

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Audit Committee, Board of Directors and Credit Union Advisory Council –
National Association of State Credit Union Supervisors and
Trustees – National Institute for State Credit Union Examination
Arlington, Virginia

Opinion

We have audited the consolidated financial statements of National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination, which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination as of December 31, 2021, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of State Credit Union Supervisors and National Institute for State Credit Union Examination's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter – 2020 Consolidated Financial Statements

The 2020 consolidated financial statements were reviewed by us, and our report thereon, dated June 8, 2021, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the consolidated financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 2021 consolidated financial statements as a whole.



Burbank, California
May 12, 2022

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>(Unaudited) 2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,617,038	\$ 2,427,907
Accounts receivable, net	225,691	239,520
Prepaid expenses	211,822	196,168
	<u>3,054,551</u>	<u>2,863,595</u>
Total current assets		
Noncurrent assets:		
Investments:		
Debt securities	1,555,964	1,119,124
Equity securities	224,762	141,450
Furniture and equipment, net	55,561	76,066
Other assets	15,957	15,957
	<u>1,852,244</u>	<u>1,352,597</u>
Total noncurrent assets		
Total assets	<u>\$ 4,906,795</u>	<u>\$ 4,216,192</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 324,686	\$ 537,471
Deferred income:		
Accreditation	48,000	82,000
Membership dues	1,019,252	449,482
Education	-	21,075
	<u>1,391,938</u>	<u>1,090,028</u>
Total current liabilities		
Noncurrent liabilities:		
Deferred rent	16,759	19,774
	<u>1,408,697</u>	<u>1,109,802</u>
Total liabilities		
Net assets:		
Without donor restrictions	3,498,098	3,106,390
Total liabilities and net assets	<u>\$ 4,906,795</u>	<u>\$ 4,216,192</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>(Unaudited) 2020</u>
REVENUES		
Regulator dues	\$ 1,049,089	\$ 906,338
Credit union dues	1,545,421	1,699,007
Associate member dues	139,000	123,000
Convention	37,300	12,095
Accreditation	163,000	148,000
Education	265,479	209,104
Donations	151,659	153,341
Interest and other	173,313	60,866
	<u>3,524,261</u>	<u>3,311,751</u>
EXPENSES		
Salaries and employee benefits	1,986,618	2,003,858
Personnel, travel and training	67,906	42,884
Business fees and services	426,284	291,196
Accreditation	25,900	30,962
Board and committees	14,883	11,328
Telephones, postage and printing	32,789	32,614
Supplies and equipment	24,745	14,094
Advertising and promotion	770	1,260
Office occupancy	204,788	207,083
Business insurance	12,822	13,841
Depreciation	47,911	53,783
Convention	6,750	2,000
Education	80,420	57,311
Receptions	17,878	21,656
Dues and subscriptions	152,870	130,989
Other	29,219	3,932
	<u>3,132,553</u>	<u>2,918,791</u>
CHANGE IN NET ASSETS	391,708	392,960
NET ASSETS, BEGINNING OF YEAR	<u>3,106,390</u>	<u>2,713,430</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,498,098</u></u>	<u><u>\$ 3,106,390</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			(Unaudited) 2020		
	Programs	Management and General	Total	Programs	Management and General	Total
Salaries and employee benefits	\$ 1,503,856	\$ 482,762	\$ 1,986,618	\$ 1,410,897	\$ 592,961	\$ 2,003,858
Personnel, travel and training	41,896	26,010	67,906	25,056	17,828	42,884
Business fees and services	201,256	225,028	426,284	148,690	142,506	291,196
Accreditation	25,900	-	25,900	30,962	-	30,962
Board and committees	-	14,883	14,883	-	11,328	11,328
Telephones, postage and printing	14,250	18,539	32,789	15,217	17,397	32,614
Supplies and equipment	15,827	8,918	24,745	1,293	12,801	14,094
Advertising and promotion	770	-	770	1,260	-	1,260
Office occupancy	105,429	99,359	204,788	108,735	98,348	207,083
Business insurance	6,601	6,221	12,822	7,268	6,573	13,841
Depreciation	46,355	1,557	47,911	51,587	2,196	53,783
Convention	6,750	-	6,750	2,000	-	2,000
Education	80,420	-	80,420	57,311	-	57,311
Receptions	(293)	18,171	17,878	10	21,646	21,656
Dues and subscriptions	83,193	69,677	152,870	80,652	50,337	130,989
Other	12,454	16,765	29,219	3,932	-	3,932
	<u>\$ 2,144,664</u>	<u>\$ 987,890</u>	<u>\$ 3,132,553</u>	<u>\$ 1,944,870</u>	<u>\$ 973,921</u>	<u>\$ 2,918,791</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>(Unaudited) 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 391,708	\$ 392,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,911	53,783
Gain on investments	(20,604)	(42,649)
Changes in operating assets and liabilities:		
Accounts receivable	13,829	(73,238)
Prepaid expenses	(15,654)	(107,428)
Accounts payable and accrued expenses	(212,785)	249,171
Deferred income	514,695	(55,832)
Deferred rent	(3,015)	2,617
	<u>716,085</u>	<u>419,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of debt securities	(434,548)	(76,762)
Purchases of equity securities	(65,000)	(100,000)
Purchases of property and equipment	(27,406)	(5,199)
	<u>(526,954)</u>	<u>(181,961)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,131	237,423
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,427,907</u>	<u>2,190,484</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,617,038</u></u>	<u><u>\$ 2,427,907</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: The National Association of State Credit Union Supervisors (NASCUS) is a 501(c)(6) nonprofit professional association organized under the laws of the District of Columbia on October 6, 1975 for the purpose of improving the supervision of state-chartered 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) nonprofit educational foundation organized under the laws of the District of Columbia on June 9, 1982 to conduct and sponsor education programs for state regulators and examiners concerning credit unions and related topics in cooperation with NASCUS.

Principles of Consolidation: The consolidated financial statements of NASCUS and NISCUE (collectively, the organization) are presented on a consolidated basis, as they 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. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation: The consolidated financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements for Not-for-Profit Organizations*. Nonprofit organizations are required to report information regarding their financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. All of the organization's net assets as of December 31, 2021 and 2020 are without donor restrictions.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value: FASB ASC 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on the exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The organization's financial instruments and other accounts that are subject to fair value measurement and/or disclosure are summarized in Note 8.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents: The organization considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents. The organization maintains cash balances that may exceed federally insured limits. Management does not believe that its cash balances present any significant credit risk.

Debt Securities: Debt securities consist of fixed income bonds. Fixed income bonds are recorded at fair value with gains and losses included in the consolidated statements of activities.

Equity Securities: Equity securities are comprised of mid cap, large cap and international equity funds. They are recorded at fair value with gains and losses included in the consolidated statements of activities. The organization has an ownership interest in another entity. The investment had no readily determinable fair value; therefore, the investment is carried at cost.

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.

Furniture and Equipment: Furniture and equipment are initially recorded at cost when purchased. Generally, furniture and equipment additions in excess of \$1,000 with an estimated useful life of three years are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years.

Impairment of Long-Lived Assets: The organization reviews long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured using the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the years ended December 31, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Revenue Recognition:

Membership Dues – Members of NASCUS are financial regulators, credit unions, credit union leagues and other system organizations. Dues of the regulators are based on the assets of the credit unions they supervise. Dues paid by credit unions are typically based on the assets of the credit unions as reflected on their second quarter Call Report data. Because COVID-19 related relief measures created inflated assets for many credit unions after March 2020, 2021 dues were based on first quarter 2020 asset data. All dues are paid in advance on an annual basis. Revenue from membership dues is deferred and recognized ratably over the membership period.

Associate membership is offered to affiliated credit union leagues and industry organizations at a flat annual dues fee of \$3,000, or \$4,000 for multi-state leagues, and is deferred and recognized as revenue over a 12-month period.

Program Support and Sponsorships – Credit union leagues and industry organizations provide program support and sponsorships to NASCUS. Sponsorships for educational events are recognized at the time the event is held. Sponsorship revenue from the Dual Charter Resource Initiative is recognized monthly throughout the agreed upon sponsorship period.

Examiner certification fees included in education programs revenue are deferred and recognized as revenue over a 12-month period.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accreditation fees for state agencies are \$15,000 for onsite reviews every five years and \$2,000 for annual reviews. Fees are recognized upon performance and completion of the review.

Functional Expenses: Directly identifiable expenses are charged to programs and management and general services. Expenses related to more than one function are charged to programs and management and general services on the basis of time estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Income Taxes: NASCUS is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC) and relevant state tax regulations. NISCUE is exempt from federal and state income taxes under IRC Section 501(c)(3) and relevant state tax regulations. Accordingly, no provision for federal or state income taxes has been reflected in the accompanying consolidated financial statements.

The organization evaluates its uncertain tax positions, if any, on a continual basis. As of December 31, 2021 and 2020, management does not believe any uncertain tax positions exist.

Accounting Pronouncement Adopted: During the year ended December 31, 2021, the organization adopted Accounting Standards Update (ASU) 2020-07—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which addresses new presentation and disclosure requirements of contributed nonfinancial assets. The adoption of this ASU did not have a material impact on the organization’s consolidated financial statements.

Subsequent Events: Subsequent events have been evaluated through May 12, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 2,617,038	\$ 2,427,907
Accounts receivable, net	225,691	239,520
	\$ 2,842,729	\$ 2,667,427

NOTE 3 – INVESTMENTS

The composition of investments as of December 31, 2021 and 2020 is summarized as follows:

	2021	2020
Debt securities at fair value:		
Fixed income bonds	\$ 1,555,964	\$ 1,119,124
Equity securities:		
Plexcity at cost	30,000	30,000
Equity funds at fair value	194,762	111,450
	224,762	141,450
	\$ 1,780,726	\$ 1,260,574

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 3 – INVESTMENTS (CONTINUED)

Information pertaining to investment strategies is as follows:

- Fixed income provides stability and protection in a deflationary environment.
- Equity investment provides the increase in the value of the principal amount invested.

NOTE 4 – FURNITURE AND EQUIPMENT

The composition of furniture and equipment is summarized as follows:

	2021	2020
Furniture and fixtures	\$ 83,025	\$ 83,025
Computers, software and equipment	163,474	169,190
Vehicles	-	22,912
	246,499	275,127
Accumulated depreciation	(215,035)	(199,061)
	31,464	76,066
Assets not yet placed into service	24,097	-
	\$ 55,561	\$ 76,066

Depreciation expense amounted to \$47,911 and \$53,783 for the years ended December 31, 2021 and 2020, respectively.

During December 2021, NASCUS disposed of a vehicle. This vehicle was gifted to the retiring CEO as part of her retirement package. The cost of the vehicle was \$22,912 and net book value of \$0 at year-end. The fair market value of the automobile was \$24,975. The fair market value of the auto was included as a fringe payment in the retiring CEO's final paycheck and was taxed.

NOTE 5 – LEASES

The organization leases office and storage space under an operating lease that expires in July 2023. The office lease has an escalation clause and therefore is accounted for using the straight-line method in accordance with U.S. GAAP.

Future minimum lease payments are as follows:

Years Ending December 31,		
2022	\$	198,952
2023		118,911
	\$	317,863

Rent expense for the years ended December 31, 2021 and 2020 amounted to \$204,788 and \$207,083, respectively.

NOTE 6 – LINE OF CREDIT

On March 24, 2017, NASCUS obtained a \$150,000 commercial line of credit with a bank with a maturity date of July 25, 2022. Draws on the line of credit are payable on demand and terms include the interest rate equal to the current one-month prime rate as published in the *Wall Street Journal* plus 25 basis points, adjusted on the first day of every month. The effective interest rate is 3.50% as of December 31, 2021. The organization had no outstanding draws on the line of credit as of December 31, 2021 and 2020.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 7 – RETIREMENT PLAN

Defined Contribution Plan: On January 1, 1994, NASCUS adopted the CUNA Mutual Group's Credit Union Benefits Service Individual Account Master and Capital Accumulation Plan, which is a pre-tax IRC Section 401(k) plan. Employees are eligible to participate in the plan immediately upon their date of hire. The employer contributes 3% of the employee's salary per the IRS Safe Harbor provision executed in December 2015. Employees who participate in the plan may make voluntary contributions not to exceed federal IRS limits. The plan provides for immediate vesting in the employer's contribution. During the years ended December 31, 2021 and 2020, NASCUS contributed \$43,381 and \$40,574, respectively, to the plan.

NOTE 8 – FAIR VALUE

Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or on discounted cash flow models using the expected payment characteristics of the underlying mortgage instruments.

The fair value of assets measured on a recurring basis is as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Fixed income bonds	\$ 1,555,964	\$ -	\$ 1,555,964	\$ -
Equity funds	194,762	-	194,762	-
	<u>\$ 1,750,726</u>	<u>\$ -</u>	<u>\$ 1,750,726</u>	<u>\$ -</u>
2020				
Fixed income bonds	\$ 1,119,124	\$ -	\$ 1,119,124	\$ -
Equity funds	111,450	-	111,450	-
	<u>\$ 1,230,574</u>	<u>\$ -</u>	<u>\$ 1,230,574</u>	<u>\$ -</u>

NOTE 9 – NET ASSETS

In August 2007, the NASCUS Board voted to establish a Board Designated Stabilization Reserve Fund equal to 25% of the projected annual expenditures. In June 2017, the NASCUS Board approved a new net assets/reserves policy, setting the reserve fund at 50% of projected annual expenditures.

The balance of net assets without donor restrictions as of December 31, 2021 is as follows:

	General Fund	Reserve Fund	Total
Balance, January 1, 2021	\$ 1,090,281	\$ 1,640,777	\$ 2,731,058
Increase in net assets	324,648	-	324,648
Transfer of net assets	(105,214)	105,214	-
Balance, December 31, 2021	<u>\$ 1,309,715</u>	<u>\$ 1,745,991</u>	3,055,706
NISCUE net assets			<u>442,392</u>
			<u>\$ 3,498,098</u>

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 9 – NET ASSETS (CONTINUED)

The balance of net assets without donor restrictions as of December 31, 2020 is as follows:

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Balance, January 1, 2020	\$ 531,698	\$ 1,885,473	\$ 2,417,171
Increase in net assets	313,887	-	313,887
Transfer of net assets	<u>244,696</u>	<u>(244,696)</u>	<u>-</u>
Balance, December 31, 2020	<u>\$ 1,090,281</u>	<u>\$ 1,640,777</u>	2,731,058
NISCUE net assets			<u>375,332</u>
			<u>\$ 3,106,390</u>

NOTE 10 – COMMITMENTS

NASCUS has committed to hotel space for future conferences and meetings through 2022. These contracts have guaranteed minimum revenue amounts, and NASCUS may be subject to substantial penalties in the event of cancellation.

NASCUS has an employment contract with the President/Chief Executive Officer, which will be terminated on December 31, 2026. Starting January 2023, and annually thereafter, the CEO is entitled to annual bonus/incentive of up to 20% of then base salary if he is still employed on the date when such payments are customarily made.

During 2021, NASCUS had an employment contract with the EVP/General Counsel that was scheduled to expire on December 31, 2023. However, this contract became null and void on January 1, 2022, when this individual became President and CEO and a new contract was executed.

NOTE 11 – REVENUE FROM CONTRACTS WITH MEMBERS

The organization's services that fall within the scope of ASC 606, *Revenue from Contracts with Customers*, are recognized as revenue as the organization satisfies its obligations to the members.

The following table presents revenue from contracts with members within the scope of ASC 606 for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Regulator dues	\$ 1,049,089	\$ 906,338
Credit union dues	1,545,421	1,699,007
Associate member dues	139,000	123,000
Convention	37,300	12,095
Accreditation	163,000	148,000
Education	<u>265,479</u>	<u>209,104</u>
	<u>\$ 3,199,289</u>	<u>\$ 3,097,544</u>

Regulator Membership: Membership fees are based on the assets under supervision for each state agency. Annual bills are sent out in April; the membership period is from July 1 to June 30. Any amounts received prior to July 1 are deferred and recognized monthly starting in July.

Credit Union Membership: Membership fees are based on the asset size of the organization. Annual bills are sent in December; the membership period is from January 1 to December 31. Any amounts received prior to December 31 are deferred and recognized monthly starting in January.

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020 (UNAUDITED)

NOTE 11 – REVENUE FROM CONTRACTS WITH MEMBERS (CONTINUED)

Associate Member Dues: Membership is a flat rate of \$3,000 per year, or \$4,000 for multi-state leagues. Annual bills are sent in December; the membership period is from January 1 to December 31. Any amounts received prior to December 31 are deferred and recognized monthly starting in January.

Accreditation: This revenue stream relates to the state credit union regulatory agencies. It is a voluntary program with 29 accredited agencies. There is a full onsite review of the state agency every five years. The full review fee is \$15,000. In addition, there is an annual charge of \$2,000 for an annual report in the off years. Agencies are allowed to make payments each year towards the \$15,000 in advance of the full accreditation year. Fees are recognized upon performance and completion of the review. Fees received in advance of the performance of the review are deferred until earned.

Education and Convention: NASCUS holds various events throughout the year. The larger events are the Directors Colleges (primarily attended by credit union members) and the State System Summit Conference. There are also various webinars and special schools with state agencies for specific training for the regulators. Fees for education are recognized at the time they are earned. Fees received in advance of educational events are deferred until the event is held.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash. The organization places its cash accounts with high credit quality financial institutions. As of December 31, 2021 and 2020, balances are insured by the National Credit Union Administration and Federal Deposit Insurance Corporation up to \$250,000 with each depositor institution. Balances in excess of insured limits as of December 31, 2021 and 2020 were \$258,650 and \$183,956 respectively.

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**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,208,418	\$ 408,620	\$ -	\$ 2,617,038
Accounts receivable, net	225,691	13,251	(13,251)	225,691
Prepaid expenses	191,301	20,521	-	211,822
	<u>2,625,410</u>	<u>442,392</u>	<u>(13,251)</u>	<u>3,054,551</u>
Total current assets				
Noncurrent assets:				
Investments:				
Debt securities	1,555,964	-	-	1,555,964
Equity securities	224,762	-	-	224,762
Furniture and equipment, net	55,561	-	-	55,561
Other assets	15,957	-	-	15,957
	<u>1,852,244</u>	<u>-</u>	<u>-</u>	<u>1,852,244</u>
Total noncurrent assets				
Total assets	<u>\$ 4,477,654</u>	<u>\$ 442,392</u>	<u>\$ (13,251)</u>	<u>\$ 4,906,795</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Account payable and accrued expenses	\$ 337,937	\$ -	\$ (13,251)	\$ 324,686
Deferred income:				
Accreditation	48,000	-	-	48,000
Membership dues	1,019,252	-	-	1,019,252
	<u>1,405,189</u>	<u>-</u>	<u>(13,251)</u>	<u>1,391,938</u>
Total current liabilities				
Noncurrent liabilities:				
Deferred rent	16,759	-	-	16,759
	<u>1,421,948</u>	<u>-</u>	<u>(13,251)</u>	<u>1,408,697</u>
Total liabilities				
Net assets:				
Without donor restrictions	<u>3,055,706</u>	<u>442,392</u>	<u>-</u>	<u>3,498,098</u>
Total liabilities and net assets	<u>\$ 4,477,654</u>	<u>\$ 442,392</u>	<u>\$ (13,251)</u>	<u>\$ 4,906,795</u>

**NATIONAL ASSOCIATION OF STATE CREDIT UNION SUPERVISORS AND
NATIONAL INSTITUTE FOR STATE CREDIT UNION EXAMINATION**

CONSOLIDATING SCHEDULE – STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	<u>NASCUS</u>	<u>NISCUE</u>	<u>Elimination</u>	<u>Total</u>
REVENUES				
Regulator dues	\$ 1,049,089	\$ -	\$ -	\$ 1,049,089
Credit union dues	1,545,421	-	-	1,545,421
Associate member dues	139,000	-	-	139,000
Convention	40,500	-	(3,200)	37,300
Accreditation	163,000	-	-	163,000
Education	280,879	-	(15,400)	265,479
Donations	-	151,659	-	151,659
Interest and other	208,945	393	(36,025)	173,313
	<u>3,426,834</u>	<u>152,052</u>	<u>(54,625)</u>	<u>3,524,261</u>
Total revenues				
EXPENSES				
Salaries and employee benefits	1,986,618	-	-	1,986,618
Personnel, travel and training	67,906	-	-	67,906
Business fees and services	424,262	2,022	-	426,284
Accreditation	25,900	-	-	25,900
Board and committees	14,883	-	-	14,883
Telephones, postage and printing	32,789	-	-	32,789
Supplies and equipment	24,745	-	-	24,745
Advertising and promotion	770	-	-	770
Office occupancy	204,788	-	-	204,788
Business insurance	12,822	-	-	12,822
Depreciation	47,911	-	-	47,911
Convention	6,750	-	-	6,750
Education	52,075	70,970	(42,625)	80,420
Receptions	17,878	-	-	17,878
Dues and subscriptions	152,870	-	-	152,870
Other	29,219	12,000	(12,000)	29,219
	<u>3,102,186</u>	<u>84,992</u>	<u>(54,625)</u>	<u>3,132,553</u>
Total expenses				
CHANGE IN NET ASSETS	324,648	67,060	-	391,708
NET ASSETS, BEGINNING OF YEAR	<u>2,731,058</u>	<u>375,332</u>	<u>-</u>	<u>3,106,390</u>
NET ASSETS, END OF YEAR	<u>\$ 3,055,706</u>	<u>\$ 442,392</u>	<u>\$ -</u>	<u>\$ 3,498,098</u>