

FINANCIAL STATEMENTS

Audited



COOPERATIVA
Rafael Carrión, Jr.

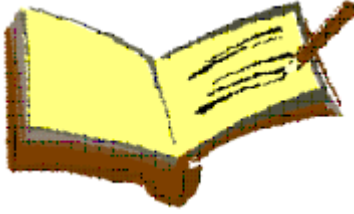
**COOPERATIVA DE AHORRO Y CRÉDITO
RAFAEL CARRIÓN JR.**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

**COOPERATIVA DE AHORRO Y CRÉDITO
RAFAEL CARRIÓN JR.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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MEMBERS:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS (AICPA)
PUERTO RICO SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

CPA AGUSTÍN RODRÍGUEZ NIEVES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cooperativa de Ahorro y Crédito
Rafael Carrión Jr.
Corporación para la Supervisión y Seguro
de Cooperativas de Puerto Rico
San Juan, Puerto Rico

Opinion

I have audited the financial statement of Cooperativa de Ahorro y Crédito Rafael Carrión, Jr. (a cooperative), which comprise the statement of financial condition as of December 31, 2023, and the related statements of income and expenses, changes in Members' Equity and cash flows for the year then ended, and the related notes to the financial statements. The financial statements for the year ended December 31, 2022 are presented for comparison purposes, these statements were audited by another auditor, whose report dated April 10, 2023 reflects an adverse opinion with respect to generally accepted accounting principles in the United States of America and an unqualified (clean) opinion in accordance with the regulatory basis described in the notes to the financial statements.

In my opinion, due to the significant of issues discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above not present fairly, in all material respect, the financial condition of Cooperativa de Ahorro y Crédito Rafael Carrión, Jr. as of December 31, 2023, and the results of its operations, changes in partners equity and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Cooperativa de Ahorro y Crédito Rafael Carrión, Jr.

Basis for the Adverse Opinion

As described in the Note 1 of the financial statements, the cooperative presented the financial statements conformity with Law 255 of October 28, 2002, as amended, which is considered a base of accounting practices different to them accounting principles generally accepted in the United States of America.

The effect on the financial statements of the variances between the regulatory base and accounting principles generally accepted in the United States of America are significant. If the financial statements had been classified in accordance with generally accepted accounting principles, the total assets would decrease by \$1,175,183 and \$1,762,774; the liabilities would increase by \$24,774,959 and \$24,124,390 and the participation of the members equity would decrease by \$25,887,164 and \$26,289,643 for the years ended on December 31, 2023 and 2022. For the year ended December 31, 2023, the operating result would change from a net income of \$339,543 to a net loss of \$835,640 and for the year ended December 31, 22 the operating result would change from a net income \$147,242 to a net loss of \$1,615,532.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Cooperativa de Ahorro y Crédito Rafael Carrión, Jr. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ENFASIS OF A MATTER - Special Investments - Puerto Rico Bonds

During the year 2018, the Cooperative disposed (Sold) of all the special investments (Bonds of Puerto Rico) that it had. In the sale of all special investments, losses were generated in the amount of \$ 6,115,119. At December 31, 2022 stills a remaining balance of \$1,175,183 in the account of "Impairment Law 220". According to Law 220, Accounting Requirements in Special Investments, any loss attributable to special investments may be amortized for a period not to exceed 15 years. See investment notes, number 6 and Number 8 of other assets.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Board of Directors
Cooperativa de Ahorro y Crédito Rafael Carrión, Jr.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cooperativa de Ahorro y Crédito Rafael Carrión, Jr.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, I:

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

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

Board of Directors
Cooperativa de Ahorro y Crédito Rafael Carrión, Jr.

Opinion on the Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respect, the financial condition of Cooperativa de Ahorro y Crédito Rafael Carrión, Jr. as of December 31, 2023 and the results of its operations, changes in member's equity and cash flows for the year then ended in conformity with the base regulatory described in the note 1 of the financial statements.

Regulatory Basis of Accounting

As described in the Note 1 of the financial statements, the cooperative presented the financial statements in conformity with Law 255 of October 28, 2002, as amended.



Toa Alta, Puerto Rico
April 5, 2024

CPA Agustín Rodríguez Nieves
Expire December 1, 2025
License 4314

The stamp No. was affixed to the original of this report.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2023 AND 2022**

ASSETS

	2023	2022
CASH AND CASH EQUIVALENTS	\$ 1,421,859	\$ 2,598,045
TIME DEPOSITS (MATURITY OF THREE MONTHS OR MORE)	12,500,000	15,000,000
LOANS, NET OF ALLOWANCE FOR LOANS LOSSES	31,329,436	27,387,891
MARKETABLE SECURITIES HELD TO MATURITY	22,758,673	25,586,218
FURNITURE AND EQUIPMENTS, NET	273,213	195,487
INVESTMENTS IN COOPERATIVE ENTITIES	1,037,673	1,020,969
OTHER ASSETS		
IMPAIRMENT LAW 220 (REALIZED LOSS)	1,175,183	1,762,774
INTEREST RECEIVABLE	179,558	162,212
PREPAID INSURANCE AND PREPARE EXPENSES	147,874	188,775
	1,502,615	2,113,761
Total assets	\$70,573,569	\$73,902,371

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENTS OF FINANCIAL CONTITION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

LIABILITIES AND PARTNERS' EQUITY

	2023	2022
LIABILITIES		
Deposits of partners and non-partners		
Savings accounts	\$37,172,650	\$41,081,301
Christmas Club, Taxes Club and Summer Club	1,110,175	1,054,992
Total deposits	38,282,825	42,136,293
Scholarship programs	213,213	217,306
Accounts payable	551,993	534,694
	765,206	752,000
Total liabilities	39,048,031	42,888,293
PARTNERS' EQUITY		
Shares \$10.00, par value	24,774,959	24,124,390
Surplus restricted:		
Reserve for risk capital	4,475,065	4,458,093
Contingency Reserve	99,049	65,104
Voluntary Reserve	176,074	125,156
Special temporality reserve-Required by COSSEC	1,175,183	1,762,774
Surplus unrestricted	825,208	478,561
Total partners' equity	31,525,538	31,014,078
Total liabilities and partners' equity	\$70,573,569	\$73,902,371

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENTS OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
INCOME FROM FINANCING OPERATIONS		
Interests income		
Loans	\$ 1,550,000	\$ 1,354,705
Savings and time deposits	<u>1,026,490</u>	<u>733,450</u>
Total interests income	<u>2,576,490</u>	<u>2,088,155</u>
Less interests expenses:		
Saving account and time deposits	<u>328,140</u>	<u>374,189</u>
Net interest income before allowance for loans and accounts receivable losses	2,248,350	1,713,966
Allowance for uncollectible loans and accounts receivable	<u>205,000</u>	<u>-</u>
Total net interest income	<u>2,043,350</u>	<u>1,713,966</u>
OTHER INCOME	<u>16,869</u>	<u>22,267</u>
Total income	2,060,219	1,746,233
GENERAL AND ADMINISTRATIVE EXPENSES	<u>1,133,175</u>	<u>946,116</u>
NET INCOME BEFORE LOSSES UNDER SPECIAL AMORTIZATON	<u>927,044</u>	<u>790,117</u>
LOSSES IN INVESTMENTS UNDER SPECIAL AMORTIZATON	<u>587,591</u>	<u>642,875</u>
NET INCOME	<u>\$ 339,453</u>	<u>\$ 147,242</u>

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Shares	Reserve for Capital risk	Contingency Reserve	Voluntary Reserve	Special Temporarity Reserve by COSSEC	Surplus	Total partner's Equity
BALANCE AS OF DECEMBER 31, 2021	\$23,883,994	\$4,450,731	\$ 50,379	\$1,059,190	\$ 703,585	\$ 478,561	\$ 30,626,440
Member additional investment	1,496,038						1,496,038
Member withdrawals	(1,255,642)						(1,255,642)
Reserve for capital risk		7,362				(7,362)	
Transfer to reserve				(1,059,190)	1,059,190		
Contingency reserve			14,725			(14,725)	
Transfer from surplus				125,155		(125,155)	
Net income						147,242	147,242
BALANCE AS OF DECEMBER 31, 2022	24,124,390	4,458,093	65,104	125,155	1,762,774	478,561	31,014,078
Member additional investment	1,493,228						1,493,228
Member withdrawals	(1,319,374)						(1,319,374)
Capitalize surplus	476,715					(476,715)	
Transfer to account payable						(1,847)	
Transfer to reserve					(587,581)	587,591	587,591
Transfer from surplus		16,792	33,945	50,918		(101,835)	(101,835)
Net income						339,453	339,453
BALANCE A OF DE DECEMBER 31, 2023	\$24,774,959	\$4,475,465	\$ 99,049	\$ 176,074	\$1,175,183	\$ 825,208	\$ 31,525,538

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
INCREASE IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 339,453	\$ 147,242
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	16,988	15,541
Provision for loan losses	205,000	-
Loss for special amortization-Law 220	587,591	642,875
Stock dividends from Cooperative organisms	(16,704)	(18,541)
(Increase) in interest receivable	(17,346)	(38,686)
Decrease (increase) in prepaid expenses	40,901	(34,528)
Increase in accounts payable	13,206	57,012
Total adjustments	829,636	642,214
Net cash provided by operating activities	1,169,179	789,456
CASH FLOWS INVESTING ACTIVITIES		
Decrease in certificate of deposits	2,750,000	3,000,000
(Increase) in loans, net	(4,225,548)	(2,745,838)
Recoveries (from loan charged to reserve)	79,003	58,827
Purchase of fixed assets	(94,817)	(149,940)
Decrease (Increase) in securities	2,827,545	(1,192,659)
Net cash (used) provided by investment activities	1,336,186	(1,048,151)

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in members savings account	(\$3,853,468)	(\$ 120,599)
Increase in shares	172,007	240,396
Net cash by (used) provided financing activities	(3,681,461)	119,396
(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,176,186)	(138,898)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,598,045	2,736,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,421,859	\$ 2,598,045

ADDITIONAL DISCLOSURES TO THE STATEMENTS OF CASH FLOWS

1. The Cooperative policy is to consider as cash equivalents investments in saving certificates with maturity of three months or less.
2. During the year ended December 31, 2023 and 2022, the Cooperative paid in stock dividend amounting to \$478,561 and \$0, respectively.

SUPPLEMENTARY INFORMATION

The Cooperative paid \$327,329 and \$373,712 for interests over its saving and time deposits accounts during the years ended December 31, 2023 and 2022, respectively.

The accompanying notes form an integral part of these financial statements.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Cooperative was created under the Law of General Credit Union Societies as amended. It is also regulated by Law 255 of October 28, 2002. These entities are engaged principally in collecting investments in shares and deposits from its members and to provide them financing services. This institution is a closed Cooperative whose members are exclusively employees and pensioners of Banco Popular de Puerto Rico, subsidiary and main company.

b. Summary of Significant Accounting Policies

1) Use of estimates

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

2) Interest income and expenses

Interest income over loans is recorded using the simple-interest method on a principal outstanding amount. Interest receivable is accrued for a period not exceeding ninety days. Expenses are recorded using the accrual basis of accounting.

3) Surplus distribution

Each Credit Union should distribute its year end surplus after deducting an amount equal to 5% for the years 2023 and 2022 and to be provided to the Risk Capital Reserve. Such surplus can be distributed in form interest over shares paid but not withdrawn at the end of year or as patronage dividends based on interest paid by members over loans.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

4) Provision for uncollectible loans and accounts receivable

The allowance for loan losses is increase by charges to income and decrease by charge offs (net of recoveries). Managements' periodic evaluation of the adequacy of the allowance is based on the Credit Union past loan-loss experience, known and inherent risk in the portfolios adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic condition.

5) Investments in cooperative entities

The Cooperative has investments in other Cooperatives, they are stated at cost plus any stock dividend declared.

6) Furniture, equipment, and depreciation

Furniture and equipment are carried at cost. The depreciation is provided using the straight-line method with monthly charges to the operations of the Cooperative during the estimated useful life of the assets.

7) Investments in marketable securities

The Cooperative accounts for its investments in marketable securities using the FASB ASC 320, Debts and Equity Securities.

Available for sale securities – Investments in this classification is stated at market value. Net unrealized gains or losses are recognized through a valuation allowance that is shown as a reduction or addition in the carrying value of the related securities and as a corresponding reduction or addition in member equity.

Should any security be sold, the cost of the securities for purposes of computing gain and losses are determined by the specific identification method.

Held to Maturity – Investments in this classification are stated at amortized cost. The Cooperative has both the positive intent and ability to hold its investment to maturity.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

8) Members' shares

Members' shares are accounted using the cash method. This method is generally accepted for Cooperatives in Puerto Rico. The Cooperative does not issue share certificates. However, it maintains a statement of account for each member which shows their participation in the Cooperative capital. There is no limitation in the amount that each member can invest in shares. The Cooperative internal policies stipulate that each member should subscribe to at least twelve shares in a year. The Cooperative member can withdraw shares only if they are not given as collateral for loans granted to members. Share withdrawals are approved by the Board of Directors. The par value of shares should not be less than \$10.

9) Industry accounting practices that differ from accounting principles generally accepted in the United States of America

Shares and surplus

Credit Unions in Puerto Rico present their shares in the members' equity section of the balance sheet. Accounting principles generally accepted in the United States of America require that such amounts be presented in the liability section of the balance sheet. Therefore, any payment over such balances should be recorded as interest expense and the Credit Union recognizes them as a dividend distribution of year-end earnings, the total of the deposits would increase and the participation of members' equity would decrease by \$24,774,959 and \$24,174,390 as of December 31, 2023 and 2022, respectively. Also, the economy net would decrease, and the expenses of interests would increase by the amount of \$327,329 and \$373,712 as of December 31, 2023 and 2022, respectively.

The Cooperative records its loans origination fees as income for the year in which the loans are granted. Accounting principles generally in the United States of America require that such fees and certain direct loan origination costs, be deferred using the interest method over the contractual life of the loans adjusted for estimated prepayment based on the Credit Union historical prepayment experience.

Also, the Credit Union is permitted to create reserves from its net earnings which are consumed through charges to it based on its purposes. Accounting principles generally accepted in the United States of America require that any reserve should be created with charges to operation.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

2. LOANS AND ACCOUNTS RECEIVABLE

The loan portfolio of the Cooperative consists principally of personal loans, financing the acquisition of stocks, and home improvements. The loans are granted from a period of 1 to 120 months, depending of the type of loan, nevertheless, a significant portion of the personal loans is renewed before their maturity. The annual interest varies from 2% to 12% depending also on the type of loan. Most of these loans are collateralized by shares and deposits of debtor's members and other members (co debtors) that unconditionally guaranty the debt.

The following is a list of loans and accounts receivable portfolios by category as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Personal	\$ 24,355,017	\$ 20,195,712
Collateral	7,646,220	7,635,401
	<u>32,001,237</u>	<u>27,831,113</u>
Less provision for doubtful accounts (Note 3)	<u>(671,801)</u>	<u>(443,222)</u>
	<u>\$ 31,329,436</u>	<u>\$ 27,387,891</u>

3. ANALYSIS OF THE ACCUMULATED ALLOWANCE FOR LOAN LOSSES

The change in the allowance for loans losses as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 443,222	\$ 576,642
Allowance for the period	205,000	-
Charge off	(55,424)	(76,283)
Recoveries	79,003	58,827
	<u>\$ 671,801</u>	<u>\$ 443,222</u>

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

4. ACCOUNT RECEIVABLE

At December 31, 2023 and 2022 the details of the accounts receivables were as follows:

	<u>2023</u>	<u>2022</u>
Impairment Law 220 (Realized loss)	\$1,175,183	\$1,762,774
Interest receivables	179,558	162,212
Prepaid insurances and prepaid expenses	<u>147,874</u>	<u>188,775</u>
	<u>\$1,502,615</u>	<u>\$2,113,761</u>

5. CASH RESTRICTED

The General Law of Cooperative Organism (Law 255) requires the following:

- a. A 25% should be segregated annually from the net incomes of the period to be provided for a Risk Capital Reserve.
- b. The Cooperative should segregate and maintain 15% of the demand deposits in liquid funds.
- c. The Cooperative should segregate and maintain 15% of its time deposits with maturities more than 30 days in liquid funds. Also, 25% segregation is required for those time deposits with maturities of 30 days or less, net of those pledges with loans.
- d. The Cooperative will accumulate monthly an 8.33% from these special deposit's accounts (Christmas Club and Summer Club) up to accumulate a 100% and segregate that portion in liquid funds.

As a result of above requirements, the Cooperative maintained as of December 31, 2023 and 2022 and approximate amount of \$7,555,340 and \$8,252,589, respectively, in time deposits and savings accounts that are not available for the normal operations of the entity. They are as follows:

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
AVAILABLE		
Savings and interests	\$13,786,578	\$17,713,447
Security investment	18,939,419	21,108,465
	32,725,997	38,821,912
REQUIRED		
Reserved for risk capital	1,566,273	1,560,333
Demand deposits and interest (15%)	5,359,111	6,162,195
Special deposit accounts		
Christmas Club	42,348	40,328
Taxes Club	151,939	131,756
Summer Club	435,669	357,977
	7,555,340	8,252,589
EXCESS OF AVAILABLE FUND OVER LAW REQUIREMENTS	\$25,170,657	\$30,569,323

6. INVESTMENTS

The Cooperative maintained the following investment classified held to maturity securities at December 31, 2023:

Type of investment	Book Value	Unrealized Gain or (Loss)	Market Value
Bonds:			
FHLB	\$ 7,476,496	(\$1,500,073)	\$ 5,976,423
GNMA	1,092,354	(140,828)	951,526
FNMA	9,224,811	(1,422,554)	7,802,257
Federal Farm Credit	3,111,485	(582,046)	2,529,439
FHLM	853,685	(166,324)	687,361
USTN	999,842	(7,429)	992,413
	\$22,758,673	(\$3,819,254)	\$18,939,419

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

The Cooperative maintained the following investments classified held to maturity securities at December 31, 2022:

<u>Type of Investment</u>	<u>Book Value</u>	<u>Unrealized Gain</u>	<u>Market Value</u>
Bonds:			
FHLB	\$ 8,969,831	(\$1,729,458)	\$ 7,240,373
GNMA	1,213,402	(152,882)	1,060,520
FNMA	9,374,944	(1,644,572)	7,730,372
Federal Farm Credit	3,609,716	(702,162)	2,907,554
FHLM	1,419,432	(219,963)	1,199,469
USTN	998,893	(28,716)	970,177
	<u>\$25,586,218</u>	<u>(\$4,477,753)</u>	<u>\$21,108,465</u>

The stated maturity of marketable securities is as follows. Expected maturity will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties. At December 31, 2023 and 2022 the maturities are the follows:

<u>Maturity</u>	2023		2022	
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Less than one year	\$ 1,041,083	\$ 1,032,811	\$ 547,797	\$ 529,468
1-5 years	2,816,623	2,665,872	5,684,187	5,382,457
6-10 years	10,163,296	8,505,396	7,750,494	6,184,571
Over 10 years	8,737,671	6,735,340	11,603,740	9,011,969
	<u>\$22,758,673</u>	<u>\$18,939,419</u>	<u>\$25,586,218</u>	<u>\$21,108,465</u>

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Special Investments Bonds of Puerto Rico:

During the year 2018, the Cooperative disposed (sold) all of its special investments in bonds of Puerto Rico.

Law 220 adopted by the Cooperative during the year ended December 31, 2016 allows any loss attributable to special investments in the sale (disposal), retention or related to the application of a pronouncement of the generally accepted principles of accounting be amortized for a period not to exceed 15 years, to be named as Losses under Special Amortization.

The realized loss in the sale of the special investments is as follows:

	<u>Selling Price</u>	<u>Amortized Cost (Before any impairment)</u>	<u>Realized Loss</u>	<u>Amortization of Loss - years 2017 - 2021</u>	<u>Realized loss classified as Reserve of Impairment in Other Assets Law 220</u>
Bonds of Puerto Rico	<u>\$5,084,881</u>	<u>\$11,200,000</u>	<u>\$6,115,119</u>	<u>(\$4,928,093)</u>	<u>\$1,175,183</u>

7. INVESTMENT IN COOPETATIVE ENTITIES

	<u>2023</u>	<u>2022</u>
COSSEC	\$ 690,388	\$ 674,608
FIDECOOP	221,796	221,796
Cooperativa de Seguros de Vida	111,791	111,791
Cooperativa de Seguros Múltiples	12,489	11,564
Liga de Cooperativas	<u>1,210</u>	<u>1,210</u>
	<u>\$1,037,674</u>	<u>\$1,020,969</u>

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

8. THE LAW OF CORPORACIÓN PARA LA SUPERVISIÓN Y SEGURO DE COOPERATIVA DE PUERTO RICO (COSSEC)

On August 17, 2001, the Law No. 114 of Corporación para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC) as amended, states the following:

- a. Starting with the first day of the following month this law was created, the maximum quantity combines with shares and deposits of members and non-members account will be insured up to \$250,000 for 2023 and 2022, respectively.
- b. The insurance company will have the obligation to decree and establish the maximum insurance coverage mentioned above, on the dates that are stipulated in this Article. Nevertheless, the Board will have the authority not to approve such an increase when based on experiences of the losses reported on insurance coverage of shares and deposits, the economic condition or then increased will not be favorable.
- c. Each Cooperative insured must be maintained in the Corporation as a capital contribution and as determined by the Corporation an equal amount of 1% of the total shares and deposits that each Cooperative holds each June 30 of each year of operations. As presented in a certified statement of shares and deposits on in the certified balance sheets required by this law. The Corporation will establish the rules and procedures to determine the annual amount of the deposits to be considered as contributed capital that should be maintained by each insured Cooperative. Also, will establish rules and procedures to determine the annual increase of the contribution based on the related increase in shares and deposits of its insured.
- d. When the sum of unrestricted reserves not segregated for the payment of losses and the total capital of the insurance company exceeds 2% of the total shares and deposits insured, the insurance company will use the excess for the payment of interest over capital. Such interest is determined based in the average yield of total assets of the insurance Company for the period of twelve months before the date in which payments will occur reduced by 1%.

Each cooperative will pay an annual insurance premium that fluctuates between .177517% up to .280604% of the total of shares and deposits held at each June 30 of each year. The insurance premium is based on the cooperative's CAEL classification of the quarterly march report of every year.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

9. DEPOSITS

The savings account pays annual interest that is paid quarterly. The interest is accumulated monthly and is calculated based on an average daily balance. It is a policy of the Cooperative to allow deposit withdrawals on any working day, but the Board of Directors may require 30 days advance notification of withdrawals interest in those situations they may believe is necessary. The annual interest paid was 1% and .75% for the year 2023 and 2022, respectively.

The balances of Taxes Club, Christmas Club and Summer Club are paid in April, May and November, respectively, and pay an annual interest of .75% the year 2023 and 2022, respectively.

10. ACCOUNT PAYABLE COOPERATIVE LEAGUE

The Credit Union is required by Law to contribute on tenth of 1% of its operational volume of business and up to a limit of \$4,000 and another 5% of its net income up to a maximum of \$6,000 when the volume of business is more than \$4,000,000 to the Cooperative League of Puerto Rico to be used for educational and promotional purposes. The amount is payable to the league and must not exceed \$10,000.

11. ACCOUNTS PAYABLE

Accounts payable as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Collections (Payroll) from members to be distributed	\$260,579	\$314,656
Accrued expenses	126,018	119,918
Interest payable	5,185	4,374
Accrued vacations leave	4,962	4,962
Loan insurance	22,505	-
Outstanding checks	132,744	90,784
	\$551,993	\$534,694

12. LINE OF CREDIT

The Cooperative has a line of credit amounting to \$250,000 approved by Banco Popular de Puerto Rico, interest at prime rate.

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

13. SCHOLARSHIP PROGRAM

During 1982 the Cooperative established a scholarship program. The purpose of the program is to grant members' sons a scholarship to those who are university students and qualify under the program requirements. For this program, the Cooperative has been segregated the amount of \$532,782 plus the interest generated by the fund. The Cooperative which is invested in accounts time deposits saving accounts and federal bonds. Program disbursements are limited only to the scholarships granted. During 2023 and 2022 they granted scholarships amounting to \$15,000 every year.

14. CONCENTRATION RISK RESULTING FROM EXCESS OF DEPOSITS OVER INSURED AMOUNTS

The Cooperative has all of its investments and cash deposits with Banco Popular de Puerto Rico, a high credit quality bank. The accounts at the institution are covered by the Bank's Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022 the Cooperative had cash deposit in excess of the insured amounts of \$1,264,930 and \$9,748,959, respectively.

15. INDIVISIBLE CAPITAL

Article 6.02 of Act No. 255, known as "Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002", provide among other things: The Cooperative will maintain a capital reserve that will be known as indivisible capital and all cooperatives that have reached a minimum of 8% of their risk assets, will have the power to reduce the contribution to the capital reserve. The 35% of indivisible capital must be kept invested in eligible liquid assets.

	Amount
DETERMINATION OF INDIVISIBLE CAPITAL	
Elements of Indivisible Capital:	
Statutory Reserve (Regular Reserve)	\$4,475,065
Other Reserves	1,450,306
15% Undivided earning	123,781
Portion of Allowance for loss for non-arrear loans	170,923
Total of indivisible capital	\$6,220,075

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

DETERMINATION OF ASSETS SUBJECTS TO RISK

Elements of assets subjects to risk:

Total assets with reserve for loan losses	\$66,904,383
Less:	

ZERO PERCENT RISK WEIGHT

Amount

Cash on hand including increase (decrease) of fund in transit

100% Debt obligations and securities, and the portions of claims that are issued, insured or unconditionally guaranteed, by the Commonwealth of Puerto Rico and agencies, or US Central Government and agencies, but whose debt obligations are not explicitly guaranteed by the full faith and credit of the US or Puerto Rico Government. including the *Reserve Federal Banks, Government National Mortgage Association (GNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Farmers Home Administration (FmHA), Export-Import Bank (Exim Bank), Overseas Private Investment Corporation (OPIC), Commodity Credit Corporation (CCC), y Small Business Administration.*

\$22,758,673

100% Loans, and the portions of claims that are issued, insured or unconditionally guaranteed, by the Commonwealth of Puerto Rico and agencies, or US Central Government and agencies, but whose debt obligations are not explicitly guaranteed by the full faith and credit of the US or Puerto Rico Government. including the *Reserve Federal Banks, Government National Mortgage Association (GNMA), Veterans Administration (VA), Federal Housing Administration (FHA), Farmers Home Administration (FmHA), Export-Import Bank (Exim Bank), Overseas Private Investment Corporation (OPIC), Commodity Credit Corporation (CCC), y Small Business Administration.*

Student guaranteed loans

10,493,995

100% The portion of shares and deposits on guaranteed of loans.

690,388

Investment in COSSEC.

Other assets risk weights for balance sheet assets authorized by COSSEC.

\$33,943,056

Total non-risk assets per zero percent risk weight

20 PERCENT RISK WEITH

Amount

80% Cash items in process of collections (including demand deposits)

\$ 1,101,663

80% Interest in process of collection

96,697

80% Portions of non-members loans with liquid collateral described by Law 255, Articles (a) (2),

COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

<p>80% Debt obligations and securities, and the portion of claims that are issued, insured or unconditionally guaranteed by Commonwealth of Puerto Rico and agencies, or US Central Government and agencies but whose debt obligations are not explicitly guaranteed by the full faith and credit of US or Puerto Rico Government. These agencies include <i>Federal Home Loan Mortgage Corporation (FHLMC)</i>, <i>Federal National Mortgage Association (FNMA)</i>, <i>Farm Credit System</i>, <i>Federal Home Loan Bank System</i>, and <i>Student Loan Marketing Association (SLMA)</i>.</p>	9,800,000
<p>80% Loans and the portion of claims that are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico and agencies, or US Central Government and agencies but whose debt obligations are not explicitly guaranteed by the full faith and credit of US or Puerto Rico Government. These agencies include <i>Federal Home Loan Mortgage Corporation (FHLMC)</i>, <i>Federal National Mortgage Association (FNMA)</i>, <i>Farm Credit System</i>, <i>Federal Home Loan Bank System</i>, and <i>Student Loan Marketing Association (SLMA)</i>.</p>	
<p>80% Deposits, loans, debt obligations and securities, and the portions of claims, that are issued, insured or unconditionally guaranteed by Commonwealth of Puerto Rico or US Central Government, including Cooperative Bank of Puerto Rico. Shares of non-profit organizations are excluded.</p>	
<p>80% Of the real estate book value or appraised real estate's value appraisal, whichever is lower. This real estate or credit union should be used as its office, branch, service center, parking or other facility and net of debt and charge.</p>	
<p>80% Of the shares and preferred shares backing in the following Credit Union Institutions: Cooperative Bank, Seguros Multiples and COSVI Life Insurance, subject to that they maintain the par value, according to audit financial statements and may be redeemable.</p>	
<p>80% Prepaid insurances to cover institution risk.</p>	73,622
<p>80% Other assets weights for balance sheets authorized by COSSEC.</p>	99,424
<p>Total non-risk assets per 20 percent risk weight</p>	<hr/> \$11,171,676

50 PERCENT RISK WEIGHT

	Amount
<p>50% of Loans are fully secured by first liens on one to four family's residential property, such loans do not comply with requirements to be sold in the secondary market. These loans cannot past 90 days due or accounted for in nonaccrual status. The loan amount cannot exceed 80 percent of the value (loan to value).</p>	
<p>50% Investment that represents loan participation described in the previous statement.</p>	
<p>50% Investments in shares in Central Credit Union Institutions if they don't have deficit or undivided loss.</p>	\$605
<p>50% Other risk weights for balance sheet authorized by COSSEC.</p>	
<p>Total non-risk assets per 50 percent risk weight</p>	<hr/> \$605
<p>Total of risk assets</p>	<hr/> \$26,130,323
<p>Indivisible capital to risk assets ratio</p>	<hr/> 23.80%

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

16.Reconciliation from statutory presentation to GAAP:

STATEMENT OF FINANCIAL CONDITION		Reclassifica- tions & Adjustments to convert to <u>GAAP</u>	<u>US GAAP</u>
ASSETS	<u>Statutory COSSEC</u>		
CASH AND CASH EQUIVALENTS	\$1,421,859	\$-----	\$1,421,859
TIME DEPOSITS (MATURITY OF THREE MONTHS OR MORE)	12,500,000	-----	12,500,000
INVESTMENTS-HELD TO MATURITY	22,758,673	-----	22,758,673
LOANS, Net of Allowance for loan losses	31,329,436	-----	31,329,436
INVESTMENTS IN COOPERATIVE ENTITIES	1,037,673	-----	1,037,673
FURNITURE AND EQUIPMENTS	213,213	-----	213,213
IMPAIRMENT LAW 220 (Realized loss)	1,175,183	(1,175,183)	-----
OTHER ASSETS	<u>327,432</u>	-----	<u>327,432</u>
TOTAL ASSETS	<u>\$70,573,569</u>	<u>(\$1,175,183)</u>	<u>\$69,398,386</u>
<u>LIABILITIES & MEMBER'S EQUITY</u>			
DEPOSITS	\$38,282,825	\$-----	\$42,136,293
SHARES	-----	24,296,398	24,296,398
PAYABLE, ACCRUED EXPENSES, SCHOLARSHIP	<u>765,206</u>	-----	<u>765,206</u>
TOTAL LIABILITIES	39,048,031	24,296,398	63,344,429
<u>MEMBER'S EQUITY</u>			
Shares \$10.00, par value	\$24,296,398	(24,296,398)	-----
Dividends	478,561	-----	478,561
Reserve for risk capital and other reserves	5,823,535	-----	5,823,535
Surplus unrestricted	587,591	-----	587,591
Net income (Net Loss)	<u>339,453</u>	<u>(1,175,183)</u>	<u>(835,730)</u>
TOTAL MEMBERS' EQUITY	<u>31,525,538</u>	<u>(25,471,581)</u>	<u>6,053,957</u>
TOTAL <u>LIABILITIES & MEMBER'S EQUITY</u>	<u>\$70,573,569</u>	<u>(\$1,175,183)</u>	<u>\$69,398,386</u>

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

16.Reconciliation from statutory presentation to GAAP: Continuation

STATEMENT OF INCOME AND EXPENSES	<u>Statutory COSSEC</u>	Adjustments to convert to <u>GAAP</u>	<u>US GAP</u>
INCOME FROM FINANCING OPERATIONS			
INCOME (ALL SOURCES)	\$2,593,359	\$-----	\$2,593,359
Interests' expenses (Note 1) :	(328,140)	-----	(328,140)
Provision for loan losses	(205,000)		(205,000)
GENERAL AND ADMINISTRATIVE EXPENSES	(1,133,175)	-----	(1,133,175)
Net income before Loss for special amortization-Law 220	927,044	-----	927,044
Loss for special amortization-Law 220	<u>(587,591)</u>	<u>(1,175,183)</u>	<u>(1,762,774)</u>
Net Income (Net Loss)	<u>\$ 339,453</u>	<u>(\$1,175,183)</u>	<u>(\$ 835,730)</u>

17.Reclassifications:

Certain items in the financial statements for the year 2022 were reclassified to conform to the presentation of the year 2023. These reclassifications did not affect the results of the operations of the Cooperative.

18.Fair Market Value of Financial Instruments:

The book value of financial instruments and their estimated fair market value as of December 31, 2023 is summary as follows:

	<u>Book Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$13,621,859	\$13,621,859
Loans, net of reserve	31,329,436	31,329,436
Investments	22,758,673	18,939,419
Stocks-cooperative entities	347,286	347,286
Property, net	213,313	213,313
Other assets	<u>1,502,615</u>	<u>327,432</u>
	<u>\$69,883,182</u>	<u>\$64,888,745</u>
Liabilities:		
Savings	\$38,282,825	\$38,282,825
Other liabilities	765,206,	765,206
Common stocks	24,774,959	24,774,959

**COOPERATIVA DE AHORRO Y CRÉDITO RAFAEL CARRIÓN JR.
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$ 238,160	\$ 227,800
Payroll taxes	28,473	25,874
Medical plans	30,267	26,505
Fringe benefits	6,872	4,872
Depreciation	16,988	15,541
Education	12,449	14,285
Insurance	369,828	330,552
Office and mailing expenses	13,709	9,903
Telephone	5,124	5,394
Repair and maintenance	106,422	125,706
Professional services	83,044	40,542
Bank charges and relates	30,980	31,851
Annual meeting and other activities	67,426	39,584
Board of directors and committees' expense	29,256	15,612
Rent	120	120
Investments losses	57,195	-
Line of credits interest'	6,310	-
Other	30,552	32,695
	<u>\$1,133,175</u>	<u>\$ 946,116</u>

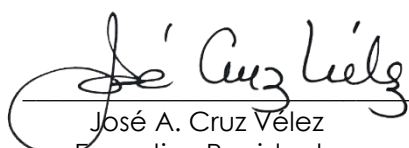
CERTIFICATION OF INTERNAL MANAGEMENT CONTROLS

The internal controls over the financial reports and financial statements of the **Cooperativa de Ahorro y Crédito Rafael Carrión, Jr.** (hereinafter "The Cooperative") that are enclosed, are a process in charge of the Board of Directors, the Management of the Cooperative and related personnel, designed to provide reasonable assurance about the reliability of the financial information and the accurate preparation of the financial statements in accordance with the Accounting Principles Generally Accepted in the United States of North America (US GAAP) and those regulations provided by Law 255 of October 2002, as amended, the applicable regulations and the circular letters issued by the *Corporación Pública para la Supervisión y Seguro de Cooperativas (COSSEC)*.

The Cooperative's internal controls over financial statements include policies and procedures that:

1. They belong to the maintenance of files, which in precise and fair detail reflect the transactions and plans of the assets of the Institution.
2. Provide reasonable assurance that transactions are registered to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with accounting practices permitted by COSSEC, and the income and expenses of the Cooperative are realized only in accordance with the authorizations of the Management and directors of the Cooperative.
3. They provide reasonable certainty within the available operational scope regarding the prevention or timely detection of the acquisition, use or disposal of the Cooperative's assets that could have a significant effect on the financial statements. Due to its inherent limitations and the cost/benefit principle, internal control over financial reporting may not prevent potential errors or potential fraud. In addition, projections of any effectiveness evaluation to future periods are subject to the risk that internal controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate because the cost/benefit principle or because the deterioration arises outside the scope of Management. The firm of Authorized Public Accountants CPA Agustín Rodríguez has evaluated the efficiency and effectiveness of the Institution's internal controls over financial reporting as of December 31, 2023.

Due to inherent limitations, internal controls over financial reporting may not anticipate, detect, or correct errors. In addition, projections of any evaluation of effectiveness to future periods will be subject to the risk that controls may become inadequate due to changed circumstances, or that the degree of compliance with policies and procedures may deteriorate. The Board of Directors, through the management and designated personnel of the Cooperative, evaluated the effectiveness of the internal controls over financial reporting, including those controls over the preparation of the financial statements as of December 31, 2023, as required by the Law No. 255, Article 5.11, the applicable regulations, and standards issued by the organizations in charge.



José A. Cruz Vélez
Executive President



Marta Meléndez
Treasurer

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MANAGEMENT DISCUSSION & ANALYSIS “MD&A” DECEMBER 31, 2023

The analysis presented below provides an overview of the operations of the Cooperative for the year ended December 31, 2023. The purpose of this narrative is to provide information to assist in analyzing the results of operations and changes in the financial position of the Cooperative, this in compliance with Article 2.18.2 A, Information required in the Audited Financial Statements. This section should be read in conjunction with the basic financial statements to obtain a better understanding of the Cooperative's operating results.

Most notable financial aspects of the Cooperative:

- For the year ended December 31, 2023, the assets of the Cooperative totaled \$70,573,569, presenting a decrease in the amount of \$3,328,802 compared to the previous year.
- The liabilities of the Cooperative totaled \$39,048,031 for 2023, presenting a decrease in the amount of \$3,840,262 compared to the previous year.
- The participation of the members of the Cooperative totaled \$31,525,538 for 2023, presenting an increase of \$511,460 compared to the previous year.
- Total income (interest income and other income) was \$2,593,359 for 2023, presenting an increase of \$482,937 compared to the previous year.
- Total expenses (interest expense, Amortization Law 220, general and administrative expenses) totaled \$2,253,906 for 2023, presenting an increase of \$290,726 compared to the previous year.
- The total net income before the expense for the annual impairment amortization totaled \$927,044 for 2023, presenting an increase in the amount of \$136,927 compared to the previous year.
- The Cooperative maintains liquid funds, more than what is required by law in the amount of \$25,170,657 for 2023, which represented a decrease of \$5,398,666, compared to the previous year. The total funds required by law totaled the amount of \$7,553,340 for 2023, as detailed in note 3 of the audited financial statements.

MANAGEMENT DISCUSSION & ANALYSIS “MD&A” DECEMBER 31, 2023

- The Cooperative maintains a ratio of indivisible capital to total assets subject to risk of 23.80%, for 2023. This amount meets the minimum 8% required by Law 255 as detailed in the notes to the financial statements.

Financial analysis of the Cooperative

The table below presents a summary of the Cooperative's Balance Sheet for the years ended December 31, 2023, and 2022:

DETAIL	2023	2022
Assets	\$70,573,569	\$73,902,371
Passives	\$39,048,031	\$42,888,293
Capital	\$31,525,538	\$24,124,390

The total assets of the Cooperative presented a decrease in the amount of \$3,328,802 compared to the previous year. There was an increase in the loan portfolio in the amount of \$3,941,545. Cash, including savings certificates, was reduced by \$3,926,186, which was basically a change used in the granting of loans due to promotions carried out during the year. Investments in securities had a decrease of \$2,827,545.

The total liabilities of the Cooperative presented a decrease in the amount of \$3,840,262 compared to the previous year. There was a net decrease in deposits of \$3,853,468 and an increase in other liabilities of \$13,206.

The total participation of the members of the Cooperative increased by the amount of \$511,460 compared to the previous year. There was a net increase in shares of \$650,569 due primarily to the distribution of capitalized stock surpluses.

MANAGEMENT DISCUSSION & ANALYSIS “MD&A” DECEMBER 31, 2023

The table below presents a summary of the Statement of Income and Expenses of the Cooperative for the years ended December 31, 2023, and 2022:

DETAILS	2023	2022
Income-All	\$2,593,359	\$2,110,422
Total expenses without considering impairment amortization expense	(1,666,315)	(1,320,305)
Net income before expense impairment	927,044	790,117
Expense Amortization impairment	(587,591)	(642,875)
(Net Loss) Net Income	\$339,453	\$147,242

In the 2023 operating year, the Cooperative ended with a net income of \$339,453, an increase of \$192,211, basically due to the increase in interest income on both loans and investments, total expenses without considering impairment amortization expense of \$346,010 and Impairment amortization expense (realized loss) on special investments was reduced by \$55,284.

There was an increase in total income from all sources in the amount of \$482,937. General and administrative expenses increased compared to the 2022 operating year by \$187,059. The general and administrative expenses that increased were salaries, salary contributions, benefits, assembly expenses, insurance, board and committee expenses and professional services. The expenses that had a reduction were repair and maintenance effective for fiscal years beginning after December 15, 2022; The Cooperative adopted said pronouncement and the CECL was implemented based on the fiscal year ended on December 31, 2023, for the presentation of the audited financial statements. The objective of CECL is to improve the measurement and recognition of credit losses on loans and debt securities, with the expectation that its adoption will result in greater transparency regarding anticipated losses over the life of such financial assets. The CECL model applies to loans and investments in securities, replacing the existing incurred loss model and provides different estimation methods suggested by the FASB. CECL requires the recognition of current lifetime credit losses, for financial assets measured at amortized cost, both those credit losses that have been incurred as of the date of the financial statements (consideration of past events and current conditions), plus the incorporation of reasonable and justifiable forecasts in the development of estimates.

MANAGEMENT DISCUSSION & ANALYSIS “MD&A” DECEMBER 31, 2023

Law 220 of December 15, 2015 - Amends Law 255, Savings and Credit Cooperative Societies Law of 2002, to add a chapter titled, accounting requirements for special investments. The Law requires that Cooperatives call special investments all their investments in debt instruments issued by the Commonwealth of Puerto Rico, its agencies, and public corporations (ELA). In addition, it requires that special investments be recorded in the books of the cooperatives at amortized cost regardless of their classification in the financial statements and that no unrealized losses related to the special investments will be presented. Any loss attributable to special investments may be amortized over a period not exceeding 15 years. The Law also has other disclosure requirements in the notes to the financial statements, the establishment of reserves based on the levels of indivisible capital and CAEL ratios and other detailed requirements in the financial statements. This practice differs from generally accepted accounting principles in the United States of America (US GAAP).

Objectives and Projects for the year 2024

The projects already in process or that will be managed during 2024 are:

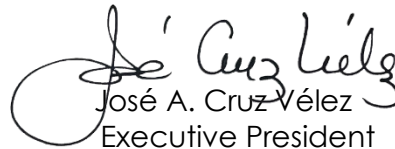
- ✓ Strategic Plan and Business Continuity – In 2024 we review and update the Cooperative's Strategic Plan. The focus is the stability of assets and operational results.
- ✓ The CECL standard was implemented for determining the reserve for bad loans.
- ✓ NCUS System – In the fourth quarter of 2023, the NCUS Operational system was installed, contracted with the company Helvetia del Caribe. This is programming with cutting-edge technology to offer better services to our partners and better access to supplier services. During the year 2024, we will be making the necessary rectifications so that the programming works in optimal conditions.
- ✓ Contingency and Security Plan – We will continue to improve our security systems.

MANAGEMENT DISCUSSION & ANALYSIS “MD&A” DECEMBER 31, 2023


- ✓ Attract new Members to the Cooperative from the employees of Popular Inc. and Evertec, and maintain our current staff of member-owners, maintaining our competitive benefits.
- ✓ We will continue to strengthen the workforce, since our Operational needs require two additional employees.
- ✓ Strengthen the education and training mechanisms for our Staff, members of the Board of Directors and Committees, to always offer the best service, considering technological and virtual changes.
- ✓ We will continue to review and evaluate the internal Policies and Regulations of our Cooperative, and adjust them, when necessary, to comply with the new regulations and make them more efficient and effective.



Brunilda Concepción Wichy
President Board of Directors



José A. Cruz Vélez
Executive President

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