

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

AND

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

**AUDITED CONSOLIDATING
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
JUNE 30, 2012**

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, 2012, 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 consolidated financial statements are the responsibility of NASCUS and NISCUE's management. Our responsibility is to express an opinion on these consolidated 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, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Murray Jonson White & Associates Ltd. P.C.

Certified Public Accountants

August 20, 2012

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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
June 30, 2012**

	ASSETS			
	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,624,037	\$ 190,438	\$ -	\$ 1,814,475
Accounts receivable	16,306	424	(424)	16,306
Prepaid expenses	<u>27,005</u>	<u>-</u>	<u>-</u>	<u>27,005</u>
TOTAL CURRENT ASSETS	<u>1,667,348</u>	<u>190,862</u>	<u>(424)</u>	<u>1,857,786</u>
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS - NET	<u>21,975</u>	<u>-</u>	<u>-</u>	<u>21,975</u>
OTHER ASSETS	<u>8,921</u>	<u>-</u>	<u>-</u>	<u>8,921</u>
TOTAL ASSETS	<u>\$ 1,698,244</u>	<u>\$ 190,862</u>	<u>\$ (424)</u>	<u>\$ 1,888,682</u>
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 60,593	\$ -	\$ (424)	\$ 60,169
Deferred income				
Accreditation	40,650	-	-	40,650
Membership dues	529,871	-	-	529,871
Convention registrations and sponsors	24,952	-	-	24,952
Education	<u>22,801</u>	<u>-</u>	<u>-</u>	<u>22,801</u>
TOTAL CURRENT LIABILITIES	678,867	-	(424)	678,443
LONG TERM LIABILITIES				
Pension Liability	387,487	-	-	387,487
Deferred rent	<u>12,680</u>	<u>-</u>	<u>-</u>	<u>12,680</u>
TOTAL LIABILITIES	1,079,034	-	(424)	1,078,610
UNRESTRICTED NET ASSETS	<u>619,210</u>	<u>190,862</u>	<u>-</u>	<u>810,072</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,698,244</u>	<u>\$ 190,862</u>	<u>\$ (424)</u>	<u>\$ 1,888,682</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, 2012**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
REVENUE				
Membership dues	\$ 1,055,315	\$ -	\$ -	\$ 1,055,315
Education programs	265,684	-	-	265,684
Convention	94,298	-	-	94,298
Accreditation	80,000	-	-	80,000
NCUA contract	74,280	74,280	(74,280)	74,280
Program support and contributions	47,750	54,070	(43,997)	57,823
Interest and dividends	3,262	231	-	3,493
Other income	<u>1,020</u>	<u>-</u>	<u>-</u>	<u>1,020</u>
TOTAL REVENUE	<u>1,621,609</u>	<u>128,581</u>	<u>(118,277)</u>	<u>1,631,913</u>
 EXPENSES				
Program services				
Education	294,252	43,997	(43,997)	294,252
Regulatory and research	291,044	-	-	291,044
Convention	180,740	-	-	180,740
Accreditation	170,233	-	-	170,233
Government relations	125,517	-	-	125,517
Communication	125,201	-	-	125,201
NCUA education	82,956	74,280	(74,280)	82,956
Lobbying	<u>613</u>	<u>-</u>	<u>-</u>	<u>613</u>
TOTAL PROGRAM SERVICES	<u>1,270,556</u>	<u>118,277</u>	<u>(118,277)</u>	<u>1,270,556</u>
Supporting services				
Governance	340,423	-	-	340,423
Membership development	145,213	-	-	145,213
General and administration	45,941	65	-	46,006
NISCUE management	<u>3,354</u>	<u>-</u>	<u>-</u>	<u>3,354</u>
TOTAL SUPPORTING SERVICES	<u>534,931</u>	<u>65</u>	<u>-</u>	<u>534,996</u>
TOTAL EXPENSES	<u>1,805,487</u>	<u>118,342</u>	<u>(118,277)</u>	<u>1,805,552</u>

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

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012
(Continued)**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE PENSION-RELATED ACTIVITY	(183,878)	10,239	-	(173,639)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	<u>(380,464)</u>	<u>-</u>	<u>-</u>	<u>(380,464)</u>
CHANGE IN UNRESTRICTED NET ASSETS	(564,342)	10,239	-	(554,103)
Net assets - Beginning of year	<u>1,183,552</u>	<u>180,623</u>	<u>-</u>	<u>1,364,175</u>
NET ASSETS - END OF YEAR	\$ <u>619,210</u>	\$ <u>190,862</u>	\$ <u>-</u>	\$ <u>810,072</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, 2012**

	Edu- cation	Regula- tory and Research Services	Con- vention	Accredi- tation	Govern- ment Relations	Commun- ication	NCUA Edu- cation	Govern- Lobbying ance	Member- ship Develop- ment	General and Admini- stration	NISCUE Manage- ment	Total Expenses	
Salaries, taxes, and benefits	78,834	192,773	61,319	105,345	84,297	81,538	63,145	475	199,165	106,708	28,907	2,492	1,004,998
Travel and lodging	19,564	27,743	602	25,467	13,999	3,724	-	-	76,842	4,787	102	-	172,830
Schools and seminars	164,155	-	-	-	-	-	-	-	-	-	-	-	164,155
Occupancy costs	9,821	23,789	7,635	13,129	10,501	10,128	7,856	56	24,641	13,281	3,774	314	124,925
Convention	-	-	96,681	-	-	-	-	-	-	-	-	-	96,681
Defined benefit pension	4,949	14,074	5,090	7,533	6,604	5,883	4,662	41	15,083	7,428	5,363	241	76,951
Outside services	1,411	3,579	1,286	7,363	1,574	9,562	1,196	9	3,835	1,990	4,699	53	36,557
Telephone	5,156	4,021	747	1,359	1,201	975	741	5	4,153	1,270	345	25	19,998
Depreciation	1,197	2,646	829	1,525	1,176	1,105	883	6	2,667	1,491	439	40	14,004
Audit and accounting expense	502	2,790	1,578	1,167	1,030	954	845	3	2,685	1,443	473	30	13,500
Supplies, services and software	1,620	2,013	1,198	1,670	1,062	884	720	6	2,748	1,195	349	31	13,496
Equipment rental	943	2,286	727	1,255	1,003	972	753	4	2,345	1,279	361	27	11,955
Printing	99	3,521	157	304	226	6,495	144	1	467	392	74	9	11,889
Postage	3,412	1,417	1,204	1,062	594	591	438	1	1,431	761	284	19	11,214
Legal and insurance expense	829	2,070	804	1,153	978	849	694	4	1,994	1,147	378	41	10,941
Taxes, license and miscellaneous	635	1,623	585	851	750	642	513	2	1,360	888	536	21	8,406
Dues and promotional	937	1,908	298	913	522	899	366	-	1,007	1,153	(78)	11	7,936
Committees and program events	188	4,791	-	137	-	-	-	-	-	-	-	-	5,116
TOTAL EXPENSES	<u>294,252</u>	<u>291,044</u>	<u>180,740</u>	<u>170,233</u>	<u>125,517</u>	<u>125,201</u>	<u>82,956</u>	<u>613</u>	<u>340,423</u>	<u>145,213</u>	<u>46,006</u>	<u>3,354</u>	<u>1,805,552</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 CASH FLOWS
For the Year Ended June 30, 2012**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimi- nations</u>	<u>Consoli- dated</u>
OPERATING ACTIVITIES				
Change in net assets	\$ (564,342)	\$ 10,239	\$ -	\$ (554,103)
Adjustments to reconcile change in unrestricted net assets to net cash (used) provided by operating activities				
Depreciation	14,004	-	-	14,004
Changes in operating assets and liabilities (Increase)/decrease in:				
Accounts receivable	(10,930)	(424)	424	(10,930)
Prepaid expenses	6,881	7,500	(7,500)	6,881
Pension asset	40,553	-	-	40,553
Other assets	(1,200)	-	-	(1,200)
Increase/(decrease) in:				
Accounts payable and accrued expenses	7,952	(50)	(424)	7,478
Pension liability	387,487	-	-	387,487
Deferred income:				
Accreditation	(36,200)	-	-	(36,200)
Membership dues	(33,270)	-	-	(33,270)
Convention registrations and sponsors	(20,860)	-	-	(20,860)
Education	(1,816)	-	7,500	5,684
Deferred rent	<u>(10,909)</u>	<u>-</u>	<u>-</u>	<u>(10,909)</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u>(222,650)</u>	 <u>17,265</u>	 <u>-</u>	 <u>(205,385)</u>
INVESTING ACTIVITIES				
Purchases of furniture, equipment, and leasehold improvements	<u>(13,150)</u>	<u>-</u>	<u>-</u>	<u>(13,150)</u>
 NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	 <u>(13,150)</u>	 <u>-</u>	 <u>-</u>	 <u>(13,150)</u>
 Net increase (decrease) in cash and cash equivalents	 (235,800)	 17,265	 -	 (218,535)
Cash and cash equivalents - Beginning of year	<u>1,859,837</u>	<u>173,173</u>	<u>-</u>	<u>2,033,010</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ <u>1,624,037</u>	 \$ <u>190,438</u>	 \$ <u>-</u>	 \$ <u>1,814,475</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) 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, 2012, 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.

**NATIONAL ASSOCIATION OF STATE CREDIT
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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, 2012.

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, 2008 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.

**NATIONAL ASSOCIATION OF STATE CREDIT
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and
NATIONAL INSTITUTE FOR STATE CREDIT
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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, 2012:

Furniture and Fixtures	\$	16,725
Computers and Equipment		58,092
Leasehold Improvements		20,291
Less: Accumulated Depreciation		<u>(73,133)</u>
TOTAL	\$	<u>21,975</u>

Depreciation expense for the year ended June 30, 2012 was \$14,004.

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, 2012, NASCUS contributed \$22,789 to the plan. For the year ending June 30, 2013, NASCUS expects to contribute \$25,236 to the plan.

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

**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, 2013, 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 60% equity securities and 40% debt securities. The estimated fair value of plan assets at June 30, 2012 by class, measured based on Level 1 inputs (market value), is as follows:

<u>Fair value by class</u>	
Equity Funds	\$ 849,016
Fixed Income Funds	<u>566,011</u>
Total Fair Value of Plan Assets	\$ <u>1,415,027</u>

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

Fair Value of Plan Assets at June 30, 2012	\$ 1,415,027
Benefit Obligation at June 30, 2012	<u>1,802,514</u>
FUNDED STATUS	\$ <u>(387,487)</u>
Accumulated Benefit Obligation	\$ <u>1,686,706</u>
Employer Contributions	\$ <u>24,917</u>
Plan Participants' Contributions	\$ <u>-</u>
Benefits Paid	\$ <u>37,011</u>

The actuarial calculation related to the plan shows a pension liability of \$387,487. The balance is shown as a noncurrent liability in the accompanying consolidating statement of financial position.

**NATIONAL ASSOCIATION OF STATE CREDIT
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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	\$ <u>725,812</u>
Total Amount Recognized	\$ <u>725,812</u>

At June 30, 2012, total recognized pension-related changes are comprised of the following:

Service Cost	\$ 78,215
Interest Cost	78,946
Expected Return on Plan Assets	(106,014)
Amortization of the Transition Liability	58
Amortization of Other Losses	<u>21,288</u>
Pension Expense	\$ <u>72,493</u>

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

Net Loss	\$ 401,810
Amortization of Net Loss	(21,288)
Amortization of Obligation Asset	<u>(58)</u>
Total Other Recognized Amounts	\$ <u>380,464</u>
Total Recognized Pension Related Changes:	\$ <u>452,957</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	4.25%
Rate of Expected Long-Term Return on Plan Assets	7.50%
Rate of Employee Compensation Increase	3.00%

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.

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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>	
2012	\$ 866,437
2013	63,758
2014	63,832
2015	63,737
2016	63,499
For years thereafter	<u>405,498</u>
TOTAL	\$ <u>1,526,761</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, 2012, 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	\$ 74,280
Schools, Seminars, Grants	<u>43,997</u>
TOTAL	\$ <u>118,277</u>

**NATIONAL ASSOCIATION OF STATE CREDIT
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**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.

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 amounted to \$116,298 for the year ended June 30, 2012. In addition, NASCUS paid \$8,628 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, 2012. Rent expense for the equipment amounted to \$11,955. The leases expire in 2012, 2013, and 2015.

Future minimum payments under the above leases are as follows:

Year Ending <u>June 30,</u>	<u>Equipment</u>	<u>Office</u>	<u>Total</u>
2013	\$ 8,672	\$ 131,457	\$ 140,129
2014	1,416	123,712	125,128
2015	1,416	127,105	128,521
2016	-	130,600	130,600
2017	-	134,200	134,200
Thereafter	<u>-</u>	<u>404,098</u>	<u>404,098</u>
	<u>\$ 11,504</u>	<u>\$ 1,051,172</u>	<u>\$ 1,062,676</u>

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**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
(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 June 30, 2012 was as follows:

	<u>General Fund</u>	<u>Stabilization Reserve Fund</u>	<u>Total</u>
Beginning Balance, July 1, 2011	\$ 796,115	\$ 387,437	\$ 1,183,552
Decrease in net assets	(564,342)	-	(564,342)
Transfer of net assets	<u>(59,063)</u>	<u>59,063</u>	<u>-</u>
Ending Balance, June 30, 2012	\$ <u>172,710</u>	\$ <u>446,500</u>	\$ <u>619,210</u>

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 \$74,280 for the year ended June 30, 2012.

NOTE 8 - COMMITMENTS

NASCUS has committed to hotel and/or conference space for future annual conferences from 2012 through 2014. 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.

2012	Denver, Colorado	Grand Hyatt Denver
2013	Coeur d'Alene, Idaho	The Coeur D'Alene Hotel
2014	Nashville, Tennessee	Omni Nashville 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 December 31, 2013. 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, 2014. In the event that NASCUS allows the agreement to expire, the contract provides for four month's pay and continuance of fringe benefits for six months. This contingent liability is not reflected in the accompanying financial statements.

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

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 20, 2012, the date the financial statements were available to be issued, and concluded that no subsequent events other than the lease extension disclosed in Note 5 have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.