

NATIONAL ASSOCIATION OF STATE CREDIT UNION
SUPERVISORS (NASCUS)

AND

NATIONAL INSTITUTE FOR STATE
CREDIT UNION EXAMINATION (NISCUE)

AUDITED CONSOLIDATING FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

Independent Auditor's Report

Consolidating Financial Statements

Consolidating Statement of Financial Position	1
Consolidating Statement of Activities and Changes in Net Assets	2
Consolidating Statement of Functional Expenses	3
Consolidating Statement of Cash Flows	4
Notes to Consolidating Financial Statements	5 - 15



KOSITZKA, WICKS & COMPANY
Certified Public Accountants

Independent Auditor's 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 the **National Association of State Credit Union Supervisors** (a nonprofit organization) and the **National Institute for State Credit Union Examination** (a nonprofit organization) as of June 30, 2009, and the related consolidating statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the **National Association of State Credit Union Supervisors (NASCUS)** and the **National Institute for State Credit Union Examination (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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **NASCUS'** or **NISCUE'**s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the **National Institute for State Credit Union Examination (NISCUE)** as of June 30, 2009, 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.

Kositzka, Wicks and Company

July 30, 2009
Alexandria, Virginia

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Consolidating Statement of Financial Position
June 30, 2009**

	NASCUS	NISCUE	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 1,927,189	\$ 105,958	\$ -	\$ 2,033,147
Accounts receivable	8,874	5,840	-	14,714
Prepaid expenses	46,541	-	-	46,541
Total current assets	<u>1,982,605</u>	<u>111,798</u>	<u>-</u>	<u>2,094,403</u>
Furniture, equipment, and leasehold improvements, net	40,907	-	-	40,907
Other assets	7,721	-	-	7,721
Total assets	<u><u>\$ 2,031,233</u></u>	<u><u>\$ 111,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,143,031</u></u>
Liabilities and net assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 49,898	\$ -	\$ -	\$ 49,898
Additional pension liability	84,575	-	-	84,575
Deferred income				
Accreditation	73,150	-	-	73,150
Membership dues	661,376	-	-	661,376
Convention registrations and sponsors	67,995	-	-	67,995
Education	36,106	-	-	36,106
	<u>973,100</u>	<u>-</u>	<u>-</u>	<u>973,100</u>
Deferred rent	36,159	-	-	36,159
Total liabilities	<u>1,009,259</u>	<u>-</u>	<u>-</u>	<u>1,009,259</u>
Unrestricted net assets	<u>1,021,974</u>	<u>111,798</u>	<u>-</u>	<u>1,133,772</u>
Total liabilities and net assets	<u><u>\$ 2,031,233</u></u>	<u><u>\$ 111,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,143,031</u></u>

The accompanying notes to the 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 year ended June 30, 2009**

	NASCUS	NISCUE	Eliminations	Consolidated
Revenue				
Membership dues	\$ 1,404,488	\$ -	\$ -	\$ 1,404,488
Program support and contributions	56,000	57,203	-	113,203
NCUA contract	68,580	68,580	(68,580)	68,580
Accreditation	64,750	-	-	64,750
Convention	151,514	-	-	151,514
Education programs	287,502	-	(78,276)	209,226
Interest and dividends	30,239	584	-	30,823
Other	(3,098)	-	-	(3,098)
Total revenue	<u>2,059,975</u>	<u>126,367</u>	<u>(146,856)</u>	<u>2,039,486</u>
Expenses				
Program services				
Accreditation	120,091	-	-	120,091
Communication	160,987	-	-	160,987
Convention	179,673	-	-	179,673
Education	267,866	78,276	(78,276)	267,866
NCUA education	77,893	68,580	(68,580)	77,893
Government relations	252,395	-	-	252,395
Lobbying	11,685	-	-	11,685
Regulatory and research	238,660	-	-	238,660
Total program services	<u>1,309,250</u>	<u>146,856</u>	<u>(146,856)</u>	<u>1,309,250</u>
Supporting services				
Governance	258,481	-	-	258,481
General and administration	89,049	-	-	89,049
Membership development	173,556	-	-	173,556
NISCUE management	8,509	56	-	8,565
Total supporting services	<u>529,595</u>	<u>56</u>	<u>-</u>	<u>529,651</u>
Total expenses	<u>1,838,845</u>	<u>146,912</u>	<u>(146,856)</u>	<u>1,838,901</u>
Increase (decrease) in net assets prior to pension-related changes				
	221,130	(20,545)	-	200,585
Pension-related changes other than net periodic pension cost				
	<u>(86,756)</u>	<u>-</u>	<u>-</u>	<u>(86,756)</u>
Increase in net assets	134,374	(20,545)	-	113,829
Unrestricted net assets, beginning of year	887,600	132,343	-	1,019,943
Unrestricted net assets, end of year	<u>\$ 1,021,974</u>	<u>\$ 111,798</u>	<u>\$ -</u>	<u>\$ 1,133,772</u>

The accompanying notes to the 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 year ended June 30, 2009

	Accreditation	Communication	Convention	Education	NCUA Education	Government Relations	Lobbying	Regulatory and research	Governance	General and administration	Membership development	NISCUE management	Total Expenses
Salaries, taxes, and benefits	\$ 72,644	\$ 97,348	\$ 53,064	\$ 75,492	\$ 59,607	\$ 182,211	\$ 7,196	\$ 157,016	\$ 153,653	\$ 65,799	\$ 124,383	\$ 6,323	\$ 1,054,736
Defined benefit pension	5,505	6,807	2,369	5,262	3,920	11,920	702	8,326	10,724	5,047	8,611	526	69,719
Convention	-	-	105,460	-	-	-	-	-	-	-	-	-	105,460
Occupancy	9,198	12,340	6,805	9,550	7,599	23,016	898	19,429	19,643	7,886	15,796	799	132,959
Outside services	3,940	15,890	1,123	1,416	1,078	3,298	80	5,253	2,836	1,162	2,301	120	38,496
Travel and lodging	21,266	2,128	1,917	3,783	-	10,844	2,200	18,398	50,471	891	7,024	-	118,923
Schools and seminars	-	-	-	145,191	-	-	-	-	-	-	-	-	145,191
Postage, printing, and delivery	912	16,516	1,266	2,505	596	1,896	31	1,671	2,078	712	1,455	72	29,709
Supplies, services, and software	858	1,722	3,069	2,295	450	1,417	32	1,248	2,676	1,791	1,185	49	16,791
Audit and accounting	840	1,173	1,015	1,110	795	2,424	51	1,714	2,155	831	1,783	92	13,983
Telephone	1,262	1,593	905	15,034	996	3,605	109	7,054	4,187	1,080	2,132	54	38,011
Legal and insurance expenses	1,062	1,398	717	1,134	844	2,520	120	2,166	3,180	978	1,711	96	15,926
Equipment rental and repair	1,047	1,541	826	1,194	944	2,886	109	2,386	2,435	1,598	2,071	99	17,136
Depreciation	842	1,128	595	875	687	2,086	86	1,716	1,794	761	1,446	78	12,094
Committees and program events	57	-	-	1,756	-	2,153	-	10,213	987	-	-	60	15,226
Dues, promotional and advertising	209	758	120	481	193	871	33	1,061	595	216	2,755	71	7,363
Taxes, licenses, and other	448	646	422	789	184	1,248	38	1,009	1,067	298	903	126	7,178
Expenses	\$ 120,091	\$ 160,987	\$ 179,673	\$ 267,866	\$ 77,893	\$ 252,395	\$ 11,685	\$ 238,660	\$ 258,481	\$ 89,049	\$ 173,556	\$ 8,565	\$ 1,838,901

The accompanying notes to the 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, 2009**

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities				
Change in net assets	\$ 134,374	\$ (20,545)	\$ -	\$ 113,829
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities-				
Loss on disposition of furniture and equipment	3,098	-	-	3,098
Depreciation	12,094	-	-	12,094
Contributions to pension plan	(123,301)	-	-	(123,301)
Pension related costs and changes	156,475	-	-	156,475
(Increase) decrease in operating assets				
Accounts receivable	12,260	(4,810)	-	7,450
Prepaid expenses	9,721	-	-	9,721
Increase (decrease) in operating liabilities				
Accounts payable and accrued expenses	(6,689)	-	-	(6,689)
Deferred income				
Accreditation	6,350	-	-	6,350
Membership dues	(95,820)	-	-	(95,820)
Convention registrations and sponsors	(27,826)	-	-	(27,826)
Education	13,991	-	-	13,991
Deferred rent	(1,824)	-	-	(1,824)
Net cash provided (used) by operating activities	<u>92,903</u>	<u>(25,355)</u>	<u>-</u>	<u>67,548</u>
Cash flows from investing activities				
Purchase of furniture, equipment, and leasehold improvements	<u>(7,136)</u>	<u>-</u>	<u>-</u>	<u>(7,136)</u>
Net increase (decrease) in cash and cash equivalents	85,767	(25,355)	-	60,412
Cash and cash equivalents, beginning of year	<u>1,841,422</u>	<u>131,313</u>	<u>-</u>	<u>1,972,735</u>
Cash and cash equivalents, end of year	<u>\$ 1,927,189</u>	<u>\$ 105,958</u>	<u>\$ -</u>	<u>\$ 2,033,147</u>
Supplemental disclosure of cash flow information				
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the 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
June 30, 2009**

1. Organization

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.

2. Significant accounting policies

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.

Revenue recognition

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, 2009, all assets were considered unrestricted.

Principles of consolidation

The consolidating financial statements include all accounts of NASCUS and NISCUE. All significant intercompany accounts and transactions are eliminated in consolidation.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

2. Significant account policies (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, certificates of deposit and money market accounts held in a brokerage firm, a federal credit union and banks. Certificates of deposit are held in the amount of \$1,446,000 by eight institutions with maturities of 90 to 182 days through December 2009 with interest rates ranging from 0.36% to 0.98%.

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 on 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.

Program support and contributions

Credit union leagues and other entities provide program support to NASCUS. Donations for education 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.

Furniture, equipment, and leasehold improvements

Furniture and equipment with an original cost over \$500 are recorded at 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.

Subsequent events

The Company assessed events occurring subsequent to June 30, 2009 through July 30, 2009 for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements which were issued on July 30, 2009.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

2. Significant accounting policies (Continued)

Income tax status

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. There were no unrelated business income taxes for the year ended June 30, 2009. NASCUS and NISCUE are classified as organizations that are not private foundations.

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.

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.

Accounting for defined benefit pension plan

The Organization has adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. This statement requires an employer to recognize the status of a defined benefit plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

2. Significant accounting policies (Continued)

Recent and upcoming accounting pronouncements

Fair value measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective as of the first year beginning after November 15, 2007. On July 1, 2008, NASCUS and NISCUE adopted the provisions of SFAS 157 related to financial assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on NASCUS and NISCUE's financial statements.

Fair value option for financial assets and financial liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an Amendment of SFAS No. 115," which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the first year beginning after November 15, 2007. NASCUS and NISCUE adopted the provisions of SFAS 159 as of July 1, 2008 and did not elect the fair value option established by the standard. As such, the adoption had no impact on NASCUS and NISCUE's financial statements.

FASB Accounting Standards Codification

In June 2009, the FASB approved the "FASB Accounting Standards Codification," (the Codification), as the single source of authoritative US GAAP for all non-governmental entities, with the exception of the SEC and its staff. The Codification, which launched July 1, 2009, changes the referencing and organization of accounting guidance and is effective for interim and annual periods ending after September 15, 2009. Since it is not intended to change or alter existing US GAAP, the Codification is not expected to have any impact on NASCUS and NISCUE's financial condition or results of operations. Beginning after September 15, 2009, NASCUS and NISCUE's financial statements will no longer refer to specific US GAAP statements.

Accounting for uncertainty in income taxes

In accordance with FASB Staff Position FIN-48-3 NASCUS and NISCUE have elected to defer application of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." NASCUS and NISCUE have determined that the adoption of FIN 48 would not have a material effect on their financial statements.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

3. Furniture, equipment, and leasehold improvements

A summary of information relative to property depreciation as of June 30, 2009 is as follows:

	Cost	Accumulated Depreciation	Depreciation Expense
Furniture and fixtures	\$ 19,926	\$ 15,735	\$ 1,975
Computers and equipment	54,501	22,815	8,860
Leasehold improvements	20,291	15,261	1,259
	<u>\$ 94,718</u>	<u>\$ 53,811</u>	<u>\$ 12,094</u>

Estimated useful lives are as follows:

Furniture and fixtures	7 years
Computers and equipment	5 years
Leasehold improvements	3-10 years

Replacements of computer and equipment during the year ended June 30, 2009 resulted in a loss on dispositions of \$3,098.

4. 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, 2009, NASCUS contributed \$25,426 to the plan. For the year ending June 30, 2010, NASCUS expects to contribute \$26,500 to the plan.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

4. 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.

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 following table sets forth the plan's funded status as of June 30, 2009:

Projected benefit obligation	\$ 994,287
Fair value of plan assets	<u>909,712</u>
Funded status	<u>\$ (84,575)</u>
Accumulated benefit obligation	<u>\$ 859,977</u>
Employer contributions	<u>\$ 123,301</u>
Plan participants' contributions	<u>\$ -</u>
Benefits paid	<u>\$ 43,295</u>

The actuarial calculation related to the plan shows a pension liability of \$84,575. The balance is shown as a current liability in the accompanying consolidating statement of financial position. The additional liability is recalculated and adjusted each year as necessary.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

4. Pension plans (Continued)

At June 30, 2009, the liability was determined as the follows:

Projected benefit obligation at June 30, 2009	\$ 994,287
Fair value of plan assets at June 30, 2009	<u>909,712</u>
Minimum liability	\$ 84,575
Prepaid pension cost	-
Additional pension liability	<u><u>\$ 84,575</u></u>

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

Net loss	\$ 376,555
Transition obligation	302
Total amount recognized	<u><u>\$ 376,857</u></u>

At June 30, 2009, total recognized pension-related changes are comprised of the following:

Net periodic benefit cost:

Service cost	\$ 62,414
Interest cost	58,313
Expected return on plan assets	(69,036)
Amortization of the transition liability	122
Amortization of other losses	17,906
	<u>\$ 69,719</u>

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

Net loss	\$ 104,784
Amortization of net loss	(17,906)
Amortization of obligation asset	(122)
	<u>86,756</u>

Total recognized pension related changes \$ 156,475

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

4. Pension Plans (Continued)

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	6.75%
Rate of expected return on plan assets	7.50%
Rate of employee compensation increase	4.50%

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:

7/1/2009	\$ 47,869
7/1/2010	47,908
7/1/2011	49,524
7/1/2012	735,991
7/1/2013	61,234
Thereafter	383,937
	<u>\$ 1,326,463</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.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

5. Related party transactions

During the year ended June 30, 2009, NASCUS incurred costs for the benefit of NISCUE that were reimbursed. 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	\$ 68,580
Schools and seminars, grants	78,276
	<u>\$ 146,856</u>

6. 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 estate taxes.

Rental expense for office space including real estate taxes, utilities, and common area charges amounted to \$132,070 for the year ended June 30, 2009. In addition, NASCUS paid \$889 for records storage.

NASCUS, as lessee, had three operating leases for office equipment during the year ended June 30, 2009. Rent expense for the equipment amounted to \$17,136.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

6. Leases (Continued)

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>
2010	\$ 13,500	\$ 113,000	\$ 126,500
2011	1,500	116,000	117,500
2012	-	119,000	119,000
2013	-	112,000	112,000
	<u>\$ 15,000</u>	<u>\$ 460,000</u>	<u>\$ 475,000</u>

7. Net assets

In August 2007, the NASCUS Board voted to establish a Board Designated Stabilization Reserve Fund equal to 25% of the current year's projected annual expenditures. For the year ending June 30, 2009, \$475,000 of net assets was categorized as board restricted.

The balance of unrestricted net assets as of June 30, 2009 was as follows:

	<u>General Fund</u>	<u>Stabilization Reserve Fund</u>	<u>Total</u>
Beginning balance, July 1, 2008	\$ 411,000	\$ 476,600	\$ 887,600
Increase in net assets	134,374	-	134,374
Transfer of net assets	(40,000)	40,000	-
Ending balance, June 30, 2009	<u>\$ 505,374</u>	<u>\$ 516,600</u>	<u>\$ 1,021,974</u>

8. 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 \$68,580 for the year ended June 30, 2009.

See independent auditors' report.

**National Association of State
Credit Union Supervisors (NASCUS) and
National Institute for State
Credit Union Examination (NISCUE)**

**Notes to Consolidating Financial Statements
June 30, 2009**

9. Commitments

NASCUS has contractual obligations for hotel space to hold the 2009 and 2010 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 August 30, 2010. This contingent liability is not reflected in the accompanying financial statements.

NASCUS has contractual obligations for web hosting maintenance fees for the five years ending June 30, 2013. The fees are paid annually in the amount of \$6,000. As of June 30, 2009, the total outstanding contract balance was \$18,000.

See independent auditors' report.