



González  
Torres & Co., CPA, PSC

---

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

## **COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**

### **AUDITED FINANCIAL STATEMENTS**

For the years ended June 30, 2023 and 2022

**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**CONTENT**

For the years ended 2023 and 2022

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-4
FINANCIAL STATEMENTS:	
Statements of Financial Condition	5
Statements of Income and Expenses	6
Statements of Changes in Members' Equity	7
Statements of Comprehensive Net Income	8
Statements of Cash Flows	9
Notes to the Financial Statements	10-54



---

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

## INDEPENDENT AUDITORS' REPORT

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

### *Opinions*

We have audited the accompanying financial statements of the Cooperativa de Ahorro y Crédito Roosevelt Roads as of June 30, 2023 which include the statement of financial condition, statement of income and expenses, comprehensive net income, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

### *Unmodified opinion on Regulatory Basis of Accounting*

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cooperativa de Ahorro y Crédito de Roosevelt Roads (from hereinafter "the Credit Union") as of June 30, 2023 and the result of its operations, changes in members' equity, comprehensive net income, and cash flows for the year then ended, in accordance with the regulatory basis of accounting required by Corporación para la Supervisión y Seguros de Cooperativas de Puerto Rico (hereinafter "COSSEC"), as described in Notes 1 and 2 of the financial statements.

### *Qualified Opinion on Generally Accepted Accounting Principles in the United States of America*

In our opinion, except for the significant effects on the financial statements described in our report that gives the basis for our qualification, the financial statements mentioned in the first paragraph present fairly, in all significant aspects, the financial position of the Credit Union as of June 30, 2023, the result of its operations, changes in members' equity and cash flows for the year the ended, in accordance with the principles of accounting generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### **Basis for Opinions**

We conduct our audits in accordance with the generally accepted auditing standards in the United States of America. Our responsibilities under these rules are described in our report on the responsibilities of auditors to conduct audits of financial statements. We are required to be independent of the Credit Union and fulfill our other ethical responsibilities in accordance with the ethical requirements relevant to our audits. We believe that the evidence we obtained from our audit is sufficient and appropriate to provide the basis for our unmodified opinion on the regulatory basis of accounting and our qualified opinion according to generally accepted accounting principles in the United States of America.

### ***Basis for qualified opinion on the Accounting Principles Generally Accepted in the United States of America***

As described in Notes 1 and 2, the financial statements of the Credit Union are presented in accordance with the regulatory basis required by "COSSEC", which is a basis of accounting other than the accounting principles generally accepted in the United States of America, to comply with the "COSSEC" requirements. Generally accepted accounting principles require that shares be presented as deposits and the dividends paid are recognized as an interest expense. The effects on financial statements of the variances between the regulatory basis of accounting described in Note 2 and generally accepted accounting principles in the United States of America, is a decrease capital and increase liabilities by \$59,570,150 and decrease the net income by the amount of \$600,000. In addition, they would increase undistributed earnings and reduce voluntary capital reserves, which are not in accordance with generally accepted accounting principles, by approximately \$14 million.

### **Financial Statements of the Previous Year**

The financial statements of the Credit Union as of June 30, 2022, were audited by another firm of Certified Public Accountants, whose report date was September 28, 2022. The opinion on these financial statements was adverse due to the regulatory aspects that deviate of generally accepted accounting principles, as described in the Basis for *Adverse Opinion on Generally Accepted Accounting Principles in the United States of America* section of those financial statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Law 255 of October 28, 2002, as amended and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

In preparing financial statements, management is required to evaluate whether there are conditions or events, in which substantial doubts may arise about the ability of the Credit Union to continue as a going concern within one year after the date on which the financial statements are available for issuance.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

San Juan, Puerto Rico  
September 14, 2023

The stamp number E-510022  
was affixed to the original



*González Torres & Co., CPA, PSC*

González Torres & Co., CPA, PSC  
License Number 96  
Expires on December 1, 2023



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**STATEMENTS OF FINANCIAL CONDITION**  
As of June 30, 2023 and 2022

<u><b>ASSETS</b></u>		
	<u><b>2023</b></u>	<u><b>2022</b></u>
Cash and cash equivalents	\$ 20,450,807	\$ 49,407,293
Saving certificates (due over three months)	23,176,957	39,115,105
Investment securities:		
Available for sale	42,327,088	19,726,362
Special investments	2,096,941	2,098,935
Loans receivable, net	137,068,106	112,724,501
Investments in cooperatives entities	5,298,520	5,207,099
Property and equipment, net of accumulated depreciation	1,901,876	2,199,497
Other assets	<u>754,622</u>	<u>580,280</u>
<b>Total assets</b>	<b><u>\$ 233,074,917</u></b>	<b><u>\$ 231,059,072</u></b>
 <u><b>LIABILITIES AND MEMBERS' EQUITY</b></u>  		
<b>Liabilities:</b>		
Deposits	\$ 121,168,297	\$ 123,373,437
Certificates of deposits	21,477,304	25,725,171
Accounts payable and accrued expenses	<u>3,763,825</u>	<u>3,551,043</u>
<b>Total liabilities</b>	146,409,426	152,649,651
<b>Members' Equity:</b>		
Shares, par value of \$10	59,570,150	59,713,421
Reserve of undistributed capital	14,275,010	11,967,171
Reserve required by COSSEC	1,626,877	703,742
Reserve for contingencies	9,560,171	4,359,791
Reserve for social capital	1,226,362	1,138,375
Other reserves	1,223,112	1,223,112
Unrealized loss	(1,616,191)	(1,296,191)
Undistributed earnings	<u>800,000</u>	<u>600,000</u>
<b>Total members' equity</b>	<u>86,665,491</u>	<u>78,409,421</u>
<b>Total liabilities and members' equity</b>	<b><u>\$ 233,074,917</u></b>	<b><u>\$ 231,059,072</u></b>

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 on June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Income from financial operations:</b>		
Interest income:		
Loans	\$ 10,612,249	\$ 9,119,449
Investments, savings accounts and certificates	<u>1,449,218</u>	<u>687,538</u>
<b>Total interest income</b>	12,061,467	9,806,987
<b>Interest expense:</b>		
Deposits and certificate of deposits	<u>(348,291)</u>	<u>(388,496)</u>
<b>Net Interest Income</b>	11,713,176	9,418,491
Provision for loan losses	<u>(300,000)</u>	<u>(1,543,911)</u>
<b>Gross income from financial activities</b>	11,413,176	7,874,580
Other income	5,962,319	11,466,341
General and administrative expenses	<u>(8,144,141)</u>	<u>(7,713,184)</u>
<b>Net income before federal funds - CDFI</b>	<u>9,231,354</u>	<u>11,627,737</u>
Income of federal funds - CDFI	-	2,612,043
<b>Net income before loss under special amortization</b>	<u>9,231,354</u>	<u>14,239,780</u>
Losses under special amortization - Law 220	-	(1,015,325)
Elimination of the asset losses under special amortization Law 220	<u>-</u>	<u>(8,657,032)</u>
<b>Net income</b>	<b><u>\$ 9,231,354</u></b>	<b><u>\$ 4,567,423</u></b>

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





**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended on June 30, 2023 and 2022

---

	<u>2023</u>	<u>2022</u>
Net income	\$ 9,231,354	\$ 4,567,423
Other comprehensive income (expense):		
Change in unrealized loss on investment available for sale	<u>(320,000)</u>	<u>(1,374,810)</u>
<b>Net comprehensive income</b>	<b><u>\$ 8,911,354</u></b>	<b><u>\$ 3,192,613</u></b>

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, 2023 and 2022

	Shares	Reserve for Undistributed Capital	Special Temporary Reserve	COSSEC Require Reserve	Reserve for Contingencies	Reserve for Social Capital	Other Reserves	Accumulated Comprehensive Income (Loss)	Undistributed Earnings
<b>Balance at June 30, 2021</b>	\$ 58,124,427	\$ 8,999,051	\$ 9,207,438	\$ 247,000	\$ 3,817,231	\$ 1,027,021	\$ 672,706	\$ 78,619	\$ 600,000
Additional investment from members	9,837,955	-	-	-	-	-	-	-	-
Capitalized dividends	600,000	-	-	-	-	-	-	-	(600,000)
Withdrawal of members	(8,848,961)	-	-	-	-	-	-	-	-
Transfers to dormant accounts	-	-	-	-	-	111,354	-	-	-
Net comprehensive loss	-	-	-	-	-	-	-	(1,374,810)	-
Transfer to other reserves	-	-	(550,406)	-	-	-	550,406	-	-
Increase of reserve COSSEC	-	-	-	456,742	-	-	-	-	(456,742)
Increase of undistributed capital	-	1,141,855	-	-	-	-	-	-	(1,141,855)
Increase of contingencies reserve	-	-	-	-	542,560	-	-	-	(542,560)
Transfer from federal funds CDFI to undistributed capital	-	1,826,265	-	-	-	-	-	-	(1,826,265)
Transfer from other incomes to special temporary reserve	-	-	(8,657,032)	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	-	4,567,423
<b>Balance at June 30, 2022</b>	\$ 59,713,421	\$ 11,967,171	\$ -	\$ 703,742	\$ 4,359,791	\$ 1,138,375	\$ 1,223,112	\$ (1,296,191)	\$ 600,000
Additional investment from members	9,597,442	-	-	-	-	-	-	-	-
Capitalized dividends	600,000	-	-	-	-	-	-	-	(600,000)
Withdrawal of members	(10,340,713)	-	-	-	-	-	-	-	-
Increase of contingencies reserve	-	-	-	-	5,200,380	-	-	-	(5,200,380)
Transfers to dormant accounts	-	-	-	-	-	87,987	-	-	-
Net comprehensive loss	-	-	-	-	-	-	-	(320,000)	-
Increase of reserve COSSEC	-	-	-	923,135	-	-	-	-	(923,135)
Increase of undistributed capital	-	2,307,839	-	-	-	-	-	-	(2,307,839)
Net income	-	-	-	-	-	-	-	-	9,231,354
<b>Balance at June 30, 2023</b>	\$ 59,570,150	\$ 14,275,010	\$ -	\$ 1,626,877	\$ 9,560,171	\$ 1,226,362	\$ 1,223,112	\$ (1,616,191)	\$ 800,000

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 on June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 9,231,354	\$ 4,567,423
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	330,791	350,488
Provision for loan losses	300,000	1,543,911
Amortization of impairment on specials investments	-	1,015,325
Reduction of provision for loan losses's	(3,000,000)	-
Provision for disposition of repossessed properties	259,240	232,619
Change in costs and deferred income in the loan origination	4,092	109,406
Amortization of premium (discount) of investment securities	221,167	46,048
Dividends of cooperatives entities	(73,537)	(57,552)
Decrease in other assets	(174,342)	(499,588)
Increase in account payable and accrued expenses	<u>212,782</u>	<u>(95,846)</u>
<b>Net cash provided in operating activities:</b>	<u>7,311,547</u>	<u>7,212,234</u>
<b>Cash flow from investing activities:</b>		
Net increase in loans	(21,357,680)	(4,553,861)
Recoveries of loans previously write-off	105,908	132,360
Decrease (increase) in savings certificates	15,938,148	(8,050,370)
Acquisition of equipment and improvements, net	(33,170)	(121,134)
Additional investment in securities, net	(58,141,000)	(3,531,382)
Proceeds from sale and repayment of investment securities	34,433,923	5,218,257
Additional investment in cooperatives entities	<u>(17,884)</u>	<u>(244,951)</u>
<b>Net cash used in investing activities</b>	<u>(29,071,755)</u>	<u>(11,151,081)</u>
<b>Cash flow from financing activities:</b>		
Increase (decrease) in deposit, net	(2,205,140)	3,803,057
Decrease in certificates of deposits, net	(4,247,867)	(3,334,404)
Change in members' shares, net	<u>(743,271)</u>	<u>988,994</u>
<b>Net cash provided by financing activities</b>	<u>(7,196,278)</u>	<u>1,457,647</u>
Net decrease in cash and equivalents	(28,956,486)	(2,481,200)
Cash and equivalents at the beginning of period	<u>49,407,293</u>	<u>51,888,493</u>
<b>Cash and equivalents at the end of period</b>	<b><u>\$ 20,450,807</u></b>	<b><u>\$ 49,407,293</u></b>

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



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**1. ORGANIZATION AND REGULATORY MATTERS**

**Organization**

Cooperativa de Ahorro y Crédito Roosevelt Roads (“the Credit Union”) is organized according to the laws of the Commonwealth of Puerto Rico. The Credit Union is regulated by Law No. 255 of October 28, 2002, known as “Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002”. Credit Unions in Puerto Rico are regulated by the Corporation for the Supervision and Insurance of Credit Unions in Puerto Rico (COSSEC).

The Credit Union is a non-profit organization and is primarily dedicated to receiving cash from its members in the form of shares and deposits from non-members in the form of deposits, providing them financial and investment sources. The Credit Union, The Credit Union has their headquarters in the municipality of Fajardo and maintain a (6) six branch in Ceiba, Luquillo, Vieques, Canóvanas, Río Grande and Hotel Conquistador. On June 30, 2023, the Credit Union has 23,488 members and 8,050 non members.

The Credit Union provides comprehensive financial services including, but not limited to personal, mortgage, commercial, and secured loans, among others. It also offers a variety of deposit products, online transactions, home banking, sales of stamps and internal revenue vouchers, among others.

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

**Regulatory Matters**

Following are the most significant regulations:

Reserve for Undistributed Capital

The credit unions must maintain a reserve for undistributed capital. The thirty five percent (35%) of the undistributed capital reserve must be maintained in liquid assets.

The Credit Union must maintain a minimum undistributed capital of eight (8%) percent of the total assets subject to risk. It will consider as elements of the capital risk reserve (to determine the percent over the total risk assets) the following, in accordance the Law 255:



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

1. The reserve for undistributed capital, including the sum the Credit Union has accumulated until the effective date of this law, after subtracting any accumulated or current loss.
2. Any capital reserves made by the Credit Union, except the reserve for unrealized losses or gains from available-for-sale securities in accordance with the pronouncement issued by the Financial Accounting Standards Board (FASB).
3. Fifteen percent (15%) of the undistributed earnings retained by the Credit Union.
4. The portion of the reserves established by the Credit Union to absorb the possible future losses from non-delinquent loans or borrowings.
5. The capital liabilities issued by the Credit Union and those financial instruments authorized by the Corporation (COSSEC) expressly for their inclusion as part of the undistributed capital reserve.
6. Other elements established by the Corporation (COSSEC) through ruling or administrative determination.

On June 30, 2023 and 2022, the Credit Union complies with the undistributed capital required by law. The rate of undistributed capital on June 30, 2023 and 2022 is 34.08% and 24.81%, respectively. The calculation of the ratio of undistributed capital to assets subject to risks is presented in Note 25.

Restricted Cash

The Credit Union is required to maintain minimum cash for ordinary operations. Law 255 of 2002, requires the following:

- a. Thirty five percent (35%) of the undistributed capital reserve shall be maintained in liquid assets.
- b. Any Credit Union whose reserve of undistributed capital is less than eight percent (8%) of the total of its risky assets, will separate and incorporate annually to the undistributed capital, a twenty-five percent (25%) of their net income until the reserve has reached and remains in the eight percent (8%) of the assets subject to risk. Every Credit Union whose undistributed capital has reached and remains at eight percent (8%) of its assets subject to risk, will have the discretion to reduce to no less than five percent (5%), the contribution that it will have to incorporate the undistributed capital. As of June 30, 2023 and 2022, the Credit Union decided to contribute the amount of \$2,307,839 and \$1,141,855, as undistributed capital, that represent twenty-five (25%) of net income, respectively.
- c. Must maintain in liquid funds fifteen percent (15%) of the deposits' accounts.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

- d. Must maintain in liquid funds fifteen percent (15%) of the total certificates, excluding those that the maturity date is within the next thirty (30) days, in which case, the twenty-five percent (25%), must be maintained and, those pledge certificates, for which no provision for liquid funds should be maintained.
- e. Must maintain eight-point thirty-three percent (8.33%) of the monthly accumulative for those specific deposits accounts until reaching the one hundred percent (100%) on the month before the distribution.

As a result of the requirements of the Law Number 255 mentioned above, the Credit Union maintained as of June 30, 2023, and 2022, the amount of \$26,885,642 and \$27,181,280 respectively, in certificates and savings accounts that are not available to be used for the current and normal operations. The required liquidity calculation is presented as follows:

	<u>2023</u>	<u>2022</u>
<b>Required funds:</b>		
Reserve for undistributed capital (35% required)	\$ 4,996,254	\$ 4,188,510
Certificates and deposits with maturity more than 30 days	20,057,090	21,149,531
Deposits for special events	1,389,466	1,502,684
Certificates of deposits - maturity less than 30 days	<u>442,832</u>	<u>340,555</u>
<b>Required total</b>	26,885,642	27,181,280
<b>Total funds available</b>	<u>89,087,461</u>	<u>111,932,130</u>
<b>Funds in excess of required funds by law</b>	<u><b>\$ 62,201,819</b></u>	<u><b>\$ 84,750,850</b></u>

Undistributed Earnings

The Board of Directors will make available for distribution the net undistributed earnings accumulated by the Credit Union at the end of each year, after the amortization of the accumulated losses, if any, followed by the contribution to the reserve for undistributed capital and the allowance for possible loan losses and the mandatory and discretionary reserves, in following Law 255, as amended. There shall be no distribution of undistributed earnings accumulated as the Credit Union maintains accumulated losses, except as established by Law 255.

The undistributed earnings could be distributed as reimbursement or return, computed considering the equity sponsorship of the interests collected, or a combination of such reimbursement for sponsorship, along with the payment of dividends over the stocks paid and outstanding at the end of the calendar, in the proportion and amounts determined by the Board of Directors. All distribution of undistributed earnings shall be made in stocks, never in cash.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

Dormant Accounts

The amounts of money and other liquid assets held by the Credit Union that have not been claimed or have not been subject to any transaction during the five (5) consecutive years, excluding those amounts from shared accounts, will be transferred to a social capital reserve or its undistributed capital reserve, at the option of the Credit Union. Neither the impositions of service charges, or interest payments or dividends are recognized as account activity.

On or before sixty (60) days after the close of the fiscal year of the Credit Union, it shall have the obligation to notify the owners of dormant accounts that they will be subject to transfer. This will be done by publishing a list in a visible place of the branches and offices of service of the Credit Union for a term of ninety (90) consecutive days. Simultaneously, will publish a notice in a newspaper of general circulation in Puerto Rico, which will be titled "Aviso de Dinero y Otros Bienes Líquidos No Reclamados en Poder de la Cooperativa de Ahorro y Crédito Roosevelt Roads". The expenses incurred by the Credit Union concerning the publication of the notice will be deducted proportionally from the balance of each unclaimed account.

Any person who, during the period of ninety (90) days referred to above, presents evidence of ownership of one or more accounts identified in the list, shall be entitled to the same to be removed from it and not subject to transfer to capital reserves. After following the transfer of an account or other liquid assets to capital reserves, will allow only claims submitted no later than five (5) years from the transfer. In such cases, the Credit Union may impose administrative fees for the procedures of investigation and analysis of the claim.

Under these provisions, according to Law 255, the Credit Union, shares and deposits accounts, and reserves will be exempt from the provisions of Act No. 36 of July 28, 1989, as amended, known as the "Ley de Dinero y Otros Bienes Líquidos Abandonados o No Reclamados."

**Corporation for the Supervision and Insurance for Credit Unions in Puerto Rico (COSSEC)**

The Corporation for the Supervision and Insurance for Credit Unions in Puerto Rico (COSSEC) was created during the year 2001 under Law 114, an entity that supervises and assures the credit unions of Puerto Rico. Also, it supervises cooperatives of various types according to law number 239 from September 1, 2004, as amended. This provides among others:

- a. The maximum amount combined of shares and deposits insured per member or depositor will be two hundred and fifty thousand dollars (\$250,000) for the credit unions.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

- b. Each insured credit union must maintain in the Corporation, as a capital contribution and as determined, an amount equal to one percent (1%) of the total shares and deposits that credit unions possess as of June 30, of each year of operations. The Corporation will establish the rules and procedures to determine the annual increase that should be required in the amount of the capital contribution due to an increase in the insured shares and deposits.
- c. When the combination of all unrestricted reserves, not assigned to pay for losses, and the total equity of COSSEC exceed two percent (2%) of the total of insured members' shares and deposits, COSSEC will use the exceeded amount for the payment of interest over capital. The interest will be determined based on the average return of asset rate of COSSEC, reduced by one percent (1%), for the twelve months' (12) period before the date when the interest payment is done.
- d. Each credit union will pay an annual premium based on actual reports. The Board of Directors from COSSEC will determine the rate fees when the actuarial studies are available to support them.

*Recent Accounting Pronouncements*

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.





**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

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

COSSEC's fiscal plan was certified by the Fiscal Oversight Board. COSSEC's Fiscal Plan 2023 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 total assets of the credit unions should be around 6% on June 30, 2028.

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

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

### **Accounting practices that differ from the Generally Accepted Accounting Principles in the United States of America:**

#### Shares and undistributed earnings

Shares and undistributed earnings The credit unions in Puerto Rico present the members' shares as part of the members' equity in the balance sheet. Accounting principles require that members' shares be presented as deposits in a statement. Also, the Credit Union charges the distribution of undistributed earnings to accumulated profits. However, accounting principles require that such distributions are recognized as interest expense. If these items were classified following accounting principles generally accepted in the United States, total deposits increase and the members' equity would decrease by \$59,570,150 and \$59,713,421 on June 30, 2023 and 2022, respectively. Moreover, the net income would decrease, and net interest expense would increase in the amount of \$600,000 for each year.



# COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended on June 30, 2023 and 2022

---

The shares are accounted for using the cash method. This method is generally accepted in the credit unions in Puerto Rico. The Credit Union does not issue share certificates representing common equity. However, an account statement for each member showing their participation in the capital of the institution is maintained. The capital of the Credit Union is not limited and consists of payments made by the shareholders to subscribe shares and the distribution of dividends. According to the Regulations of the Credit Union, the par value of the shares will not be less than ten dollars (\$10). Under these rules, every member must subscribe to at least twelve (12) shares per year.

### Special Reserve

Law 255, of October 28, 2002, states that the Board of Credit Unions may establish discretionary reserves that have been previously approved by the members or delegates. Such reserves should be established for the purpose that increases the Cooperatives Sector in Puerto Rico. The use of such reserves must comply with the purpose established in the Internal Regulations of the Cooperative.

On March 2, 2009, COSSEC issued the Circular Letter 09-01 which establishes the accounting treatment for the provision for possible loan losses and for the use of discretionary capital reserves. This letter indicates that “the use of any discretionary reserve must be recognized by a reduction to that reserve, as approved by the general assembly, and as an increase to undistributed earnings”. Accounting principles require that every provision is recognized with a charge to operations. If these reserves had been classified following accounting principles generally accepted in the United States, these reserves would be eliminated, and the total undistributed earnings will increase by \$13,636,522, and \$7,425,020 on June 30, 2023 and 2022, respectively. COSSEC may require other special reserves. Below, is a brief description of the special reserves:

### *Required Reserves*

**Reserve for Contingencies Required by COSSEC** - This reserve is required by the circular letter 2021-02 issued by COSSEC to strengthen and maintain capitalization levels adequate, given the changes that will result from the implementation of the new pronouncement of accounting known as Current Expected Credit Losses (CECL). This new pronouncement is applicable for the financial statements to 2024.

### *Discretionary Reserves*

**Reserve for Contingencies** – This reserve was created to reduce any extraordinary loss that could affect the financial condition of the Credit Union.

**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.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**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 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.

**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.

The balance of other discretionary reserves for the years ended June 30, 2023 and 2022, are presented below:

	<u>2023</u>	<u>2022</u>
<b>Others Reserves:</b>		
Reserve for Retired Employees	470,000	470,000
Reserve for Institutional Development	200,000	200,000
Reserve for Possible Losses on Investment in Negotiable Securities	551,794	551,794
Reserve for Advertising and Promotion	1,318	1,318
<b>Total of Other Discretionary Reserves</b>	<b><u>\$ 1,223,112</u></b>	<b><u>\$ 1,223,112</u></b>

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.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

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

The following, is a summary of the most significant effects of the differences between regulatory accounting practices and generally accepted accounting principles in the United States of America (US GAAP).

<u>Balance Sheet</u>	<u>Regulatory Financial Statements</u>	<u>Adjustments to conform US GAAP</u>	<u>US GAAP Financial Statements</u>
<b>ASSETS</b>			
Cash and certificate of savings	\$ 43,627,764	\$ -	\$ 43,627,764
Loans receivable, net of allowance	137,068,106	-	137,068,106
Investments in marketable securities available for sale	42,327,088	-	42,327,088
Special investments	2,096,941	-	2,096,941
Investments in cooperatives entities	5,298,520	-	5,298,520
Property and equipment, net of accumulated depreciation	1,901,876	-	1,901,876
Other assets	<u>754,622</u>	<u>-</u>	<u>754,622</u>
<b>Total assets</b>	<b><u>\$233,074,917</u></b>	<b><u>\$ -</u></b>	<b><u>\$233,074,917</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>Liabilities:</b>			
Deposits, members' shares and certificate of deposits	\$142,645,601	\$ 59,570,150	\$202,215,751
Accounts payable and accrued expenses	<u>3,763,825</u>	<u>600,000</u>	<u>4,363,825</u>
<b>Total liabilities</b>	<u>146,409,426</u>	<u>60,170,150</u>	<u>206,579,576</u>
<b>Members' equity:</b>			
Shares, per value of \$10	59,570,150	(59,570,150)	-
Regulatory reserve	14,275,010	-	14,275,010
Special reserves	13,636,522	(13,636,522)	-
Unrealized loss on securities	(1,616,191)	-	(1,616,191)
Undistributed earnings	<u>800,000</u>	<u>13,036,522</u>	<u>13,836,522</u>
<b>Total members' equity</b>	<u>86,665,491</u>	<u>(60,170,150)</u>	<u>26,495,341</u>
<b>Total liabilities and members' equity</b>	<b><u>\$233,074,917</u></b>	<b><u>\$ -</u></b>	<b><u>\$233,074,917</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

	<b>Regulatory Financial Statements</b>	<b>Adjustments to conform US GAAP</b>	<b>US GAAP Financial Statements</b>
<b><u>Statements of Income</u></b>			
Interests income	\$ 12,061,467	\$ -	\$ 12,061,467
Interests expense	<u>(348,291)</u>	<u>(600,000)</u>	<u>(948,291)</u>
Net interest income	11,713,176	(600,000)	11,113,176
Provision for loans losses	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Income after provision for loans	11,413,176	(600,000)	10,813,176
Other income	5,962,319	-	5,962,319
General, administrative expenses and others	<u>(8,144,141)</u>	<u>-</u>	<u>(8,144,141)</u>
<b>Net income (loss)</b>	<b><u>\$ 9,231,354</u></b>	<b><u>\$ (600,000)</u></b>	<b><u>\$ 8,631,354</u></b>

*This space was intentionally left blank*



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**Accounting standards under generally accepted accounting principles in the United States of America:**

Use of Estimates

The Credit Union's management establishes estimates to determine certain accruals and provisions in the accompanying financial statements. However, the use of estimates in the financial statements could present information that does not agree with the actual results and may affect the financial statements.

Reclassifications

Certain reclassifications are made in the financial statements of the Cooperative to adjust related assets and liabilities or conform them to the required presentation according to generally accepted accounting principles in the United States of America. In addition, certain figures in the accompanying 2022 financial statements were reclassified to conform to the 2023 presentation. There were no changes to total equity or net income as a result of these reclassifications.

Tax Matters

*Tax Exemption*

The Law 255 establishes that Credit Unions, their subsidiaries, or affiliates will be exempt from all kinds of taxation, except as indicated below, on income, property, municipal patent, or any other tax imposed or later imposed by the Commonwealth of Puerto Rico or any political subdivision thereof.

All the shares and securities issued by the Credit Unions and by any of their subsidiaries or affiliates will be exempt, both in full value and the dividends or interests paid under them, from all kinds of property or patent tax imposed.

However, the interest or dividends received by the members or depositors may be subject to income tax if the amount received exceeds the exemption limits established by the "Internal Revenue Code for a New Puerto Rico" (The Puerto Rico Tax Code).

Credit Unions and their subsidiaries or affiliates are exempt from the payment of fees, including the payment of fees for licenses, patents, permits and registrations, from the payment of fees, rights, stamps, or proof of internal income related to their registration in the Property Registry, among other exemptions according to Section 6.08 of the Act Num. 255.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

*Applicable taxes*

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

Law Number 159 of September 30, 2015, amended Law No. 1 of 2011, Internal Revenue Code of P.R.; amends Law No. 255 of 2002; Law No. 239 of 2004 and Law No. 42 of 2015 to, among others, impose a 4% tax as of October 1, 2015 on services rendered to other merchants, better known as B2B.

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

Cash and Cash Equivalents

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

Loans to Members and Non-Members

The Credit Union provides personal loans for their members up to \$50,000, and mortgage loans according loan limit set under regulation 7051, and to nonmembers up to the deposit's balances 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 the protection of the public interest.

The loans receivable is recognized upon disbursement of the loan and the transaction is supported with a loan contract and upon compliance with the requirements established for the grant of loans, subject to the approved policies or regulations. Independently of the guarantees and collaterals offered, no credit union would grant a loan to any person, without confirming and documenting the existence of reliable sources for the repayment 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, refinancing agreements, collateralized commercial loans, subject to the adoption and effectiveness of policies and procedures for the credit evaluation, specifically adopted for commercial lending activities implemented through commercial credit officials, properly qualified for that function.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance using the rules established by COSSEC or when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. As of June 30, 2023, and 2022, commercial loans were evaluated individually for impairment.

The allowance for bad debt in consumer loans is determined after an evaluation of the institution's actual loss experiences and a detailed evaluation of delinquent cases. The provision for the year is recorded through a charge to operations following the Allowance Method. The reserve for bad debt is computed based on the parameters established according to Regulation 8665 issued by COSSEC.

When the Credit Union has loans in its portfolio under Chapters 7 and 13 of the United States Code of the Bankruptcy Federal Law, the Credit Union shall segregate those cases and evaluate them individually to determine the possibilities of its collection in conformity to the peculiarities of each case. Such evaluation shall consider, among other factors, the hierarchy of the loan, the applicable chapter of the Federal Bankruptcy Code, the amount of the loan and the previous history of payments.

When the Management of the Credit Union understands that a loan is uncollectible, it will submit a report to the Board of Directors, which will authorize the charges against the reserve for those loans that they determine are uncollectible. The Management of the Credit Union understands that the reserve for bad debt is adequate to absorb possible losses on existing loans that may become bad.

Loan Origination Direct Costs

The Credit Union adopted ASC 310-320, Non-Refundable Fees and Other Costs. This standard established that the direct loan origination costs will be deferred and amortized, and the revenues produced from the lending activity fees, will be recognized over the life of the loan.

Investments in Securities

Marketable securities consist mainly of securities issued by the Governments of the United States and Puerto Rico, and securities collateralized with mortgages on residential, commercial property, another assets, according to the classifications allowed by Law 255 of 2002, as amended.





# COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended on June 30, 2023 and 2022

---

The Credit Union records the investments in securities following the Accounting Standard Codification (“ASC”) 942-320 "Accounting for Certain Investments in Debts and Equity Securities". Also, ASC 942-825 allows companies, that elect to do so, the option to report some financial assets and liabilities at their market value and establish the requirements of presentation designed to ease the comparison between companies that choose different methods of measuring the same assets and liabilities. The new pronouncement is effective for the Credit Union as of January 1, 2008. As of June 30, 2023, and 2022, the Credit Union’s Management elected not to adopt the option to report some financial assets and liabilities at their market value, except those mentioned in Note 5. The following are the policies for the recording of investments:

- **Securities held-to-maturity** – Securities held-to-maturity are those which the Management has the intent to hold to maturity. These are reported at cost, adjusted by the amortization of premiums or discounts, using the effective interest method. The securities costs, for the purpose to determine gains or losses, are based by the amortized value and are written down using the specific-identification method.
- **Trading securities** – Trading securities are composed by securities acquired and maintained principally for a future sale. These values are accounted for at fair market value and gains and losses are recognized in the result of the operations of the year.
- **Available-for-Sale Securities** – Securities available-for-sale consists of securities not otherwise classified as trading securities or as securities to be held-to-maturity and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

The profit 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 marketable securities in the portfolio to determine, whether any decrease in market value is temporary in nature. Any non-temporary decrease is reflected in the operations of the current period and reduces the value of the investment in books.

### Amortization of Premiums and Discounts

Debt instrument premiums and discounts are amortized over the remaining life of the related instrument as an adjustment to its yield using the effective interest method. Dividend and interest income are recognized when accrued.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

Non-Temporary Decrease in Fair Market Value

The decrease in the fair market value of an instrument classified as available for sale, determined as non temporary, results in an impairment in the value of the instrument which is then presented at its fair market value. To determine whether the impairment in the value of the instrument is temporary or not, the Credit Union considers all pertinent and available information about the collectability of the instrument, including previous events, current conditions, projections and reasonable estimates that evidence the amount of cash to be charged from the instrument. Among the evidence in this estimate, are the reasons for the impairment, its duration and severity, changes in valuation after the close of the fiscal year, the projected performance of the issuer and the general condition of the market in the geographic area or the industry where it operates. This evaluation is carried out annually by the Management of the Credit Union. As of June 30, 2023 and 2022, the Credit Union did not recognize losses for non-temporary decreases in marketable securities.

Investments in Cooperatives Entities

The Credit Union registers its investments in cooperatives entities at cost. These investments increase by stocks or cash dividends. Investments in cooperatives entities do not have a secondary market, so a market value is not determined.

Property and Equipment

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

Management evaluates the book value of property and equipment when events or changes in circumstances indicate that the book value of said asset cannot be recovered. The recoverability of the asset that will be used and retained is determined by comparing the book value with the future cash flows, undiscounted, that are expected to be generated by the asset. If it is determined that an impairment has occurred in the value of some fixed asset, the difference between the future cash flows, undiscounted, and the book value of the property and equipment is recognized against the operations of the year. As of June 30, 2023 and 2022, the Credit Union did not recognize impairment losses in the value of fixed assets.

Foreclosed Properties

The properties acquired by foreclosure, or in other types of liquidation, are recorded at the loan balance or the fair market value of property received at the time of the acquisition, whichever is less. Losses incurred at the acquisition, subsequent gains or losses from the disposition of such assets, and the expenses related to maintenance, are recorded as part of normal operations.



# COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended on June 30, 2023 and 2022

---

The Credit Union evaluates the current value of these assets under the requirements of the 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. For the years ended June 30, 2023 and 2022, the Credit Union had a reserve on change in repossessed asset values \$906,328 and \$733,150, respectively. The repossessed properties were fully reserved.

### Preferred Shares

The Credit Union, subject to the approval of COSSEC, could issue preferred shares, whose issuance will not exceed the total members' shares issued and in circulation. The preferred shares will not be secured by COSSEC and its possession will not grant a right to vote nor attend the Annual Assembly of the Credit Union, or to be designated to the governing bodies. The faculty of the Credit Union to issue preferred shares will be approved in the Members' Annual Assembly. The dividends for preferred shares shall be paid with preference over other shares. As of June 30, 2023 and 2022, the Credit Union does not have preferred shares outstanding.

### Recognition of interest income and expense

The interest income from loans is recognized using the accumulation method up to sixty (60) days. The interests are computed over the unpaid balance. The interest expense from certificates of deposits is computed and paid periodically following the agreement between the Credit Union and the member or client. The interest expense for deposit accounts is computed daily from the average daily balance of the account.

### 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. The Credit Union management evaluated the new ASC 842 Leases pronouncement on leases and determined that the applicability is not material to the financial statements.

### Fair Value of Financial Instruments

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



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

*Determination of Fair Value*

By provisions of ASC 820, the Credit Union determines the fair value for the price that will be received when selling the asset, or that will 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 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 fair value hierarchy, within which the fair value measurement completely falls, will be determined based on the lowest level input that is significant to the entire fair value measurement. Below, is a summary of the hierarchy used by the Credit Union to classify the various financial instruments:

- Level 1 inputs - Level 1 inputs are quoted prices (unadjusted) in the market for identical assets or liabilities that the entity can access on the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and can be used without adjustment to measure fair value whenever available.
- Level 2 inputs - Level 2 inputs are variables, other than the quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the entire term of the asset or liability.
- Level 3 inputs - Level 3 inputs are unobservable data for the asset or liability. Unobservable information will be used to measure fair value to the extent that relevant observable data is not available, allowing situations in which there is little or no market activity for the asset or liability at the measurement date. However, the objective of the fair value measurement remains the same, that is, the exit price at the valuation date from the perspective of a market participant who owns the asset or owes the liability. Therefore, the unobservable criteria will reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Comprehensive Income

The Management of the Credit Union applied ASC 220, Comprehensive Income, which requires the disclosure of comprehensive income. The total comprehensive income is the total of the (1) operational results plus (2) other changes in net assets that come from other sources.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**3. CASH AND CASH EQUIVALENTS**

The Credit Union consider checking accounts held at local banks, petty cash, branch operating fund, savings accounts, cash investments and savings certificates with maturity of ninety (90) days or less as cash and cash equivalents. As of June 30, 2023 and 2022, the cash and cash equivalents consisted of the following:

	<u>2023</u>	<u>2022</u>
<b>Non-interest bearing accounts:</b>		
Exchange fund and petty cash	\$ 1,991,064	\$ 2,655,774
Cash in banks	4,285,795	2,765,047
<b>Interests bearing accounts:</b>		
Saving accounts	<u>14,173,948</u>	<u>43,986,472</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 20,450,807</u></b>	<b><u>\$ 49,407,293</u></b>

**Concentration of Risk**

The Credit Union maintains cash in several financial institutions (banks and credit unions) of Puerto Rico. The bank accounts in each institution are insured by the Federal Corporation of Deposit Insurance (hereinafter "FDIC") by COSSEC, up to a maximum of \$250,000 per institution. As of June 30, 2023 and 2022, the Credit Union held deposits for \$22,262,871 and \$13,841,122, respectively, in the Cooperative Bank of Puerto Rico ("hereinafter Cooperative Bank"), whose balances are not insured. Under Article 2.04 of Law 255, credit unions are authorized to make deposits in Cooperative Bank.

Below, the amounts not insured by the FDIC, COSSEC and Cooperative Bank as of June 30, 2023 and 2022:

	<b>Uninsured Deposits</b>	
	<u>2023</u>	<u>2022</u>
Cash in banks	\$ 6,505,876	\$ 100,089,432
Cash in credit unions	6,201,657	8,352,027
Cash in cooperative bank	<u>22,262,871</u>	<u>13,841,122</u>
<b>Total</b>	<b><u>\$ 34,970,404</u></b>	<b><u>\$ 122,282,581</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**Additional Disclosure to the Cash Flow Statement**

The following are additional disclosures to cash flow statements:

	<u>2023</u>	<u>2022</u>
<b>Supplemental Disclosure:</b>		
Cash payment for interest in deposits	\$ <u>345,314</u>	\$ <u>405,941</u>
<b>Financing and investment activities non involving cash:</b>		
Capitalized dividends	\$ <u>600,000</u>	\$ <u>600,000</u>
Undistributed earnings transferred to undistributed earning	\$ <u>2,307,839</u>	\$ <u>2,968,120</u>
Undistributed earnings transferred to reserve for contingencies	\$ <u>5,200,380</u>	\$ <u>999,302</u>
Transfer from special temporary reserve to other income	\$ <u>-</u>	\$ <u>8,657,032</u>
Transfer from special temporary reserve to other reserves	\$ <u>-</u>	\$ <u>550,406</u>
Change in unrealized loss in investments available for sale	\$ <u>(320,000)</u>	\$ <u>(1,374,810)</u>
Transfers to dormant accounts	\$ <u>87,987</u>	\$ <u>111,354</u>

**4. SAVINGS CERTIFICATES**

Savings certificates with original maturity of three months or more consist of funds invested in Banks and Credit Unions. The following are the savings certificates as of June:

<u>Maturity</u>	<u>2023</u>	<u>2022</u>
More than three months, less than a year	\$15,876,957	\$10,725,300
More than one year, less than three years	5,400,000	10,850,370
More than three years, less than five years	<u>1,900,000</u>	<u>17,539,435</u>
<b>Total</b>	<b><u>\$23,176,957</u></b>	<b><u>\$39,115,105</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

**5. INVESTMENTS IN SECURITIES**

The Credit Union recognized the investments following the requirements of ASC 942-320, Investments – Debt and Equity Instruments, and classified them as available for sales. As of June 30, 2023 and 2022, the investments were the following:

**June 30, 2023 - Available for Sale:**

<b>Type of investment</b>	<b>Amortized Cost</b>	<b>Unrealized Gain</b>	<b>Unrealized Loss</b>	<b>Market Value</b>
Federal Home Loan Bank	4,535,000	-	(307,068)	4,227,932
Federal Home Loan Mortgage Corp	4,243,990	-	(322,819)	3,921,171
Federal National Mortgage Association	3,025,000	-	(242,056)	2,782,944
Federal Farm Credit Bank	4,664,862	-	(318,009)	4,346,853
US Treasury Notes	9,704,546	-	(131,303)	9,573,243
Riviera Beach FLA BUB IMPT	1,015,295	-	(37,125)	978,170
Maryland ST CMNTY DEV ADMIN	502,577	-	(27,502)	475,075
New York NY City Transitional Fin Auth	1,035,813	-	(209,262)	826,551
Bank New York Mellon Corp	1,013,636	-	(40,229)	973,407
JP Morgan Chase	453,927	-	(6,770)	447,157
Bank of America	498,609	-	(5,046)	493,563
US Treasury Bill	13,250,024	30,998	-	13,281,022
<b>Total</b>	<b>\$ 43,943,279</b>	<b>\$ 30,998</b>	<b>\$ (1,647,189)</b>	<b>\$ 42,327,088</b>

**June 30, 2022 - Available for Sale:**

<b>Type of investment</b>	<b>Amortized Cost</b>	<b>Unrealized Gain</b>	<b>Unrealized Loss</b>	<b>Market Value</b>
US Municipal Bonds	\$ 2,565,952	\$ -	\$ (189,802)	\$ 2,376,150
Federal Farm Credit Bank	4,559,640	-	(301,260)	4,258,380
Federal Home Loan Bank	3,035,000	-	(227,690)	2,807,310
Federal Home Loan Mortgage Corporation	5,741,993	-	(359,151)	5,382,842
US Treasury Notes	2,094,968	-	(17,355)	2,077,613
Fannie Mae	3,025,000	-	(200,933)	2,824,067
<b>Total</b>	<b>\$ 21,022,553</b>	<b>\$ -</b>	<b>\$ (1,296,191)</b>	<b>\$ 19,726,362</b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

The amortized cost and the estimated market value of investments in securities on June 30, 2023 and 2022, according to their expiration, are presented below:

<b>Maturity</b>	<b>2023</b>		<b>2022</b>	
	<b>Amortized Cost</b>	<b>Market Value</b>	<b>Amortized Cost</b>	<b>Market Value</b>
Less than one year	\$ 26,590,160	\$ 26,392,925	\$ -	\$ -
From one to five years	16,317,307	15,107,613	18,728,765	17,770,728
From six to ten years	1,035,812	826,550	1,254,746	1,095,094
More than ten years	-	-	1,039,042	860,540
<b>Total</b>	<b>\$ 43,943,279</b>	<b>\$ 42,327,088</b>	<b>\$ 21,022,553</b>	<b>\$ 19,726,362</b>

**6. 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, 2023 the net amortized cost, fair market value and unrealized gain (loss) of special investments were as follows:

<b>Description</b>	<b>2023</b>			<b>Market Value</b>
	<b>Net Amortized Cost</b>	<b>Unrealized gain</b>	<b>Unrealized loss</b>	
PRIDCO	2,096,941	1,015,559	-	3,112,500
<b>Total</b>	<b>\$ 2,096,941</b>	<b>\$ 1,015,559</b>	<b>\$ -</b>	<b>\$ 3,112,500</b>





**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

As June 30, 2022 the net amortized cost, fair market value and unrealized gain (loss) of special investments were as follows:

<b>Description</b>	<b>2022</b>			<b>Market Value</b>
	<b>Net Amortized Cost</b>	<b>Unrealized gain</b>	<b>Unrealized loss</b>	
PRIDCO	2,098,935	1,028,565	-	3,127,500
Puerto Rico Public Finance Corporation	-	427,800	-	427,800
<b>Total</b>	<b>\$ 2,098,935</b>	<b>\$ 1,456,365</b>	<b>\$ -</b>	<b>\$ 3,555,300</b>

As of June 30, 2023, the Credit Union holds special investments with Merrill Lynch for the amount \$2,096,941 , according to amortized cost.

The amortized cost and estimated market value in the special investments as of June 30, 2023 and 2022, by maturity, are as follows:

<b>Maturity</b>	<b>2023</b>		<b>2022</b>	
	<b>Net Amortized Cost</b>	<b>Market Value</b>	<b>Net Amortized Cost</b>	<b>Market Value</b>
Less than a year	\$ 2,096,941	\$ 3,112,500	\$ -	\$ -
From one to five years	-	-	2,098,935	3,555,300
From six to ten years	-	-	-	-
More than ten years	-	-	-	-
<b>Total</b>	<b>\$ 2,096,941</b>	<b>\$ 3,112,500</b>	<b>\$ 2,098,935</b>	<b>\$ 3,555,300</b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**7. LOANS RECEIVABLE**

The loans outstanding by portfolio segment and class of financing receivable are detailed as follow:

	<u>2023</u>	<u>2022</u>
<b>Commercial:</b>		
Corporations	\$ 14,442,431	\$ 6,799,637
Non-profit entities	<u>897,389</u>	<u>981,111</u>
<b>Total commercial</b>	15,339,820	7,780,748
<b>Consumer:</b>		
Personal	45,596,976	45,147,433
Auto	45,972,911	34,715,109
Mortgage	30,882,832	29,180,257
Credit cards and line of credit	2,908,549	2,494,753
Restructured	<u>75,043</u>	<u>100,151</u>
<b>Total de consumer</b>	<u>125,436,311</u>	<u>111,637,703</u>
<b>Total loans</b>	140,776,131	119,418,451
Less: Allowance for loan losses	(4,401,492)	(7,391,510)
Plus: Loan origination costs, net	<u>693,467</u>	<u>697,560</u>
<b>Total loans, net</b>	<b><u>\$ 137,068,106</u></b>	<b><u>\$ 112,724,501</u></b>

**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**Allowance for Loan Losses**

The allowance for loan losses on the loan portfolio for the Credit Union June 30, 2023 and 2022, is the following:

<b><u>June 30, 2023</u></b>	<b><u>Commercial</u></b>	<b><u>Consumer</u></b>	<b><u>Total</u></b>
Balance at beginning of the year	\$ 436,045	\$ 6,955,465	\$ 7,391,510
Provision for loans losses	-	300,000	300,000
Recoveries of loan previously reserved	-	105,908	105,908
Reduction of provision for loans losses	-	(3,000,000)	(3,000,000)
Loans write-off	<u>-</u>	<u>(395,926)</u>	<u>(395,926)</u>
<b>Balance at the end of the year</b>	<b><u>\$ 436,045</u></b>	<b><u>\$ 3,965,447</u></b>	<b><u>\$ 4,401,492</u></b>

<b><u>June 30, 2022</u></b>	<b><u>Commercial</u></b>	<b><u>Consumer</u></b>	<b><u>Total</u></b>
Balance at beginning of the year	\$ 436,045	\$ 5,566,941	\$ 6,002,986
Provision for loans losses	-	1,543,911	1,543,911
Recoveries of loan previously reserved	-	132,360	132,360
Loans write-off	<u>-</u>	<u>(287,747)</u>	<u>(287,747)</u>
<b>Balance at the end of the year</b>	<b><u>\$ 436,045</u></b>	<b><u>\$ 6,955,465</u></b>	<b><u>\$ 7,391,510</u></b>

**Commercial Credit Quality Indicators**

The Credit Union assigns a risk rating to all loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. Also, these risk ratings are subject to examination by the Credit Union’s regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings categories are defined as follows:

**Pass** – The borrower is considered creditworthy and has the ability to repay the debt in the normal course of business.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**Special Mention** – As of June 30, 2023 and 2022, the loan is currently protected but has the potential to deteriorate and is traditionally regarded as a “Watch List” loan. The borrower’s financial performance may be inconsistent or below forecast, creating the possibility of short-term or long-term liquidity problems. Other typical characteristics include inadequate current financial information, marginal capitalization and susceptibility to negative industry trends. The primary source of repayment is still good but there is an increasing likelihood of future reliance on collateral or guarantor support. Although these loans are performing and collectability of the loan is not yet in risk, there is concern about timely repayment.

**Substandars** – The loan is inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged. There are well defined weaknesses that the repayment of the debt is on risk. The Credit Union will likely sustain some loss if the deficiencies are not corrected. Loans in this class may be considered impaired and may be carried on a non accrual basis with payments applied to the principal.

**Doubtful** – The loan has the weaknesses of those in the substandard rating, one or more of which make collection or liquidation in full highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the loan, its classification as a loss is deferred until a more exact status may be determined. Pending factors include: proposed capital injection, new collateral, refinancing plans, or liquidations procedures. Loans in this class are carried on a non accrual basis with payments applied to the principal.

The table below presents classes of outstanding commercial loans by risk category:

**June 30, 2023**

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Corporations	\$ 14,442,431	\$ -	\$ -	\$ -	\$ 14,442,431
Non-profit entities	<u>776,744</u>	<u>-</u>	<u>-</u>	<u>120,645</u>	<u>897,389</u>
<b>Total commercial</b>	<b><u>\$ 15,219,175</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 120,645</u></b>	<b><u>\$ 15,339,820</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

<b>June 30, 2022</b>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Total</b>
Corporations	\$ 6,576,333	\$ -	\$ -	\$ 223,304	\$ 6,799,637
Non-profit entities	<u>860,466</u>	<u>-</u>	<u>-</u>	<u>120,645</u>	<u>981,111</u>
<b>Total commercial</b>	<b>\$ <u>7,436,799</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>343,949</u></b>	<b>\$ <u>7,780,748</u></b>

**Commercial and Consumer Loans by Aging Categories**

The Credit Union monitors the aging of its commercial portfolio with the purpose to manage credit risk. Below are the aging categories of the commercial portfolio:

<b>June 30, 2023</b>	<b>Current or 0-60</b>	<b>61-180</b>	<b>181-360</b>	<b>361 or more</b>	<b>&gt; 90 not Accruing</b>	<b>Total</b>
Corporations	\$ 14,317,950	\$ 124,481	\$ -	\$ -	\$ -	\$ 14,442,431
Non-profit entities	<u>727,592</u>	<u>49,152</u>	<u>-</u>	<u>120,645</u>	<u>-</u>	<u>897,389</u>
<b>Total commercial</b>	<b>\$ <u>15,045,542</u></b>	<b>\$ <u>173,633</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>120,645</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>15,339,820</u></b>

<b>June 30, 2022</b>	<b>Current or 0-60</b>	<b>61-180</b>	<b>181-360</b>	<b>361 or more</b>	<b>&gt; 90 not Accruing</b>	<b>Total</b>
Corporations	\$ 6,576,333	\$ -	\$ 223,304	\$ -	\$ 223,304	\$ 6,799,637
Non-profit entities	<u>860,466</u>	<u>-</u>	<u>-</u>	<u>120,645</u>	<u>120,645</u>	<u>981,111</u>
<b>Total commercial</b>	<b>\$ <u>7,436,799</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>223,304</u></b>	<b>\$ <u>120,645</u></b>	<b>\$ <u>343,949</u></b>	<b>\$ <u>7,780,748</u></b>

**Consumer Credit Quality Indicators**

The Credit Union owns several types of consumer loans which have different credit risks. The delinquency, the empirical and the value of the collateral loan are indicators of quality that the Credit Union monitors and uses in the evaluation of the provision for uncollectible loans in its consumer loan portfolio. The main factor in the evaluation of the provision for loans uncollectable in the consumer portfolio is the delinquency that this portfolio presents. According to Regulation 8665 of September 11, 2015, the percentage method assigns the product risk of consumption according to their aging.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

The following table presents the outstanding balances from each class within the consumer portfolio by delinquency status as of June 30, 2023 and 2022:

<b><u>June 30, 2023</u></b>	<b>Current or 0-60</b>	<b>61-180</b>	<b>181-360</b>	<b>361 or more</b>	<b>&gt; 90 not Accruing</b>	<b>Total</b>
Personal	\$ 45,081,933	\$ 375,536	\$ 139,507	\$ -	\$ 515,043	\$ 45,596,976
Auto	44,998,349	848,715	125,847	-	974,562	45,972,911
Mortgage	30,348,333	152,641	-	381,858	534,499	30,882,832
Credit card and line credit	2,831,334	65,975	11,240	-	77,215	2,908,549
Restructured	<u>75,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,043</u>
<b>Total consumer</b>	<b><u>\$ 123,334,992</u></b>	<b><u>\$ 1,442,867</u></b>	<b><u>\$ 276,594</u></b>	<b><u>\$ 381,858</u></b>	<b><u>\$ 2,101,319</u></b>	<b><u>\$ 125,436,311</u></b>

<b><u>June 30, 2022</u></b>	<b>Current or 0-60</b>	<b>61-180</b>	<b>181-360</b>	<b>361 or more</b>	<b>&gt; 90 not Accruing</b>	<b>Total</b>
Personal	\$ 44,860,432	\$ 200,594	\$ 86,407	\$ -	\$ 287,001	\$ 45,147,433
Auto	34,474,525	72,194	35,934	132,456	240,584	34,715,109
Mortgage	27,998,441	65,196	38,227	1,078,393	1,181,816	29,180,257
Credit card and line credit	2,434,940	29,001	30,812	-	59,813	2,494,753
Restructured	<u>100,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,151</u>
<b>Total consumer</b>	<b><u>\$ 109,868,489</u></b>	<b><u>\$ 366,985</u></b>	<b><u>\$ 191,380</u></b>	<b><u>\$ 1,210,849</u></b>	<b><u>\$ 1,769,214</u></b>	<b><u>\$ 111,637,703</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

The following presents each class of loan within the consumer portfolio by credit score:

<b><u>June 30, 2023</u></b>	<b>Empiric Distribution</b>				<b>Total</b>
	<b>Less than 600</b>	<b>600-650</b>	<b>651-700</b>	<b>701 or more</b>	
Personal	\$ 7,763,460	\$ 4,617,529	\$ 10,206,173	\$ 23,009,814	\$ 45,596,976
Auto	13,543,782	7,720,850	7,670,653	17,037,626	45,972,911
Mortgage	4,556,489	3,909,387	7,024,859	15,392,097	30,882,832
Credit card and line credit	700,136	497,215	785,263	925,935	2,908,549
Restructured	<u>33,304</u>	<u>32,257</u>	<u>5,096</u>	<u>4,386</u>	<u>75,043</u>
<b>Total consumer</b>	<b><u>\$ 26,597,171</u></b>	<b><u>\$ 16,777,238</u></b>	<b><u>\$ 25,692,044</u></b>	<b><u>\$ 56,369,858</u></b>	<b><u>\$ 125,436,311</u></b>

<b><u>June 30, 2022</u></b>	<b>Empiric Distribution</b>				<b>Total</b>
	<b>Less than 600</b>	<b>600-650</b>	<b>651-700</b>	<b>701 or more</b>	
Personal	\$ 6,513,461	\$ 5,308,944	\$ 10,038,778	\$ 23,286,250	\$ 45,147,433
Auto	10,810,462	5,466,056	5,984,338	12,454,253	34,715,109
Mortgage	5,977,944	3,861,669	6,659,757	12,680,887	29,180,257
Credit card and line credit	44,893	44,827	17,662	2,387,371	2,494,753
Restructured	<u>50,340</u>	<u>37,702</u>	<u>6,702</u>	<u>5,407</u>	<u>100,151</u>
<b>Total consumer</b>	<b><u>\$ 23,397,100</u></b>	<b><u>\$ 14,719,198</u></b>	<b><u>\$ 22,707,237</u></b>	<b><u>\$ 50,814,168</u></b>	<b><u>\$ 111,637,703</u></b>

Loan To Value (LTV) refers to the ratio comparing a loan's unpaid principal balance to the value of the collateral securing repayment of the loan. In recent years, the residential real estate markets have experienced significant declines in property values. LTV does not necessarily reflect the likelihood of performance of a given loan but does provide an indication of collateral value and risk assumed by the Credit Union. In the event of a default, any loss to the Credit Union should be approximately limited to the portion of the loan amount more than the net realizable value of the underlying real estate collateral.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

The following table shows the most recent LTV distribution of first mortgage and junior lien loans:

	Loan-to-Value (LTV) Ranges				Total
	0-80%	80-90%	90-100%	>100%	
<b><u>June 30, 2023</u></b>					
Mortgage	<u>\$24,956,818</u>	<u>\$ 2,878,187</u>	<u>\$ 3,047,827</u>	<u>\$ -</u>	<u>\$30,882,832</u>
<b><u>June 30, 2022</u></b>					
Mortgage	<u>\$22,749,710</u>	<u>\$ 2,899,536</u>	<u>\$ 2,057,011</u>	<u>\$ 1,474,000</u>	<u>\$29,180,257</u>

**Impaired Loans**

The following table summarizes key information for impaired loans by type of loan as of June 30, 2023 and 2022:

<b><u>June 30, 2023</u></b>	<b>Unpaid Principal Balance</b>	<b>Specific Allowance</b>
<b>Commercial:</b>		
Corporations	\$ -	\$ -
Non profit entities	<u>120,646</u>	<u>116,103</u>
<b>Total commercial</b>	120,646	116,103
<b>Consumer:</b>		
Personal	515,043	92,708
Auto	974,562	467,790
Mortgage	534,499	32,604
Credit card and line credit	77,215	27,025
Restructured	<u>-</u>	<u>-</u>
<b>Total consumer</b>	<u>2,101,319</u>	<u>620,127</u>
<b>Total</b>	<u>\$ 2,221,965</u>	<u>\$ 736,230</u>





**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

<b><u>June 30, 2022</u></b>	<b><u>Unpaid Principal Balance</u></b>	<b><u>Specific Allowance</u></b>
<b>Commercial:</b>		
Corporations	\$ 223,304	\$ 110,328
Non profit entities	<u>120,645</u>	<u>116,131</u>
<b>Total commercial</b>	343,949	226,459
<b>Consumer:</b>		
Personal	287,001	52,775
Auto	240,584	116,181
Mortgage	1,181,816	718,267
Credit card and line credit	59,813	20,923
<b>Total consumer</b>	<u>1,769,214</u>	<u>908,146</u>
<b>Total</b>	<b><u>\$ 2,113,163</u></b>	<b><u>\$ 1,134,605</u></b>

Below, is a summary of the loans modified and classified as restructured loans, and those restructured loans that after being granted went into default as of June 30, 2023 and 2022:

	<b><u>Restructured loans</u></b>			<b><u>Restructured loans in default</u></b>		
	<b><u>Quantity of loan</u></b>	<b><u>Principal balance</u></b>	<b><u>Reserve impact</u></b>	<b><u>Quantity of loan</u></b>	<b><u>Principal balance</u></b>	<b><u>Reserve impact</u></b>
<b><u>June 30, 2023</u></b>						
<b>Commercial:</b>						
Commercials	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total commercial</b>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Consumer:</b>						
Personal	<u>7</u>	<u>\$ 75,043</u>	<u>\$ 2,166</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total consumer</b>	<u>7</u>	<u>\$ 75,043</u>	<u>\$ 2,166</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

	<b>Restructured loans</b>			<b>Restructured loans in default</b>		
	<b>Quantity of loan</b>	<b>Principal balance</b>	<b>Reserve impact</b>	<b>Quantity of loan</b>	<b>Principal balance</b>	<b>Reserve impact</b>
<b>June 30, 2022</b>						
<b>Commercial:</b>						
Commercials	-	\$ -	\$ -	-	\$ -	\$ -
<b>Total commercial</b>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Consumer:</b>						
Personal	8	\$ 100,151	\$ 4,413	-	\$ -	\$ -
<b>Total consumer</b>	<u>8</u>	<u>\$ 100,151</u>	<u>\$ 4,413</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the types of concessions granted to restructured loans as of June 30, 2023 and 2022.

<b>June 30, 2023</b>	<b>Interest Rate and Maturity Date</b>	<b>Reduction of Principal</b>	<b>Others</b>	<b>Total</b>
<b>Consumer:</b>				
Personal	\$ 75,043	\$ -	\$ -	\$ 75,043
Total consumer	<u>75,043</u>	<u>-</u>	<u>-</u>	<u>75,043</u>
<b>Total of loans</b>	<u>\$ 75,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,043</u>

<b>June 30, 2022</b>	<b>Interest Rate and Maturity Date</b>	<b>Reduction of Principal</b>	<b>Others</b>	<b>Total</b>
<b>Consumer:</b>				
Personal	\$ 100,151	\$ -	\$ -	\$ 100,151
Total consumer	<u>100,151</u>	<u>-</u>	<u>-</u>	<u>100,151</u>
<b>Total of loans</b>	<u>\$ 100,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,151</u>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**8. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS**

In the normal course of operations, the Credit Union uses certain risk instruments that are not recognized in the statement of situation to meet the financing needs of the members. These financial instruments include commitments to extend credit and credit cards. These instruments have elements of credit risk in excess at various levels, as recognized in the balance sheet. The nominal or contractual amounts of said instruments, which are not included in the balance sheet, are indicative of the activities of the Credit Union in a specific financial instrument.

The Credit Union uses credit terms similar to those used for financial instruments included in the statement of financial position when executing the commitments and conditional credit guarantees. The commitments to extend credit represent contractual obligations to lend funds to members on a predetermined interest rate for a specified period. Since many of the commitments lapse without performing any disbursement, the total balance of the commitments does not necessarily represent future disbursement requirements.

The Credit Union evaluates separately the credit condition of its members before granting credit. The management determines, through the evaluation of the applicant's credit, the amount of collateral to be obtained as a condition of the credit requested. The amount of commitment to extend credit as of June 30, 2023 and 2022, is composed of the following:

	<u>2023</u>	<u>2022</u>
Credit Cards	\$ <u>3,449,059</u>	\$ <u>3,151,740</u>
Credit Line	\$ <u>118,314</u>	\$ <u>144,840</u>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**9. INVESTMENT IN COOPERATIVES ENTITIES**

Investment in cooperative entities as of June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC)	\$ 2,088,636	\$ 2,069,347
Fondo de Inversión y Desarrollo Cooperativo (FIDECOOP)	482,901	482,901
Cooperativa de Seguros de Vida de Puerto Rico (COSVI)	1,262,119	1,262,119
Banco Cooperativo de Puerto Rico	1,333,379	1,265,863
Cooperativa de Seguros Múltiples de Puerto Rico	87,305	82,689
Other investments in cooperative entities	<u>44,180</u>	<u>44,180</u>
<b>Total</b>	<b><u>\$ 5,298,520</u></b>	<b><u>\$ 5,207,099</u></b>

**10. PROPERTY AND EQUIPMENT**

As of June 30, 2023 and 2022, property and equipment were composed of the following:

	<u>2023</u>	<u>2022</u>
<b>Property and equipment subject to depreciation:</b>		
Buildings	\$ 2,420,182	\$ 2,420,182
Improvements	2,939,681	2,920,080
Furniture & Equipment	1,162,996	1,158,256
Vehicles	122,395	122,395
Programming	<u>1,357,016</u>	<u>1,348,187</u>
<b>Total property and equipment subject to depreciation</b>	<b>8,002,270</b>	<b>7,969,100</b>
Accumulated depreciation	<u>(6,989,511)</u>	<u>(6,658,720)</u>
<b>Total property and equipment subject to depreciation, net</b>	<b>1,012,759</b>	<b>1,310,380</b>
<b>Property and equipment not subject to depreciation:</b>		
Land	<u>889,117</u>	<u>889,117</u>
<b>Total property and equipment, net</b>	<b><u>\$ 1,901,876</u></b>	<b><u>\$ 2,199,497</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**11. OTHER ASSETS**

The other assets as of June 30, 2023 and 2022, are composed by the following:

	<u>2023</u>	<u>2022</u>
Interest receivable from loans, certificates and others	\$ 501,926	\$ 300,822
Prepaid deposits and insurance	169,665	194,900
Inventory of materials	77,449	52,415
Other accounts receivables	<u>5,582</u>	<u>32,143</u>
<b>Total</b>	<b><u>\$ 754,622</u></b>	<b><u>\$ 580,280</u></b>

**12. DEPOSITS**

The regular savings accounts earn interests fluctuating between 0.05% and 0.15% computed daily and credited monthly. The Credit Union has the policy to allow savings withdrawals on any operating day. However, it may be the discretion of the Board of Directors to 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 2% and interest on certificates of deposit fluctuates between 0.10% to .60%. The deposits consist of the following:

	<u>2023</u>	<u>2022</u>
Members' and non-members savings accounts	\$ 110,781,714	\$ 112,774,813
Checking accounts	8,439,005	8,478,825
VeraCoop	122,087	149,427
NaviCoop	<u>1,825,491</u>	<u>1,970,372</u>
<b>Total</b>	<b><u>\$ 121,168,297</u></b>	<b><u>\$ 123,373,437</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

As explained in Note 1, the maximum combined amount of insurable shares and deposits to a partner or depositor, by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC), will be two hundred and fifty thousand dollars (\$250,000). As of June 30, 2023, the members and clients of the Credit Union had approximately \$5,422,458 in deposits and shares over the amount covered by the COSSEC insurance.

**13. CERTIFICATES OF DEPOSITS**

The percentage of interest in the certificates varies according to the amount and time negotiated. As required by the ASC-942-405-50, time-definite deposits, in denominations of \$250,000 or plus, totaled \$2,984,863 and \$6,846,260 as of June 30, 2023 and 2022, respectively. As required by the ASC-470-10-50, deposits are presented below.

<u>For the year ending June 30,</u>	<u>Amount</u>
2024	\$ 12,325,528
2025	4,043,247
2026	2,567,811
2027	612,442
2028 or later	<u>1,928,276</u>
	<b><u>\$ 21,477,304</u></b>

**14. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The accounts payable and accumulated expense, as of June 30, 2023 and 2022, are composed as follows:

	<u>2023</u>	<u>2022</u>
Interest	\$ 54,503	\$ 51,527
Insurances and contributions	407,188	359,885
Account payable and accumulated expenses	1,338,698	1,333,736
Discounts and transfers of loans	283,195	268,856
Provision assemblies	80,123	84,328
Other accounts	<u>1,600,118</u>	<u>1,452,711</u>
<b>Total</b>	<b><u>\$ 3,763,825</u></b>	<b><u>\$ 3,551,043</u></b>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**15. OTHER INCOME**

The other income as of June 30, 2023 and 2022, are composed as follows:

	<u>2023</u>	<u>2022</u>
Services charges	\$ 1,389,401	\$ 1,307,307
Commissions	713,938	696,294
Dividends	73,537	57,557
Use of the temporary special reserve	-	8,657,032
Reduction for provision of loans losses	3,000,000	-
Others	<u>785,443</u>	<u>748,151</u>
<b>Total</b>	<b><u>\$ 5,962,319</u></b>	<b><u>\$11,466,341</u></b>

*This Space Has Been Intentionally Left Blank*



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

The detail of the general and administrative expenses of the Credit Union for the period ended on June 30, 2023 and 2022, consists of the following:

	<u>2023</u>	<u>2022</u>
Salaries, bonus and vacations	\$ 2,410,641	\$ 2,072,891
Employers' contributions and benefits	282,868	248,457
Medical plan	241,408	226,736
Pension plan	71,056	50,078
Professional services	710,612	581,436
Insurance:		
COSSEC	376,420	382,837
Shares and funeral for members	296,432	287,099
General	301,675	294,301
Depreciation and amortization	330,791	350,488
Mail	24,915	19,799
Utilities	284,257	264,999
Rent	36,000	36,000
Education	36,713	30,912
Meetings and representation	48,779	37,326
Repair and maintenance	309,866	309,224
Annual assembly	50,000	40,000
ATH and Mastercard maintenance	1,270,264	1,365,649
Office materials	74,473	71,876
Bank charges	147,159	145,023
Credit reports	48,387	45,725
Donations	3,439	4,512
Advertising and promotions	244,855	265,782
Sales and use tax	93,233	111,637
Provision for disposition of repossessed properties	259,240	232,619
Other expenses grouped	<u>190,658</u>	<u>237,778</u>
<b>Total</b>	<b><u>\$ 8,144,141</u></b>	<b><u>\$ 7,713,184</u></b>





**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**17. LIFE, SHARES AND LOAN INSURANCE**

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 (COSVI). 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 expenses for the years ended June 30, 2023 and 2022 was \$296,432 and \$287,099, respectively.

**18. MEDICAL INSURANCE**

The Credit Union has a health plan for 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 expenses for the period ended June 30, 2023 and 2022, was \$241,408 and \$226,736 respectively.

**19. PROVISION FOR COOPERATIVE EDUCATION**

The Credit Union is required, by Act 255, to withdraw no less than one tenth of one percent (0.10%) of the total volume of business each year for educational purposes and integration of the cooperative movement in Puerto Rico. Within three (3) months following the close of its operations in each fiscal year, all cooperatives shall determine the amount referred to showing that computer up to a maximum of four thousand dollars \$4,000. All cooperatives whose total volume of business exceeds four million dollars \$4,000,000 per year, are required to contribute an additional number of five percent (5%) of its annual net income up to a maximum of ten thousand dollars (\$6,000).

The Credit Union accumulated the expense for provision for cooperative education as of June 30, 2023 and 2022.

**20. RETIREMENT PLAN**

The Credit Union has a defined contributions plan for all qualified employees. The Cooperativa de Seguros de Vida (COSVI) is the entity that administers the plan. The plan expense for the years ended June 30, 2023 and 2022, was \$71,056 and \$50,078, 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%.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**21. CONTINGENCIES, UNCERTAINTIES AND COMMITMENTS**

*Operational Leases*

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

*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. The loans subject to these transactions were acquired without recourse. The balance of this portfolio as of June 30, 2023 and 2022, was \$162,698 and \$340,637, respectively.

*Lawsuits and Legal Claims*

The Credit Union aggressively pursues their legal positions in the appropriate forums and understands that they should not prosper. However, it maintains an accumulated estimate of contingencies that may have an impact on the financial statements. It also maintains several claims, mainly for money collection demands, as part of its normal and current operations as a financial institution.

*Share Draft 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.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

To determine the fair value of financial instruments the following methods and assumptions were used:

- The carrying amount of cash, financial liabilities and shares approximate their fair value due to their short-term nature. As a practice in the industry in a merger, consolidation or sale of assets and liabilities to another cooperative, these are recognized at their value in the books, in said transfer.
- The carrying value of cash equivalents and savings certificates were estimated by discounting the expected cash flows until the maturity thereof using estimated market discount rates.
- The fair value of the loans was estimated using the discounted value of the impairing loans, based on their unreserved risk. The estimated value of loans, advances and other receivables is net of the specific provision. The Credit Union classifies these assets as Level 3 within the fair value hierarchy. Management determined that the best available method for the fair value of loans is according to the methodology presented. The experience of the Credit Union and the industry is to keep loans in the portfolio; there is no recent purchase and sale of loans, to reach another fair value estimate.
- The estimated value of investments is based on quoted market prices when available (Level 1), market price quotations for similar investments (Level 2), or the market price of the last 44 transaction for that instrument in an active market (Level 2), or the proportional net assets, as appropriate.
- The value of investments in credit unions entities represents the original cost of investments made, plus capitalized dividends, less withdrawals or returns. Management understands that the fair value of such investments must approximate the value in the books due to their regulatory nature. In the purchase and sale of financial assets in a credit union, the value that the acquiring Credit Union has quoted for these shares is equal to their par value in transactions supervised and executed by COSSEC.

**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

- Repossessed cars and foreclosed properties are recorded at the lower of cost (book value of the loan) or fair value less any estimated cost to dispose of the property. Fair values are derived from appraisals of the properties. If the property is newly acquired, it is recorded in books based on their market value less cost to sell at the date of acquisition. The Credit Union classifies these properties as Level 3 within the fair value hierarchy.

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

On June 30, 2023 and 2022, the Credit Union had marketable securities available for sale for which the fair value measurement is required recurrently:

<b>June 30, 2023</b>				
Fair Value				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in securities available for sale	\$ -	\$ 42,327,088	\$ -	\$ 42,327,088
Special investments	-	3,112,500	-	3,112,500
<b>Total</b>	<b>\$ -</b>	<b>\$ 45,439,588</b>	<b>\$ -</b>	<b>\$ 45,439,588</b>

  

<b>June 30, 2022</b>				
Fair Value				
<u>Type of Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in securities available for sale	\$ -	\$ 19,726,362	\$ -	\$ 19,726,362
Special investments	-	3,555,300	-	3,555,300
<b>Total</b>	<b>\$ -</b>	<b>\$ 23,281,662</b>	<b>\$ -</b>	<b>\$ 23,281,662</b>

The Credit Union may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis under generally accepted accounting principles (GAAP). These fair value adjustments usually result from the application of accounting the lower of cost or market value or impairment of individual assets decreases. The valuation methodology used for these fair value adjustments is described above.



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

The change in the fair value of the repossessed cars and properties, which was determined using Level 3 Inputs, as of June 30, 2023 and 2022 are presented as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ -	\$ 193,701
Repossessed properties and cars	2,290,324	1,598,193
Sales of repossessed properties and cars	<u>(2,117,146)</u>	<u>(1,999,743)</u>
Provision and losses charged against operations	<u>(173,178)</u>	<u>207,849</u>
Balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>

**Estimated Fair Value**

As of June 30, 2023 and 2022, the book value and the estimated fair value of financial instruments were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>Financial Assets:</b>				
Cash and cash equivalents	\$ 20,450,807	\$ 20,450,807	\$ 54,757,593	\$ 54,757,593
Saving certificates over three months	23,176,957	23,176,957	33,764,805	33,764,805
Loans receivables, net	137,068,106	135,582,371	112,724,501	110,803,034
Investments in securities (available for sale)	42,327,088	42,327,088	19,726,362	19,726,362
Special investments	2,096,941	3,112,500	2,098,935	3,555,300
Investments in cooperatives entities	<u>5,298,520</u>	<u>5,298,520</u>	<u>5,207,099</u>	<u>5,207,099</u>
	<u>\$ 230,418,419</u>	<u>\$ 229,948,243</u>	<u>\$ 228,279,295</u>	<u>\$ 227,814,193</u>
<b>Financial Liabilities:</b>				
Deposits accounts	\$ 121,168,297	\$ 121,168,297	\$ 123,373,437	\$ 123,373,437
Certificates of deposits	21,477,304	21,477,304	25,725,171	25,725,171
Members' shares	<u>59,570,150</u>	<u>59,570,150</u>	<u>59,713,421</u>	<u>59,713,421</u>
	<u>\$ 202,215,751</u>	<u>\$ 202,215,751</u>	<u>\$ 208,812,029</u>	<u>\$ 208,812,029</u>



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

---

**23. RELATED PARTY TRANSACTIONS**

Almost all the employees and members of the Board of Directors and Committees have savings accounts, loans and receive services provided by the institution. The transactions terms in these accounts (interest charged and paid) are similar to other members.

Below is the movement of the related parties' transactions:

	<u>2023</u>	<u>2022</u>
Loans beginning balance	\$ 1,211,422	\$ 1,583,863
New loans, net of annual payments	590,048	133,390
Loans, ending balance	<u>1,801,470</u>	<u>1,717,253</u>
Deposits and shares	<u>\$ 1,385,252</u>	<u>\$ 1,211,422</u>

**24. SUBSEQUENT EVENTS**

For the year ended June 30, 2023, the Credit Union adopted ASC 855, related to Subsequent Events. ASC 855 establishes the general standards for accounting and disclosure of events that occurred after the date of the statement of financial position, but before the date of issuance of the financial statements.

Specifically, it establishes the period after the date of the financial statement during which the Credit Union Management must evaluate events or transactions that could occur and that would need to be recorded or disclosed in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure that should be offered for these events that occurred after the date of the statement of financial position. As of June 30, 2023, there are no subsequent events that require disclosure in the financial statements.

*This space was left in blank intentionally*



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

**25. RESERVE FOR UNDISTRIBUTED CAPITAL**

As indicated in note 1, the Credit Union must maintain a minimum undistributed capital of eight percent (8%) of the total of its assets subject to risk. The calculation of the undistributed capital ratio on the assets subject to risks is determined as follows:

	<u>2023</u>	<u>2022</u>
<b>Elements of Undistributed Capital:</b>		
a Undistributed capital	\$ 14,275,010	\$ 11,967,171
b Accumulated net losses	-	-
c Reserve required by COSSEC	1,626,877	703,742
d Other reserves (discretionary)	12,009,645	5,620,477
e 15% of the Credit Union's undistributed retained earnings	120,000	671,792
f Portion of the allowance for loan losses for non delinquent loans	478,610	349,912
g Debt securities issued by the Credit Union	-	-
h Other financial instruments authorized by COSSEC	-	-
i Other elements COSSEC has established by regulation	-	-
<b>Total undistributed capital</b>	<b>\$ 28,510,142</b>	<b>\$ 19,313,094</b>
<b>Elements of assets subject to risk:</b>		
<b>Total assets, excluding allowance for loan losses of \$4,401,491 and \$7,391,510 for the years 2023 and 2022, respectively</b>	<b>\$ 237,476,408</b>	<b>\$ 238,450,582</b>
Less:		
<b>I. Assets with risk consideration of zero percent (0.00%):</b>		
A 100% Cash in hand and in transit possessed by the Credit Union	2,160,729	2,655,774
B 100% Bonds and debt securities, including portions of all these that are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies.	-	-
C 100% Loans, including all portions thereof which are issued, insured or unconditionally guaranteed by the Commonwealth of Puerto Rico or its agencies, or the U.S. Government or its agencies	-	-
D 100% Loans fully secured by first mortgages on residential properties of one to four families.	9,601,273	7,464,060
E 100% Student loans insured under the "Higher Education Act" (1965)	-	-



**COOPERATIVA DE AHORRO Y CRÉDITO ROOSEVELT ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the years ended on June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
F 100% Members' loans secured by shares, deposits or both that may NOT be withdraw from the Credit Union	26,048,890	26,203,617
G 100% Credit Union investment in the Corporation	2,088,636	2,069,347
H 100% Other Assets at Risk established by the Corporation	-	-
<b>II. Assets subject to risk with twenty percent (20%):</b>		
A 80% Items in collection process	14,767,794	37,401,214
B 80% Interest in collection process	216,087	102,458
C 80% Portion loans not secured by real partners liquids that remain in the loan guarantee	395,660	459,633
D 80% Debt obligations and securities	35,539,223	17,888,038
E 80% Loans, obligations and debt securities	-	-
F 80% Deposits, loans, bonds and debt securities, including portions thereof, that are issued, insured or guaranteed by depository institutions in the United States and Puerto Rico	18,541,566	31,292,084
G 80% Book value of real property or appraised value, whichever is less	2,647,439	2,647,439
H 80% Prepaid insurance risk corresponding to the institution	19,697	18,944
I 80% Common or preferred stock investments supported by the Cooperative Bank, Cooperativa de Seguros Multiples and COSVI	2,146,242	2,088,537
J 80% Other risk assets established by the Corporation	-	-
<b>III. Assets with risk consideration of fifty percent (50%):</b>		
a 50% Loans fully secured by first mortgages on residential properties of 1-4 families	10,748,477	10,231,262
b 50% Investment that represents the participation in loans described in the previous subsection	-	-
c 50% Commercial loans completely guaranteed by first mortgages	6,108,122	2,831,272
d 50% Investment in shares of the central cooperative organizations provided they have no current or accumulated losses	5,890	5,890
d 50% Car loans that are not delinquent in excess of ninety (90) days	22,774,863	17,246,374
e 50% Other risk assets established by the Corporation	-	-
<b>TOTAL ASSETS NOT SUBJECT TO RISKS</b>	<b><u>\$ 153,810,588</u></b>	<b><u>\$ 160,605,943</u></b>
<b>TOTAL ASSETS SUBJECT TO RISKS</b>	<b><u>\$ 83,665,820</u></b>	<b><u>\$ 77,844,639</u></b>
<b>RATE OF UNDISTRIBUTED CAPITAL TO ASSETS SUBJECT TO RISKS</b>	<b><u>34.08 %</u></b>	<b><u>24.81 %</u></b>