Financial Statements

Primary Financial Company LLC

December 31, 2024 and 2023

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GBQ Partners

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, 2024 and 2023, 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, 2024 and 2023, 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 11, 2025

PRIMARY FINANCIAL COMPANY LLC

Balance Sheets

December 31, 2024 and 2023

	2024	2023
ASSETS		
Assets		
Cash and cash equivalents	**$ 14,482,303**	$ 10,508,918
Investments - held-to maturity	**746,000**	1,246,000
Investments - other	**4,196,000**	3,500,000
Gross spreads receivable	**10,118,771**	10,650,762
Net fixed assets	**1,596,549**	1,728,210
Goodwill	**5,430,543**	5,430,543
Deferred issuer incentive expense	**770,586**	823,056
Other assets	**217,540**	228,720
TOTAL ASSETS	**$ 37,558,292**	$ 34,116,209

	2024	2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deferred spreads	**$ 4,722,924**	$ 4,752,092
Co-broker spreads payable	**7,291,020**	7,847,093
Amounts due to customers	**7,994,324**	3,845,198
Accounts payable and accrued expenses	**428,054**	650,056
Total liabilities	**20,436,322**	17,094,439
Stockholders' Equity	**17,121,970**	17,021,770
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 37,558,292**	$ 34,116,209

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

PRIMARY FINANCIAL COMPANY LLC
Statements of Income
December 31, 2024 and 2023

	2024	2023
Revenue		
Spread income:		
Gross spread income	**$ 10,783,429**	$ 10,934,361
Co-broker spread and incentives	**(7,567,102)**	(7,452,580)
Net spread income	**3,216,327**	3,481,781
Interest and other income	**639,995**	631,505
Total Revenue	**3,856,322**	4,113,286
Expenses		
Salaries and benefits	**2,637,922**	2,466,826
Office operations and occupancy	**559,531**	493,796
Settlement processing	**98,022**	96,103
Professional and other outside services	**68,292**	157,455
Advertising and promotion	**279,250**	414,000
Other	**113,105**	59,409
Total Expenses	**3,756,122**	3,687,589
Net Income	**$ 100,200**	$ 425,697

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, 2024 and 2023

	Units Outstanding	Total Stockholders' Equity
Balance at December 31, 2022	75	$ 16,596,073
Net income		425,697
Balance at December 31, 2023	75	17,021,770
Net income		100,200
Balance at December 31, 2024	**75**	**$ 17,121,970**

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

PRIMARY FINANCIAL COMPANY LLC
Statements of Cash Flows
December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Net income	**$ 100,200**	$ 425,697
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:		
Depreciation	**220,703**	222,561
Gain on sale of property and equipment	**-**	(3,000)
Net change in:		
Gross spreads receivable	**531,991**	1,117,539
Deferred spreads	**(29,168)**	(1,023,062)
Co-broker spreads payable	**(556,073)**	(958,202)
Amounts due to customers	**4,149,126**	387,467
Deferred issuer incentive expense	**52,470**	48,752
Accounts payable and accrued expenses	**(222,002)**	(195,596)
Other assets	**11,180**	62,651
Net cash and cash equivalents provided by operating activities	**4,258,427**	84,807
Cash Flows from Investing Activities		
Purchase of investments - held-to-maturity	**-**	(750,000)
Maturity of investments - held-to-maturity	**500,000**	-
Purchase of investments - other	**(2,196,000)**	(3,500,000)
Maturity of investments - other	**1,500,000**	1,240,000
Purchase of property and equipment	**(89,042)**	(98,199)
Proceeds from the sale of property and equipment	**-**	23,000
Net cash and cash equivalents used in investing activities	**(285,042)**	(3,085,199)
Net increase (decrease) in cash and cash equivalents	**3,973,385**	(3,000,392)
Cash at Beginning of Year	**10,508,918**	13,509,310
Cash at End of Year	**$ 14,482,303**	$ 10,508,918

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

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 $14 million and $10.3 million, at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, deposits held in interest bearing accounts at Corporate One totaled approximately $14.3 million and $10.5 million, respectively.

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 $8,111,631,743 and $8,691,715,943 at December 31, 2024 and 2023, respectively.

Beginning in 2024, 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, 2024.

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, 2024 and 2023.

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 advanced to customers, management determined that there was no valuation allowance needed at December 31, 2024.

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 qualitive test was not required in 2024 and 2023.

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, 2024 and 2023, 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 Other Assets as an operating lease right-of-use (ROU) asset and within Liabilities as lease liabilities in 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.

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.

Summary of Significant Accounting Policies (continued)

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.

Investments

The amortized cost of investments at December 31, were:

Held to Maturity Investments	2024 Amortized Cost	2023 Amortized Cost
Certificates of deposits - negotiable	**$ 746,000**	$ 1,246,000

Other Investments	2024 Amortized Cost	2023 Amortized Cost
Certificates of deposits - non-negotiable	**$ 4,196,000**	$ 3,500,000

The amortized cost of investment securities at December 31, 2024 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 2025	$ 746,000	$ 2,698,000
Due between 2026 and 2029	-	1,498,000
Total	$ 746,000	$ 4,196,000

Fixed Assets

Fixed assets at December 31 consisted of the following:

	2024	2023
Under construction	**$ 144,707**	$ 68,500
Computer equipment	**4,467,324**	4,458,469
Furniture, fixtures, other	**369,829**	365,849
Total cost	**4,981,860**	4,892,818
Less: accumulated depreciation	**(3,385,311)**	(3,164,608)
Net fixed assets	**$ 1,596,549**	$ 1,728,210

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 2.3 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, 2024 and 2023:

	2024	2023
Operating Lease		
Right-of-use asset - operating lease	**$ 107,529**	$ 152,567
Short term operating lease liability	**45,728**	45,157
Long-term operating lease liability	**62,079**	107,806
Total operating lease liability	**$ 107,807**	$ 152,963

The maturity of the lease liability as of December 31, 2024 was as follows:

	Operating Leases
2025	$ 46,916
2026	46,916
2027	15,639
Total undiscounted cash flows	109,471
Less: present value discount	(1,664)
Total lease liabilities	$ 107,807

Leases (continued)

The following summarizes the components of lease expense for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease expense	$ 46,797	$ 46,572
Variable lease expense	54,494	24,925
Total lease expense	$ 101,291	$ 71,497

The following summarizes additional information related to the lease for the years ended December 31, 2024 and 2023:

	2024	2023
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	-	-
Weighted-average remaining lease term in years for operating leases	2.33	3.33
Weighted-average discount rate for operating leases	1.37%	1.37%

Related Party Transactions

The Company maintains deposit accounts and conducts cash management activities through one of its owners, Corporate One Federal Credit Union (Corporate One). Expenses related to cash management activities totaled $50,570 and $50,623 for 2024 and 2023, respectively. The Company also maintains a line of credit with Corporate One. There were no expenses related to the line of credit in 2024 or 2023.

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, 2024 and 2023, 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, 2024 and 2023.

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 $181,523 in 2024 and $158,594 in 2023.

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 2024 to 2034. Expenses associated with these agreements were $165,929 in 2024 and $140,878 in 2023.

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.