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To the Board of Directors of
Primary Financial Company LLC
Dublin, Ohio

Independent Auditor's Report

We have audited the accompanying financial statements of Primary Financial Company LLC, which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 controls 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors of
Primary Financial Company LLC
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GBQ Partners LLC

Columbus, Ohio
February 13, 2020

PRIMARY FINANCIAL COMPANY LLC

Balance Sheets

December 31, 2019 and 2018

	2019	2018
ASSETS		
Assets		
Cash and cash equivalents	\$ 18,501,624	\$ 21,874,969
Investments - other	2,480,000	-
Gross spreads receivable	14,789,244	15,362,067
Net fixed assets	1,851,704	1,880,914
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	1,355,956	2,243,521
Other Assets	73,026	78,858
TOTAL ASSETS	\$ 44,482,097	\$ 46,870,872
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Deferred spreads	\$ 6,157,089	\$ 7,285,091
Co-broker spreads payable	12,275,656	14,341,685
Amounts due to customers	4,739,996	4,666,357
Accounts payable and accrued expenses	519,713	336,140
Total liabilities	23,692,454	26,629,273
Members' Equity	20,789,643	20,241,599
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 44,482,097	\$ 46,870,872

The accompanying notes are an integral part of the Financial Statements.

PRIMARY FINANCIAL COMPANY LLC

Statements of Income December 31, 2019 and 2018

	2019	2018
Revenue		
Spread income:		
Gross spread income	\$ 14,966,093	\$ 14,890,562
Co-broker spread and incentives	(10,837,207)	(10,634,089)
Net spread income	4,128,886	4,256,473
Interest and other income	357,145	339,016
Total Revenue	4,486,031	4,595,489
Expenses		
Salaries and benefits	2,337,972	2,376,768
Office operations and occupancy	597,949	628,076
Settlement processing	146,688	151,747
Professional and other outside services	348,667	180,368
Advertising and promotion	328,750	388,447
Other	177,961	184,395
Total Expenses	3,937,987	3,909,801
Net Income	\$ 548,044	\$ 685,688

The accompanying notes are an integral part of the Financial Statements.

PRIMARY FINANCIAL COMPANY LLC
Statements of Changes in Members' Equity
For the Years Ended December 31, 2019 and 2018

	Units Outstanding	Total Members' Equity
Balance at December 31, 2017	75	\$ 19,555,911
Net income		685,688
Balance at December 31, 2018	75	20,241,599
Net income		548,044
Balance at December 31, 2019	75	\$ 20,789,643

The accompanying notes are an integral part of the Financial Statements.

PRIMARY FINANCIAL COMPANY LLC

Statements of Cash Flows December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Net income	\$ 548,044	\$ 685,688
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation	210,303	303,686
Non-cash compensation	23,585	-
Net change in:		
Gross spreads receivable	572,823	3,183,229
Deferred spreads	(1,128,002)	(2,031,269)
Co-broker spreads payable	(2,066,029)	(1,797,162)
Amounts due to customers	73,639	1,762,142
Deferred issuer incentive expense	887,565	298,803
Accounts payable and accrued expenses	183,573	(2,275,891)
Other	5,832	15,814
Net cash and cash equivalents (used in) provided by operating activities	<u>(688,667)</u>	<u>145,040</u>
Cash Flows from Investing Activities		
Purchase of investments - other	(2,480,000)	-
Purchase of property and equipment	(204,678)	(576,969)
Net cash and cash equivalents used in investing activities	<u>(2,684,678)</u>	<u>(576,969)</u>
Cash Flows from Financing Activities:		
Distributions to members	-	(1,125,000)
Net decrease in cash and cash equivalents	<u>(3,373,345)</u>	<u>(1,556,929)</u>
Cash at Beginning of Year	21,874,969	23,431,898
Cash at End of Year	<u>\$ 18,501,624</u>	<u>\$ 21,874,969</u>

The accompanying notes are an integral part of the Financial Statements.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2019 and 2018

Nature and Scope of Business

Primary Financial Company LLC (the Company) is a multiple-member limited liability company and is a corporate credit union service organization (CUSO), owned by its 10 corporate credit union members. The Company was established in accordance with the regulations of the National Credit Union Administration (NCUA) and the Ohio Revised Code. Because of its structure, the Company is not subject to federal or state income tax.

The Company is registered with the State of Ohio as a licensed securities dealer. The Company brokers certificates of deposit through a turnkey program called SimpliCD, which enables its customers to invest in federally insured certificates of deposit. As part of this service, the Company places certificates and collects principal and interest on behalf of its customers. The Company earns a spread over the term of the certificates for performing the services of the SimpliCD program.

The Company sells SimpliCD via its co-broker network. The co-brokers, most of which are the corporate credit unions that are also the owners, earn a portion of the spread for certificates of deposit they sell. Certain co-brokers also earn an incentive for referring institutions that issue certificates through the SimpliCD program. These incentives are recognized over the respective term of the certificate as a part of the Co-Broker spread and incentives as an adjustment to the spread.

CU Investment Solutions LLC (ISI) has an Office of Supervisory Jurisdiction within our office at 700 Washington Street, Suite 202, Columbus, Indiana, 47201. ISI is a member of FINRA and SIPC. ISI's home office is located at 8500 W 110th St, Suite 650, Overland Park, KS 66210.

Summary of Significant Accounting Policies

Use of Estimates

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make 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 these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits with Corporate One Federal Credit Union (Corporate One) and other financial institutions and short-term certificates of deposit, which may at times exceed federally insured limits. During 2019 and 2018, insurance coverage was \$250,000 per depositor at each financial institution. The balance of cash and cash equivalents in excess of federally insured limits was approximately \$18.2 million and \$20.9 million, respectively. At December 31, 2019 and 2018, deposits held in interest bearing accounts at Corporate One totaled approximately \$18.4 million and \$21.2 million, respectively.

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

Investments

The Credit Union's investments are classified and accounted for as follows:

Other: Non-negotiable certificates are carried at cost.

Management evaluates investments for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. In estimating other-than-temporary impairment losses, management considers (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 Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of investments are recorded on the trade date and the costs of investments sold are determined using the specific identification method.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of investments and the possibility of temporary unrealized losses.

Gross Spreads Receivable and Deferred Spreads

Gross spreads receivable represents the total amount of spread the Company expects to receive from the placement of certificates of deposit over the term of the certificates, less the amount of spread received. This receivable is recorded upon placement of the certificates, along with the corresponding deferred spreads and co-broker spreads payable and the receivable is reduced as the spreads are received. Deferred spreads are recognized as revenue over the term of the certificates. Outstanding certificates of deposit placed by the Company on behalf of customers totaled \$7,296,826,231 and \$7,333,561,931 at December 31, 2019 and 2018, respectively.

Advances to Customers

The Company generally receives the proceeds of its customers' maturing certificates of deposit from the certificate issuer and remits the proceeds to the customer on the maturity date. Occasionally, there is a slight delay in the receipt of principal from the issuer. In those instances, as a service to its customers, the Company advances the principal to its customers on the maturity date. There were no advances as of December 31, 2019 or December 31, 2018.

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill relates to the 2003 purchase of the Company from Corporate One. Management has elected not to amortize Goodwill, but instead performs an annual impairment test. The annual impairment test involves comparing the fair value of the Company to its carrying amount. If the fair value exceeds the carrying amount, goodwill is considered not to be impaired. The fair value of the Company is an estimate, as no ready market exists for the ownership interests of the Company. Such estimate of fair value is calculated based upon the present value of estimated future cash flows. There were no impairment losses in 2019 or 2018.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. Equipment under construction is capitalized, however depreciation does not begin until the asset is placed in service. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The lives of assets range from three to ten years.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. During 2019 and 2018, management determined there was no impairment to the assets.

Other Assets

Included in other assets are accounts receivable and prepaid accounts.

Co-broker Spreads Payable

Co-broker spreads payable represents the amount of spread, including issuer referral incentives, the Company expects the co-brokers will earn over the life of the certificates.

Amounts Due to Customers

Amounts due to customers represents interest that the Company has received on behalf of its customers, but has not yet remitted to its customers.

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2019 and 2018

Summary of Significant Accounting Policies (continued)

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there currently are such matters that will have a material effect on the financial statements.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) recently issued ASU 2016-02, a new standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for nearly all lease arrangements. The new standard is effective for the Company for annual periods beginning after December 15, 2020. Management is in the process of determining the effect of this change on its accounting and disclosure of lease activity.

Effective January 1, 2019, the Company adopted the provisions and expanded disclosure requirements described in Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, also referred to as Accounting Standards Codification (ASC) Topic 606. In accordance with ASC 606, revenue is recognized when (or as) performance obligations are satisfied. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for promised services that comprise a performance obligation. The effect of the adoption of ASC 606 was not material to the accompanying financial statements.

Investments

The amortized cost and market value of investments at December 31, 2019 were:

Other Investments	Weighted Average Yield at 12/31/2019	2019
		Amortized Cost
Certificates of deposits - non-negotiable	2.04%	\$ 2,480,000
Total		\$ 2,480,000

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2019 and 2018

Investments (continued)

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

	Other Investments	
	Amortized Cost	Market Value
Due in 2020	\$ 1,736,000	\$ 1,736,000
Due in 2021	248,000	248,000
Due in 2022	248,000	248,000
Due in 2023	248,000	248,000
Total	\$ 2,480,000	\$ 2,480,000

Property and Equipment

Property and equipment at December 31 consisted of the following:

	2019	2018
Under construction	\$ 305,300	\$ 155,348
Computer equipment	3,575,628	3,573,342
Furniture, fixtures, other	468,120	467,939
Total cost	4,349,048	4,196,629
Less: accumulated depreciation	(2,497,344)	(2,315,715)
Net fixed assets	\$ 1,851,704	\$ 1,880,914

Related Party Transactions

The Company maintains deposit accounts and conducts cash management activities through one of its owners, Corporate One. Expenses related to cash management activities totaled \$60,412 and \$54,743 for 2019 and 2018, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2019 or 2018.

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2019 and 2018

Commitments and Contingencies

The Company and Corporate One have an agreement whereby Corporate One has extended an \$8 million line of credit to the Company to be used to facilitate the settlement of customer transactions. The credit line is secured by the assets of the Company. The interest rate on the credit line is equal to the rate Corporate One charges other borrowers under similar lending agreements. At December 31, 2019 and 2018, no advances were outstanding on the credit line.

The Company leases various office facilities under operating leases with remaining terms from five to eight years. The minimum annual rentals related to these agreements are as follows:

2020	\$	109,451
2021		109,451
2022		111,141
2023		108,466
2024		69,740
2025 and thereafter		162,727
Total	\$	670,976

Rent expense totaled \$121,125 and \$105,396 for the years ended December 31, 2019 and 2018, respectively.

Net Capital Requirements

The Company, as a licensed securities dealer with the State of Ohio, is required to maintain net capital, as defined, of at least \$25,000. The Company was in compliance with this requirement at December 31, 2019 and 2018.

Retirement Plans

The Company's employees participate in a defined contribution plan in which the Company contributed a total of 11.5 percent of the participant's eligible compensation to the participant's account in the plan. Employees can also contribute a portion of their compensation on a pre- or post-tax basis. Retirement expense was \$149,962 in 2019 and \$101,940 in 2018.

The Company has non-qualified deferred compensation agreements with certain employees. Under such agreements the Company pays the premiums on life insurance policies that are owned by the employees. Under the terms of the agreements, though the employees own the policies, they are not fully vested in the cash value of such policies until 2021 to 2025, and the unvested cash value is pledged to the Company under a collateral assignment. Expense associated with these agreements was \$215,722 in 2019 and \$232,356 in 2018.

See Independent Auditor's Report.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2019 and 2018



Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed such analysis through the date of the Independent Auditor's Report, the date which the financial statements were available to be issued.

See Independent Auditor's Report.