

**COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

**BAKER TILLY PUERTO RICO, CPAs, PSC
CERTIFIED PUBLIC ACCOUNTANTS**

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**Board of Directors of
Cooperativa de Ahorro y Crédito Jesús Obrero
Guaynabo, Puerto Rico**

Certified Public Accountants

PO Box 366202
San Juan, PR, 00936

T: (787) 622-8855
F: (787) 622-8850

www.bakertillypr.com

INDEPENDENT AUDITORS' REPORT

Opinions

We have audited the accompanying financial statements of Cooperativa de Ahorro y Crédito Jesús Obrero (the Credit Union) which comprise the balance sheets as of December 31, 2024 and the related statements of income and expenses, comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Cooperativa de Ahorro y Crédito Jesús Obrero as of December 31, 2024 and the results of its operations, comprehensive income, changes in members' equity, and cash flows for the year then ended in accordance with the provisions of the statutory basis of accounting described in Note 1 to the financial statements.

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

In our opinion, except for the effect of the matter discussed in the *Basis for qualified Opinion on the Accounting Principles Generally Accepted in the United States of America* paragraph, the financial statements described in the first paragraph of this report present fairly, in all material respects, the financial position of Cooperativa de Ahorro y Crédito Jesús Obrero as of December 31, 2024 and the results of its operations, comprehensive income, changes in members' participation, and its cash flows for the year then ended in accordance with Accounting Principles Generally Accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS) in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Cooperativa de Ahorro y Crédito Jesús Obrero and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continues)

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Opinions (Continued)

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

As described in Note 1, the financial statements are prepared by the Credit Union in the basis of the financial reporting promulgated by Corporación para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC) in conformity with the provisions of Law 255 of October 28, 2002, amended by Law 220 of December 15, 2015 of the Commonwealth of Puerto Rico, which is a basis of accounting principles generally accepted in the United States of America (regulatory basis accounting).

Accounting principles generally accepted in the United States of America state that members' shares should be included and presented as deposits and dividends in respect of shares should be presented as interest expense. The management of the Credit Union has decided to continue with the presentation promulgated by the Puerto Rico Public Corporation for Supervision and Insurance of Cooperatives (COSSEC) and presents as shares the members' contributions and interest credited as a distribution of dividends and a reduction of undistributed accumulated earnings. If the items described in Note 1 had been classified in accordance with US GAAP, total liabilities would increase and members' equity would decrease by \$20,706,768 as of December 31, 2024. Additionally, net income and net comprehensive income would decrease by \$200,000 for the year ended December 31, 2024.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Credit Union changed the way it accounts for its allowance for credit losses for the year ended December 31, 2023, due to the adoption of the Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*. This accounting standard was also applied for the year ended December 31, 2024.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Audited Financial Statements for the Year Ended December 31, 2023

The financial statements of the Credit Union for the year ended December 31, 2023, were audited by another Certified Public Accountant, whose report issued on April 15, 2024, expressed an adverse opinion due to the deviation from accounting principles generally accepted in the United States of America described in the Basis for Adverse Opinion section of his report. The effect of presenting the financial statements in accordance with accounting principles generally accepted in the United States of America for the year ended December 31, 2023, as shown in the audited statements for that date would be the following: a decrease in total assets by \$723,746, an increase in total liabilities by \$19,524,557, and a decrease in total members' equity by \$20,248,303. Additionally, net income would increase by \$926,152. The auditor's report for the year 2023 also stated that the accounting practices used by the Credit Union, which differ from accounting principles, are consistent with the practices required by its Regulator.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of Law 255 of October 28, 2002, amended by Law 220 of December 15, 2015 of the Commonwealth of Puerto Rico. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the 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 Cooperativa de Ahorro y Credito Jesus Obrero's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cooperativa de Ahorro y Credito Jesus Obrero's ability to continue as a going concern for a reasonable period of time.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying detail of other expenses (excluding interest) for the year ended December 31, 2024 presented on page 51 is included for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In our opinion, except for the effects on the financial statements as described in the *Basis for Qualified Opinion* section of this report, the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The supplementary information included on page 54 for the year ended December 31, 2023 was subject to the auditing procedures applied during the audit for the year then ended, performed by another auditor, whose report indicated that such information, except as described in the basis for adverse opinion paragraph of his report, was fairly presented in all material respects in relation to the financial statements taken as a whole.

Baker Tilly Puerto Rico, CPAs, PSC
BAKER TILLY PUERTO RICO, CPAs, PSC

Guaynabo, Puerto Rico

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April, 23, 2025



DPSC218-117
Cooperativa de Ahorro y Credito Jesus Obrero

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
Cash and cash equivalents	\$ 6,322,493	\$ 5,006,164
Certificates of deposit (maturity more than three months)	1,778,206	2,440,000
Available for sale debt securities	22,068,411	26,304,539
Loans, net of allowance for credit losses of \$2,933,542 in 2024 and \$2,690,592 in 2023	90,896,654	77,680,191
Investment in cooperative entities	2,312,143	2,230,962
Property and equipment, net	3,039,958	2,889,436
Other assets	3,715,489	4,276,714
Total assets	\$ 130,133,354	\$ 120,828,006

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Deposits:		
Saving accounts	\$ 52,706,034	\$ 54,751,759
Savings certificates	33,691,355	29,274,021
Christmas, summer and other savings plans	2,516,902	1,426,916
Share draft accounts	8,211,556	8,421,585
	97,125,847	93,874,281
Line of credit secured by securities	3,745,146	-
Accounts payable and accrued expenses	1,492,967	1,257,381
Redemption fund payable	302,381	-
Total liabilities	102,666,341	95,131,662

MEMBERS' EQUITY

Members' shares accounts	19,856,768	19,524,557
Capital obligations	650,000	450,000
Regulatory reserve for undistributed capital	2,169,300	2,157,000
Contingency reserve	8,362,743	6,716,687
Law 220 special capital reserve	1,649,898	1,649,898
Social capital reserve	535,134	469,399
Reserve Circular Letter 2021-02	484,600	460,000
Redemption fund	-	204,762
Accumulated other comprehensive loss	(6,341,430)	(6,135,959)
Undistributed earnings	100,000	200,000
Total members' equity	27,467,013	25,696,344
Total liabilities and members' equity	\$ 130,133,354	\$ 120,828,006

The accompanying notes are an integral part of the financial statements

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
STATEMENT OF INCOME AND EXPENSES
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Financial Operation Income:		
Interest Income:		
Loans	\$ 6,335,110	\$ 5,295,445
Certificates and savings accounts	286,862	128,876
Investments in securities	585,615	617,553
Total interest income	7,207,587	6,041,874
Interest Expense:		
Deposits, certificates of deposit and capital obligations	(1,636,482)	(1,139,866)
Net interest income before provision for credit losses	5,571,105	4,902,008
Provision for credit losses	(1,332,753)	(569,328)
Net interest income after provision for credit losses	4,238,352	4,332,680
Other income (excluding interest):		
Federal CDFI program funds	3,197,097	3,000,000
Insurance, mortgage and service commissions	107,714	179,075
MasterCard income, net	231,389	208,483
Other	330,618	342,829
Total other income	3,866,818	3,730,387
Other expenses (excluding interest):		
Salaries and related expenses	2,049,663	1,651,447
Facilities, equipment and maintenance	1,363,764	991,392
Professional services	627,341	668,004
Insurance and bonds	551,867	461,455
Cooperative promotion and education	286,762	225,775
Supplies and office expenses	158,413	155,534
Assembly	69,737	45,800
Board of directors	13,502	14,069
Other and miscellaneous	379,800	447,784
Total other expenses	5,500,849	4,661,260
Net income before special loss amortization	2,604,321	3,401,807
Special loss amortization	(723,746)	(361,872)
Net Income	\$ 1,880,575	\$ 3,039,935

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

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Net income	\$ 1,880,575	\$ 3,039,935
Other comprehensive (expenses) income:		
Changes in the unrealized loss on the available for sale investments	(<u>205,471</u>)	<u>954,003</u>
Comprehensive net income	<u>\$ 1,675,104</u>	<u>\$ 3,993,938</u>

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

COOPERATIVA DE AHORRO Y CREDITO JESUS OBRERO
STATEMENTS OF CHANGES IN MEMBERS EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Members'	Capital	Undistributed	Special	Contingency	Cumulative	Redemption	Social Capital	Circular Letter	Undistributed	Total
	Shares	Obligations	Capital	Reserve	Reserve	Comprehensive	Fund	Reserve	2021-02	Earnings	
			Reserve			Loss			Reserve		
Balance as of December 31, 2022	\$ 15,838,127	\$ 450,000	\$ 2,005,000	\$ 1,649,898	\$ 4,351,799	\$ (7,089,962)	\$ 135,714	\$ 412,907	\$ 156,000	\$ 50,000	\$ 17,959,483
Additional member contributions	6,697,383	-	-	-	-	-	-	-	-	-	6,697,383
Member withdrawals	(3,010,953)	-	-	-	-	-	-	-	-	-	(3,010,953)
Transfer to undistributed capital	-	-	152,000	-	-	-	-	-	-	(152,000)	-
CDFI funds transferred to contingency reserve	-	-	-	-	2,364,888	-	-	-	-	(2,364,888)	-
Regulatory reserve 10%	-	-	-	-	-	-	-	-	304,000	(304,000)	-
Undistributed earnings transferred to redemption fund	-	-	-	-	-	-	69,047	-	-	(69,047)	-
Transfer of inactive accounts	-	-	-	-	-	-	-	56,493	-	-	56,493
Change in comprehensive loss	-	-	-	-	-	954,003	-	-	-	-	954,003
Net income	-	-	-	-	-	-	-	-	-	3,039,935	3,039,935
Balance as of December 31, 2023	19,524,557	450,000	2,157,000	1,649,898	6,716,687	(6,135,959)	204,761	469,400	460,000	200,000	25,696,344
Additional member contributions	3,701,594	-	-	-	-	-	-	-	-	-	3,701,594
Member withdrawals	(3,569,383)	-	-	-	-	-	-	-	-	-	(3,569,383)
Transfer to undistributed capital	-	-	12,300	-	-	-	-	-	-	(12,300)	-
CDFI funds transferred to contingency reserve	-	-	-	-	1,634,575	-	-	-	-	(1,634,575)	-
Undistributed earnings transferred to contingency reserve	-	-	-	-	11,481	-	-	-	-	(11,481)	-
Regulatory reserve 10%	-	-	-	-	-	-	-	-	24,600	(24,600)	-
Undistributed earnings transferred to redemption fund	-	-	-	-	-	-	-	-	-	(97,619)	(97,619)
Transfer of inactive accounts	-	-	-	-	-	-	-	65,734	-	-	65,734
Reclassification of redemption fund	-	-	-	-	-	-	(204,761)	-	-	-	(204,761)
Change in comprehensive loss	-	-	-	-	-	(205,471)	-	-	-	-	(205,471)
Undistributed earnings capitalized into shares	200,000	-	-	-	-	-	-	-	-	(200,000)	-
Issuance of capital notes	-	200,000	-	-	-	-	-	-	-	-	200,000
Net income	-	-	-	-	-	-	-	-	-	1,880,575	1,880,575
Balance as of December 31, 2024	<u>\$ 19,856,768</u>	<u>\$ 650,000</u>	<u>\$ 2,169,300</u>	<u>\$ 1,649,898</u>	<u>\$ 8,362,743</u>	<u>\$ (6,341,430)</u>	<u>\$ -</u>	<u>\$ 535,134</u>	<u>\$ 484,600</u>	<u>\$ 100,000</u>	<u>\$ 27,467,013</u>

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

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income	\$ 1,880,575	\$ 3,039,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	472,960	368,315
Gain on sale of investments	(576)	-
Provision for credit losses	1,332,753	569,328
Amortization of net discount/premium on investments	(5,287)	-
Decrease in deferred costs on loan origination	112,929	-
Capitalized dividends from cooperative entities	(81,181)	-
Decrease (increase) in other assets	498,495	(1,127,426)
Increase in account payable and accrued expenses	301,321	390,638
Net cash provided by operations	<u>4,511,989</u>	<u>3,240,790</u>
Cash flows from investing activities:		
Increase in loans, net	(14,792,036)	(12,468,675)
Recovery of loans previously charged off	129,891	-
Decrease (increase) in savings certificates	661,794	(825,000)
Acquisition of equipment and improvements	(560,752)	(514,315)
Investment in cooperative entities	-	(275,824)
Purchases of investment securities	(1,203,085)	-
Sales and repayments of marketable securities	5,239,605	647,051
Net cash used in investing activities	<u>(10,524,583)</u>	<u>(13,436,763)</u>
Cash flows from financing activities:		
Increase in deposits and savings certificates, net	3,251,566	5,585,667
Additional investment from members	3,701,594	6,697,383
Withdrawal of shares	(3,569,383)	(3,010,953)
Increase in secured credit line	3,745,146	-
Increase in capital obligation payable	200,000	-
Net cash provided by financing activities	<u>7,328,923</u>	<u>9,272,097</u>
Net increase (decrease) in cash equivalents	1,316,329	(923,876)
Cash and cash equivalents at beginning of year	5,006,164	5,930,040
Cash and cash equivalents at end of year	<u>\$ 6,322,493</u>	<u>\$ 5,006,164</u>

(Continues)

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023

Additional Disclosure to the Statement of Cash Flows

Interest paid on deposits, certificates, and capital obligations for the years ended December 31, 2024 and 2023:

	2024	2023
Interest paid on deposits and certificates of members and non-members	\$ 1,639,165	\$ 1,099,827

The following non-cash transactions were recorded for the years ended December 31, 2024 and 2023:

	2024	2023
Undistributed earnings capitalized in shares	\$ 200,000	\$ -
Change in accumulated other comprehensive loss	\$ (205,471)	\$ 954,003
Unclaimed accounts transferred to capital reserve, net of claimed accounts	\$ 65,734	\$ 56,493
Undistributed earnings transferred to redemption fund	\$ 97,619	\$ 69,047
Contribution to undistributed capital reserve (5%)	\$ 12,300	\$ 152,000
Contribution to 10% net income reserve per Circular Letter 2021-02	\$ 24,600	\$ 304,000
CDFI funds transferred to contingency reserve	\$ 1,634,575	\$ 2,364,888
Undistributed earnings transferred to contingency reserve	\$ 11,481	\$ -

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

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES

Organization

Cooperativa de Ahorro y Crédito Jesús Obrero (the Credit Union) is a non for profit institution established under the laws of the Commonwealth of Puerto Rico and regulated by Law number 255 “Ley de Sociedades Cooperativas de Ahorro y Crédito de 2002” enacted on October 28, 2002 (the Law). In addition, the Credit Union is governed by the provisions of the Cooperative Societies General Law and the norms established by Regulation Number 7051, known as Regulation of the Cooperative Societies law of 2002. The Credit Union is primarily dedicated to receiving savings deposits from its members in the form of shares and deposits (from non-members in the form of deposits) and providing them with financing sources. It is regulated by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC) as provided by Act No. 114, known as the Act of the Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico. It is also regulated by the rules and criteria established in Regulation Number 7051, known as the Regulation of the Cooperative Societies Act of 2002.

Regulation

Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico

The credit union participates in the Insurance Fund program of the Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC), through which members’ shares and deposits are insured up to \$250,000.

Each insured credit union must maintain in COSSEC, as contributions of capital and as determined by it, an amount equal to one percent (1%) of the total credit union’s shares and deposits as of June 30 of each year of operations, as declared in the shares and deposits certificate or in a certified balance sheet as required in the Law Number 114. COSSEC will establish the norms and procedures to annually determine the deposit amount for the capital contributions that must be maintained by each insured credit union in accordance with its balance of shares and deposits. Likewise (COSSEC) will establish the regulation and procedures to determine any annual increase in the capital contribution as a result of an increase in the insured shares and deposits.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulation (Continued)

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

When the sum of free reserves not committed to the payment of losses and the total capital of COSSEC exceeds two percent (2%) of the total insured shares and deposits, COSSEC shall use the aforementioned excess to pay interest on capital. Such interest shall be determined based on the average rate of return on COSSEC's total assets for the twelve (12) months prior to the date the payment is made, reduced by one percent (1%).

The annual premium shall be calculated by applying the prevailing rate to the capital in shares and deposits of the Insured credit union as of June 30 of each year.

Each insured credit union shall pay its corresponding annual premium in advance as provided by law. COSSEC, with prior approval from its Board of Directors, may establish uniform or variable rate types according to the risk exposure of each insured credit union, based on factors such as credit, types of investments, delinquency, liquidity, maximum limits of insured shares and deposits, or any other factors that may affect the solvency of the insured credit union. The rate types may range from 0.17 percent to 0.47 percent of the total insured capital and deposits.

For the years ended December 31, 2024 and 2023, the credit union charged to operations, as the annual premium required by COSSEC, a total of \$230,177 and \$206,865, respectively.

Provision for Education and Integration of the Cooperative Movement

Pursuant to Article 6.10 of Act No. 255, the credit union is required to annually allocate no less than one-tenth of one percent (0.1%) of its total business volume for educational purposes and the integration of the cooperative movement in Puerto Rico. Within three (3) months following the end of its fiscal year operations, the credit union shall determine the amount resulting from the aforementioned calculation, up to a maximum of \$4,000. Any credit union whose total annual business volume exceeds \$4,000,000 must contribute an additional amount equal to 5% of its annual net undistributed earnings, up to an additional maximum of \$6,000.

Within the month following the close of the credit union's fiscal year operations, it must have deposited with the "Liga de Cooperativas" the total amount it is required to pay for that completed year.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exemption

Credit unions, their subsidiaries or affiliates, as well as the income from all their activities or operations, all their assets, capital, reserves, and undistributed earnings, including those of their subsidiaries or affiliates, shall be exempt from all types of taxation on income, property, excise, municipal license taxes, or any other contribution imposed or that may be imposed in the future by the Commonwealth of Puerto Rico or any of its political subdivisions. The exemptions provided herein shall also include the payment of fees, excise taxes, or state or municipal tariffs, including the payment of charges for licenses, municipal patents, permits, and registrations, as well as the payment of fees, duties, stamps, or internal revenue vouchers related to the execution of all types of public or private documents, their registration, and the issuance of certifications in the Property Registry or any other public registry or government office. Additionally, credit unions shall be exempt from the payment of charges, duties, stamps, or internal revenue vouchers, excise taxes, or tariffs required by the General Court of Justice of Puerto Rico or by any agency, instrumentality, or public corporation of the Commonwealth of Puerto Rico or any of its political subdivisions.

Likewise, all shares and securities issued by credit unions and any of their subsidiaries or affiliates shall be exempt from the aforementioned taxes, both in their total value and in the dividends or interest paid under them.

Withdrawal of Deposits and Shares

When a member voluntarily withdraws or is expelled from the credit union, they shall be paid—after deducting any debts owed to the credit union—the amount of money the member has paid for shares and deposits, plus any duly earned and credited dividends, patronage, and interest up to the date of their withdrawal or expulsion. Such payment shall be made within thirty (30) days following the member's withdrawal or separation.

The credit union may require its members to provide a thirty (30) day notice for the withdrawal of deposits and a ninety (90) day notice for the withdrawal of shares.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies

The financial statements have been prepared considering the presentation promulgated by Law 255, as amended by Law 220 with respect to certain accounting practices for credit unions in Puerto Rico. These practices constitute in some aspects an accounting basis different from the accounting principles generally accepted in the United States of America, as explained at the end of this Note 1. The most significant accounting policies used in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, including the before mentioned industry practices and law 255, as amended by Law 220 are the following:

Cash equivalents

For purposes of the balance sheets and cash flows, the Credit Union considers as cash and cash equivalents: checking accounts in local banks, petty cash, investments in cash funds, and investments in savings certificates with maturities of less than ninety (90) days. Cash and cash equivalents as of December 31, 2024 and 2023 consist of cash on hand and in bank accounts.

Loans and Allowance for Credit Losses

Loans are recorded at the principal amount outstanding, reduced by an accumulated allowance for potential losses. As established in Article 6.07 of Law No. 255, the allowance for uncollectible loans shall be charged to operating income.

On January 1, 2023, the credit union adopted the requirements of Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected credit loss methodology, referred to as the Current Expected Credit Loss (CECL) model. The measurement of expected credit losses under the CECL methodology applies to financial assets measured at amortized cost, including held-to-maturity (HTM) debt securities and loans receivable. The accounting change resulting from the implementation of ASC 326 is that a credit loss allowance is recognized before a loss event occurs, resulting in earlier recognition of credit losses compared to the previous loss methodology. The estimate of expected credit losses takes into account historical credit loss information, adjusted for current conditions and reasonable and supportable forecasts.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Loans and Allowance for Credit Losses (Continued)

ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects expected credit losses over the life of financial assets, beginning when such assets are first acquired. Under the revised methodology, credit losses are measured based on past events, current conditions, and reasonable and supportable forecasts that affect the collectibility of financial assets. ASU 2016-13 also revises the approach for recognizing credit losses on available-for-sale securities by replacing the direct write-down approach with a reserve allocation model and limits the reserve to the amount by which the fair value of the securities is less than their amortized cost. In addition, ASU 2016-13 requires that the initial credit loss allowance for purchased credit-deteriorated financial assets be recorded as an adjustment to the purchase price, with subsequent changes in the allowance recorded as credit loss expense. ASU 2016-13 also expands disclosure requirements regarding the assumptions, models, and methods an entity uses to estimate the credit loss allowance. The credit union adopted ASC 326 using the modified retrospective method for all financial assets within the scope of the standard. Upon adoption, the credit union recorded an increase in the credit loss allowance and a corresponding decrease in net undistributed earnings.

When the credit union's management determines that a loan is uncollectible, it shall submit a report to the Board of Directors, which will authorize the charge-offs against the allowance for those loans it determines to be uncollectible. The credit union's management believes that the accumulated allowance is adequate to absorb potential losses on existing loans that may become uncollectible.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Direct Loan Origination Costs and Fees

Direct loan origination costs and fees are deferred and amortized into interest income, generally over the contractual life of the loans, using the interest method, in accordance with the provisions of Accounting Standards Codification (ASC) 310-20, *Nonrefundable Fees and Other Costs*.

Undistributed Capital Reserve

Article 6.02 of Law 255 establishes that credit unions shall maintain a non-distributable capital reserve known as undistributed capital. Thirty-five percent (35%) of the undistributed capital reserve must be held in liquid assets. As of December 31, 2024 and 2023, the credit union is required to maintain a minimum undistributed capital of eight percent (8%) of its total risk-weighted assets. The law sets minimum percentage levels for the ratio of undistributed capital to total risk-weighted assets that credit unions must maintain. Once the credit union's undistributed capital reserve has reached and is maintained at eight percent (8%) of its risk-weighted assets, the credit union shall have discretion to reduce its contribution to undistributed capital to no less than five percent (5%). As of January 1, 2011, each credit union must maintain a minimum undistributed capital ratio of eight percent (8%) of its total risk-weighted assets.

Credit unions that have not reached the tiered undistributed capital levels described in Article 6.02 of Law 255, as amended, shall be subject to additional capital requirements as determined by the Corporation based on each credit union's risk profile. The Corporation shall notify the credit union of the additional capital required through an administrative determination.

In addition to the additional capital that the Corporation may require from credit unions that do not meet the tiered undistributed capital levels, the Corporation shall also require a capitalization plan outlining the specific measures that will enable the credit union to achieve the necessary capitalization levels. The capitalization plan must include, at a minimum, the details specified in Article 6.02(a)(3)(a) of Law 255 and must be submitted for the Corporation's approval within thirty (30) days of the request.

As of December 31, 2024 and 2023, the credit union maintained undistributed capital equal to 22.32% and 21.36%, respectively, of its total risk-weighted assets.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Liquidity Reserve

Article 6.07 of the aforementioned law also establishes that every credit union must at all times maintain a minimum required amount of liquid assets, which shall be calculated in proportion to the composition and maturity of its deposits and certificates. COSSEC shall adopt regulations to determine the required percentage and the basis for its calculation, which shall not be less than fifteen percent (15%) of the total amount of obligations in deposits and certificates, as of the last day of the month. This minimum liquidity requirement does not represent an additional reserve against the credit union's member savings.

Other Reserves

COSSEC may require the credit union to establish and maintain, charged against its net undistributed earnings, a contingency reserve to protect it against any reasonably determinable risk or extraordinary activity whose adverse economic consequences could result in losses greater than the accumulated or available undistributed capital. Likewise, COSSEC may authorize the establishment of such reserve upon request by the credit union's Board of Directors.

The credit union's Board of Directors may authorize periodic contributions to voluntary reserves, provided that their creation has been previously approved by the general assembly of members or delegates.

Voluntary reserves may be established for any legitimate purpose that advances the interests of the credit union or the Cooperative Movement, including contingencies, investment in wholly owned subsidiaries, investment in secondary-level financial enterprises and/or cooperative enterprises, institutional development and growth, or for education in cooperative matters and technical and professional training.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Temporary Reserve Required by COSSEC

This reserve was required by COSSEC through Circular Letters 2014-01, 2015-01, and Law 220 of December 15, 2015, as part of the temporary rule for the distribution of undistributed earnings.

Contingency Reserve

This reserve was created to address the impact of any extraordinary loss that could affect the credit union's operating results.

Reserve for social capital

This reserve was created to transfer accounts that have been inactive for more than five (5) years. If an individual claims such an account before five (5) years have passed since it was reserved, the credit union will return the amount, less an administrative fee, which will be deducted from the client's balance at the time of the claim.

Circular Letter 2021-02 Reserve

This reserve was created by COSSEC under Circular Letter 2021-02 to reserve 10% of the undistributed earnings in order to mitigate any extraordinary loss that could affect the credit union's operating results due to changes in the risk measurement of the credit loss reserve.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Investments

In Cooperative Entities

Investments in cooperative entities represent deposits made in cooperative organizations and entities in Puerto Rico. The credit union records its investments in other cooperatives at cost, increasing them based on its equity in the cooperatives' earnings, once such earnings are distributed through share dividends.

In Marketable Securities

The classification of investments in marketable securities is generally determined at the purchase date. At the time of a sale, the specific security sold is identified and removed, and a gain or loss on the sale is recognized. Premiums and discounts on debt securities are amortized using the interest method over the investment's term, adjusted for anticipated prepayments. Dividend and interest income is recognized when earned. The credit union does not hold trading investments.

The credit union records its investments in accordance with the requirements of the Accounting Standards Codification (ASC) 942-320, *Investments – Debt and Equity Securities*, issued by the Financial Accounting Standards Board (FASB).

The classification of investments in securities is generally determined at the purchase date. At the time of a sale, the specific security sold is identified and removed, and a gain or loss on the sale is recognized.

Investments in marketable instruments classified as held-to-maturity securities are recorded at cost, adjusted for the amortization of premiums and increased by the amortization of discounts, where applicable, using the effective interest method. Investments classified as available-for-sale are presented at fair market value. Unrealized gains or losses resulting from the difference between book value and market value are reported in members' equity. Securities sold are removed using the specific identification method.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Special Investments

Law 220 of December 15, 2015, requires credit unions in Puerto Rico to designate as special investments all their investments in debt instruments issued by the Commonwealth of Puerto Rico, its agencies, and public corporations. Additionally, it requires that special investments be recorded in the credit union's books at amortized cost regardless of their classification in the financial statements, and no unrealized losses related to special investments shall be presented. Any loss attributable to special investments may be amortized over a period not exceeding 15 years. The credit union does not hold any special investments on its books.

Long-Lived Assets

The credit union's long-lived assets consist primarily of property and equipment. The credit union evaluates the carrying value of these assets in accordance with the requirements of ASC 360, which requires, among other things, the identification of events or changes in circumstances that indicate the carrying value of an asset may not be recoverable. As of December 31, 2024 and 2023, no impairment of any long-lived assets had been identified.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is determined using the straight-line method over the estimated useful lives of the assets.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Capital Obligations

Any credit union may issue capital obligations, subject to prior approval by COSSEC. Capital obligations are considered part of the credit union's capital in accordance with the regulations adopted by COSSEC for such purposes. These capital obligations may not have a maturity term of less than five (5) years and must be subordinated in right to the obligations owed to depositors and other creditors of the issuing credit union. COSSEC may require the Board of Directors to suspend the payment of principal and interest on the capital obligations at maturity or prior to maturity if such payment would reduce the total of share capital, reserve fund, and capital obligations, or if, in COSSEC's judgment, such payment could affect the financial solvency of the credit union and the general public.

Capital obligations may be used as collateral and redeemed in accordance with the terms and conditions approved by COSSEC. No credit union may acquire its own capital obligations or those issued by other credit unions for its investment portfolio.

Capital obligations are considered part of capital but must be presented and designated separately in all balance sheets. Such obligations are not insured by COSSEC. Dividends or interest earned by individuals who acquire any class of capital obligations issued by a credit union are exempt from income tax under Law No. 120 of October 31, 1994, as amended. As of December 31, 2024 and 2023, the balance of capital obligations was \$650,000 and \$450,000, respectively.

Redemption Funds for Capital Obligations

In order to ensure that the credit union maintains the initial capitalization generated from the original issuance of capital obligations, it shall create a redemption fund for capital obligations from its undistributed earnings. This fund shall increase annually by an amount equal to the principal amount of the capital obligations divided by the number of years in the maturity period. COSSEC may authorize an alternative method for the creation of such redemption fund.

On June 25, 2024, COSSEC issued Informative Letter 2024-09, which requires credit unions to present the redemption fund in the liabilities section of the balance sheet as a separate account, rather than as part of the credit union's capital. Accordingly, as of December 31, 2024, the credit union recorded the redemption fund balance of \$302,381 in the liabilities section of the balance sheet, as required by the aforementioned informative letter.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Foreclosed Properties

Properties acquired through foreclosure or other types of liquidation are recorded at the lower of the loan balance receivable or the fair market value of the property received at the time of acquisition. Gains or losses from the disposal of such assets, related maintenance expenses, and estimated losses are recorded as part of current operations.

Shares

The credit union presents member contributions as capital. The credit union does not issue share certificates to represent common share capital. However, an account statement is maintained for each member, showing their participation in the credit union's capital.

The credit union's capital is not limited in amount and consists of payments made by members to subscribe for shares. The par value of common shares is \$10 each, and capital includes share dividends, share capital, undistributed capital, and capital obligations. To encourage savings, each member is required to subscribe to at least twelve (12) shares per year.

It is the credit union's policy to allow the withdrawal of shares on any business day. However, when deemed necessary by the Board of Directors, members may be required to provide up to ninety (90) days' notice of their intention to withdraw shares. A member's shares and/or deposits may be pledged in favor of the credit union for any amount owed by the member or by another member whose loan they have guaranteed.

Participation in Undistributed Earnings

The credit union's Board of Directors shall arrange for the distribution of the net undistributed earnings accumulated by the credit union at the end of each year, after the amortization of any accumulated losses, followed by contributions to the undistributed capital reserve as required by Law No. 255, and to the allowance for potential credit losses, as well as to mandatory and voluntary reserves, as provided in Article 6.07 of said Law.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Participation in Undistributed Earnings (Continued)

The distribution of undistributed earnings shall not proceed while the credit union has accumulated losses.

In cases where the credit union demonstrates that it has satisfactorily addressed the causes of its accumulated losses and shows sustained improvement in its financial, managerial, or operational condition, COSSEC may authorize the deferral of the accumulated loss and allow the distribution of a portion of the undistributed earnings. Such earnings may be distributed based on a reimbursement or refund calculated by considering the patronage of interest paid, or a combination of this patronage refund together with the payment of dividends on shares paid and not withdrawn at the end of the calendar year, in the proportions and amounts determined by the Board of Directors.

All distributions of undistributed earnings shall be made through share credits, never in cash. Shares that have been fully paid as of the end of the credit union's fiscal year shall earn a proportional share of the undistributed earnings as dividends, calculated from the first day of the month following the date of full payment. The reimbursement or refund based on the patronage of interest paid shall be made in proportion to the interest paid by members on loans during the year.

Interest Income and Expenses

Interest income on loans is recognized using the accrual method for up to ninety (90) days past due. Interest on loans that are more than ninety (90) days delinquent is recognized when collected. Interest is calculated based on the outstanding loan balance. Other income and expenses are recorded when earned or incurred, respectively.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the credit union's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Income from the Federal CDFI Program and Determination of Net Income for Statutory Reserves

The credit union is certified and received a grant from the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury. This certification is granted to organizations that provide financial services to low-income communities and communities underserved by conventional financial institutions. Credit unions certified as CDFIs are eligible to apply for grants through a variety of competitive programs administered by the CDFI Fund.

In accordance with the requirements of COSSEC set forth in Informative Letter 2022-01 dated March 21, 2022, the regulatory reserves are calculated based on the net income reported by the credit union at the end of the accounting period. However, the letter specifies that funds received from the federal government are not subject to statutory reserve requirements. Therefore, for the year ended December 31, 2024, the net income subject to statutory reserves are as follows:

	Amount
Federal funds received CDFI 2024 recorded as part of the credit union's income	\$ 3,197,097
Allocation of funds to reserves for credit losses and other allowable operational support activities	<u>(1,562,522)</u>
Amount of federal funds included in net income that was designated by the credit union for capital reserves	<u>\$ 1,634,575</u>
Net income of the credit union for the year ended December 31, 2024	1,880,575
Amount of federal funds included in net income that was designated by the credit union for capital reserves	<u>(1,634,575)</u>
Amount of net income subject to regulatory reserves	<u>\$ 246,000</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) **ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Summary of the most significant accounting policies (Continued)

Practices That Differ from Generally Accepted Accounting Principles in the United States of America

The credit union presents member contributions as shares under the members' equity section of the balance sheet, in accordance with the presentation promulgated by the Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC) and as provided by Law 255 of October 28, 2002, as amended by Law 220 of the Commonwealth of Puerto Rico. Generally accepted accounting principles in the United States of America (US GAAP) require that such contributions be presented in the deposits section of the same statement. Also, the credit union recognizes dividends paid on these shares as a charge to undistributed earnings, whereas US GAAP requires that such undistributed earnings be recognized as interest expense.

In addition, the credit union implemented Law 220, *Accounting Requirements for Special Investments*. This law mandated the immediate and mandatory adoption of its provisions and requires accounting treatment and other practices that differ in several significant respects from U.S. GAAP pronouncements. These differences include the deferral of impairment losses on investments for up to 15 years and the non-recognition of unrealized losses on these investments that are classified as available-for-sale, or on the unamortized balance of unrealized losses for those investments reclassified as held-to-maturity and designated as special investments, which have been recorded at amortized cost since 2015 under the provisions of the law. Generally accepted accounting principles in the United States of America require that investments in debt instruments and related transactions be recorded in accordance with the requirements of ASC 320, *Investments – Debt and Equity Securities*.

The provisions of the aforementioned laws and regulations are considered a basis of accounting different from generally accepted accounting principles in the United States of America (regulatory basis).

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(1) ORGANIZATION, REGULATION AND SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of the most significant accounting policies (Continued)

Practices That Differ from Generally Accepted Accounting Principles in the United States of America (Continued)

The effect on the financial statements of classifying the items mentioned above in accordance with generally accepted accounting principles in the United States of America is described in the following table for the year ended December 31, 2024.

Balance sheet as of December 31, 2024	Statutory financial statements	Adjustments	Financial Statements US GAAP
Assets:			
Cash and equivalents	\$ 6,322,493	\$ -	\$ 6,322,493
Certificates of deposits	1,778,206	-	1,778,206
Loans, net	90,896,654	-	90,896,654
Investments in securities	22,068,411	-	22,068,411
Property and equipment, net	3,039,958	-	3,039,958
Investment in cooperative entities	2,312,143	-	2,312,143
Other assets	3,715,489	-	3,715,489
Total assets	<u>\$ 130,133,354</u>	<u>\$ -</u>	<u>\$ 130,133,354</u>
Liabilities:			
Deposits and savings certificates	\$ 97,125,847	\$ 20,506,768	\$ 117,632,615
Accrued expenses, accounts payable , and other liabilities	5,238,113	200,000	5,438,113
Redemption fund payable	302,381	-	302,381
Total liabilities	<u>102,666,341</u>	<u>20,706,768</u>	<u>123,373,109</u>
Members' equity:			
Members' participation in shares	\$ 19,856,768	\$ (19,856,768)	\$ -
Capital obligations	650,000	(650,000)	-
Undistributed capital reserve	2,169,300	-	2,169,300
Other reserves	11,032,375	(100,000)	10,932,375
Accumulated other comprehensive loss	(6,341,430)	-	(6,341,430)
Undistributed earnings	100,000	(100,000)	-
Total members' equity	<u>27,467,013</u>	<u>(20,706,768)</u>	<u>6,760,245</u>
Total liabilities and members' equity	<u>\$ 130,133,354</u>	<u>\$ -</u>	<u>\$ 130,133,354</u>
Income statement for the year ended December 31, 2024			
Interest income	\$ 7,207,587	\$ -	\$ 7,207,587
Interest expense	(1,636,482)	(200,000)	(1,836,482)
Net interest income	5,571,105	(200,000)	5,371,105
Provision for credit losses	(1,332,753)	-	(1,332,753)
Net income after the provision for credit losses	4,238,352	(200,000)	4,038,352
Other income (excluding interest)	3,866,818	-	3,866,818
Other expenses (excluding interest)	(5,500,849)	-	(5,500,849)
Amortization of loss special investments -Law 220	(723,746)	-	(723,746)
Net income	<u>\$ 1,880,575</u>	<u>\$ (200,000)</u>	<u>\$ 1,680,575</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(2) LIQUIDITY REQUIREMENT

Law Number 255 requires the credit union to maintain no less than 15% of the total amount of obligations in deposits and certificates, as reflected on the last day of the month. This 15% must be held in intact and liquid funds, based on the total amount of deposit and certificate accounts, excluding certificates that mature within the next 30 days, in which case 25% must be maintained. For pledged certificates, liquid funds are not required. Additionally, for designated events under the Christmas savings plan, 8.33% must be held monthly in liquid funds until reaching 100% in the month prior to distribution. The purpose of this fund is to ensure members have immediate access to cash to cover withdrawals of their deposits, but only in cases where unrestricted operational funds have been exhausted.

Additionally, for designated events under the Christmas and summer savings plans, 8.33% must be held monthly in liquid funds until reaching 100% in the month prior to the distribution. The purpose of creating this fund is to ensure members have immediate access to cash to cover withdrawals of their deposits, but only in cases where unrestricted operational funds have been exhausted. As a result of the requirements of the aforementioned law, as of December 31, 2024 and 2023, the credit union maintained funds in the amount of \$16,258,840 and \$15,647,370, respectively, which are not available for use in normal and current operations. The total amount of pledged deposits and savings certificates as of December 31, 2024 and 2023 amounted to \$3,509,731 and \$1,182,778, respectively.

The restricted eligible funds required to comply with the law and its regulations as of December 31, 2024 and 2023 are detailed below:

	<u>2024</u>	<u>2023</u>
Undistributed capital reserve (35% required)	\$ 759,255	\$ 754,950
Demand deposits, net of pledged deposits (15%)	8,611,179	9,298,585
Savings certificates maturing in 30 days		
- within 30 days	793,782	780,338
- less than 30 days	4,577,434	3,922,900
Redemption fund	204,762	204,762
Deposits in designated accounts		
- Navi Coop	221,237	166,589
- Tax Coop	16,535	61,411
- College Coop	255	231
- Vera Coop	1,074,401	457,604
Total required funds	<u>16,258,840</u>	<u>15,647,370</u>
Available funds:		
Savings certificates	1,778,206	2,440,000
Cash and savings accounts	6,322,493	5,006,164
Investments at market value	22,068,411	26,304,539
Interest receivable	95,599	89,014
Total available funds, net of pledged and restricted	<u>30,264,709</u>	<u>33,839,717</u>
Excess liquid funds over those required by law	<u>\$ 14,005,869</u>	<u>\$ 18,192,347</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(3) INVESTMENT IN SECURITIES

Marketable Instruments

The credit union records its investments in accordance with the requirements of ASC 942-320 (formerly SFAS 115), *Investments – Debt and Equity Securities*, and classifies them as available-for-sale. As of December 31, 2024 and 2023, the investments were as follows:

Instruments Classified as Available-for-Sale

Available for sale:	December 31, 2024			
Type of investment	Amortized cost	Unrealized gain	Unrealized loss	Fair value
Federal Farm Credit Bank	\$ 7,798,344	\$ -	\$ (1,697,203)	\$ 6,101,141
Federal Home Loan Bank	7,853,607	-	(2,006,666)	5,846,941
Federal National Mortgage Association	5,115,650	-	(1,028,633)	4,087,017
Government National Mortgage Association	24,205	-	(1,040)	23,165
Federal Home Loan Mortgage	3,082,545	-	(637,778)	2,444,767
Municipal Bonds	4,535,490	-	(970,110)	3,565,380
Total	\$ 28,409,841	\$ -	\$ (6,341,430)	\$ 22,068,411

Available for sale:	December 31, 2023			
Type of investment	Amortized cost	Unrealized gain	Unrealized loss	Fair value
Federal Farm Credit Bank	\$ 8,597,807	\$ -	\$(1,667,414)	\$ 6,930,393
Federal Home Loan Bank	7,297,359	-	(1,728,478)	5,568,881
Federal National Mortgage Association	5,637,611	-	(988,770)	4,648,841
Government National Mortgage Association	28,676	-	(883)	27,793
Federal Home Loan Mortgage	4,669,037	-	(819,915)	3,849,122
Municipal Bonds	5,038,965	-	(930,205)	4,108,760
US Treasury Notes	1,171,043	-	(294)	1,170,749
Total	\$ 32,440,498	\$ -	\$ (6,135,959)	\$26,304,539

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(3) INVESTMENT IN SECURITIES (CONTINUED)

The following table shows the unrealized losses, the estimated market value, and the length of time the investments have been held by the credit union in an unrealized loss position as of December 31, 2024:

Available for sale	Less than one year		12 months or more		Total	
Tipo de Inversión	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal Farm Credit Banks (FFCB)	\$ -	\$ -	\$ 6,101,141	\$(1,697,203)	\$ 6,101,141	\$(1,697,203)
Federal Home Loan Bank (FHLB)	-	-	5,846,941	(2,006,666)	5,846,941	(2,006,666)
Federal National Mortgage Assoc. (FNMA)	-	-	4,087,017	(1,028,633)	4,087,017	(1,028,633)
Government National Mortgage Assoc. (GNMA)	-	-	23,165	(1,040)	23,165	(1,040)
Federal Home Loan Mortgage (FHLMC)	-	-	2,444,767	(637,778)	2,444,767	(637,778)
Municipal Bonds	-	-	3,565,380	(970,110)	3,565,380	(970,110)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,068,411</u>	<u>\$(6,341,430)</u>	<u>\$ 22,068,411</u>	<u>\$(6,341,430)</u>

The credit union considers all relevant and available information regarding the decline in value of its investments to assess whether it is temporary in nature, including collectibility, past events, current conditions, projections, and reasonable estimates that support the amount of cash expected to be collected. Contractual cash flows are expected to occur. This evaluation is performed annually by the credit union's management, and for the year ended December 31, 2024, it was determined that no credit loss reserves were required, as no credit losses were anticipated for securities with unrealized losses, and the investments are not expected to be redeemed at prices below their face value. This analysis considered various factors including, but not limited to, issuer performance indicators, default rates, credit ratings, and other relevant information.

COOPERATIVA DE AHORRO Y CRÉDITO JESUS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(3) INVESTMENT IN SECURITIES (CONTINUED)

Instruments Classified as Available-for-Sale

The amortized cost and estimated market value of investments in available-for-sale securities as of December 31, 2024, by contractual maturity, are presented below. The expected maturities of investments may differ from the original contractual terms because the borrower has the right to call or prepay the obligation.

Maturity	2024		2023	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Less than one year	\$ -	\$ -	\$ 3,367,944	\$ 3,356,258
From one to five years	6,205,624	5,386,629	1,891,348	1,762,776
More than five years up to ten years	21,273,320	16,055,198	9,955,452	8,167,664
More than ten years	930,897	626,584	17,225,754	13,017,841
Totales	<u>\$ 28,409,841</u>	<u>\$ 22,068,411</u>	<u>\$ 32,440,498</u>	<u>\$ 26,304,539</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS

The credit union's loan portfolio consists primarily of personal loans, secured loans, mortgage loans, auto loans, nonprofit loans, credit cards, among others.

Loans are presented at the unpaid principal balance and are granted for periods ranging from one (1) to thirty (30) years, depending on their type. Most loans are renewed prior to maturity and have an average combined life that does not exceed five (5) years. Loans are substantially secured by the shares and deposits of borrowing members, savings certificates, movable and immovable property, and by other members who act as joint guarantors.

The credit union's loan portfolio is composed as follows as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Commercial:</u>		
Commercial	\$ 13,529,695	\$ 12,067,688
Total commercial	<u>13,529,695</u>	<u>12,067,688</u>
<u>Consumer:</u>		
Personal	20,986,725	18,722,264
Mortgage	22,767,593	17,096,551
Auto	17,400,685	16,431,834
Boat	2,529,934	1,177,490
Guaranteed	6,207,177	5,511,562
Photovoltaic	6,309,065	5,444,035
Credit Cards	3,419,540	2,337,924
Cemetery Plot	633,719	1,138,988
Others	295,388	578,843
Total consumer	<u>80,549,826</u>	<u>68,439,491</u>
Total loans	94,079,521	80,507,179
Add: Direct loan origination cost capitalized	<u>(249,325)</u>	<u>(136,396)</u>
Subtotal	93,830,196	80,370,783
Less: Allowance for credit losses	<u>(2,933,542)</u>	<u>(2,690,592)</u>
Total loans, net	<u>\$ 90,896,654</u>	<u>\$ 77,680,191</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

The movement in the accumulated allowance for possible losses was as follows:

December 31, 2024

	Comercial	Consumo	Total
Balance at beginning of the year	\$ 490,039	\$ 2,200,553	\$ 2,690,592
Additional provision for the year	334,850	997,903	1,332,753
Recovery of loans previously charged against the allowance	-	129,891	129,891
Loans charged against the allowance	-	(1,219,694)	(1,219,694)
Balance at end of the year	<u>\$ 824,889</u>	<u>\$ 2,108,653</u>	<u>\$ 2,933,542</u>
Allowance evaluated collectively	<u>\$ 824,889</u>	<u>\$ 1,772,660</u>	<u>\$ 2,597,549</u>

December 31, 2023

	Comercial	Consumo	Total
Balance at beginning of the year	\$ 490,039	\$ 1,609,811	\$ 2,099,850
Acquisition of Cooperativa Centro Médico	-	518,607	518,607
Additional provision for the year	-	569,328	569,328
Recovery of loans previously charged against the allowance	-	66,097	66,097
Loans charged against the allowance	-	(563,290)	(563,290)
Balance at end of the year	<u>\$ 490,039</u>	<u>\$ 2,200,553</u>	<u>\$ 2,690,592</u>
Allowance evaluated collectively	<u>\$ 84,257</u>	<u>\$ 1,823,613</u>	<u>\$ 1,907,870</u>

COMMERCIAL LOAN PORTFOLIO QUALITY INDICATORS

Commercial loans are evaluated for potential losses by classifying each loan using various risk factors identified through periodic loan reviews. As of December 31, 2024 and 2023, commercial loans were individually evaluated for impairment. The methodology used considered the present value of expected future cash flows discounted at the loan's effective interest rate or the fair market value of the collateral less selling costs. In addition to reviewing concentration risk in the commercial loan portfolio, the credit union implemented a commercial credit quality evaluation process. For commercial loans, management conducted an individual risk assessment, taking into account the likelihood of repayment and the quality of the collateral. The credit union used the following classifications to assess risk within the portfolio:

Without exception: The member has adequate capital and the ability to repay the debt in the normal course of operations.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

COMMERCIAL LOAN PORTFOLIO QUALITY INDICATORS (CONTINUED)

Monitoring: The loan is adequately collateralized but has potential for deterioration. The borrower's financial condition is weakening, and there are cash flow deficiencies that may lead to possible payment defaults. Other typical characteristics of this classification include lack of recent financial information, low capitalization, and industry risks. The primary source of repayment remains viable, but there is a possibility that collateral may need to be used or that collection may depend on a co-borrower. Although the loan is current and collection is not considered doubtful, the frequency of payments may be affected.

Under standard: The loan is not adequately secured due to the deterioration in the market value of the property and low business profitability. The member is in poor financial condition, which affects the repayment of the loan. There is a high probability that the credit union will not recover the full amount of the loan. Loans classified under this category are considered impaired and do not accrue interest.

Doubtful: The loan has the same deficiencies as those found in the "Substandard" category. In addition, the collectibility of part or all of the loan is highly unlikely, and the probability of loss is extremely high. At this level, there may be certain specific conditions that could strengthen the likelihood of repayment. These conditions may include an additional capital contribution, new collateral, refinancing, or liquidation proceedings. The loan is not written off until the impact of these specific conditions is evaluated. Loans classified in this category are considered impaired and do not accrue interest.

The commercial loan portfolio by risk category as of December 31, 2024 and 2023 is presented below:

	Without exception	Monitoring	Under standard	Doubtful	Total
<u>December 31, 2024</u>					
Comercial	\$ 12,704,806	\$ -	\$ -	\$ 824,889	\$ 13,529,695
Total comercial	<u>\$ 12,704,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,889</u>	<u>\$ 13,529,695</u>
<u>December 31, 2023</u>					
Comercial	\$ 11,983,431	\$ -	\$ 84,257	\$ -	\$ 12,067,688
Total comercial	<u>\$ 11,983,431</u>	<u>\$ -</u>	<u>\$ 84,257</u>	<u>\$ -</u>	<u>\$ 12,067,688</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

COMMERCIAL LOAN PORTFOLIO QUALITY INDICATORS (CONTINUED)

The credit union monitors the aging of its commercial loan portfolio in order to manage credit risk. The aging categories of the commercial portfolio as of December 31, 2024 and 2023 are presented below:

	Delinquency				90+ & Accruing	90+ & Nonaccruing	Total
	Current or 0-60	61-180	181-360	361 or more			
<u>December 31, 2024</u>							
Comercial	\$ 12,704,806	\$ -	\$ 740,632	\$ 84,257	\$ -	\$ 824,889	\$ 13,529,695
Total comercial	<u>\$ 12,704,806</u>	<u>\$ -</u>	<u>\$ 740,632</u>	<u>\$ 84,257</u>	<u>\$ -</u>	<u>\$ 824,889</u>	<u>\$ 13,529,695</u>
	Delinquency				90+ & Accruing	90+ & Nonaccruing	Total
	Current o 0-60	61-180	181-360	361 or more			
<u>December 31, 2023</u>							
Comercial	\$ 11,983,431	\$ -	\$ -	\$ 84,257	\$ -	\$ 84,257	\$ 12,067,688
Total comercial	<u>\$ 11,983,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,257</u>	<u>\$ -</u>	<u>\$ 84,257</u>	<u>\$ 12,067,688</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

CONSUMER LOAN PORTFOLIO QUALITY INDICATORS

The credit union offers various types of consumer loans, each carrying different credit risks. Delinquency, credit score, and loan-to-collateral value are quality indicators that the credit union monitors and uses in the evaluation of the credit loss allowance for its consumer loan portfolio.

The aging categories of the consumer loan portfolio as of December 31, 2024 and 2023 are presented below:

	Past due days				
	Current or 0-60	61-180	181-360	360 or more	Total
<u>2024</u>					
Personal	\$ 20,506,523	\$ 322,080	\$ 158,122	\$ -	\$ 20,986,725
Mortgage	22,418,255	166,667	-	182,671	22,767,593
Auto	16,736,706	304,000	84,144	275,835	17,400,685
Boat	2,529,934	-	-	-	2,529,934
Guaranteed	6,198,013	9,164	-	-	6,207,177
Photovoltaic	6,260,718	19,074	12,598	16,675	6,309,065
Credit Cards	3,315,336	81,297	22,772	135	3,419,540
Cemetery Plot	601,985	31,734	-	-	633,719
Others	209,696	63,319	22,373	-	295,388
Total consumer loans	<u>\$ 78,777,166</u>	<u>\$ 997,335</u>	<u>\$ 300,009</u>	<u>\$ 475,316</u>	<u>\$ 80,549,826</u>
	Past due days				
	Current or 0-60	61-180	181-360	360 or more	Total
<u>2023</u>					
Personal	\$ 18,238,734	\$ 424,392	\$ 45,976	\$ 13,162	\$ 18,722,264
Mortgage	16,913,880	-	182,671	-	17,096,551
Auto	15,445,890	568,002	335,486	82,456	16,431,834
Boat	1,177,490	-	-	-	1,177,490
Guaranteed	5,510,186	1,376	-	-	5,511,562
Photovoltaic	5,411,681	32,354	-	-	5,444,035
Credit Cards	2,228,952	95,116	13,068	788	2,337,924
Cemetery Plot	1,110,222	23,351	-	5,415	1,138,988
Others	578,843	-	-	-	578,843
Total consumer loans	<u>\$ 66,615,878</u>	<u>\$ 1,144,591</u>	<u>\$ 577,201</u>	<u>\$ 101,821</u>	<u>\$ 68,439,491</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

CONSUMER LOAN PORTFOLIO QUALITY INDICATORS (CONTINUED)

The types of loans that make up the consumer loan portfolio, classified by credit score at the time of origination, as of December 31, 2024 and 2023, are presented below:

	Credit Score					
	< 549	550-629	630-689	690-749	750+	Total
2024						
Personal	\$ 1,015,351	\$ 6,518,336	\$ 8,195,724	\$ 10,343,525	\$ 10,889,072	\$ 36,962,008
Mortgage	654,773	3,038,745	5,345,420	7,822,458	5,906,197	22,767,593
Auto	981,399	3,111,242	4,033,479	5,124,502	4,150,063	17,400,685
Credit cards	142,862	636,414	521,855	998,556	1,119,853	3,419,540
Total consumer loans	<u>\$2,794,385 #</u>	<u>\$13,304,737 #</u>	<u>\$18,096,478 #</u>	<u>\$24,289,041 #</u>	<u>\$22,065,185</u>	<u>\$80,549,826</u>
	Credit Score					
	< 549	550-629	630-689	690-749	750+	Total
2023						
Personal	\$ 906,564	\$ 4,001,641	\$ 7,085,313	\$ 10,116,877	\$ 10,462,787	\$ 32,573,182
Mortgage	352,141	2,106,619	4,523,984	4,912,676	5,201,131	17,096,551
Auto	477,694	2,391,148	3,814,765	5,007,189	4,741,038	16,431,834
Credit cards	76,736	482,440	530,619	538,905	709,224	2,337,924
Total consumer loans	<u>\$1,813,135 #</u>	<u>\$8,981,848 #</u>	<u>\$15,954,681 #</u>	<u>\$20,575,647 #</u>	<u>\$21,114,180</u>	<u>\$68,439,491</u>

Loan-to-value ratio is the proportion that compares the principal balance to the value of the collateral at the time of origination. In recent years, the residential real estate market has experienced declines in property values. The loan-to-value ratio does not necessarily reflect the borrower's repayment performance, but it provides an indicator of the collateral's value and the credit union's exposure. In the event the loan cannot be recovered, the loss the credit union would assume is limited to the amount by which the loan balance exceeds the net realizable value of the property.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

CONSUMER LOAN PORTFOLIO QUALITY INDICATORS (CONTINUED)

The distribution of the mortgage loan portfolio based on the aforementioned ratio as of December 31, 2024 and 2023 is presented below:

	Loan to value of collateral				Total
	0-80%	81-90%	91-100%	>100%	
2024					
First mortgage	\$ 21,443,554	\$ 1,117,708	\$ 206,331	\$ -	\$ 22,767,593
Total	<u>\$ 21,443,554</u>	<u>\$ 1,117,708</u>	<u>\$ 206,331</u>	<u>\$ -</u>	<u>\$ 22,767,593</u>

	Loan to value of collateral				Total
	0-80%	81-90%	91-100%	>100%	
2023					
First Mortgage	\$ 14,660,508	\$ 1,995,047	\$ 440,996	\$ -	\$ 17,096,551
Total	<u>\$ 14,660,508</u>	<u>\$ 1,995,047</u>	<u>\$ 440,996</u>	<u>\$ -</u>	<u>\$ 17,096,551</u>

Delinquent Loans

The delinquent loan portfolio by type of loan and the corresponding allowance is detailed below:

	2024		2023	
	At the end of the year		At the end of the year	
	Outstanding balance	Specific reserve	Outstanding balance	Specific reserve
Commercial:				
Corporation	\$ 824,889	\$ -	\$ 84,257	\$ 42,159
Total commercial	<u>824,889</u>	<u>-</u>	<u>84,257</u>	<u>42,159</u>
Consumer:				
Personal	480,202	128,818	483,530	187,983
Mortgage	349,338	67,822	182,671	1,816
Auto	663,979	326,843	985,944	305,898
Guaranteed	9,164	1,833	1,376	-
Photovoltaic	48,347	26,789	32,354	4,559
Credit Card	104,204	27,781	108,972	19,153
Cemetery Plot	31,734	6,347	28,766	13,275
Others	85,692	-	-	-
Total consumer	<u>1,772,660</u>	<u>586,233</u>	<u>1,823,613</u>	<u>532,684</u>
Total delinquency loans	<u>\$ 2,597,549</u>	<u>\$ 586,233</u>	<u>\$ 1,907,870</u>	<u>\$ 574,843</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(4) LOANS (CONTINUED)

CONSUMER LOAN PORTFOLIO QUALITY INDICATORS (CONTINUED)

The following is a summary of loans modified and classified as restructured, as well as those restructured loans that subsequently became delinquent as of December 31, 2024 and 2023:

	Restructured loans			Delinquent restructured loans		
	Amount of loans	Principal balance	Assigned reserve	Amount of loans	Principal balance	Assigned reserve
2024						
Personal	67	\$ 752,995	\$ 27,298	7	\$ 85,692	\$ 22,457
Mortgage	8	1,199,999	42,752	1	166,668	32,881
Total consumer	75	\$ 1,952,994	\$ 70,050	8	\$ 252,360	\$ 55,338

	Restructured loans			Delinquent restructured loans		
	Amount of loans	Principal balance	Assigned reserve	Amount of loans	Principal balance	Assigned reserve
2023						
Personal	52	\$ 467,577	\$ 97,402	7	\$ 61,340	\$ 12,865
Mortgage	8	1,224,350	186,064	0	-	-
Total consumer	60	\$ 1,691,927	\$ 283,466	7	\$ 61,340	\$ 12,865

The following is a summary of the type of concession granted to restructured loans for the year ended December 31, 2024 and 2023:

	December 31, 2024			December 31, 2023		
	Annual Interest Rate and/or Maturity Date	Principal Forgiveness	Total	Annual Interest Rate and/or Maturity Date	Principal Forgiveness	Total
Personal	\$ 752,995	\$ -	\$ 752,995	\$ 467,577	\$ -	\$ 467,577
Mortgage	1,199,999	-	1,199,999	1,224,350	-	1,224,350
	\$ 1,952,994	\$ -	\$ 1,952,994	\$ 1,691,927	\$ -	\$ 1,691,927

The following is a summary of the loans modified during the year ended December 31, 2024.

Type	Number of Loans	Recorded Investment Before Modification	Recorded Investment After Modification
Personal	28	\$ 426,170	\$ 426,170

The delinquency of the balance of loans modified during the year ended December 31, 2024 is as follows:

Type	61-180	181-365	Over 365	Total
Personal	\$ 47,010	\$ -	\$ -	\$ 47,010

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(5) INVESTMENTS IN COOPERATIVE ENTITIES

Shares and contributions in cooperative entities as of December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Corporación Publica para la Supervisión y Seguro de Cooperativas de Puerto Rico (COSSEC)	\$ 1,237,725	\$ 1,208,185
Cooperativa de Seguros de Vida (COSVI)	238,924	238,924
Liga de Cooperativas	2,096	2,096
Cooperativa de Seguros Múltiples de Puerto Rico	663,384	614,245
Fondo de Inversión y Desarrollo Cooperativo de Puerto Rico (FIDECOOP)	90,427	90,427
Banco Cooperativo de Puerto Rico	31,862	29,360
Otras Cooperativas	47,725	47,725
Total	<u>\$ 2,312,143</u>	<u>\$ 2,230,962</u>

The bylaws of these cooperatives include provisions that limit the full withdrawal of the investment without prior notice to the member, when justified by their financial condition. Participation in COSSEC requires maintaining a capital contribution equal to one percent (1%) of the total shares and deposits held by the credit union as of June 30 of each year. As of December 31, 2024 and 2023, the contribution meets the required capital amount.

(6) PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Building and Property Improvements	\$ 3,325,678	\$ 3,162,010
Auto	57,000	57,000
Programming	1,945,889	1,559,759
Furniture and Equipment	1,095,302	1,084,348
Subtotal	6,423,869	5,863,117
Less Accumulated Depreciation	(3,698,179)	(3,287,949)
	2,725,690	2,575,168
Land	314,268	314,268
Total	<u>\$ 3,039,958</u>	<u>\$ 2,889,436</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(7) OTHER ASSETS

Other assets as of December 31, 2024 and 2023 were as follows:

A summary of the types of concessions granted to the restructured loans for the years ended December 31, 2021 and 2020 is presented below:

	<u>2024</u>	<u>2023</u>
Deposit - acquired equipment	\$ 86,976	\$ 553,135
Accumulated costs for the acquisitions of branches	461,285	524,015
Unamortized loss- Law 255	-	723,746
Foreclosed properties and repossessed vehicles, net of allowance	<u>2,368,150</u>	<u>1,726,852</u>
Total	<u>\$ 2,916,411</u>	<u>\$ 3,527,748</u>

(8) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts and accrued expenses payable as of December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Interest payable	\$ 67,696	\$ 70,379
Vacation and bonuses payable	105,959	70,363
Provisions	125,360	89,060
Loan escrow accounts	463,649	363,275
Insurance	213,577	217,948
Payroll taxes	7,373	7,646
Former members	112,863	143,366
Other accounts payable	<u>396,490</u>	<u>295,344</u>
Total	<u>\$ 1,492,967</u>	<u>\$ 1,257,381</u>

(9) LINE OF CREDIT WITH INVESTMENT COLLATERAL

The credit union maintains a margin line of credit with the investment brokerage firm Multi-Bank Securities, Inc., which is primarily used to finance the acquisition of securities and financial instruments. This line of credit is secured by the securities held in the investment account and is subject to minimum maintenance margins established by the broker.

As of December 31, 2024, the outstanding balance on this line of credit amounted to \$3,745,146, classified under the liabilities section of the balance sheet. The total credit limit is 50% of the total marginable investments in the portfolio, at the prevailing Federal Reserve interest rate plus 125 basis points.

The credit union may be required to provide additional collateral or reduce the outstanding balance if the market value of the pledged securities falls below certain thresholds. Interest expense related to this line of credit totaled \$5,703 for the year ended December 31, 2024.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(10) DEPOSITS

As of December 31, 2024 and 2023, regular savings accounts of members and non-members earned annual interest rates ranging from 0.81% to 0.32%, respectively, calculated on a daily basis. It is the credit union's policy to allow withdrawals from savings accounts on any business day. However, when deemed necessary by the Board of Directors, members may be required to provide up to thirty (30) days' notice of their intention to withdraw funds.

The interest rate on certificates varies based on the market rate, the amount, and the negotiated term. Savings balances held in the Christmas and Summer Savings Plans earn an annual interest rate of two percent (2%). These deposits are usually withdrawn in October and June of each year.

As part of its additional services to members, the credit union also maintains share draft accounts (checking or payment order accounts) with Banco Cooperativo de Puerto Rico. The credit union is responsible for all risks associated with operating share draft accounts, including but not limited to customer acceptance, account opening, deposit acceptance, check hold placements, overdrafts, crediting customer accounts, and all other risks inherent to this type of service. The credit union paid the administrative costs of these accounts. The credit union sets the service charges to customers. It also sets the service charges to the representative in the exchanges and/or checks returns in accordance with the regulations of the Puerto Rico Clearing House Association. The credit union shall maintain a master account with the bank, with a balance equal to ten percent (10%) of the total balances of all share draft accounts held at the bank and one hundred percent (100%) of all authorized overdrafts. The share draft accounts balance recorded in the books as of December 31, 2024 and 2023 were \$8,211,556 and \$8,421,585, respectively.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents, Accrued Interest Receivable, and Accrued Expenses and Other Liabilities

The carrying amount of cash and cash equivalents, accrued interest receivable, and accrued expenses and other liabilities approximates their fair value due to the short-term nature of these instruments.

Loans Receivable

The market value of loans receivable is based on the discounted value of expected future cash flows to be received from a loan or group of loans, using current rates at which similar loans could be made to borrowers with comparable credit ratings and similar remaining maturities. This method considers changes in interest rates and changes in credit risk within the selected discount rate. A specific interest rate may be applied to homogeneous loan categories, such as credit cards, auto loans, and mortgage loans.

Investments in Marketable Securities and Certificates of Deposit

The market value of investments in marketable securities and certificates of deposit (with maturities greater than three months) was determined using quoted market prices for these types of investments.

Deposits and Shares

The fair value of members' and non-members' fixed-maturity deposits is estimated using the rates currently offered for deposits with similar remaining maturities. The fair value of deposits and shares without a fixed maturity is the amount payable on demand as of the reporting date. The book value and the estimated fair value of the credit union's financial instruments as of December 31, 2024 and 2023 are as follows:

	December 31, 2024		December 31, 2023	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial Assets:</u>				
Cash and cash equivalents	\$ 6,322,493	\$ 6,322,493	\$ 5,006,164	\$ 5,006,164
Loans, net of allowance	90,896,654	88,364,043	77,680,191	77,680,191
Saving certificates, over three months	1,778,206	1,778,206	2,440,000	2,440,000
Investments:				
Marketable securities	22,068,411	22,068,411	26,304,539	26,304,539
Shares in cooperative entities, excluding COSSEC	1,074,418	1,074,418	1,022,777	1,022,777
Foreclosure properties	2,368,150	2,368,150	1,726,852	1,726,852
Interest receivable	230,139	230,139	333,025	333,025
Totals	\$ 124,738,471	\$ 122,205,860	\$ 114,513,548	\$ 114,513,548
<u>Financial Liabilities:</u>				
Deposit and saving certificates	\$ 97,125,847	\$ 97,125,847	\$ 93,874,281	\$ 93,874,281
Shares	19,856,768	19,856,768	19,524,557	19,524,557
	\$ 116,982,615	\$ 116,982,615	\$ 113,398,838	\$ 113,398,838

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(12) COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Commitment to extend credit

As of December 31, 2024 and 2023, the Cooperative had committed to extend credit or had approved but not yet disbursed loans and lines of credit not yet reflected in its financial statements related to its MasterCard credit card program, amounting to \$2,056,147 and \$2,119,659, respectively.

Legal actions

The credit union is involved in various legal actions commonly related to financial institutions of its nature. Based on the opinion of management and its legal advisors, the overall effect of these actions is not, and will not be, significant to the credit union's financial statements.

Mortgage loans sold

Beginning in 2003, the credit union adopted a strategy of selling part of its mortgage loan portfolio—primarily with recourse (guarantee)—to various financial institutions, while retaining servicing agreements over the mortgage loan portfolio sold. The outstanding balance of the mortgage loans sold since 2003 amounted to \$10,932,471 and \$11,540,927 as of December 31, 2024 and 2023, respectively. In some cases, the sales agreements between the parties provide, among other things, that those loans delinquent for 90 days or more and/or loans for which the Credit Union cannot provide requested documentation will be replaced by other loans of similar characteristics and/or repurchased by the credit union within a period ranging from one (1) to three (3) years.

Exposure of the Credit Union to the fiscal situation of Puerto Rico

The economic conditions of Puerto Rico may affect loan demand, increase the rate of foreclosures and moratoriums on granted loans, and delinquency. Government fiscal austerity measures or cuts to federal programs result in fewer resources available for communities and, consequently, a reduction in the island's economic activity where the credit union conducts its operations and business. Recent changes in U.S. trade policy may also impact several industries in Puerto Rico. Any economic downturn may affect the financial stability of members, leading to loan defaults and the need to recognize greater provisions for credit losses. While PROMESA provides a process to address the fiscal crisis of the Government of Puerto Rico, the duration and complexity of the Title III proceedings suggest a risk of further economic contraction.

(13) ADVERTISING AND PROMOTION

The Credit Union incurred advertising and promotion expenses, which are recognized when incurred. Such expenses amounted to \$240,326 and \$183,155, for the year ended December 31, 2024 and 2023, respectively.

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(14) RECLASSIFICATIONS

Certain reclassifications have been made to the 2023 financial statements to conform with the presentation adopted in the 2024 financial statements. These reclassifications had no effect on the reported net income.

(15) RISK CONCENTRATION

The Credit Union maintains cash accounts in various banking institutions and cooperative entities in Puerto Rico. Accounts held at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and accounts at cooperative entities are insured by COSSEC up to \$250,000. As of December 31, 2024 and 2023, the Credit Union held balances exceeding the insured limits at banking institutions and cooperatives in the amounts of \$6,550,780 and \$4,048,193, respectively.

(16) UNDISTRIBUTED CAPITAL AND ASSETS SUBJECT TO RISK

Article 6.02 of Law 255 establishes that Credit Unions shall maintain a capital reserve known as undistributed capital. It also establishes the minimum percentage ratios of undistributed capital to total assets subject to risk that will be required for Credit Unions over the coming years, until reaching 8% of the total assets subject to risk.

To this effect, the Public Corporation for the Supervision and Insurance of Puerto Rico Credit Unions (COSSEC) issued the Circular Letter 03-04, which establishes the requirement for the filing of a standardized form used to compute the ratio of undistributed capital to total assets subject to risk, so that credit unions may perform the calculation in accordance with the requirements of Law 255.

The following is a presentation of the percentage that the undistributed capital reserve represents in relation to the total risk-weighted assets:

Determination of undistributed capital

<u>Elements of undistributed capital:</u>	<u>2024</u>	<u>2023</u>
Reserve for undistributed capital	\$ 2,169,300	\$ 2,157,000
15% Undistributed earnings	15,000	30,000
Capital obligations	650,000	450,000
Other reserves	11,032,375	9,295,984
Portion of the allowance for credit losses for non-delinquent loans	<u>1,201,593</u>	<u>1,009,276</u>
Total elements of undistributed capital	<u>\$ 15,068,268</u>	<u>\$ 12,942,260</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(16) UNDISTRIBUTED CAPITAL AND ASSETS SUBJECT TO RISK (CONTINUED)

Determination of Assets Subject to Risk

Assets with risk consideration of 0%

100% Cash on hand owned by the Credit Union in its offices or in transit.	\$ 917,279	\$ 1,059,787
100% Mortgage loans fully guaranteed by first residential mortgages of one to four families. These loans must qualify for sale in the secondary mortgage market, show no delinquency in excess of ninety (90) days, and have a maximum loan-to-value (LTV) ratio of eighty percent (80%). However, the Corporation may, through regulation or administrative determination, authorize higher loan-to-value ratios that are consistent with secondary market standards.	676,658	700,584
100% the portion of the loans of the members guaranteed by shares, deposits or both that cannot be withdrawn from the Credit Union.	10,086,795	9,789,967
100% the investment of the Credit Union in the COSSEC.	1,237,725	1,208,185
Total assets with risk consideration of 0%	<u>12,918,457</u>	<u>12,758,523</u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(16) UNDISTRIBUTED CAPITAL AND ASSETS SUBJECT TO RISK (CONTINUED)

Assets subject ro risk with a consideration of risk of 20%

80% Balances in collection process.	4,529,781	3,157,102
80% Interest in collection process.	76,479	71,211
80 % Obligations and debt securities, including portions of all of them, that are issued, insured, or guaranteed unconditionally by the Commonwealth of Puerto Rico or its agencies or by the United States Government whose obligations are not explicitly supported by the entire faith and credit from the United States Government, including Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Farm Credit System, Federal Home Loan Bank System y Student Loan Marketing Association (SLMA).	17,654,726	21,107,350
80 % Loans, including portions of all of them, that are issued, insured, or guaranteed unconditionally by the Commonwealth of Puerto Rico or its agencies or by the United States Government whose obligations are not explicitly supported by the entire faith and credit from the United States Government, including Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Farm Credit System, Federal Home Loan Bank System y Student Loan Marketing Association (SLMA).	497,284	-
80% of deposits, loans, obligations, and debt securities, including portions thereof, that are issued, insured, or guaranteed by depository institutions of the United States and Puerto Rico, including the Cooperative Bank of Puerto Rico. Excludes shares from for-profit entities.	1,422,565	1,952,000
80% of the value in the books of real property or appraised value as certified by a duly qualified appraiser, whichever is less, that is being used or projected to be used as offices, branches, service centers, parking areas, or other facilities, net of any debt that is directly guaranteed by a mortgage lien constituted and perfected on said property.	2,911,956	2,781,022
80% of prepaid insurance related to the institution's risks.	301,779	274,857
80% of common or preferred shares backed by investments in the Cooperative Bank, Cooperativa de Seguros Múltiples, and Cooperativa de Seguros de Vida (COSVI), as long as they maintain their par value as reflected in their financial statements and that they are redeemable.	747,336	706,023
Total assets subject ro risk with a consideration of risk of 20%	28,141,906	30,049,565

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(16) UNDISTRIBUTED CAPITAL AND ASSETS SUBJECT TO RISK (CONTINUED)

Assets subject to risk with a consideration of risk of 50%

50% of loans fully guaranteed by first mortgages on residential properties. These loans do not meet the parameters of the secondary mortgage market and may not present delinquency in excess of ninety (90) days.

9,889,201 7,260,464

50 % of commercial loans fully guaranteed by first mortgages on real estate, whether residential or non-residential. These loans do not meet the parameters of the secondary mortgage market and may not present delinquency in excess of ninety (90) days.

6,160,319 5,023,817

50% of auto loans without delinquency over 90 days.

8,446,956 7,827,013

50% of the investment in shares in other cooperatives-related entities as long as they do not have current or accumulated losses.

4,548 4,548

Total assets subject to risk with a consideration of risk of 50%

24,501,024 20,115,842

Total assets not subject to risk

\$ 65,561,387 \$ 62,923,930

Indivisible capital to total risk-weighted assets ratio:

Total assets (excluding the allowance for credit losses)

\$ 133,066,896 \$ 123,518,598

Total assets not subject to risks

(65,561,387) (62,923,930)

Total assets subject to risks

\$ 67,505,509 \$ 60,594,668

Ratio of undistributed capital to total assets subject to risk

22.32% 21.36%

	2024	2023
Elements of undistributed capital	\$ 15,068,268	\$ 12,942,260
Total assets subject to risks	67,505,509	60,594,668
Ratio of undistributed capital to total assets subject to risk	<u><u>22.32%</u></u>	<u><u>21.36%</u></u>

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024 AND 2023

(17) HEALTH INSURANCE PLAN

The Credit Union provides its employees with a health insurance plan, and contributes a portion of the coverage. The expense under this concept for the years ended December 31, 2024 and 2023 amounted to \$183,852 and \$164,120, respectively.

(18) GROUP LIFE INSURANCE ON SHARES AND LOANS AND FUNERAL INSURANCE

Members who meet the eligibility requirements are entitled to a life insurance coverage equal to the balance of their shares, up to a maximum of \$10,000, and an insurance for the loan balances up to a maximum of \$50,000 in total coverage. The insurance is provided through Cooperativa de Seguros de Vida (COSVI) and is funded by both the Credit Union and the member, respectively. The insurance expense amounted to \$143,311 and \$96,216 for the years ended December 31, 2024 and 2023, respectively.

(19) PENSION PLAN

The Credit Union has a defined contribution pension plan for all eligible employees. The annual minimum contribution by the Credit Union, including administrative costs, is calculated based on the salary of each covered employee. The contribution rate reaches up to a maximum of six percent (6%), depending on the monthly compensation of each employee. It is the Credit Union's policy to deposit the accumulated plan funds into a trust. The expense for this plan amounted to \$86,567 and \$75,019 for the years ended December 31, 2024 and 2023, respectively.

(20) SUBSEQUENT EVENTS

ASC 855, related to Subsequent Events, establishes the general standards for accounting for and disclosing events that occur after the balance sheet date but before the financial statements are issued. Specifically, it defines the period after the balance sheet date during which management of the Credit Union must evaluate events or transactions that may have occurred and that would require recognition or disclosure in the financial statements. It also establishes the circumstances under which the Credit Union should recognize and disclose such events and the type of disclosure that should be provided for events occurring after the balance sheet date.

In accordance with ASC 855, the Credit Union evaluated its subsequent events through April 23, 2025, the date the financial statements were available to be issued. Management of the Credit Union believes that no material subsequent events occurred after December 31, 2024, that would require recognition or additional disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

COOPERATIVA DE AHORRO Y CRÉDITO JESÚS OBRERO
DETAIL OF OTHER EXPENSES (EXCLUDING INTEREST)
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Salaries, vacation and bonuses	\$ 1,612,482	\$ 1,275,062
Payroll taxes	150,957	122,996
Health insurance	183,852	164,120
Pension plan	86,567	75,019
Other benefits	15,805	14,250
Salaries and related expenses	<u>2,049,663</u>	<u>1,651,447</u>
Depreciation	472,960	368,315
Rent	23,750	23,700
Programming improvements	49,149	31,979
Repairs and maintenance	817,905	567,398
Facilities, equipment, and maintenance	<u>1,363,764</u>	<u>991,392</u>
Call center services	99,556	103,667
Collection services	56,578	44,073
Security services	71,644	79,936
Legal services	20,257	20,536
Other	379,306	419,792
Professional services	<u>627,341</u>	<u>668,004</u>
COSSEC insurance	229,977	206,865
Member insurance	143,311	96,216
Bond insurance	44,264	43,695
Directors insurance	40,054	39,000
Other	94,261	75,679
Insurance and bonds	<u>551,867</u>	<u>461,455</u>
Advertising and promotions	240,326	183,155
Cooperative education	45,111	41,700
Donations	1,325	920
Promotion and cooperative education	<u>286,762</u>	<u>225,775</u>
Materials	34,293	41,113
Electricity and water	24,321	28,129
Telephone	76,754	67,893
Post office rent and stamps	23,045	18,399
Office utilities and expenses	<u>158,413</u>	<u>155,534</u>
Assembly expenses	<u>69,737</u>	<u>45,800</u>
Board of Directors and Committees expenses	<u>13,502</u>	<u>14,069</u>
Bank charges	93,514	82,642
Credit report and account statements	87,095	79,788
Sales and use tax	75,835	72,079
Currency exchange carrier	44,420	36,866
Repossessed properties provision	-	90,000
Activities	44,148	42,316
Vehicle registration	14,038	16,173
Representation	6,486	6,893
Other	14,264	21,027
Other and miscellaneous	<u>379,800</u>	<u>447,784</u>
Total operating, general and administrative expenses	<u><u>\$ 5,500,849</u></u>	<u><u>\$ 4,661,260</u></u>