

• **Financial Statements**

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• **Primary Financial**
• **Company LLC**

• December 31, 2021 and 2020



CONTENTS



	Page
Independent Auditor's Report	3
Financial Statements:	
Balance Sheets	5
Statements of Income	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9



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

Independent Auditor's Report

Opinion

We have audited the financial statements of Primary Financial Company LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Primary Financial Company LLC as of December 31, 2021 and 2020, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Primary Financial Company LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 controls 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 Primary Financial Company LLC's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 GAAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 controls 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 Primary Financial Company LLC's internal controls. 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 Primary Financial Company LLC'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.

GBQ Partners LLC

Columbus, Ohio
February 9, 2022

PRIMARY FINANCIAL COMPANY LLC

Balance Sheets

December 31, 2021 and 2020



	2021	2020
ASSETS		
Assets		
Cash and cash equivalents	\$ 16,602,800	\$ 17,009,377
Investments - other	2,232,000	2,828,000
Gross spreads receivable	9,648,380	11,695,879
Net fixed assets	2,062,706	2,243,624
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	630,475	829,919
Other assets	573,860	74,888
TOTAL ASSETS	\$ 37,180,764	\$ 40,112,230
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Deferred spreads	\$ 5,107,144	\$ 5,368,371
Co-broker spreads payable	7,561,980	9,261,576
Distributions payable	5,250,000	-
Amounts due to customers	2,090,576	3,373,601
Accounts payable and accrued expenses	724,917	694,855
Total liabilities	20,734,617	18,698,403
Members' Equity	16,446,147	21,413,827
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 37,180,764	\$ 40,112,230

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

PRIMARY FINANCIAL COMPANY LLC

Statements of Income December 31, 2021 and 2020

	2021	2020
Revenue		
Spread income:		
Gross spread income	\$ 11,190,872	\$ 14,961,825
Co-broker spread and incentives	(8,313,618)	(11,060,992)
Net spread income	2,877,254	3,900,833
Interest and other income	45,975	86,313
Total Revenue	2,923,229	3,987,146
Expenses		
Salaries and benefits	1,709,973	1,993,065
Office operations and occupancy	520,680	507,624
Settlement processing	110,795	137,168
Professional and other outside services	134,982	401,385
Advertising and promotion	144,000	246,500
Other	20,479	77,220
Total Expenses	2,640,909	3,362,962
Net Income	\$ 282,320	\$ 624,184

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, 2021 and 2020

	Units Outstanding	Total Members' Equity
Balance at December 31, 2019	75	\$ 20,789,643
Net income		624,184
Balance at December 31, 2020	75	21,413,827
Net income		282,320
Distributions declared to members (\$70,000 per unit)		(5,250,000)
Balance at December 31, 2021	75	\$ 16,446,147

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

PRIMARY FINANCIAL COMPANY LLC

Statements of Cash Flows December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net income	\$ 282,320	\$ 624,184
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:		
Depreciation	188,175	153,491
Net change in:		
Gross spreads receivable	2,047,499	3,093,365
Deferred spreads	(261,227)	(788,718)
Co-broker spreads payable	(1,699,596)	(3,014,080)
Amounts due to customers	(1,283,025)	(1,366,395)
Deferred issuer incentive expense	199,444	526,037
Accounts payable and accrued expenses	30,062	175,142
Other assets	(498,972)	(1,862)
Net cash and cash equivalents used in operating activities	(995,320)	(598,836)
Cash Flows from Investing Activities		
Purchase of investments - other	(496,000)	(2,084,000)
Maturity of investments - other	1,092,000	1,736,000
Purchase of property and equipment	(7,257)	(545,411)
Net cash and cash equivalents provided by (used in) investing activities	588,743	(893,411)
Net decrease in cash and cash equivalents	(406,577)	(1,492,247)
Cash at Beginning of Year	17,009,377	18,501,624
Cash at End of Year	\$ 16,602,800	\$ 17,009,377

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

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2021 and 2020



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 the Company's 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 of \$250,000 per depositor at each financial institution. The balance of cash and cash equivalents in excess of federally insured limits was approximately \$16.3 million and \$16.7 million, at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, deposits held in interest bearing accounts at Corporate One totaled approximately \$16.6 million and \$17 million, respectively.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2021 and 2020

Summary of Significant Accounting Policies (continued)

Investments

The Company'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 Company 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 \$7,206,854,700 and \$7,014,926,500 at December 31, 2021 and 2020, 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 and reports these as Other Assets. There were \$496,000 in advances due from issuers as of December 31, 2021. There were no advances as of December 31, 2020.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2021 and 2020

Summary of Significant Accounting Policies (continued)

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 twenty years.

Goodwill

Goodwill relates to the 2003 purchase of the Company from Corporate One. Management has elected to not amortize Goodwill, but instead complete a qualitative evaluation for impairment of goodwill. If this evaluation determines that goodwill is more likely than not impaired, then a quantitative impairment test is performed. This test, if necessary, 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. No such impairment loss was recorded during the years ended December 31, 2021 and 2020.

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 the years ended December 31, 2021 and 2020, management determined there was no impairment to the assets.

Other Assets

Included in other assets are advances due to customers, 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.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2021 and 2020

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 FASB 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 option of an operating lease that is recorded off-balance sheet will be significantly limited in its use. In measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For a lessee, the effect of recording all leases as debt might affect financial covenants that exist in loan and other agreements. The lessor accounting remains largely consistent with existing GAAP. The new standard is effective for the Company for annual periods beginning after December 15, 2021, and there are several options as to how the new pronouncement can be implemented. Management is currently evaluating the potential impact of ASU No. 2016-02 on the Company's financial statements.

Investments

The amortized cost of investments at December 31, were:

Other Investments	Weighted Average Yield at 12/31/2021	2021	Weighted Average Yield at 12/31/2020	2020
		Amortized Cost		Amortized Cost
Certificates of deposits - non-negotiable	1.08%	\$ 2,232,000	1.16%	\$ 2,828,000

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2021 and 2020

Investments (continued)

The amortized cost of investment securities at December 31, 2021 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
Due in 2022	\$ 744,000
Due between 2023 and 2026	1,488,000
Total	\$ 2,232,000

Fixed Assets

Fixed assets at December 31 consisted of the following:

	2021	2020
Under construction	\$ 68,500	\$ 847,366
Computer equipment	4,412,540	3,573,977
Furniture, fixtures, other	344,794	397,234
Total cost	4,825,834	4,818,577
Less: accumulated depreciation	(2,763,128)	(2,574,953)
Net fixed assets	\$ 2,062,706	\$ 2,243,624

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 \$45,574 and \$55,986 for 2021 and 2020, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2021 or 2020.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2021 and 2020

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, 2021 and 2020, 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:

2022	\$	111,141
2023		108,466
2024		69,740
2025		69,740
2026		69,740
Thereafter		23,247
Total	\$	452,074

Rent expense totaled \$113,745 and \$118,102 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

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 \$128,809 in 2021 and \$151,502 in 2020.

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 \$93,702 in 2021 and \$147,063 in 2020.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2021 and 2020



Subsequent Events

Management has performed an analysis of activities and transactions subsequent to December 31, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. 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.

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen that are likely to negatively impact the results of operations. However, the Company cannot reasonably estimate at this time the specific extent, duration or full impact that the COVID-19 pandemic will have on its financial condition and operations.