

**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**



**Jesús M. Mora Nieves, CPA, CFE**

Certified Public Accountant and Business Consultant

[www.jmoracpa.com](http://www.jmoracpa.com)

Tel. 787.612.5104 / Fax 787.775.1294

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# Jesús M. Mora Nieves, CPA

Certified Public Accountant and Business Consultant

PO Box 367101  
San Juan, PR 00936-7101

787.612.5104

787.775.1294

[jmn23@gmail.com](mailto:jmn23@gmail.com)

Member of



American Institute  
of Certified Public  
Accountants

Puerto Rico  
Society of CPAs

Association of  
Certified Fraud  
Examiners

The Institute of  
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Professional in  
Business  
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Internal Control  
Institute

Forensic CPA  
Society

The Institute for  
Internal Controls

**Board of Directors**  
**Cooperativa de Ahorro y Crédito**  
**Dr. Manuel Zeno Gandía**  
**Arecibo, Puerto Rico**

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Cooperativa de Ahorro y Crédito Dr. Manuel Zeno Gandía which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of Income, changes in member's equity and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Law 255 amended by Law 220 and in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis for Qualified Opinion**

As described in Note 1, the Credit Union prepares its financial statements in accordance with statutory accounting principles required by COSSEC. These accounting principles differ in some aspects from generally accepted accounting principles used in United States of America and Puerto Rico. The main difference is related to the financial presentation of members' shares which are included as part of members' equity. According to generally accepted accounting principles these shares are similar to deposit accounts, therefore, their presentation must be included as part of the Credit Union's liabilities. If members' shares were presented in accordance with United States generally accepted accounting principles, total liabilities would have increased and members' equity would have decreased by \$40,620,889 and \$43,974,757 as of December 31, 2017 and 2016 respectively. The statement of income and expenses would include dividends credited to members for \$200,000 and \$400,000 as interest expense in the years ended on December 31, 2017 and 2016.

As explained in Note 1 of these financial statements, the Cooperative adopted the new requirements of the number 220 Law of December 15, 2015 and reclassified investments in securities of Puerto Rico as Special Investments, at amortized cost, regardless of their accounting classification. In addition, the Law provides that, in determining a non-temporary loss on these investments, it is amortized over a period not exceeding 15 years. The generally accepted accounting principles in the United States require that investments in securities are recognized according to the accounting classification of these, as explained in Note 2. If these items had been classified in accordance with generally accepted accounting principles in the United States, total assets and participation of the members would decrease by \$11,063,766 and \$7,098,739 at December 31, 2017 and 2016, respectively. In addition, these accounting principles require an analysis of impairment of investments in securities, and that portion that is determined as a non-temporary loss is recognized against current operations of the Cooperative. The Cooperative has elected to amortize the losses related to these investments for a period of 15 years, which in the years ended December 31, 2017 and 2016 represents the amount of \$507,052 and \$264,985, respectively. At December 31, 2017 and 2016, the unamortized balance of the losses under special depreciation is \$11,063,766 and \$7,098,739, respectively. If these items been classified in accordance with accounting principles generally accepted in the United States, the net income would decline by \$11,263,766 and \$7,498,739, at December 31, 2017 and 2016, respectively, reflecting a net loss of \$10,761,777 and \$6,903,131.



**Board of Directors**  
**Cooperativa de Ahorro y Crédito**  
**Dr. Manuel Zeno Gandía**  
**Arecibo, Puerto Rico**  
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### **Qualified Opinion**

In my opinion, with the exception of the effects caused by the difference in the accounting practices accepted by the regulating agencies, with the generally accepted accounting principles, the previous statements reasonably presents, in all of its significant aspects, the financial position of the Cooperativa de Ahorro y Crédito Dr. Manuel Zeno Gandía the result of its operations and cash flows for the years ended December 31, 2017 and 2016 in conformity with the generally accepted accounting principles used in the United States of America and Puerto Rico.

### **Supplementary Information**

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The statements of operations presented on pages 33 and 34 is presented for purposes of additional analysis and is not a require part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole in accordance with generally accepted accounting principles in the United States of America and Puerto Rico.



March 8, 2018  
Guaynabo, Puerto Rico

License Num. 4290  
Expiration date December 1, 2019.

Stamp #E309049 from the  
Puerto Rico Society of CPA's  
was affixed to the original.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>LOANS RECEIVABLE</b> , net of provision for uncollectible loans (Notes 1 and 3)	\$ 73,490,127	\$ 67,410,980
<b>CASH IN HAND AND IN BANKS (NOTES 1 AND 2):</b>	8,418,261	7,464,782
<b>CERTIFICATES OF DEPOSIT</b> ( Maturity in three Months or less) (Note 2)	30,932,695	47,631,213
<b>INVESTEMENTS (NOTES 1 AND 5):</b>		
Investments in securities classified as Held-to maturity	47,429,501	35,539,780
Special investments	7,948,027	12,409,521
Cooperative entities	4,870,903	4,817,605
	60,248,431	52,766,906
<b>PROPERTY AND EQUIPMENT, NET (NOTES 1 AND 6)</b>	5,541,935	5,535,996
<b>OTHER ASSETS:</b>		
Interest receivable	792,007	531,132
Accounts receivable	125,319	53,279
Deferral on special investment impairment	11,063,766	7,098,739
Prepaid expenses	458,007	454,598
<b>Others (NOTE 10)</b>	250,859	538,532
	12,689,958	8,676,280
Total assets	\$ 191,321,407	\$ 189,486,157

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITES**

<b>DEPOSITS (NOTE 4):</b>		
Savings accounts	\$ 110,362,867	\$ 108,769,309
Certificates of deposits	23,111,357	25,437,923
Share draft accounts	11,541,760	9,129,420
Christmas and Summers savings plan	707,290	514,701
	145,723,274	143,851,353
Total deposits		
<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES (NOTE 11)</b>	1,365,567	1,660,365
	147,088,841	145,511,718
Total liabilities		

**MEMBERS' EQUITY (NOTE 1)**

Shares, par value \$10	32,710,991	33,122,150
Indivisible capital	8,275,038	7,884,818
COSSEC temporary reserve	1,798,129	1,559,629
Contingency and institutional development reserve	729,102	785,908
Social capital reserve	421,111	421,934
Undistributed earnings	298,195	200,000
	44,232,566	43,974,439
Total Members' Equity		
Total Liabilities and Members' Equity	\$ 191,321,407	\$ 189,486,157



The accompanying notes are an integral part of these statements.

**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>INTEREST INCOME:</b>		
Loans	\$ 4,866,361	\$ 4,772,102
Certificates and savings accounts	496,667	627,538
Investments	1,099,451	1,050,406
	6,462,479	6,450,046
<b>INTEREST EXPENSE:</b>		
Deposits	470,452	514,235
Certificates of deposits	204,852	264,932
	675,304	779,167
<b>NET INTEREST INCOME BEFORE PROVISION FOR UNCOLLECTIBLE LOANS</b>	5,787,175	5,670,879
<b>PROVISION FOR UNCOLLECTIBLE LOANS</b>	-	-
<b>NET INTEREST INCOME AFTER PROVISION FOR UNCOLLECTIBLE LOANS</b>	5,787,175	5,670,879
<b>OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES:</b>		
Salaries and related expenses	2,425,187	2,641,962
Professional Services	282,253	340,928
Promotion and cooperative education	173,441	241,882
Facilities, equipment and maintenance	873,183	856,307
Effects and other office expenses	557,595	664,402
Insurances	794,146	816,900
Board of Directors and Committees expenses	132,806	151,142
Others and Miscellaneous	168,077	239,683
	5,406,688	5,953,206
<b>OTHER INCOME / (EXPENSES):</b>		
Money orders, mortgages and services commissions	205,104	236,976
MasterCard expenses– net	1,192	17,050
Share Draft, net	85,285	59,677
ATM income, net	( 507,052)	( 264,985)
Loss under special amortization	75,144	352,513
Other income	261,829	476,704
	121,502	877,935
<b>NET INCOME</b>	\$ 501,989	\$ 595,608

The accompanying notes are an integral part of these statements.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**STATEMENTS OF CHARGES IN MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Shares</u>	<u>Indivisible Capital Reserve</u>	<u>COSSEC Temporary Reserve</u>	<u>Technological Development Reserve</u>	<u>Social Capital Reserve</u>	<u>Undistributed Earnings</u>	<u>Total</u>
<b>BALANCE DECEMBER 31, 2015</b>	\$ 32,842,273	\$ 7,855,037	\$ 1,107,093	\$ 836,360	\$ 421,934	\$ 400,000	\$ 43,462,697
Additional investments by members	4,032,186	-	-	-	-	-	4,032,186
Withdrawals by members	( 4,152,309)	-	-	-	-	-	( 4,152,309)
Transfer from net income to reserve	-	-	452,536	29,781	-	( 482,317)	-
Withheld for reserves	-	29,781	-	-	-	( 29,781)	-
Use of reserve	-	-	-	( 116,490)	-	116,490	-
Transfer to accounts payable	-	-	-	36,257	-	-	36,257
Capitalized net income	400,000	-	-	-	-	( 400,000)	-
Net income for the year	-	-	-	-	-	595,608	595,608
<b>BALANCE DECEMBER 31, 2016</b>	<u>33,122,150</u>	<u>7,884,818</u>	<u>1,559,629</u>	<u>785,908</u>	<u>421,934</u>	<u>200,000</u>	<u>43,974,439</u>
Additional investments by members	3,308,491	-	-	-	-	-	3,308,491
Withdrawals by members	( 3,919,650)	-	-	-	-	-	( 3,919,650)
Transfer from net income to reserve	-	-	238,500	25,000	-	( 263,500)	-
Withheld for reserves	-	25,100	-	-	-	( 25,100)	-
Use of reserve	-	-	-	( 81,806)	( 3,000 )	84,806	-
Transfer to accounts payable	-	365,120	-	-	2,177	-	367,297
Capitalized net income	200,000	-	-	-	-	( 200,000)	-
Net income for the year	-	-	-	-	-	501,989	501,989
<b>BALANCE DECEMBER 31, 2017</b>	<u>\$ 32,710,991</u>	<u>\$ 8,275,038</u>	<u>\$ 1,798,129</u>	<u>\$ 729,102</u>	<u>\$ 421,111</u>	<u>\$ 298,195</u>	<u>\$ 44,232,566</u>

The accompanying notes are an integral part of these statements.





**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 501,989	\$ 595,608
<b>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	423,882	392,891
Provision for uncollectible accounts	-	-
Capitalized dividends in cooperative entities	( 34,914)	( 19,241)
(Increase) / decrease in other assets	( 48,651)	176,717
Increase / (Decrease) in:		
Accounts payable and accrued expenses	72,499	365,557
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>914,805</u>	<u>1,511,532</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net increase in loans	( 6,079,147)	( 4,034,586)
Decrease in certificates of deposit (more than three months)	16,698,518	8,549,437
Decrease in investments in other cooperatives	( 18,384)	( 8,153)
Decrease in marketable securities	( 11,393,254)	4,317,685
Investment in property and equipment	( 429,821)	( 163,142)
<b>NET CASH PROVIDED / USED) IN INVESTING ACTIVITIES</b>	<u>( 1,222,088)</u>	<u>8,661,241</u>

The accompanying notes are an integral part of these statements.



(Continues)

**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in deposits	1,871,921	( 8,925,665)
Share investment by members	3,308,491	4,032,186
Share redeemed by members	<u>( 3,919,650)</u>	<u>( 4,152,309)</u>
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<u>1,260,762</u>	<u>( 9,045,788)</u>
<b>NET IDECREASE IN CASH AND CASH EQUIVALENTS</b>	953,479	1,126,985
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<u>7,464,782</u>	<u>6,337,797</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>\$ 8,418,261</u>	<u>\$ 7,464,782</u>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest payments	<u>\$ 675,304</u>	<u>\$ 779,167</u>
<b>SUPPLEMENTARY INFORMATION ON INVESTMENT AND FINANCING ACTIVITY THAT DOES NOT AFFECT CASH:</b>		
Capitalized net income	<u>\$ 200,000</u>	<u>\$ 400,000</u>
Withheld from net income to Indivisible Capital Reserve	<u>\$ 25,100</u>	<u>\$ 29,781</u>
Transfer from net income to accounts payable	<u>\$ 367,297</u>	<u>\$ 36,257</u>
Transfer from reserve to undistributed earnings	<u>\$ 84,806</u>	<u>\$ 116,490</u>
Transfer from net income to reserves	<u>\$ 263,500</u>	<u>\$ 482,317</u>



The accompanying notes are an integral part of these statements.

**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS**

**Organization**

The Cooperative was created in conformity with the Credit Union Law, as amended. The Cooperative is also regulated by Law no. 255 of October 28, 2002, as amended and by The Corporation for the Supervision and Insurance of Puerto Rico Credit Unions (COSSEC). This Cooperative is dedicated primarily to receiving savings in the form of shares and deposits from its members and provides to them a lending source at the lowest possible cost.

**Important Accounting Standards Interest income and expenses**

The interest income realized from loans, is calculated over the principal balance owed (accumulation method). Interest is accumulated on loans that do not exceed 90 days past due. Other income or expenses are registered at the time they are generated or incurred.

**Members' shares**

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinate to all others liabilities of the Credit Union upon liquidation. Dividends on member's shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

**Provision for loan losses and uncollectible accounts**

For the establishment of the loans reserve, the credit union adopted the parameters established in the accounting rules for the credit unions of June 2002, issued by "COSSEC".

The allowance for loan losses is increased by a provision for loan losses charge to expense and decreased by charge-offs (net of recoveries).

**Investments in Cooperative Entities**

The investment value represents the original cost of the investment plus the capitalized dividends, less withdrawals.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS  
(CONTINUED)**

**Investments in Securities**

Investments that the Credit union has both the positive intent and ability to hold to maturity are classified as held –to-maturity and are carried at amortized cost. Investments that the Credit Union intends to hold for an indefinite period of time, but no necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on investments classified as available-for-sales have been accounted for as accumulated other comprehensive income. Gains and losses on the sale of available-for-sale securities are determine using the specific identification method. Amortization of premiums and discounts are recognized in interest income over the period to maturity. Declines in the fair values of individual held-to-maturity and available-for sale securities below their costs that are other than temporary result in write-downs of the individual securities to their fair values. Factors affecting the determination of whether an other-than temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer, or that management would no have the ability to hold a security for a period of time sufficient to allow for any anticipate recovery in fair value.

**Property, Equipment and Depreciation**

Building and improvements, furniture and fixtures and vehicles are carried at cost. Depreciation is determined using the straight-line method over the estimated useful life of the assets.

**Foreclosed properties**

At the time foreclosure, the foreclosed property is recorded at the lower of the carrying amount or fair market value. Any losses incurred by the acquisition, gains or losses realized after the sale, maintenance costs and estimated losses are registered as part of current operations.

**Standards of Accounting that Differ from Generally Accepted Accounting Principles**

The credit union recognizes origination costs on mortgage loans as income and Mortgage Department costs as expense. Accounting principles require that this income and expense be amortized to operations for a determined period of time. The management estimates that the adoption of this accounting principle will not have a significant effect on the financial statement.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS  
(CONTINUED)**

The Savings and Loan Cooperatives in Puerto Rico present members' shares in the section of members' equity of the balance sheet. Accounting principles require that the shares be presented in the members' deposits section of the balance sheet.

On the other hand the Cooperatives recognize net income distribution by means of a charge to accumulated benefits, and accounting principles require that such distributions are recognized as interest expense. Also, Law no. 255, October 28, 2002 permits the creation of net income reserves, subsequently charging against that reserve until it is consumed, all or in part. Accounting principles require that any provision is recognized with a charge against operations in the year the reserve is needed.

**Law 220 of December 15, 2017 , Accounting requirements to Special Investments**

On December 15, 2017, Law 220 was approved to add to the Law 255, as amended, a chapter entitled, accounting requirements to special investment. The law requires that cooperatives denominated as special investments all its investments in debt instruments issued by the Commonwealth of Puerto Rico, its agencies and public corporations (ELA) acquired on or before March 31, 2017. The Law requires special investments are recorded in the books of the cooperative at amortized cost regardless of their classification as available for sale or held to maturity in the financial statements and were not submitted unrealized losses related to special investments. Any loss attributable to special investments in the provision, withholding or related to the application of a statement of generally accepted accounting principles may be amortized over a period not exceeding 15 years, and should be named as losses under special amortization.

The Law also requires a note to the financial statements with the specific language. The Law also required the creation of a special temporary reserve 10% of the unrealized loss of the special investments plus other minimum temporary reservation or contributions subject of indivisible capital which may vary from 5% to 100% of surplus subject to the indivisible capital levels and the composite index of the Cooperative CAEL. The Law also required considering the annual amortization of the special investments in computing CAEL indices. It also allows voluntary transfer uncommitted reserves by the Cooperative to special temporary reserve and release temporary excess reserve above the special depreciation losses under the indivisible capital, voluntary, operating income surplus and reserves. It also requires the Board of Directors of the Cooperative creating a special investment committee for risk management of special investment.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS  
(CONTINUED)**

**Use of Estimates in the Preparation of the Financial Statements**

The Management uses estimates and assumptions in the preparation of the financial statements, as permitted by generally accepted accounting principles. These estimates and assumptions 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.

**Market Value of Financial Instruments**

The books values of the financial instruments, including cash and cash equivalents, loans, interest receivables, deposits and shares approximates those assets' fair values. Investments in other cooperatives, including "COSSEC", the market values are not available.

**Related Party Transactions**

In the normal course of business, the Credit Union extends credit to directors, committees' members, executive officers and employees. The aggregate loans to relate parties at December 31, 2017 are \$2,176,416.

**Net income participation**

Every Cooperative, with prior recommendation of its Board of Directors, will distribute to its members the net income accumulated at the end of the year, after the indivisible capital required and the voluntary reserves determined by the members, which must follow the purposes established in Law no. 255. This net income can be distributed on the basis of dividends on share paid and not withdrawn at the end of the fiscal year and the reimbursement or return based on the sponsorship of interest received.

**Cash and Cash equivalents**

The Cooperative considers short-term highly liquid cash investment purchased with an original maturity of three months or less to be cash equivalents.

**Direct Loan Origination Cost**

Direct costs and revenues to originate loans are deferred and amortized to interest income, usually to contractual life of the loans, using the "Interest Method", in accordance with the provisions of Accounting Standard Codification ASC 310-20 (formerly FASB 91), Fees and Other Costs not Refundable.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS (CONTINUED)**

**Regulations**

A. Law No. 114 of August 2001 provides among others, the following:

- a. As of the first day of the month following the approval of this law, the maximum Insured amount of shares and deposits combined, per member or depositor will be two hundred fifty thousand dollars (\$250,000).
- b. The Corporation is required to decree, and put in effect the increase in the established maximum insurance coverage limits, on the dates specified in this Article. Notwithstanding, the Board has the power no to put the increase in effect, when share and deposit insurance is experiencing loss, when the economic condition of the Corporation or determinations by the actuaries' accepted by the Board, indicate that the increase should not be decreed until circumstances impeding its effectiveness are overcome.
- c. Every Credit Union insured must maintain with the Corporation, as capital contribution, an amount equal to one percent (1%) if its shares held as of June 30th of each operational year, as declared in the certified statement of shares and deposits in the certified financial statements required by this law. The Corporation will establish standards and procedures to determine yearly, the amount that should be held by each insured Cooperative as capital contribution, depending on their shares and deposits. Regulations and procedures will also be established to determine the annual increase that should be required in the payment of capital contribution by means of increased insured shares and deposits.
- d. When the sum of free reserves, not compromised for the payment of losses and total capital of the Corporation, exceeds two percent of the total insured shares and deposits, the Corporation will use this excess to pay capital interest. This interest is determined based on the average return of the total shares of the Corporation for the period of twelve months before the date payment was made, less one percent (1%).
- e. Each Credit Union pays an annual premium between .19% and .40% of the total shares and deposits as of June 30th of each year, depending on the CAEL classification determined.

As of December 31, 2017 the Credit Union has paid a total investment of \$2,569,649 and annual premium of \$428,259.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**1- ORGANIZATION AND SUMMARY OF IMPORTANT ACCOUNTING STANDARDS  
(CONTINUED)**

**Income Taxes**

**A. TAX EXEMPTION**

**Article 6.09- Tax exemption, Law No. 255**

The Credit Unions' and its subsidiaries are exempt as follows:

1. Tax Exemption
  - a. From payment of income tax,
  - b. From payment of taxes and excise tax on share issued.
  - c. From payment of duties, excise taxes and state or municipal tariffs, including license payment, warrants, permits and registry, such as tariffs for the issuance of all documents, inscription of said documents in the Property Registry and the expedition of certifications for said registry or any other government office.
  - d. From payment of all taxation on interest and surplus that Cooperatives distribute to members or their beneficiaries or heirs.
  - e. From payment of municipal patents.
  - f. Property taxes

**B. LAW NO. 7 OF MARCH 9, 2009**

Law Number 40 of June 30, 2013 known as the "Redistribution and Adjustments to the tax burden", amended Section 6.08 of Law 255, as amended, to impose Sales and Use tax set out in Sections 4020.01 and 4020.02, authorized by Section 6080.14 tax and the payment of excise taxes under Chapter 2 of Subtitle C of the Code , as amended. The tax includes the cement manufactured or introduced in Puerto Rico , sugar , plastic products, the introduction or manufacture of cigarettes, motor vehicles , gasoline , aviation fuel , the " gas oil" or " diesel oil" oil as well as any other hydrocarbon mixture (excluding natural gas).





**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**2- RESTRICTED CASH**

The Law No. 255 of October 28, 2002, of the Associations of Savings and Loans Cooperatives, requires that:

- a. Thirty five percent (35%) of the Indivisible capital must be maintained in liquid assets.
- b. Fifteen percent (15%) of the deposits will be maintained in liquid funds.
- c. Fifteen percent (15%) of the total of certificates will be maintained in liquid funds, excluding those with maturity within 30 days, in which case twenty five will be maintained. Collateralized certificates will not be maintained as liquid funds.
- d. 8.33% monthly will be maintained in liquid funds for determined events accumulating up to 100%, in the month before it is returned.

As result of the requirements of the Law indicated, the Cooperative held, at December 31, 2017 and 2016 the amount of \$24,563,358 and \$24,223,765, respectively in certificates, savings accounts and investment securities that are not available to be used in current and normal operations, as follows:

	<u>2017</u>	<u>2016</u>
<b><u>Liquidity Required</u></b>		
Indivisible capital reserve (35%)	\$ 2,896,263	\$ 2,759,686
Deposits on demand, net of pledged deposits (15%)	18,014,665	17,348,833
Certificates of deposits, net of crossed Investements with matures of:		
- in 30 days (25%)	357,110	909,435
- more than 30 days (15%)	3,177,438	3,120,028
Deposits for determinated events:		
Chistmas-Coop (8.33% x 2 months)	117,882	85,783
<b>Total required liquidity</b>	24,563,358	24,223,765
<b><u>Liquidity Available</u></b>		
Liquids funds available:		
Certificates of deposits	30,432,695	43,500,000
Cash and cheking accounts	8,418,261	7,464,782
Investments in securities	50,264,455	39,386,615
Interest receivable	287,157	297,095
<b>Total available liquidity</b>	89,402,568	90,648,492
Excess of liquid funds over those required by law	\$ 64,839,210	\$ 66,424,727



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS**

The loan portfolio consists of the following types at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b><u>Commercial:</u></b>		
Corporate	\$ 14,084,099	\$ 10,195,760
Non profit organization	<u>2,072,074</u>	<u>2,129,588</u>
Total commercial	<u>16,156,173</u>	<u>12,325,348</u>
<b><u>Consumers:</u></b>		
Personal	20,743,741	21,387,501
Personal home equity	3,053,930	3,328,468
Mortgages	22,765,503	20,722,305
Auto	6,095,591	6,138,467
Credit cards	2,312,864	2,608,792
Line of credits	3,870,812	2,714,826
Others	<u>238,978</u>	<u>172,197</u>
Total consumers	<u>59,081,419</u>	<u>57,072,556</u>
Total loans	75,237,592	69,397,904
Add: direct loan origination cost capitalized	340,748	280,050
Less: provision for uncollectible loans (Note 1)	<u>( 2,088,213)</u>	<u>( 2,266,974)</u>
Total loans, net	<u>\$ 73,490,127</u>	<u>\$ 67,410,980</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

The change in the provision for uncollectible loans is disclosed as follows:

<b>December 31, 2017</b>	<b><u>Commercial</u></b>	<b><u>Consumo</u></b>	<b><u>Total</u></b>
Balance, beginning of year	\$ 57,988	\$ 2,208,986	\$ 2,266,974
Provision for loans losses	-	-	-
Loans charged off	-	( 243,591)	( 243,591)
Recoveries	-	64,830	64,830
Balance at end of year	<u>\$ 57,988</u>	<u>\$ 2,030,225</u>	<u>\$ 2,088,213</u>
Individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collectively evaluated for impairment	<u>\$ -</u>	<u>\$ 2,459,757</u>	<u>\$ 2,459,757</u>
<b>December 31, 2016</b>	<b><u>Commercial</u></b>	<b><u>Consumo</u></b>	<b><u>Total</u></b>
Balance, beginning of year	\$ 57,988	\$ 2,463,842	\$ 2,521,830
Provision for loans losses	-	-	-
Loans charged off	-	( 322,675)	( 322,675)
Recoveries	-	67,819	67,819
Balance at end of year	<u>\$ 57,988</u>	<u>\$ 2,208,986</u>	<u>\$ 2,266,974</u>
Individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collectively evaluated for impairment	<u>\$ -</u>	<u>\$ 1,679,959</u>	<u>\$ 1,679,959</u>

**CREDIT RISK GRADING COMERCIAL LOANS**

Commercial loans are evaluated for possible losses, classifying each loan using various risk factors identified by the periodic review thereof. At December 31, 2017 and 2016, commercial loans were individually evaluated for impairment. The methodology contemplated the present value of future cash flows discounted at the loan's effective rate or the comparison of the fair market value of the collateral less costs to sell. In addition to reviewing the risk of concentration of commercial loans, the Cooperative implemented a process of quality assessment of commercial credit. For commercial loans, management conducted an assessment of individual risk considering the probability of repayment and collateral quality. The Cooperative used the following classifications to assess their risk in the portfolio:

**Pass:** The member has adequate capital and ability to repay the debt in the normal course of operations.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

**CREDIT RISK GRADING COMERCIAL LOANS**

**Special mention:** The loan has a proper collateral but has the potential for deterioration. The debtor's financial position is deteriorating and is lacking in cash flow, causing possible default on payments. Another features typical of this classification, have no recent financial information, low capitalization, industry risks. The primary source of repayment is still good, but there is a possibility of using the collateral or exercise recovery by the co-signer to repay the debt. Although this type of loan is current and the recovery is understood not in doubt, the frequency of the payments could be affected.

**Substandar:** The loan does not have adequate safeguards due to the deterioration of the market value of the property and low profitability. The member has a poor financial condition which affects loan repayment. There is a high probability that the Cooperative may not get back the entire loan. Loans in this category are considered to impair and not accrue interest.

**Doubtful:** The loan has the shortcomings of those presented in the category of "low standard". In addition, the collectibility of the loan part or all is highly unlikely and the possibility of loss is extremely high. At this level there may be some specific conditions that may enhance the likelihood of repayment of the loan. These conditions include an additional capital contribution, new collateral, and refinancing or liquidation proceedings. The loan has not been lost until assessing the effect of the specific conditions listed above. Loans in this category are considered to impair and not accrue interest.

Below is commercials loan portfolio by risk category at December 31, 2017 and 2016:

<u>December 31, 2017</u>	<u>Pass</u>	<u>Special mention</u>	<u>Substandar</u>	<u>Total</u>
Corporate	\$ 14,084,099	-	-	\$ 14,084,099
Non profit organizations	2,072,074	-	-	2,072,074
Total commercial	<u>\$ 16,156,173</u>	<u>-</u>	<u>-</u>	<u>\$ 16,156,173</u>

<u>December 31, 2016</u>	<u>Pass</u>	<u>Special mention</u>	<u>Substandar</u>	<u>Total</u>
Corporate	\$ 10,195,760	-	-	\$ 10,195,760
Non profit organizations	2,129,588	-	-	2,129,588
Total commercial	<u>\$ 12,325,348</u>	<u>-</u>	<u>-</u>	<u>\$ 12,325,348</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

The Cooperative monitors the aging of its commercial portfolio in order to manage credit risk. Below are the categories of aging commercial portfolio at December 31, 2017 and 2016:

December 31, 2017	Days past due			Total Past due	Current	Total Loans	60 or less accruing	60 or more accruing
	61 – 180	181 – 360	360 or more					
Corporate	-	-	-	-	\$ 14,084,099	\$ 14,084,099	\$ 14,084,099	-
Non profit organizations	-	-	-	-	2,072,074	2,072,074	2,072,074	-
Total comercial	-	-	-	-	\$ 16,156,173	\$ 16,156,173	\$ 16,156,173	-

  

December 31, 2016	Days past due			Total Past due	Current	Total Loans	60 or less accruing	60 or more accruing
	61 – 180	181 – 360	360 or more					
Corporate	-	-	-	-	\$ 10,195,760	\$ 10,195,760	\$ 10,195,760	-
Non profit organizations	-	-	-	-	2,129,588	2,129,588	2,129,588	-
Total comercial	-	-	-	-	\$ 12,325,348	\$ 12,325,348	\$ 12,325,348	-

**CREDIT RISK GRADING CONSUMERS LOANS**

The cooperative has several types of consumer loans which have different credit risks. Delinquencies, the credit score value of the loan and the collateral are quality indicators and the Cooperative monitors used in the evaluation of loan loss provision in its consumer loan portfolio.

The main factor in the evaluation of the provision for loan losses in the consumer portfolio, delinquency is presenting the portfolio. Under Regulation 6466 of May 23, 2002, the percentage method allocates the risk of product consumption by aging.

Below is aging categories of consumer loans at December 31, 2017 and 2016:

December 31, 2017	Days past due			Total Past due	Current	Total Loans	90 or less accruing	90 or more accruing
	61 - 180	181 – 360	360 or more					
Personal	\$ 904,813	\$ 131,238	\$ 101,777	\$ 1,137,828	\$ 26,028,567	\$ 27,166,395	\$ 26,533,380	\$ 633,015
Personal home equity	15,404	7,818	39,462	62,684	2,991,246	3,053,930	3,006,650	47,280
Mortgages	260,832	734,260	229,018	1,224,110	21,541,393	22,765,503	21,802,225	963,278
Auto	35,135	-	-	35,135	6,060,456	6,095,591	6,095,591	-
Total loans	\$ 1,216,184	\$ 873,316	\$ 370,257	\$ 2,459,757	\$ 56,621,662	\$ 59,081,419	\$ 57,437,846	\$ 1,643,573

  

December 31, 2016	Days past due			Total Past due	Current	Total Loans	90 or less accruing	90 or more accruing
	61 - 180	181 – 360	360 or more					
Personal	\$ 246,482	\$ 175,453	\$ 254,589	\$ 676,524	\$ 26,206,792	\$ 26,883,316	\$ 26,243,602	\$ 639,714
Personal home equity	74,842	41,676	6,760	123,278	3,205,190	3,328,468	3,205,190	123,278
Mortgages	710,796	-	146,353	857,149	19,865,156	20,722,305	19,865,156	857,149
Auto	5,387	-	17,621	23,008	6,115,459	6,138,467	6,117,412	21,055
Total loans	\$ 1,037,507	\$ 217,129	\$ 425,323	\$ 1,679,959	\$ 55,392,597	\$ 57,072,556	\$ 55,431,360	\$ 1,641,196



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

Below are the types of loans that compose consumer loans ranked by credit scores at the time of granting at December 31, 2017 and 2016:

December 31, 2017	Credit Score			
	< 600	601 – 650	651 – 700	701 +
Personal	\$ 200,834	\$ 3,394,999	\$ 4,784,028	\$ 18,786,534
Personal home equity	193,099	312,680	886,568	1,661,583
Mortgages	1,368,623	1,966,011	4,100,253	15,330,616
Auto	261,451	431,723	1,119,452	4,282,965
Total loans	<u>\$ 2,024,007</u>	<u>\$ 6,105,413</u>	<u>\$ 10,890,301</u>	<u>\$ 40,061,698</u>

  

December 31, 2016	Credit Score			
	< 600	601 – 650	651 – 700	701 +
Personal	\$ 198,741	\$ 3,359,622	\$ 4,734,178	\$ 18,590,775
Personal home equity	210,458	340,789	966,267	1,810,954
Mortgages	1,245,789	1,789,562	3,732,256	13,954,698
Auto	263,290	434,760	1,127,326	4,313,091
Total loans	<u>\$ 1,918,278</u>	<u>\$ 5,924,733</u>	<u>\$ 10,560,027</u>	<u>\$ 38,669,518</u>

Loan to value is the ratio that compares the principal balance of the value of the collateral at the time of granting. Below is the distribution of the mortgage loan portfolio according to the proportion above. In recent years the real estate market has experienced lower residential property values in them. The proportion of loans to value does not necessarily reflect the repayment enforceable in the same but provides an indicator of the value of the collateral and exposure of the Cooperative. In the event that the loan can not be recovered, the loss would assume the cooperative is limited to the excess of the net realizable value of the property compared to the loan balance. The loan to value at December 31, 2017 and 2016:

December 31, 2017	Balance of Loan to Value (LTV)				Total
	0 – 80%	81% – 90%	90% – 100%	> 100%	
Mortgages	\$ 13,419,235	\$ 8,465,998	\$ 480,769	\$ 399,501	\$ 22,765,503
Personal home equity	2,494,384	33,399	526,147	-	3,053,930
Total loans	<u>\$ 15,913,619</u>	<u>\$ 8,499,397</u>	<u>\$ 1,006,916</u>	<u>\$ 399,501</u>	<u>\$ 25,819,433</u>

  

December 31, 2016	Balance of Loan to Value (LTV)				Total
	0 – 80%	81% – 90%	90% – 100%	> 100%	
Mortgages	\$ 16,663,168	\$ 3,409,089	\$ 556,273	\$ 93,775	\$ 20,722,305
Personal home equity	3,302,868	25,600	-	-	3,328,468
Total loans	<u>\$ 19,966,036</u>	<u>\$ 3,434,689</u>	<u>\$ 556,273</u>	<u>\$ 93,775</u>	<u>\$ 24,050,773</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

**DELINQUENT LOANS**

Below is the portfolio of delinquent loans by type of loan and the allocated reserve at December 31, 2017 and 2016:

<b>December 31, 2017</b>	<b>Principal Balance Unpaid</b>	<b>Allocated Reserve</b>
Commercial:		
Commercial	-	-
Total comercial	-	-
Consumers:		
Personal	\$ 1,137,828	\$ 615,643
Personal home equity	62,684	18,805
Mortgages	1,224,110	198,725
Autos	35,135	6,771
Total consumer	2,459,757	839,944
Total delinquent loans	<u>\$ 2,459,757</u>	<u>\$ 839,944</u>

<b>December 31, 2016</b>	<b>Principal Balance Unpaid</b>	<b>Allocated Reserve</b>
Commercial:		
Commercial	-	-
Total comercial	-	-
Consumers:		
Personal	\$ 676,524	\$ 217,332
Personal home equity	123,278	29,555
Mortgages	857,149	40,309
Autos	23,008	18,699
Total consumer	1,679,959	305,895
Total delinquent loans	<u>\$ 1,679,959</u>	<u>\$ 305,895</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**3- LOANS AND PROVISION UNCOLLECTIBLE LOANS (CONTINUED)**

Below is the summary of loans modified and classified as restructured and those restructured that after granting entered in delinquencies for the years ended December 31, 2017 and 2016:

<u>December 31, 2017</u>	<u>Loans restructured</u>			<u>Past due restructured loans</u>		
	<u>Number of loans</u>	<u>Principal Balance</u>	<u>Allocated Reserva</u>	<u>Number of loans</u>	<u>Principal Balance</u>	<u>Allocated Reserva</u>
Personal	52	\$ 507,923	\$ 249,034	11	\$ 77,472	\$ 46,810
Total loans	52	\$ 507,923	\$ 249,034	11	\$ 77,472	\$ 46,810

  

<u>December 31, 2016</u>	<u>Loans restructured</u>			<u>Past due restructured loans</u>		
	<u>Number of loans</u>	<u>Principal Balance</u>	<u>Allocated Reserva</u>	<u>Number of loans</u>	<u>Principal Balance</u>	<u>Allocated Reserva</u>
Personal	61	\$ 639,289	\$ 221,011	10	\$ 83,390	\$ 54,942
Total loans	61	\$ 639,289	\$ 221,011	10	\$ 83,390	\$ 54,942

Following is a summary of the type of concession granted to restructured loans for the years ended December 31, 2017 and 2016:

<u>December 31, 2017</u>	<u>Interest Rate</u>	<u>Expiration Date</u>	<u>Principal Reduction</u>	<u>Others</u>	<u>Total</u>
Personal	\$ 161,703	\$ 346,220	\$ -	\$ -	\$ 507,923
Total loans	\$ 161,703	\$ 346,220	\$ -	\$ -	\$ 507,923

  

<u>December 31, 2016</u>	<u>Interest Rate</u>	<u>Expiration Date</u>	<u>Principal Reduction</u>	<u>Others</u>	<u>Total</u>
Personal	\$ 203,525	\$ 435,764	\$ -	\$ -	\$ 639,289
Total loans	\$ 203,525	\$ 435,764	\$ -	\$ -	\$ 639,289

**4- DEPOSITS**

At December 31, 2017 and 2016 member regular savings accounts earn interest at annual percentage of .35%, computed daily. For nonmembers annual interest regular savings accounts are .35%. It is the policy of the Cooperative to allow withdrawals from savings accounts in any working day of it. However, when the Board of Directors deems necessary, may require members to notify their intention to withdraw up to thirty (30) days in advance.

The percent interest in the certificates varies according to the market interest rate, the amount and timing to negotiate. Savings balances maintained in the Christmas plans pay a .35% annual interest. Usually these deposits are removed in November of each year.





**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**4- DEPOSITS (CONTINUED)**

The Cooperative also maintains as part of other services to its members "Share Draft" with the Cooperative Bank. The Cooperative will be responsible for all risks associated with the operation of the accounts of orders including, but not limited to, customer acceptance, account opening, accepting account deposits, retentions fixing deposited checks, overdrafts, customer's credit record and all the risks inherent in this type of service. Administration costs of this account shall be borne by the Cooperative. The Cooperative will set the customer service charge. The Cooperative shall determine the representative service charge in exchange and / or return of checks in line with the regulations of the Clearing House Association PR. The Cooperative will maintain a master account with the bank whose balance will remain at 10% of the sum of all account balances of payment orders from the Cooperative Bank and 100% of all authorized overdrafts. The current account balance reflected in books at December 31, 2017 and 2016 is \$11,541,760 and \$9,129,420, respectively.

**5- INVESTMENT IN COOPERATIVES ENTITIES AND SECURITIES**

**Cooperatives entities**

Shares in cooperative entities and contributions as of December 31, 2017 and 2016 consist of the following:

<b><u>Description:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
COSSEC (Note 1)	\$ 2,569,649	\$ 2,569,649
Cooperativa de Seguros de Vida	1,637,124	1,632,555
Cooperativa de Seguros Múltiples	104,863	100,347
Multimortgage Corporation	20,000	20,000
Liga de cooperativas	2,060	2,060
Cooperativa de servicios Fúnebres	7,000	7,000
FIDECOop	227,155	208,750
Banco Cooperativo	301,902	276,096
Others Cooperatives	<u>1,150</u>	<u>1,148</u>
Total investment in shares of Cooperatives entities	<u>\$ 4,870,903</u>	<u>\$ 4,817,605</u>

The regulations of these cooperatives include clauses that limit the total investment withdrawal without notice to the member, when the financial situation of these warrants.

Participation in COSSEC involves maintaining a capital contribution equal to 1% of the total shares and deposits held by the Cooperative as of June 30 of each year. At December 31, 2017 and 2016 the capitals amounted to contribution required.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**5- INVESTMENT IN COOPERATIVES ENTITIES AND SECURITIES (CONTINUED)**

**Marketable Securities**

The Cooperative accounts for investment in accordance with the requirements of ASC 942-320 (formerly SFAS No. 115), Investments - Debt and Equity Instruments and classified them as held to maturity. At December 31, 2017 and 2016 investments were as follows:

<b><u>Type of investments</u></b>	<b><u>2017</u></b>		<b><u>Market Value</u></b>
	<b><u>Amortized Cost</u></b>	<b><u>Unrealized Gain (Loss)</u></b>	
Federal Home Loan Bank Systems	\$ 9,198,437	(\$ 278,348)	\$ 8,920,089
Federal National Mortgage Association (FNMA)	2,500,005	( 104,455)	2,395,550
Federal Farm Credit Bank (FFCB)	5,392,322	( 236,785)	5,155,537
Corporate bonds	18,889,122	( 170,868)	18,718,254
US Treasury Bills	11,449,615	( 14,990)	11,434,625
<b>Especial Investments:</b>			
Banco Gubernamental de Fomento (GDB)	4,501,009	( 1,933,009)	2,568,000
Corporación Financiamiento Público (PFC)	69,608	23,892	93,500
Corporación Financiamiento Impuesto sobre ventas (COFINA)	2,702,492	( 1,910,492)	792,000
Obligación de Gobierno para mejoras públicas (GO)	674,918	( 488,018)	186,900
	<u>\$ 55,377,528</u>	<u>(\$ 5,113,073)</u>	<u>\$ 50,264,455</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**5- INVESTMENT IN COOPERATIVES ENTITIES AND SECURITIES (CONTINUED)**

**Marketable Securities**

The Cooperative accounts for investment in accordance with the requirements of ASC 942-320 (formerly SFAS No. 115), Investments - Debt and Equity Instruments and classified them as held to maturity. At December 31, 2017 and 2016 investments were as follows:

<b><u>Type of invesments</u></b>	<b><u>2016</u></b> <b><u>Amortized</u></b> <b><u>Cost</u></b>	<b><u>Unrealized</u></b> <b><u>Gain</u></b> <b><u>(Loss)</u></b>	<b><u>Market</u></b> <b><u>Value</u></b>
Federal Home Loan Bank Systems	\$ 9,198,237	(\$ 359,027)	\$ 8,839,210
Federal National Mortgage Association (FNMA)	2,500,006	( 135,756)	2,364,250
Federal Farm Credit Bank (FFCB)	5,390,830	( 306,426)	5,084,404
Corporate bonds	18,450,707	( 658,405)	17,792,302
<b>Especial Investments:</b>			
Banco Gubernamental de Fomento (GDB)	7,492,789	( 5,085,289)	2,407,500
Corporación Financiamiento Público (PFC)	698,362	( 324,362)	374,000
Corporación Financiamiento Impuesto sobre ventas (COFINA)	3,377,250	( 1,343,945)	2,033,305
Obligación de Gobierno para mejoras públicas (GO)	841,120	( 349,476)	491,644
	<u>\$ 47,949,301</u>	<u>(\$ 8,562,686)</u>	<u>\$ 39,386,615</u>

As of December 31, 2017, the cooperative maintained its investments in the following brokerage firms:

<b><u>Type of invesments</u></b>	<b><u>2017</u></b> <b><u>Amortized</u></b> <b><u>Cost</u></b>	<b><u>Market</u></b> <b><u>Value</u></b>
UBS Financial Services	\$ 1,181,800	\$ 622,000
Consultiva	47,752,356	43,487,972
HJ Sims Corp	3,768,607	3,802,203
Santander Securities	2,674,765	2,352,280
	<u>\$ 55,377,528</u>	<u>\$ 50,264,455</u>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**5- INVESTMENT IN COOPERATIVES ENTITIES AND SECURITIES (CONTINUED)**

**Marketable Securities**

The amortized cost and estimated market value of investment securities at December 31, 2017 by maturity, is presented below. Expected maturities of investments may differ from the original contract because the borrower has the right to cancel the obligation or pre-pay.

<b><u>Maturity</u></b>	<b><u>Amortized Cost</u></b>	<b><u>Market Value</u></b>
Less than a year	\$ 12,314,856	\$ 11,950,625
More than one to five years	7,608,597	5,574,494
More than five years to ten years	30,164,654	28,767,132
More than ten years	<u>5,289,421</u>	<u>3,972,204</u>
	<u>\$ 55,377,528</u>	<u>\$ 50,264,455</u>

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Cooperative to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The investment portfolio of the Cooperative includes a physical amount of securities issued by the Government of Puerto Rico and / or its instrumentalities. At December 31, 2017 and 2016, the market value of these investments was \$3,640,400 and \$5,306,449, respectively. To address these circumstances, COSSEC has adopted a special rule which provides that cooperatives accounted bonds in Government of Puerto Rico and its instrumentalities as investments held until maturity and if they realized any loss on these investments, it may be carried forward for a period of up to fifteen (15) years. The cooperative has elected to amortize the losses related to these investments for a period of 15 years representing the years ended December 31, 2017 and 2016 the amount of \$507,052 and \$264,985, respectively. To address the special situation of these investments, the cooperative has established a Special Investment Committee, as established in Law 255-2002, as amended, known as the "Companies Act credit union 2002" which monitors and evaluates continuously the portfolio of bonds of the Commonwealth of Puerto Rico. It also performs an additional to the capital structure of the cooperative contribution. At December 31, 2017 and 2016, the Cooperative had debt instrument with an amortized cost of \$7,948,027 and \$12,409,521, respectively issued by the Commonwealth of Puerto Rico, its agencies and public corporation (ELA). The amortized cost of the bonds issued by the Commonwealth, its agencies and public corporations, representing 14% of the amortized cost of investments in securities and 4% of all assets of the Cooperative at December 31, 2017.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**5- INVESTMENT IN COOPERATIVES ENTITIES AND SECURITIES (CONTINUED)**

**Marketable Securities**

**Loss under especial amortization**

At December 31, 2017 and 2016 financial statements of the Cooperative reflect an adjustment for impairment in its portfolio of equity investments in bonds of the Commonwealth, its agencies and public corporations, as detailed below:

<u>Type of investment</u>	<u>2017</u>			
	<u>Amortized Cost</u>	<u>Impairment</u>	<u>Adjusted Cost</u>	<u>Market Values</u>
Banco Gubernamental de Fomento (GDB)	\$ 10,709,321	\$ 6,208,312	\$ 4,501,009	\$ 2,568,000
Corporación Financiamiento Público (PFC)	4,675,911	4,606,303	69,608	93,500
Corporación Financiamiento Impuesto sobre ventas (COFINA)	3,555,692	853,200	2,702,492	792,000
Obligación de Gobierno para mejoras públicas (GO)	843,142	168,224	674,918	186,900
	<u>\$ 19,784,066</u>	<u>\$ 11,836,039</u>	<u>\$ 7,948,027</u>	<u>\$ 3,640,400</u>
	<u>2016</u>			
<u>Type of investment</u>	<u>Amortized Cost</u>	<u>Impairment</u>	<u>Adjusted Cost</u>	<u>Market Values</u>
Banco Gubernamental de Fomento (GDB)	\$ 10,703,985	\$ 3,211,196	\$ 7,492,789	\$ 2,407,500
Corporación Financiamiento Público (PFC)	4,673,141	3,974,779	698,362	374,000
Corporación Financiamiento Impuesto sobre ventas (COFINA)	3,555,000	177,750	3,377,250	2,033,305
Obligación de Gobierno para mejoras públicas (GO)	841,120	-	841,120	491,644
	<u>\$ 19,773,246</u>	<u>\$ 7,363,725</u>	<u>\$ 12,409,521</u>	<u>\$ 5,306,449</u>

This assessment, which is conducted annually, result that the loss in credit in these instruments was approximately \$11,836,039 and \$7,363,725, is a not temporary and was recorded as other assets for the years ended December 31, 2017 and 2016, respectively, it will be written off for a period of 15 years, representing an annual amortization of \$507,052 and \$490,915. The remaining impairment of \$7,948,027 and \$12,409,521 was accounted as in special investment. At December 31 2017 and 2016, respectively the Cooperative charge against operations the amount of \$507,052 and \$490,915 as amortization recognized impairment for the years ended december 31, 2017 and 2016, respectively. Notwithstanding the above, Cooperative's management and the Board of Directors will continue their monitoring of the related portfolio.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**6- PROPERTY AND EQUIPMENT**

As of December 31, 2017 and 2016 the property and equipments consists of the following:

<b><u>Description:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Building and improvements	\$ 7,620,385	\$ 7,603,426
Leasehold improvements	216,279	216,279
Furniture and equipment	3,715,234	3,302,322
	<u>11,551,898</u>	<u>11,122,027</u>
Less accumulated depreciation	<u>( 6,925,901)</u>	<u>( 6,501,969)</u>
	4,625,997	4,620,058
Land	915,938	915,938
	<u>\$ 5,541,935</u>	<u>\$ 5,535,996</u>

**7 - CONCENTRATION OF RISK**

The Cooperative maintains cash accounts in several banks and cooperative entities in Puerto Rico. The accounts in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 and accounts in cooperative institutions are insured up to \$ 250,000 COSSEC. At December 31, 2017 and 2016 stood at over cooperative housing banks and cooperatives in the amount of \$28,202,417 and \$38,946,532, respectively.

**8 - MARKET VALUE OF FINANCIAL INSTRUMENTS**

**Cash and cash equivalents, accrued interest receivable and payable Accrued expenses and other**

The book value of cash and cash equivalents, accrued interest receivable and accrued expenses and other payables approximates their market value due to the short term nature of these instruments.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**8 - MARKET VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Loans Receivable**

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

**Investments in commercial paper and certificates of savings**

The market value of investments in commercial paper and certificates of savings (with a maturity greater than three months) was determined using the quoted market prices for these types of investments.

**Deposits and shares**

The market value of deposits from members and nonmembers constant maturity is estimated using rates currently offered for deposits with similar remaining maturities. The market value of deposits with no fixed maturity and shares is the amount payable on demand at the reporting date.

The book value and estimated market value of the financial instruments of the Cooperative to December 31, 2017 are as follows:

	<b><u>Book Value</u></b>		<b><u>Market Values</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Assets:				
Loans, net	\$ 73,490,127	\$ 67,410,980	\$ 73,490,127	\$ 67,410,980
Cash and cash equivalents	\$ 8,418,261	\$ 7,464,782	\$ 8,418,261	\$ 7,464,782
Investments in marketable securities and certificate of deposits	\$ 86,310,223	\$ 95,580,514	\$ 81,197,150	\$ 87,017,828
Liabilities and Members' Equity				
Deposits	\$145,723,274	\$143,851,353	\$145,723,274	\$143,851,353
Accounts payable and Accrued expenses	\$ 1,365,567	\$ 1,660,365	\$ 1,365,567	\$ 1,660,365
Shares	\$ 32,710,991	\$ 33,122,150	\$ 32,710,991	\$ 33,122,150



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**9- COMMITMENTS AND CONTINGENCIES**

**Commitment to extend credit**

As of December 31, 2017 and 2016, the Cooperative had committed to extend credit or had approved but not disbursed, loans and lines of credit that are not reflected in its financial statements, related to their program of MasterCard amounting to \$6,775,361 and \$6,648,48, respectively.

**Rent agreement**

The Cooperative maintains several operating leases contracts for facilities used by its branches. Future minimum payments for the years ended December 31, under this lease is as follows:

For the year ended December 31:

2018	\$ 88,202
2019	<u>88,202</u>
	<u>\$ 176,404</u>

**Legal Actions**

The Cooperative is involved in various legal actions commonly associated with financial institutions of their nature. The total effect of these, based on the opinion of management and its legal counsel is not, nor will be, significant to the financial statements of the Cooperative.





**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**10 - OTHERS ASSETS**

As of December 31, 2017 and 2016 other assets were as follows:

<b><u>Description:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Office supplies	\$ 24,896	\$ 38,253
Foreclosed properties, net of reserves	111,235	111,235
Deposits	52,379	52,379
Others	62,349	336,665
	<u>\$ 250,859</u>	<u>\$ 538,532</u>

**11 - ACCOUNTS PAYABLES AND ACCRUED EXPENSES**

As of December 31, 2017 and 2016 accounts payable and accrued expenses were as follows:

<b><u>Description:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Withholding of mortgage property insurance	\$ 482,031	\$ 473,137
Insurance payable	104,500	118,502
Accrued interest payable	36,819	36,983
Vacations and bonus payable	137,473	144,325
Tax withholding	74,870	55,855
Provision for expenses	66,221	65,722
Others accounts and accrued expenses	463,653	765,841
	<u>\$ 1,365,567</u>	<u>\$ 1,660,365</u>

**12 - INDIVISIBLE CAPITAL**

Law No. 255, Article 6.02, stipulates that Credit Union will maintain a reserve of non distributable capital known as indivisible capital. Thirty five percent (35%) of this reserve will be kept in liquid accounts.

Starting on February 1, 2006 Law No. 58 amends Law No. 255 stipulating that the levels of indivisible capital that credit unions must achieve in respect to accounts subject to risk will be the following:

Starting January 1, 2011 all Credit Unions must maintain a minimum indivisible capital of eight percent (8%) of the total of the accounts subject to risk. Failure to meet minimum capital requirements can initiate certain mandatory- and possibly additional discretionary- actions by regulator that, if undertaken, could have a direct material effect on the Credit Union's financial statements.

The Cooperativa de Ahorro y Crédito Dr. Manuel Zeno Gandía has a 18.45% and 16.53%, level of indivisible capital at December 31, 2017 and 2016, respectively.



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**13 - MEDICAL INSURANCE**

The Cooperative provides medical insurance for its employees. It provides 80% of the premium costs for employees covered by the family plan and 100% of the premium costs for employees covered by the individual plan. The medical insurance expenses for the years ended December 31, 2017 and 2016 were \$174,123 and \$172,539, respectively.

**14 - PENSION PLAN**

The plan is a defined contribution plan (401-K) covering all of the credit union employees. Employees are required to contribute up to 10% of their salaries to the plan. The credit union contribution to the plan for the year ended December 31, 2017 and 2016 amounted to \$182,474 and 201,935, respectively.

**15 - PROMOTION**

The promotion campaign expenses are recognized in the year incurred; the promotional expenses for the years ended December 31, 2017 and 2016 amounted to \$127,330 and \$185,590, respectively.

**16 - SUBSEQUENT EVENTS**

For the year ended December 31, 2017, the Cooperative adopted ASC 855 ("formerly FASB 165"), related to subsequent events. ASC 855 establishes general standards for accounting and disclosure of events that occur after the date of the reporting, but before the date of the financial statements. Specifically, sets the period after the date of the Balance during which management should evaluate the Cooperative events or transactions that may occur and need to be recorded or disclosed in the financial statements, the circumstances under which the Cooperative should recognize and publicize these events, and the type of disclosure that should be offered to these events that occurred after the date of the Balance.

In accordance with ASC 855, the Cooperative evaluated its subsequent events until March 8, 2018, the date these financial statements were ready to be issued. Cooperative management understands that there is no material event occurred subsequent to December 31, 2017 required to be registered or you need additional disclosure in the financial statements.

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**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
Loans interest	\$ 4,879,702	\$ 4,790,993	\$ 88,709
Less: credits reports costs	( 13,341)	( 18,891)	5,550
<b>Interest and loans commissions</b>	<b>4,866,361</b>	<b>4,772,102</b>	<b>94,259</b>
Savings and certificates of deposits interest	<b>496,667</b>	<b>627,538</b>	<b>( 130,871)</b>
Dividends	34,914	19,241	15,673
Investments interest	1,064,537	1,031,165	33,372
<b>Interest and dividends from investments</b>	<b>1,099,451</b>	<b>1,050,406</b>	<b>49,045</b>
<b>TOTAL INTEREST INCOME</b>	<b>6,462,479</b>	<b>6,450,046</b>	<b>12,433</b>
Deposits	470,452	514,235	( 43,783)
Certificates of deposits	204,852	264,932	( 60,080)
<b>TOTAL INTEREST EXPENSE</b>	<b>675,304</b>	<b>779,167</b>	<b>( 103,863)</b>
Net interest income before			
Provision for uncollectible loans	5,787,175	5,670,879	116,296
Less: Provision for uncollectible loans	-	-	-
<b>NET INTEREST INCOME</b>	<b>5,787,175</b>	<b>5,670,879</b>	<b>116,296</b>
Salaries, vacations and bonus	1,877,432	2,054,553	( 177,121)
Payroll taxes	191,158	212,935	( 21,777)
Medical insurance	174,123	172,539	1,584
Pension plan	182,474	201,935	( 19,461)
<b>Salaries and related expenses</b>	<b>2,425,187</b>	<b>2,641,962</b>	<b>( 216,775)</b>
Legal	66,837	98,850	( 32,013)
Programming	40,347	46,235	( 5,888)
Others	175,069	195,843	( 20,774)
<b>Professional services</b>	<b>282,253</b>	<b>340,928</b>	<b>( 58,675)</b>
Promotion and ads	127,330	185,590	( 58,260)
Cooperative education	28,098	38,633	( 10,535)
Scholarships	2,600	2,500	100
Donations	15,413	15,159	254
<b>Promotion and cooperative education</b>	<b>173,441</b>	<b>241,882</b>	<b>( 68,441)</b>
Depreciation	423,882	392,891	30,991
Repairs and maintenance	195,805	188,571	7,234
Licenses	64,896	64,267	629
Rents	188,600	210,578	( 21,978)
<b>Facilities, equipments and maintenance</b>	<b>873,183</b>	<b>856,307</b>	<b>16,876</b>



**COOPERATIVA DE AHORRO Y CRÉDITO DR. MANUEL ZENO GANDIA**  
**STATEMENT OF OPERATIONS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>VARIANCE</u>
Office supplies	\$ 176,548	\$ 189,116	(\$ 12,568)
Telephone and fax	125,702	175,598	( 49,896)
Utilities	124,428	153,060	( 28,632)
Postages and meters	130,917	146,628	( 15,711)
Office supplies and others	<u>557,595</u>	<u>664,402</u>	<u>( 106,807)</u>
COSSEC insurance	428,259	417,280	10,979
Members insurance	180,472	183,663	( 3,191)
Surety insurance	51,556	72,168	( 20,612)
Funeral insurance	62,746	55,317	7,429
Others insurance	71,113	88,472	( 17,359)
<b>Insurance and surety</b>	<u>794,146</u>	<u>816,900</u>	<u>( 22,754)</u>
Annual meeting	95,957	111,114	( 15,157)
Oversight committee	4,316	1,442	2,874
Meetings Board of directors and committees	32,533	38,586	( 6,053)
<b>Board of Directors and comités</b>	<u>132,806</u>	<u>151,142</u>	<u>( 18,336)</u>
Bank charges	46,701	47,834	( 1,133)
Representation	10,502	25,722	( 15,220)
Activities	12,626	17,131	( 4,505)
Collections	7,802	20,141	( 12,339)
Auto	20,593	22,446	( 1,853)
Taxes	30,000	30,000	-
Others	39,853	76,409	( 36,556)
<b>Others and miscellaneous</b>	<u>168,077</u>	<u>239,683</u>	<u>( 71,606)</u>
<b>Total operating, general and administratives expenses</b>	<u>5,406,688</u>	<u>5,953,206</u>	<u>( 546,518)</u>
<b>OTHERS INCOME / (EXPENSES):</b>			
Share draft accounts	99,232	72,965	26,267
Less: related expenses	( 13,947)	( 13,288)	( 659)
<b>Share draft income, net</b>	<u>85,285</u>	<u>59,677</u>	<u>25,608</u>
Money orders, and utilities commissions	31,373	40,547	( 9,174)
Insurance commissions	39,453	36,807	2,646
Mortgages commissions	134,278	159,622	( 25,344)
<b>Money orders and services commissions</b>	<u>205,104</u>	<u>236,976</u>	<u>( 31,872)</u>
Late fees from loans	46,223	59,742	( 13,519)
Rent income	84,321	84,641	( 320)
ATM income /(expense) , net	( 49,520)	116	( 49,636)
Sponsorship	2,873	7,772	( 4,899)
Miscellaneous	177,932	324,433	( 146,501)
<b>Others income</b>	<u>261,829</u>	<u>476,704</u>	<u>( 214,875)</u>
MasterCard income	173,199	177,335	( 4,136)
Less: related expenses	( 172,007)	( 160,285)	( 11,722)
<b>MasterCard income, net</b>	<u>1,192</u>	<u>17,050</u>	<u>( 15,858)</u>
<b>Loss under especial amortization</b>	<u>( 507,052)</u>	<u>( 264,985)</u>	<u>( 242,067)</u>
<b>Gain on sale of investment</b>	<u>75,144</u>	<u>352,513</u>	<u>( 277,369)</u>
<b>TOTAL OTHERS INCOME</b>	<u>121,502</u>	<u>877,935</u>	<u>( 756,433)</u>
<b>NET INCOME</b>	<u>\$ 501,989</u>	<u>\$ 595,608</u>	<u>(\$ 93,619)</u>

