

• **Financial Statements**

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

• December 31, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 29, 2024

PRIMARY FINANCIAL COMPANY LLC

Balance Sheets

December 31, 2023 and 2022

	2023	2022
ASSETS		
Assets		
Cash and cash equivalents	\$ 10,508,918	\$ 13,509,310
Investments - held-to maturity	1,246,000	496,000
Investments - other	3,500,000	1,240,000
Gross spreads receivable	10,650,762	11,768,301
Net fixed assets	1,728,210	1,872,572
Goodwill	5,430,543	5,430,543
Deferred issuer incentive expense	823,056	871,808
Other assets	228,720	291,371
TOTAL ASSETS	\$ 34,116,209	\$ 35,479,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deferred spreads	\$ 4,752,092	\$ 5,775,154
Co-broker spreads payable	7,847,093	8,805,295
Amounts due to customers	3,845,198	3,457,731
Accounts payable and accrued expenses	650,056	845,652
Total liabilities	17,094,439	18,883,832
Stockholders' Equity	17,021,770	16,596,073
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 34,116,209	\$ 35,479,905

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

PRIMARY FINANCIAL COMPANY LLC

Statements of Income December 31, 2023 and 2022

	2023	2022
Revenue		
Spread income:		
Gross spread income	\$ 10,934,361	\$ 10,536,056
Co-broker spread and incentives	(7,452,580)	(7,495,942)
Net spread income	3,481,781	3,040,114
Interest and other income	631,505	243,769
Total Revenue	4,113,286	3,283,883
Expenses		
Salaries and benefits	2,466,826	2,036,100
Office operations and occupancy	493,796	468,656
Settlement processing	96,103	99,770
Professional and other outside services	157,455	129,800
Advertising and promotion	414,000	337,500
Other	59,409	62,129
Total Expenses	3,687,589	3,133,955
Net Income	\$ 425,697	\$ 149,928

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

PRIMARY FINANCIAL COMPANY LLC
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2023 and 2022

	Units Outstanding	Total Stockholders' Equity
Balance at December 31, 2021	75	\$ 16,446,145
Net income		149,928
Balance at December 31, 2022	75	16,596,073
Net income		425,697
Balance at December 31, 2023	75	\$ 17,021,770

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

PRIMARY FINANCIAL COMPANY LLC

Statements of Cash Flows December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net income	\$ 425,697	\$ 149,928
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:		
Depreciation	222,561	211,359
Gain on sale of property and equipment	(3,000)	-
Net change in:		
Gross spreads receivable	1,117,539	(2,119,921)
Deferred spreads	(1,023,062)	668,010
Co-broker spreads payable	(958,202)	1,243,315
Amounts due to customers	387,467	1,367,155
Deferred issuer incentive expense	48,752	(241,333)
Accounts payable and accrued expenses	(195,596)	(76,767)
Other assets	62,651	479,989
Net cash and cash equivalents provided by operating activities	84,807	1,681,735
Cash Flows from Investing Activities		
Purchase of investments - held-to-maturity	(750,000)	(248,000)
Purchase of investments - other	(3,500,000)	-
Maturity of investments - other	1,240,000	744,000
Purchase of property and equipment	(98,199)	(21,225)
Proceeds from the sale of property and equipment	23,000	-
Net cash and cash equivalents (used in) provided by investing activities	(3,085,199)	474,775
Cash Flows from Financing Activities:		
Distributions to stockholders	-	(5,250,000)
Net decrease in cash and cash equivalents	(3,000,392)	(3,093,490)
Cash at Beginning of Year	13,509,310	16,602,800
Cash at End of Year	\$ 10,508,918	\$ 13,509,310

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

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2023 and 2022



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.

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 \$10.3 million and \$13.2 million, at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, deposits held in interest bearing accounts at Corporate One totaled approximately \$10.5 million and \$13.5 million, respectively.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

Investments

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

Held-to-Maturity: Negotiable certificates of deposit are classified held-to-maturity when the Company has the positive intent and the ability to hold to maturity, are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

Other: Non-negotiable certificates are carried at cost.

Allowance for credit losses – the allowance for credit losses represents expected credit losses over the remaining expected life of HTM securities. The Company's investments consist of federally insured certificates of deposit. The value of these securities are generally driven by the changes in interest rates rather than changes in their credit profile given the federal insurance provided for these, and therefore, there is no allowance for expected credit losses. The income statement effect for the change in the allowance for credit losses on HTM obligations is recognized in the provision for credit losses.

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 \$8,691,715,943 and \$9,518,406,443 at December 31, 2023 and 2022, respectively.

Beginning in 2023, the carrying amount of gross spreads receivable is reduced by a valuation allowance for expected credit losses, as necessary, that reflects management's best estimate of the amount that will not be collected. This estimation takes into consideration historical experience, current conditions and, as applicable, reasonable supportable forecasts. Actual results could vary from the estimate. Accounts are charged against the allowance when management deems them to be uncollectible. Based on their assessment, management determined that the risk of credit loss was not material; therefore, there was no valuation allowance recorded as of December 31, 2023.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

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 no advances as of December 31, 2023 and 2022.

Beginning in 2023, the carrying amount of advances to customers is reduced by a valuation allowance for expected credit losses that reflects management's best estimate of the amount that will not be collected. This estimation takes into consideration historical experience, current conditions and, as applicable, reasonable supportable forecasts. Actual results could vary from the estimate. Amounts to be collected are charged against the allowance when management deems them to be uncollectible. Since there were no advances to customers, management determined that there was no valuation allowance needed at December 31, 2023.

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. There were no qualitative factors present that indicated that Goodwill was more likely than not impaired. As such, management concluded there was no impairment and a qualitative test was not required in 2023 and 2022.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

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, 2023 and 2022, management determined there was no impairment to the assets.

Leases

Pursuant to GAAP, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities within the Company's accompanying statements of financial condition.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. If the Company's leases do not provide an implicit rate, the Company elected the practical expedient to utilize the risk-free rate to determine the present value of lease payments. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The non-lease components consist of common area maintenance and real estate taxes.

Other Assets

Included in other assets are advances due to customers, accounts receivable and prepaid accounts.

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2023 and 2022

Summary of Significant Accounting Policies (continued)

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.

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 Pronouncement

Effective January 1, 2023, the Company adopted the provisions and disclosure requirements described in ASC Topic 326, *Financial Instruments – Credit Losses* (ASC 326). ASC 326 sets forth a current expected credit loss (CECL) model, which requires the Company to measure all expected credit losses for financial assets (or a group of financial assets) held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. The standard replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, such as accounts receivable and related allowances. The adoption of ASC 326 did not have an effect on the Company's financial statements.

Investments

The amortized cost of investments at December 31, were:

Held to Maturity Investments	Weighted Average Yield at 12/31/2023	2023 Amortized Cost	Weighted Average Yield at 12/31/2022	2022 Amortized Cost
Certificates of deposits - negotiable	3.43%	\$ 1,246,000	1.18%	\$ 496,000
Other Investments	Weighted Average Yield at 12/31/2023	2023 Amortized Cost	Weighted Average Yield at 12/31/2022	2022 Amortized Cost
Certificates of deposits - non-negotiable	5.31%	\$ 3,500,000	1.57%	\$ 1,240,000

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2023 and 2022

Investments (continued)

The amortized cost of investment securities at December 31, 2023 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.

	Held-to Maturity Amortized Cost	Other Investments Amortized Cost
Due in 2024	\$ 500,000	\$ 1,750,000
Due between 2025 and 2028	746,000	1,750,000
Total	\$ 1,246,000	\$ 3,500,000

Fixed Assets

Fixed assets at December 31 consisted of the following:

	2023	2022
Under construction	\$ 68,500	\$ 77,843
Computer equipment	4,458,469	4,424,422
Furniture, fixtures, other	365,849	344,794
Total cost	4,892,818	4,847,059
Less: accumulated depreciation	(3,164,608)	(2,974,487)
Net fixed assets	\$ 1,728,210	\$ 1,872,572

Leases

The Company has an operating lease for its main office location in Dublin, Ohio. The Company's lease has a remaining lease term of approximately 4 years.

The following summarizes the line items in the accompanying statements of financial condition which include amounts for the operating lease as of December 31, 2023 and 2022:

	2023	2022
Operating Lease		
Right-of-use asset - operating lease	\$ 152,567	\$ 196,987
Short term operating lease liability	45,157	44,543
Long-term operating lease liability	107,806	152,959
Total operating lease liability	\$ 152,963	\$ 197,502

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements December 31, 2023 and 2022

Leases (continued)

The maturity of the lease liability as of December 31, 2023 was as follows:

	Operating Leases
2024	\$ 46,916
2025	46,916
2026	46,916
2027	15,639
Total undiscounted cash flows	156,387
Less: present value discount	(3,424)
Total lease liabilities	\$ 152,963

The following summarizes the components of lease expense for the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease expense	\$ 46,572	\$ 46,797
Variable lease expense	24,925	31,668
Total lease expense	\$ 71,497	\$ 78,465

The following summarizes additional information related to the lease for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 46,282	\$ 46,282
ROU assets obtained in exchange for the operating lease liabilities	-	240,806
Weighted-average remaining lease term in years for operating leases	3.33	4.33
Weighted-average discount rate for operating leases	1.37%	1.37%

PRIMARY FINANCIAL COMPANY LLC

Notes to Financial Statements

December 31, 2023 and 2022



Related Party Transactions

The Company maintains deposit accounts and conducts cash management activities through one of its owners, Corporate One Federal Credit Union. Expenses related to cash management activities totaled \$50,623 and \$50,430 for 2023 and 2022, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2023 or 2022.

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, 2023 and 2022, no advances were outstanding on the credit line.

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, 2023 and 2022.

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 \$158,594 in 2023 and \$145,315 in 2022.

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 2023 to 2034. Expenses associated with these agreements were \$140,878 in 2023 and \$127,264 in 2022.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.