



1250 Ponce de León Ave. ♦ Suite 801 ♦ San Juan, PR 00907-3912
tels. 787.993.4360 ♦ 787.993.4364
info@gtcpapr.com ♦ www.gtcpapr.com

**COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS
CREDICENTRO**

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

For the Years Ended
December 31, 2024, and 2023



COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

For the years ended December 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditors' Report	1-3
Financial Statements:	
Statements of Financial Condition	4
Statements of Income and Expenses	5
Statements of Comprehensive Income	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	10-55



INDEPENDENT AUDITORS' REPORT

Corporación Pública para la Supervisión y Seguro
de Cooperativas de Puerto Rico (COSSEC)
Board of Directors
Cooperativa de Ahorro y Crédito Barranquitas
Barranquitas, Puerto Rico

Opinion

We have audited the accompanying financial statements of Cooperativa de Ahorro y Crédito Barranquitas, which comprise the Statements of financial condition as of December 31, 2024, and the related statements of income and expenses, comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Unmodified Opinion over Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Cooperativa de Ahorro y Crédito Barranquitas (from now on, "Credicentro or the Credit Union") as of December 31, 2024, and the results of its operations, changes in members' equity and cash flows for the year then ended, in accordance with the regulatory basis of accounting required by "Corporación para la Supervisión y Seguros de Cooperativas de Puerto Rico" (hereinafter "COSSEC"), as described in Notes 1 and 2 of the financial statement.

Qualified Opinion over Generally Accepted Accounting Principles in the United States

In our opinion, except for the significant effects on the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial condition of the Credit Union as of December 30, 2024 and 2023, the result of its operations, changes in members' equity and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the regulatory basis of accounting and our qualified opinion on generally accepted accounting principles in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion over Generally Accepted Accounting Principles in the United States

As described in Notes 1 and 2, the financial statements of the Credit Union are presented in accordance with the regulatory basis required by "COSSEC", which is a basis of accounting other than the accounting principles generally accepted in the United States of America, to comply with the "COSSEC" requirements. Generally accepted accounting principles require that shares be presented as deposits and the dividends paid are recognized as an interest expense. The effects on financial statements of the variances between the regulatory basis of accounting described in Note 2 and generally accepted accounting principles in the United States of America, is a decrease in members' equity and an increase in liabilities by \$86,070,498 and a decrease in the net income by the amount of \$1,500,000.

Financial Statements of the Previous Year

The Credit Union's financial statements as of December 31, 2023, were audited by another firm of Certified Public Accountants, whose report is dated February 16, 2024. The opinion on these financial statements was qualified due to regulatory aspects that deviate from generally accepted accounting principles, as described in the Basis for Qualified Opinion section on Generally Accepted Accounting Principles in the United States of America of those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices required by "COSSEC" and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date on which the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the 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 Credit Union's internal controls. Therefore, we do not express an opinion.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude on whether there are conditions or events considered in the aggregate, which raises substantial doubt about The Credit Union's ability to continue as a going concern for a reasonable period of time.

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

San Juan, Puerto Rico
18 de abril de 2024

The stamp number E-XXXXXX
was affixed to the original.



González Torres & Co., CPA, PSC

González Torres & Co., CPA, PSC
License Number 96
Expires on December 1, 2026

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS
STATEMENTS OF FINANCIAL CONDITION
December 31, 2024, and 2023

<u>ASSETS:</u>		
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 7,813,530	\$ 22,293,481
Certificates of deposits (due over three months)	2,350,000	3,100,000
Investment securities:		
Available for sale (amortized cost of \$73,961,098 and \$53,162,395)	73,002,441	48,509,251
Held to maturity	18,554,613	35,330,196
Loans receivable (net of current expected credit losses of \$9,564,541 and \$11,023,093)	335,574,282	316,896,202
Investments in cooperative entities	22,007,455	20,999,064
Property and equipment, net of accumulated depreciation	8,990,654	10,006,800
Other assets	12,465,214	12,207,808
Total assets	<u>\$ 480,758,189</u>	<u>\$ 469,342,802</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Deposits	\$ 265,387,665	\$ 275,149,710
Certificates of deposits	88,568,930	82,777,618
Accounts payable and accrued expenses	8,521,657	6,420,242
Total liabilities	<u>362,478,252</u>	<u>364,347,570</u>
Members' Equity:		
Shares, par value of \$10	86,070,498	81,198,846
Indivisible capital reserve	15,771,154	9,463,075
Social capital reserve	1,331,317	1,331,317
Contingency reserve 10% of net savings "CECL"	2,129,548	1,228,394
Voluntary reserves	15,313,028	14,916,744
Accumulated net unrealized gain on securities	(3,835,608)	(4,653,144)
Undistributed earnings	1,500,000	1,500,000
Total members' equity	<u>118,279,937</u>	<u>104,985,232</u>
Total liabilities and members' equity	<u>\$ 480,758,189</u>	<u>\$ 469,332,802</u>

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

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

STATEMENTS OF INCOME AND EXPENSES

For the years ended December 31, 2024, and 2023

	<u>2024</u>	<u>2023</u>
Income from financial operations:		
Interest income:		
Loans	\$ 22,009,663	\$ 19,092,263
Investments, savings accounts and certificates	<u>2,866,551</u>	<u>1,824,042</u>
Total interest income	24,876,214	20,916,305
Interest expense:		
Deposits and certificate of deposits	<u>(4,418,804)</u>	<u>(2,796,628)</u>
Net interest income	20,457,410	18,119,677
Provision for current expected credit losses	<u>(732,646)</u>	<u>(2,087,715)</u>
Gross income from financial operations	19,724,764	16,031,962
Other income:		
Other	5,754,441	4,639,688
General and administrative expenses	<u>(16,467,664)</u>	<u>(16,011,789)</u>
Net surplus before "CDFI" income	9,011,541	4,659,861
Federal funds "CDFI"	<u>-</u>	<u>5,675,578</u>
Net income	<u>\$ 9,011,541</u>	<u>\$ 10,335,439</u>

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

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2024, and 2023

	<u>2024</u>	<u>2023</u>
Net income	\$ 9,011,541	\$ 10,335,439
Other comprehensive income:		
Change in unrealized loss on investment securities available-for-sale	<u>817,536</u>	<u>1,908,859</u>
Net comprehensive income	<u>\$ 9,829,077</u>	<u>\$ 12,244,298</u>

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

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the years ended December 31, 2024, and 2023

	<u>Shares</u>	<u>Reserve for Undistributed Capital</u>	<u>Temporary Special Reserve</u>	<u>Contingency Reserve 10% of Net Surplus "CECL"</u>	<u>Voluntary Reserves</u>	<u>Unrealized Net Loss on Securities</u>	<u>Undistributed Earnings</u>	<u>Total Members' Equity</u>
Balance at December 31, 2022	\$ 78,823,750	\$ 8,531,103	\$ 2,339,317	\$ 762,408	\$ 10,476,529	\$ (6,562,003)	\$ 1,300,000	\$ 95,671,104
Change in accounting principle for the implementation of "CECL"	-	-	-	-	-	-	(4,072,842)	(4,072,842)
Additional investents from members	12,792,121	-	-	-	-	-	-	12,792,121
Withdrawal from members	(11,717,025)	-	-	-	-	-	-	(11,717,025)
Capitalized dividends	1,300,000	-	-	-	-	-	(1,300,000)	-
Claims from dormant accounts, net	-	-	-	-	67,576	-	-	67,576
Contribution to reserve of indivisible capital 20%	-	931,972	-	-	-	-	(931,972)	-
Contribution to contingency reserve	-	-	-	465,986	-	-	(465,986)	-
Use of special temporary reserve	-	-	(1,008,000)	-	-	-	1,008,000	-
Transfer of "CDFI" funds to contingency reserve	-	-	-	-	5,675,578	-	(5,675,578)	-
Use of contingency reserve	-	-	-	-	(1,302,939)	-	1,302,939	-
Accumulated comprehensive net loss	-	-	-	-	-	1,908,859	-	-
Net income	-	-	-	-	-	-	10,335,439	10,335,439
Balance at December 31, 2023	\$ 81,198,846	\$ 9,463,075	\$ 1,331,317	\$ 1,228,394	\$ 14,916,744	\$ (4,653,144)	\$ 1,500,000	\$ 104,985,232
Additional investents from members	12,738,163	-	-	-	-	-	-	12,738,163
Withdrawal from members	(9,366,511)	-	-	-	-	-	-	(9,366,511)
Capitalized dividends	1,500,000	-	-	-	-	-	(1,500,000)	-
Claims from dormant accounts, net	-	-	-	-	93,976	-	-	93,976
Contribution to contingency reserve	-	-	-	-	302,308	-	(302,308)	-
Contribution to reserve of indivisible capital 70%	-	6,308,079	-	-	-	-	(6,308,079)	-
Contribution to reserve required by COSSEC	-	-	-	901,154	-	-	(901,154)	-
Comprehensive net accumulated gain	-	-	-	-	-	817,536	-	817,536
Net income	-	-	-	-	-	-	9,011,541	9,011,541
Balance at December 31, 2024	\$ 86,070,498	\$ 15,771,154	\$ 1,331,317	\$ 2,129,548	\$ 15,313,028	\$ (3,835,608)	\$ 1,500,000	\$ 118,279,937

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



COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024, and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income	\$ 9,011,541	\$ 10,335,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	633,481	625,160
Provision for estimated credit losses	732,647	2,087,715
Dividends on investments from Cooperative Entities	(1,008,391)	(552,899)
Loss on repossessed properties	63,370	64,858
(Increase) Decrease in deferred costs of loan origination	(233,140)	186,610
Provision for asset disposal	300,000	-
Decrease (Increase) in other assets	(320,776)	983,930
Increase in accounts payable and accrued expenses	2,190,496	814,539
Net cash provided by operating activities	<u>11,369,228</u>	<u>14,545,352</u>
Cash flows from investing activities:		
Increase in loans, net	(18,247,769)	(36,346,941)
Recovery of loans charged against the credit loss reserve	592,846	741,200
Decrease (Increase) in savings certificates	750,000	(700,000)
Acquisition of equipment and improvements, net	(528,487)	(210,517)
Change in investments in securities, net	(7,717,607)	10,127,204
Net cash used in investing activities	<u>(25,151,017)</u>	<u>(26,389,054)</u>
Cash flows from financing activities:		
Decrease in certificates of deposits, net	(9,762,045)	20,181,761
Increase in certificates of deposit	5,791,312	-
Members' additional investment in shares	12,738,163	12,792,121
Members' withdrawals in shares	(9,366,511)	(11,717,025)
Repayment of lease liabilities	(99,081)	(95,516)
Net cash provided (used) by financing activities	<u>(698,162)</u>	<u>21,161,341</u>
Net Increase (Decrease) in cash and equivalents	<u>(14,479,951)</u>	<u>9,317,639</u>
Cash and equivalents at beginning of period	<u>22,293,481</u>	<u>12,975,842</u>
Cash and equivalents at end of period	<u>\$ 7,813,530</u>	<u>\$ 22,293,481</u>

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

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

1. ORGANIZATION AND REGULATORY MATTERS

Organization

Cooperativa de Ahorro y Crédito Barranquitas (“Credicentro or The Credit Union”) is organized according to the laws of the Commonwealth of Puerto Rico. The Credit Union is regulated by Law Number 255 of October 28, 2002, known as “Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002”. Savings and credit unions in Puerto Rico are regulated by the “Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico”, also known as COSSEC by its Spanish acronym.

The Credit Union is a non-profit organization primarily dedicated to receiving savings from its members in the form of shares and deposits (and from non-members in the form of deposits), and to providing members with sources of financing and investment. The Credit Union maintains its headquarters in the Municipality of Barranquitas and has 5 branches in the municipalities of Barranquitas, Ponce, Bayamón, Toa Baja and Orocovi, Puerto Rico. As of December 31, 2024, the Credit Union has 34,568 members and 8,127 non-members.

The Credit Union provides comprehensive financial services including, but not limited to personal, auto, mortgage, commercial, and secured loans, among others. Additionally, the Credit Union offers a wide variety of deposits products, offers the opportunity of conducting online transactions to its members, home banking services, and sells license plates and stamps for the Department of Treasury, among others.

The shares and deposits of Credit Unions in Puerto Rico are insured by COSSEC up to \$250,000 per depositor.

Regulatory Standards

Below are the most significant regulatory standards:

Indivisible Capital Reserve

Credit Unions shall maintain an undistributed capital reserve known as indivisible capital. Thirty-five percent (35%) of the indivisible capital reserve shall be held in liquid assets.

The Credit Unions must maintain a minimum amount of indivisible capital of eight percent (8%) of the total assets at risk. The following shall be considered as elements of the undistributed capital reserve (to determine the percentage of the same on assets at risk) according to Law 255:

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

1. The indivisible capital reserve, including the amount accumulated by the Credit Union up to the effective date of this Law, after deducting any accumulated or current losses.
2. Any reserves of capital made by the Credit Union, except for the reserve for unrealized gains or losses in marketable securities available for sale as required by the pronouncement issued by the FASB.
3. Fifteen percent (15%) of the undistributed retained earnings by the Credit Union.
4. The portion of reserves established by the Credit Union to absorb potential future losses on loans or financing that are not in arrears.
5. Capital obligations issued by the Credit Union and any other financial instruments expressly authorized by the Corporation (COSSEC) for inclusion as part of the indivisible capital.
6. Other elements established by the Corporation (COSSEC) through administrative determination.

As of December 31, 2024, and 2023, the Credit Union exceeds the statutory requirement for undistributed capital. The indivisible capital ratio as of December 31, 2024, and 2023, is 14.66% and 12.50%, respectively. The computation of the indivisible capital ratio on assets at risk is presented in Note 24.

Restricted Cash

The Credit Union is required to maintain a minimum level of cash for normal and current operations. Law 255 “Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002” requires the following:

- a. Thirty-five percent (35%) of the undistributed capital reserve shall be held in liquid assets.
- b. Any Credit Union whose undistributed capital reserve is less than eight percent (8%) of the total of its risky assets shall set aside and incorporate annually into the undistributed capital, twenty-five percent (25%) of its net savings until the reserve has reached and is maintained at eight percent (8%) of the assets at risk. Any Credit Union whose undistributed capital has reached and is maintained at eight percent (8%) of its assets at risk shall have discretion to reduce the contribution to the undistributed capital to no less than five percent (5%). As of December 31, 2024, and 2023, the Credit Union contributed \$6,308,079 and \$931,972, respectively, as undistributed capital. This represents seventy percent (70%) of its net earnings for 2024 and twenty percent (20%) for 2023, excluding federal funds.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

- c. Fifteen percent (15%) of demand deposits shall be maintained in liquid funds.
- d. Fifteen percent (15%) of the total certificates shall be maintained in liquid funds, excluding those with a maturity date within the next thirty (30) days, in which case twenty-five percent (25%) shall be maintained, and certificates that are pledged, in which case liquid funds do not need to be maintained.
- e. A monthly cumulatively eight-point thirty-three percent (8.33%) for specific account deposits until reaching one hundred percent (100%) shall be maintained.

As a result of the requirements of the aforementioned law 255, as of December 31, 2024, and 2023, the Credit Union held \$58,963,155 and \$57,691,863, respectively, in certificates and savings accounts that are not available for use in normal and current operations:

	<u>2024</u>	<u>2023</u>
Required funds:		
Reserve for undistributed capital (35% required)	\$ 5,519,904	\$ 3,312,076
Certificates and deposits with maturity more than 30 days	52,759,234	52,869,047
Deposits for special events	389,524	394,537
Certificates of deposits - maturity less than 30 days	<u>294,493</u>	<u>1,116,203</u>
Total funds required	58,963,155	57,691,863
Total funds available	<u>98,793,755</u>	<u>103,825,996</u>
Funds in excess	<u>\$ 39,830,600</u>	<u>\$ 46,134,133</u>

Undistributed Earnings

The Board of Directors shall arrange for the distribution of the net surpluses accumulated by the Credit Union at the end of each year, after amortizing any accumulated losses, if any, followed by contributions to the indivisible reserve and the provision for possible loan losses, mandatory and voluntary reserves, as provided by Law 255. No surplus distribution shall proceed while the Credit Union has accumulated losses. In cases where the Credit Union demonstrates that it has satisfactorily addressed the causes that led to the accumulated losses and shows sustained improvement in its financial, managerial, or operational condition, the Corporation may authorize the deferral of the accumulated loss and allow the distribution of a portion of the surpluses. Due to unrealized losses in special investments, COSSEC has established a temporary rule applicable to cooperatives to restrict the distribution of surpluses. The Credit Union has complied with such requirements.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The surpluses may be distributed based on a refund or rebate, computed considering the patronage of interest charged, or a combination of such a refund coupled 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 surplus distribution shall be made by crediting shares, never in cash.

Unclaimed Accounts

The cash and other liquid assets held by the Credit Union that have not been claimed or have not been subject of any transaction for five (5) consecutive years, except for amounts from shares accounts, shall be transferred to a reserve of the Credit Union's social capital or to its indivisible capital, at the option of the Credit Union. Neither the imposition of service charges nor the payment of interest or dividends shall be considered as a transaction or activity in the account.

On or before sixty (60) days after the close of the Credit Union's fiscal year, it shall have the obligation to notify the owners of inactive accounts that they will be subject to transfer. This shall be done by publishing a list in a visible place of the Credit Union's branches and service offices for a period of ninety (90) consecutive days. Simultaneously, a notice shall be published in a newspaper of general circulation in Puerto Rico, entitled "Notice of Unclaimed Cash and Other Liquid Assets in the Possession of Credit Union Barraquitas". The expenses incurred by the Credit Union in connection with the publication of the notice shall be proportionally deducted from the balance of each unclaimed account.

Any person who, during the ninety (90) day period, provides credible evidence of ownership of one or more accounts identified in the list, shall have the right to have them removed from the list and not be subject to transfer to the aforementioned reserves. After the transfer of an account or other liquid assets to the capital reserves, claims submitted no later than five (5) years from the transfer shall be admitted. In such cases, the Credit Union may impose administrative charges corresponding to the processing of the claim.

In accordance with these provisions, pursuant to Law 255, share accounts, deposits, and reserves of the Credit Union shall be exempt from the provisions of Law 36 of July 28, 1989, as amended, known as the "Ley de Dinero y Otros Bienes Líquidos Abandonados o no Reclamados".

"Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico" (COSSEC)

The "Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico" was created by Law number 114 of August 17, 2001, as amended, an entity that supervises and insures Savings and Credit Unions in Puerto Rico. Additionally, it supervises various types of Credit Unions under Law No. 239 of September 1, 2004, as amended. This law provides, among other things, that:

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

- a. The maximum combined amount of shares and deposits insurable by a member or depositor shall be two hundred and fifty thousand dollars (\$250,000) for Savings and Credit Unions.
- b. Each insured credit union shall maintain with the Corporation, as a capital contribution and as determined by it, an amount equal to one percent (1%) of the total shares and deposits held as of December 31 of each year of operations, as declared in the certified statement of shares and deposits or in the certified financial statements required by this law. Likewise, it shall establish rules and procedures for determining the annual increase that must be required of such capital contribution by reason of an increase in insured shares and deposits.
- c. When the sum of free reserves, not committed to the payment of losses, and the total capital of the Corporation exceeds two percent (2%) of the total insured shares and deposits, the Corporation will use said excess to pay interest in capital. Such interest shall be determined based on the average yield of the Corporation's total assets for the twelve (12) months preceding the date of payment, reduced by one percent (1%).
- d. Each credit union shall pay an annual premium based on actuarial reports. The Board of Directors of COSSEC may determine higher tariff rates provided that actuarial studies supporting them are available.

As of December 31, 2024 and 2023, the Credit Union had complied with the investment required by COSSEC amounting to \$4,670,438 and \$4,484,545, respectively, including capitalized dividends up to the date of these financial reports.

Contribution to the League of Cooperatives of PR

The Credit Union must contribute annually no less than one-tenth of one percent of the total business volume, up to a maximum of \$4,000 annually, to the “Liga de Cooperativas de Puerto Rico (la Liga)”. When this total volume exceeds \$4,000,000 annually, it will contribute an additional amount equivalent to five percent (5%) of its annual net surplus, up to a maximum of \$6,000. The combined total contribution will not exceed \$10,000 annually. These funds will be used by the League for educational purposes and integration of the Cooperative Movement.

Assemblies

At assemblies, the members of the Credit Union, whether natural or legal persons, and regardless of the number of shares they hold, shall have the right to one (1) vote each. No member may cast their vote through a proxy, except in the case of members who are legal persons, who may vote through their authorized representative. In the case of cooperatives organized by district, each district delegate shall likewise have the right to one (1) vote.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Preferred Shares and Capital Obligations

Subject to the approval of the Corporation, any cooperative may issue one or more classes of preferred shares, or one or more series of shares in any of the classes. It may also issue capital obligations. The total of preferred shares can never exceed the total of common shares issued and outstanding. The authority of a cooperative to issue preferred shares must be previously consented to by the general assembly of members or delegates, and the issuance of capital obligations must be authorized by COSSEC. The cooperative has not issued this type of preferred shares or capital obligations.

2. SUMMARY OF MOST SIGNIFICANT ACCOUNTING PRACTICES

The most significant accounting practices followed by the Credit Union are in accordance with industry practices, Law 255 mentioned above, regulations issued by COSSEC, and with generally accepted accounting principles in the United States of America. The most significant practices are as follows:

Accounting Standards in accordance with Generally Accepted Accounting Principles in the United States of America

Shares and Undistributed Earnings

Credit Unions in Puerto Rico present member shares in the members' equity section of the balance sheet. Accounting principles require that shares be presented in the members' deposit section of the same statement. Additionally, they recognize the distribution of their surplus by charging retained earnings, whereas accounting principles require such distributions to be recognized as interest expenses. If these items had been classified in accordance with generally accepted accounting principles in the United States of America, the total deposits would increase, and the members' equity would decrease by \$86,070,498 and \$81,198,846 as of December 31, 2024, and 2023, respectively. Additionally, net income would decrease, and interest expenses would increase by \$1,500,000 and \$1,300,000 for the years ended December 31, 2024, and 2023, respectively.

Shares are accounted for using the cash method. This method is generally accepted in credit unions in Puerto Rico. The Credit Union does not issue share certificates representing common stock. However, a statement is maintained for each member showing their participation in the Credit Union's capital balance. The Credit Union's capital is not limited in amount and consists of payments made by members to subscribe to shares and the distribution of dividends in shares. According to the Credit Union's Regulations, the par value of shares shall not be less than ten dollars (\$10). Pursuant to this regulation, each member must subscribe to at least twelve (12) shares per year.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Special Reserves

Law 255, dated October 28, 2002, establishes that the Board of Directors of any Credit Union may arrange for periodic contributions to voluntary reserves, which their creation have been previously approved by the general assembly of members or delegates. Voluntary reserves may be established for any legitimate purpose that advances the interests of the Credit Union or the Credit Union Movement. The use of such reserves must comply with the purpose established in the Credit Union's Internal Regulations.

On March 2, 2009, COSSEC issued Circular Letter 09-01, which establishes the accounting treatment for the establishment of the provision for possible loan losses and for the use of voluntary capital reserves. This letter indicates that "the use of any voluntary reserve must be recognized by reducing the specific voluntary reserve, as approved by the general assembly of members or delegates, and in accordance with the Credit Union's regulations, and as an increase in surpluses." Accounting principles require that any provision must be recognized as a charge to its operations for the year in which the reserve is required. If these items had been classified in accordance with generally accepted accounting principles in the United States of America, such reserves would be eliminated and the total undistributed earnings would increase by \$15,313,028 and \$14,916,744 as of December 31, 2024, and 2023, respectively. Here is a brief description of the mentioned reserves:

Additionally, COSSEC may require other special reserves.

Required Reserves

Contingency Reserve Required by COSSEC - This reserve is required by circular letter 2021-02 issued by COSSEC to strengthen and maintain adequate capitalization levels, in light of the changes resulting from the implementation of the new accounting pronouncement known as "Current Expected Credit Losses" (CECL).

Special Temporary Reserve, according to Law 220 of 2015

While the Savings and Credit Union maintains Losses under Special Amortization, it will establish a Special Temporary Reserve of ten percent (10%) of the unrealized loss of Special Investments. The cooperative no longer has losses under special amortization, and this reserve could become available according to the Cooperative Societies Law 220.

Voluntary Reserves

Social Capital Reserve— This reserve was created to transfer those inactive accounts of more than five (5) years.

Contingency Reserve— This reserve was created to mitigate any loss of an extraordinary nature that could affect the economy of the Credit Union's operations.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Other Reserves

The balance of other voluntary reserves for the years ended December 31, 2024, and 2023, is presented below:

	<u>2024</u>	<u>2023</u>
Contingency reserve	\$ 11,969,857	\$ 11,667,549
Social capital reserve	<u>3,343,171</u>	<u>3,249,195</u>
Total other voluntary reserves	<u><u>15,313,028</u></u>	<u><u>14,916,744</u></u>

This space was intentionally left blank.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Summary of Differences between Generally Accepted Accounting Principles (GAAP) and COSSEC

Below is a summary of the most significant effects of the differences between regulatory accounting practices (Regulatory Financial Statements) and the Generally Accepted Accounting Principles in the United States of America (US GAAP).

<u>Statement of Financial Condition</u>	Regulatory Financial Statements	Adjustments to conform US GAAP	US GAAP Financial Statements
ASSETS			
Cash and certificate of deposits	\$ 10,163,530	-	\$ 10,163,530
Investment in securities (available for sale)	73,002,441	-	73,002,441
Investments in securities (held-to-maturity)	18,554,613	-	18,554,613
Loans receivable, net of reserve CECL	335,574,282	-	335,574,282
Investments in cooperative entities	22,007,455	-	22,007,455
Property and equipment, net of accumulated depreciation	8,990,654	-	8,990,654
Other assets	12,465,214	-	12,465,214
Total assets	<u>\$ 480,758,189</u>	<u>\$ -</u>	<u>\$ 480,758,189</u>
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Deposits, members' shares and certificate of deposits	\$ 353,956,595	\$ 86,070,498	\$ 440,027,093
Accounts payable and accrued expenses	8,521,657	1,500,000	10,021,657
Total liabilities	362,478,252	87,570,498	450,048,750
Members' equity:			
Shares, per value of \$10	86,070,498	(86,070,498)	-
Regulatory reserve	15,771,154	(15,771,154)	-
Voluntary reserves	3,460,865	-	3,460,865
Other reserves	15,313,028	-	15,313,028
Accumulated comprehensive net loss	(3,835,608)	-	(3,835,608)
Surplus	1,500,000	14,271,154	15,771,154
Total members' equity	<u>118,279,937</u>	<u>(87,570,498)</u>	<u>30,709,439</u>
Total liabilities and members' equity	<u>\$ 480,758,189</u>	<u>\$ -</u>	<u>\$ 480,758,189</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

<u>Statements of Income</u>	Regulatory Financial Statements	Adjustments to conform US GAAP	US GAAP Financial Statements
Interests income	\$ 24,876,214	\$ -	\$ 24,876,214
Interests expense	<u>(4,418,804)</u>	<u>(1,500,000)</u>	<u>(5,918,804)</u>
Net interest income	20,457,410	(1,500,000)	18,957,410
Provision for uncollectible loans	<u>(732,646)</u>	<u>-</u>	<u>(732,646)</u>
Income after provision for loans	19,724,764	(1,500,000)	18,224,764
Other income	5,754,441	-	5,754,441
General and administrative expenses	<u>(16,467,664)</u>	<u>-</u>	<u>(16,467,664)</u>
Net income (loss)	<u>\$ 9,011,541</u>	<u>\$ (1,500,000)</u>	<u>\$ 7,511,541</u>

This space was intentionally left blank.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Accounting Standards Consistent with Generally Accepted Accounting Principles in the United States of America

Use of Estimates

The Credit Union's Management uses estimates to determine certain accruals and provisions in the accompanying financial statements. However, the use of estimates in the financial statements could present information that may not be in accordance with the actual items that will affect the financial statements.

Reclassification

Certain reclassifications are made in the Credit Union's financial statements to adjust related assets and liabilities or to conform them to the required presentation according to Generally Accepted Accounting Principles in the United States of America. Additionally, certain reclassifications were made to the financial statements for the period ended December 31, 2023, to conform them to the presentation of the financial statements for the period ended December 31, 2024. These reclassifications did not affect the Credit Union's operating result.

Tax Matters

Tax exemptions

Law 255, as mentioned above, establishes that Credit Unions, their subsidiaries, or affiliates shall be exempt from all kinds of taxation, except as indicated below, on income, property, patent, or any other contribution imposed or that may be imposed by the Commonwealth of Puerto Rico or any political subdivision thereof.

All shares and securities issued by the Credit Unions and by any of their subsidiaries or affiliates shall be exempt, both at their full value and in the dividends or interests paid under them, from all kinds of taxation on income, property, patent, or any other contribution imposed.

Credit Unions and their subsidiaries or affiliates are exempt from the payment of fees, including the payment of charges for licenses, patents, permits, and registrations, from the payment of charges, fees, stamps, or proofs of internal revenue concerning their registration in the Property Registry, among other exemptions according to Article 6.08 of Law 255.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Applicable Taxes

Law Number 40 of June 30, 2013, known as the "Tax Burden Adjustment and Redistribution Act", amended Article 6.08 of Law Number 255 to impose the Sales and Use Tax (SUT) established in Sections 4020.01 and 4020.02, the tax authorized by Section 6080.14, as well as the payment of excise taxes, taxes under Chapter 2, Subtitle C of the Code, as amended.

Law Number 159 of September 30, 2015, amended Law Number 1 of 2011, the Internal Revenue Code of P.R.; amends Law Number 255 of 2002; Law Number 239 of 2004 and Law Number 42 of 2015 to, among other things, impose a 4% tax effective October 1, 2015, on services rendered to other merchants, commonly known as B2B.

Law Number 40 of April 16, 2020, requires Credit Unions and other taxpayers, under certain conditions, to submit supplementary information, underlying the financial statements, which has been subjected to audit procedures applied in the audit of the financial statements carried out by a Certified Public Accountant (CPA) with a valid license in Puerto Rico. The Law applies to Credit Unions whose turnover is equal to or greater than \$10 million for tax years beginning after December 31, 2019.

Cash and Cash Equivalents

The Credit Union considers cash and equivalents to include current accounts in local banks, petty cash, cash held in branches, savings accounts, Money Market Funds, and savings certificates with a maturity of less than ninety (90) days.

Loans to Members and Non-Members

The Credit Union grants personal loans to its members up to \$50,000 and mortgage loans up to the maximum allowed under Regulation 7051, and to non-members in personal loans limited to the funds 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 the public's best interest.

Loans receivables are recognized when the funds are disbursed and the transaction is evidenced by a promissory note or loan agreement, and when requirements have been met, subject to policies or standards approved by the Board of Directors or the corresponding governing bodies. Regardless of the guarantees and collaterals offered, no credit union shall grant a loan to any person unless it evidences and documents the existence of reliable sources for repayment. These sources may be the funds held at the Credit Union and retained by it, including in the case of non-members, liquid assets as provided in Article 2.03 of Law 255.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The Credit Union may grant, among other services to members and non-members, personal loans, mortgage loans, auto loans, lines of credit, refinancing, commercial loans, collateralized loans, subject to the adoption and enforcement of credit assessment policies and procedures, specifically adopted for commercial financing implemented through commercial credit officers, duly trained for such services.

Implementation of new accounting principles to establish the allowance for “Current Expected Credit Losses”

Accounting Basis:

The accompanying financial statements incorporate the requirements of the new pronouncement ASU No. 2016-13 "Current Expected Credit Losses" ("CECL"), which introduces significant changes in accounting standards for the recognition of expected credit losses (CECL) for financial assets recognized in the financial statements. CECL establishes a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired or originated. Under the revised methodology, credit losses will be measured based on past events, current conditions, and reasonable and supportable forecasts that affect the collectability of financial assets.

Scope:

The scope of this new pronouncement applies to entities that hold financial assets and net investments that are not accounted for at fair value through net income. The pronouncement modifies the way in which the net realizable value in loans, available-for-sale investments, trade receivables, net investments in leases, credit exposures outside the financial statements, reinsurance receivables, and any other financial asset not excluded from the scope that has the contractual right to receive cash are determined. It is required that a financial asset (or group of financial assets) valued at amortized cost be presented at the net amount expected to be collected. The provision for credit losses is a valuation account deducted from the amortized cost basis of the financial asset(s) to present the net book value at the amount expected to be collected from the financial asset. Additionally, there are certain assets not recognized in the balance sheets where the impact on the CECL allowance needs to be evaluated, such as credit cards and lines of credit.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Management of inherent credit risks and asset quality:

The Credit Union's Management monitors the risks associated with its loan and investment portfolio, as the main financial assets subject to inherent credit and quality risk. They establish lending standards for credit approval that set parameters and conditions under circumstances and practices for approving loans. The regulations established by the regulator COSSEC set parameters for credit unions to comply with in determining their credit policies considering risk and quality factors. Additionally, the Credit Union hires advisors to monitor its portfolio of investment, as well as the evaluation of its credit policies when deemed appropriate.

Allowance for credit losses ("ACL")

The Credit Union establishes an estimate for credit losses ("ACL") for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, considering quantitative and qualitative factors. An ACL is recognized for all loans, including those originated and purchased from inception, with a corresponding charge to the provision for credit losses. Losses on loans are charged to the allowance for credit losses, and recoveries are used to reduce the ACL adjustment.

The Credit Union uses a methodology to estimate the ACL, which includes a reasonable forecast period and is supported by economic analysis to estimate credit losses, considering quantitative and qualitative factors, as well as economic outlooks. As part of this methodology, management evaluates several macroeconomic scenarios provided by third parties. As of December 31, 2024, management applied probability weights to the outcomes of the selected scenarios.

The application of probability includes benchmarks scenarios, both optimistic and pessimistic scenarios. The weights and variables applied are subject to quarterly evaluation as part of the ACL management process. The Credit Union considers additional macroeconomic factors as part of its qualitative adjustment framework. The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined to be the best factors of expected credit losses within the Credit Union's loans portfolio, and include factors such as the unemployment rate, various measures of employment levels, housing prices, gross domestic products, and available sources of income, among others.

The loss estimation framework includes a reasonable period supported by five years of experience for evaluating loan portfolios. The Credit Union developed quantitative models at the loan level distributed by geography and loan type. This segmentation was determined by evaluating their risk characteristics, including default patterns, repayment source, collateral type, and loan type, among others. The model framework includes comparable risk models to generate defaults and prepayments over the life, and other loan-level modeling techniques to estimate loss severity. Recoveries on future losses are considered as part of the loss severity model. These parameters are estimated by combining internal risk factors with macroeconomic expectations. Loans were classified into homogeneous loans in different categories of size and type to conduct similar loan analysis in determining the ACL.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Internal risk factors considered in the models may include borrower credit scores, loan-to-value ratio, delinquency status, risk ratings, interest rate, loan term, loan age, and collateral type, among others.

The credit cards portfolio, due to its revolving nature, does not have a specified maturity date. To estimate the average remaining term of this segment, management evaluated portfolio payment behavior based on internal historical data.

Accounting method for determining CECL:

The institution used the "WARM" model, which is a type of prediction rate applied to expected future outstanding balances of the homogeneous loan group. The annual loss rate to be applied is determined based on the historical loss reported by the Credit Union for each group, using a historical period of several years. Afterwards, each subsequent group's outstanding balance is calculated until maturity, excluding any expected future loan origination. Lastly, the average annual loss rate is multiplied by the current and projected annual loss rate.

Foreclosed assets and others:

An entity will measure expected credit losses based on the fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. An entity will not expect the default on the amortized cost basis to be zero solely based on the current value of the financial asset(s), but will also consider the nature of the collateral, potential future changes in collateral values, and historical loss information for financial assets secured by similar collateral. Consideration should not be based solely on the value of the collateral; instead, the nature of the collateral, potential future changes in collateral values, and historical loss information for financial assets secured by similar collateral should also be considered.

Off Balance Sheet Items (Balances on credit cards and lines of credit available):

For credit exposures off the balance sheet, an entity shall present the estimate of credit losses. The estimated expected credit losses on an off-balance-sheet financial instrument shall be recorded separately from the provision for credit losses related to a recognized financial instrument. In this section, it is mentioned with respect to off-balance-sheet instruments, which are recognized and reported separately to the allowance for credit loss as a liability, based on ASC 326-20-45-2 "Presentation of Financial Assets Measured at Amortized Cost Basis".

Qualitative basis:

ASU No. 2016-13, also known as the Current Expected Credit Losses (CECL) standard, includes a qualitative basis that describes the factors to be considered in estimating expected credit losses for financial assets. This qualitative basis is important because it helps ensure that estimates of expected credit losses are reliable and consistent.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Some of the highlights of the qualitative basis include:

1. Economic situation of the country: If the economy is in recession, institutions may have more difficulty meeting their financial obligations, which could increase the risk of default and expected credit losses.
2. Interest rate: Monetary policy decisions affecting interest rates can impact loan profitability, which could influence provisions for credit losses.
3. Industry and economic sectors: Some industries and sectors may be more prone to experiencing financial difficulties than others, which could affect the credit quality of an entity's loan portfolio.
4. Market: If there is intense competition in the credit market, entities may have to take on more credit risk to maintain profitability, which could increase the risk of default and expected credit losses.
5. Global economic and political conditions: Economic and political conditions in other countries can also affect the local economy and the credit quality of an entity's loan portfolio.

The qualitative basis of ASU No. 2016-13 is important because it helps ensure that estimates of expected credit losses are reliable and consistent. It is crucial for entities to continue monitoring and adapting their processes and controls to comply with the requirements of ASU 2016-13 and to maintain a robust assessment of their credit risks. Ultimately, this will enable them to make informed and prudent decisions regarding lending and managing their existing loan portfolio.

During the years ended December 31, 2024, and 2023, the Cooperative recognized estimated credit loss expenses of \$732,647 and \$2,087,715, respectively. Additionally, it has an estimated credit loss reserve of \$9,564,541 and \$11,023,093 for 2024 and 2023, respectively.

Direct Costs in Loan Origination

The Credit Union adopted ASC 310-20 “Receivables—Nonrefundable Fees and Other Costs”, Fees and Other Nonrefundable Costs, which requires deferring and amortizing direct costs in loan origination and recognizing income generated in lending activity through the life of loans.

Investments in Securities

Investments in securities consist mainly of securities issued by the United States government and securities collateralized by mortgages on residential, commercial, and other assets, as permitted classifications under Law 255 of 2002, as amended.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The Credit Union records investments in accordance with the requirements under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 942-320, Investments - Debt and Equity Securities. Additionally, ASC 942-825, Financial Instruments, allows companies, if they choose the option to report some financial assets and liabilities at fair value, and establishes presentation and disclosure requirements designed to facilitate comparison among companies choosing different measurement methods for the same types of assets and liabilities. As of December 31, 2024, and 2023, the Credit Union Management chose not to adopt the option to report some financial assets and liabilities at fair value, other than those detailed in Note 5. The following are the policies for recording investments:

- **Held-to-Maturity Securities:** Investments in held-to-maturity securities are those that Management intends to hold until maturity. These are recorded at cost, adjusted for the amortization or accretion of premiums or discounts, respectively, using the straight-line method. The cost of securities sold for the purpose of determining gains or losses is based on the amortized book value and is derecognized using the specific identification method.
- **Trading Securities:** These consist of securities acquired and held primarily for sale in the near future. These securities are recorded at fair market value, and gains and losses are recognized in the income statement for the year. The Credit Unions in Puerto Rico are not permitted to classify investments in this category.
- **Available-for-Sale Securities:** Available-for-sale securities are presented at fair market value. Gains or losses from the difference between book value and market value are presented in the Credit Union's equity section. The institution uses the specific identification method to identify securities sold or retained.

The realized gain or loss on the sale of available-for-sale marketable securities is determined by using the specific identification method to determine the cost of the instrument sold. Additionally, Management individually evaluates all marketable securities in the portfolio to determine whether any decline in market value is temporary or not. Any non-temporary decline is reflected in the current period's operations, and the investment value in the books is reduced.

Amortization of Premiums and Discounts

Premiums and discounts on debt instruments are amortized over the remaining life of the related instrument as an adjustment to its yield using the effective interest method. Dividend and interest income is recognized when earned.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Non-Temporary Decrease in Fair Market Value

The decrease in the fair market value of an instrument classified as available-for-sale, determined to be non-temporary, results in an impairment of the instrument's value, which is then recorded at its fair market value. To determine whether the impairment in the value of the instrument is temporary or not, the Credit Union considers all pertinent and available information about the collectability of the instrument, including prior events, current conditions, and reasonable projections and estimates demonstrating the amount of cash to be collected from the instrument. Evidence in this estimate includes reasons for impairment, the duration and severity of impairment, changes in valuation after the fiscal year-end, the projected performance of the issuer, and the overall market condition in the geographic area or industry where it operates. This assessment is conducted annually by the Credit Union's Management. As of December 31, 2024, and 2023, the Credit Union did not recognize losses from non-temporary decreases in marketable securities.

Investments in Cooperative Entities

The Credit Union records its investments in other cooperative entities at cost, increasing them by equity in the Credit Unions' earnings, once these are distributed through dividend shares. Investments in credit union entities, by their nature, do not have a secondary market or are disposed of through sales, so a market value is not determined.

Property and Equipment

Property and equipment are accounted for at their acquisition cost, net of depreciation and amortization. Improvements that extend the useful life of the asset are capitalized. Maintenance and repairs that do not extend the useful life of such assets are charged to the operations in the year they are incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the assets.

Management evaluates the book value of property and equipment when events or changes in circumstances indicate that the book value of such assets cannot be recovered. The recoverability of the asset that will be used and retained is determined by comparing the book value with the future undiscounted cash flows expected to be generated by the asset. If it is determined that impairment of a fixed asset has occurred, the difference between the future undiscounted cash flows and the book value of the property and equipment is recognized against the operations of the year.

As of December 31, 2024, the Credit Union did not recognize losses from impairment of fixed assets.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Dividends

The Board of Directors authorized the distribution of dividends for the years ended December 31, 2024, and 2023, in the amounts of \$1,500,000 and \$1,500,000, respectively.

Recognition of Interest Income and Expenses

Interest income on loans is recognized using the accrual method up to ninety (90) days. Interest is computed on the outstanding balance. The interest expense on certificates of deposit is computed and paid periodically as established in the agreement between the Credit Union and the member or customer at the time of opening the account. Interest expense on deposit accounts is computed daily based on the daily balance of the account.

Fair Value of Financial Instruments

The Credit Union adopted ASC 820 Fair Value Measurement, which defines the concept of fair value, establishes a consistent framework for measuring fair value, and expands disclosures about fair value measurements. In addition, this pronouncement amended ASC 825 Financial Instruments, and as such, the Credit Union follows ASC 820 in determining the disclosure of the fair value amount of financial instruments.

Determination of Fair Value:

In accordance with ASC 820 provisions, the Credit Union determines fair value based on the price that would receive to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Credit Union seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, following the fair value hierarchy provided by ASC 820.

The fair value hierarchy prioritizes unadjusted quoted prices in active markets for identical assets and liabilities Level 1 and assigns the lowest priority to unobservable inputs Level 3. In some cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy.

The level within the fair value hierarchy in which the fair value measurement is entirely based will be determined based on the lowest-level input that is significant to the entire fair value measurement. Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- **Inputs Level 1**
Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and can be used without adjustment to measure fair value whenever available.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

- **Inputs Level 2**
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- **Inputs Level 3**
Level 3 inputs are unobservable data for the asset or liability. Unobservable information is used to measure fair value to the extent that relevant observable data is not available, allowing for situations where there is little or no market activity for the asset or liability at the measurement date. However, the objective of fair value measurement remains the same, meaning the exit price at the valuation date from the perspective of a market participant holding the asset or owing the liability. Therefore, unobservable inputs will reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Net Comprehensive Income

The Credit Union's management applied ASC 220, Comprehensive Income, which requires the disclosure of comprehensive income. Comprehensive income is the total of: (1) net income plus (2) other changes in net assets that arise from other sources. The Statement of Changes in Partners' Equity presents the analysis of changes in the line item of accumulated other comprehensive income (loss).

3. CASH AND CASH EQUIVALENTS

The Credit Union considers cash and equivalents to be current accounts in banks, petty cash, cash held in Branches, savings accounts, investments in money market funds, and investments in savings certificates with a maturity of less than ninety (90) days. As of December 31, 2024, and 2023, the balance of cash and cash equivalents consisted of the following:

	<u>2024</u>	<u>2023</u>
Non-interest bearing accounts:		
Operating fund and petty cash	\$ 2,455,644	\$ 4,510,354
Cash in banks	787,532	1,893,671
Interests bearing accounts:		
Savings accounts	4,570,354	15,889,456
Total cash and cash equivalents	<u>\$ 7,813,530</u>	<u>\$ 22,293,481</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Concentration of Risks

The Credit Union maintains cash in various financial institutions (banks and credit unions) in Puerto Rico. Bank accounts in each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for \$250,000 per institution, and accounts in Credit Unions are insured by COSSEC, up to a maximum of \$250,000 per institution. As of December 31, 2024 and 2023, the Credit Union held deposits in the "Banco Cooperativo de Puerto Rico" ("hereinafter Bank") totaling \$12,443,383 and \$1,107,872, whose balances are uninsured. However, pursuant to Article 2.04 of Law 255, Credit Unions are authorized to make deposits in said institution. Additionally, the Credit Union complies with the requirement to maintain deposits in the "Banco Cooperativo", the percentage of which is defined in Law Number 79 of September 25, 1992. Said law amends Law Number 88 of June 21, 1966, which created the "Banco Cooperativo de Puerto Rico".

Below are the uninsured amounts by the FDIC, COSSEC, and Banco Cooperativo as of December 31, 2024, and 2023.

Additional Disclosure to the Statement of Cash Flows

The following is supplementary information to the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Supplemental Disclosure:		
Cash payment for interest:		
Deposits	<u>\$4,418,804</u>	<u>\$ 2,796,628</u>
Financing and investment activities non involving cash:		
Capitalized dividends	<u>\$1,500,000</u>	<u>\$ 1,300,000</u>
Transfers to reserve for contingencies	<u>\$6,308,079</u>	<u>\$ 931,972</u>
Transfers from dormant accounts	<u>\$ 93,976</u>	<u>\$ 67,576</u>
Change in unrealized loss on investment securities	<u>\$ (817,536)</u>	<u>\$(1,908,859)</u>
Loans write-off	<u>\$2,784,045</u>	<u>\$ 2,356,713</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

4. CERTIFICATES OF DEPOSIT

Certificates of deposit with an original maturity of three months or more consist of funds invested in Banks and Credit Unions. The maturities are broken down as follows:

Maturity	2024	2023
Less than a year	\$ 2,350,000	\$ 3,100,000
Between one and three years	-	-
Total	\$ 2,350,000	\$ 3,100,000

5. INVESTMENTS IN SECURITIES

The Credit Union records investments in accordance with the requirements of ASC 942-320, *Investments - Debt and Equity Securities*. As of December 31, 2024, and 2023, the investments in securities were as follows:

December 31, 2024 – Available for Sale

Description	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Corporate Bonds	\$ 11,301,763	\$ -	\$ (846,573)	\$ 10,455,190
Federal Home Loan Mortgage	452,315	-	(78,470)	373,845
Federal Home Loan Bank	6,827,491	-	(197,280)	6,630,211
US Treasury Notes	9,356,477	-	(5,068)	9,351,409
US Municipal Bonds	26,111,135	-	(1,515,057)	24,596,078
US Treasury Bills	10,951,988	42,347	-	10,994,335
Federal Farm Credit Bank	8,770,805	-	(1,061,636)	7,709,169
Federal National Mortg Assoc	2,989,316	-	(267,831)	2,721,485
Government National Mortgage Association (GNMA)	199,808	-	(29,089)	170,719
Total	\$ 76,961,098	\$ 42,347	\$ (4,001,004)	\$ 73,002,441

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

December 31, 2023 – Available for Sale

Description	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
US Municipal Bonds	\$ 9,549,614	\$ -	\$ (1,424,167)	\$ 8,125,447
Federal Home Loan Mortgage	513,415	-	(76,187)	437,228
Federal Home Loan Bank	10,798,796	-	(557,953)	10,240,843
Federal Agri MTG Corp Mtm	666,163	-	-	666,163
Federal Farm Credit Bank	8,008,140	-	(1,097,685)	6,910,455
Government National Mortgage Association	237,111	-	(25,415)	211,696
Treasury Notes	8,208,694	208	(136,230)	8,072,672
Corporate Bonds	12,006,358	-	(1,115,888)	10,890,470
Federal National Mortg Assoc	3,174,104	-	(219,827)	2,954,277
Total	<u>\$ 53,162,395</u>	<u>\$ 208</u>	<u>\$ (4,653,352)</u>	<u>\$ 48,509,251</u>

December 31, 2024 – Held to Maturity

Description	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Farm Credit Bank	18,554,613	-	(5,744,648)	12,809,965
Total	<u>\$ 18,554,613</u>	<u>\$ -</u>	<u>\$ (5,744,648)</u>	<u>\$ 12,809,965</u>

December 31, 2023 – Held to Maturity

Description	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
US Municipal Bonds	16,771,408	121,383	(149,595)	16,743,196
Federal Farm Credit Bank	18,558,788	-	(5,574,479.00)	12,984,309
Total	<u>\$ 35,330,196</u>	<u>\$ 121,383</u>	<u>\$ (5,724,074)</u>	<u>\$ 29,727,505</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The amortized cost and estimated market value of investments in securities as of December 31, 2024, and 2023, by their maturity, are presented below:

Maturity	December 31, 2024		December 31, 2023	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Less than one year	\$ 25,588,930	\$ 25,542,011	\$ 13,208,262	\$ 12,919,644
From one to five years	27,676,684	25,979,410	23,544,571	21,388,598
From five to ten years	19,520,263	17,666,418	24,126,141	22,488,147
More than ten years	22,729,834	16,624,567	27,613,617	21,440,367
Total	<u>\$ 95,515,711</u>	<u>\$ 85,812,406</u>	<u>\$ 88,492,591</u>	<u>\$ 78,236,756</u>

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

This space was intentionally left blank.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

6. LOANS

The Credit Union's loan portfolio as of December 31, 2024, and 2023, consisted of the following types and classes of financing:

	<u>2024</u>	<u>2023</u>
Commercial:		
Not-for-profit entities	\$ 5,817,951	\$ 5,899,733
Corporations and for-profit entities	24,918,717	22,505,499
Total commercial	<u>30,736,668</u>	<u>28,405,232</u>
Consumer:		
Personal	165,684,779	147,957,097
Emergency	32,669	2,626,227
Auto	104,090,876	104,139,857
Mortgage	40,659,897	41,247,899
Credit cards	97,968	126,774
Line of credit	2,763,622	2,577,004
Total consumer	<u>313,329,811</u>	<u>298,674,858</u>
Total loans	344,066,479	327,080,090
Allowance for credit losses	(9,564,541)	(11,023,093)
Plus deferred costs in origination loans	1,072,344	839,205
Total loans, net	<u><u>\$ 335,574,282</u></u>	<u><u>\$ 316,896,202</u></u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Allowance for Credit Losses

The movement of the provision for estimated credit losses of loans from the Credit Union as of December 31, 2024, and 2023, is as follows:

<u>December 31, 2024</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning balance	\$2,271,265	\$ 8,751,828	\$ 11,023,093
Provision for credit losses	-	732,647	732,647
Recoveries of loans charged against the reserve for credit losses	-	592,846	592,846
Loans write-offs	<u>(5,523)</u>	<u>(2,778,522)</u>	<u>(2,784,045)</u>
Balance at the end of the year	<u>\$2,265,742</u>	<u>\$ 7,298,799</u>	<u>\$ 9,564,541</u>

<u>December 31, 2023</u>	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Balance at beginning of the year	\$ 496,608	\$ 5,981,441	\$ 6,478,049
First-day "CECL" adjustment	919,506	3,153,336	4,072,842
Additional provision for the year	815,734	1,271,981	2,087,715
Recoveries of loan previously reserved	39,417	701,783	741,200
Loans write-offs	<u>-</u>	<u>(2,356,713)</u>	<u>(2,356,713)</u>
Balance at the end of the year	<u>\$2,271,265</u>	<u>\$ 8,751,828</u>	<u>\$ 11,023,093</u>

Quality Indicators for the Commercial Loan Portfolio

As part of the evaluation of concentration risk of the commercial loans portfolio, the Credit Union implemented a process to assess the quality of commercial credit. For commercial loans, Management conducted an individual risk assessment considering the probability of recovery and the quality of collateral. The Credit Union used the following classifications to evaluate its risk within the portfolio:

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

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

Follow-up – The loan is adequately secured with collateral as of December 31, 2024, and 2023, but there is potential for deterioration. The debtor's financial information is inconsistent or under-budget, presenting the possibility of short-term liquidity problems. Other typical characteristics of this classification include; lack of recent financial information, low capitalization, or industry risks. The primary repayment source remains in good condition, but there is a possibility of needing to use collateral or the assistance of a guarantor to repay the debt. Although this type of loan is current and recovery is understood not to be in doubt, the frequency of payments could be affected.

Sub-Standard – This type of loan is not adequately protected due to deterioration in the debtor's net capital or collateral impairment. The debtor has clear weaknesses in their financial condition that affect loan recovery. It is likely that the Credit Union will not recover the full amount of the loan. Loans classified in this category are considered impaired and do not accrue interest, so payments received are applied to the principal.

Doubtful – The loan has deficiencies of those presented in the "Sub-standard" category. In addition, the collectability of part or all of the loans is highly improbable. 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 likelihood of loan recovery. The loan has not been written off until a clearer view of the effect of the specific conditions mentioned above is obtained. These conditions may include additional capital injection, new collateral, refinancing, or liquidation process. Loans classified in this category are considered impaired and do not accrue interest, so payments received are applied to the principal.

Below is the commercial loan portfolio classified by risk category:

December 31, 2024	Without				Total
	Exception	Follow-up	Sub-standard	Doubtful	
Corporations	\$ 23,421,260	\$ 1,164,143	\$ 333,314	\$ -	\$ 24,918,717
Non-profit organizations	5,596,999	220,952	-	-	5,817,951
Total commercial	\$ 29,018,259	\$ 1,385,095	\$ 333,314	\$ -	\$ 30,736,668

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

December 31, 2023	Without				Total
	Exception	Follow-up	Sub-standard	Doubtful	
Corporations	\$ 20,016,804	\$ 1,823,329	\$ 482,363	\$ 183,003.00	\$ 22,505,499
Non-profit organizations	5,899,733	-	-	-	5,899,733
Total commercial	\$ 25,916,537	\$ 1,823,329	\$ 482,363	\$ 183,003	\$ 28,405,232

The Credit Union monitors the aging of its commercial loans portfolio in order to manage credit risk. Below are the categories of aging for the commercial portfolio:

December 31, 2024	Current or				90+ & Not	
	0-60	61-180	181-360	361 or more	Accruing	Total
Corporations	\$ 24,890,591	\$ 15,000	\$ 13,126	\$ -	\$ 15,000	\$ 24,918,717
Non-profit Organizations	5,817,951	-	-	-	-	\$ 5,817,951
Total commercial	\$ 30,708,542	\$ 15,000	\$ 13,126	\$ -	\$ 15,000	\$ 30,736,668

December 31, 2023	Current or				90+ & Not	
	0-60	61-180	181-360	361 or more	Accruing	Total
Corporations	\$ 22,322,496	\$ -	\$ 183,003	\$ -	\$ 183,003	\$ 22,505,499
Non-profit Organizations	5,899,733	-	-	-	-	\$ 5,899,733
Total commercial	\$ 28,222,229	\$ -	\$ 183,003	\$ -	\$ 183,003	\$ 28,405,232

Indicators of Consumer Loan Portfolio Quality

The Credit Union has various types of consumer loans, each with different credit risks. Delinquency, loss history, and loan-to-collateral value are quality indicators that the Credit Union monitors and uses in assessing the provision for estimated credit losses in its consumer loan portfolio. The primary factor in evaluating the provision for estimated credit losses in the consumer portfolio is determined based on the new accounting pronouncement ASC 326 Financial Instruments—Credit Losses, as mentioned in Note 2 of these financial statements, which includes assigning a risk to the product, based on its aging.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The Consumer Loans portfolio according to the aging categories as of December 31, 2024 and 2023, is presented below:

	Days Past Due				90+ & Not Accruing	Total
	Current or 0-60	61-180	181-360	361 or more		
December 31, 2024						
Personal	\$ 161,569,534	\$ 3,233,169	\$ 53,142	\$ -	\$ 3,286,311	\$ 164,855,845
Mortgage	39,480,716	245,382	25,149	908,651	1,179,182	40,659,898
Auto	103,326,564	764,312	-	-	764,312	104,090,876
Credit cards and lines of credit	2,760,959	22,354	78,277	-	100,631	2,861,590
Restructured	845,179	15,171	1,252	-	16,423	861,602
Total consumer	\$ 307,982,952	\$ 4,280,388	\$ 157,820	\$ 908,651	\$ 5,346,859	\$ 313,329,811

	Days Past Due				90+ & Not Accruing	Total
	Current or 0-60	61-180	181-360	361 or more		
December 31, 2023						
Personal	\$ 149,469,376	\$ 545,817	\$ 568,131	\$ -	\$ 1,113,948	\$ 150,583,324
Mortgage	40,217,193	145,598	131,956	753,152	1,030,706	41,247,899
Auto	103,401,920	527,205	210,732	-	737,937	104,139,857
Credit cards and lines of credit	2,600,858	55,850	-	-	55,850	2,656,708
Restructured	-	-	46,062	1,008	47,070	47,070
Total consumer	\$ 295,689,347	\$ 1,274,470	\$ 956,881	\$ 754,160	\$ 2,985,511	\$ 298,674,858

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The types of loans comprising the consumer loan portfolio classified according to credit score at the time of origination are presented below:

December 31, 2024	Distribution				Total
	less than 600	601-650	651-700	701 or more	
Personal	\$ 15,183,097	\$ 9,639,228	\$ 29,192,802	\$ 110,840,718	\$ 164,855,845
Mortgage	33,651,366	2,336,482	13,742,977	21,665,740	71,396,565
Auto	28,246,913	2,522,985	8,037,267	65,283,713	104,090,878
Credit cards and lines of credit	25,381	16,570	46,782	2,772,857	2,861,590
Restructured	510,583	124,759	132,434	93,825	861,601
Total consumer	\$ 77,617,340	\$ 14,640,024	\$ 51,152,262	\$ 200,656,853	\$ 344,066,479
December 31, 2023	less than 600	601-650	651-700	701 or more	Total
Personal	\$ 11,899,582	\$ 10,839,004	\$ 25,060,017	\$ 102,784,721	\$ 150,583,324
Mortgage	4,323,941	6,578,513	12,420,285	17,925,160	41,247,899
Auto	4,092,830	6,499,121	15,875,029	77,672,877	104,139,857
Credit cards and lines of credit	150,175	512,563	664,031	1,377,009	2,703,778
Total consumer	\$ 20,466,528	\$ 24,429,201	\$ 54,019,362	\$ 199,759,767	\$ 298,674,858

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The Loan to Value (LTV) ratio of the collateral is the percentage calculated by dividing the principal balance of the loan, by the collateral value at the time of origination. In recent years, residential real estate markets have experienced declines in property values. The loan-to-value ratio does not necessarily reflect the repayment performance but provides an indicator of collateral value and exposure for the Credit Union. In cases where the loan cannot be recovered, the loss the Credit Union would incur should be limited to the excess of the net realizable value of the property compared to the loan balance. The distribution of the mortgage loan portfolio according to the aforementioned ratio is presented below.

	Loan-to-Value (LTV) Ranges				Total
	0-80%	81-90%	91-100%	>100%	
December 31, 2024					
Mortgage	\$ 37,019,696	\$ 3,046,074	\$ 594,127	\$ -	\$ 40,659,897
December 31, 2023					
Mortgage	\$ 37,515,954	\$ 2,948,390	\$ 508,537	\$ 275,018	\$ 41,247,899

Delinquent Loans

Below, we present a summary of the delinquent loan portfolio by type of loan as of December 31, 2024, and 2023:

	2024		2023	
	Unpaid Principal Balance	Specific Allowance	Unpaid Principal Balance	Specific Allowance
Corporations	\$ 28,126	\$ -	\$ 183,003	\$ -
Personal	3,286,311	919,321	1,113,948	391,165
Mortgage	1,179,182	569,456	1,030,706	83,369
Auto	764,312	171,144	737,937	179,197
Credit cards and Lines of Credit	100,630	25,491	102,920	34,201
Other	16,423	16,423	-	-
Total loans	\$ 5,374,984	\$ 1,701,835	\$ 3,168,514	\$ 687,932

Below, we present a summary of the modified loans classified as restructurings, and those restructured loans that subsequently became delinquent as of December 31, 2024:

	Restructured loans			Restructured loans in delinquency		
	Quantity of Loans	Principal Balance	Reserve Impact	Quantity of Loans	Principal Balance	Reserve Impact
December 31, 2024						
Consumer:						
Personal	79	\$ 861,602	\$ 269,977	4	\$ 16,423	\$ 16,423
Total consumer	79	861,602	269,977	4	16,423	16,423

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

7. FINANCIAL INSTRUMENTS OF UNRECOGNIZED RISK IN THE BALANCE SHEET

In the normal course of business, the Credit Union uses certain risk instruments that are not recognized in the balance sheet to meet the financing needs of its members. These financial instruments include commitments to extend credit and credit cards. These instruments possess, at various levels, elements of credit risk exceeding those recognized in the balance sheet. The nominal or contractual amounts of such instruments, which are not included in the balance sheet, are indicative of the Credit Union's activities in a particular financial instrument.

The Credit Union uses credit standards similar to those used for financial instruments reported in the statement of financial condition, when making commitments and conditional credit guarantees. Commitments to extend credit are contractual obligations to lend funds to members at a predetermined interest rate for a specific period of time. Because many of these commitments expire without any disbursement being made, the total balance of commitments does not necessarily represent future disbursements required.

The Credit Union evaluates the creditworthiness of its members, individually before extending credit and determines, through credit assessment of the applicant, the amount of collateral to be obtained as a condition to the requested credit. The amount of commitment to extend credit as of December 31, 2024, and 2023, is composed of the following:

	<u>2024</u>	<u>2023</u>
Credit cards	<u>\$5,109,782</u>	<u>\$4,735,537</u>
Lines of credit	<u>\$7,617,239</u>	<u>\$3,581,319</u>

This space was intentionally left blank.



COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

8. INVESTMENTS IN COOPERATIVE ENTITIES

The investments in cooperative entities represent deposits made in organizations and cooperative entities in Puerto Rico. The investment is recognized at cost, plus dividends received on such investments. Investments in credit union entities, as of December 31, 2024, and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Corporación para la Supervisión y Seguro de Cooperativas de Ahorro y Crédito (COSSEC)	\$ 4,670,438	\$ 4,484,545
Cooperativa de Seguros Múltiples de Puerto Rico	6,241,220	5,778,907
Banco Cooperativo de Puerto Rico (BANCOOP)	7,998,318	7,313,765
Cooperativa de Seguros de Vida de Puerto Rico (COSVI)	2,439,520	2,759,875
Fondo de Inversión y Desarrollo Cooperativo (FIDECOOP)	502,081	526,449
USICOOP	75,000	75,000
Liga de Cooperativas de Puerto Rico	2,560	2,560
Cooperativa de Servicios Fúnebres	57,318	36,963
CSM Mortgage	20,000	20,000
Circuito Cooperativo	1,000	1,000
Total	<u>\$ 22,007,455</u>	<u>\$ 20,999,064</u>

9. PROPERTY AND EQUIPMENT

As of December 31, 2024, and 2023, the property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Property and equipment subject to depreciation		
Buildings and property improvements	\$ 12,126,979	\$ 11,804,366
Furniture, equipment and software	4,265,636	4,090,873
Auto	83,972	83,972
Total property and equipment subject to depreciation	16,476,587	15,979,211
Accumulated depreciation	<u>(9,059,830)</u>	<u>(8,429,506)</u>
Total property and equipment, net of accumulated depreciation	<u>7,416,757</u>	<u>7,549,705</u>
Property and equipment not subject to depreciation		
Land	<u>1,573,897</u>	<u>2,457,095</u>
Total property and equipment, net	<u>\$ 8,990,654</u>	<u>\$ 10,006,800</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

10. OTHER ASSETS

Other assets as of December 31, 2024, and 2023 are presented below:

	<u>2024</u>	<u>2023</u>
Interest receivable from loans, certificates and others	\$ 1,815,814	\$ 1,704,214
Prepaid and deferred insurance and other expenses	265,206	215,498
Loss under special amortization	-	1,331,317
Repossessed automobiles and properties, net of reserve	800,707	414,647
Operating lease, net of amortization (see note 13)	273,415	372,496
Godwill from Regla de Oro acquisition	6,566,916	7,442,505
COSSEC fee	559,046	489,407
Other	<u>2,184,110</u>	<u>237,724</u>
Total	<u><u>\$ 12,465,214</u></u>	<u><u>\$ 12,207,808</u></u>

11. MEMBERS' SHARES

As of December 31, 2024, savings accounts paid an average interest rate ranging from 0.10% for non-members to 0.25% for members. The interest rate may vary depending on the account balance, type of account, member or non-member status, and whether minimum balance requirements are met, among other factors. As of that date, interest rates on savings certificates averaged 3.05% for members and 0.52% for non-members, except for cooperatives whose applicable rate averaged 3.09% on that date. Interest rates on deposits for specific events averaged 1.00% for members and non-members. In summary, the total deposit portfolio as of December 31, 2024, and 2023 paid an average rate of 0.72% and 0.67%, respectively.

Members can make withdrawals from their accounts on any business day. However, when the Cooperative's Board of Directors deems it necessary, they may require members to notify their intention to make withdrawals thirty (30) days in advance.

Deposits in summer and Christmas savings plans are paid annually in April and October, respectively. Deposits as of December 31, 2024, and 2023 are composed of the following:

	<u>2024</u>	<u>2023</u>
Deposits accounts	\$ 231,488,970	\$ 239,781,869
Checking accounts	32,807,216	34,297,863
Minors savings accounts	215,282	202,108
NaviCoop	467,057	441,704
VeraCoop	409,140	426,166
Commercial checking accounts	-	-
Total	<u><u>\$ 265,387,665</u></u>	<u><u>\$ 275,149,710</u></u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

As explained in Note 1, the maximum combined amount of shares and deposits insured to a member or depositor, by the “Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico”, shall be two hundred fifty thousand dollars (\$250,000), for Credit Unions. As of December 31, 2024, the members and customers of the Credit Union had \$15,440,267 in deposits and shares within the amount covered by COSSEC insurance.

12. CERTIFICATES OF DEPOSITS

The interest rate on certificates varies according to the amount and negotiated time. As required by ASC-942-405-50 Liabilities Supplier Finance Programs, time deposits, in denominations of \$250,000 or more, totaled \$29,810,123 as of December 31, 2024. As required by ASC-470-10-50, Disclosure of Debt, the following are time deposits categorized by their maturity dates:

<u>For the year ending December 31:</u>	<u>Amount</u>
2025	\$ 77,565,283
2026	7,603,952
2027	2,327,231
2028	614,924
2029 or later	457,540
	<u>\$ 88,568,930</u>

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2024, and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Suppliers of services, materials, and others	\$ 5,418,056	\$ 2,775,574
Accruals	216,795	163,177
Prepaid mortgage loans (escrow accounts)	268,130	292,275
Salaries and contributions	368,629	1,048,106
Capitalizable operating lease debt	273,415	372,496
Loan insurance	436,120	121,131
Others	1,540,512	1,657,483
Total	<u>\$ 8,521,657</u>	<u>\$ 6,430,242</u>

Operational Lease Contracts

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

The Credit Union maintains one (1) lease contract for a location used as a branch in Ponce, with an area of 3,750 square meters, including a building and parking area located on Ave. Tito Castro (Route 14) in Ponce, Puerto Rico. The lease term, classified as an operational lease, is five (5) years, expiring on April 4, 2027. Starting April 4, 2023, the Cooperative will be paying \$7,000 monthly for the first five (5) years of the contract until April 4, 2027.

The projected rent to be paid until the expiration of the lease contract for the following years in terms of principal is:

<u>For the year ending</u>	
<u>December 31:</u>	<u>Amount</u>
2025	\$ 111,096
2026	111,096
2027	<u>64,806</u>
Total	<u>\$ 286,998</u>

The lease expense for capitalizable assets in real estate rental contracts for the years ended December 31, 2024, and 2023 was \$24,705 and \$134,341, respectively. The operational lease expense is included in the statement of income and expenses. Regardless of the fact that the lease contracts are operational and contain staggered future payment clauses, the Credit Union recognizes the incurred rent expense according to the contract for each period and recognizes deferred rent under operational lease, as presented in Note 10.

14. OTHER INCOME

Other income as of December 31, 2024, and 2023, consists of the following:

	<u>2024</u>	<u>2023</u>
Commission	\$ 1,477,986	\$ 1,427,245
Service charges	222,747	\$ 381,106
"ATH" and credit card fees	192,812	\$ 186,181
Dividends and sponsorship	1,582,201	\$ 1,202,748
Income from mortgage closings	166,057	\$ 158,307
Income from investment sales	47,526	\$ 329,299
Profit from land sale	223,180	-
Other	<u>1,841,932</u>	<u>954,802</u>
Total	<u>\$ 5,754,441</u>	<u>\$ 4,639,688</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

15. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of general and administrative expenses of the Credit Union for the period ended December 31, 2024, and 2023, consists of the following items:

	<u>2024</u>	<u>2023</u>
Salaries, employers contributions and benefits	\$ 3,624,263	\$ 3,779,871
Pension plan	525,000	566,981
Medical plan	678,301	530,655
Insurance	1,516,826	1,582,811
Depreciation and amortization	633,481	625,160
Rent	324,528	325,530
Investment amortization	1,331,317	1,008,000
Goodwill amortization	875,589	875,589
Education and fees	22,724	19,324
Promotion	714,583	642,842
Assemblies	149,176	76,250
Governing bodies	197,716	199,725
Professional fees	2,409,764	2,350,369
Repairs, maintenance, licenses, and software	558,343	541,776
Electricity, water, and telephone	348,153	445,347
Postage	97,172	86,673
Office and administrative supplies	13,625	17,796
Master Card system maintenance	843,514	765,534
Credit investigations	67,592	71,909
Bank charges	166,944	140,415
Losses on repossessions, investment disposals, and others	63,370	23,359
Others	1,305,683	1,335,873
Total	<u>\$ 16,467,664</u>	<u>\$ 16,011,789</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

16. GROUP LIFE INSURANCE FOR SHARES AND LOANS

Members who meet the eligibility requirements enjoy share insurance, which provides coverage up to a maximum of seven thousand dollars (\$7,000). Loan insurance is paid by the members and provides coverage up to a maximum of fifty thousand dollars (\$50,000). These insurances are maintained with the Cooperativa de Seguros de Vida (COSVI).

The loan insurance premium is paid by the members, and the share insurance premium is paid by the Credit Union. The insurance expense for the years ended December 31, 2024, and 2023 was \$109,500 and \$122,365, respectively.

17. MEDICAL PLAN

The Credit Union has a medical plan for its employees to which it contributes one hundred percent (100%) of the cost of the individual plan and for managerial staff. Additionally, it contributes between seventy percent (70%) and eighty-five percent (85%) of the cost of the plan for unionized staff. The medical plan expense for the years ended December 31, 2024, and 2023 was \$678,301 and \$530,655, respectively.

18. ALLOWANCE FOR COOPERATIVE INDUSTRY EDUCATION

The Credit Union is required by Law 255 to set aside annually for educational purposes and the integration of Credit Unions in Puerto Rico, no less than one-tenth of one percent (0.10%) of the total business volume. Within three (3) months following the closure of its operations for each fiscal year, such Credit Unions will determine the amount resulting from the referred 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) annually will be required to contribute an additional amount of five percent (5%) of its annual net surplus, up to a maximum of ten thousand dollars (\$10,000).

The Credit Union accrued the expense corresponding to the provision for Credit Union education as of December 31, 2024, and 2023.

19. PENSION PLAN

The Credit Union maintains a defined contribution pension plan that covers all qualifying employees. The Credit Union pays the contribution for the employee up to a maximum of four percent (4%) of the monthly salary, depending on various factors, and also pays for the administration of the Plan. It is the Credit Union's policy to deposit the accumulated costs monthly into the pension plan, which is held in a trust with EMPOWER. The expense for this concept for the years ended December 31, 2024, and 2023 was \$525,000 and \$566,981, respectively.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

20. COMMITMENTS AND CONTINGENCIES

Agreements for Share Drafts Accounts Maintenance

The Credit Union maintains, as part of its other services to its members, share draft or checking accounts. The Credit Union will be responsible for all risks associated with the operation of share draft accounts, including, but not limited to, customer acceptance, account opening, acceptance of overdraft deposits, setting holds on deposited checks, recording customer credits, and all inherent risks for this type of service. The administrative costs of this account will be borne by the Credit Union. The Credit Union will set the charge for its services to the customer. The Credit Union has an agreement with the “Banco Cooperativo” to present it in the check exchange and returns, in accordance with the regulations of the Puerto Rico Clearinghouse Association.

Legal Actions

Credit unions are subject to compliance with state and federal laws regarding regulatory matters, consumer protection laws in the area of consumer loans, mortgages, and others applicable to financial entities. These include anti-money laundering procedures, due diligence processes, required consumer disclosures, among others. The Credit Union’s Management maintains a program to reasonably ensure compliance with applicable laws and regulations. The Credit Union has not had interventions from federal or state agencies regarding non-compliance. Failure to comply with legal provisions could result in fines or other legal or criminal actions. The financial statements do not include adjustments related to these uncertainties.

Compliance with State and Federal Laws

Credit unions are subject to compliance with state and federal laws regarding regulatory matters, consumer protection laws in the area of consumer, mortgage loans, and other applicable requirements to financial institutions. These include anti-money laundering procedures, due diligence processes, required disclosures to consumers, among others. The Credit Union's management maintains a program to reasonably ensure compliance with applicable laws and regulations. The Credit Union has not had interventions from federal or state agencies regarding non-compliance. Failure to comply with legal provisions could result in fines or other legal or criminal actions. The financial statements do not include adjustments related to these uncertainties.

Legal Claims and Lawsuits

The Cooperative is the plaintiff in legal actions commonly related to financial institutions of its nature in the collection processes from borrowers for delinquent loans. Additionally, it is not involved in any legal action against it that could be considered significant at the end of the year.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Agreement for the Purchase and Servicing of Loans

The Credit Union entered into an agreement for the purchase and servicing of loans with several loan selling companies (the selling party), which are responsible for the administration and collection of the loans.

Loans are primarily granted for the acquisition of vehicles and commercial equipment. The Credit Union holds ownership of the acquired loans.

The selling party is responsible for the collection of principal and interest on the loans, contributions, insurance, and reserves, monthly. These payments are remitted to the Credit Union under the agreed terms. If any of these loans become delinquent, the selling party is responsible for following up with the customer and taking the necessary actions to bring the loan up to date, including legal actions.

For the aforementioned services, the selling party charges the Credit Union a monthly fee of 0.25% of the average principal payment received monthly from customers plus 50% of various surcharges, such as late payment fees, extensions, among others.

Interest Rate Risk

Interest rate risk is the exposure of the economies and the current or future capital of a cooperative to adverse changes in market rates. This risk is a normal part of the risks managed by financial institutions and cooperatives.

Proper management of this risk results in an important source of profitability and value for cooperatives. However, excessive interest rate risk can pressure the economies, capital, liquidity, and solvency of financial institutions.

During the year ended December 31, 2024, the effect of the monetary policy of the Federal Reserve of the United States of America, in relation to the speed of interest rate increases, has pressured the balance sheets of financial institutions in general, specifically on the aforementioned items.

As of December 31, 2024, the Cooperative continued to closely measure and monitor this risk in order to anticipate and effectively control any adverse effects that may arise from exposure to it.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

CDFI Funds

During the year 2023, the Credit Union entered into an agreement with the United States Federal Treasury Department to receive federal funds from the *Community Development Financial Institutions Funds* under the CDFI program. These funds can be used for financial products in eligible markets, financial services (regulated institutions only) in eligible markets, development of services in eligible markets, reserve for uncollectible loans in eligible markets, capital reserves (regulated institutions only), among others.

Credit Risk Concentration

There is a geographic concentration in the loan portfolio since the Credit Union's operations are mostly conducted with members and clients in the towns of the Barranquitas, Orocovis, Ponce, Bayamon, Toa Baja, and surrounding areas. The credit concentration by type of loan is presented in Note 6 of the financial statements.

This space was intentionally left blank.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

To determine the fair value of financial instruments, the Credit Union's management used the following methods and assumptions:

- a. The book value of cash, financial liabilities, and shares approximates their fair value due to their short-term nature. As a practice in the industry, in a merger, consolidation, or sale of assets and liabilities with another credit union, these are recognized at their book value in such transfer.
- b. The book value of cash equivalents and certificates approximates their market value due to their nature.
- c. The fair value of loans was estimated using the discounted value of impaired loans, based on their unreserved risk. The estimated value of loans, advances, and other receivables is net of the specific provision. The Credit Union classifies these assets as Level 3 within the fair value hierarchy. Management determined that the best available method for the fair value of loans is according to the methodology presented. The Credit Union's and the industry's experience is to hold loans in portfolio until maturity.
- d. The estimated value of investments is based on market prices when available (Level 1), market price quotations of similar investments (Level 2), the market price of the last transaction for that instrument in an active market (Level 2), or the proportional net assets associated to such investments (Level 2), as appropriate.
- e. The value of investments in cooperative entities represents the original cost of the investments made, plus capitalized dividends, less withdrawals or returns. Management understands that the fair value of such investments should approximate the book value due to their regulatory framework. In the purchase and sale of financial assets in a credit union, the value that the acquiring Credit Union has quoted for these shares equals to their par value, in transactions supervised and executed by COSSEC.
- f. Repossessed automobiles and properties are recorded at the lower cost (book value of the loan) or their fair value, less any estimated costs to dispose of the property. Fair values are derived from property appraisals. If the property is recently acquired, it is recorded in the books based on its market value less the cost to sell at the acquisition date. The Credit Union classifies these properties as Level 3 within the fair value hierarchy.

Financial Assets Recognized at Fair Value on a Recurring Basis

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

As of December 31, 2024, and 2023, the Credit Union had available-for-sale securities for which fair value measurement is required on a recurring basis:

December 31, 2024				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in securities available for sale	\$ -	\$ 73,002,441	\$ -	\$ 73,002,441
Investment in securities held to maturity	\$ -	\$ 12,809,965	\$ -	\$ 12,809,965
Total	\$ -	\$ 85,812,406	\$ -	\$ 85,812,406

December 31, 2023				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in securities available for sale	\$ -	\$ 48,509,251	\$ -	\$ 48,509,251
Investment in securities held to maturity	\$ -	\$ 29,727,505	\$ -	\$ 29,727,505
Total	\$ -	\$ 78,236,756	\$ -	\$ 78,236,756

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

Fair Value Determined

As of December 31, 2024, and 2023, the estimated fair value of financial instruments was determined as follows:

	2024		2023	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 7,813,530	\$ 7,813,530	\$ 22,293,481	\$ 22,293,481
Certificates of deposits (due over three months)	2,350,000	2,350,000	3,100,000	3,100,000
Investments in securities (available for sale)	73,003,441	73,003,441	48,509,251	48,509,251
Investment in securities (held to maturity)	18,554,613	12,809,965	35,330,196	29,727,505
Loans receivables, net of current expected credit losses	335,574,282	330,199,298	316,896,202	288,228,313
Investments in cooperative entities	22,007,455	22,007,455	20,999,064	20,999,064
	<u>\$ 459,303,321</u>	<u>\$ 448,183,689</u>	<u>\$ 447,128,194</u>	<u>\$ 412,857,614</u>
Financial Liabilities				
Deposits	\$ 265,387,665	\$ 265,387,665	\$ 275,149,710	\$ 275,149,710
Certificates of deposits	8,521,657	8,521,657	6,430,242	6,430,242
Members' shares	86,070,498	86,070,498	81,198,846	81,198,846
	<u>\$ 359,979,820</u>	<u>\$ 359,979,820</u>	<u>\$ 362,778,798</u>	<u>\$ 362,778,798</u>

22. TRANSACTIONS BETWEEN RELATED PARTIES

Virtually all the Credit Union's employees and members of the board of directors maintain savings accounts, loans payable to the Credit Union, and enjoy the services provided by the Institution. The terms of these transactions (interest charged and paid) are similar to those of accounts held by members in general.

Below is the movement of loans, and deposits and shares of employees and board members during the years ended December 31, 2024, and 2023:

	2024	2023
Loans, beginning balance	\$ 3,659,160	\$ 1,722,132
New loans, net of repayments	<u>(280,154)</u>	<u>1,937,028</u>
Loans, ending balance	<u>\$ 3,379,006</u>	<u>\$ 3,659,160</u>
Deposits and shares	<u>\$ 2,646,390</u>	<u>\$ 3,248,481</u>

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

23. SUBSEQUENT EVENTS

As of December 31, 2024, the Credit Union adopted ASC 855, related to Subsequent Events. ASC 855 establishes the general standards for accounting and disclosure of events that occurred after the balance sheet date but before the financial statements' issuance date.

Specifically, it establishes the period after the balance sheet date during which the Credit Union's Management must evaluate events or transactions that may have occurred and would need to be recorded or disclosed in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure that should be provided for those events that may have occurred after the balance sheet date. As of December 31, 2024, there are no subsequent events that require disclosure in the financial statement.

This space was intentionally left blank.

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

24. RATIO OF INDIVISIBLE CAPITAL

As indicated in Note 1, the Credit Union must maintain a minimum of indivisible capital of eight percent (8%) of the total assets subject to risk. The calculation of the indivisible capital ratio over risk-weighted assets is determined as follows:

	<u>2024</u>	<u>2023</u>
Elements of Undistributed Capital:		
a. Undistributed capital	\$ 15,771,154	\$ 9,463,075
b. Accumulated net losses	-	-
c. Reserve required by COSSEC	2,129,548	1,228,394
d. Other reserves (discretionary)	15,106,968	16,248,061
e. 15% of the Credit Union's undistributed retained earnings	225,000	225,000
f. Portion of the allowance for loan losses for nondelinquent loans	3,242,449	3,148,228
g. Debt securities issued by the Credit Union	-	-
h. Other financial instruments authorized by COSSEC	-	-
i. Other elements COSSEC has established by regulation	-	-
Total undistributed capital	<u>\$ 36,475,119</u>	<u>\$ 30,312,758</u>
Elements of assets subject to risk:		
Total assets, excluding allowance for loan losses of \$(9,564,541) and \$(11,023,093) for the years 2024 and 2023, respectively	\$ 490,322,729	\$ 480,365,895
Less:		
I. Assets with risk consideration of 0.00%:		
A. 100% Cash in hand and in transit possessed by the Credit Union	2,455,644	2,904,802
B. 100% Bonds and debt securities, including portions of all these, they are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies	16,098,919	211,695
C. 100% Loans, including all portions thereof which are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies	-	6,720,601
D. 100% of the loans fully secured by first mortgages on residential properties of one to four families	43,278,803	38,779,140
E. 100% Student loans insured under the "Higher Education Act"(1965)	-	-
F. 100% Members' loans secured by shares, deposits or both that may NOT be withdraw from the Credit Union	-	-
G. 100% of the Credit Union investment in the Corporation	4,670,438	4,484,545
H. 100% Other Assets at Risk established by the Corporation	-	-

COOPERATIVA DE AHORRO Y CRÉDITO BARRANQUITAS

NOTES TO THE FINANCIAL STATEMENTS

For the years ended on December 31, 2024, and 2023

	<u>2024</u>	<u>2023</u>
II. Assets subject to risk with 20%		
A. 80% Items in collection process	\$ 11,928,061	\$ 15,510,943
B. 80% Interest in collection process	727,024	337,246
C. 80% Portion of loans to non-members guaranteed by liquid assets that is hold as collateral	-	-
D. 80% Obligations and debt securities	60,417,978	66,902,202
E. 80% Loans, obligations and debt securities	-	-
F. 80% of deposits, loans, bonds and debt securities, including portions thereof, that are issued, insured or guaranteed by depository institutions in the United States and Puerto Rico	1,880,000	2,480,000
G. 80% book value of real property or appraised value, whichever is less	10,306,119	10,681,362
H. 80% of the prepaid insurance risk corresponding to the institution	656,176	553,065
I. 80% of common or preferred stock investments supported by the Cooperative Bank, Cooperativa de Seguros Multiples and COSVI	13,343,246	12,682,037
J. 80% of other risk assets established by the Corporation	-	-
III. Assets with risk consideration of fifty percent (50%):		
a. 50% Fully Secured First Mortgage Loan on 1-4 Family Residential Properties	16,293,096	16,748,296
b. 50% of that investment represents the participation in loans described in the previous subsection	-	-
c. 50% of auto loan that not represent a rate in excess of 90 days	6,323,054	7,055,557
d. 50% of commercial loans completely guaranteed by first mortgages	53,149,897	51,700,960
e. 50% of investment in shares of the central cooperative organizations provided they have no current or accumulated losses	30,439	20,261
f. 50% of other risk assets established by the Corporation	-	-
TOTAL ASSETS NOT SUBJECT TO RISKS	<u>\$ 241,558,894</u>	<u>\$ 237,772,712</u>
TOTAL ASSETS SUBJECT TO RISKS	<u>\$ 248,763,835</u>	<u>\$ 242,593,183</u>
RATE OF UNDISTRIBUTED CAPITAL TO ASSETS SUBJECT TO RISKS	<u>14.66%</u>	<u>12.50%</u>