

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

AND

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

**AUDITED CONSOLIDATING
FINANCIAL STATEMENTS
JUNE 30, 2006**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., PC
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, 2006, 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 U.S. generally accepted auditing standards. 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 National Association of State Credit Union Supervisors (NASCUS) and National Institute for State Credit Union Examination (NISCUE) as of June 30, 2006, and the changes in their net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Murray, Jonson, White & Associates, Ltd., P.C.
Certified Public Accountants

July 19, 2006

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2006**

	ASSETS			
	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,379,472	\$ 151,190	\$ -	\$ 1,530,662
Accounts receivable	16,925	6,078	(14,225)	8,778
Prepaid expenses	36,773	-	-	36,773
Prepaid pension cost	35,654	-	-	35,654
Intangible pension asset	<u>668</u>	<u>-</u>	<u>-</u>	<u>668</u>
TOTAL CURRENT ASSETS	<u>1,469,492</u>	<u>157,268</u>	<u>(14,225)</u>	<u>1,612,535</u>
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS	29,213	-	-	29,213
OTHER ASSETS	<u>7,721</u>	<u>-</u>	<u>-</u>	<u>7,721</u>
TOTAL ASSETS	<u>\$ 1,506,426</u>	<u>\$ 157,268</u>	<u>\$ (14,225)</u>	<u>\$ 1,649,469</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 34,101	\$ 13,400	\$ (14,225)	\$ 33,276
Additional pension liability	94,807	-	-	94,807
Deferred income				
Accreditation	44,200	-	-	44,200
Membership dues	548,574	-	-	548,574
Convention registrations and sponsors	66,681	-	-	66,681
Education	<u>11,955</u>	<u>-</u>	<u>-</u>	<u>11,955</u>
TOTAL CURRENT LIABILITIES	800,318	13,400	(14,225)	799,493
Deferred rent	<u>33,105</u>	<u>-</u>	<u>-</u>	<u>33,105</u>
TOTAL LIABILITIES	833,423	13,400	(14,225)	832,598
UNRESTRICTED NET ASSETS	<u>673,003</u>	<u>143,868</u>	<u>-</u>	<u>816,871</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,506,426</u>	<u>\$ 157,268</u>	<u>\$ (14,225)</u>	<u>\$ 1,649,469</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, 2006**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
REVENUE				
Membership dues	\$ 1,136,191	\$ -	\$ -	\$ 1,136,191
Program support and contributions	61,225	80,114	-	141,339
NCUA contract	62,214	62,214	(62,214)	62,214
Accreditation	115,000	-	-	115,000
Convention	138,738	-	-	138,738
Education programs	211,701	-	(79,985)	131,716
Education management	13,400	-	(13,400)	-
Interest and dividends	39,240	1,786	-	41,026
Other	350	-	-	350
	<u>1,778,059</u>	<u>144,114</u>	<u>(155,599)</u>	<u>1,766,574</u>
TOTAL REVENUE				
EXPENSES				
Program services				
Accreditation	130,658	-	-	130,658
Communication	173,680	-	-	173,680
Convention	197,368	-	-	197,368
Education	204,442	79,985	(79,985)	204,442
NCUA education	81,582	62,214	(62,214)	81,582
Government relations	231,546	-	-	231,546
Lobbying	13,291	-	-	13,291
Regulatory and research	163,321	-	-	163,321
	<u>1,195,888</u>	<u>142,199</u>	<u>(142,199)</u>	<u>1,195,888</u>
TOTAL PROGRAM SERVICES				
Supporting services				
Governance	259,241	-	-	259,241
General and administration	60,586	-	-	60,586
Membership development	137,362	-	-	137,362
NISCUE management	13,388	13,466	(13,400)	13,454
	<u>470,577</u>	<u>13,466</u>	<u>(13,400)</u>	<u>470,643</u>
TOTAL SUPPORTING SERVICES				
TOTAL EXPENSES	<u>1,666,465</u>	<u>155,665</u>	<u>(155,599)</u>	<u>1,666,531</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, 2006
(Continued)**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE OTHER COMPREHENSIVE INCOME/(LOSS)	111,594	(11,551)	-	100,043
OTHER COMPREHENSIVE INCOME/(LOSS)				
Minimum pension liability adjustment	118,811	-	-	118,811
Net assets - Beginning of year	<u>442,598</u>	<u>155,419</u>	<u>-</u>	<u>598,017</u>
NET ASSETS - END OF YEAR	\$ <u>673,003</u>	\$ <u>143,868</u>	\$ <u>-</u>	\$ <u>816,871</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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006**

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006**

	<u>Accredi- tation</u>	<u>Commu- nication</u>	<u>Con- vention</u>	<u>Edu- cation</u>	<u>NCUA Edu- cation</u>	<u>Govern- ment Relations</u>
Salaries, Taxes, and Benefits	\$ 58,060	\$ 103,542	\$ 61,245	\$ 58,227	\$ 63,942	\$ 160,404
Convention	-	-	118,583	-	-	-
Occupancy	7,778	14,342	8,317	7,743	8,572	21,398
Outside Services	9,554	27,147	276	272	281	711
Travel and Lodging	44,259	5,335	750	4,868	355	25,132
Schools and Seminars	-	-	-	116,030	-	-
Postage, Printing, and Delivery	1,883	7,668	1,085	4,433	1,010	2,825
Supplies, Services, and Software	2,323	3,789	1,343	1,777	1,297	34
Audit and Accounting	1,682	3,392	1,872	2,195	2,028	4,946
Telephone	1,039	1,703	992	4,015	1,074	6,480
Legal and Insurance Expenses	846	1,504	869	782	872	2,178
Equipment Rental and Repair	1,209	2,275	1,292	1,244	1,379	3,281
Depreciation	537	975	561	519	590	1,463
Committees and Program Events	293	421	-	775	-	1,846
Dues, Promotional and Advertising	1,086	1,417	98	139	89	576
Taxes, Licenses, and Other	109	170	85	1,423	93	272
TOTAL EXPENSES	\$ <u>130,658</u>	\$ <u>173,680</u>	\$ <u>197,368</u>	\$ <u>204,442</u>	\$ <u>81,582</u>	\$ <u>231,546</u>

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

<u>Lobbying</u>	<u>Regulatory and Research Services</u>	<u>Governance</u>	<u>General and Administration</u>	<u>Membership Development</u>	<u>NISCUE Management</u>	<u>Total Expenses</u>
\$ 10,293	\$ 106,783	\$ 135,194	\$ 41,702	\$ 100,781	\$ 8,475	\$ 908,648
-	-	-	-	-	-	118,583
1,379	14,329	18,020	6,413	13,399	1,163	122,853
54	1,748	1,182	5,033	436	48	46,742
138	10,042	72,009	1,316	1,573	942	166,719
-	-	-	-	-	925	116,955
148	8,431	3,589	633	2,597	129	34,431
213	2,342	4,355	708	2,131	160	20,472
398	3,781	4,018	1,514	3,292	282	29,400
169	5,198	4,337	784	1,674	223	27,688
139	1,632	1,831	577	1,396	118	12,744
222	2,162	2,845	999	2,134	185	19,227
93	1,008	1,244	340	916	78	8,324
-	2,676	10,030	-	1,070	550	17,661
30	3,001	170	120	5,804	22	12,552
<u>15</u>	<u>188</u>	<u>417</u>	<u>447</u>	<u>159</u>	<u>154</u>	<u>3,532</u>
\$ <u>13,291</u>	\$ <u>163,321</u>	\$ <u>259,241</u>	\$ <u>60,586</u>	\$ <u>137,362</u>	\$ <u>13,454</u>	\$ <u>1,666,531</u>

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
OPERATING ACTIVITIES				
Change in net assets	\$ 111,594	\$ (11,551)	\$ -	\$ 100,043
Other comprehensive income/(loss)	118,811	-	-	118,811
Adjustments to reconcile change in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	8,324	-	-	8,324
Changes in operating assets and liabilities				
(Increase) decrease in:				
accounts receivable	(10,059)	(4,978)	14,225	(812)
prepaid expenses	11,385	5,671	-	17,056
prepaid pension cost	18,693	-	-	18,693
intangible pension asset	122	-	-	122
accounts payable and accrued expenses	(4,416)	13,400	(14,225)	(5,241)
additional pension liability	(118,933)	-	-	(118,933)
deferred rent	6,551	-	-	6,551
deferred income:				
Accreditation	(40,000)	-	-	(40,000)
Membership dues	28,597	-	-	28,597
Convention registrations and sponsors	6,743	-	-	6,743
Education	<u>(4,412)</u>	<u>(556)</u>	<u>-</u>	<u>(4,968)</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u>133,000</u>	 <u>1,986</u>	 <u>-</u>	 <u>134,986</u>
INVESTING ACTIVITIES				
Purchases of furniture, equipment, and leasehold improvements	<u>(1,800)</u>	<u>-</u>	<u>-</u>	<u>(1,800)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(1,800)</u>	 <u>-</u>	 <u>-</u>	 <u>(1,800)</u>
 Net increase (decrease) in cash and cash equivalents	 131,200	 1,986	 -	 133,186
Cash and cash equivalents - Beginning of year	<u>1,248,272</u>	<u>149,204</u>	<u>-</u>	<u>1,397,476</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ <u>1,379,472</u>	 \$ <u>151,190</u>	 \$ <u>-</u>	 \$ <u>1,530,662</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)**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The National Association of State Credit Union Supervisors (NASCUS) was 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) was organized under the laws of the District of Columbia on June 9, 1982 as an educational foundation 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 fiscal year ending June 30, 2006, 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 and money market accounts held in a brokerage firm and a bank. NASCUS and NISCUE maintain cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk to the entities.
- (d). 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.

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

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES: Continued

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

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

On-Line University 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.

Contributions designated to support the annual NASCUS Regulators' School are recognized in the year in which the funds are received.
- (f). 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.
- (g). Income Taxes - NASCUS qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code. NISCUE qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.
- (h). 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 in the consolidating statement of 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.
- (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. Actual results could differ from those estimates.

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

NOTE 2 - FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

At June 30, 2006, furniture, equipment, and leasehold improvements owned by NASCUS cost \$64,997 and accumulated depreciation on the assets amounted to \$35,784.

NOTE 3 - PENSION PLANS

NASCUS participates in two group pension plans with the Credit Union National Association, Inc. (CUNA) and 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, 2006, NASCUS contributed \$52,000 to the plan. For the year ending June 30, 2007, NASCUS expects to contribute \$52,000 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.

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 oversee the retirement pension plan investment entity. This allocation was recently reviewed in January 2005. Asset allocation is targeted at 60% stock and 40% fixed income. The Plan's investment policy states that the portfolio is to be invested as follows: 45% in equity securities, 15% in absolute return strategies, 5% in a real assets fund, and 35% in an aggregate bond index fund. The equity securities are to consist of 10% in the S&P 500 index fund, 5% in S&P/BARRA value tilt fund, 7% in a small-cap fund, 5% in a REIT index fund, 6% in an EAFE index fund, 6% in international small-cap stocks, and 6% in international emerging market stocks.

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

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

NOTE 3 - PENSION PLANS: Continued

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

Actuarial present value of benefit obligations	
Benefit obligation at June 30, 2006	\$ 817,115
Fair value of plan assets at June 30, 2006	<u>576,228</u>
FUNDED STATUS	\$ <u>(240,887)</u>
Accumulated benefit obligation	\$ <u>635,381</u>
Prepaid pension cost	\$ <u>35,654</u>
Pension expense	\$ <u>70,693</u>
Employer contributions	\$ <u>52,000</u>

The actuarial calculation related to the plan shows a prepaid expense of \$35,654, and an additional pension liability of \$94,807, to arrive at a net liability of \$59,153. The balances are shown as a current asset and current liability, respectively, in the accompanying consolidating statement of financial position. The additional liability is recalculated and adjusted each year as necessary.

The prepaid pension cost comprised of the following:

Excess of the benefit obligation over the value of plan assets	\$ (240,887)
Unrecognized net actuarial loss	275,873
Unrecognized prior service cost	<u>668</u>
Prepaid pension cost	\$ <u>35,654</u>

At June 30, 2006, an additional liability was determined by the following:

Accumulated benefit obligation at June 30, 2006	\$ 635,381
Fair value of plan assets at June 30, 2006	<u>576,228</u>
Minimum liability	59,153
Prepaid pension cost	<u>35,654</u>
Additional pension liability	\$ <u>94,807</u>

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

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

NOTE 3 - PENSION PLANS: Continued

For the year ended June 30, 2006, the net amounts recognized in the balance sheet were classified as follows:

Accrued/(prepaid) benefit cost	\$ (35,654)
Intangible Asset	668
Accumulated other comprehensive (income)/loss	<u>94,139</u>
Net amount recognized	<u>\$ 59,153</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	6.25%
Rate of expected return on plan assets	7.50%
Rate of employee compensation increase	4.25%

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.

Pension expense for the year ended June 30, 2006, amounted to \$70,693, and is comprised of the following:

Service Cost	\$ 42,812
Interest Cost	43,554
Expected return on plan assets	(38,593)
Amortization of the transition liability	22,798
Amortization of other losses	<u>122</u>
Pension expense	<u>\$ 70,693</u>

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

For period beginning:	
7/1/2006	\$ 36,433
7/1/2007	37,011
7/1/2008	37,011
7/1/2009	37,011
7/1/2010	37,011
Five years thereafter	1,026,445

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

NOTE 4 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2006, NASCUS incurred costs 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 for 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	\$ 62,214
Salaries, taxes, benefits, and overhead	13,400
Schools and seminars, grants	<u>79,985</u>
TOTAL	\$ <u>155,599</u>

Donations deposited by NASCUS on behalf of NISCUE in the amount of \$825 were due from NASCUS to NISCUE.

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 including real estate taxes, utilities, and common area charges amounted to \$115,839 for the year ended June 30, 2006. In addition, NASCUS paid \$777 for records storage.

NASCUS, as lessee, had three operating leases for office equipment during the year ended June 30, 2006. Rent expense for the equipment amounted to \$19,022.

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

NOTE 5 - LEASES: Continued

Future minimum payments under the above leases as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2007	\$ 15,584	\$ 103,842	\$ 119,426
2008	9,584	106,697	116,281
2009	8,984	109,631	118,615
2010	7,884	112,646	120,530
2011	1,314	115,745	117,059
Thereafter	<u>-</u>	<u>230,686</u>	<u>230,686</u>
	<u>\$ 43,350</u>	<u>\$ 779,247</u>	<u>\$ 822,597</u>

NOTE 6 - 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 \$62,214 for the year ended June 30, 2006.

NOTE 7 - COMMITMENTS

NASCUS has contractual obligations for hotel space to hold the 2006 and 2007 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 April 1, 2007. This contingent liability is not reflected in the accompanying financial statements.