Puerto Rico Federal Credit Union

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the years ended
December 31, 2025 and 2024

Puerto Rico Federal Credit Union
For the years ended
December 31, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

Audit and Supervisory Committee and Board of Directors
Puerto Rico Federal Credit Union
Guaynabo, Puerto Rico

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS:

AUDITORS' OPINION

We have audited the accompanying financial statements of the Puerto Rico Federal Credit Union ("the Credit Union") which comprise the statements of financial condition as of December 31, 2025 and 2024, and the related statements of income and expenses, changes in members' equity, comprehensive income and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2025 and 2024, and the results of its operations, changes in members' equity, comprehensive income and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted 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 the Credit Union 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.

MANAGEMENTS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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 the Credit Union's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union'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 the Credit Union'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.

LLAVONA CASAS CPA-PSC
Tus socios para el éxito

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

EMPHASIS OF A MATTER

Allowance for Credit Losses on Loans Held in Portfolio (receivable): Quantitative Models and Qualitative Adjustments

As described in Note 2 of the financial statements, the Credit Union follows the Current Expected Credit Losses (CECL) model to establish and assess the Allowance for Credit Losses (ACL) to cover expected losses in the loan portfolio. As of December 31, 2025, the allowance for credit losses represented $2,438,928 out of a total loan portfolio of $134,905,444.

This CECL model establishes a prospective methodology reflecting expected credit losses over the life of financial assets. The quantitative model framework includes competitive risk scenarios to generate defaults and prepayments over the life of the assets, along with other loan-level modeling techniques to estimate loss severity. As part of this methodology, management evaluates various macroeconomic scenarios and may apply probability weighting to the outcome of selected loss scenarios. The ACL also includes a qualitative framework addressing expected but unobservable losses within the quantitative model framework. To identify potential losses not captured through the models, management assessed model limitations as well as the different risks covered by the variables used in each quantitative model.

San Juan, Puerto Rico
March 12, 2026

COLEGIO DE CONTADORES PÚBLICOS AUTORIZADOS DE PUERTO RICO
CPA
$5.00 $2.00

DPSC226-59
Puerto Rico Federal Credit Union

LLAVONA - CASAS, CPA PSC
License Number 226
Expires on December 1, 2027

Assets	**2025**	**2024**
Cash, cash equivalents and restricted cash	$ 4,696,816	$ 11,755,025
Certificates of deposits (maturity greater than three months)	2,365,579	6,593,579
Investments in securities:		
Available for sale	32,599,705	35,567,119
Held to maturity	997,386	1,994,676
Total investments in securities	33,597,091	37,561,795
Loans receivable in portfolio:	134,905,444	130,928,599
Allowance for credit losses	(2,438,928)	(2,410,646)
Loans receivable in portfolio, net	132,466,516	128,517,953
Accrued interest receivable	651,579	583,235
NCUSIF deposit	1,563,073	1,713,438
Investment in corporate credit union	1,194,237	1,185,990
Property and equipment, net of accumulated depreciation	5,152,673	5,438,365
Foreclosed and repossessed assets	82,000	-
Prepaid expenses and other assets	418,893	435,106
Total assets	$ 182,188,457	$ 193,784,486
Liabilities and Members' Equity		
Members' shares, savings and certificates of deposit accounts	$ 159,523,498	$ 173,662,141
Accrued interest payable	69,969	103,078
Accounts payable and accrued liabilities	1,414,423	988,408
Total liabilities	161,007,890	174,753,627
Members' Equity		
Regular reserve	2,947,255	2,947,255
Undivided earnings	23,051,887	22,757,327
Accumulated other comprehensive loss	(4,818,575)	(6,673,723)
Total members' equity	21,180,567	19,030,859
Total liabilities and members' equity	$ 182,188,457	$ 193,784,486

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

Puerto Rico Federal Credit Union

STATEMENTS OF INCOME AND EXPENSES

For the years ended December 31, 2025 and 2024

	2025	**2024**
Interest Income:		
Interest on loans	$ 8,930,772	$ 7,843,942
Interest on investment securities and savings	1,249,026	1,581,121
Total interest income	10,179,798	9,425,063
Interest expense:		
Interest and dividends on members' shares, savings accounts and borrowed funds	(2,165,474)	(2,998,895)
Income before provision for credit losses	8,014,324	6,426,168
Provision for credit losses	(1,883,000)	(1,859,600)
Net interest income after provision for credit losses	6,131,324	4,566,568
Other income (excluding interest)	1,084,983	1,051,228
Other expenses (excluding interest)		
Compensation and benefits	1,988,596	1,965,064
Office operations	874,324	970,501
Occupancy and related	1,040,170	1,035,575
Professional services and contracted services	564,162	606,657
Education and promotional	301,008	370,443
Data Processing	680,793	130,283
Loss on sale of repossessed assets	28,013	18,364
Loss on sale of investment securities	-	-
Other operating expenses	1,444,681	1,066,419
Total other expenses (excluding interest)	6,921,747	6,163,306
Net Income (Loss)	$ 294,560	$ (545,510)

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

Puerto Rico Federal Credit Union
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the years ended December 31, 2025 and 2024

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income/(loss)	Total
Balance, December 31, 2023	$ 2,947,255	$ 23,302,837	$ (6,985,540)	$ 19,264,552
Net loss	-	(545,510)	-	(545,510)
Other comprehensive income	-	-	311,817	311,817
Balance, December 31, 2024	2,947,255	22,757,327	(6,673,723)	19,030,859
Net income	-	294,560	-	294,560
Other comprehensive income	-	-	1,855,148	1,855,148
Balance, December 31, 2025	$ 2,947,255	$ 23,051,887	$ (4,818,575)	$ 21,180,567

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

	2025	2024
Net Income/Loss	$ 294,560	$ (545,510)
Other Comprehensive income (expenses):		
Changes in net unrealized gain (loss) on investment securities available for sale during the year	1,855,148	311,817
Total comprehensive net income (loss)	$ 2,149,708	$ (233,693)

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

Puerto Rico Federal Credit Union
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Net income (loss)	$ 294,560	$ (545,510)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	313,143	305,626
Provision for credit losses	1,883,000	1,859,600
(Gain) Loss on sale of investment securities	(3,525)	(5,226)
Loss (Gain) on sale of repossessed assets	28,013	18,364
Premium amortization and discount accretion, net	(11,051)	(376,875)
Net unamortized deferred origination fees	(184,047)	(678,142)
Recoveries on charged-off loans	389,930	200,540
(Increase) decrease in assets:		
Accrued interest receivable	(68,344)	(23,596)
Prepaid expenses and other assets	16,213	101,585
(Decrease) increase in liabilities:		
Accrued interest payable	(33,070)	(57,462)
Accounts payable and accrued liabilities	426,015	(776,093)
Total adjustments	2,756,277	568,321
Net cash provided by operating activities	3,050,837	22,811
Cash flows from investing activities:		
Cash proceeds from maturities, disposition and return on principal over investments	5,812,326	(1,754,089)
Net decrease in certificates of deposit	4,228,000	225,094
Adquisition of investment securities available for sale	(2,258,833)	3,718,477
Net decrease (increase) in loans to members	(3,948,563)	11,916,057
Acquisitions of property and equipment	(27,451)	(139,697)
Net proceeds from sale of repossessed assets	82,000	11,636
Investment in credit corporate union	(8,247)	(32,510)
Deposit in NCUSIF	150,365	172,598
Net cash provided by investing activities	4,029,597	14,117,566
Cash flows from financing activities:		
Net (decrease) increase in shares and savings accounts	(14,138,643)	(23,676,851)
Net cash (used) by financing activities	(14,138,643)	(23,676,851)
Net (decrease) in cash, cash equivalents and restricted cash	(7,058,209)	(9,536,474)
Cash, cash equivalents and restricted cash at beginning of year	11,755,025	21,291,499
Cash, cash equivalents and restricted cash at end of year	$ 4,696,816	$ 11,755,025

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

Supplemental Disclosures of Cash Flow Information

- Interests and dividends paid for the years ended December 31, 2025, and 2024 were approximately $2,165,474 and $2,998,895, respectively.

- During the years ended December 31, 2025 and 2024, change in comprehensive net income were recognized for $1,855,148 and $311,817, respectively.

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

1. ORGANIZATION

Puerto Rico Federal Credit Union ("Credit Union") is located in Guaynabo Puerto Rico and was organized and chartered under the Federal Credit Union Act ("The Law"). The Credit Union is organized to promote thrift among its members by receiving savings from its members in the form of shares and deposits to provide sources of financing. Its powers are limited to those granted in its regulations and the Law. The Credit Union is governed by the rules established in its statutes and the regulations issued by the National Credit Union Administration (NCUA), the regulatory entity. As of December 31, 2025, and 2024, the NCUA insured the Credit Union shares members' accounts up to $250,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented following the accounting principles generally accepted in the United States of America (U.S. GAAP). The most significant policies are as follows:

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the allowance for loan losses.

Reclassifications

Certain figures in the accompanying 2024 financial statements were reclassified to conform to the 2025 presentation.

Tax Exemption

The Credit Union, their subsidiaries or affiliates shall be exempt from all kinds of income, property, patent, or any other tax imposed or imposed later by the Commonwealth of Puerto Rico or any political subdivision thereof. Several previous laws eliminated the exemption from excise taxes and from the sales and use tax (IVU) on the purchases of goods and services by credit unions.

All members' shares and securities issued by credit unions and by any of their subsidiaries or affiliates are exempt, including the total value and the dividends or interests paid in accordance with them, from any types of contributions from revenues, property, excise taxes, municipal taxes or other taxes imposed or then later could be imposed by the Commonwealth of Puerto Rico or any of its political subdivisions.

Cash and Cash Equivalents

For purposes of the cash flow statements, the Credit Union considers cash and cash equivalents, the change fund, current accounts in local banks, money market accounts and certificates of deposit that have a maturity date of three months or less from the date of purchase. Certificates of deposit with a maturity date in excess of 90 days from the date of purchase are presented in a separate line in the statement of financial condition.

Restricted Cash

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Credit Union to credit risk include cash balances and certificate of deposits with several financial institutions located in Puerto Rico and the United States, which were insured for up to $250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). The balances may exceed amounts insured by the FDIC. Credit risk for loans receivable and share accounts are also concentrated since most of the Credit Union’s members are in the Puerto Rico geographical area.

Loans to Members

The Credit Union extends credit to its members through personal loans, auto loans, mortgages, credit cards and lines of credit. During 2025 and 2024, the Credit Union originated loans with an aggregated dollar value of approximately $50,897,502 and $78,320,111, respectively. Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and net origination fees. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 60 days delinquent unless the credit is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Investment in Marketable Securities

Investments are made in accordance with the Credit Union's policies, which incorporate the regulations of National Credit Union Administration (NCUA), hence they are principally invested in federally sponsored and guaranteed financial instruments. Marketable securities mainly consist of agency securities and obligations issued by the United States Government, obligations of United States corporations, and securities collateralized by mortgages on residential, commercial, and other assets in the United States. Investment securities are classified into two categories and accounted for as follows:

Classified as held-to-maturity

Debt securities that the Credit Union intends and has the ability to hold until maturity are classified as held-to-maturity debt securities and are recorded at amortized cost. An allowance for credit losses (ACL) is established for expected credit losses over the remaining term of the held-to-maturity debt securities.

The Credit Union has established a methodology for estimating credit losses that considers qualitative factors, including internal credit ratings and the underlying payment source to determine the amount of expected credit losses. Held-to-maturity debt securities are adjusted through the ACL when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life.

There may be certain financial assets for which the expectation of zero credit loss after evaluating historical loss information, making necessary adjustments for current conditions and reasonable and sustainable forecasts, and considering any collateral.

Factors to consider when evaluating whether expectations of zero credit loss are appropriate may include, among others:

- A financial asset that is fully collateralized by cash or cash equivalents;
- Principal and interest payments guaranteed by the government of the United States of America.

The Credit Union cannot sell or transfer held-to-maturity securities without questioning its intention to hold the debt securities until maturity unless a non-recurring or unusual event has occurred that could not have been reasonably anticipated.

Classified as available-for-sale

Debt securities classified as available-for-sale are recorded at fair value. Decreases in fair value below amortized cost of securities not related to estimated credit losses are recorded through comprehensive income. If the Credit Union intends to sell or believes it is more likely than not to be required to sell the debt security, it is written down to its fair value through operations.

The Credit Union's available-for-sale securities portfolio is primarily composed of United States Treasury bonds and obligations of the United States Government. These securities have an explicit or implicit guarantee from the government of the United States, have high ratings from major rating agencies, and have a long history without credit losses. Therefore, the Credit Union applies a zero-credit loss assumption, and no ACL has been established for these securities.

The Credit Union monitors the composition of its securities portfolio and credit performance to determine if any provision is considered necessary. Available-for-sale debt securities are written off when a portion or all the amount is considered uncollectible, based on the information considered to develop expected credit losses over the asset's life. The specific identification method is used to determine realized gains and losses on available-for-sale debt securities, which are included in net gain or loss on the sale of debt securities in the income statement.

Deferred Loan Origination Costs

The Credit Union adopted ASC 310-20, Fees and Other Non-Reimbursable Costs, this standard establishes that direct costs in granting credit be deferred and amortized, and that the income generated in the borrowing activity by commissions is also recognized through of the life of the loans.

Accounting Standards Codification (ASC) from FASB - Financial Instruments: Credit Losses (Topic 326)

The Expected Credit Losses (CECL) model is applied to financial assets measured at amortized cost that are subject to credit losses and certain exposures outside of the balance sheet. CECL establishes a prospective methodology that reflects expected credit losses over the life of financial assets, beginning when such assets are acquired or originated. Under the revised methodology, credit losses are measured based on past events, current conditions, and reasonable and supportable forecasts that affect the recoverability of financial assets. CECL also revises the approach for recognizing credit losses on securities available for sale by replacing the direct write-off approach with the allowance approach and limiting the credit reserve to the amount by which the market value of the security is below amortized cost.

As a result of the adoption, the Credit Union recorded an increase in its allowance for credit losses related to its loan portfolio. The adoption of CECL was recognized under the Weighted Average Remaining Maturity (WARM) approach. Therefore, adjustments to record the increase in the reserve for credit losses were recorded as a decrease in the surplus for the implementation year as a first-day adjustment. The total adjustment, as a result of the cumulative effect in accounting change, on capital or undivided earnings related to the adoption of CECL was $966,880 as of December 31, 2024.

Allowance for Credit Losses

The Credit Union establishes the allowance for credit losses (ACL) for its loan portfolio based on its estimate of credit losses over the remaining contractual term of the loans, adjusted for expected prepayments, in accordance with ASC 326 "Financial Instruments - Credit Losses." An ACL is recognized for all loans, including originated and acquired loans, from inception, with a corresponding provision for credit losses charge. Losses on loans are charged by reducing the ACL, and recoveries are credited as increases.

The Credit Union follows a methodology to estimate the ACL that includes a reasonable and justifiable forecast period to estimate credit losses, considering both quantitative and qualitative factors as well as the economic outlook. As part of this methodology, management evaluates various macroeconomic scenarios provided by third parties. As of December 31, 2025 and 2024, management applied probability weighting to the outcomes of selected scenarios. This assessment includes comparison procedures as well as careful analysis of the underlying assumptions used to construct the scenarios. The Credit Union considers additional macroeconomic scenarios as part of its qualitative adjustment framework.

The macroeconomic variables chosen to estimate credit losses were selected by combining quantitative procedures with expert judgment. These variables were determined as the best forecasts of expected credit losses within the Credit Union's loan portfolios and include indicators such as unemployment rate, various measures of employment levels, housing prices, gross domestic product, and measures of disposable income, among others. The determined loss framework includes a reasonable and justifiable period, with historical macroeconomic variables at the model input level.

The Credit Union developed quantitative models at the loan level segmented by loan type. This segmentation was determined by evaluating their risk characteristics, including repayment sources, terms, collateral type, among others. To generate expected credit losses, the output of these models is combined with information on historical losses based on weighted averages and estimated life of the developed segments.

The Credit Union has designated collateral-dependent loans when foreclosure is probable or when foreclosure is not probable but practical history is used. Practical history is used when payment is expected to be substantially provided through the sale or foreclosure of collateral. The ACL for collateral-dependent loans is measured based on the fair value of the collateral fewer selling costs. The fair value of the collateral is based on appraisals, which may be adjusted due to their age, and the type, location, and condition of the property or area or general market conditions to reflect the expected change in value between the effective date of the appraisal and the measurement date.

Modified Loans

Concurrent with the adoption of the Current Expected Credit Losses (CECL) methodology, the Credit Union adopted ASC Topic 326, Financial Instruments - Credit Losses (hereinafter ASC Topic 326) on January 1, 2024. This regulation eliminates the accounting and disclosure guidance for distressed debt restructurings (TDRs) and strengthens the disclosure requirements for modifications when a borrower faces financial difficulties, also called Financial Hardship Modifications (FDMs).

All FDMs must be evaluated to determine whether the modification results in a new loan or a continuation of the existing loan. A new loan will be considered to exist if the modification results in a change of 10% or more in cash flow or if the modification is significant.

Loan Portfolio Quality Indicators for Consumer Loans

The Credit Union measures the various credit risks of its portfolio by loan types. The delinquency, and credit score quality information per member and customer are quality indicators that the Credit Union monitors and utilizes in assessing credit quality.

Credit Score Quality Information

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

Credit Quality Levels, Credit Score and Loans to Members' Risk Exposure

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

Level 1 - 720 or more, member has little or no additional risk.

Level 2 - 719 to 670, member represents a nominal risk of loss.

Level 3 – 669 or less, member is experiencing some degree of financial difficulty, and represents a potential risk of loss.

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

Loan Charge-off Policies

The Credit Union's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis. All loans will be charged-off once deemed uncollectible.

Generally, non-performing loans are deemed to be a loss when they become three months delinquent unless it is determined prior that there is no collectability based on the established loan life collections process. This process includes well defined procedures and guidelines used to identify, monitor, and address non-performing loans and when they should be considered for charge-off.

Comprehensive Income

Accounting principles generally require revenue, expenses, gains, and losses to be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on investment securities, are reported as separate components of members' equity in the statements of financial condition.

Other Accounts Receivable

Accounts receivable are stated at their net realizable value.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is accordance with National Credit Union Administration (NCUA) regulations, requiring the maintenance of a deposit by each insured credit union in an amount equal to one percent (1%) of its insured shares. The deposit would be refunded to the credit union if: (1) the insurance coverage is terminated, (2) The Credit Union converts to insurance coverage from another source; (3) the operations of the fund are transferred from the NCUA Board.

Property and Equipment

Property and equipment are recorded at their acquisition cost. Improvements that extend the useful life of the asset are capitalized. Maintenance and repairs that do not extend the useful life of such assets are expensed as incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the related asset.

Management evaluates the carrying amount of property and equipment when events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. The recoverability of the asset that will be used and retained is determined by comparing the carrying amount to the future undiscounted cash flows expected to be generated by the asset.

If it is determined that an impairment in the value of any fixed asset has occurred, the difference between the future undiscounted cash flows and the carrying amount of the property and equipment is recognized against operations for the year.

For the years ended December 31, 2025, and 2024, the Cooperative did not recognize impairment losses on fixed assets.

Right of Use Assets

Lease contracts, which were identified as operating leases, are recognized on the balance sheet as a right-of-use asset (ROU) and in liabilities as lease liabilities for those with terms exceeding one year.

Lease liabilities and their corresponding ROU assets are initially recorded based on the present value of future lease payments over the expected lease term. An incremental borrowing rate is used, which is the rate at which borrowing could be obtained on a collateralized basis over a similar term in an amount equal to the lease payments. The ROU asset may include initial direct costs paid for the lease and incentives paid to the lessor.

Leased property, including variable lease payments made during the lease term and not based on a rate or index, is excluded from the measurement of ROU assets and lease liabilities, and recognized as lease expense as incurred.

Repossessed Properties

Properties acquired through foreclosure or other types of liquidation are recorded at fair market value less estimated disposal costs. The difference between the loan's carrying amount and the fair market value less the cost of sale is recorded as an adjustment to the ACL. After the property is foreclosed, any impairment loss arising from periodic revaluations of the properties, as well as any gains or losses from the sale of these properties, are charged against operations in the period incurred. The cost of maintenance and operation of such properties is recorded as expense as incurred.

Members’ Shares Accounts

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

Members' Equity

Puerto Rico Federal Credit Union is required by regulation to maintain a statutory reserve ("Regular reserves"); representing a regulatory restriction of members' equity, and thus these regular reserves are not available for the payment of dividends on share accounts. The statutory reserve consists of $2,947,255 for both years 2025 and 2024. Other appropriated members' equity amounts may be established or transferred at the discretion of the Board of Directors.

Advertising and Promotional Costs

Advertising and promotional costs are included in education and promotional expenses and are expensed as incurred.

Fair Value of Financial Instruments

The Credit Union adopted ASC 820, which defines the concept of fair value, establishes a consistent framework for measuring fair value, and expanded disclosures on fair value measurements.

Determination of Fair Value

Pursuant to ASC 820 provisions, the Credit Union determines fair value by the price that would be received to sell the asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Credit Union seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurement, in accordance with the fair value hierarchy provided by ASC 820.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

In some cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls entirely will be determined based on the lowest-level input that is significant to the entire fair value measurement.

Below is a summary of the hierarchy used by the Credit Union to classify various financial instruments:

- *Level 1 Input* - They correspond to prices quoted (unadjusted) in active markets for active or passive identical to which the entity can access the date of measurement. The active market for the asset or liability is the market in which transactions for the asset or liability occur frequently and there is enough volume to continuously provide information about pricing.

- *Level 2 Input* - Correspond to prices quoted for similar assets or liabilities in active markets, quoted prices for assets or liabilities that are identical or similar in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, price quotations vary substantially, either in time or between those who make the market (for example, a principal-to-principal market); inputs other than quoted prices that are observable in the asset or liability (for example, interest rates, yield curves, speeds of pre-payment, severity of losses, credit risks, and failure to pay rates); and inputs that are mainly derived from or are corroborated by observable data through correlation or other means (confirmed by the market inputs).

- *Level 3 Input* - They are unobservable inputs for the asset or liability. Unobservable inputs are used only for the measurement of fair value in the way that the observable inputs are not available, what happens in situations where there is little activity in the market, if any, for the asset or liability at the date of measurement.

Subsequent Events

The Credit Union adopted ASC 855, relating to Subsequent Events. ASC 855 establishes general standards for the accounting and disclosure of events that occurred after the date of the balance sheet but before the date of issuance of the financial statements.

Specifically, it establishes the period after the date of the balance sheet during which the Credit Union's management must evaluate events or transactions that may have occurred and would need to be recorded or disclosed in the financial statements, the circumstances under which the Credit Union should recognize and disclose such events, and the type of disclosure that should be provided for these events that occurred after the date of the balance sheet.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As of December 31, 2025, and 2024, the balance of cash, cash equivalents and restricted cash consisted of the following:

	2025	2024
Operating accounts	$ 1,286,853	$ 1,296,054
Savings and money market accounts	2,035,007	9,019,975
Change fund and petty cash	898,232	1,216,517
Total cash and cash equivalents	$ 4,220,092	$ 11,532,546
Restricted cash	476,724	222,479
Total cash, cash equivalents and restricted cash	$ 4,696,816	$ 11,755,025

The Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA) up to $250,000 per institution. At December 31, 2025 and 2024, the bank balance of deposits in commercial banks amounting to approximately $1,778,469 and $1,675,818, respectively, exceeded the amounts covered by federal depository insurance limits. There was no bank balance of deposits exceeding the NCUA depository insurance limits at December 31, 2025 and 2024 and the balance of deposits in *Banco Cooperativo* amounting to approximately $222,661 and $471,926 and were uninsured at December 31, 2025 and 2024, respectively.

Restricted Cash

The Credit Union adopted the ASU 2016-18 Accounting Standard, to identify its restricted cash in the statement of financial condition and in the statement of cash flows. Restricted cash is an asset that is reserved for a particular purpose primarily to satisfy regulatory or contractual requirements. Restricted assets subject to these specific requirements are segregated from other assets to mark clear boundaries of their use. As of December 31, 2025, and 2024, the Credit Union had deposited $476,724 and $222,479, respectively, in restricted cash for the payment of property taxes and insurance on properties that serve as collateral under mortgage loans.

4. CERTIFICATES OF DEPOSITS

As of December 31, 2025, and 2024, the Credit Union maintains certificates of deposits mostly in denominations of equal or less than $250,000. The schedules maturities at the end of period were as follows:

	2025	2024
Due in one year or less	$ 1,662,989	$ 3,361,579
Due after one year through three years	602,590	2,983,000
Due after three years through five years	100,000	249,000
Total certificates of deposits	$ 2,365,579	$ 6,593,579

5. INVESTMENT IN SECURITIES

As of December 31, 2025 and 2024, the amortized cost and the estimate fair market value of investment securities available for sale and held to maturity were as follows:

2025

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Agriculture Mortgage Corpotation (FAMCA)	$ 500,000	$ -	$ (118,623)	$ 381,377
Federal Farm Credit Bank (FFCB)	14,013,704	-	(1,933,489)	12,080,215
Federal Home Loan Bank (FHLB)	6,049,076	-	(1,027,722)	5,021,354
Federal Home Loan Mortgage Corporation (FHLMC)	4,719,818	-	(725,673)	3,994,145
Federal National Mortgage Association (FNMA)	5,254,999	1,117	(438,929)	4,817,187
Government National Mortgage Association (GNMA)	141,471	-	(15,200)	126,271
Municipal Bonds	6,739,210	-	(560,054)	6,179,156
Total	$ 37,418,278	$ 1,117	$ (4,819,690)	$ 32,599,705

2025

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	997,386	-	(9,178)	$ 988,208
Total	$ 997,386	$ -	$ (9,178)	$ 988,208

2024

Available for sale:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Agriculture Mortgage Corpotation (FAMCA)	$ 500,969	$ -	$ (142,632)	$ 358,337
Federal Farm Credit Bank (FFCB)	14,999,346	-	(2,654,914)	12,344,432
Federal Home Loan Bank (FHLB)	6,884,833	-	(1,314,521)	5,570,312
Federal Home Loan Mortgage Corporation (FHLMC)	6,239,766	-	(1,203,776)	5,035,990
Federal National Mortgage Association (FNMA)	4,342,893	-	(478,102)	3,864,791
Government National Mortgage Association (GNMA)	164,756	-	(21,847)	142,909
Municipal Bonds	7,952,553	-	(853,701)	7,098,852
US Treasury Bonds	1,155,726	-	(4,230)	1,151,496
Total	$ 42,240,842	$ -	$ (6,673,723)	$ 35,567,119

2024

Held to maturity:

Type of Investment	Amortized Cost	Unrealized Gain	Unrealized Loss	Market Value
Federal Home Loan Bank (FHLB)	1,994,676	-	(34,922)	$ 1,959,754
Total	$ 1,994,676	$ -	$ (34,922)	$ 1,959,754

The following table shows the unrealized losses, estimated market value, and the length of time investments have been on the Credit Union's books in an unrealized loss position as of December 31, 2025 and 2024:

As of December 31, 2025

	Continuing Unrealized Losses for Less Than 12 months		Continuing Unrealized Losses for 12 months or More		Total	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Federal Agriculture Mortgage Corpotation (FAMCA)	$ -	$ -	$ 381,377	$ (118,623)	$ 381,377	$ (118,623)
Federal Farm Credit Bank (FFCB)	498,600	(1,400)	11,581,614	(1,932,090)	12,080,214	(1,933,490)
Federal Home Loan Bank (FHLB)	-	-	5,021,354	(1,027,722)	5,021,354	(1,027,722)
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	3,994,145	(725,673)	3,994,145	(725,673)
Federal National Mortgage Association (FNMA)	875,113	(9,561)	3,640,957	(429,367)	4,516,070	(438,928)
Government National Mortgage Association (GNMA)	-	-	126,272	(15,200)	126,272	(15,200)
Municipal Bonds	1,091,177	(12,004)	5,087,980	(548,050)	6,179,157	(560,054)
	$ 2,464,890	$ (22,965)	$ 29,833,699	$ (4,796,725)	$ 32,298,589	$ (4,819,690)

As of December 31, 2024

	Continuing Unrealized Losses for Less Than 12 months		Continuing Unrealized Losses for 12 months or More		Total	
Description of Securities	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Federal Agriculture Mortgage Corpotation (FAMCA)	$ -	$ -	$ 358,337	$ (142,632)	$ 358,337	$ (142,632)
Federal Farm Credit Bank (FFCB)	985,229	(14,771)	11,359,203	(2,640,143)	12,344,432	(2,654,914)
Federal Home Loan Bank (FHLB)	835,864	(3,594)	4,734,448	(1,310,927)	5,570,312	(1,314,521)
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	5,035,990	(1,203,776)	5,035,990	(1,203,776)
Federal National Mortgage Association (FNMA)	-	-	3,864,791	(478,102)	3,864,791	(478,102)
Government National Mortgage Association (GNMA)	-	-	142,909	(21,847)	142,909	(21,847)
Municipal Bonds	246,699	(3,710)	6,852,153	(849,991)	7,098,852	(853,701)
US Treasury Bonds	996,520	(2,669)	154,976	(1,561)	1,151,496	(4,230)
	$ 3,064,312	$ (24,744)	$ 32,502,807	$ (6,648,979)	$ 35,567,119	$ (6,673,723)

During the year ended December 31, 2025, management determined that no expected credit losses were anticipated for unrealized securities. This analysis considered various factors including, but not limited to, issuer performance indicators, default rates, industry analyst reports, credit ratings, and other information.

Contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit loss provisions were required for the years ended December 31, 2025 and 2024.

The available for sale debt securities portfolio reflects unrealized losses of approximately \$4,819,690 and \$6,673,723 required for the year ended December 31, 2025 and 2024, respectively, primarily driven by fixed-rate US Treasury securities and mortgage-backed securities, which have been impacted by a decrease in their fair value due to rising interest rates.

The amortized cost and estimated fair value of investment securities at December 31, 2025 and 2024, by contractual maturity, are shown below. Investment expected maturities may differ from original contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2025		2024	
Due Date	**Amortized Cost**	**Market Value**	**Amortized Cost**	**Market Value**
Due in one year or less	$ 2,487,855	$ 2,464,890	$ 4,088,466	$ 4,060,656
Due in one to five years	10,312,624	9,629,973	10,823,418	10,036,142
Due after five years through ten years	22,506,147	18,994,970	18,853,344	15,557,086
Due more than ten years	3,109,038	2,498,080	10,470,290	7,872,989
Total	$ 38,415,664	$ 33,587,913	$ 44,235,518	$ 37,526,873

6. LOANS RECEIVABLE IN PORTFOLIO

As of December 31, 2025, and 2024, the portfolio of loans to members of the Credit Union by type was as follows:

	2025	2024
Commercial:		
Corporations and individuals	$ 500,000	$ -
Total commercial	500,000	-
Loans		
Personal	37,156,583	39,255,175
Auto	59,124,025	68,695,723
Mortgage	31,837,076	17,401,319
Credit cards	5,420,178	4,862,723
Lines of credit	133,360	163,484
Total consumer	133,671,222	130,378,424
Total loans	$ 134,171,222	$ 130,378,424
Less: Allowance for loan losses	(2,438,928)	(2,410,646)
Less: Net unamortized deferred origination fees	734,222	550,175
Total loans to members, net	$ 132,466,516	$ 128,517,953

The details of the allowance for credit losses in the Credit Union's loan portfolio for the years ended December 31, 2025, and 2024, is presented below:

2025

	Commercial	Personal	Auto	Mortgage	Credit Cards	Lines of Credit	Total
Beginning balance	$ -	$ 1,839,580	$ 331,404	$ 43,871	$ 195,457	$ 334	$ 2,410,646
Loans charge-offs	-	(1,624,656)	(416,624)	-	(201,488)	(1,880)	(2,244,648)
Recoveries of loans previously reserved	-	104,299	271,596	-	14,035	-	389,930
Provision during the year	1,500	1,503,564	(65,068)	223,677	217,570	1,757	1,883,000
Ending Balance	$ 1,500	$ 1,822,787	$ 121,308	$ 267,548	$ 225,574	$ 211	$ 2,438,928
Evaluation of allowance:							
Allowance evaluated individually	$ 1,500	$ -	$ -	$ -	$ -	$ -	$ 1,500
Allowance evaluated collectively	-	1,822,787	121,308	267,548	225,574	211	2,437,428
Total	$ 1,500	$ 1,822,787	$ 121,308	$ 267,548	$ 225,574	$ 211	$ 2,438,928
Loan ending Balance:							
Evaluated individually for impariment	$ 500,000	$ -	$ -	$ -	$ -	$ -	$ -
Evaluated collectivelly for impariment	-	37,156,583	59,124,025	31,837,076	5,420,178	133,360	133,671,222
Total	$ 500,000	$ 37,156,583	$ 59,124,025	$ 31,837,076	$ 5,420,178	$ 133,360	$ 133,671,222

2024

	Personal	Auto	Mortgage	Credit Cards	Lines of Credit	Total
Beginning balance	$ 1,750,605	$ 440,513	$ 24,617	$ 161,640	$ 187	$ 2,377,562
Loans charge-offs	(1,515,613)	(254,032)	-	(257,411)	-	(2,027,056)
Recoveries of loans previously reserved	85,360	94,378	-	20,802	-	200,540
Provision during the year	1,519,228	50,545	19,254	270,426	147	1,859,600
Ending Balance	$ 1,839,580	$ 331,404	$ 43,871	$ 195,457	$ 334	$ 2,410,646
Evaluation of allowance:						
Allowance evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -
Allowance evaluated collectively	1,839,580	331,404	43,871	195,457	334	2,410,646
Total	$ 1,839,580	$ 331,404	$ 43,871	$ 195,457	$ 334	$ 2,410,646
Loan ending Balance:						
Evaluated individually for impariment	$ -	$ -	$ -	$ -	$ -	$ -
Evaluated collectivelly for impariment	39,255,175	68,695,723	17,401,319	4,862,723	163,484	130,378,424
Total	$ 39,255,175	$ 68,695,723	$ 17,401,319	$ 4,862,723	$ 163,484	$ 130,378,424

Loans to members in which the accrual of interest has been discontinued or reduced amounted to $484,463 and $455,580 at December 31, 2025 and 2024, respectively. If interest had been accrued, such income would have approximately $28,883 and $27,000, respectively.

At December 31, 2025 and based on the most recent analysis performed, the risk category of members' commercial loans is as follows:

	December 31, 2024				
	Pass	Special Mention	Substandard	Doubtful or Loss	Total
Commercial	$ 500,000	$ -	$ -	$ -	$ 500,000
Total commercial	$ 500,000	$ -	$ -	$ -	$ 500,000

The following table presents the aging of the recorded investment in past due loans at December 31, 2025 and 2024:

Age Analysis of Loan to members Receivables by Category as of December 31, 2025

December 31, 2025	Current	60-90	91-120	Over 121	Total	Non Accruing
Personal	$ 36,776,154	$ 324,386	$ 38,831	$ 17,212	$ 37,156,583	$ 380,429
Auto	58,901,809	197,193	-	25,023	59,124,025	222,216
Mortgage	31,738,585	18,039	80,452	-	31,837,076	98,491
Credit cards	5,376,367	43,811	-	-	5,420,178	43,811
Lines of credit	133,360	-	-	-	133,360	-
Total consumer loans	132,926,275	583,429	119,283	42,235	133,671,222	744,947
Commercial	500,000	-	-	-	500,000	-
Total loans to members	$ 133,426,275	$ 583,429	$ 119,283	$ 42,235	$ 134,171,222	$ 744,947

Age Analysis of Loan to members Receivables by Category as of December 31, 2024

December 31, 2024	Current	60-90	91-120	Over 121	Total	Non Accruing
Personal	$ 38,951,701	$ 300,163	$ 3,311	$ -	$ 39,255,175	$ 303,474
Auto	68,656,779	38,944	-	-	68,695,723	38,944
Mortgage	17,315,402	61,070	24,847	-	17,401,319	85,917
Credit cards	4,835,478	27,245	-	-	4,862,723	27,245
Lines of credit	163,484	-	-	-	163,484	-
Total loans to members	$ 129,922,844	$ 427,422	$ 28,158	$ -	$ 130,378,424	$ 455,580

The following table represents the recorded investment in consumer loans based on FICO score for the years ended December 31, 2025 and 2024:

2025
FICO SCORE

	Over 720	719-670	669-620	619 or less	Total
Personal	$ 23,022,219	$ 6,494,971	$ 3,908,873	$ 3,730,520	$ 37,156,583
Auto	36,633,246	10,334,880	6,219,847	5,936,052	59,124,025
Mortgage	19,726,252	5,565,121	3,349,260	3,196,443	31,837,076
Credit Cards	3,358,342	947,447	570,203	544,186	5,420,178
Lines of Credit	82,629	23,311	14,029	13,391	133,360
Total	$ 82,822,688	$ 23,365,730	$ 14,062,212	$ 13,420,592	$133,671,222

2024
FICO SCORE

	Over 720	719-670	669-620	619 or less	Total
Personal	$ 23,182,941	$ 8,736,905	$ 4,106,851	$ 3,228,478	$ 39,255,175
Auto	57,051,417	7,477,960	2,211,057	1,955,289	68,695,723
Mortgage	12,555,052	1,508,694	1,653,125	1,684,448	17,401,319
Credit Cards	2,180,126	1,409,721	701,287	571,589	4,862,723
Lines of Credit	66,402	62,535	16,683	17,864	163,484
Total	$ 95,035,938	$ 19,195,815	$ 8,689,003	$ 7,457,668	$130,378,424

Below is a summary of the delinquent loan portfolio by loan type and specific reserve as of December 31, 2025, and 2024:

	December 31, 2025		December 31, 2024	
	Unpaid Principal Balance	Specific Reserve	Unpaid Principal Balance	Specific Reserve
Consumer:				
Personal	$ 380,429	$ 16,897	$ 303,474	$ 15,477
Auto	222,216	1,142	38,944	18,304
Mortgage	98,491	774	85,917	584
Credit cards	43,811	1,547	27,245	1,071
Total	$ 744,947	$ 20,360	$ 455,580	$ 35,436

Loans to Related Parties

Certain officers, directors, and employees had loans with the Credit Union during 2025 and 2024. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. Total loans outstanding to these related parties at December 31, 2025 and 2024, amounted to $242,791 and $433,097, respectively. The following table presents the movement of the loans to related parties during the years ended December 31, 2025 and 2024, and shares collateralizing such loans at December 31, 2025 and 2024:

	2025	2024
Beginning balance of loans	$ 433,097	$ 690,004
Originations	207,889	199,296
Collections	(398,195)	(456,203)
Ending balance of loans	242,791	433,097
Shares	$ 717,178	$ 148,244

7. ACCRUED INTEREST RECEIVABLE

At December 31, 2025 and 2024, the following were the components of accrued interest receivable:

	2025	2024
Accrued interests on loans	$ 484,463	$ 376,072
Accrued interests on investments	167,116	207,163
Total accrued interest receivable	$ 651,579	$ 583,235

8. INVESTMENT IN CORPORATE CREDIT UNION

As of December 31, 2025, and 2024, the balance of the investment in the Corporate One Federal Credit Union & Alloya Corporate Federal Credit Union was $1,194,237 and $1,185,990, respectively. This deposit is not subject to the insurance of the National Credit Union Insurance Fund or other deposit insurance.

9. PROPERTY AND EQUIPMENT

As of December 31, 2025, and 2024, the property and equipment were composed of the following:

	Useful Life (in Years)	2025	2024
Buildings	40	$ 3,753,120	$ 3,753,120
Furniture and fixtures	1-10	1,304,870	1,271,484
Vehicle	5	57,892	57,892
Information systems	3-5	1,643,360	1,631,558
Assets held under operating leases	2-10	43,142	84,587
		6,802,384	6,798,641
Less accumulated depreciation and amortization		(5,002,498)	(4,713,063)
		1,799,886	2,085,578
Land		3,352,787	3,352,787
Total property and equipment		$ 5,152,673	$ 5,438,365

Depreciation and amortization expense for the years ended December 31, 2025 and 2024, was approximately $313,143 and $305,626, respectively, and is included in occupancy and related expenses.

10. FORECLOSED AND REPOSSESSED ASSETS

As of December 31, 2025 and 2024 the change in the fair value of repossessed automobiles and other properties, which were determined using Level 3 inputs, is presented below:

	2025	2024
Balance, at the beginning of the year	$ -	$ 30,000
Properties repossessed during the year	379,900	141,664
Repossessed properties sold during the year	(269,887)	(153,300)
Losses realized on sales and provisions	(28,013)	(18,364)
Balance, at the end of the year	$ 82,000	$ -

11. PREPAID EXPENSES AND OTHER ASSETS

As of December 31, 2025 and 2024 the other assets were composed of the following:

	2025	2024
Prepaid expenses	346,526	367,217
Deposits and security bonds	46,398	46,398
Accounts receivable	11,391	8,759
Others	14,578	12,732
Total other assets	$ 418,893	$ 435,106

12. MEMBERS' SHARES AND SAVINGS ACCOUNTS

As of December 31, 2025 and 2024 members' shares accounts are summarized as follows:

	Weighted-Average Dividend Rate at December 31	2025	2024
Shares drafts	0.05%	$ 4,880,101	$ 4,776,166
Regular shares	0.20%	98,695,087	98,824,841
Christmas and summer clubs	1.00%	1,444,082	1,590,125
Master certificates	5.00%	5,910,000	5,910,000
Share certificates	2.76%	48,594,228	62,561,009
Total members shares accounts		$ 159,523,498	$ 173,662,141

At December 31, 2025, scheduled maturities of share certificates for the next five years are as follows:

Year ending December 31,	Amount
2026	$ 41,138,000
2027	2,955,700
2028	2,408,027
2029	764,900
2030	1,327,601
	$ 48,594,228

Share and deposit amounts up to $250,000 per ownership interest are federally insured through the National Credit Union Share Insurance Fund. Individual deposit account balances exceeding $250,000 at December 31, 2025 and 2024, totaled $1,756,567 and $7,715,895, respectively.

At December 31, 2025 and 2024, interest expense on members' shares, savings accounts and borrowed funds is summarized as follows:

Type	2025	2024
Regular shares	$ 185,222	$ 312,760
Share drafts	2,273	4,341
Christmas and summer clubs	18,499	24,310
Share certificates	1,959,480	2,657,484
Total interest expense on members' shares and savings	2,165,474	2,998,895

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2025 and 2024 the composition of accruals and other liabilities is as follows:

	2025	2024
Accrued payroll and related	$ 98,646	$ 94,908
Accrued liabilities	214	-
Accounts payable	414,607	245,306
Auto loan registration	41,312	19,778
Escrow accounts	476,725	222,479
Lease liability	43,141	84,587
Other	339,778	321,350
Total accruals and other liabilities	$ 1,414,423	$ 988,408

14. LEASES WITH RIGHT OF USE

The Credit Union maintains lease contracts classified as operational for its branches. The agreement between the parties—Credit Union and lessor—stipulates that the contracts would have a renewable expiration.

None of these extensions of renewable terms were included in the estimated lease debt, as it has not been reasonably determined that the options will be exercised. As of December 31, 2025 and 2024, the assets with the right to use and the related debt were as follows:

	2025	2024
Lease contracts classified as operational- net of amortization	43,142	84,587
Debt on operating lease	$ 43,142	$ 84,587

15. OTHER INCOME (EXCLUDING INTEREST)

The other income, excluding interest income, for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
ATM card fees	$ 198,976	$ 210,086
Share draft fees	15,108	16,929
ACH fees	46,241	46,778
Credit card fees	160,292	146,032
Late charges	170,792	150,189
Dormant account charges	50,521	51,923
Mortgage origination fees	17,173	14,947
Loan refinancing fees	11,875	11,475
Overdraft fees	1,931	2,611
Gain on sale of investment securities	3,525	5,226
Miscellaneous	408,549	395,032
Total other income (excluding interest)	$ 1,084,983	$ 1,051,228

16. OTHER EXPENSES (EXCLUDING INTEREST)

The other expenses, excluding interest expenses, for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Compensation and benefits	$ 1,988,596	$ 1,965,064
Office operations	874,324	970,501
Occupancy and related:		
Depreciation and amortization	313,143	305,626
Utilities	59,611	65,708
Insurance	185,572	198,662
Repairs and maintenance	193,768	180,811
Security	288,076	284,768
	1,040,170	1,035,575
Professional services and contracted services	564,162	606,657
Education and promotional	301,008	370,443
Data processing	680,793	130,283
Loss on disposal of assets	28,013	18,364
Other operating expenses:		
Credit reports and collection	793,877	349,735
Annual meeting	85,859	80,820
Federal operating	39,288	38,308
Equipment and software maintenance	300,469	321,492
Directors and committee	29,565	78,118
Dues and subscriptions	14,758	15,733
Armored services	39,483	32,071
Other miscellaneous	141,382	150,142
Total other operating expenses	1,444,681	1,066,419
Total other expenses (excluding interest)	$ 6,921,747	$ 6,163,306

17. EMPLOYEE BENEFIT PLAN

The Credit Union maintains a 401k employee benefit plan that substantially covers all of its employees. A Credit Union makes contributions to the plan as follows (1) the Credit Union will make a match of employee contributions up to a maximum of 3% of their basic salary. In addition, the Credit Union will provide half of each additional percent that the employee contributes up to a maximum of 2% of the employee basic salary (2) the Credit Union may make other discretionary contributions of its undivided earnings. During the years ended as of December 31, 2025 and 2024, the Credit Union determined not to contribute additional amounts from their undivided earnings to the employee benefit plan. During the years ended December 31, 2025 and 2024, Puerto Rico Federal Credit Union contributed $32,605 and $36,043, respectively, to the employee benefit plan.

18. UNCERTAINTIES, COMMITMENTS AND CONTINGENCIES

Exposure of the Cooperative and Puerto Rico's Fiscal Situation

The credit quality of the Credit Union's loan portfolio necessarily reflects, among other things, the general economic conditions in Puerto Rico and other adverse conditions affecting Puerto Rico, its consumers, and businesses. The effects of the prolonged recession are reflected in the limited demand for loans, an increase in foreclosure rates, and loan moratoriums granted in Puerto Rico.

While PROMESA provides a process to address Puerto Rico's fiscal crisis, the duration and complexity of Title III proceedings for the Puerto Rican government suggest a risk of further economic contraction.

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

Interest Rate Risk

Interest rate risk is the exposure of the economies and the current or future capital of a cooperative to adverse changes in market rates. This risk is a normal part of the risks managed by financial institutions and cooperatives. Proper management of this risk results in a significant source of profitability and value for cooperatives; However, excessive interest rate risk can strain economies, capital, liquidity, and solvency of financial institutions. During the years ended December 31, 2025 and 2024, the effect of the monetary policy of the Federal Reserve of the United States of America, regarding the interest rate increases, has pressured the balance sheets of financial institutions in general, specifically on the aforementioned items. As of December 31, 2025, the Credit Union was closely measuring and monitoring this risk to anticipate and effectively control any adverse effects that may arise from exposure to it.

Litigation

The Credit Union has no other legal claims that normally are associated with the ordinary operations of a financial institution.

Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial condition.

The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2025, and 2024, the total unfunded commitments under such credit cards and lines-of-credit were approximately $8,450,000 and $7,590,725, respectively. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

19. FAIR VALUE MEASUREMENTS

Financial Assets Recognized at Fair Value on a Recurring Basis

As of December 31, 2025, and 2024, the Credit Union had held to maturity securities and available for-sale securities for which fair value measurement is required on a recurring basis:

		Fair Value Measurement At Reporting Date Using:		
Asset Class	Fair Value	Level 1	Level 2	Level 3
December 31, 2025				
Investment securities	$ 33,587,913	$ 33,587,913	-	-
December 31, 2024				
Investment securities	$ 37,526,873	$ 37,526,873	-	-

Financial Assets Recognized at Fair Value on a Non-Recurring Basis

The Credit Union may be required, from time to time, to measure certain assets at their fair value on a non-recurring basis in accordance with U.S. GAAP. These fair value adjustments usually result from applying the lower of cost or market accounting or impairment in value of individual assets. The valuation methodology used for these fair value adjustments is described above.

The level of inputs used to determine each adjustment and the carrying value of the related asset as of December 31, 2025, and 2024, are summarized below:

Asset Class	Fair Value	Fair Value Measurement At Reporting Date Using: Level 1	Level 2	Level 3
December 31, 2025				
Assets acquired in liquidation of loans	$ 82,000	-	-	$ 82,000
December 31, 2024				
Assets acquired in liquidation of loans	$ -	-	-	$ -

Estimated Fair Value

The carrying value of financial instruments and their estimated fair value as of December 31, 2025, and 2024, are summarized below:

	December 31, 2025		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 4,696,816	$ 4,696,816	$ 11,755,025	$ 11,755,025
Certificates of deposits	2,365,579	2,365,579	6,593,579	6,593,579
Investment securities	33,597,091	33,587,913	37,561,795	37,526,873
Loans receivable (net of unamortized deferred origination fees)	134,905,444	127,967,778	130,928,599	127,967,778
Less: allowance for loan losses	(2,438,928)	(2,438,928)	(2,410,646)	(2,410,646)
Accrued interest receivable	651,579	651,579	583,235	583,235
Assets acquired in liquidation of loans	82,000	82,000	-	-
	$ 173,859,581	$ 166,912,737	$ 185,011,587	$ 182,015,844
Financial Liabilities				
Members' shares accounts	$ 159,523,498	159,523,498	$ 173,662,141	173,662,141
Off- Balance Sheet Financial:				
Commitments to extend credit	$ 8,450,000	$ 8,450,000	$ 7,590,725	$ 7,590,725

Fair value is an estimate of value at a specific point in time and is not relevant in predicting future cash flows or earnings. Estimated fair values are based on subjective assumptions and contain a significant degree of uncertainty. They do not reflect the effect of potential income taxes or other expenses that may be incurred in the disposition of financial instruments.

20. REGULATORY CAPITAL

As of December 31, 2025, and 2024, the Credit Union's net worth to total assets ratio is categorized as "well capitalized" as per the most recent call report. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 7% as defined under the regulatory framework provisions of Section 38 of the FDI Act. Credit

Unions whose net worth ratio falls below 7% will be subject to Prompt Corrective Actions requirements.

The Credit Union net worth ratio at December 31, 2025 and 2024 follows:

	PRFCU Actual		
Period	Net Worth Amount	Net Worth to Total Assets Ratio (1)	PRFCU Category (2)
2025	$ 25,999,142	14.27%	Well Capitalized
2024	$ 25,704,583	13.26%	Well Capitalized

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

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

21. SUBSEQUENT EVENTS

The Credit Union evaluated subsequent events up to March 12, 2026, the date when these financial statements were ready to be issued. The Credit Union's management believes that there are no significant subsequent events as of December 31, 2025, that should be recorded in the financial statements or require additional disclosure in the notes to the financial statements.

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