

Caribe Federal Credit Union

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the years ended
December 31, 2020 and 2019

Caribe Federal Credit Union

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December 31, 2020 and 2019

CONTENTS

	Pages
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Statements of Financial Condition	3
Statements of Income and Expenses	4
Statements of Comprehensive Income	5
Statements of Changes in Members' Equity	6
Statements of Cash Flows	7-8
Notes to Consolidated Financial Statements	9-44
Supplementary Information:	
Consolidating Statement of Financial Condition	45
Consolidating Statement of Income and Expenses	46
Consolidating Schedule of Non-Interest Expenses	47



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Caribe Federal Credit Union
San Juan, Puerto Rico

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of the Caribe Federal Credit Union ("the Credit Union") which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, and the related statements of income and expenses, changes in members' equity, comprehensive net income, and cash flows for the years then ended, and the corresponding notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union, as of December 31, 2020 and 2019, and the results of its



INDEPENDENT AUDITORS' REPORT (CONTINUED)

operations, changes in member's equity, comprehensive net income and cash flows for the years then ended, in accordance with generally accepted accounting principles in the United States of America.

OTHER MATTERS

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Credit Union 's consolidated financial statements. The consolidating information in pages 45-47 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the consolidated financial statements as whole.

March 29, 2021
San Juan, Puerto Rico

Stamp No E-421089
was affixed to the original.



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Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,827,600	\$ 10,492,409
Certificates of deposits	64,432,470	61,856,289
Investment securities	94,835,425	17,862,353
Loans to members, net	315,744,879	313,873,099
Accrued interest receivable	1,067,208	1,051,911
Accounts receivable, net	131,297	42,157
Prepaid expenses	299,034	276,440
Property and equipment, net	12,347,032	12,703,165
NCUSIF deposit	3,766,065	3,364,742
Art collections	92,619	92,619
Other assets	1,005,716	798,161
Total assets	<u>\$ 509,549,345</u>	<u>\$ 422,413,345</u>
 Liabilities and Members' Equity		
Members' shares accounts	\$ 442,468,984	\$ 361,820,009
Accounts payable and accrued liabilities	3,739,336	3,118,481
Accounts payable to auto dealers	4,863,531	3,202,390
Total liabilities	<u>451,071,851</u>	<u>368,140,880</u>
 Members' Equity		
Appropriated regular reserve	3,811,746	3,811,746
Unappropriated earnings	54,650,287	50,443,667
Accumulated other comprehensive loss	15,461	17,052
Total members' equity	<u>58,477,494</u>	<u>54,272,465</u>
Total liabilities and members' equity	<u>\$ 509,549,345</u>	<u>\$ 422,413,345</u>

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Interest income:		
Interest and fees on loans	\$ 16,961,779	\$ 16,165,010
Interest on investments	1,504,581	1,693,325
Total interest income	<u>18,466,360</u>	<u>17,858,335</u>
Interest expense:		
Interest and dividends on members' shares and savings accounts	<u>3,775,726</u>	<u>3,784,768</u>
Net interest income	14,690,634	14,073,567
Provision for loan losses	<u>(1,418,575)</u>	<u>(1,567,940)</u>
Net interest income after provision for loan losses	<u>13,272,059</u>	<u>12,505,627</u>
Service fee and non-interest income	<u>926,902</u>	<u>1,315,571</u>
Non-interest expenses:		
Compensation and benefits	5,170,580	4,811,216
Occupancy and related	2,543,059	2,637,205
Other	2,278,701	2,350,939
Total non-interest expenses	<u>9,992,340</u>	<u>9,799,360</u>
Net income	<u><u>\$ 4,206,621</u></u>	<u><u>\$ 4,021,838</u></u>

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net income	\$ 4,206,621	\$ 4,021,838
Other comprehensive income:		
Unrealized holding gain (loss) on investment securities available for sale	(1,591)	171,722
Total comprehensive income	<u>\$ 4,205,030</u>	<u>\$ 4,193,560</u>

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Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the years ended on December 31, 2020 and 2019

	Appropriated Regular Reserve	Unappropriated Earnings	Accumulated Other Comprehensive gain (loss)	Total
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2018	\$ 3,811,746	\$ 46,421,828	\$ (154,670)	\$ 50,078,904
Net income	-	4,021,838	-	4,021,838
Net unrealized gain on investment securities available-for-sale	-	-	171,722	171,722
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2019	3,811,746	50,443,666	17,052	54,272,464
Net income	-	4,206,621	-	4,206,621
Net unrealized loss on investment securities available-for-sale	-	-	(1,591)	(1,591)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2020	<u>\$ 3,811,746</u>	<u>\$ 54,650,287</u>	<u>\$ 15,461</u>	<u>\$ 58,477,494</u>

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

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended on December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 4,206,621	\$ 4,021,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	801,416	950,243
(Accretion)/ Amortization of deferred loan origination fees, net	(31,861)	(93,116)
(Gain) loss on sale of mortgage loans held-for-sale	(186,565)	212,156
(Gain)/loss on disposition of other assets	(8,151)	52,701
Amortization of premium/discount on investment securities, net	1,188	-
Capitalized interest on certificate of deposit	60	70
Provision for possible loan losses	1,487,281	1,567,940
Proceeds from sale of mortgage loans held-for-sale	5,085,561	3,731,968
Recoveries of loans previously charged-off	444,147	371,111
Dividends credited on members' shares accounts	3,797,567	3,778,112
(Increase)/decrease in assets:		
Accrued interest receivable	(15,297)	(168,702)
Accounts receivable, net	(89,140)	5,390
Prepaid expenses	(22,594)	(73,116)
Other assets	(207,555)	(695,778)
(Decrease)/increase in assets:		
Accounts payable and accrued liabilities	620,855	528,435
Accounts payable to auto dealers	1,661,141	389,620
Total adjustments	<u>13,338,053</u>	<u>10,557,034</u>
Net cash provided by operating activities	<u>17,544,674</u>	<u>14,578,872</u>
Cash flows from investing activities:		
Net (increase) decrease in certificates of deposit	(2,576,241)	(23,262,304)
Acquisition of investment securities	(120,217,000)	(99,511,900)
Proceeds from maturities of investment securities	43,241,148	110,311,269
Net increases in loans to members	(8,670,343)	(17,908,573)
Acquisitions of property and equipment	(437,132)	(2,416,336)
Proceeds from sale of repossessed assets	-	250,948
Deposit in NCUSIF	(401,323)	(215,483)
Net cash used in investing activities	<u>(89,060,891)</u>	<u>(32,752,379)</u>
Cash flows from financing activities:		
Net increase in shares accounts	76,851,408	18,225,318
Net cash provided by financing activities	<u>76,851,408</u>	<u>18,225,318</u>
Net increase in cash and cash equivalents	5,335,191	51,811
Cash and cash equivalents at beginning of year	<u>10,492,409</u>	<u>10,440,598</u>
Cash and cash equivalents at end of year	<u>\$ 15,827,600</u>	<u>\$10,492,409</u>

Caribe Federal Credit Union
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended on December 31, 2020 and 2019

Supplemental Disclosures of Cash Flow Information

Interest and dividend paid for the years ended December 31, 2020 and 2019 was \$3,797,567 and \$3,778,112, respectively.

Also, during the years ended December 31, 2020 and 2019, unrealized gain (loss) on securities available-for-sale were recognized for (\$1,591) and \$171,722, respectively, representing a non-cash item. Those charges are not reported as part of the net income for those years since they represent other comprehensive income.

During the years ended December 31, 2020 and 2019, the transfers of loans, net to other real estate owned was \$253,494 and \$585,523, respectively.

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

1. ORGANIZATION

Caribe Federal Credit Union (“the Credit Union”) is a nonprofit organization established in 1951 organized and chartered under the Federal Credit Union Act. The Credit Union serves federal employees in Puerto Rico and the U.S. Virgin Islands, members of the *Liga de Estudiantes de Arte de San Juan*, select employee groups in Puerto Rico and immediate family members. Its purpose is to promote thrift among its members by affording them an opportunity to accumulate their savings and create for them a source of credit for productive purposes.

Business Consortium Alliance, Inc. (BCA) is a wholly owned subsidiary of the Credit Union (Parent Company). It is a credit union service organization (“CUSO”) under the United States Credit Union Act. It was engaged in the development of its lines of business and in providing services to the Credit Union.

During the year ended December 31, 2008, Business Alliance Insurance Agency (BAIA) was incorporated and began operations in 2009. The Company was created to conduct and operate a general insurance agency business for insurance companies organized or admitted doing business in the Commonwealth of Puerto Rico. It is a subsidiary of BCA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies followed the Credit Union are in conformity he accounting principles generally accepted in the United States of America (US GAAP). The most significant policies are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiary Business Consortium Alliance, Inc. (BCA), which was consolidated with Business Alliance Agency (BAIA). All significant intercompany balances and transactions between the Credit Union and the subsidiary have been eliminated in the preparation of the consolidated financial statements.

Use of Estimates

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

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

In the accompanying financial statements, certain 2019 figures were reclassified to conform to the 2020 presentation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Credit Union to credit risk include cash balances and certificate of deposits with several financial institutions located in Puerto Rico and the United States; which were insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). The balances may exceed amounts insured by the FDIC.

Credit risk for loans receivable and share accounts are also concentrated since most of the Credit Union's members are in the Puerto Rico geographical area.

Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA) up to \$250,000 per institution. The bank balance of deposits in commercial banks amounting to \$17,202,538 and \$10,433,323 exceeded the amounts covered by federal depository insurance limits for the years ended December 31, 2020, and 2019, respectively. There was no bank balance of deposits exceeding the NCUA depository insurance limits at both December 31, 2020, and 2019, and the balance of deposits in *Banco Cooperativo* amounting to \$671,854 and \$776,826 on December 31, 2020 and 2019, respectively, were uninsured at that date.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Credit Union considers all highly liquid investment securities acquired with an original maturity of three months or less to be cash equivalents.

Investment Securities

Investment securities consist mainly of obligations issued by the Government of the United States and its political subdivisions. The Credit Union records the investments in securities in accordance with *Accounting for Certain Investments in Debts and Equity Securities*. The Credit Union classifies investments in debt instruments as securities available for sale and held-to-maturity.

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are made in accordance with the Credit Union's policies, which incorporate the regulations of National Credit Union Administration (NCUA), hence they are principally in federally sponsored and guaranteed instruments. Gains or losses on disposition are based on the net proceeds and the adjustment carrying amount of the securities sold, using the specific identification method. Interest income is recorded on an accrual basis.

Securities held-to-maturity

Securities held-to-maturity are those which the management has the intent to hold to maturity. These investments are reported at cost, adjusted for amortization of premiums or accretion of discounts, which are recognized in investment interest income using the effective interest method over the period of maturity.

Securities available-for-sale

Securities available-for-sale are presented at fair market value. Unrealized gains and losses on securities available-for-sale are excluded from earnings and recognized as an increase or decrease in other comprehensive income. Investment securities in this classification could be sold any time in response to economic and strategic factors.

Other than temporary decline in the fair market value

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are other than temporary are reflected as realized losses. In estimating other than temporary impairment, management considers: (1) the credit union intent to sell the debt security prior to recovery and, (2) whether it is more likely than not that it will not have to sell the debt prior to recovery, the security would not be considered other than temporarily impaired unless there is a credit loss. When the Credit union does not intend to sell a security, and it is more likely than not, the Credit Union will not have to sell the security before recovery of its cost basis, it will recognize the credit component of other than temporary impairment of a debt security in earnings and the remaining portion in accumulated other comprehensive income (loss).

Loans Held for Sale

Loans held for sale consists of mortgage loans carried at the lower of original cost or market value in compliance with FASB ASC 948-310. Market value is determined either on a loan-by-loan basis or on a combined related pool. Net unrealized losses are recognized through a valuation allowance by charges to income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and net origination fees. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely and recoveries of previously charged off amounts are credited to the allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of collectability of loans and prior loan loss experience.

The evaluations take into consideration such factors as changes in the nature and volume of loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions and collection efforts that the borrowers' financial condition is such that collection of interest is doubtful. Regularly, this is applied to loans with the delinquency greater than 89 days. The revenue for such interests not accrued is recognized when collected.

Loan Origination Fees

Loan origination fees are deferred and recognized over the life of the loan as an adjustment of yield. The unamortized balance of the net origination fees is reported as part of the loan balance to which it relates. The periodic amortization is reported on the income statement as interest income.

Accounts Receivable

Accounts receivable are stated at their net realizable value.

Property and Equipment

Land is carried at cost. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line- method over the estimated useful lives of the assets. Leasehold improvements are stated at cost, less accumulated amortization. Assets classified as construction in process are not depreciated until the asset has been completed and placed into service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Credit Union periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No indications of impairment are evident at December 31, 2020 and 2019.

Art Collection

Art collections are capitalized at their cost at the date of purchase or, if the items were contributed, at their fair or appraised value at the contribution date.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent (1%) of its insured shares. The deposit is refunded to the credit union if its insurance coverage is terminated, it obtains its insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Assets Acquired in Liquidation of Loans

Assets acquired in satisfaction of loans are initially recorded at the fair value of the real estate or repossessed property less the cost of selling it at the date of foreclosure or repossession. At the time properties are acquired in full or partial satisfaction of loans, any excess of the loan balance over the estimated fair value of the property is charged against the allowance for loan and lease losses. After foreclosure or repossession, these properties are carried at the lower of cost or fair value less estimated cost to sell based on recent appraised values or options to purchase the foreclosed or repossessed property. Any excess of the carrying value over the estimated fair value, less estimated costs to sell, is charged to non-interest expense. The costs and expenses associated to holding these properties in portfolio are expensed as incurred.

Members' Shares Accounts

The dividend rates are set by the Board of Directors based on an evaluation of current and future market conditions. Dividends on members' shares accounts are based on available earnings at the end of the corresponding period and are not guaranteed by the Credit Union. Dividends are credited to the members' share accounts on the last day of the month for which dividends are declared. Members share accounts are subordinated to all other liabilities of the Credit Union upon liquidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not for the payment of dividends. The statutory reserve consists of \$3,811,746 for 2020 and 2019.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income/(loss). Other comprehensive income/(loss) includes unrealized gains and losses on investment securities available-for-sale securities.

Advertising and Promotional Costs

Advertising and promotional costs are expended as incurred.

Federal and State Income Taxes

The Credit Unions is exempt, by statute, from federal and state income taxes.

New Accounting Update Not Yet Adopted

Measurement of Credit Losses on Financial Instruments. In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13 Credit Losses (Topic 326-Financial Instruments), which includes an impairment model known as the current expected credit loss model (CECL), that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses based on the lifetime losses of loans portfolios adjusted by prospective qualitative factors. The new standard is effective for the Credit Union for annual periods in fiscal years beginning after December 15, 2022, that is, for fiscal year 2023 (an additional one-year deferral was proposed due to coronavirus pandemic). Even the effect of the new standard has not yet been determined by the Credit Union, management believes that current conservative policies applied for the allowance for loan losses will help mitigate any possible effect.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for the fiscal years beginning after December 15, 2021 with an option to early adopt. The Credit Union is evaluating whether to early adopt and the effect that ASU 2016-02 will have on its consolidated financial statements, regulatory capital, and related disclosures.

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

3. CASH AND CASH EQUIVALENTS

As of December 31, 2020, and 2019, the balance of cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash in banks	\$ 14,657,146	\$ 8,985,922
Petty cash	200	200
Change Fund	1,170,254	1,256,287
Certificates of Deposits with less than 3 months	-	250,000
Total cash and cash equivalents	<u>\$ 15,827,600</u>	<u>\$ 10,492,409</u>

4. CERTIFICATES OF DEPOSITS

As of December 31, 2020, and 2019, the Credit Union maintains certificates of deposits mostly in denominations of \$250,000 and \$100,000. The schedules maturities are as follows:

	<u>2020</u>	<u>2019</u>
Due in one year or less	\$ 41,509,470	\$ 43,367,289
Due after one year through five years	22,923,000	18,489,000
Total certificates of deposits	<u>\$ 64,432,470</u>	<u>\$ 61,856,289</u>

5. INVESTMENT SECURITIES

At December 31, 2020 and 2019 the investment securities were as follows:

	<u>2020</u>	<u>2019</u>
Investment securities:		
Available for Sale	\$ 55,117,620	\$ 11,817,052
Held to maturity	39,717,805	6,045,301
Total investment securities	<u>\$ 94,835,425</u>	<u>\$ 17,862,353</u>

As of December 31, 2020, and 2019, the amortized cost and the estimate fair market value of investment securities available-for-sale and held-to-maturity are as follows:

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

5. INVESTMENT SECURITIES (CONTINUED)

2020

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 18,735,000	\$ 3,443	\$ (320)	\$ 18,738,123
Federal National Mortgage Association (FNMA)	1,500,000	2,238	-	1,502,238
Federal Home Loan Bank (FHLB)	15,329,159	2,916	(3,337)	15,328,738
Federal Farm Credit Bank (FFCB)	19,538,000	10,860	(339)	19,548,521
Total	\$ 55,102,159	\$ 19,457	\$ (3,996)	\$ 55,117,620

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	\$ 2,998,717	\$ -	\$ (145)	\$ 2,998,572
Federal Farm Credit Bank (FFCB)	3,000,000	24,497	-	3,024,497
Federal Home Loan Mortgage Corporation (FHLMC)	1,500,000	1,424	-	1,501,424
Federal National Mortgage Association (FNMA)	1,500,000	2,066	-	1,502,066
United States Treasury Bills	30,719,088	-	(1,149)	30,717,939
Total	\$ 39,717,805	\$ 27,987	\$ (1,294)	\$ 39,744,498

2019

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 4,000,000	\$ 3,037	\$ (280)	\$ 4,002,757
Federal National Mortgage Association (FNMA)	3,500,000	873	-	3,500,873
Federal Farm Credit Bank (FFCB)	4,300,000	15,362.00	(1,940)	4,313,422
Total	\$ 11,800,000	\$ 19,272	\$ (2,220)	\$ 11,817,052

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	\$ 998,517	\$ -	\$ (107)	\$ 998,410
United States Treasury Bills	5,046,784	1,275	(511)	5,047,548
Total	\$ 6,045,301	\$ 1,275	\$ (618)	\$ 6,045,958

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

5. INVESTMENT SECURITIES (CONTINUED)

The amortized cost and estimated fair value of investment securities, on December 31, 2020 and 2019, by contractual maturity, are shown below. Investment expected maturities may differ from original contractual maturities because of borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<u>Due Date</u>	<u>2020</u>		<u>2019</u>	
	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Due in one year or less	\$ 35,717,804	\$ 35,721,807	\$ 12,545,301	\$ 12,547,473
Due after one year through five years	59,102,159	59,140,311	5,300,000	5,315,537
Total	<u>\$ 94,819,963</u>	<u>\$ 94,862,118</u>	<u>\$ 17,845,301</u>	<u>\$ 17,863,010</u>

Description of Securities	<u>As of December 31, 2020</u>					
	Continuing Unrealized		Continuing Unrealized		Total	
	Losses for Less Than 12		Losses for 12 months or			
	months		More			
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
		Losses		Losses		Losses
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 1,999,680	\$ (320)	\$ -	\$ -	\$ 1,999,680	\$ (320)
Federal Home Loan Bank (FHLB)	7,896,663	(3,337)	-	-	7,896,663	(3,337)
Federal Farm Credit Bank (FFCB)	3,387,661	(339)	-	-	3,387,661	(339)
Total	<u>\$ 13,284,004</u>	<u>\$ (3,996)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,284,004</u>	<u>\$ (3,996)</u>

Description of Securities	<u>As of December 31, 2019</u>					
	Continuing Unrealized		Continuing Unrealized		Total	
	Losses for Less Than 12		Losses for 12 months or			
	months		More			
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
		Losses		Losses		Losses
Federal Home Loan Mortgage Corporation (FHLMC)	\$ 1,999,720	\$ (280)	\$ -	\$ -	\$ 1,999,720	\$ (280)
Federal Farm Credit Bank (FFCB)	2,298,060	(1,940)	-	-	2,298,060	(1,940)
Total	<u>\$ 4,297,780</u>	<u>\$ (2,220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,297,780</u>	<u>\$ (2,220)</u>

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

5. INVESTMENT SECURITIES (CONTINUED)

Unrealized losses as of December 31, 2020 and 2019 have not been recognized into income because they are not considered to be other-than temporary. Management considers the unrealized losses to be market driven, rather than credit driven and no loss will be realized unless the securities are sold.

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS

As of December 31, 2020, and 2019, the portfolio of loans of the Credit Union by type is as follows:

	<u>2020</u>	<u>2019</u>
<u>Loans to members:</u>		
<u>Commercial:</u>		
Corporations and individuals	\$ 25,449,667	\$ 25,326,799
Total commercial	<u>25,449,667</u>	<u>25,326,799</u>
<u>Consumer:</u>		
Unsecured	79,420,691	75,857,732
Mortgage	25,915,134	26,764,911
Auto	169,239,618	167,631,762
Share secured loans	9,065,668	9,670,018
Credit cards	10,618,579	12,672,518
Lines of credit	359,147	426,955
Total consumer	<u>294,618,837</u>	<u>293,023,896</u>
 Total loans	 320,068,504	 318,350,695
 Less: Allowance for loan losses	 (3,841,562)	 (3,963,672)
Less: Net unamortized deferred origination fees	(482,063)	(513,924)
Total loans to members, net	<u>\$ 315,744,879</u>	<u>\$ 313,873,099</u>

Loans Held for Sale

At December 31, 2020, the outstanding balance of the mortgage loans held for sale was \$932,058. These loans carried net unamortized deferred origination fees of \$6,934 for a net loan held for sale balance of \$925,124. Proceeds from loans held for sale were \$5,085,561 and a net gain of \$186,565 was recognized during the year ended December 31, 2020, which is included within interest and fees on loans.

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6. LOANS (CONTINUED)

COVID 19 Moratoriums on Loan Repayments

In working with borrowers affected by the COVID 19 pandemic, the Credit Union has agreed to let consumer borrowers that were current in their payments or no more than 2 payments in arrears to defer payments on their loans in some cases for up to six months but not beyond September 30, 2020, with few exceptions. For both consumer and residential mortgage loans subject to the deferral programs, each borrower was required to begin making their regularly scheduled loan payment at the end of the deferral period and the deferred amounts were moved to the end of the loan. The payment deferral programs were applied prospectively beginning, in some instances, with the scheduled contractual payment due in March. For commercial loans, any request for payment deferral, including extensions of the repayment moratorium, is analyzed on a case -by case basis. As of December 31, 2020, the Credit Union had under deferred repayment arrangements 3,093 loans, totaling approximately \$65.6 million. Moratoriums on loan repayments for consumer and residential mortgage products in Puerto Rico were mandated by local law. A loan modification under these dispositions is not required to be considered as a TDR loan.

Paycheck Protection Program

The Credit Union participates in the Paycheck Protection Program or PPP, established by the *CARES Act*, promulgated as a result of the COVID-19 crisis. This Program was implemented through the Small Business Administration (SBA), which certified the Credit Union as a lender and guarantees the loans granted under the Program 100%. The Program provides small businesses with funds to pay payroll costs, including fringe benefits, interest on mortgages, rent, utilities and working capital needs. These loans can be forgiven if businesses keep their payroll during the crisis or restore their payroll afterward. During the year ended December 31, 2020, the Credit Union originated 29 loans under the Program, of which approximately \$379,000 were outstanding as of December 31, 2020.

Allowance for Loan Losses

The allowance for loan losses reflects management judgement of probable loan losses inherent in the portfolio at balance sheet date. The Credit Union uses a disciplined methodology to establish the allowance for loan losses each quarter. A minimum of 1.20% of the outstanding loans portfolio is required by policy. To determine the total allowance for loan losses, management estimates the provision needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a collectively basis. The allowance for loan losses consists of amounts applicable to: (1) consumer loans (personal auto, mortgage, line of credit and credit card) and (2) commercial loans portfolios.

6. LOANS (CONTINUED)

The establishment of the allowance for loan relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to individually evaluated loans, economic conditions, and delinquency trends. Individually loans are evaluated based on each situation by experienced collection officers and reviewed by management.

Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged ("charge -off") against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Loan Charge-Offs

Loans recommended for charge-off must meet at least one of the following standards:

- A non-performing loan more than six month past due without a payment of at least 75 percent of a regular monthly installment within the last 90 days. In cases of non-performing loans, transfers from shares and proceeds from the sale of collateral generally do not constitute "payments";
- A loan in bankruptcy, within 60 days of receipt of notification of filing from the bankruptcy court, unless the credit union can clearly demonstrate and document that repayment is likely to occur. Loans with collateral may be written down to the value of the collateral, less cost to sell. However, in Chapters 11 and 13 bankruptcy proceedings, if the court lowers the amount that the borrower must pay, the credit union should immediately charge off that portion of the debt discharged by the court;
- A fraudulent loan, no later than 90 days of discovery or when the loss is determined, whichever is shorter;
- On the death of the debtor, there appears to be little hope that there are sufficient assets available from the estate or from insurance to recover the debt;

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

- On liquidation of the collateral, a deficiency balance exists, and the borrower(s) has indicated that no further payments are forthcoming;
- Where CFCU has foreclosed an estimate loan loss, but has not yet sold the collateral on hand, CFCU may transfer the loan balance into the Collateral in Process of Liquidation account. It should charge-off any outstanding loan balance in excess of the property, less the cost to sell;
- Where CFCU has foreclosed an estimate loan loss, but has not yet sold the property securing the real estate loan at the fair value of the property, CFCU may transfer the loan balance into the Other Real Estate Owned (OREO) account and should charge-off any outstanding loan balance in excess of the value of property, less cost to sell;
- A delinquent loan in the hands of an attorney or collection agency, unless there are extenuating circumstances to indicate CFCU will collect the loan;
- A loan deemed uncollectible, where additional collection efforts are non-productive regardless of the number of months delinquent;
- A “skip” where the credit union has had no contact for 90 days.

When a loan meeting of the above criteria is not recommended for charge-off, the collections department will report that fact to the board of directors in a separate written report. The report will include an explanation as to why the loan should be kept open and not assigned to nonperforming asset status (e.g., the debtor has agreed to and is making regular periodic payments).

A summary of the changes in the allowance for loan losses, by portfolio segment, is as follows:

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

	<u>2020</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning balance	\$ 955,877	\$ 3,007,795	\$ 3,963,672
Provision during the year	1,623,397	(204,822)	1,418,575
Recoveries of loans previously charged-off	34,238	409,899	444,137
Loans charge-offs	(785,489)	(1,199,333)	(1,984,822)
Ending balance	<u>\$ 1,828,023</u>	<u>\$ 2,013,539</u>	<u>\$ 3,841,562</u>
Evaluation of Allowance:			
Allowance evaluated individually	\$ 1,006,437	\$ 528,134	\$ 1,534,571
Allowance evaluated collectively	821,586	1,485,405	2,306,991
Total	<u>\$ 1,828,023</u>	<u>\$ 2,013,539</u>	<u>\$ 3,841,562</u>
Loan Ending Balance:			
Evaluated individually for impairment	\$ 2,577,875	\$ 1,431,368	\$ 4,009,243
Evaluated collectively for impairment	22,871,792	293,187,469	316,059,261
Total	<u>\$ 25,449,667</u>	<u>\$ 294,618,837</u>	<u>\$ 320,068,504</u>
	<u>2019</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Total</u>
Beginning balance	\$ 1,429,557	\$ 2,235,478	\$ 3,665,035
Provision during the year	(473,680)	2,041,621	1,567,941
Recoveries of loans previously charged-off	-	371,111	371,111
Loans charge-offs	-	(1,640,415)	(1,640,415)
Ending balance	<u>\$ 955,877</u>	<u>\$ 3,007,795</u>	<u>\$ 3,963,672</u>
Evaluation of Allowance:			
Allowance evaluated individually	\$ 745,720	\$ 419,643	\$ 1,165,363
Allowance evaluated collectively	210,157	2,588,152	2,798,309
Total	<u>\$ 955,877</u>	<u>\$ 3,007,795</u>	<u>\$ 3,963,672</u>
Loan Ending Balance:			
Evaluated individually for impairment	\$ 4,351,887	\$ 1,667,403	\$ 6,019,290
Evaluated collectively for impairment	20,974,912	291,356,493	312,331,405
Total	<u>\$ 25,326,799</u>	<u>\$ 293,023,896</u>	<u>\$ 318,350,695</u>

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

Non-Accruing Loans

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach over 89 days past due.

Loans in which the accrual of interest has been discontinued or reduced amounted to \$2,706,091 and \$3,748,963, on December 31, 2020, and 2019, respectively. If interest on those had been accrued, such income would have approximately \$185,000 and \$334,000, at December 31, 2020 and 2019, respectively.

The following table summarizes the aging of the loans' receivable portfolio:

Age Analysis of Loan to members Receivables by Category as of December 31, 2020					
December 31, 2020	Current or 0-59	60-89	Over 89	Total	Over 89 and/or Non Accruing
Personal	\$ 79,409,574	\$ 11,117	\$ -	\$ 79,420,691	\$ 75,084
Mortgage	25,308,387	37,991	568,755	25,915,133	568,755
Auto	169,120,442	56,626	62,550	169,239,618	70,588
Secured	9,065,668	-	-	9,065,668	-
Credit cards	10,609,729	8,850	-	10,618,579	14,906
Lines of credit	359,147	-	-	359,147	-
Total consumer loans	<u>293,872,947</u>	<u>114,584</u>	<u>631,305</u>	<u>294,618,836</u>	<u>729,333</u>
Commercial	<u>23,472,909</u>	<u>-</u>	<u>1,976,758</u>	<u>25,449,667</u>	<u>1,976,758</u>
Total loans to members	<u>\$ 317,345,856</u>	<u>\$ 114,584</u>	<u>\$ 2,608,063</u>	<u>\$ 320,068,503</u>	<u>\$ 2,706,091</u>

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

**Age Analysis of Loan to members Receivables by Category
as of December 31, 2019**

December 31, 2019	Current or			Total	Over 90 and/or Non Accruing
	0-59	60-89	Over 89		
Personal	\$ 75,808,897	\$ 40,926	\$ 7,909	\$ 75,857,732	\$ 7,909
Mortgage	25,965,550	-	799,361	26,764,911	799,361
Auto	167,563,674	68,089	-	167,631,762	-
Secured	9,670,018	-	-	9,670,018	-
Credit cards	12,617,339	46,773	8,407	12,672,518	8,407
Lines of credit	426,955	-	-	426,955	-
Total consumer loans	292,052,433	155,787	815,676	293,023,896	815,676
Commercial	22,393,513	-	2,933,286	25,326,799	2,933,286
Total loans to members	\$ 314,445,946	\$ 155,787	\$ 3,748,963	\$ 318,350,695	\$ 3,748,963

Credit Quality Information

Consumer Loans - The use of risk classifications in consumer loans allows management to estimate their exposure to different types of risk. The Credit Union has established policies to evaluate application for loans using FICO credit scores, among other information, provided by major credit reporting agencies. A FICO score is a credit score developed by a third party that take information and analyze it to predict consumer behavior, such as how likely someone is to pay their bills on time or not, or whether they are able to handle a larger credit line. Generally, the FICO score range is 300 to 850, with the higher number representing less risk to the lender.

Credit Quality Levels, Credit Score and Loans' Risk Exposure

The different levels of risk of loss established internally by the Credit Union according to the FICO credit scores are as follows:

Upper Level - 700 or more, member has little or no additional risk.

Middle Level - 660 to 699, member represents a nominal risk of loss.

Lower Level - 659 or less, member is experiencing some degree of financial difficulty, and represents a potential risk of loss.

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

These levels are reviewed periodically, as well as other statistics and external factors, to monitor the performance of the portfolio.

The following table represents the recorded investment in consumer loans based on different levels of risk of loss for the years ended December 31, 2020 and 2019.

Credit Quality Levels	December 31, 2020		December 31, 2019	
	Loans Balance	%	Loans Balance	%
Upper Level	\$ 251,042,649	86%	\$ 246,740,076	85%
Middle Level	22,692,132	8%	24,118,003	8%
Lower Level	17,937,868	6%	19,235,578	7%
	291,672,649	100%	290,093,657	100%
Credit score not available	2,946,188		2,930,239	
Total consumer loans	<u>\$ 294,618,837</u>		<u>\$ 293,023,896</u>	

Commercial Loans - The Credit Union categorizes member business loans into risk categories based on relevant information about the ability of the borrower to service their debts such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Credit Union analyzes member business loans individually by classifying the loans as to credit risk. This analysis is limited to member business loans. The Credit Union uses the following definitions for classified risk rating:

Pass - The debtor has adequate capital and the ability to repay the debt in the normal course of operations.

Special Mention - The loan has the potential weakness, such as negative financial trends, a limited financial history, a serious documentation flaws, or inadequate control on the part of the financial institution. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset. However, a loan rated "special mention" is considered fully collectible.

Substandard - A loan is "substandard" if there is the potential for loss. Such loans have well-defined weakness and are not fully protected either by the paying capacity of the borrower or the value of the secondary source of repayment. These loans are characterized

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

by the distinct possibility that your financial institution could sustain some loss if the deficiencies are not corrected.

Doubtful and loss - The lowest risk ratings of “doubtful” and “loss” indicate increased loss potential. Such loans should have been already recognized and, more than likely, charged off.

At December 31, 2020 and 2019 and based on the most recent analysis performed, the risk category of loans is as follows:

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	\$ 23,309,484	\$ -	\$ 163,425	\$ 1,976,758	\$ 25,449,667
Total commercial	<u>\$ 23,309,484</u>	<u>\$ -</u>	<u>\$ 163,425</u>	<u>\$ 1,976,758</u>	<u>\$ 25,449,667</u>

	December 31, 2019				
	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	\$ 14,712,399	\$ 6,699,657	\$ 981,457	\$ 2,933,286	\$ 25,326,799
Total commercial	<u>\$ 14,712,399</u>	<u>\$ 6,699,657</u>	<u>\$ 981,457</u>	<u>\$ 2,933,286</u>	<u>\$ 25,326,799</u>

Impaired Loans

The following table includes the recorded investment and unpaid principal for impaired loans receivables with associated allowance amount. The Credit Union determined the specific allowance based on the net charge-off experience for the last two years, the specific losses estimated on an individual basis, the present net value of future cash flows, discontinued at the loan’s effective rate for troubled restructuring (TDR) and in cases of collateral depended loans, the fair value of the collateral fewer selling costs.

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

	Impaired Loans by Category for the year ended December 31, 2020		Impaired Loans by Category for the year ended December 31, 2019	
	Unpaid Principal of Impaired Loans (cases)	Specific Associated Allowance for the Impaired Loan (Cases)	Unpaid Principal of Impaired Loans (cases)	Specific Associated Allowance for the Impaired Loan (Cases)
Consumer:				
Personal	\$ 102,390	\$ 81,096	\$ 162,531	\$ 65,758
Mortgage	1,161,071	354,138	1,368,022	265,415
Auto	153,001	77,994	72,735	27,806
Credit cards	14,906	14,906	64,115	60,665
Total consumer	1,431,368	528,134	1,667,403	419,644
Commercial	2,577,875	1,006,437	4,351,887	745,719
Total	\$ 4,009,243	\$ 1,534,571	\$ 6,019,290	\$ 1,165,363

Loans secured by collateral consist of \$232,012,329 and of \$232,881,370 for 2020 and 2019, respectively. The remaining balance represents loans partially secured and unsecured. The collections from most of the members' loans are by direct deposit through payroll deduction.

Troubled Debt Restructuring (TDR)

In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for the other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. In cases where the Credit Union grants to the member new terms that provide for a reduction of either interest or principal (on non-collateral dependent loans) measures any impairment based on the present value of expected future cash flows at the loan effective interest rate.

The following table presents the restructured loans by category:

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

	For the year ended December 31, 2020					
	Restructured Loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Personal	4	\$ 7,287	\$ 729	-	-	-
Mortgage	6	554,325	57,007	-	-	-
Auto	1	2,364	236	-	-	-
Total consumer loans	11	563,976	57,972	-	-	-
Commercial	2	437,693	55,839	-	-	-
Total	13	\$ 1,001,669	\$ 113,811	-	\$ -	\$ -

	For the year ended December 31, 2019					
	Restructured Loans			Delinquent Loans		
	Loans Count	Principal Balance	Assigned Allowance	Loans Count	Principal Balance	Assigned Allowance
Consumer:						
Personal	5	\$ 13,540	\$ 1,354	-	-	-
Mortgage	6	568,661	61,556	-	-	-
Auto	1	4,646	465	-	-	-
Total consumer loans	12	586,847	63,375	-	-	-
Commercial	6	1,253,925	60,255	-	-	-
Total	18	\$ 1,840,772	\$ 123,630	-	\$ -	\$ -

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

6. LOANS (CONTINUED)

Loans to Related Parties

Certain officers, directors, and employees of the Credit Union had loans and share accounts with the Credit Union during 2020 and 2019. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. Total loans outstanding and shares to these related parties at December 31, 2020 and 2019, are as follow:

	<u>2020</u>	<u>2019</u>
Beginning balance of loans	\$ 2,057,736	\$ 1,999,701
Originations	833,178	751,056
Recoveries	(488,627)	(693,021)
Ending balance of loans	<u>\$ 2,402,287</u>	<u>\$ 2,057,736</u>
Shares	<u>\$ 5,561,788</u>	<u>\$ 4,815,191</u>

7. ACCRUED INTEREST RECEIVABLE

At December 31, 2020 and 2019, the following are the components of accrued interest receivable:

	<u>2020</u>	<u>2019</u>
Accrued interests on loans	\$ 891,703	\$ 836,222
Accrued interests on investments	175,505	215,689
Total accrued interest receivable	<u>\$ 1,067,208</u>	<u>\$ 1,051,911</u>

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

8. PROPERTY AND EQUIPMENT

As of December 31, 2020, and 2019, the property and equipment were composed of the following:

	Useful Life (in Years)	2020	2019
Buildings	40	\$ 12,975,371	\$ 12,975,371
Furniture and fixtures	1-5	1,370,131	1,342,686
Office equipment, principally Information systems	1-5	3,730,087	3,942,119
		<u>18,075,589</u>	<u>18,260,175</u>
Less accumulated depreciation and amortization		<u>(8,310,101)</u>	<u>(8,138,555)</u>
		9,765,488	10,121,620
Land		2,581,545	2,581,545
Total property and equipment		<u>\$ 12,347,032</u>	<u>\$ 12,703,165</u>

On July 11, 2019, the Credit Union acquired for \$2,072,000 the building of the branch facility in the Municipality of Ponce that it had previously rented.

Depreciation and amortization expense charged to operations was approximately \$801,416 and \$950,243 for the years ended December 31, 2020 and 2019, respectively.

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

9. OTHER ASSETS

As of December 31, 2020, and 2019, the other assets were composed of the following:

	<u>2020</u>	<u>2019</u>
Acquired on liquidation of loans - real estate	\$ 536,695	\$ 370,585
Acquired on liquidation of loans - auto	-	29,871
Deposits in Banco Cooperativo	129,383	129,383
Investment in FHLB NY	62,700	63,200
Deposits for annual meeting	27,500	27,500
Others	249,438	177,622
Total other assets	<u>\$ 1,005,716</u>	<u>\$ 798,161</u>

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

10. MEMBERS' SHARES ACCOUNTS

As of December 31, 2020, and 2019, members' shares accounts are summarized as follows:

	Weighted- Average Dividend Rate at December 31,	<u>2020</u>	<u>2019</u>
Shares drafts	0.05%	\$ 25,049,529	\$ 19,045,049
Regular shares (excluding escrow shares)	0.95%	345,331,465	255,441,817
Share certificates:	1.50%		
0.00% - 2.00%		61,738,182	74,339,583
2.01% - 3.00%		10,349,808	12,993,560
		<u>72,087,990</u>	<u>87,333,143</u>
Total members shares accounts		<u>\$ 442,468,984</u>	<u>\$ 361,820,009</u>

As of December 31, 2020, and 2019, the NCUA insured and Credit Union shares members' accounts up to \$250,000.

The composition of insured and uninsured members' shares and deposits balances follows:

<u>Type</u>	<u>2020</u>	<u>2019</u>
Uninsured member shares and deposits	\$ 28,416,025	\$ 22,173,558
Insured member shares and deposits	414,639,808	340,242,849
Insured escrow	(586,849)	(596,398)
Total share and share certificates accounts	<u>\$ 442,468,984</u>	<u>\$ 361,820,009</u>

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

10. MEMBERS' SHARES ACCOUNTS (CONTINUED)

At December 31, 2020, scheduled maturities of share certificates are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 46,172,993
2022	9,342,597
2023	7,788,716
2024	5,728,822
2025	3,054,862
	<u>\$ 72,087,990</u>

Dividends expense on members' shares accounts is summarized as follows:

<u>Type</u>	<u>2020</u>	<u>2019</u>
Regular shares	\$ 2,521,277	\$ 2,276,549
Share drafts	20,705	31,880
Share certificates	1,233,744	1,476,339
Total dividends expense	<u>\$ 3,775,726</u>	<u>\$ 3,784,768</u>

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2020, and 2019 the composition of accounts payable and accrued liabilities is as follows:

	<u>2020</u>	<u>2019</u>
Dividends payable	\$ 40,806	\$ 62,646
Accrued payroll and related	316,929	276,921
Annual members' meeting	100,000	100,000
Accounts payable - trade	69,446	66,257
Accounts payable - ATM	80,136	65,563
Escrow accounts	620,329	614,116
Other accruals	2,511,690	1,932,978
Total accounts payable and accrued liabilities	<u>\$ 3,739,336</u>	<u>\$ 3,118,481</u>

12. SERVICE FEE AND NON-INTEREST INCOME

Service fee and non-interest income for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
ATM card fees and charges, net	\$ 122,475	\$ 77,403
Master card fees and charges, net	(63,248)	(18,435)
Other fees, charges and expenses	498,213	866,092
Sponsorships other	94,154	109,304
Other non-interest income	9,664	11,620
	<u>661,258</u>	<u>1,045,985</u>
Non-interest income from BCA	<u>265,644</u>	<u>269,586</u>
Total service fee and non-interest income	<u>\$ 926,902</u>	<u>\$ 1,315,571</u>

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

13. NON-INTEREST EXPENSES

The detail of non-interest expenses for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Compensation and benefits	<u>\$ 5,170,580</u>	<u>\$ 4,811,216</u>
Occupancy and related:		
Depreciation and amortization	801,416	950,243
Occupancy and utilities	373,983	396,941
Communications	370,066	341,446
Insurance	354,339	303,507
Rent	36,829	80,261
Repairs and maintenance	444,583	400,416
Security	161,843	164,391
	<u>2,543,059</u>	<u>2,637,205</u>
Other operating expenses:		
Professional services and contracted services	728,175	763,160
Education and promotional	441,021	419,274
Loan servicing and collection	305,900	259,163
Annual meeting	13,365	171,936
Monthly statements	150,307	155,284
Bank service charges	78,571	79,189
Federal operating	115,073	106,485
Office supplies	66,969	86,747
Commission and fees	58,616	64,488
Travel and conferences	33,099	181,342
Employees activities	2,605	9,303
Loss (gain) on disposition of assets	3,675	(52,701)
Dues and subscriptions	28,521	13,048
Other miscellaneous	252,804	94,221
Total other operating expenses	<u>2,278,701</u>	<u>2,350,939</u>
Total non-interest expenses	<u>\$ 9,992,340</u>	<u>\$ 9,799,360</u>

14. DEFERRED COMPENSATION PLAN

The employees of the Credit Union participate in a group deferred compensation plan through contributions to a life annuity accumulation contract administered by an insurance company. The plan was effective on October 1, 1993. The Credit Union matches the participant's contribution up to a 5% of the employee compensation. All participants contribute at least 3% of their total gross compensation. The participants' annual deposit

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

14. DEFERRED COMPENSATION PLAN (CONTINUED)

should not exceed \$15,000 from the gross compensation or \$16,500 for participants over 50 years old.

Employees are eligible to enter the plan if they have attained eighteen (18) years old and completed twelve months of service. The normal retirement date is the first day of the month after the participants 62nd birthday and after completing twenty (20) years of service.

The plan also provides for early retirement. A participant may elect to retire at any time after attaining fifty-five (55) years old and completing seven (7) years of service. Vesting is accumulated after the second year on the plan for a period of five years at 20% per year. At termination of employment, the vested portion of a participant's account will be paid following the next annual benefit payment date.

During the years ended December 31, 2020 and 2019, the Credit Union contributed \$138,996 and \$114,257, respectively, to the pension plan.

15. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES

Litigation

The Credit Union maintains several claims against third parties, mainly demands payment of money and repossessions of assets, as part of its ordinary operations as a financial institution. Based upon counsel and management's opinion the outcome of such matters is not expected to have a material adverse effect on the Credit Union's financial condition.

Loan Commitments

At December 31, 2020 and 2019, the Credit Union had outstanding the following commitments to extended credit with its members:

<u>Lines of Credit</u>	<u>2020</u>	<u>2019</u>
Commercial	\$ 1,019,976	\$ 86,785
Consumer	1,274,153	1,207,269
Credit Cards	25,508,574	22,780,003
	<u>\$ 27,802,703</u>	<u>\$ 24,074,057</u>

In addition, the Credit Union had pending to deliver certain payments to auto dealers subject to the presentation of required documents. As of December 31, 2020, and 2019,

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

16. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

payments amounted to \$4,863,531 and \$3,202,390, respectively, and are recorded as accounts payable to dealers in the accompanying financial statements.

The Credit Union is a party to financial statements with off-balance sheet risk in the normal course of business to meet the financing needs of its members. These financial statements include commitments to extend credit and involve, to varying degrees, elements of credit and interest risk in excess of the amount recognized in the statement of financial position. The contractual notional amounts of those instruments reflect the extent of the Credit Union has classes of financial instruments.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial statements for commitments to extend credit is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Unless noted otherwise, the Credit Union does not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a member if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case by case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterpart.

Line of Credit

The Credit Union has a line of credit facility with two financial institutions. As of December 31, 2020, and 2019 there are not outstanding balances in the subject lines of credit. With certain exceptions, substantially all assets of the Credit Union serve as collateral for the line of credit facility. The unused amount was \$39,900,662 and \$42,485,230 as of December 31, 2020 and 2019, respectively. Interest is charged when applicable based on the advance term, usually below prime rate.

Lease Commitments

Business Alliance Insurance Agency (BAIA) leases an office facility under a month to month basis to an unrelated party. On October 1, 2019, BAIA renewed this lease agreement for 25 additional months. BAIA shall have the option to extend the term of this lease. The lease

15. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES (CONTINUED)

requires BAIA to pay 20% of the monthly electricity bill. For the years ended December 31, 2020 and 2019, the rental expense for this lease was approximately \$20,700 and \$14,000, respectively.

The future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms more than one year as of December 31, 2020 are \$17,250 for December 31, 2021.

Fiscal Crisis

The Commonwealth remains amid a profound fiscal crisis affecting the central government and many of its instrumentalities, public corporations and municipalities. This fiscal crisis has been primarily the result of economic contraction, persistent and significant budget deficits, a high debt burden, unfunded legacy obligations, and lack of access to the capital markets, among other factors. As a result of the crisis, the Commonwealth and certain of its instrumentalities have been unable to make debt service payments on their outstanding bonds and notes since 2016. The escalating fiscal and economic crisis and imminent widespread defaults prompted the U.S. Congress to enact the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) in June 2016. The Commonwealth and several of its instrumentalities are currently in the process of restructuring their debts through the debt restructuring mechanisms provided by PROMESA.

Risks and Uncertainties related to COVID-19

The COVID-19 pandemic has caused significant disruption in economic activity in the Credit Union’s markets. In response to the COVID-19 pandemic, Puerto Rico’s Governor has issued several executive orders including, among other things, a stay-at-home mandate on March 15, 2020, which was subsequently extended until June 15, 2020, the lockdown of non-essential businesses, and a nightly curfew. On May 4, 2020, the Puerto Rico government began to implement a plan for the gradual reopening of the economy. While substantially all parts of the economy of Puerto Rico have reopened, under new guidelines that affect how individuals interact and how businesses and governments operate, the operations and financial results of the Credit Union have been and could continue to be adversely affected by the COVID-19 pandemic.

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

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

Governments globally intervened with fiscal policies to mitigate the impact of the COVID-19 pandemic, including through the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the “CARES Act of 2020”) in the U.S., which were intended to provide economic relief to businesses and individuals. Some of the provisions of the CARES Act of 2020 improved the ability of impacted borrowers to repay their loans, including by providing direct cash payments to eligible taxpayers, including Puerto Rico residents, below specified income limits, expanded unemployment insurance benefits and eligibility, and relief designed to prevent layoffs and business closures at small businesses. The absence of further relief considering the continuing pandemic may adversely affect the ability of borrowers to continue to repay their loans.

Exposure of the Credit Union

The credit quality of Credit Union’s loan portfolio reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico consumers and businesses. The effects of the prolonged recession have been reflected in limited loan demand, an increase in the rate of foreclosures and delinquencies on loans granted in Puerto Rico. While PROMESA provides a process to address the Commonwealth’s fiscal crisis, the length and complexity of the Title III proceedings for the Commonwealth and various of its instrumentalities and the adjustment measures required by the fiscal plans present significant economic risks. In addition, the measures taken to address the fiscal crisis and those that will have to be taken in the near future will likely affect many of our individual customers and customers’ businesses, which could cause credit losses that adversely affect us and may negatively affect consumer confidence. This, in turn, could result in reductions in consumer spending that may also adversely impact our interest and non-interest revenues. If global or local economic conditions worsen or the Government of Puerto Rico and the Oversight Board are unable to adequately manage the Commonwealth’s fiscal and economic challenges, including by consummating an orderly restructuring of its debt obligations while continuing to provide essential services, these adverse effects could continue or worsen in ways that we are not able to predict.

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 Fair Value Measurements provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair Value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three levels fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated using pricing models and or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The estimated fair values of the Credit Union's financial statements, none of which are held for trading purposes, are as follows:

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 15,827,600	\$ 15,827,600	\$ 10,492,409	\$ 10,492,409
Certificates of deposits	64,432,470	64,432,470	61,856,289	61,856,289
Investment securities	94,835,425	94,862,118	17,862,353	17,863,010
Loans receivable (net of unamortized deferred origination fees)	319,586,441	303,919,208	313,873,099	302,778,869
Accrued interest receivable	1,067,208	1,067,208	1,051,911	1,051,911
Assets acquired in liquidation of loans	536,695	536,695	400,456	400,456
	\$ 496,285,839	\$ 480,645,299	\$ 405,536,517	\$ 394,442,944
Financial Liabilities				
Members' shares accounts	\$ 442,468,984	442,468,984	\$ 361,820,009	361,820,009
Off- Balance Sheet Financial:				
Commitments to extend credit	\$ 27,802,703	\$ 27,802,703	\$ 24,074,057	\$ 24,074,057

Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts in the preceding table that is included in the statement of financial condition under the applicable captions.

The Credit Union has no financial instruments that are held or issued for trading purposes.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and cash equivalents- The carrying amount approximates fair value due to the short-term nature of these instruments.
- Certificates of Deposit- For long-term certificates of deposit, fair value has been determined discounting the principal and interest to be received at rates currently offered by other financial institutions for certificates with similar terms and characteristics.
- Investment securities - Fair values have been determined using quoted market prices for all investment securities.
- Accrued Interest Receivable - The fair value of the accrued interest receivable approximates the carrying amount in the financial statements.
- Members' shares accounts:
 - (a) Regular shares and share drafts accounts - The fair value of members' regular shares and share drafts having no fixed maturity is the amount payable on demand at the reporting date.
 - (b) Share certificates - The fair value of fixed maturity members' share certificates is estimated using the rates currently offered for deposits with similar remaining maturities.
- Commitments to extend credit - The estimated fair value of the commitments to extend credit represents the Credit Union are potentially unfunded under such lines of credit.

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Caribe Federal Credit Union
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended on December 31, 2020 and 2019

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments Measured on a Recurring Basis

The fair values of assets and liabilities measured on a recurring basis at December 31, 2020 and 2019 are as follows:

Asset Class	Fair Value	Fair Value Measurement At Reporting Date Using:		
		Level 1	Level 2	Level 3
December 31, 2020				
Available-for-sale securities	\$ 55,117,620	\$ -	\$ 55,117,620	-
Held-to-maturity securities	\$ 39,744,498	\$ -	\$ 39,744,498	-
Assets acquired in liquidation of loans	\$ 536,695	-	-	\$ 536,695
December 31, 2019				
Available for sale securities	\$ 11,817,052	\$ -	\$ 11,817,052	-
Held-to-maturity securities	\$ 6,045,958	\$ -	\$ 6,045,958	-
Assets acquired in liquidation of loans	\$ 400,456	-	-	\$ 400,456

17. REGULATORY CAPITAL

As of December 31, 2020, and 2019, the Credit Union's net worth to total assets ratio is categorized as "well capitalized" as per the most recent call report. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 7% as defined under the regulatory framework provisions of Section 38 of the FDI Act. Credit Unions whose net worth ratio falls below 7% will be subject to Prompt Corrective Actions requirements.

The Credit Union net worth ratio at December 31, 2020 and 2019 follows:

Period	Net Worth Amount	CFCU Actual	
		Net Worth to Total Assets Ratio (1)	CFCU Category (2)
2020	\$ 58,462,033	11.47%	Well Capitalized
2019	\$ 54,255,413	12.84%	Well Capitalized

17. REGULATORY CAPITAL (CONTINUED)

- (1) In performing its calculation of total assets, the credit union used the monthly average over the quarter option, as permitted by regulation.
- (2) There are no conditions or events since the most recent Call Report that management believes have changed the Credit Union's category.

Under capital adequacy regulations and the regulatory framework for Prompt Corrective Action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Risk Based Net Worth (RBNW) Ratio

The RBNW requirement only applies to complex Credit Unions (CU) as defined by the National Credit Administration (NCA). A complex CU is one with more than \$50 million in assets and with a risk based net worth requirement of more than 6%. The RBNW is based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. The Credit Union RBNW ratio for 2020 and 2019 was 4.72% and 4.67%, respectively, based on most recent CALL Report.

18. SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events through March 29, 2021, the date the consolidated financial statements were available to be issued. The Credit Union is not aware of any additional subsequent events that require recognition or disclosure in the audited consolidated financial statements.

Caribe Federal Credit Union
CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
At December 31, 2020

Assets	CFCU	BCA	Eliminations	2020
Cash and cash equivalents	\$ 15,476,625	\$ 350,975	\$ -	\$ 15,827,600
Certificates of deposits	64,412,000	20,470	-	64,432,470
Investment securities	94,835,425	-	-	94,835,425
Loans to members, net	315,744,879	-	-	315,744,879
Accrued interest receivable	1,067,208	-	-	1,067,208
Accounts receivable, net	94,426	36,871	-	131,297
Prepaid expenses	261,861	37,173	-	299,034
Property and equipment, net	12,339,286	7,746	-	12,347,032
NCUSIF deposit	3,766,065	-	-	3,766,065
Art collections	92,619	-	-	92,619
Investment in unconsolidated subsidiary, net	390,422	-	(390,422)	-
Other assets	1,002,677	3,039	-	1,005,716
Total assets	\$ 509,483,493	\$ 456,274	\$ (390,422)	\$ 509,549,345
Liabilities and Members' Equity				
Members' shares accounts	\$ 442,468,984	\$ -	\$ -	\$ 442,468,984
Accounts payable and accrued liabilities	3,673,484	65,852	-	3,739,336
Accounts payable to auto dealers	4,863,531	-	-	4,863,531
Total liabilities	451,005,999	65,852	-	451,071,851
Members' Equity				
Capital stock - authorized 10,000 shares with a par value of \$100, issued and outstanding 5,000 shares	-	500,000	(500,000)	-
Additional paid-in capital	-	1,000,000	(1,000,000)	-
Appropriated regular reserve	3,811,746	-	-	3,811,746
Unappropriated earnings	54,650,287	-	-	54,650,287
Accumulated deficit	-	(1,109,578)	1,109,578	-
Accumulated other comprehensive loss	15,461	-	-	15,461
Total members' equity	58,477,494	390,422	(390,422)	58,477,494
Total liabilities and members' equity	\$ 509,483,493	\$ 456,274	\$ (390,422)	\$ 509,549,345

Caribe Federal Credit Union
CONSOLIDATING STATEMENT OF INCOME AND EXPENSES
For the year ended December 31, 2020

	<u>CFCU</u>	<u>BCA</u>	<u>Eliminations</u>	<u>2020</u>
Interest income:				
Interest and fees on loans	\$ 16,961,779	\$ -	\$ -	\$ 16,961,779
Interest on investments	1,504,581	-	-	1,504,581
Total interest income	<u>18,466,360</u>	<u>-</u>	<u>-</u>	<u>18,466,360</u>
Interest expense:				
Interest and dividends on members' shares and savings accounts	<u>3,775,726</u>	<u>-</u>	<u>-</u>	<u>3,775,726</u>
Net interest income	14,690,634	-	-	14,690,634
Provision for loan losses	<u>(1,418,575)</u>	<u>-</u>	<u>-</u>	<u>(1,418,575)</u>
Net interest income after provision for loan losses	<u>13,272,059</u>	<u>-</u>	<u>-</u>	<u>13,272,059</u>
Service fee and non-interest income	<u>661,258</u>	<u>265,644</u>	<u>-</u>	<u>926,902</u>
Non-interest expenses:				
Compensation and benefits	5,170,580	-	-	5,170,580
Occupancy and related	2,510,523	32,536	-	2,543,059
Other	2,086,685	192,016	-	2,278,701
Total non-interest expenses	<u>9,767,788</u>	<u>224,552</u>	<u>-</u>	<u>9,992,340</u>
Income before participation in losses of unconsolidated subsidiary and regulatory charges	4,165,529	41,092	-	4,206,621
Participation in profit of unconsolidated subsidiary	<u>41,092</u>	<u>-</u>	<u>(41,092)</u>	<u>-</u>
Net income	<u><u>\$ 4,206,621</u></u>	<u><u>\$ 41,092</u></u>	<u><u>\$ (41,092)</u></u>	<u><u>\$ 4,206,621</u></u>

Caribe Federal Credit Union
CONSOLIDATING SCHEDULE OF NON-INTEREST EXPENSES
For the years ended December 31, 2020

	<u>CFCU</u>	<u>BCA</u>	<u>Eliminations</u>	<u>2020</u>
Compensation and benefits	\$ 5,170,580	\$ -	\$ -	\$ 5,170,580
Occupancy and related:				
Depreciation and amortization	799,641	1,775	-	801,416
Occupancy and utilities	369,576	4,407	-	373,983
Communications	370,066	-	-	370,066
Insurance	349,595	4,744	-	354,339
Rent	15,322	21,507	-	36,829
Repairs and maintenance	444,480	103	-	444,583
Security	161,843	-	-	161,843
	<u>2,510,523</u>	<u>32,536</u>	<u>-</u>	<u>2,543,059</u>
Other operating expenses:				
Professional services and contracted services	625,095	103,079	-	728,174
Education and promotional	441,021	-	-	441,021
Loan servicing and collection	305,900	-	-	305,900
Annual meeting	13,365	-	-	13,365
Monthly statements	150,307	-	-	150,307
Bank service charges	74,265	4,306	-	78,571
Federal operating	115,073	-	-	115,073
Office supplies	63,001	3,968	-	66,969
Commission and fees	-	58,616	-	58,616
Travel and conferences	33,099	-	-	33,099
Employees activities	2,605	-	-	2,605
Loss on disposition of assets	3,675	-	-	3,675
Dues and subscriptions	28,521	-	-	28,521
Other miscellaneous	230,758	22,047	-	252,805
Total other operating expenses	<u>2,086,685</u>	<u>192,016</u>	<u>-</u>	<u>2,278,701</u>
Total non-interest expenses	<u>\$ 9,767,788</u>	<u>\$ 224,552</u>	<u>\$ -</u>	<u>\$ 9,992,340</u>