

Cooperativa de Ahorro y Crédito Roosevelt Roads

**AUDITED FINANCIAL STATEMENTS  
& SUPPLEMENTARY INFORMATION**

For the years ended  
June 30, 2021 and 2020

Cooperativa de Ahorro y Crédito Roosevelt Roads

**AUDITED FINANCIAL STATEMENTS  
& SUPPLEMENTARY INFORMATION**

For the years ended  
June 30, 2021 and 2020

**CONTENT**

	<u>Pages</u>
Independent Auditors' Reports	1-3
Financial Statements:	
Statements of Financial Condition	4
Statements of Income and Expenses	5
Statements of Changes in Members' Equity	6
Statements of Comprehensive Net Income	7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-52
Supplementary Information	53-57



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Cooperativa de Ahorro y Crédito Roosevelt Roads  
Fajardo, Puerto Rico

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying statements of financial statements of the Cooperativa de Ahorro y Crédito Roosevelt Roads ("the credit union") as of June 30, 2021, and 2020 and the related statements of financial condition, statements of income and expenses, changes in members' equity, comprehensive net income, and cash flow for the years then ended and the corresponding notes to the financial statements.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our adverse opinion.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

The Credit Union management decided to continue with the presentation that is promulgated by the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (COSSEC) in accordance with Law 255 of October 28, 2002, amended by Law 220 of December 15, 2015, of the Commonwealth of Puerto Rico (statutory basis), which is considered a different basis to the generally accepted accounting principles in the United States of America.

The effect on the financial statements of the variances between the statutory basis and generally accepted accounting principles in the United States are significant. If the items described in Note 3 had been classified in accordance with the generally accepted accounting principles, the total assets would decrease by \$8,719,848 and \$9,786,315, liabilities would increase by \$58,344,920 and \$54,929,296, and members' equity would decrease by \$67,064,768 and \$64,715,611 as of June 30, 2021, and 2020, respectively. Additionally, net income would decrease by \$9,358,100 and \$10,552,932, for the year ended June 30, 2021, and 2020, respectively.

### **ADVERSE OPINION ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA**

In our opinion, because of the significance of the matters discussed in the paragraph of the Basis for the Adverse Opinion at June 30, 2021 and 2020, according to generally accepted accounting principles in the United States, the financial statements referred to above do not present fairly, in all material respects, the financial position of the Credit Union as of June 30, 2021 and 2020, the results of operations, changes in member's equity, comprehensive net income and cash flows for the years then ended, in accordance with generally accepted accounting principles in the United States.

### **OPINION ON REGULATORY BASIS OF ACCOUNTING**

In our opinion, the financial statements accompanying present fairly, in all material respects, the financial position of the Credit Union as of June 30, 2021, and 2020 and the results of operations, changes in members' equity and cash flows for the years then ended, in accordance with the regulatory basis described in Note 2 of the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

SUPPLEMENTARY INFORMATION

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

San Juan, Puerto Rico  
September 28, 2021

Stamp No. E-459710  
Was affixed to the original.



*Handwritten signature in blue ink: LLAVONA-CASAS, CPA PSC*

LLAVONA - CASAS, CPA PSC  
License Number 226  
Expires on December 1, 2021

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF FINANCIAL CONDITION**  
June 30, 2021 and 2020

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash, cash equivalent and cash restricted	\$ 51,888,493	\$ 44,009,249
Savings certificates (maturity over three months)	31,064,735	16,939,241
Loans, net of allowance for loan losses	109,956,319	104,239,033
Investment securities, available for sale	22,297,449	22,086,409
Special investments	2,635,581	2,637,384
Investment in cooperative entities	4,904,596	4,783,989
Interest receivable	390,759	701,133
Property and equipment, net of accumulated depreciation	2,428,851	2,550,502
Repossessed properties and auto	193,701	1,266,171
Losses under special amortization (Law 220)	9,137,607	10,152,932
Other Assets	263,601	239,504
<i>Totals assets</i>	<u>\$ 235,161,692</u>	<u>\$ 209,605,547</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
<i>Liabilities:</i>		
Deposits and Certificate of deposits	\$ 148,741,309	\$ 129,397,202
Accounts payable and accrued expenses	3,646,890	3,213,945
<i>Total Liabilities</i>	<u>152,388,199</u>	<u>132,611,147</u>
 <i>Members' equity:</i>		
Shares, par value of \$10	58,124,427	54,529,296
Reserve for undistributed capital	8,999,051	8,380,179
Special temporary reserve	9,207,438	8,207,438
Reserve for social capital	1,027,021	868,746
Reserve for contingencies	4,064,231	3,817,231
Other reserves	672,706	672,706
Accumulated comprehensive gain	78,619	298,311
Undistributed earnings	600,000	220,493
<i>Total Members' Equity</i>	<u>82,773,493</u>	<u>76,994,400</u>
<i>Total liabilities and Members' equity</i>	<u>\$ 235,161,692</u>	<u>\$ 209,605,547</u>

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

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF INCOME AND EXPENSES**  
For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Income of financial operations:		
Interest income:		
Loans	\$ 9,062,232	\$ 8,712,577
Certificates and savings accounts	307,527	351,594
Investments	<u>364,174</u>	<u>591,678</u>
<i>Total interest income</i>	9,733,933	9,655,849
Interest expense:		
Deposits and certificates of deposits	<u>(589,287)</u>	<u>(827,091)</u>
<i>Net interest income</i>	9,144,646	8,828,758
Allowance for uncollectible loans	<u>(700,000)</u>	<u>(300,000)</u>
<i>Income after allowance for uncollectible loans</i>	8,444,646	8,528,758
Other income (excluding interest)	2,372,136	1,884,553
Other expenses (excluding interest)	<u>(7,335,585)</u>	<u>(7,677,503)</u>
Net income before losses under special amortization	3,481,197	2,735,808
Losses under special amortization	<u>(1,015,325)</u>	<u>(1,015,315)</u>
<b>NET INCOME</b>	<u><u>\$ 2,465,872</u></u>	<u><u>\$ 1,720,493</u></u>

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

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
For the years ended on June 30, 2021 and 2020

	Shares	Reserve for Indivisible Capital	Special Temporary Reserve	Reserve for Social Capital	Reserve for Contingencies	Other Reserves	Accumulated Comprehensive Income (Loss)	Undistributed Earnings
<b>Balance at June 30, 2019</b>	\$ 53,190,753	\$ 7,880,179	\$ 7,207,438	\$ 761,198	\$ 3,817,231	\$ 672,706	\$ 128,689	\$ 400,000
Additional investment from members	7,982,162	-	-	-	-	-	-	-
Capitalized dividends	400,000	-	-	-	-	-	-	(400,000)
Withdrawal of members	(7,043,619)	-	-	-	-	-	-	-
Inactive unclaim account transfer	-	-	-	107,548	-	-	-	-
Change net comprehensive gain	-	-	-	-	-	-	169,622	-
Contribution to special temporary reserve	-	-	1,000,000	-	-	-	-	(1,000,000)
Contribution to reserve for indivisible capital	-	500,000	-	-	-	-	-	(500,000)
Net income	-	-	-	-	-	-	-	1,720,493
<b>Balance at June 30, 2020</b>	54,529,296	8,380,179	8,207,438	868,746	3,817,231	672,706	298,311	220,493
Additional investment from members	10,415,732	-	-	-	-	-	-	-
Capitalized dividends	220,493	-	-	-	-	-	-	(220,493)
Withdrawal of members	(7,041,094)	-	-	-	-	-	-	-
Inactive unclaim account transfer	-	-	-	158,275	-	-	-	-
Change net comprehensive loss	-	-	-	-	-	-	(219,692)	-
Contribution to special temporary reserve	-	-	1,000,000	-	-	-	-	(1,000,000)
Contribution to reserve for contingencies	-	-	-	-	247,000	-	-	(247,000)
Contribution to reserve for indivisible capital	-	618,872	-	-	-	-	-	(618,872)
Net income	-	-	-	-	-	-	-	2,465,872
<b>Balance at June 30, 2021</b>	<u>\$ 58,124,427</u>	<u>\$ 8,999,051</u>	<u>\$ 9,207,438</u>	<u>\$ 1,027,021</u>	<u>\$ 4,064,231</u>	<u>\$ 672,706</u>	<u>\$ 78,619</u>	<u>\$ 600,000</u>

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



Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF COMPREHENSIVE NET INCOME**  
For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Net income	\$ 2,465,872	\$ 1,720,493
Other comprehensive income (expense):		
Change in unrealized gain (loss) on investment available for sale	<u>(219,692)</u>	<u>169,622</u>
Net comprehensive income	<u>\$ 2,246,180</u>	<u>\$ 1,890,115</u>

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

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:		
Net Income	\$ 2,465,872	\$ 1,720,493
Adjustment to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	407,015	406,647
Provision for uncollectible loans	700,000	300,000
Amortization of loss on special investments-Law 220	1,015,325	1,015,315
Provision for disposition of repossessed properties	700,000	1,100,000
(Increase) Decrease in deferred cost in the origination of loans	(72,176)	56,645
Loss in the disposition of fixed assets	13,036	-
Amortization of premium (discount) of investment securities	36,609	-
Dividends of cooperatives entities	(107,764)	-
Decrease in other assets	658,747	1,401,016
Increase in account payable and accrued expenses	432,946	84,265
Net cash used in operating activities:	<u>6,249,610</u>	<u>6,084,381</u>
Cash flow from investing activities:		
Increase in loans, net	(6,507,151)	(1,314,121)
Recovery of loans previously charged against allowance	162,040	156,549
Increase in savings certificates	(14,125,494)	(1,166,288)
Purchase of property and equipment, net	(298,400)	(387,766)
Increase in investment in cooperatives entities	(12,843)	(25,000)
Proceeds from sale and repayment of investment securities	23,499,462	-
Purchase of investments available for sale	(23,965,000)	-
Increase in investment securities, net	-	137,015
Net cash used in investing activities:	<u>(21,247,386)</u>	<u>(2,599,611)</u>
Cash flow from financing activities:		
Increase in deposits, net	20,035,452	17,339,296
Decrease in certificate of deposits	(533,069)	(1,612,302)
Net change in shares	3,374,637	938,543
Net cash used in financing activities:	<u>22,877,020</u>	<u>16,665,537</u>
Net increase in cash and equivalents	7,879,244	20,150,307
Cash and equivalents at beginning of the year	<u>44,009,249</u>	<u>23,858,942</u>
Cash and equivalents at end of year	<u>\$ 51,888,493</u>	<u>\$ 44,009,249</u>

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

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**STATEMENTS OF CASH FLOW**  
 For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
<i>Supplementary Disclosure:</i>		
Cash payment for interest:		
Deposits and certificate of deposits	\$ 568,165	\$ 813,322
	<u>                    </u>	<u>                    </u>
<i>Financing and investing activities that do not involve cash:</i>		
Capitalized dividends	\$ 220,493	\$ 400,000
Undistributed earnings transferred to indivisible capital	\$ 618,872	\$ 500,000
Undistributed earnings transferred to special temporary reserve	\$ 1,000,000	\$ 1,000,000
Undistributed earnings transferred to reserve for contingencies CECL	\$ 247,000	\$ -
Change in unrealized gain (loss) in investments available for sale	\$ (219,692)	\$ 169,622
Net inactive accounts transfer to reserve for social capital	\$ 158,275	\$ 107,548
	<u>                    </u>	<u>                    </u>

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

## **1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

### *Organization*

The Credit Union is regulated by Law 255, approved on October 28, 2002, known as “Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002”, as amended, and by the Public Corporation for the Supervision and Insurance of Credit Unions of Puerto Rico (COSSEC by its acronym in Spanish). It is a non-profit organization and is mainly dedicated to receiving savings from its members in the form of shares and deposits, from non-members in the form of deposits and to providing members and non-members with sources of financing and investment. The maximum combined number of shares and deposits insurable by a member or depositor is two hundred and fifty thousand dollars (\$250,000).

## **2. REGULATION**

The financial statements have been prepared considering the presentation promulgated by Act No. 255 as amended by Act No. 220 with respect to certain accounting practices for Savings and Credit Unions in Puerto Rico. On November 20, 2015, COSSEC also issued the Regulation on accounting standards for Savings and Credit Unions. The purpose of the Regulation was to promulgate the standards and procedures for accounting, financial disclosure, and internal controls that should be established, maintained, and used by all savings and credit unions in Puerto Rico. These practices constitute in some respects an accounting basis different from the generally accepted accounting principles in the United States of America, as explained at the end of Note 3.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant accounting policies that the Credit Union follows are in conformity with the practices in the industry, Law 255, amended by Law 220, regulations issued by COSSEC, and with the generally accepted accounting principles in the United States of America. The most significant policies are as follows:

### *Use of Estimates*

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

### *Reclassifications*

Certain reclassifications were made in the Credit Union's financial statements to adjust related assets and liabilities or conform them to the required presentation in accordance with generally accepted accounting principles in the United States of America. In addition, certain reclassifications were made to the financial statements of 2020, to conform them with the presentation of the financial statements of 2021.

### *Tax Exemption*

The Credit Unions, its subsidiaries or affiliates will be exempt from any kind of taxation on income, property, arbitration, patent, or any other tax imposed or that would later be imposed by the Commonwealth of Puerto Rico or any political subdivision thereof. Several previous laws eliminated the exemption arbitration and the sales and use tax (IVU by its acronym in Spanish) on the purchases of goods and services enjoyed by the Credit Unions.

All the shares and securities issued by the Credit Union and by any of its subsidiaries or affiliates will be exempt, both at their total value, like in the dividends or interest paid under them, from any kind of taxation on income, property, arbitration, patent, or any other tax imposed or that would later be imposed by the Commonwealth of Puerto Rico or any political subdivision thereof.

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

### *Cash and Cash Equivalents*

The Credit Union consider as cash and equivalents, checking accounts in local banks, petty cash, change in funds, savings accounts, investments in cash and investments in savings certificates with maturity is less than ninety (90) days from the date of the financial statements.

### *Restricted Cash*

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

### *Concentration of Risk*

There is a geographic concentration in the loan portfolio since the operations of the Credit Union are mainly carried out with members and clients of Puerto Rico. The Credit Union maintains cash in various financial institutions (banks and credit unions) in Puerto Rico. The bank and credit union accounts at each institution are insured up to a maximum of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and by the Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC), respectively. In addition, the Credit Union complies with the requirement to maintain deposits in the Banco Cooperativo, whose percentage is defined in Law Number 79 of September 25, 1992. Such law amends Law Number 88 of June 21, 1966, which created the Banco Cooperativo of Puerto Rico.

### *Loans to Members and Non-Members*

The Credit Union grants personal loans to their members up to fifty thousand dollars (\$50,000) and in mortgage loans without limits, and to non-members limited to the deposits held at the Credit Union. The loans granted to members and non-members are documented following the practices used in the administration of financial institutions, which are recognized as good practices and in protection of the public interest. The loans receivables are recognized upon disbursement of the loan and the transaction is supported with a promissory note or loan contract and upon compliance with the requirements established in the granting of loans, subject to the policies or regulations approved by the Board of Directors or the corresponding directing bodies.

Independently of the guarantees and collaterals offered, any credit union would grant a loan to any person, without confirming and documenting the existence of reliable sources for the repayment of the loan in the terms agreed to, providing that such sources could be enough deposits maintained and withheld by the Credit Union, including the non-members, liquid assets as established in Article 2.03 of Law 255. The Credit Union could grant, among other services, personal loans, mortgages, auto, lines of credit, credit cards, collateralized and commercial, subject to the adoption and effectiveness of policies and procedures for the credit evaluation, specifically adopted for commercial lending implemented through commercial credit officials, properly qualified for that function.

### *Allowance for Possible Loan Losses*

The allowance for possible loan losses is an estimate prepared by management that includes the inherent losses to the loan portfolio as of the date of the statement of financial condition. The process to determine the allowance for possible losses involves specific procedures that

consider the characteristics of risk of the commercial and consumer portfolio of the Credit Union.

*Methodology used for the Computation of the Allowance for Possible Loan Losses in Commercial Loans*

Generally, commercial loans are evaluated for possible losses, by grading each loan and using various risk factors identified through periodic reviews. As of June 30, 2021, and 2020, the commercial loans were evaluated individually for impairment. The methodology used considered the present value of the future cash flows discounted to the effective loan rate or the comparison of the fair market value of the collateral minus the costs to sell said collateral if the Credit Union had to repossess.

*Methodology used for the Computation of the Allowance for Possible Loan Losses in Consumer Loans*

For the consumer portfolio, the estimate used the percentage method guidelines established by Regulation 8665 of November 20, 2015 (Regulation on accounting standards for Credit Union). In addition, the analysis of experience and risk factors developed by management were compared. The restructured loans were evaluated using the present value of the cash flows discounted at the interest rate of the original loan.

*Quality Indicators of the Commercial Loans Portfolio*

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

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

Follow-Up - The loan is protected with sufficient collateral as of June 30 but has the potential for impairment. The debtor's financial information is not consistent or is under budget, presenting the possibility of short-term liquidity problems. Other typical features of this classification are: not having recent financial information, low capitalization, or industry risks. The main source of repayment is still good, but there is a possibility to use the collateral or the help of a guarantor to repay the debt. Although this type of loan is up to date and it is understood that the recovery is not in doubt, frequency of payments could be affected.

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

Doubtful - The loan has the deficiencies of those presented in the category of "Substandard". In addition, the collectability of part or the entire loan 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 probability of recovery of the loan. The loan has not been charged to loss until there is a clearer view of the effect of the specific conditions listed above. These conditions could include a further injection of capital, new collateral, refinance, or liquidation proceedings. Loans classified in this category are considered impaired and do not accumulate interest, so the payments received are applied to the principal.

#### ***Troubled Debt Restructuring (TDR)***

A Troubled Debt Restructuring is an existing loan for which the Credit Union has granted a concession because the debtor is experiencing financial difficulties. The concessions in a TDR include principal reduction, term extensions and/or interest rate reductions. These TDR are identified and measured individually for impairment as discussed above, by means of the present value of the cash flows discounted at the interest rate of the original loan or comparison of the value of its collateral in case the loan is dependent on collateral.

#### ***Quality Indicators of the Consumer Loans Portfolio***

The Credit Union has various types of consumer loans which have different credit risks. The delinquency, the credit score and the loan-to-value of collateral are indicators of quality that the Credit Union monitors and uses in evaluating the allowance for uncollectible loans in its consumer loan portfolio. The main factor in evaluating the allowance for uncollectible loans in the consumer portfolio is the delinquency of said portfolio. According to Regulation 8665 of November 20, 2015, the percentage method assigns the risk of the consumer product according to its aging.

#### ***Indicators of the Loan to Value of Collateral***

The loan-to-value of the collateral is the proportion that compares the balance of the principal to the value of the collateral at the time of granting. In recent years, residential real estate markets have experienced declines in their property values. The loan-to-value ratio of the collateral does not necessarily reflect the performance of its repayment but provides



an indicator of the value of the collateral and exposure of the Credit Union. In case that the loan cannot be recovered, the loss that the Credit Union would assume should be limited to the excess of the net realizable value of the property compared to the loan balance.

#### *Direct Costs in Loan Origination*

The Credit Union adopted the ASC 310-20, *Nonrefundable Fees and Other Costs*, this regulation establishes that the direct cost in the granting of credit is deferred and amortized, and the income generated in the lending activity by commissions is also recognized throughout the life of the loans.

#### *Investments in Negotiable Instruments*

Marketable securities consist primarily of securities issued by the government of the United States and securities collateralized by mortgages on residential, commercial property, and other assets. The Credit Union classifies investments in debt instruments as available for sale securities.

The Credit Union records the investments in accordance with the requirements of ASC 320, *Investments – Debt and Equity Securities*. Also, ASC 942-825, *Financial Instruments*, allows entities that elect to do so, have the option of reporting some financial assets and liabilities at their market value and establish the requirements of presentation and disclosure designed to ease the comparison between companies that choose different measurement methods for the same types of assets and liabilities.

#### Securities held-to-maturity

Investments in securities held-to-maturity are those that Management has the intent and ability to hold until maturity. These are recorded at cost, adjusted by the amortization of premiums or discounts. The cost of the securities sold for purposes of determining gains or losses are based on the amortized book value and are written off using the specific-identification method.

#### Securities available-for-sale

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

The gain or loss realized on the sale of marketable securities available for sale is determined using the specific-identification method to determine the cost of the instrument sold. In

addition, management individually evaluates all the marketable securities in the portfolio to determine whether any decrease in market value is temporary in nature or not. Any other than temporary impairment is reflected in the operations of the current period and reduces the value of the investment in the books.

#### Amortization of Premiums and Discounts

The premiums and discounts on debt instruments are amortized over the remaining life of the related instrument as an adjustment on its performance using the straight-line method. The dividends and interest income are recognized when accrued.

#### Other than Temporary Impairment in the Fair Market Value

The Credit Union's management evaluates investments in securities for other than temporary impairment in fair market value normally on an annual basis. To determine if the deterioration 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 past events, current conditions and projections and reasonable estimates that evidence the amount of cash receivables from the instrument. Among the evidence in this estimate are the reasons for the impairment, its duration and severity, changes in valuation following the close of the fiscal year, the projected performance of the issuer and the general condition of the market in the geographical area or industry where it operates. This evaluation is carried out annually by the Credit Union's management. Once the decrease is determined that it is not other than temporary impairment or is impaired, the value of the debt instrument is reduced, and the corresponding charge is recognized in the statement of income and expense for anticipated credit losses.

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

### *Special Investments*

The Credit Union records special investment in accordance with the requirements of Law 220, *Accounting requirements for the special investment*. The Law requires that the Credit Union denominate all its investments in debt instruments issued by the Commonwealth of Puerto Rico, its agencies, and public corporations as special investments. In addition, it requires that special investments be recorded in the books of credit unions at amortized cost regardless of their classification in the financial statements and unrealized losses related to special investments are not presented. Any loss attributable to special investments may be amortized over a period not exceeding 15 years.

### *Investments in Cooperative Entities*

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

### *Property and Equipment*

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

Management evaluates the book value of property and equipment when events or changes in circumstances indicate that the asset's book value cannot be recovered. The recoverability of the assets that will be used and retained is determined by comparing the book value with the future cash flows, without discounting, that are expected to be generated by the asset. If it is determined that an impairment has occurred in the value of a fixed asset, the difference between the future cash flows, without discounting, and the book value of property and equipment is recognized against the operations of the year. As of June 30, 2021, and 2020, the Credit Union did not recognize impairment losses in the value of fixed assets.

### *Repossessed Properties*

The properties acquired by foreclosure, or in other types of liquidation are classified as available for sale and are recorded at the fair market value of the property received at time of the acquisition less the cost to sell on the date of the acquisition. The Credit Union

evaluates the current value of these assets in accordance with the requirements of ASC 360 Property, Plant and Equipment, which requires, among other things, that entities identify events or changes in circumstances that indicate that the current value of an asset cannot be recovered.

### *Shares*

The shares are recognized using the cash basis method. This method is generally accepted in the credit unions in Puerto Rico. The Credit Union do not issue certificates that represent common social capital. The Credit Union does not issue share certificates that represent the common social capital. However, they maintain an account statement for each member that shows their participation in the Credit Union's capital. The Credit Union's capital is not limited in terms of quantity and consists of payments made by members to subscribe shares and the distribution of dividends in shares. According to the Regulations of the Credit Union, the shares' par value is ten dollars (\$10). In virtue of such regulations, each member must subscribe at least twelve shares (12) annually.

### *Undistributed Earnings Participation*

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

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

The distribution of undistributed earnings is suggested by the Board of Directors and approved by the Annual Meeting, according to the procedures established in the regulations of the Credit Union. Only those shares fully paid and not withdrawn at the end of the year are entitled to this distribution.

### *Mandatory and Voluntary Reserves*

The Credit Union maintains several mandatory and voluntary reserves: Reserve of Social Capital, Special Temporary Reserve, Reserve for Contingencies, Reserve for Retired Employees, Reserve for Institutional Development, Reserve for Possible Losses on Investment in Negotiable Securities and Reserve for Advertising and Promotion. The use of these reserves must fulfill the purpose established in the Internal Regulations of the Credit Union. Below is a brief description of the mentioned reserves:

#### Reserve for Social Capital

This reserve was created to transfer those inactive accounts of more than five (5) years. If any person claims that account before five (5) years of been reserved, the Credit Union will return this amount less an administrative fee which will be deducted from the member's balance at the time of the claim.

#### Special Temporary Reserve

This reserve is required by Law 220 of December 15, 2015 as the Credit Union maintain losses under special amortization and is composed of 10% of the unrealized loss of special investments plus other minimum temporary reserve contributions that may vary from 5% to 100% of undistributed earnings subject to the indivisible capital levels and the CAEL index of the Credit Union. The Credit Union established the special temporary reserve required by Law 220.

#### Reserve for Contingencies

This reserve is aimed at strengthening the capacity of the institution to respond to adverse or emergency situations that may arise in the future. In addition, this reserve includes a portion which was established by COSSEC to mitigate the effects that could have on the financial statements of the Credit Union the implementation of the new accounting pronouncement known as Current Expected Credit Losses (CECL) as of June 30, 2021. All Savings and Credit Unions must establish a reserve for contingency consistent with a minimum of 10% of their economies, which will serve to strengthen and maintain adequate capitalization levels before the changes that this new pronouncement promises.

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

	<u>2020</u>
Initial Balance Reserve for Contingencies	\$ 3,817,231
Contribution 10% Net Economy	<u>247,000</u>
Ending Balance Reserve for Contingencies	<u>\$ 4,064,231</u>

Other Reserves:

Reserve for Retired Employees

This reserve was created for those employees who take retirement and have more than five (5) years of service. The Credit Union grants them five hundred (\$500) for each year of service up to a maximum of thirty (30) years and fifteen thousand (\$15,000).

Reserve for Possible Losses on Investment in Negotiable Securities

This reserve was created to absorb possible future losses on investments in negotiable securities, as established by the Board of Directors.

Reserve for Advertising and Promotion

This reserve was created for the advertising and promotion of events where the Credit Union is promoted, as established by the Board of Directors.

Reserve for Institutional Development

This reserve was created to reduce the economic impact on operations related to investments in the development of the industry and the implementation of new projects.

The balance of the other reserves as of June 30, 2021 and 2020 is presented below:

<u>Other Reserves:</u>	<u>2021</u>	<u>2020</u>
Reserve for Retired Employees	\$ 470,000	\$ 470,000
Reserve for Possible Losses on Investment in Negotiable Securities	1,388	1,388
Reserve for Advertising and Promotion	1,318	1,318
Reserve for Institutional Development	<u>200,000</u>	<u>200,000</u>
	<u>\$ 672,706</u>	<u>\$ 672,706</u>

### *Comprehensive Net Income (Loss)*

The Credit Union applied ASC 220, Comprehensive Income, which requires disclosure of the comprehensive net income (loss). The comprehensive net income (loss) is the total of (1) operating benefit plus (2) other changes in net assets arising from other sources.

### *Recognition of Interest Income and Expenses*

The interest income from loans is recognized using the accrual method up to sixty (60) days. The interests are computed over the unpaid balance. The interest expense of certificates of deposits is computed and paid periodically as established in the agreement between the Credit Union and the member or client at the time of opening. The interest expense of savings accounts is computed daily from the average daily balance of the account.

### *Advertising and Promotion*

The Credit Union recognized the advertising and promotion expense against operations at the time it is incurred. The expense for this concept for the years ended June 30, 2021 and 2020, were \$197,157 and \$155,371, respectively.

### *Operational Leases*

The Credit Union recognizes rent expense using the straight-line method over the life of the lease contract, which includes estimated periods of renewal, where is appropriate to include them. As a result of the rent expense recognition through the straight-line method, a deferred rent amount could be recognized in the statement of financial condition.

### *Fair Value of Financial Statements*

The Credit Union adopted accounting code number 820. The ASC 820 defines the concept of fair value, establish a consistent framework for measuring fair value and expanded the disclosures about fair value measurements. In addition, this statement amended the ASC 825, "Disclosure about the Fair Value of the Financial Instruments", and in such a way, the Credit Union follows ASC 820 in the determination of the disclosure of the amount of the fair value.

### Determination of the Fair Value

By disposition of ASC 820, the Credit Union determines the fair value for the price that will be received when selling the asset, or that would be paid to transfer a debt in an ordinary transaction between market participants at the measurement date. The Credit Union attempts to maximize the use of observable inputs and minimize the use of unobservable

inputs when developing the fair value measurement, in accordance with the fair value hierarchy provided by ASC 820.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level in the hierarchy of fair value within which the measurement at fair value falls completely, will be determined based on the input of lower level that is significant for all the measurement made at fair value. Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- *Level 1 Input* - Correspond to quoted prices (unadjusted) in active markets for identical assets and liabilities to which the entity could access on the measurement date. The active market for the asset or liability is the market in which transactions for the asset or liability occur with sufficient frequency and volume to continuously provide information about pricing.
- *Level 2 Input* - Correspond to quoted prices for similar assets or liabilities in active markets, quoted prices for assets or liabilities that are identical or similar in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially, either in time or between market makers (for example, a principal-to-principal market); inputs different to the quoted prices that are observable in the asset or liability (for example, interest rates, yield curves, prepayment rates, severity of losses, credit risks, and default rates); and inputs that are derived mainly from or corroborated by observable data through correlation or other means (market corroborated inputs).
- *Level 3 Input* - They are unobservable inputs for assets or liabilities. Unobservable inputs are used only for the measurement of fair value in the way that observable inputs are not available, which happens in situations where there is little activity in the market, if any, for the asset or liability at the measurement date.

#### *Provision for Cooperative Education*

The Credit Union is obligated by Law 255, to annually separate for educational purposes and integration of the cooperative movement in Puerto Rico, not less than one tenth of one percent (0.1%) of the total volume of business. Within three (3) months following the closing of their operations for each fiscal year, said credit unions will determine the amount resulting from the calculation, up to a maximum of four thousand (\$4,000). All Credit Unions whose total business volume exceeds four million dollars (\$4,000,000) annually are obliged to contribute an additional amount of five percent (5%) of its annual undistributed



earnings up to a maximum of seven thousand dollars (\$7,000). The Credit Union accumulated the expenditure corresponding expense to the provision for cooperative education as of June 30, 2021 and 2020.

### *Subsequent Events*

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

### *Recent Accounting Pronouncements*

In June 2016, FASB issued ASU 2016-13, which replaces the incurred loss model with a current expected credit loss (CECL) model. The CECL model is applied to financial assets subject to credit losses and measured at amortized cost and certain statement of financial condition exposures. Under current generally accepted accounting principles an entity reflects credit losses on financial assets measured on an amortized cost basis only when the losses are probable and have been incurred, generally considering only past events and current conditions to make these determinations.

ASU 2016-13 prospectively replaces this approach with a forward-looking approach using a methodology that reflects expected credit losses over the life of financial assets, beginning when those assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and sustainable forecasts that affect the collection of financial assets. ASU 2016-13 also reviews the approach to recognizing credit losses on available-for-sale securities by replacing the direct amortization approach with the reserve allocation approach and limits the reserve allocation to the amount by which the security fair value of the values is less than the amortized cost. Additionally, ASU 2016-13 establishes that the initial allocation for credit losses on financial assets acquired with credit impairment be recorded as an increase to the purchase price, with post-provision changes recorded as credit loss expense. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for credit losses. The modifications of this update are effective for fiscal years beginning after December 15, 2022. Early adoption is allowed as of January 1,

2021. The Credit Union has not determined the effect that this new pronouncement could have on its financial statements.

In January 2016, FASB issued ASU 2016-1, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Among other aspects, the new standard requires that changes in the fair value of financial liabilities measured under the fair value option, resulting from a change in the credit risk of the specific instrument, be recognized in other comprehensive income or comprehensive income.

In February 2016, FASB issued ASU 2016-2, Leases (Topic 842) to increase transparency and comparability between organizations by requiring the recognition of substantially all leases as assets and liabilities in the statement of financial condition. Subsequent amendments and improvements to ASU 2016-2 were issued in the form of additional ASUs. For the Credit Union, ASU 2016-2 is effective for years beginning after December 15, 2019.

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update clarifies how entities should classify certain cash receipts and payments in the statement of cash flows to reduce any discrepancies in current and future applied practice. This ASU is effective for the Credit Union for years beginning after December 15, 2018. The adoption of this ASU did not have a significant impact on the Credit Union's financial statements.

*Effects of the Fiscal Plan of the Public Corporation for the Supervision and Insurance of Credit Unions of Puerto Rico, hereinafter, COSSEC.*

On June 29, 2019, COSSEC fiscal plan was certified by the Fiscal Oversight Board. COSSEC's Fiscal Plan 2020 describes a comprehensive short, medium, and long-term measures that, when implemented in a timely manner by the Government, will pave the way for a healthier and more sustainable cooperative system in Puerto Rico.

The measures of this Fiscal Plan have been built around three main axes of reform of the financial systems: implement changes in governance, increase transparency in accounting and improve supervision interventions. Short- and medium-term measures include, but are not limited to, a new governance structure of the Board of Directors for COSSEC, a concrete plan for the transition from regulatory accounting procedures (RAP) to generally accepted accounting principles (GAAP) and how it supervises financial credit unions, including assessing risk and stability, and how to resolve the issue of failing credit unions. In addition, this plan provides an overview of the long-term reforms that COSSEC must adopt to ensure that the cooperative system can prosper in the future.

This plan also imposes promptness in the merger and consolidation processes within a period of 24 months after the approval of several amendments to Act No. 255 and the implementation of the ASC 320-10-35 Codification for investments in accordance with GAAP. Also, based on this Standard, Credit Unions must eliminate the asset Loss Under Special Amortization as of June 30, 2025. In turn, it is recommended that the real capital to total assets of the credit unions should be around 6.00% to 6.99% on June 30, 2025 to be Adequately Capitalized and above 7% to be Well Capitalized. The fiscal plan also defines real capital as capital reserves and unrealized gains (losses) on investments.

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

The Credit Unions in Puerto Rico present the shares of members in the members' equity section in the statement of financial condition. Accounting principles require shares to be presented in the member deposits section of these same statement. In addition, recognized the distribution of its undistributed earnings through a charge to accumulated profits and accounting principles require that such distributions be recognized as interest expense.

The Credit Union implemented Law 220, *Accounting Requirements for Special Investments* (Note 2). This Law required the adoption of its mandatory and immediate dispositions. This Law requires an accounting and other aspects that differ from generally accepted accounting principles in the United States of America (U.S. GAAP). Accounting principles require that investments be recorded in accordance with the requirements of *ASC 320, Investments - Debt and Equity Securities*.

If the items described in Note 3 had been classified in accordance with generally accepted accounting principles in the United States of America, total assets would decrease by \$8,719,848 and \$9,786,315, liabilities would increase by \$58,344,920 and \$54,929,296, and members' equity would decrease by \$67,064,768 and \$64,715,611 as of June 30, 2021 and 2020, respectively. In addition, the net income would decrease in the amount of \$9,358,100 and \$10,552,932 for the years ended June 30, 2021 and 2020, respectively.

The following tables show a comparison and the most significant differences between the condensed statement of financial condition as of June 30, 2021 and 2020 and the condensed statement of income and expenses for the years ended on the referred date of the Credit Union in accordance with the accounting practices required by Law 255, as amended, and the Corporation (statutory financial statements) and generally accepted accounting principles in the United States of America (U.S. GAAP).

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

<u>Condensed Statement of Financial Condition as of June 30, 2021</u>	<u>Statutory Financial Statements</u>	<u>Adjustments to conform US GAAP</u>	<u>US GAAP Financial Statements</u>
<b>Assets:</b>			
Cash and savings certificates	\$ 82,953,228	-	\$ 82,953,228
Investments in securities	22,297,449	-	22,297,449
Special investments	2,635,581	417,759	3,053,340
Loans, net	109,956,319	-	109,956,319
Losses under special amortization	9,137,607	(9,137,607)	-
Property, equipment and other assets	8,181,508	-	8,181,508
Total assets	<u>\$ 235,161,692</u>	<u>\$ (8,719,848)</u>	<u>\$ 226,441,844</u>
<b>Liabilities:</b>			
Deposits	\$ 148,741,309	58,124,427	\$ 206,865,736
Other Liabilities	3,646,890	220,493	3,867,383
Total liabilities	<u>\$ 152,388,199</u>	<u>\$ 58,344,920</u>	<u>\$ 210,733,119</u>
<b>Members' Equity</b>			
Shares	58,124,427	(58,124,427)	-
Indivisible capital and other reserves	14,763,009	(618,872)	14,144,137
Special temporary reserve	9,207,438	(1,247,000)	7,960,438
Accumulated comprehensive net income	78,619	417,759	496,378
Undistributed earnings (deficit)	600,000	(7,492,228)	(6,892,228)
Total members' equity	<u>82,773,493</u>	<u>(67,064,768)</u>	<u>15,708,725</u>
Total liabilities and members' equity	<u>\$ 235,161,692</u>	<u>\$ (8,719,848)</u>	<u>\$ 226,441,844</u>

<u>Condensed Statement of Income and Expenses for the years ended June 30, 2021</u>	<u>Statutory Financial Statements</u>	<u>Adjustments to conform US GAAP</u>	<u>US GAAP Financial Statements</u>
Interest income	\$ 9,733,933	\$ -	\$ 9,733,933
Interest expense	(589,287)	(220,493)	(809,780)
Net interest income	9,144,646	(220,493)	8,924,153
Allowance for uncollectible loans	(700,000)	-	(700,000)
Income after allowance	8,444,646	(220,493)	8,224,153
Other income (excluding interests)	2,372,136	-	2,372,136
Other expenses (excluding interests)	(7,335,585)	-	(7,335,585)
Other than temporary impairment of investments	(1,015,325)	(9,137,607)	(10,152,932)
Net income (loss)	<u>\$ 2,465,872</u>	<u>\$ (9,358,100)</u>	<u>\$ (6,892,228)</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

<u>Condensed Statement of Financial Condition as of June 30, 2020</u>	<u>Statutory Financial Statements</u>	<u>Adjustments to conform US GAAP</u>	<u>US GAAP Financial Statements</u>
<b>Assets:</b>			
Cash and savings certificates	\$ 60,948,490	-	\$ 60,948,490
Investment in securities	22,086,409	-	22,086,409
Special investments	2,637,384	366,617	3,004,001
Loans, net	104,239,033	-	104,239,033
Losses under special amortization	10,152,932	(10,152,932)	-
Property, equipment and other assets	9,541,299	-	9,541,299
Total assets	<u>\$ 209,605,547</u>	<u>\$ (9,786,315)</u>	<u>\$ 199,819,232</u>
<b>Liabilities:</b>			
Deposits	\$ 129,397,202	54,529,296	\$ 183,926,498
Other Liabilities	3,213,945	400,000	3,613,945
Total liabilities	<u>\$ 132,611,147</u>	<u>\$ 54,929,296</u>	<u>\$ 187,540,443</u>
<b>Members' Equity</b>			
Shares	54,529,296	(54,529,296)	-
Indivisible capital and other reserves	13,738,862	(500,000)	13,238,862
Special temporary reserve	8,207,438	(1,000,000)	7,207,438
Accumulated comprehensive net income	298,311	366,617	664,928
Undistributed earnings (deficit)	220,493	(9,052,932)	(8,832,439)
Total members' equity	<u>76,994,400</u>	<u>(64,715,611)</u>	<u>12,278,789</u>
Total liabilities and members' equity	<u>\$ 209,605,547</u>	<u>\$ (9,786,315)</u>	<u>\$ 199,819,232</u>

<u>Condensed Statements of Income and Expenses for the year ended June 30, 2020</u>	<u>Statutory Financial Statements</u>	<u>Adjustments to conform US GAAP</u>	<u>US GAAP Financial Statements</u>
Interest income	\$ 9,655,849	\$ -	\$ 9,655,849
Interest expense	(827,091)	(400,000)	(1,227,091)
Net interest income	8,828,758	(400,000)	8,428,758
Allowance for uncollectible loans	(300,000)	-	(300,000)
Income after allowance	8,528,758	(400,000)	8,128,758
Other income	1,884,553	-	1,884,553
General and administrative expenses	(7,677,503)	-	(7,677,503)
Other than temporary impairment of investments	(1,015,315)	(10,152,932)	(11,168,247)
Net income (loss)	<u>\$ 1,720,493</u>	<u>\$ (10,552,932)</u>	<u>\$ (8,832,439)</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

**4. CASH AND CASH EQUIVALENTS**

As of June 30, 2021, and 2020, the balance of cash and cash equivalents consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 1,277,641	\$ 1,678,604
Savings accounts	44,739,716	33,098,123
Change in funds and petty cash	2,142,886	2,291,522
Savings certificates - maturity less than ninety days	<u>3,550,000</u>	<u>6,650,000</u>
Total of cash and cash equivalents	\$ 51,710,243	\$ 43,718,249
Restricted Cash	<u>178,250</u>	<u>291,000</u>
Total of cash and cash equivalents and restricted cash	<u>\$ 51,888,493</u>	<u>\$ 44,009,249</u>

***Risk concentration***

As of June 30, 2021 and 2020, the Credit Union maintains deposits in the amount of \$12,777,229 and \$30,271,821, respectively, in the Banco Cooperativo of Puerto Rico whose balances are not insured. As of June 30, 2021 and 2020, the Credit Union had cash deposited on the amount covered by the FDIC insurance for \$89,221,000 and \$9,989,902, respectively, and in COSSEC for \$8,101,658 for both years.

***Restricted Cash***

The Credit Union adopted ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial position and in the statement of cash flow. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are segregated from other assets to mark clear boundaries of their use. As of June 30, 2021 and 2020, the Credit Union had deposited \$178,250 and \$291,000, respectively, in restricted cash for the payment of contributions and insurance on the properties that serve as collateral under mortgage loans.

**5. SAVINGS CERTIFICATES (maturity greater than three months)**

Savings certificates with Banks and Credit Unions with original maturity more than three months have the following maturities in aggregate as of June 30, 2021 and 2020:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

Maturity	2021	2020
More than 3 months to 6 months	\$ 2,520,168	\$ 3,850,000
More than 6 months to 1 year	3,901,658	8,619,074
More than 1 year to 3 years	24,642,909	4,470,167
Total	<u>\$ 31,064,735</u>	<u>\$ 16,939,241</u>

## 6. LOANS

As of June 30, 2021, the loan portfolio to members of the Credit Union by type is broken down as follows:

	2021	2020
Commercial:		
Corporations	\$ 5,665,883	\$ 4,375,542
Non-profit entities	1,183,946	1,260,680
Total commercial	<u>\$ 6,849,829</u>	<u>\$ 5,636,222</u>
Consumer:		
Personal	\$ 43,809,924	\$ 43,397,927
Auto	33,386,494	28,574,049
Mortgage	28,695,241	29,036,156
Credit cards and line of credit	2,279,740	2,356,373
Restructured	131,111	231,983
Total consumer loans	<u>\$ 108,302,510</u>	<u>\$ 103,596,488</u>
Total loans	<u>\$ 115,152,339</u>	<u>\$ 109,232,710</u>
Less: Allowance for uncollectible loans	(6,002,986)	(5,728,467)
Plus: Deferred costs in loan origination	806,966	734,790
Total loans, net	<u>\$ 109,956,319</u>	<u>\$ 104,239,033</u>

### *COVID-19 moratoriums*

In working with members affected by the COVID-19 pandemic, the Credit Union agreed to voluntarily allow members with mortgage and consumer loans who were current on their payments as of March 12, 2020, to defer or defer payments of their loans through June 30, 2020, with few exceptions. For both mortgage and consumer loans subject to the moratorium program, each member was required to begin making the regularly scheduled loan payment at the end of the deferral period and the deferred amounts were carried over to the end of the loan. Upon resuming payments, the interest accumulated during the period

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

subject to the moratorium was covered first and then the principal owed. A loan modification covered by these provisions of the rulemaking was not considered an impaired loan. The Credit Union had under deferred payment agreements the amount of 901 loans, with an outstanding balance of approximately \$18,732,495 as of the date of granting of the moratoriums.

***Allowance for Uncollectible Loans***

The movement of the allowance for possible losses in the loan portfolio of the Credit Union as of June 30, 2021 and 2020, is as follows:

	<b>2021</b>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning balance	\$ 436,045	\$ 5,292,422	\$ 5,728,467
Additional provision of the year	-	700,000	700,000
Recoveries of loans previously reserved	-	162,040	162,040
Loans charged against the reserve	-	(587,521)	(587,521)
Ending balance	<u>\$ 436,045</u>	<u>\$ 5,566,941</u>	<u>\$ 6,002,986</u>
Evaluation of reserve:			
Reserve evaluated individually	\$ 436,045	\$ -	\$ 436,045
Reserve evaluated collectively	-	5,566,941	5,566,941
Total	<u>\$ 436,045</u>	<u>\$ 5,566,941</u>	<u>\$ 6,002,986</u>
Loan balance:			
Evaluated individually	\$ 6,849,829	\$ -	6,849,829
Evaluated collectively	-	108,302,510	108,302,510
Total	<u>\$ 6,849,829</u>	<u>\$ 108,302,510</u>	<u>\$ 115,152,339</u>



Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

	2020		
	Commercial	Consumer	Total
Beginning balance	\$ 436,045	\$ 5,591,334	\$ 6,027,379
Additional provision of the year	-	300,000	300,000
Recoveries of loans previously reserved	-	156,549	156,549
Loans charged against the reserve	-	(755,461)	(755,461)
Ending balance	<u>\$ 436,045</u>	<u>\$ 5,292,422</u>	<u>\$ 5,728,467</u>
Evaluation of reserve			
Reserve evaluated individually	\$ 436,045	\$ -	\$ 436,045
Reserve evaluated collectively	-	5,292,422	5,292,422
Total	<u>\$ 436,045</u>	<u>\$ 5,292,422</u>	<u>\$ 5,728,467</u>
Loan balance:			
Evaluated individually	\$ 5,636,222	\$ -	5,636,222
Evaluated collectively	-	103,596,488	103,596,488
Total	<u>\$ 5,636,222</u>	<u>\$ 103,596,488</u>	<u>\$ 109,232,710</u>

***Commercial Loans by Risk Category***

Below is the portfolio of commercial loans classified according to their risk as of June 30, 2021 and 2020:

	Without Exception	Follow-Up	Substandard	Doubtful	Total
<b>June 30, 2021</b>					
Corporations	\$ 5,307,259	\$ 135,320	\$ -	\$ 223,304	\$ 5,665,883
Non-profit entities	1,063,301	-	-	120,645	1,183,946
Total commercial	<u>\$ 6,370,560</u>	<u>\$ 135,320</u>	<u>\$ -</u>	<u>\$ 343,949</u>	<u>\$ 6,849,829</u>
<b>June 30, 2020</b>					
Corporations	\$ 3,824,331	\$ 217,924	\$ -	\$ 333,287	\$ 4,375,542
Non-profit entities	1,130,071	-	9,963	120,646	1,260,680
Total commercial	<u>\$ 4,954,402</u>	<u>\$ 217,924</u>	<u>\$ 9,963</u>	<u>\$ 453,933</u>	<u>\$ 5,636,222</u>

***Commercial and Consumer Loans by Aging Categories***

The Credit Union monitors the aging of its commercial portfolio to manage credit risk. Below are the aging categories of the commercial portfolio as of June 30, 2021 and 2020:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

	Maturity Days						Total
	Current or 0-60	61-180	181-360	360 or more	90+ & Accumulating	90+ & Not accumulating	
<b>June 30, 2021</b>							
Corporations	\$ 5,307,259	\$ 135,320	\$ -	\$ 223,304	\$ -	\$ 358,624	\$ 5,665,883
Non-profit entities	1,063,301	-	-	120,645	-	120,645	1,183,946
Total commercial	<u>\$ 6,370,560</u>	<u>\$ 135,320</u>	<u>\$ -</u>	<u>\$ 343,949</u>	<u>\$ -</u>	<u>\$ 479,269</u>	<u>\$ 6,849,829</u>
<b>June 30, 2020</b>							
Corporations	\$ 3,824,331	\$ 217,924	\$ -	\$ 333,287	\$ -	551,211	\$ 4,375,542
Non-profit entities	1,130,071	-	9,963	120,646	-	130,609	1,260,680
Total commercial	<u>\$ 4,954,402</u>	<u>\$ 217,924</u>	<u>\$ 9,963</u>	<u>\$ 453,933</u>	<u>\$ -</u>	<u>\$ 681,820</u>	<u>\$ 5,636,222</u>

Below are the categories of maturity of the portfolio of consumer as of June 30, 2021 and 2020:

	Maturity Days						Total
	Current or 0-60	61-180	181-360	360 or more	90+ & Accumulating	90+ & Not accumulating	
<b>June 30, 2021</b>							
Personal	\$ 43,624,103	\$ 158,496	\$ 27,325	\$ -	\$ -	\$ 185,821	\$ 43,809,924
Auto	33,113,630	102,311	112,368	58,185	-	272,864	33,386,494
Mortgage	26,604,335	131,299	148,890	1,810,717	-	2,090,906	28,695,241
Credit cards and line of credit	2,262,388	17,352	-	-	-	17,352	2,279,740
Restructured	131,111	-	-	-	-	-	131,111
Total consumer	<u>\$ 105,735,567</u>	<u>\$ 409,458</u>	<u>\$ 288,583</u>	<u>\$ 1,868,902</u>	<u>\$ -</u>	<u>\$ 2,566,943</u>	<u>\$ 108,302,510</u>
<b>June 30, 2020</b>							
Personal	\$ 42,901,430	\$ 214,391	\$ 282,106	\$ -	\$ -	\$ 496,497	\$ 43,397,927
Auto	28,209,358	142,273	139,932	82,486	-	364,691	28,574,049
Mortgage	26,285,914	379,803	788,943	1,581,496	-	2,750,242	29,036,156
Credit cards and line of credit	2,264,344	67,217	24,812	-	-	92,029	2,356,373
Restructured	189,978	11,394	30,611	-	-	42,005	231,983
Total consumer	<u>\$ 99,851,024</u>	<u>\$ 815,078</u>	<u>\$ 1,266,404</u>	<u>\$ 1,663,982</u>	<u>\$ -</u>	<u>\$ 3,745,464</u>	<u>\$ 103,596,488</u>

***Consumer Loan by Credit Score***

Below, we present the types of loans that make up the consumer portfolio, classified according to their credit score at the time of granting as of June 30, 2021 and 2020:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

	Distribution by credit scores					Total
	< 600	601-650	651-700	701 +	Other	
<b>June 30, 2021</b>						
Personal	\$ 4,587,791	\$ 5,809,301	\$ 10,547,679	\$ 22,865,153	\$ -	\$ 43,809,924
Auto	10,430,918	6,148,541	5,170,419	10,989,355	647,261	33,386,494
Mortgage	5,672,940	4,402,644	7,163,495	11,456,162	-	28,695,241
Credit cards and lines of credit	54,458	29,642	79,552	49,801	2,066,287	2,279,740
Restructured	73,980	42,741	8,105	6,285	-	131,111
Total consumer	<u>\$ 20,820,087</u>	<u>\$ 16,432,869</u>	<u>\$ 22,969,250</u>	<u>\$ 45,366,756</u>	<u>\$ 2,713,548</u>	<u>\$ 108,302,510</u>
<b>June 30, 2020</b>						
Personal	\$ 4,506,037	\$ 5,976,629	\$ 10,780,482	\$ 22,134,779	\$ -	\$ 43,397,927
Auto	8,181,648	5,503,525	4,691,679	9,206,710	990,487	28,574,049
Mortgage	6,301,575	4,851,403	6,653,055	11,230,123	-	29,036,156
Credit cards and lines of credit	48,382	24,027	136,678	23,436	2,123,850	2,356,373
Restructured	152,347	61,519	11,134	6,983	-	231,983
Total consumer	<u>\$ 19,189,989</u>	<u>\$ 16,417,103</u>	<u>\$ 22,273,028</u>	<u>\$ 42,602,031</u>	<u>\$ 3,114,337</u>	<u>\$ 103,596,488</u>

***Commercial Loans by Balance of Loan to Collateral Value***

The following is the distribution of the mortgage loan portfolio according to the above-mentioned proportion as of June 30, 2021 and 2020:

	Loan-to-Value Classification				Total
	0-80%	80-90%	90-100%	>100%	
<b>June 30, 2021</b>					
First mortgage	\$ 22,218,437	\$ 3,326,904	\$ 1,686,870	\$ 1,463,030	\$ 28,695,241
Total	<u>\$ 22,218,437</u>	<u>\$ 3,326,904</u>	<u>\$ 1,686,870</u>	<u>\$ 1,463,030</u>	<u>\$ 28,695,241</u>
<b>June 30, 2020</b>					
First mortgage	\$ 24,375,945	\$ 2,495,156	\$ 1,183,699	\$ 981,354	\$ 29,036,156
Total	<u>\$ 24,375,945</u>	<u>\$ 2,495,156</u>	<u>\$ 1,183,699</u>	<u>\$ 981,354</u>	<u>\$ 29,036,156</u>

***Impaired Loans***

The following presents a summary of the portfolio of impaired loans by type as of June 30, 2021 and 2020:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Unpaid Principal Balance</u>	<u>Specific Reserve</u>	<u>Unpaid Principal Balance</u>	<u>Specific Reserve</u>
Commercial:				
Corporations	\$ 358,624	\$ 130,638	\$ 551,211	\$ 122,875
Non-profit entities	120,645	116,171	130,609	116,708
Total commercial	<u>\$ 479,269</u>	<u>\$ 246,809</u>	<u>\$ 681,820</u>	<u>\$ 239,583</u>
Consumer:				
Personal	\$ 185,821	\$ 32,672	\$ 496,497	\$ 288,645
Auto	272,864	120,794	364,691	223,882
Mortgage	2,090,906	1,213,464	2,750,242	1,232,718
Credit cards and lines of credit	17,352	1,606	92,029	30,820
Restructured	-	-	42,005	33,632
Total consumer	<u>\$ 2,566,943</u>	<u>\$ 1,368,536</u>	<u>\$ 3,745,464</u>	<u>\$ 1,809,697</u>
Total	<u>\$ 3,046,212</u>	<u>\$ 1,615,345</u>	<u>\$ 4,427,284</u>	<u>\$ 2,049,280</u>

**Modified Loans**

The following presents a summary of the loans modified and classified as restructured and those loans restructured that became impaired as of June 30, 2021 and 2020:

	<u>Restructured loans</u>			<u>Delinquent restructured loans</u>		
	<u>Number of loans</u>	<u>Principal balance</u>	<u>Reserve assigned</u>	<u>Number of loans</u>	<u>Principal balance</u>	<u>Reserve assigned</u>
<u>June 30, 2020</u>						
Consumer:						
Personal	10	\$ 131,111	\$ 6,214	-	\$ -	\$ -
Total consumer	<u>10</u>	<u>\$ 131,111</u>	<u>\$ 6,214</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2019</u>						
Consumer:						
Personal	22	\$ 231,983	\$ 39,846	2	\$ 42,005	\$ 33,632
Total consumer	<u>22</u>	<u>\$ 231,983</u>	<u>\$ 39,846</u>	<u>2</u>	<u>\$ 42,005</u>	<u>\$ 33,632</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

The following is a summary of the type of concession granted to the restructured loans during the year ended June 30, 2021 and 2020:

	<u>Type of concession</u>	<u>Interest rate and maturity date</u>
<b>June 30, 2021</b>		
Consumer:		
Personal		\$ 131,111
Total consumer		<u>\$ 131,111</u>
<b>June 30, 2020</b>		
Consumer:		
Personal		\$ 231,983
Total consumer		<u>\$ 231,983</u>

## 7. INVESTMENT IN SECURITIES

As of June 30, 2021, and 2020, the amortized cost and fair market value of the investment securities available for sale are as follows:

<u>June 30, 2021</u>	<u>Available for sale</u>			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Type of Investment				
U.S Municipal Bonds and Notes	\$ 4,704,572	\$ 240,579	\$ -	\$ 4,945,151
U.S Corporat Bonds and Notes	55,229	-	(33,602)	21,627
<i>Federal Farm Credit Bank</i>	5,059,191	700	(39,495)	5,020,396
<i>Federal Home Loan Bank</i>	2,534,915	-	(30,010)	2,504,905
<i>Federal Home Loan Mortgage Corporation</i>	6,339,994	-	(46,528)	6,293,466
U.S Treasury Notes	499,998	502	-	500,500
<i>Fannie Mae</i>	3,024,932	-	(13,528)	3,011,404
	<u>\$ 22,218,831</u>	<u>\$ 241,781</u>	<u>\$ (163,163)</u>	<u>\$ 22,297,449</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

Type of Investments	Available for sale			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
U.S Municipal Bonds and Notes	\$ 6,080,002	\$ 265,727	\$ (37,892)	\$ 6,307,837
<i>Federal Farm Credit Bank</i>	4,738,071	18,831	-	4,756,902
<i>Federal Home Loan Bank</i>	500,301	5,299	-	505,600
<i>Federal Home Loan Mortgage Corporation</i>	1,502,475	7,370	-	1,509,845
U.S Treasury Notes	7,965,576	35,749	-	8,001,325
<i>Fannie Mae</i>	1,001,673	3,227	-	1,004,900
	<u>\$ 21,788,098</u>	<u>\$ 336,203</u>	<u>\$ (37,892)</u>	<u>\$ 22,086,409</u>

Unrealized losses on securities issued by the Government of the United States of America and its Agencies have not been recognized in the statement of income and expenses due to the implicit guarantee of these negotiable securities by the Government of the United States of America and their Agencies. The decline in market value is primarily due to differences between securities' returns and market interest rates. In addition, management expects to recoup the decline in market value as the securities approach their maturity date or market rates decline. Management has the ability and intention to hold these securities until the recovery of market value that could be maturity.

During the year ended June 30, 2021, the proceeds from sales and principal recovery of marketable securities was approximately \$23.5 million. There was no gain or loss on the sale of marketable securities during fiscal 2021. Purchases of marketable securities during the year ended June 30, 2021 totaled approximately \$24 million.

The amortized cost and the estimated market value of the investments in securities as of June 30, 2021 and 2020, according to their maturity, are presented below. The expected maturities of the investments may differ from the original contract because the borrower has the right to cancel the obligation or prepay it.

Maturity	2021		2020	
	Amortized Cost	Market Value	Amortized Cost	Market Value
one to five years	\$ 17,015,598	\$ 17,163,268	\$ 15,583,005	\$ 15,674,414
five to ten years	4,161,036	4,088,491	6,205,093	6,411,995
more than ten years	1,042,197	1,045,690	-	-
	<u>\$ 22,218,831</u>	<u>\$ 22,297,449</u>	<u>\$ 21,788,098</u>	<u>\$ 22,086,409</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

**8. SPECIAL INVESTMENTS**

The Credit Union adopted Law 220 of December 15, 2015, which, among other things, provides that the Credit Unions record the bonds of the Commonwealth of Puerto Rico, its agencies, and public corporations uniformly at amortized cost and that they be classified as investments to be held to maturity and no unrealized losses will be presented in the financial statements related to special investments.

As June 30, 2021 and 2020, the amortized cost, the impairment or other than temporary impairment, adjusted cost, fair market value and unrealized gain (loss) of special investments were as follows:

Issuer of debt instrument	June 30, 2021				
	Amortized Cost	Total Impairment Active Investment	Adjusted Cost	Market Value	Unrealized Gain (Loss)
PRIDCO	\$ 3,004,444	\$ (903,613)	\$ 2,100,831	\$ 2,925,000	\$ 824,169
Corporación para el Financiamiento Público (PFC)	10,695,000	(10,160,250)	534,750	128,340	(406,410)
	<u>\$ 13,699,444</u>	<u>\$ (11,063,863)</u>	<u>\$ 2,635,581</u>	<u>\$ 3,053,340</u>	<u>\$ 417,759</u>

  

Issuer of debt instrument	June 30, 2020				
	Amortized Cost	Total Impairment Active Investment	Adjusted Cost	Market Value	Unrealized Gain (Loss)
PRIDCO	\$ 3,005,975	\$ (903,341)	\$ 2,102,634	\$ 2,833,950	\$ 731,316
Corporación para el Financiamiento Público (PFC)	10,695,000	(10,160,250)	534,750	170,051	(364,699)
	<u>\$ 13,700,975</u>	<u>\$ (11,063,591)</u>	<u>\$ 2,637,384</u>	<u>\$ 3,004,001</u>	<u>\$ 366,617</u>

During the years ended June 30, 2021 and 2020, the Credit Union did not recognize impairments or other than temporary impairment.

***Expected Maturity of Special Investments***

The amortized cost without considering the assigned impairment and the estimated market value of special investments as of June 30, 2021 and 2020, according to their maturity, are presented below. The expected maturities of the investments may differ from the original contract because the borrower has the right to cancel the obligation or prepay it.

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

<u>Maturity</u>	<u>2021</u>		<u>2020</u>	
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Expire investments	\$ 2,000,000	\$ 24,000	\$ 5,695,000	\$ 90,551
One to five years	11,699,444	3,029,340	8,005,975	2,913,450
	<u>\$ 13,699,444</u>	<u>\$ 3,053,340</u>	<u>\$ 13,700,975</u>	<u>\$ 3,004,001</u>

**9. INVESTMENTS IN COOPERATIVE ENTITIES**

Investment in cooperative entities as of June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Banco Cooperativo de Puerto Rico	\$ 1,213,817	\$ 1,116,555
Investment in COSSEC	1,840,166	1,827,323
Cooperativa de Seguros de Vida	1,262,119	1,257,040
Fondo de Inversión y Desarrollo Cooperativo (FIDECOOP)	465,898	465,898
Cooperativa de Seguros Múltiples de Puerto Rico	78,416	72,993
Investment in CIMCO	31,400	31,400
Cooperativa de Servicios Fúnebres	10,200	10,200
Circuito Cooperativo	1,000	1,000
Liga de Cooperativas	1,580	1,580
	<u>\$ 4,904,596</u>	<u>\$ 4,783,989</u>

**10. INTEREST RECEIVABLE**

Interest receivable by classification was made up of the following as of June 30, 2021 and 2020:

<u>Type</u>	<u>2021</u>	<u>2020</u>
Loans	\$ 207,939	\$ 465,330
Negotiable investments	87,729	122,457
Savings certificates	95,091	113,346
Total	<u>\$ 390,759</u>	<u>\$ 701,133</u>

**11. PROPERTY AND EQUIPMENT**

As of June 30, 2021, and 2020, the property and equipment were composed of the following:



Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

	Useful life (in years)	2021	2020
Buildings	50	\$ 2,420,182	\$ 2,420,182
Furniture & Equipment	1-8	1,155,258	1,170,956
Programming	1-5	1,234,153	1,303,155
Improvements	1-5	2,923,744	2,691,795
Vehicles	4-5	122,395	122,395
		7,855,732	7,708,483
Less accumulated depreciation		<u>(6,315,998)</u>	<u>(6,047,098)</u>
		1,539,734	1,661,385
Land		889,117	889,117
		<u>\$ 2,428,851</u>	<u>\$ 2,550,502</u>

## 12. REPOSSESSED PROPERTIES

Repossessed properties in loan liquidation consist primarily of automobiles and real property acquired through foreclosure and are initially recorded at fair value less estimated costs to sell, establishing a new cost basis. The amount of the fair value of the real property is determined through appraisals or opinions of value of real estate brokers that are supported by unobservable data, such as historical information regarding the sale prices of similar properties located in the surrounding area. Estimated appraised values may be discounted based on management's historical knowledge, changes in market conditions since the time of valuation, and/or the experience and knowledge of the member's management or the member's business.

As a result, information derived from appraisals and opinions' values is subjective and can result in a wide range of fair value estimates. Consequently, repossessed properties are classified as Level 3 in the fair value hierarchy and are valued on a non-recurring basis, see Note 22.

The Credit Union also markets repossessed properties for sale to the public. Periodically, fair value amounts are reviewed to ensure that the book value of repossessed properties is not maintained above the current fair value less estimated costs to sell. Costs such as registration, insurance, maintenance, contributions, and utility costs are expensed when incurred. The valuation adjustments of these assets, as well as the gains or losses realized in the disposal of said properties, are reflected in the statement of income and expenses.

**13. LOSSES UNDER SPECIAL AMORTIZATION (Impairment Law 220)**

*Adoption of Law 220 and Loss under Special Amortization*

The Law 220 adopted by the Credit Union during the year ended December 31, 2015 allows any loss attributable to special investments in the disposal, retention or related to the application of a pronouncement of generally accepted accounting principles may be amortized for a period not exceeding 15 years, to be named Losses under Special Amortization. Other than temporary impairment in debt instruments issued by the Commonwealth of Puerto Rico, its agencies and public corporations classified as special investments were recorded as losses under special amortization. As of June 30, 2021 and 2020, the balance of losses under special amortization was \$9,137,607 and \$10,152,932, respectively. These losses will be amortized over a period that will not exceed 15 years. During the years ended June 30, 2021 and 2020, the Credit Union recorded a provision for the amortization of losses on special investments of \$1,015,325 and \$1,015,315, respectively.

The movement of the losses under special amortization of the Credit Union as of June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 10,152,932	\$ 11,168,247
Additions	-	-
Amortization	<u>(1,015,325)</u>	<u>(1,015,315)</u>
Ending balance	<u>\$ 9,137,607</u>	<u>10,152,932</u>

Also, in relation to the adoption of Law 220, the Credit Union created a special temporary reserve of 10% of the unrealized loss of special investments plus other minimum contributions that vary subject to indivisible capital levels and the CAEL composite index of the Credit Union. The special temporary reserve as of June 30, 2021 and 2020 was \$9,207,438 and \$8,207,438, respectively, and is presented in the statement of changes in participation of members. The calculation of the special temporary reserve as of June 30, 2021 and 2020 was as follows:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

	2021			2020		
	Amount	%	Determined Reserve	Amount	%	Determined Reserve
<b>Fiest Reserve - Unrealized Losses</b>						
Unrealized losses	\$ -			\$ -		
Loss under special amortization	<u>9,137,607</u>			<u>10,152,932</u>		
Total	<u>9,137,607</u>	10%	\$ 913,761	<u>10,152,932</u>	10%	\$ 1,015,293
<b>Second Reserve - Undistributed earnings</b>						
Undistributed earnings net of annual contribution to indivisible capital	<u>\$1,865,872</u>	50%	<u>932,936</u>	<u>\$1,220,493</u>	50%	<u>610,247</u>
Total special temporary reserve required			1,846,697			1,625,540
Additional special temporary reserve			<u>7,360,741</u>			<u>6,581,898</u>
Total special temporary reserve as of June 30			<u>\$ 9,207,438</u>			<u>\$ 8,207,438</u>

**14. OTHER ASSETS**

As of June 30, 2021, and 2020, the other assets were composed of the following:

	2021	2020
Prepaid deposits and insurance	\$ 171,446	\$ 170,860
Materials inventory	58,272	31,135
Other accounts receivable	33,883	37,509
	<u>\$ 263,601</u>	<u>\$ 239,504</u>

**15. DEPOSITS AND CERTIFICATE OF DEPOSITS**

The regular savings accounts accrued interest that fluctuates between 0.05% and 0.35% computed on the average daily balance and credited quarterly. It is the policy of the Credit Union to allow savings withdrawals on any operating day. However, when the Board of Directors deems it necessary, it may require the members to notify their intention to make withdrawals up to thirty (30) days in advance.

The interest rate on the certificates varies according to the amount and the time negotiated. The savings balances maintained in the Christmas and summer savings plan are payable in October and May, respectively. Interest on these accounts fluctuates between 1% to 3% and interest on certificates of deposit fluctuates between 0.15% to 1.50%. The deposits consist of the following:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Members' and non-members savings accounts	\$ 109,661,936	\$ 91,606,918
Members' and non-members certificate of deposits	29,059,575	29,592,644
Checking accounts	7,962,598	6,311,150
Navi-Coop	1,899,811	1,746,893
Vera-Coop	157,389	139,597
	<u>\$ 148,741,309</u>	<u>\$ 129,397,202</u>

The following shows the maturity of the deposits and certificates of deposits in aggregated form for the following five years as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Savings account without contract of maturity	\$ 119,681,734	\$ 99,804,558
Maturity of less than one year	18,506,905	20,652,404
Maturity between one and three years	6,899,707	4,714,072
Maturity between three and five years	1,973,003	2,503,854
Maturity over five years	1,679,960	1,722,314
Total deposits	<u>\$ 148,741,309</u>	<u>\$ 129,397,202</u>

Interest expense incurred during the years ended June 30, 2021 and 2020 was as follows:

<u>Interest Expense</u>	<u>2021</u>	<u>2020</u>
Certificates of deposits	\$ 119,681,734	\$ 99,804,558
Deposits	1,973,003	2,503,854
Determined events	1,679,960	1,722,314
Total	<u>\$ 123,334,697</u>	<u>\$ 104,030,726</u>

As of June 30, 2021, the Credit Union had a total of deposits, savings certificates and shares for \$206,865,737, of which \$6,123,249 were not insured.

**16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of June 30, 2021, and 2020 the accounts payable and accumulated expenses were the following:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Account payable and accumulated expenses	\$ 1,352,598	\$ 1,242,352
Insurance and policies payable	316,800	255,439
Interest payable	68,972	90,094
Discounts and transfers of loans	237,406	203,380
Other accounts payable	1,671,114	1,422,680
	<u>\$ 3,646,890</u>	<u>\$ 3,213,945</u>

**17. SERVICE CHARGES AND OTHER INCOME**

The service charges and other income, excluding interest income, it consists of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Service charges	\$ 1,233,911	\$ 1,060,666
Service commissions	684,996	527,839
Rent	521	5,437
Dividends	109,568	-
Other income grouped	343,140	290,611
	<u>\$ 2,372,136</u>	<u>\$ 1,884,553</u>

**18. COLLECTIVE LIFE INSURANCE OF SHARES AND LOANS**

Members who meet the eligibility requirements enjoy shares and deposit insurance. This insurance will pay up to a maximum of ten thousand dollars (\$10,000) in the coverage of shares and deposits in the event of the death of the insured. The insurance is maintained with the Cooperativa de Seguros de Vida. The loan insurance premium is paid by the members and that corresponding to the shares and deposits is paid by the Credit Union. The insurance expense for the years ended June 30, 2021 and 2020 was \$247,137 and \$252,328, respectively.

**19. HEALTH PLAN**

The Credit Union has a health plan for the qualified employees, where the Credit Union contributes between 50% and a 100% of the cost of said plan for family groups, couples, and individuals. The health plan expense for the period ended June 30, 2021 and 2020 was \$199,092 and \$195,773, respectively.

## 20. RETIREMENT PLAN

The Credit Union has a defined contributions plan for all qualified employees. The Cooperativa de Seguros de Vida is the entity that administers the plan. Plan expense for the years ended June 30, 2021 and 2020 was \$94,397 and \$48,938, respectively. The minimum contribution, including administration costs, is calculated based on the salary of each covered employee. The percentage rate of employer contribution is 3%.

## 21. CONTINGENCIES, UNCERTAINTIES AND COMMITMENTS

### *Purchase of Participation in Loan Portfolio*

During the year ended June 30, 2019, the Credit Union acquired a participation in an auto loan portfolio for approximately \$1.5 million. The management of auto loans will be conducted by the selling entities, which will receive and retain a servicing fee of .25% of the average monthly balance of the loan portfolio. In addition, the Credit Union paid a commission of approximately \$46,000 over the balance of the loans at the purchase date. Loans subject to these transactions were purchased without resource.

### *Operational Leases*

The Credit Union maintains a lease agreement for the facilities used in the Canóvanas branch that expires on August 30, 2023. Future annual rental payments for the next two (2) years are \$36,000 for the year ending June 30, 2022 and 2023. The rent expense for the years ended June 30, 2021 and 2020 was \$36,000 for both years.

### *Lawsuits and Legal Claims*

In 2013, the Credit Union was part of a substantial loss associated with dishonest acts that were covered by an insurance policy on acts of fidelity. In 2015, the Insurance Company recognized and subsequently paid the amount of \$3,750,000 corresponding to the claim made by the Credit Union. The management and legal advisers of the Credit Union are of the opinion that the amount paid by the Insurance Company should have been greater than the amount granted, so they began a claim process through the courts after exhausting the administrative resources. Additionally, in November 2013, the Credit Union suffered a cyber-attack that resulted in the extraction of funds from the Credit Union totaling approximately \$5.8 million. Management and legal advisers of the Credit Union have the opinion that the acts identified in the investigation should be covered under the \$1 million policy issued by the Insurance Company. In November 2014, the Insurance Company objected to the claim under the Cyber Crime policy and the Credit Union requested a reconsideration. The reconsideration was denied, and the Credit Union filed a lawsuit for

breach of contract and other damages. At the date of the financial statements, these claims were in due process of law in the corresponding courts.

The Credit Union is a part of and maintains several claims, mainly for money collection demands, as part of its normal and current operations as a financial institution.

*Payment Order Account Maintenance Agreement*

The Credit Union also maintains current accounts or payment orders (share draft) as part of other services to its members. The Credit Union will be responsible for all the risks involved in the operation of the payment order accounts, including, but not limited to, the acceptance of the client, the opening of the account, the acceptance of deposits in overdrafts, the setting of withholdings in deposited checks, the customer's credit recording, and all the risks inherent in this type of service. The administration costs of this account will be paid by the Credit Union. The Institution will set the charge for its services to the client. The Credit Union only maintains an agreement with the Banco Cooperativo of Puerto Rico to represent it in the exchange and/or return of checks, in accordance with the regulations of the Puerto Rico Clearing House Association.

*Allowance for Uncollectible Loans (U.S. GAAP vs Regulatory)*

The Credit Union records the allowance for uncollectible loans based on the parameters established in Regulation No. 8665 on accounting standards for Savings and Credit Unions promulgated by COSSEC. This Regulation requires that an allowance for uncollectible loans be established using elements that are in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and other regulations that are not in accordance with U.S. GAAP. An example of a regulatory element that disagrees with U.S. GAAP is that the general reserve requires a minimum percentage per loan type based primarily on loan delinquency. The current pronouncements U.S. GAAP require the recognition of credit losses following the incurred losses model and observable tests as of the statement of financial position, in addition to the recognition of the effect of economic factors on credit products. At present, the difference between the allowance for uncollectible loans calculations and the U.S. GAAP models cannot be estimated, and regulatory, without incurring a significant cost and in a long time that management estimates are not cost benefit.

*Puerto Rico Fiscal Crisis*

Puerto Rico remains in the midst of a deep fiscal crisis that affects the central government and many of its instrumentalities, public corporations, and municipalities. This fiscal crisis has been mainly the result of the economic contraction, persistent and significant budget

deficits, a high debt burden, pension obligations, and lack of access to capital markets, among other factors. As a result of the crisis, the Government of Puerto Rico and some of its instruments have not been able to make debt service payments on their bonds and notes since 2016. The escalation of the fiscal and economic crisis and the imminent widespread defaults led the Congress of the United States of America to enact the PROMESA Law in June 2016. The Government of Puerto Rico and several of its instrumentalities are currently in the process of restructuring their debts through the debt restructuring mechanisms provided by PROMISA.

*Uncertainties related to COVID-19*

The COVID-19 pandemic has caused a significant disruption in economic activity in the markets served by the Credit Union. In response to the COVID-19 pandemic, the Government of Puerto Rico has issued several executive orders including, among other things, a stay-at-home mandate on March 15, 2020, subsequently extended until June 15, 2020, non-essential business closings and a night curfew. On May 4, 2020, the Government of Puerto Rico began to implement a plan for the gradual reopening of the economy. Although substantially all parts of the Puerto Rico economy have reopened, under new guidelines that affect the way people interact and how the entities operate, the operations and financial results of the Credit Union have been and could continue to be affected negatively due to the COVID-19 pandemic.

The financial situation and the results of the operations of the Credit Union generally depend on the ability of the members to repay their loans, the value of the collateral underlying the secured loans and the demand for loans and other products and services that the Credit Union offers, which are highly dependent on the business environment in the primary markets in which the Credit Union operates.

Governments worldwide have intervened with fiscal policies to mitigate the impact of the COVID-19 pandemic, including in the United States of America through the Coronavirus Aid, Relief, and Economic Security Act 2020 (CARES Act). The objective of the CARES Act was to provide economic relief to companies and individuals, some of the dispositions of the CARES Act improved the ability of affected members to repay their loans, including providing direct cash payments to eligible taxpayers, including residents of Puerto Rico, below specified income limits, benefits and eligibility expanded of unemployment insurance, and relief designed to prevent layoffs and small business closures. The absence of further relief considering the continuing pandemic could create uncertainty about the ability of members to continue to repay their loans.



Due to the evolving nature of the COVID-19 pandemic and federal and local responses to it, the Credit Union cannot predict the extent or duration of the outbreak or the impact it may have on the financial condition and operations of the Credit Union.

### *Credit Union Exposition*

The credit quality of the loan portfolio of the Credit Union necessarily reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions that affect Puerto Rico, its consumers and businesses or companies. The effects of the prolonged recession are reflected in the limited demand for loans, an increase in the rate of foreclosure and delinquency on loans granted in Puerto Rico. While PROMESA provides a process to address the fiscal crisis of the Government of Puerto Rico, the duration and complexity of Title III procedures for the Government of Puerto Rico and several of its agencies, the adjustment measures required by the fiscal plans, the impact of natural disasters and the COVID-19 pandemic, suggests a risk of significant additional economic contraction. In addition, the measures taken to deal with the fiscal crisis and those that will have to be taken in the near future will likely affect many of our individual members and our business members, which could cause credit losses that negatively affect consumer confidence. This, in turn, translates into reductions in consumer spending that can also adversely impact our interest income and other income. If global or local economic conditions worsen or the Government of Puerto Rico and the Supervisory Board cannot adequately handle the recovery efforts of the Government of Puerto Rico after natural disasters, pre-existing fiscal crisis, and COVID-19, in addition to continuing to provide essential services, adverse effects could continue or worsen in a way that we cannot predict, even after an orderly restructuring of the Government of Puerto Rico's debt obligations.

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

## **22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

### *Methodology and Assumptions*

The following methods and assumptions were used to estimate the fair value of the financial instruments:

- The book value of cash and financial liabilities approximate their fair value due to their short-term nature.

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

- The book value of cash equivalents and certificate of savings was estimated by discounting the expected cash flows to its maturities using estimated market discount rates.
- The fair value of loans was estimated by discounting the expected cash flows to its maturities, using estimated market discount rates that reflect the credit risk and inherent interest to the loan. The discount rate was adjusted to consider the necessary expansion based on the new originations that contemplate the risk of liquidity, interest, and credit. The discount rates applied were based on the market rate for classes similar as of June 30, 2021 (Level 3). The estimated value of loans, advances and other accounts receivable is net of specific provision for impairment.
- The estimated fair value of the investments is based on the market prices when available (Level 1), market price quotations for similar investments (Level 2), or the market price of the last transaction for the instrument in an active market (Level 2), or proportional net assets of associates, as appropriate.
- The value of investments in cooperative entities represents the original costs of the realized investment plus the capitalized dividends, less withdrawals or returns. Managements understands that the fair value of these investments should approximate to the book value for to its particularities.
- Repossessed cars and properties are registered at the lowest cost (loan's book value) or fair value minus any estimated cost to dispose the property. Fair values are derived from appraisals of the properties. 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 classified these properties as Level 3 within the fair value hierarchy.

***Financial Assets Recognized at Fair Value on a Recurring Basis***

As of June 30, 2021, and 2020, the Credit Union had marketable securities available for sale and special investments for which it is required to measure the fair value recurrently:

Type of Investment	June 30, 2021			Total
	Level 1	Level 2	Level 3	
Investment in negotiable securities	\$ 22,297,449	\$ -	\$ -	\$ 22,297,449
Special investments	-	3,053,340	-	3,053,340
	<u>\$ 22,297,449</u>	<u>\$ 3,053,340</u>	<u>\$ -</u>	<u>\$ 25,350,789</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

Type of Investment	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Investment in negotiable securities	\$ 22,086,409	\$ -	\$ -	\$ 22,086,409
Special investments	-	3,004,001	-	3,004,001
	<u>\$ 22,086,409</u>	<u>\$ 3,004,001</u>	<u>\$ -</u>	<u>\$ 25,090,410</u>

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

The Credit Union may be required, from time to time, to measure certain assets at their fair value on a non-current basis in accordance with generally accepted accounting principles (GAAP). These fair value adjustments usually result from the application of the accounting of the lower of cost or market or impairment in value of individual assets decreases. The valuation methodology used for these fair value adjustments is describe above. The level of inputs used to determine each adjustment and the book value of the asset related as of June 30, 2021 and 2020 is summarized as follows:

Type of Investment	June 30, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial Assets:</b>					
Repossessed properties and cars	\$ 193,701	\$ -	\$ -	\$ 193,701	\$ 193,701

Type of Investment	June 30, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial Assets:</b>					
Repossessed properties and cars	\$ 1,666,171	\$ -	\$ -	\$ 1,666,171	\$ 1,666,171

The change in the fair value of the repossessed cars and properties, which was determined using Level 3 Inputs, as of June 30, 2021 and 2020 are presented as follows:

	2021	2020
Balance, at the beginning of the year	\$ 1,266,171	\$ 2,977,631
Acquisition of repossessed properties	1,018,959	1,337,639
Sales of repossessed properties	(1,391,429)	(1,949,099)
Provision and losses charged against operations	(700,000)	(1,100,000)
Balance, at the end of the year	<u>\$ 193,701</u>	<u>\$ 1,266,171</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

***Determined Fair Value***

As of June 30, 2021, and 2020, the book value and estimated fair value of financial instruments were as follows:

	June 30, 2021		June 30, 2020	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Cash and cash equivalent	\$ 51,888,493	\$ 51,888,493	\$ 44,009,249	\$ 44,009,249
Certificate of deposits, due more than three months	31,064,735	31,064,735	16,939,241	16,939,241
Loans, net of allowance	109,956,319	101,148,466	104,239,033	101,148,466
Investment in securities	22,297,449	22,297,449	22,086,409	22,086,409
Special investments	2,635,581	3,004,001	2,637,384	3,004,001
Shares in cooperative entities, without COSSEC	3,064,430	2,446,588	3,667,434	2,446,588
Other assets - Loss under special amortization	9,137,607	-	10,152,932	-
	\$ 230,044,614	\$ 211,849,732	\$ 203,731,682	\$ 189,633,954
Financial Liabilities:				
Deposit accounts	\$ 119,681,734	\$ 119,681,734	\$ 99,804,558	\$ 99,804,558
Certificate of deposits	29,059,575	29,059,575	29,592,644	29,592,644
Shares	58,124,427	58,124,427	54,529,296	54,529,296
	\$ 206,865,736	\$ 206,865,736	\$ 183,926,498	\$ 183,926,498

The estimated fair value is determined at a moment in time and is not relevant in predicting future cash flow or earnings. The estimated fair value is based on subjective assumptions, and they contain a significant degree of uncertainty. These do not reflect the effect of possible income tax or other expenses that may be incurred in the disposition of the financial instruments.

**23. RISK FINANCIAL INSTRUMENTS NOT RECOGNIZED IN THE STATEMENT OF FINANCIAL CONDITION**

The Credit Union evaluates separately the credit condition of its members before granting credit. Management determined through the evaluation of the applicant's credit, the amount of collateral to obtained as a condition of the credit requested. The amount of commitment to extend credit as of June 30, 2021 and 2020 is as following:

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended June 30, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Credit cards	<u>\$ 2,198,425</u>	<u>\$ 2,533,581</u>
Lines of credit	<u>\$ 114,634</u>	<u>\$ 75,692</u>

**24. TRANSACTIONS BETWEEN RELATED PARTIES**

Practically all the employees and members from the governing bodies of the Credit Union maintain savings accounts at the Institution, make loans, and enjoy the services provided by the institution. The terms of the transactions carried out in these accounts (interest charged and paid) are similar to those accounts for the members in general. The movement of loans of employees and governing bodies as of June 30, 2021 and 2020 are presented below:

	<u>2021</u>	<u>2020</u>
Beginning balance of loans	\$ 1,302,300	\$ 1,516,520
Origination and collection, net	<u>281,563</u>	<u>(214,220)</u>
Endinds balance of loans	<u>\$ 1,583,863</u>	<u>\$ 1,302,300</u>
Assets	<u>\$ 1,219,656</u>	<u>\$ 1,162,589</u>

**25. SUBSEQUENT EVENTS**

The financial statements of the Credit Union and the corresponding notes include an evaluation of subsequent events up to September 28, 2021, the date on which the accompanying financial statements were ready to be issued. The management of the Credit Union is of the opinion that there are no events subsequent to June 30, 2021, that need to be disclosed in the financial statements except as described below.

The Credit Union received \$1.8 million in July 2021 from the Community Development Financial Institutions (CDFI) which will be used by the Credit Union for capital. As of June 30, 2021, the financial statements do not reflect any adjustment in relation to these funds.

\*\*\*

Cooperativa de Ahorro y Crédito Roosevelt Roads

**SUPPLEMENTARY INFORMATION**

For the years ended  
June 30, 2021 and 2020

**CONTENT**

	<u>Pages</u>
Required Liquidity	53
Indivisible Capital Reserve	54-55
Details of General and Administrative Expenses	56

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**REQUIRED LIQUIDITY**  
For the years ended June 30, 2021 and 2020

---

**1. REQUIRED LIQUIDITY**

Below, we present the computation of liquidity required as of June 30, 2021 and 2020, according to the applicable requirements of Law 255:

	<u>2021</u>	<u>2020</u>
<u>Determination of Liquidity</u>		
<u>Savings Available:</u>		
Cash and checking accounts	\$ 3,598,777	\$ 4,261,126
Savings and Savings Certificate	79,354,450	56,687,365
Acceptable negotiable investments for liquidity requirements	25,350,790	25,090,409
Accrued interest on liquid assets	<u>182,820</u>	<u>235,803</u>
Total Available Savings	<u>108,486,837</u>	<u>86,274,703</u>
<u>Required Liquidity:</u>		
Indivisible capital reserve	\$ 8,999,051	\$ 8,380,179
Required percent of indivisible capital	<u>35%</u>	<u>35%</u>
Required portion of indivisible capital	<u>3,149,668</u>	<u>2,933,063</u>
Deposits:	148,741,309	129,397,202
Less: Deposits determined events	2,057,201	1,886,490
Savings certificates that expire in 30 days	2,661,908	2,285,886
Pledge Deposits	<u>4,643,325</u>	<u>4,140,544</u>
Net deposits	139,378,875	121,084,282
Percent required	<u>15%</u>	<u>15%</u>
Portion required for deposits	20,906,831	18,162,642
Plus: Deposits determined events (8.33% * accumulated months)	1,451,090	1,333,436
Savings certificates that expire in 30 days (25%)	<u>665,477</u>	<u>571,471</u>
Total	<u>23,023,398</u>	<u>20,067,549</u>
Total Required Liquidity	<u>26,173,066</u>	<u>23,000,612</u>
Excess (insufficiency) in liquid funds	<u>\$ 82,313,771</u>	<u>\$ 63,274,091</u>

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**INDIVISIBLE CAPITAL RESERVE**  
For the years ended June 30, 2021 and 2020

**2. INDIVISIBLE CAPITAL RESERVE**

The ratio of indivisible capital over assets subject to risk is determined as follows as of June 30, 2021 and 2020:

Elements of Indivisible Capital	2021	2020
	Amount	
Indivisible capital reserve	\$ 8,999,051	\$ 8,380,179
Other reserves	14,971,396	13,566,121
15% of the Credit Union's undistributed retained earnings	369,881	33,074
Portion of allowance for loan losses for non-delinquent loans	325,245	268,599
Total elements of the indivisible capital	<u>\$ 24,665,573</u>	<u>\$ 22,247,973</u>
Determination of Assets Subject to Risk	Amount	
<b>Assets without risk with consideration of 0.00%</b>		
100% cash in change fund, petty cash and change in fund in transit	2,321,136	2,582,522
100% Obligations and debt securities, including portions from all of this, issued, insured or guaranteed unconditionally by the Commonwealth of Puerto Rico or its agencies, or by the United States Government or its agencies, including Federal Reserve 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) and Small Business Administration (SBA)		
100% loans fully secured with first mortgage loans on one to four family residential properties. These loans must qualify to be sold in the secondary mortgage market, not show delinquency in excess of ninety (90) days and have a maximum ratio Loan to Value of eighty percent (80%); Provided that the Corporation may, by regulation or administrative determination, authorize total loan ratios greater than Loan to Value that are consistent with the parameters of the secondary market.	6,240,031	5,381,684
100% the amount of members' loans guaranteed by shares, deposits or both which could not be withdraw from the Credit Union.	25,790,838	26,019,256
100% the Credit Union's investment in COSSEC	1,840,166	1,827,323
Total assets without risk with consideration of 0.00%	<u>\$ 36,192,171</u>	<u>\$ 35,810,785</u>
<b>Assets subject to risk with consideration of twenty percent (20%)</b>		
80% of items in process of collection	36,813,885	27,821,382
80% of interest in process of collection	146,256	188,642
80% of the portion of the loans to non-members guaranteed by liquid assets that are held as collateral of the loans as provided in Section 2.03 (a) (2)	475,077	585,315
80% Obligations and debt securities, including amounts from all of them, issued, secured or guaranteed by the Commonwealth of Puerto Rico or their agencies , or by the Government of the United States whose instruments are not explicitly backed by the entire faith and credit of the Government of the United States or Puerto Rico, including Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Farm Credit System, Federal Home Loan Bank System, and Student Loan Marketing Association (SLMA)	19,946,425	19,779,034



Cooperativa de Ahorro y Crédito Roosevelt Roads  
**INDIVISIBLE CAPITAL RESERVE**  
For the years ended June 30, 2021 and 2020

Determination of Assets Subject to Risk	Amount	
80% of the deposits, loans, liabilities and debt securities, including amounts from all of them, issued, secured or guaranteed by the depository institutions of United States and Puerto Rico, including the Banco Cooperativo of Puerto Rico. Shares from non-profit entities are excluded.	27,691,788	18,871,393
80% of the historical cost of the real state of the appraisal value as certified by a qualified appraiser, whichever is less, that is being used or is projected to be used as offices, branches, service centers, parking areas or other facilities, net from any liability directly guaranteed by a mortgage lien on said property.	2,647,439	2,647,439
80% of the prepared insurances which are risks for the Institution.	18,806	19,871
80% of the common or preferred shares from investments of Banco Cooperativo, Cooperativa de Seguros Múltiples and Cooperativa de Seguros de Vida (COSVI), subject to maintaining the pair value, as reflected in their financial statements and that they are redeemable.	2,039,419	1,957,270
Total assets subject to risk with consideration of twenty percent (20%)	89,779,095	71,870,346
<b>Assets subject to risk with consideration of fifty percent (50%)</b>		
50% of loans fully secured by first mortgage loans on residential properties. These loans do not meet the parameters of the secondary mortgage market and do not show delinquency in excess of ninety (90) days.	9,945,199	10,452,115
50% of commercial loans fully secured by first mortgages on real property, whether residential or non-residential. These loans do not meet the parameters of the secondary mortgage market and do not show delinquency in excess of ninety (90) days.	2,722,344	2,477,201
50% of investment in shares of Central Credit Union that have not current or accumulated losses.	5,890	5,890
Total assets subject to risk with consideration of fifty percent (50%)	12,673,433	12,935,206
Total assets not subject to risk	\$ 138,644,699	\$ 120,616,337
<b>Rate of Indivisible Capital to Assets Subject to Risk</b>		
Total assets (excluding the allowance for uncollectible loans)	\$ 241,164,678	\$ 215,334,014
Total assets not subject to risk	(138,644,699)	(120,616,337)
Total assets subject to risk	\$ 102,519,979	\$ 94,717,677
Rate of indivisible capital to total assets subject to risks	24.06%	23.49%

Cooperativa de Ahorro y Crédito Roosevelt Roads  
**DETAILS OF GENERAL AND ADMINISTRATIVE EXPENSES**  
For the years ended June 30, 2021 and 2020

---

**3. GENERAL AND ADMINISTRATIVE EXPENSES**

The general and administrative expenses for the years ended June 30, 2021 and 2020 it is composed of the following:

	<u>2021</u>	<u>2020</u>
Salaries, bonus and vacations	\$ 1,880,124	\$ 1,866,072
Payroll contributions	95,922	219,099
Health insurance	199,092	195,773
Pension plan	94,397	48,938
Professional services	583,110	644,416
Insurance:		
COSSEC fee	302,045	288,433
Shares and deposits	247,137	252,328
Generals	290,752	313,161
Depreciation and amortization	407,015	406,647
Mail	20,698	21,480
Utility	218,337	228,508
Rent	36,000	36,000
Education	31,828	47,533
Executive expenses	32,354	31,050
Repair and maintenance	268,657	286,771
Annual Meeting	34,000	49,315
ATH and Mastercar maintenance	1,111,430	884,199
Office materials	84,351	85,696
Bank charges	145,070	133,641
Credit investigation	45,686	41,990
Donations	1,950	3,049
Advertising and promotions	197,157	155,371
Sales and Use Tax	93,712	109,956
Provision for disposition of repossessed properties	700,000	1,100,000
Other expenses grouped	214,761	228,077
	<u>\$ 7,335,585</u>	<u>\$ 7,677,503</u>