

**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)**

**AND**

**NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

**AUDITED CONSOLIDATING  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

**MURRAY, JONSON, WHITE & ASSOCIATES, LTD., P.C.**  
Certified Public Accountants  
Falls Church, Virginia

**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)  
AND  
NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

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## INDEPENDENT AUDITORS' REPORT

**Board of Directors  
National Association of State Credit Union Supervisors  
and National Institute for State Credit Union Examination**

We have audited the accompanying consolidating statement of financial position of National Association of State Credit Union Supervisors (NASCUS) and National Institute for State Credit Union Examination (NISCUE) as of June 30, 2011, and the related consolidating statements of activities and changes in net assets and cash flows, and the consolidating statement of functional expenses for the year then ended. These financial statements are the responsibility of NASCUS and NISCUE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Association of State Credit Union Supervisors (NASCUS) and National Institute for State Credit Union Examination (NISCUE) as of June 30, 2011, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Murray, Jonson, White & Associates, Ltd., P.C.*

**Certified Public Accountants**

August 29, 2011

**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)  
and  
NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2011**

	<b>ASSETS</b>			
	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,859,837	\$ 173,173	\$ -	\$ 2,033,010
Accounts receivable	5,376	-	-	5,376
Prepaid expenses	<u>33,886</u>	<u>7,500</u>	<u>(7,500)</u>	<u>33,886</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,899,099</u>	<u>180,673</u>	<u>(7,500)</u>	<u>2,072,272</u>
<b>FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS - NET</b>	<u>22,829</u>	<u>-</u>	<u>-</u>	<u>22,829</u>
<b>PENSION ASSET</b>	<u>40,553</u>	<u>-</u>	<u>-</u>	<u>40,553</u>
<b>OTHER ASSETS</b>	<u>7,721</u>	<u>-</u>	<u>-</u>	<u>7,721</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,970,202</u>	<u>\$ 180,673</u>	<u>\$ (7,500)</u>	<u>\$ 2,143,375</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 52,641	\$ 50	\$ -	\$ 52,691
Deferred income				
Accreditation	76,850	-	-	76,850
Membership dues	563,141	-	-	563,141
Convention registrations and sponsors	45,812	-	-	45,812
Education	<u>24,617</u>	<u>-</u>	<u>(7,500)</u>	<u>17,117</u>
<b>TOTAL CURRENT LIABILITIES</b>	763,061	50	(7,500)	755,611
<b>DEFERRED RENT</b>	<u>23,589</u>	<u>-</u>	<u>-</u>	<u>23,589</u>
<b>TOTAL LIABILITIES</b>	786,650	50	(7,500)	779,200
<b>UNRESTRICTED NET ASSETS</b>	<u>1,183,552</u>	<u>180,623</u>	<u>-</u>	<u>1,364,175</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,970,202</u>	<u>\$ 180,673</u>	<u>\$ (7,500)</u>	<u>\$ 2,143,375</u>

The accompanying notes to consolidating financial statements are an integral part of this statement.

**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)  
and  
NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2011**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
<b>REVENUE</b>				
Membership dues	\$ 1,134,048	\$ -	\$ -	\$ 1,134,048
Education programs	230,336	-	(36,042)	194,294
Program support and contributions	48,751	102,040	-	150,791
Accreditation	98,000	-	-	98,000
Convention	92,230	-	-	92,230
NCUA contract	73,836	73,836	(73,836)	73,836
Other income	5,000	-	-	5,000
Interest and dividends	<u>3,330</u>	<u>272</u>	<u>-</u>	<u>3,602</u>
<b>TOTAL REVENUE</b>	<u>1,685,531</u>	<u>176,148</u>	<u>(109,878)</u>	<u>1,751,801</u>
<b>EXPENSES</b>				
Program services				
Regulatory and research	264,866	-	-	264,866
Education	203,306	36,042	(36,042)	203,306
Government relations	190,219	-	-	190,219
Accreditation	172,153	-	-	172,153
Convention	162,064	-	-	162,064
Communication	137,354	-	-	137,354
NCUA education	85,961	73,836	(73,836)	85,961
Lobbying	<u>2,564</u>	<u>-</u>	<u>-</u>	<u>2,564</u>
<b>TOTAL PROGRAM SERVICES</b>	<u>1,218,487</u>	<u>109,878</u>	<u>(109,878)</u>	<u>1,218,487</u>
Supporting services				
Governance	248,232	-	-	248,232
Membership development	134,779	-	-	134,779
General and administration	57,763	61	-	57,824
NISCUE management	<u>5,725</u>	<u>-</u>	<u>-</u>	<u>5,725</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>446,499</u>	<u>61</u>	<u>-</u>	<u>446,560</u>
<b>TOTAL EXPENSES</b>	<u>1,664,986</u>	<u>109,939</u>	<u>(109,878)</u>	<u>1,665,047</u>

The accompanying notes to consolidating financial statements are an integral part of this statement.

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and  
NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2011  
(Continued)**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION-RELATED ACTIVITY	20,545	66,209	-	86,754
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	<u>237,332</u>	<u>-</u>	<u>-</u>	<u>237,332</u>
CHANGE IN UNRESTRICTED NET ASSETS	257,877	66,209	-	324,086
Net assets - Beginning of year	<u>925,675</u>	<u>114,414</u>	<u>-</u>	<u>1,040,089</u>
NET ASSETS - END OF YEAR	\$ <u>1,183,552</u>	\$ <u>180,623</u>	\$ <u>-</u>	\$ <u>1,364,175</u>

The accompanying notes to consolidating financial statements are an integral part of this statement.

**NATIONAL ASSOCIATION OF STATE CREDIT  
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**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2011**

	Regulatory and Research Services	Education	Government Relations	Accreditation	Convention	Communication	NCUA Education	Lobbying	Governmentance	Membership Development	General and Administration	NISCUE Management	Total Expenses
Salaries, Taxes, and Benefits	\$ 170,185	\$ 66,110	\$ 123,042	\$ 97,104	\$ 59,377	\$ 84,473	\$ 62,547	\$ 1,900	\$ 146,852	\$ 96,494	\$ 40,005	\$ 4,179	\$ 952,268
Travel and lodging	21,003	8,517	19,831	32,221	1,954	2,120	-	-	44,693	959	574	-	131,872
Defined Benefit Pension	21,953	8,561	15,907	12,600	7,766	10,961	8,120	245	19,106	12,494	5,164	540	123,417
Occupancy	21,850	8,374	15,758	12,528	7,879	10,945	8,067	242	19,013	12,362	4,832	530	122,380
Schools and seminars	-	89,960	693	-	-	-	-	-	-	-	-	-	90,653
Convention	-	-	-	-	75,676	-	-	-	-	-	-	-	75,676
Outside services	4,373	1,819	2,933	7,534	1,055	15,444	1,545	37	3,911	2,462	2,934	99	44,146
Telephone	4,287	10,893	1,639	1,206	690	1,013	754	22	2,478	1,160	443	49	24,634
Audit and accounting expense	2,248	623	1,530	1,393	1,787	1,257	863	10	1,726	989	518	57	13,001
Supplies, Services, and Software	2,130	986	1,338	1,491	1,304	1,008	719	9	2,168	1,275	415	52	12,895
Depreciation	1,863	736	1,420	1,103	716	977	711	21	1,603	1,075	423	49	10,697
Equipment rental	1,777	708	1,355	1,033	514	888	671	23	1,637	1,077	551	44	10,278
Legal and Insurance Expense	1,703	567	1,175	1,003	950	894	635	14	1,413	884	692	43	9,973
Committees and Program Events	5,903	2,229	986	14	-	-	-	-	-	-	-	-	9,132
Postage	1,426	1,809	727	1,033	305	508	390	8	1,416	595	321	25	8,563
Taxes, Licenses and Other	1,455	533	1,017	845	673	794	551	20	1,307	798	350	35	8,378
Dues and Promotional	1,633	839	810	766	192	1,034	359	13	844	2,020	584	21	9,115
Printing	1,077	42	58	279	1,226	5,038	29	-	65	135	18	2	7,969
<b>TOTAL EXPENSES</b>	<b>\$ 264,866</b>	<b>\$ 203,306</b>	<b>\$ 190,219</b>	<b>\$ 172,153</b>	<b>\$ 162,064</b>	<b>\$ 137,354</b>	<b>\$ 85,961</b>	<b>\$ 2,564</b>	<b>\$ 248,232</b>	<b>\$ 134,779</b>	<b>\$ 57,824</b>	<b>\$ 5,725</b>	<b>\$ 1,665,047</b>

The accompanying notes to consolidating financial statements are an integral part of this statement.

**NATIONAL ASSOCIATION OF STATE CREDIT  
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**CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
OPERATING ACTIVITIES				
Change in net assets	\$ 257,877	\$ 66,209	\$ -	\$ 324,086
Adjustments to reconcile change in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	10,697	-	-	10,697
Changes in operating assets and liabilities (Increase)/decrease in:				
Accounts receivable	17,238	300	-	17,538
Prepaid expenses	6,057	(7,500)	7,500	6,057
Pension asset	(40,553)	-	-	(40,553)
Increase/(decrease) in:				
Accounts payable and accrued expenses	3,573	50	-	3,623
Pension liability	(290,898)	-	-	(290,898)
Deferred income:				
Accreditation	(7,000)	-	-	(7,000)
Membership dues	(52,368)	-	-	(52,368)
Convention registrations and sponsors	9,842	-	-	9,842
Education	2,938	-	(7,500)	(4,562)
Deferred rent	(7,799)	-	-	(7,799)
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u>(90,396)</u>	 <u>59,059</u>	 <u>-</u>	 <u>(31,337)</u>
INVESTING ACTIVITIES				
Purchases of furniture, equipment, and leasehold improvements	<u>(1,705)</u>	<u>-</u>	<u>-</u>	<u>(1,705)</u>
 NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	 <u>(1,705)</u>	 <u>-</u>	 <u>-</u>	 <u>(1,705)</u>
 Net increase (decrease) in cash and cash equivalents	 (92,101)	 59,059	 -	 (33,042)
Cash and cash equivalents - Beginning of year	<u>1,951,938</u>	<u>114,114</u>	<u>-</u>	<u>2,066,052</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ <u>1,859,837</u>	 \$ <u>173,173</u>	 \$ <u>-</u>	 \$ <u>2,033,010</u>

The accompanying notes to consolidating financial statements are an integral part of this statement.



**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)  
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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The National Association of State Credit Union Supervisors (NASCUS) is a 501(c)(6) non-profit trade association organized under the laws of the District of Columbia on October 6, 1975 for the purpose of improving the supervision of credit unions and to facilitate the administration of laws governing these institutions.

The National Institute for State Credit Union Examination (NISCUE) is a 501(c)(3) non-profit educational foundation organized under the laws of the District of Columbia on June 9, 1982 to conduct and sponsor educational programs concerning credit unions and related topics in cooperation with NASCUS.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a). Basis of Presentation - The financial statements of NASCUS and NISCUE are presented on a separated and consolidated basis, since the organizations are under common control. The trustees who serve as the board of NISCUE are appointed annually by NASCUS, and these trustees may be removed upon consent of a majority of the Board of Directors of NASCUS.

NASCUS and NISCUE account for contributions as unrestricted, temporarily restricted, or permanently restricted based upon restrictions imposed by the donor. When donor restrictions expire, either through the passage of time or accomplishment of the purpose for which the restriction was imposed, the net assets are reclassified to unrestricted. For the year ended June 30, 2011, all assets were considered unrestricted.

- (b). Principles of Consolidation - The consolidating financial statements include all accounts of NASCUS and NISCUE. All significant intercompany accounts and transactions are eliminated in consolidation.
- (c). Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposits, certificates of deposit with maturities up to six months, and money market accounts through a brokerage firm, a federal credit union, and a bank. NASCUS and NISCUE maintain cash balances which may exceed federally insured limits. Management does not believe that its cash balances present any significant credit risk to the entities.
- (d). Accounts Receivable - Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on past credit history with members and their current financial condition. All receivables are considered fully collectible.
- (e). Membership Dues - Members of NASCUS are financial regulators and credit unions. Dues of the regulators are based on assets of the credit unions they supervise. Dues paid by credit unions are based upon the assets of the credit unions as reflected on their most recent financial statements. All dues are paid in advance on an annual basis. Revenue from membership dues is deferred and recognized ratably over the membership period.

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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: Continued**

- (f). Program Support and Contributions - Credit Union Leagues and other entities provide program support to NASCUS. Revenues from program support are recognized when received.

Dual charter benefactor membership is deferred and recognized as revenue over a twelve-month period.

Certification fees included in education programs revenue are deferred and recognized as revenue over a twelve-month period.

Fees for educational programs are recognized at the time they are earned.

- (g). Furniture, Equipment, and Leasehold Improvements - Furniture and equipment are recorded at original cost and are depreciated over the estimated useful lives of three to seven years using the straight-line method. Leasehold improvements are depreciated over the life of the lease.

- (h). Income Taxes - NASCUS is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and relevant state tax regulations. NISCUE is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and relevant state tax regulations. Contributions made to NISCUE are deductible by the donor for federal income tax purposes, subject to statutory limitations on charitable contributions. Income tax expense is limited to activities that are deemed by the Internal Revenue Service (IRS) to be unrelated to NASCUS and NISCUE's exempt purposes. Neither NASCUS nor NISCUE had any net unrelated business income for the year ended June 30, 2011.

NASCUS and NISCUE have evaluated their tax positions and determined that their positions are more-likely-than-not to be sustained upon examination. The tax returns are subject to review and examination by federal, state, and local authorities. Tax returns for the years ended June 30, 2008 to June 30, 2010 are open to examination by federal, state, and local authorities.

- (i). Functional Expense Allocations - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidating statement of activities and functional expenses. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classification. Certain costs common to several functions have been allocated among the various programs benefited. General and administration costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: Continued**

- (j). Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates used in preparing these financial statements include the inherent assumptions and guidelines used by the actuary to calculate the funding status of the defined benefit pension plan as well as Management's estimates of the use of resources and service efforts related to the allocation of functional expenses. Actual results could differ from those estimates.

**NOTE 2 - FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

The following summarizes furniture, equipment, and leasehold improvements at June 30, 2011:

Furniture and Fixtures	\$	16,725
Computers and Equipment		44,943
Leasehold Improvements		20,291
Less: Accumulated Depreciation		<u>(59,130)</u>
TOTAL	\$	<u>22,829</u>

Depreciation expense for the year ended June 30, 2011 was \$10,697.

**NOTE 3 - PENSION PLANS**

NASCUS participates in two group pension plans with CUNA Mutual Group's Credit Union Benefits Service (CUBS).

On January 1, 1994, NASCUS adopted the CUBS Individual Account Master and Capital Accumulation Plan which is a pre-tax Internal Revenue Code Section 401(k) plan. Employees are eligible to participate in the plan immediately upon date of hire. The employer matches 100% of employee contributions to the plan, limited to IRS contribution limits. Employees who participate in the plan contribute three percent of before tax wages, plus voluntary contributions not to exceed ten percent of compensation. The plan provides for immediate vesting in the employer's contribution. During the year ended June 30, 2011, NASCUS contributed \$22,361 to the plan. For the year ending June 30, 2012, NASCUS expects to contribute \$24,440 to the plan.

**NATIONAL ASSOCIATION OF STATE CREDIT  
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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 3 - PENSION PLANS: Continued**

On January 1, 1994, NASCUS also entered the CUBS Retirement Defined Benefit Pension Plan. The plan covers employees over the age of twenty years and six months who have completed six months of service. Plan benefits vest after three years of service with the Association. The benefits are based on years of service of employees and employees' average annual salary during the final five years. The funding policy is to contribute the annual suggested amount determined for ERISA purposes. For the year ending June 30, 2012, NASCUS expects to contribute \$100,000 to the plan.

The investment goal is to minimize contributions as a percentage of payroll by providing a total return over a five-year period equal to the actuarially assumed target at the lowest possible portfolio risk level. The Association's defined benefit plan invests in both equity and debt securities. Target asset allocation is determined by the Plan board of trustees who oversees the retirement pension plan investment entity. Asset allocation is targeted at 65% equity securities and 35% debt securities. The estimated fair value of plan assets at June 30, 2011 by class, measured based on Level 1 inputs (market value), is as follows:

Equity Funds	\$	918,797
Fixed Income Funds		<u>494,736</u>
Total Fair Value of Plan Assets	\$	<u><u>1,413,533</u></u>

The following table sets forth the plan's funded status:

Fair Value of Plan Assets at June 30, 2011	\$	1,413,533
Benefit Obligation at June 30, 2011		<u>1,372,980</u>
FUNDED STATUS	\$	<u>40,553</u>
Accumulated Benefit Obligation	\$	<u>1,262,429</u>
Employer Contributions	\$	<u>211,030</u>
Plan Participants' Contributions	\$	<u>-</u>
Benefits Paid	\$	<u>64,087</u>

The actuarial calculation related to the plan shows a pension asset of \$40,553. The balance is shown as a noncurrent asset in the accompanying consolidating statement of financial position.

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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 3 - PENSION PLANS: Continued**

Amounts recognized in accumulated pension-related changes other than net periodic pension cost are:

Net Loss	\$ 345,290
Transition Obligation	<u>58</u>
Total Amount Recognized	\$ <u>345,348</u>

At June 30, 2011, total recognized pension-related changes are comprised of the following:

Service Cost	\$ 76,834
Interest Cost	74,701
Expected Return on Plan Assets	(80,048)
Amortization of the Transition Liability	122
Amortization of Other Losses	<u>45,302</u>
Pension Expense	\$ <u>116,911</u>

Other amounts recognized in pension-related changes other than net periodic pension cost:

Net Loss	\$ (191,908)
Amortization of Net Loss	(45,302)
Amortization of Obligation Asset	<u>(122)</u>
Total Other Recognized Amounts	\$ <u>(237,332)</u>
Total Recognized Pension Related Changes:	\$ <u>(120,421)</u>

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were as follows:

Discount Rate on the Benefit Obligation	5.75%
Rate of Expected Long-Term Return on Plan Assets	7.50%
Rate of Employee Compensation Increase	3.75%

The discount rate is the most recently published Citigroup Pension Liability Index adjusted if necessary by changes in the Moody's AAA long term bond index for the period between the date of the Citigroup report and the measurement date. The result is rounded to the next lower quarter percent.

The expected long-term rate of return is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 3 - PENSION PLANS: Continued**

NASCUS expects to pay the following benefits over the next five years and thereafter:

<u>For Period Beginning July 1,</u>		
2011	\$	35,562
2012		781,824
2013		62,296
2014		62,329
2015		62,251
For years thereafter		<u>380,811</u>
TOTAL	\$	<u>1,385,073</u>

In December 2007 and January 2008, the NASCUS Board of Directors adopted resolutions to amend the CUBS Retirement Defined Benefit Pension Plan, effective February 1, 2008. The resolutions call for the addition of a cash balance feature with respect to employees hired or rehired on or after September 1, 2007, allowing current employees to be grandfathered under the defined benefit formula as adopted in October 2003.

In December 2009, the NASCUS Board of Directors adopted a resolution to amend the CUBS Retirement Defined Benefit Pension Plan to comply with the Pension Protection Act of 2006, the Heroes Earnings Assistance and Relief Tax Act of 2008 and the Worker, Retiree, and Employer Recovery Act of 2008.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2011, NASCUS incurred costs which were for the benefit of, and were reimbursed by NISCUE. These costs were primarily for the services of NASCUS employees who allocated all or a portion of their time to the educational activities of NISCUE, for reimbursement of allocated overhead, and purchases made by NASCUS for the benefit of NISCUE. These NISCUE reimbursements were eliminated in the accompanying financial statements. These costs were as follows:

<u>Description of Cost</u>		<u>Amount</u>
NCUA Program Management	\$	73,836
Schools and Seminars, Grants		<u>36,042</u>
TOTAL	\$	<u>109,878</u>

**NATIONAL ASSOCIATION OF STATE CREDIT  
UNION SUPERVISORS (NASCUS)  
and  
NATIONAL INSTITUTE FOR STATE CREDIT  
UNION EXAMINATION (NISCUE)**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 5 - LEASES**

In March 1999, NASCUS and NISCUE entered into an operating lease for 3,038 square feet of office space in Arlington, Virginia. The lease was amended on July 2, 2002 and February 14, 2003 to add additional square footage. The term of the amended lease is for ten years ending May 31, 2013. The lease includes escalation clauses of 2.75% per year. NASCUS and NISCUE also pay their share of any increases in operating expenses and real property taxes.

Rental expense for office space amounted to \$115,653 for the year ended June 30, 2011. In addition, NASCUS paid \$6,727 for utilities included as occupancy expense on the consolidating statement of functional expenses.

NASCUS, as lessee, had three operating leases for office equipment during the year ended June 30, 2011. Rent expense for the equipment amounted to \$10,278. The leases expire in 2012, 2013, and 2015.

Future minimum payments under the above leases are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2012	\$ 13,801	\$ 119,000	\$ 132,801
2013	8,672	112,000	120,672
2014	1,416	-	1,416
2015	<u>1,416</u>	<u>-</u>	<u>1,416</u>
	<u>\$ 25,305</u>	<u>\$ 231,000</u>	<u>\$ 256,305</u>

**NOTE 6 - NET ASSETS**

In August 2007, the NASCUS Board voted to establish a Board Designated Stabilization Reserve Fund equal to 25% of projected annual expenditures.

The balance of unrestricted net assets as of June 30, 2011 was as follows:

	<u>General Fund</u>	<u>Stabilization Reserve Fund</u>	<u>Total</u>
Beginning balance, July 1, 2010	\$ 512,950	\$ 412,725	\$ 925,675
Increase in net assets	257,877	-	257,877
Transfer of net assets	<u>25,288</u>	<u>(25,288)</u>	<u>-</u>
Ending balance, June 30, 2011	<u>\$ 796,115</u>	<u>\$ 387,437</u>	<u>\$ 1,183,552</u>

**NATIONAL ASSOCIATION OF STATE CREDIT  
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UNION EXAMINATION (NISCUE)**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
(Continued)**

**NOTE 7 - NCUA CONTRACT**

On September 1, 1990, NISCUE was awarded a contract with the National Credit Union Administration (NCUA) to provide personnel and other services to educate state credit union examiners. The contract continues until revoked by either party and provides for payments which were \$73,836 for the year ended June 30, 2011.

**NOTE 8 - COMMITMENTS**

NASCUS has contractual obligations for hotel space to hold the 2011 and 2012 annual conferences. The contracts specify that, if cancelled, NASCUS may be subject to substantial cancellation penalties based on the amount of time remaining before the reservation dates.

NASCUS has an employment contract with the president/chief executive officer. This contract provides for a liability of the year's base pay and continuation of fringe benefits if the officer is terminated without cause before December 31, 2013. This contingent liability is not reflected in the accompanying financial statements.

**NOTE 9 - SUBSEQUENT EVENTS**

Events that occur after the statement of financial position date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of NASCUS and NISCUE through August 29, 2011 the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.