vehicles and equipment. The Credit union has ownership of the acquired loans.

The part that sells the loans maintains the responsibility of collecting the principal and interest of the loans, contributions, insurance and reserves, on a monthly basis. These payments are remitted to the Credit union under the agreed terms. If any of these loans becomes delinquent, the selling party is responsible for following up on communicating with the client and taking steps to bring the loan up to date, including legal steps.

For the aforementioned services, the selling party charges the Credit union a monthly fee of 0.25% of the average principal payment received monthly by customers plus 50% of various surcharges, such as; surcharge for late payment, extensions, among others.

Operating Lease Agreements

The Credit union maintains several lease contracts for the facilities used by the Barranquitas, Orocovis and Ponce offices. The contracts are renewable at the option of the Cooperative for terms of five (5) years additional to the expiration dates. As of December 31, 2022, the contracts had expired and others had a term of less than one year.

Loan Loss Reserve (U.S. GAAP vs. Regulatory)

The Credit union records the loan loss reserve based on the parameters established in Regulation No. 8665. This Regulation requires that a loan loss reserve be established using items that are in accordance with U.S. GAAP and other regulations that are not in accordance with U.S. GAAP. An example of a regulatory item that is not in accordance with U.S. GAAP is that the general allowance requires a few minimum percentages per loan type based primarily on loan delinquencies. The pronouncements U.S. Current GAAP requires the recognition of credit losses following the incurred loss model and observable tests at the date of the statement of position, in addition to the recognition of the effect of economic factors on credit products. The difference between the loan loss reserve calculations between the U.S. and U.S. models cannot be estimated at this time. GAAP and regulatory.

Puerto Rico Fiscal Crisis

Puerto Rico remains in the midst of a deep fiscal crisis that affects 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, pension obligations, and lack of access to capital markets, among other factors. As a result of the crisis, the Government of Puerto Rico and some of its instruments have been unable to make debt service payments on its outstanding bonds and notes since 2016.

The escalation of the fiscal and economic crisis and the imminent widespread defaults led the Congress of the United States of America to enact the PROMESA Act in June 2016. The Government of Puerto Rico and several of its instrumentalities are currently in the process of restructuring their debts through the debt restructuring mechanisms provided by PROMESA.

Credit union exhibition

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 that affect Puerto Rico, its consumers and businesses or businesses. The effects of the prolonged recession are reflected in the limited demand for loans, an increase in the rate of foreclosures and moratoriums on loans granted in Puerto Rico.

While PROMESA provides a process to address the Government of Puerto Rico's fiscal crisis, the length and complexity of Title III proceedings for the Government of Puerto Rico and various of its agencies, the adjustment measures required by fiscal plans, the impact of natural disasters and the COVID-19 pandemic, suggests a risk of significant additional economic contraction.

This could have a material impact on the economic activity of Puerto Rico where the Credit union does business. The accompanying financial statements do not include adjustments related to the effect of uncertainties related to the economic conditions of Puerto Rico and their effects on the Credit union.

Interest rate risk

Interest rate risk is the exposure of a Credit union's current or future savings and capital to adverse changes in market rates. This risk is a normal part of the risks that financial institutions and cooperatives manage. Correct management of this risk results in an important source of profitability and value for Credit union; However, excessive interest rate risk can put pressure on economies, capital, liquidity and the solvency of financial institutions.

During the year ended December 31, 2022, the effect of the monetary policy of the Federal Reserve of the United States of America, in relation to the speed of increases in interest rates, has pressured the balance sheets of the financial institutions in general, specifically on the aforementioned items.

As of December 31, 2022, the Cooperative was closely measuring and monitoring this risk, in order to effectively anticipate and control any adverse effect that may arise on exposure to it.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Assets Recognized at Fair Value on a Recurring Basis

As of December 31, 2022, and 2021, the Credit Union had marketable securities available for sale and special investments for which it is required to measure the fair value recurrently:

	2022			
Type of Investment	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in negotiable securities	$ -	$ 86,708,763	$ -	$ 86,708,763
	$ -	$ 86,708,763	$ -	$ 86,708,763

	2021			
Type of Investment	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in negotiable securities	$ -	$ 80,149,940	$ -	$ 80,149,940
	$ -	$ 80,149,940	$ -	$ 80,149,940

Financial Assets Recognized at Fair Value on a Non-recurring Basis

The Credit Union may be required, from time to time, to measure certain assets at their fair value on a non-current basis in accordance with generally accepted accounting principles (GAAP). The valuation methodology used for these fair value adjustments is described above.

The level of inputs used to determine each adjustment and the book value of the related asset as of December 31, 2022 and 2021, is summarized below:

The change in the fair value of automobiles and repossessed properties, which was determined using Level 3 Inputs, is presented below:

	2022	2021
Beginning balance	$ 928,962	$ 1,626,245
Repossessed properties during the year	834,240	429,932
Sale of repossed properties	9,135	-
Foreclosed properties sold during the year	(1,053,263)	(561,566)
Provision and losses charged to operations	(105,117)	(565,649)
Ending balance	$ 613,957	$ 928,962

Estimated Fair Value

As of December 31, 2022, and 2021, the book value and estimated fair value of financial instruments were as follows:

	2022		2021	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Cash and cash equivalent	$ 12,975,842	$ 12,975,842	$ 26,786,068	$ 26,786,068
Loan receivable, net of allowance	287,637,628	261,616,604	179,517,383	168,518,154
Certificate of deposits, due more than three months	2,400,000	2,400,000	4,350,000	4,350,000
Investment in securities				
Negotiable values	92,297,836	86,708,763	81,290,917	81,149,940
Shares in cooperative entities, without COSSEC	16,060,521	12,963,683	13,794,716	11,597,338
Repossessed properties and cars	613,957	613,957	928,962	928,962
Loss under special amortization	2,339,317	-	3,347,317	-
Other assets - Accured interes	1,515,744	1,515,744.00	1,087,492	-
	$ 415,840,845	$ 378,794,593	$ 311,102,855	$ 293,330,462
Financial liabilities:				
Deposit accounts	$ 297,996,620	$ 297,996,620	$ 202,710,566	$ 202,710,566
Certificates of deposits	39,748,947	$ 39,748,947	$ 29,876,374	$ 29,876,374
Shares	78,823,750	78,823,750	60,383,075	60,383,075
	$ 416,569,317	$ 416,569,317	$ 292,970,015	$ 292,970,015

17. FINANCIAL INSTRUMENTS OF RISK NOT RECOGNIZED IN THE STATEMENT OF FINANCIAL CONDITION

The Credit Union evaluates separately the credit condition of its members before granting credit. The management determines through the evaluation of the applicant's credit, the amount of collateral to be obtained as a condition of the credit requested. The amount of commitment to extend credit as of December 31, 2022 and 2021 is composed of the following:

18. TRANSACTIONS BETWEEN RELATED PARTIES

All the employees and members from the Board of Directors of the Credit Union have savings accounts, make loans, and enjoy the services provided by the institution. The transactions terms in these accounts (interest charged and paid) are like those accounts for the members in general. The total movement of loans and shares of related parties on December 31, 2022 and 2021 are presented below:

	2022	2021
Beginning balance	$ 1,963,856	$ 2,378,942
Granted net of repayments (loan repayments net awarded)	(241,724)	(415,086)
Ending balance	$ 1,722,132	$ 1,963,856

19. SUBSEQUENT EVENTS

The Credit union evaluated its subsequent events up to March 7, 2023, the date on which these financial statements were ready to be issued. The Management of the Credit union understands that there are no significant subsequent events as of December 31, 2021 that should be recorded in the financial statements or require additional disclosure in the notes to the financial statements.

On the other hand, on January 19, 2023, COSSEC issued Circular Letter 2023-1, which mentions, among other things, the following:

A new accounting standard introduced the current expected credit loss (CECL) methodology for estimating the allowance for loan losses. Credit unions will be required to adopt CECL for fiscal years beginning after December 15, 2022. The objective of CECL is to improve the measurement and recognition of credit losses on loans and debt securities.

Summary of Rules proposed by COSSEC

Although the effect of the implementation should be registered in the first period of the fiscal year of the implementation, COSSEC will allow all Credit unions to defer the adjustment from the first day to the date of issuance of the audited financial statements in the year of the implementation of the ASU 2016-13. This will give the Credit unions an additional period to make the necessary adjustments for CECL adoption.

For regulatory purposes only, the effect of the first day adjustment will be deferred for purposes of computing the real capital indicator for a period of three years. In this way, Credit unions will be able to be in compliance with GAAP from the year of adoption and mitigate the impact for regulatory purposes.

The Credit unions will maintain the contingency reserve of 10% of the savings, as required by Circular Letter 2021-02, until once the deferral of the CECL adjustment for the purpose of the Real Capital indicator has elapsed. Therefore, the Credit unions will be able to release the contingency reserves in the 12th quarter after the adoption of the CECL. In the event that the impact of the implementation of the CECL has a significant effect and the Credit unions has a justification for the use of said reserve, the Credit union must submit a formal request to COSSEC.

The calculation of the bad loan reserve according to Regulation 8665 will be without effect for those Credit unions whose fiscal year begins on or after December 15, 2022.

The rules issued by COSSEC will temporarily mitigate the adverse consequences of CECL implementation.

Cooperativa de Ahorro y Crédito Barranquitas
(CREDICENTRO)

SUPPLEMENTAL INFORMATION

For the years ended on December 31, 2022 and 2021

CONTENT

1. REQUIRED LIQUIDITY

As a result of the requirements of Law 255, as amended, indicated above, below we present the computation of liquidity required as of December 31, 2022 and 2021:

	2022	2021
Liquidity Requirement:		
Required portion of undivided capital (35%)	$ 2,985,886	$ 2,867,688
Deposits:	337,745,567	232,586,940
Less: Deposits for specific events	(1,053,502)	(647,830)
Savings certificates maturing in 30 days	(1,518,122)	(1,273,303)
Cross investments	(250,000)	(250,000)
Pledged Deposits	(60,000)	(66,310)
Net deposits	334,863,943	230,349,497
Required portion for deposits (15%)	50,229,591	34,552,425
Plus: Savings certificates maturing in 30 days (25%)	379,531	318,326
Deposits certain events (8.33% * cumulative months)	458,197	267,827
Total required for deposits	51,067,319	35,138,578
Total required funds	54,053,205	38,006,265
Total funds available, net of pledged and pledged	102,094,143	111,356,538
Liquid funds in excess of those required by law	$ 48,040,938	$ 73,350,273

2. RESERVE FOR UNDISTRIBUTED CAPITAL

The undistributed capital rate of its total assets subject to risk is determined as follows:

Elements of Undistributed Capital	2022	2021
Undistributed capital	$ 8,531,103	$ 8,193,393
15% of the Credit Union's undistributed retained earnings	195,000	150,000
Other reserves	13,578,254	11,363,124
Portion of the allowance for loan losses for not delinquent loans	2,771,364	1,768,848
Total of the elements of the undistributed capital	25,075,721	21,475,365

Determination of Assets Subject to Risk	2022	2021
Assets without risk with consideration of 0.00%		
100% cash in hand, in transit and petty cash	2,876,072	2,500,704
100% Loans, liabilities and debt securities, including portions from the all, issued, incinditionally, insured, or guaranteed by the Comonwealth of Puerto Rico or its agencies, or by the United States Goverment or its agencies, including Federal Reserve Banks, Government National Mortgage Associaion (GNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Farmers Home Administration (FmHA), Export-Import Bank (Exim Bank), Overseas Private Investment Corporation (OPIC), Commondity Credit Corp. (CCC), and Small Business Administration (SBA).	16,384,086	400,914
100% of the loans completely guaranteed by first loans on residential properties from one to four families. These loans should qualify to be sold on the secundary market and can not exceed delinquency of ninety (90) days and have a maxzimum Loan To Value rate of eighty percent (80%); provided that the Corporation may, by regulation or administrative determination, authorize total loan ratios at the guarantee value (Loan to Value) greater that are consistent with the parameters of the secondary market.	6,194,699	6,642,518
100% of the amount of members' loans guaranteed by members' shares, deposits or both, which could not be withdrew from the Credit Union	26,562,634	29,253,621
100% of the Credit Union's investment in the Corporation	4,228,177	2,857,419
Total assets without risk with consideration of 0.00%	$ 56,245,668	$ 41,655,176
Assets subject to risk with consideration of twenty percent (20%)		
80% of items in process of collection	6,879,816	18,025,651
80% of interest in process of collection	557,637	259,064

Cooperativa de Ahorro y Crédito Barranquitas

RESERVE FOR UNDISTRIBUTED CAPITAL

For the years ended on December 31, 2022 and 2021

80% loans, liabilities and debt securities, including amounts from all of them issued, secured or inconditional guaranteed by the Commonwealth of Puerto Rico or their agencies, or by the United States Goverment, including Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association, Farm Credit System, Federal Home Loan Bank System and Student Loan Marketing Association (SLMA).	60,731,000	64,712,002
80% Loans, including portions of all these, that are issued, insured or guaranteed by the Commonwealth of Puerto Rico or its insured, or by the United States Government whose instruments are not explicitly backed by the full faith and credit of the Government United States or Puerto Rico, including Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Farm Credit System,	-	-
80% of the deposits, loans, liabilities and debt securities, including amounts from all of them issued, secured or guaranteed by depository institutions from United States and Puerto Rico, including the Cooperative Bank of Puerto Rico. Shares from profit entities are excluded.	3,120,000	4,880,000
80% from the fixed property book value or appraisement value issued by a properly certified appraiser, the lower amount, which is used or is designed to be used for offices, branches, service stations, parking areas or other facilities, net from any liability directly guaranteed by an established and perfected mortgage charge for the fixed asset.	10,625,602	8,118,176
80% of the prepaid insurances which are risks for the Institution.	419,139	396,439
80% of the common or preferred from investments of Banco Cooperativo, Cooperativa de Seguros Múltiples and Cooperativa de Seguros de Vida.	12,330,213	10,612,189
Total assets subject to risk with consideration of twenty percent (20%)	$ 94,663,407	$ 107,003,521
Assets subject to risk with consideration of fifty percent (50%)		
50% of loans completely guaranteed by first residencial properties mortgages. This loans does not meet the parameters of the secondary mortgage market, with no delinquency in excess of 90 days.	16,956,051	12,680,972
These loans do not meet the parameters of the secondary mortgage market and may not be delinquent in excess of (90) days.	11,721,834	-
50% of automobile loans that do not show deliquency of more than 90 days	41,107,360	20,909,904
50% of the investment in shares of Central Credit Unions that have no current or accumulated losses.	20,261	19,261
Total assets subject to risk with consideration of fifty percent (50%)	$ 69,805,505	$ 33,610,137
Total assets no subject to risk	$ 220,714,580	$ 182,268,834

Rate of Undistributed Capital to Assets Subject to Risk	Cantidad	Cantidad
Total assets	$ 446,231,222	$ 326,828,582
Total assets no subject to risk	(220,714,580)	(182,268,834)
Total assets subject to risk	$ 225,516,643	$ 144,559,748
Rate of undistributed capital to assets subject to risks	**11.12%**	**14.86%**

3. OTHER NON-INTEREST EXPENSES (EXCLUDING INTEREST)

The general and administrative detail for the years ended December 31, 2021 and 2020 is composed of the following:

	2022	2021
Salaries, bonus and vacations	$ 2,838,835	$ 2,330,010
Payroll contributions	323,619	223,944
Professional services	2,559,232	2,078,291
Insurance:		
COSSEC fee	820,704	613,235
Funeral	136,312	100,412
Generals	361,216	285,032
Depreciation and amortization	549,518	398,227
Amortization Deferred Acquisition Cost - goodwill	437,794	-
Utility	398,778	317,830
Uniforms	31,777	22,691
Education	168,599	113,836
Executive expenses	43,481	37,302
Medical plan	399,745	409,711
Repair and maintenance	169,148	52,590
Annual Meeting	82,500	70,000
ATH maintenance	362,164	332,154
Office materials	89,809	68,351
Pension plan contribution	232,506	206,261
Mastercard maintenance	259,506	174,455
Banking fees	124,713	90,339
Representation expenses	31,305	19,714
Haulage	72,535	63,860
Credit investigation	46,439	34,757
Rent	280,895	277,840
Activities	74,535	49,322
Travel and diets	131,780	112,444
Donations	15,543	7,114
Cooperative entities fee	27,047	34,014
Advertising and Promotiokns	481,560	358,455
Sales and Use Tax	118,562	103,592
Repossessed properties expense	105,117	565,649
Loss on sale of investments	69,733	-
Other expenses grouped	132,998	160,017
Total of Administrative and General Expenses	$ 11,978,005	$ 9,711,449