NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS (NASCUS)

AND

NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION (NISCUE)

REVIEWED CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2014

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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MURRAY / JONSON / WHITE & ASSOCIATES, LTD PC
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidating financial statements of National Association of State Credit Union Supervisors (NASCUS) and National Institute for State Credit Union Examination (NISCUE) (nonprofit organizations), which comprise the consolidating statements of financial position as of December 31, 2014, and the related consolidating statements of activities and changes in net assets and cash flows for the six months then ended, and the related notes to consolidating financial statements. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidating financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

Certified Public Accountants

October 9, 2015

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2014
(See Independent Accountants' Review Report)

ASSETS

	NASCUS	NISCUE	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 1,684,957	$ 195,263	$ -	$ 1,880,220
Accounts receivable	102,436	547	(13,007)	89,976
Prepaid expenses	27,011	-	-	27,011
TOTAL CURRENT ASSETS	1,814,404	195,810	(13,007)	1,997,207
FURNITURE AND EQUIPMENT - NET	15,485	-	-	15,485
OTHER ASSETS	8,921	-	-	8,921
TOTAL ASSETS	$ 1,838,810	$ 195,810	$ (13,007)	$ 2,021,613

LIABILITIES AND NET ASSETS

	NASCUS	NISCUE	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 60,913	$ 12,460	$ (13,007)	$ 60,366
Deferred income				
Accreditation	112,700	-	-	112,700
Membership dues	37,362	-	-	37,362
Convention registrations and sponsors	-	-	-	-
Education	7,170	-	-	7,170
TOTAL CURRENT LIABILITIES	218,145	12,460	(13,007)	217,598
LONG TERM LIABILITIES				
Pension Liability	339,213	-	-	339,213
Deferred rent	22,968	-	-	22,968
TOTAL LIABILITIES	580,326	12,460	(13,007)	579,779
UNRESTRICTED NET ASSETS	1,258,484	183,350	-	1,441,834
TOTAL LIABILITIES AND NET ASSETS	$ 1,838,810	$ 195,810	$ (13,007)	$ 2,021,613

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 Six Months Ended December 31, 2014
(See Independent Accountants' Review Report)

	NASCUS	NISCUE	Elimi-nations	Consoli-dated
REVENUE				
Membership dues	$ 910,736	$ -	$ -	$ 910,736
Education programs	269,502	-	(53,064)	216,438
Convention	97,810	-	-	97,810
Accreditation	16,350	-	-	16,350
NCUA contract	39,060	39,060	(39,060)	39,060
Program support and contributions	36,250	8,047	-	44,297
Interest and dividends	2,276	132	-	2,408
Other income	(2,335)	-	-	(2,335)
TOTAL REVENUE	1,369,649	47,239	(92,124)	1,324,764
EXPENSES				
Program services				
Regulatory and Research Services	121,975	-	-	121,975
Education	233,345	48,564	(48,564)	233,345
Government Relations	101,647	-	-	101,647
Accreditation	64,491	-	-	64,491
Convention	192,922	-	-	192,922
Communication	78,991	-	-	78,991
NCUA Education	37,779	39,060	(39,060)	37,779
Lobbying	199	-	-	199
TOTAL PROGRAM SERVICES	831,349	87,624	(87,624)	831,349
Supporting services				
Governance	155,180	-	-	155,180
Membership development	91,595	-	-	91,595
General and administration	38,581	4,500	(4,500)	38,581
NISCUE management	4,287	-	-	4,287
TOTAL SUPPORTING SERVICES	289,643	4,500	(4,500)	289,643
TOTAL EXPENSES	1,120,992	92,124	(92,124)	1,120,992

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 Six Months Ended December 31, 2014
(See Independent Accountants' Review Report)
(Continued)

	NASCUS	NISCUE	Elimi-nations	Consoli-dated
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION-RELATED ACTIVITY	248,657	(44,885)	-	203,772
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(129,635)	-	-	(129,635)
CHANGE IN UNRESTRICTED NET ASSETS	119,022	(44,885)	-	74,137
Net assets - Beginning of year	1,139,462	228,235	-	1,367,697
NET ASSETS - END OF YEAR	$ 1,258,484	$ 183,350	$ -	$ 1,441,834

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 CASH FLOWS
For The Six Months Ended December 31, 2014
(See Independent Accountants' Review Report)

	NASCUS	NISCUE	Eliminations	Consolidated
OPERATING ACTIVITIES				
Change in net assets	$ 119,022	$ (44,885)	$ -	$ 74,137
Adjustments to reconcile change in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	2,325	-	-	2,325
Changes in operating assets and liabilities				
(Increase)/decrease in:				
Accounts receivable	(56,446)	3,053	13,007	(40,386)
Prepaid expenses	40	-	-	40
Increase/(decrease) in:				
Accounts payable and accrued expenses	18,224	280	(13,007)	5,497
Pension liability	131,391	-	-	131,391
Deferred income:				
Accreditation	13,650	-	-	13,650
Membership dues	(640,317)	-	-	(640,317)
Convention registrations and sponsors	(16,071)	-	-	(16,071)
Education	(5,694)	-	-	(5,694)
Deferred rent	3,049	-	-	3,049
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(430,827)	(41,552)	-	(472,379)
INVESTING ACTIVITIES				
Purchase of property and equipment	(12,276)	-	-	(12,276)
Gain/loss on asset disposal	2,353	-	-	2,353
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(9,923)	-	-	(9,923)
Net increase in cash and cash equivalents	(440,750)	(41,552)	-	(482,302)
Cash and cash equivalents - Beginning of year	2,125,707	236,815	-	2,362,522
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,684,957	$ 195,263	$ -	$ 1,880,220

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)

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)

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 6 months ended December 31, 2014, 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.

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 and Equipment - 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. NASCUS capitalizes furniture and equipment with cost of over $500 and an estimated life of three years of more.

(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 six months ended December 31, 2014.

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 after June 30, 2011 are open to examination by federal, state, and local authorities.

(i). 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 AND EQUIPMENT

The following summarizes furniture and equipment at December 31, 2014:

Furniture and Fixtures	$	17,350
Computers and Equipment		46,476
Less: Accumulated Depreciation		(48,341)
TOTAL	$	15,485

Depreciation expense for the six months ended December 31, 2014 was $2,325.

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 up to three percent, 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 six months ended December 31, 2014, NASCUS contributed $11,465 to the plan. For the year ending December 31, 2015, NASCUS expects to contribute $21,600 to the plan.

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 December 31, 2015, NASCUS expects to contribute $124,000 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 60% equity securities and 40% debt securities. The estimated fair value of plan assets at December 31, 2014 by class, measured based on Level 1 inputs (market value), is as follows:

NOTE 3 - PENSION PLANS: Continued

Fair value by class		
Equity Funds	$	838,565
Fixed Income Funds		559,043
Total Fair Value of Plan Assets	$	1,397,608

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

Fair Value of Plan Assets at December 31, 2014	$	1,397,608
Benefit Obligation at December 31, 2014		1,736,821
FUNDED STATUS	$	(339,213)
Accumulated Benefit Obligation	$	1,736,821
Employer Contributions	$	-
Plan Participants' Contributions	$	-
Benefits Paid	$	18,506

The actuarial calculation related to the plan shows a pension liability of $339,213. The balance is shown as a noncurrent liability in the accompanying consolidating statement of financial position.

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

Net Loss (Gain)	$	129,635
Total Amount Recognized	$	129,635

At December 31, 2014, total recognized pension-related changes are comprised of the following:

Service Cost	$	-
Interest Cost		25,822
Expected (Return) on Plan Assets		(37,774)
Amortization of Other Losses		13,708
Pension Expense	$	1,756

NOTE 3 - PENSION PLANS: Continued

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

Net Loss (Gain)	$	143,343
Amortization of Net (Loss) Gain		(13,708)
Total Other Recognized Amounts	$	129,635
Total Recognized Pension Related Changes:	$	131,391

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	4.00%
Rate of Expected Long-Term Return on Plan Assets	7.50%
Rate of Employee Compensation Increase	N/A

The discount rate is determined using the Mercer Pension Discount Index Rate for an Average Plan. The result is rounded to the nearest 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.

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

For Period Beginning January 1,		
2015	$	846,160
2016		66,985
2017		65,227
2018		114,804
2019		62,160
For years thereafter		276,893
TOTAL	$	1,432,229

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.

NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS (NASCUS)
and
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
(Continued)

NOTE 4 - RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2014, 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:

Description of Cost		Amount
NCUA Program Management	$	39,060
Schools, Seminars, Grants		-
NISCUE Overhead Assessment		4,500
TOTAL	$	43,560

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 was for ten years ended May 31, 2013. The lease included escalation clauses of 2.75% per year. NASCUS and NISCUE also pay their share of any increases in operating expenses and real property taxes.

In July 2012, the lease was amended to apply to different office spaces in the same building. The term of the amended lease is for eight years ending August 31, 2020. The lease includes an escalation clause of 3% per year. Rental expense for office space was $62,784 for the six months ended December 31, 2014.

NASCUS, as lessee, had one operating lease for office equipment during the six months ended December 31, 2014. Rent expense for the equipment amounted to $4,511. The remaining lease in effect at year end expires in 2017.

Future minimum payments under the above leases are as follows:

Year Ending December 31,	Equipment	Office	Total
2015	$ 1,464	$ 114,526	$ 115,990
2016	1,464	117,961	119,425
2017	1,220	121,500	122,720
2018	-	125,145	125,145
2019	-	128,900	128,900
Thereafter	-	92,493	92,493
	$ 4,148	$ 700,525	$ 704,673

NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS (NASCUS)
and
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)
(Continued)

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 December 31, 2014 was as follows:

	General Fund	Reserve Fund	Total
Beginning Balance, July 1, 2014	$ 605,962	$ 533,500	$ 1,139,462
Increase in net assets	119,022	-	119,022
Transfer of net assets	(2,078)	2,078	-
Ending Balance, December 31, 2014	$ 722,906	$ 535,578	$ 1,258,484

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 $39,060 for the six months ended December 31, 2014.

NOTE 8 - COMMITMENTS

NASCUS has committed to hotel space for future conferences and meetings through 2015. These contracts specify that, if canceled, NASCUS may be subject to substantial cancellation penalties based on the amount of time remaining before the reservation date.

2015	Denver, Colorado	Grand Hyatt Denver Hotel
2015	New Orleans, Louisiana	Sheraton New Orleans Hotel

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 November 3, 2017. This contingent liability is not reflected in the accompanying financial statements.

NASCUS has an employment contract with the general counsel. 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 June 30, 2017. In the event that NASCUS allows the agreement to expire, the contract provides for six month's pay and continuance of fringe benefits for six months. 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 October 9, 2015, 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.