

# **National Association of Federally-Insured Credit Unions and Affiliates**

Consolidated Financial Report  
December 31, 2019

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RSM US LLP

## **Independent Auditor's Report**

Board of Directors  
National Association of Federally-Insured Credit Unions and Affiliates

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of National Association of Federally-Insured Credit Unions and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Association of Federally-Insured Credit Unions and Affiliates as of December 31, 2019, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of National Association of Federally-Insured Credit Unions and Affiliates as of and for the year ended December 31, 2018, were audited by other auditors whose report dated March 4, 2019, expressed an unmodified opinion on those statements.

*RSM US LLP*

Washington, D.C.  
March 12, 2020

**National Association of Federally-Insured Credit Unions and Affiliates**

**Consolidated Statements of Financial Position  
December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 6,525,251	\$ 4,459,931
Accounts receivable	519,107	429,915
Prepaid expenses and other assets	455,631	369,632
Investments	18,449,324	18,305,552
Deferred compensation investments	841,622	472,238
Property and equipment, net	2,974,754	2,465,945
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<b>Total assets</b>	<b>\$ 29,765,689</b>	<b>\$ 26,503,213</b>
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<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,243,709	\$ 2,484,769
Deferred revenue	10,359,929	9,338,213
Tenant deposits	14,349	14,349
Deferred compensation liability	1,079,341	676,216
<b>Total liabilities</b>	<b>14,697,328</b>	<b>12,513,547</b>
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Commitments (Note 6)		
Net assets:		
Without donor restrictions	12,947,034	12,119,533
With donor restrictions	2,121,327	1,870,133
<b>Total net assets</b>	<b>15,068,361</b>	<b>13,989,666</b>
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<b>Total liabilities and net assets</b>	<b>\$ 29,765,689</b>	<b>\$ 26,503,213</b>
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See notes to consolidated financial statements.

## National Association of Federally-Insured Credit Unions and Affiliates

### Consolidated Statements of Activities Years Ended December 31, 2019 and 2018

	2019	2018
Activities without donor restrictions:		
Revenue and support:		
Membership dues	\$ 10,654,280	\$ 9,996,100
Membership education and training	5,394,235	4,894,597
Service fees	2,710,878	2,535,603
Interest and dividend income, net of fees	380,929	301,831
Advertising	369,711	401,671
Other	226,945	230,947
Rental income	181,799	172,739
Products and services	104,735	131,690
	<u>20,023,512</u>	<u>18,665,178</u>
Net assets released from restrictions	549,791	421,815
<b>Total revenue and support</b>	<u>20,573,303</u>	<u>19,086,993</u>
Expenses:		
Program services:		
Advocacy and compliance	7,064,989	6,178,481
Conferences and seminars	4,646,522	4,595,529
Communications, publications and marketing	3,710,372	3,661,720
Membership services	1,193,973	1,004,684
<b>Total program services</b>	<u>16,615,856</u>	<u>15,440,414</u>
Supporting services:		
Management and general	3,420,104	2,860,987
<b>Total supporting services</b>	<u>3,420,104</u>	<u>2,860,987</u>
<b>Total expenses</b>	<u>20,035,960</u>	<u>18,301,401</u>
<b>Change in net assets without donor restrictions before investment gains (loss)</b>	<u>537,343</u>	<u>785,592</u>
Unrealized and realized gain (loss) on investments	290,158	(174,213)
<b>Change in net assets without donor restrictions</b>	<u>827,501</u>	<u>611,379</u>
Activities with donor restrictions:		
Contributions	793,127	752,217
Interest income	7,858	4,607
Net assets released from restrictions	(549,791)	(421,815)
<b>Change in net assets with donor restrictions</b>	<u>251,194</u>	<u>335,009</u>
<b>Change in net assets</b>	<u>1,078,695</u>	<u>946,388</u>
Net assets:		
Beginning	<u>13,989,666</u>	<u>13,043,278</u>
Ending	<u>\$ 15,068,361</u>	<u>\$ 13,989,666</u>

See notes to consolidated financial statements.

**National Association of Federally-Insured Credit Unions and Affiliates**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019**

2019

	Advocacy and Compliance	Conferences and Seminars	Communications, Publications and Marketing	Membership Services	Management and General	Total
Salaries, wages and bonus	\$ 4,358,367	\$ 750,742	\$ 1,247,281	\$ 823,449	\$ 1,299,455	\$ 8,479,294
Event contracts and services	230,134	2,854,457	-	-	-	3,084,591
Marketing and service fees (NSC)	-	-	1,463,992	-	74,570	1,538,562
Fringe and payroll tax	954,230	187,216	316,941	187,312	284,341	1,930,040
Building and occupancy (including depreciation)	272,818	75,783	131,357	75,783	284,103	839,844
Travel, lodging and MEI	285,687	348,739	10,199	55,060	36,586	736,271
Professional services	76,329	120,637	153,503	-	219,668	570,137
PAC Administrative Fund expenses	549,791	-	-	-	-	549,791
Hardware and software services	6,178	37,262	21,226	-	416,056	480,722
Printing, supplies and equipment	11,080	154,724	117,076	31,293	141,023	455,196
Depreciation – (furniture and equipment)	-	-	-	-	185,507	185,507
Telecom and web services	59,917	44,142	35,652	16,644	19,972	176,327
Special projects	2,972	-	10,731	-	162,239	175,942
Training and professional development	72,618	17,591	28,898	4,432	49,127	172,666
Candidate contributions	146,351	-	-	-	-	146,351
Postage and shipping	4,492	35,338	76,588	-	17,963	134,381
Credit card fees	-	-	-	-	129,835	129,835
Advertising and sponsorships	-	-	96,928	-	8,546	105,474
Charitable contributions	18,000	2,793	-	-	-	20,793
Insurance	-	17,098	-	-	51,938	69,036
Other non-payroll tax	-	-	-	-	39,175	39,175
Foundation contributions	16,025	-	-	-	-	16,025
	<b>\$ 7,064,989</b>	<b>\$ 4,646,522</b>	<b>\$ 3,710,372</b>	<b>\$ 1,193,973</b>	<b>\$ 3,420,104</b>	<b>\$ 20,035,960</b>

See notes to consolidated financial statements.

**National Association of Federally-Insured Credit Unions and Affiliates**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018**

	2018					
	Advocacy and Compliance	Conferences and Seminars	Communications, Publications and Marketing	Membership Services	Management and General	Total
Salaries, wages and bonus	\$ 3,793,102	\$ 781,986	\$ 1,282,821	\$ 693,880	\$ 1,162,071	\$ 7,713,860
Event contracts and services	71,661	2,776,024	-	-	-	2,847,685
Marketing and service fees (NSC)	-	-	1,387,315	-	73,758	1,461,073
Fringe and payroll tax	921,920	184,529	324,094	177,794	272,517	1,880,854
Building and occupancy (including depreciation)	238,497	61,832	114,832	61,832	245,725	722,718
Travel, lodging and MEI	276,862	285,376	9,139	42,209	30,067	643,653
Professional services	142,745	136,787	158,612	-	133,057	571,201
Printing, supplies and equipment	8,627	204,555	101,905	8,773	125,810	449,670
PAC Administrative Fund	416,815	-	-	-	-	416,815
Hardware and software services	1,667	50,146	25,881	-	280,916	358,610
Telecommunications	58,794	55,890	33,462	15,243	19,598	182,987
Depreciation – (furniture and equipment)	-	-	-	-	171,095	171,095
Candidate contributions	171,045	-	-	-	-	171,045
Postage and shipping	2,081	34,558	83,298	-	20,628	140,565
Training and professional development	54,615	7,448	23,775	4,953	36,727	127,518
Credit card fees	-	-	-	-	122,088	122,088
Advertising and sponsorships	-	-	100,313	-	6,492	106,805
Special projects	-	-	16,273	-	52,697	68,970
Insurance	-	13,315	-	-	54,101	67,416
Charitable contributions	10,050	3,083	-	-	-	13,133
Other non-payroll tax	-	-	-	-	53,430	53,430
Foundation contributions	10,000	-	-	-	210	10,210
	<b>\$ 6,178,481</b>	<b>\$ 4,595,529</b>	<b>\$ 3,661,720</b>	<b>\$ 1,004,684</b>	<b>\$ 2,860,987</b>	<b>\$ 18,301,401</b>

See notes to consolidated financial statements.



**National Association of Federally-Insured Credit Unions and Affiliates**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,078,695	\$ 946,388
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	434,584	425,948
Unrealized and realized (gain) loss on investments, net	(290,158)	174,213
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(89,192)	(76,002)
Prepaid expenses and other assets	(85,999)	160,924
Deferred compensation investments	(369,384)	(100,125)
(Decrease) increase in:		
Accounts payable and accrued expenses	758,940	206,422
Deferred revenue	1,021,716	315,384
Deferred compensation liability	403,125	109,898
<b>Net cash provided by operating activities</b>	<b>2,862,327</b>	<b>2,163,050</b>
Cash flows from investing activities:		
Proceeds from sales of investments	2,021,386	5,107,881
Purchases of investments	(1,875,000)	(6,927,056)
Purchases of property and equipment	(943,393)	(143,579)
<b>Net cash used in investing activities</b>	<b>(797,007)</b>	<b>(1,962,754)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,065,320</b>	<b>200,296</b>
Cash and cash equivalents:		
Beginning	4,459,931	4,259,635
Ending	\$ 6,525,251	\$ 4,459,931
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 73,324	\$ 13,287

See notes to consolidated financial statements.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The National Association of Federally-Insured Credit Unions (the Association), located in the Washington, D.C. area, is a direct membership association for federally-insured credit unions. Founded in 1967, the Association's primary purpose is to represent its members before Congress and the federal regulatory agencies. The Association also provides its members with a source of reliable information through its publications, educational programs, regulatory compliance assistance, and economic research. The Association's members are among the most progressive institutions in the industry. On November 14, 2016, the Association adopted the "doing business as" name of National Association of Federally-Insured Credit Unions. The Association's official corporate name is National Association of Federal Credit Unions, Inc.

The Association's wholly-owned for-profit subsidiary, NAFCU Services Corporation (NSC), is incorporated in the District of Columbia. NSC was organized to provide consulting and marketing efforts for various services offered by vendors to the credit union community. NSC's primary fee sources result from marketing agreements between NSC and third-party entities providing services to credit unions.

The National Association of Federal Credit Unions Political Action Committee (the PAC) was organized to conduct political activities on behalf of the Association's members.

The National Association of Federal Credit Unions Foundation for Charitable, Literary, Educational and Humanitarian Purposes (the Foundation) was incorporated in April 1995 in the Commonwealth of Virginia. The purpose of the Foundation is to promote charitable, literary, educational and humanitarian causes of interest to credit unions and those associated with them.

A summary of the Organization's significant accounting policies follows:

**Basis of accounting:** As required by U.S. generally accepted accounting principles in the United States of America (GAAP), the Organization prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when incurred.

**Basis of presentation:** The Organization follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

***Without donor restrictions:*** The portion of net assets are available for general activities.

***With donor restrictions:*** consist entirely of contributions from NAFCU members to support the administration of the NAFCU PAC. Administrative costs include salaries, professional fees, travel and sponsorships. Direct candidate contributions are funded through the NAFCU PAC and not funded through the administrative fund.

**Principles of consolidation:** The consolidated financial statements include the accounts of the Association, NSC, the Foundation and the PAC. Significant intra-entity accounts and transactions have been eliminated in consolidation. For purposes of these consolidated financial statements, the entities are referred to collectively as the Organization.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Cash and cash equivalents:** For purposes of reporting cash flows, the Organization considers all money market accounts, which are not subject to withdrawal restrictions or penalties, to be cash equivalents.

The Organization maintains demand deposits with federal credit unions and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

**Accounts receivable:** Accounts receivable consist primarily of amounts owed to the Organization for exhibit booths, membership educational conferences and NSC Preferred Partners as a result of royalty/marketing agreements. The Organization's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts had been recorded.

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations net of related fees. Money market funds and certificates of deposit are recorded at cost.

The Organization also invests in money market funds, certificates of deposit, mutual funds, and exchange traded funds (ETFs). Such investments are exposed to market and credit risks. Thus, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

**Property and equipment:** Acquisitions of property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the following useful lives of the various classes of assets, from three to seven years for furniture and equipment, and five to thirty-nine years for building and improvements. Acquisitions greater than \$1,000 are capitalized at cost.

**Revenue recognition:** In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

The Association's revenue arrangements are recognized over time and consist of performance obligations that are satisfied ratably over a period of no more than one year. Membership dues, education and training, advertising, and products and services revenue are those line items affected by this standard. Based on the Association's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The Association adopted the new standard effective for the year ended December 31, 2019. There were no changes to revenue recordation and presentation as a result.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Association adopted the new standard effective for the year ended December 31, 2019, using the modified prospective method. There were no changes to revenue recordation and presentation as a result.

Unconditional contributions are recorded as with donor restrictions or without donor restrictions depending upon the existence and/or nature of any donor intent. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires.

**Income tax status:** The Association is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. Under the Code, advertising revenue earned from the publication of the Association's magazine and other income earned from transactions with NSC are subject to unrelated business income taxes.

The PAC is a separate segregated fund as defined under Section 527(f)(3) of the Internal Revenue Code. As such, the PAC is subject to income taxes on the lesser of its exempt activity expenditures or investment income.

The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as other than a private foundation by the Internal Revenue Service.

NSC is a taxable corporation. As such, it pays Federal and State income taxes on its net taxable income.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require recognition in the consolidated financial statements. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2016.

**Functional reporting of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, payroll taxes, building depreciation and insurance, which are allocated on the basis of estimates of time and effort.

**Use of estimates:** Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Reclassifications:** Certain program and supporting services accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. In particular, building and occupancy program costs have been removed as a program and allocated among the other program and supporting services.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Upcoming accounting pronouncement:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

**Subsequent events:** Subsequent events have been evaluated through March 12, 2020, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Property and Equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 1,309,226	\$ 1,309,226
Building and improvements	6,632,810	6,176,217
Furniture and equipment	2,968,229	2,490,725
	10,910,265	9,976,168
Less accumulated depreciation and amortization	(7,935,511)	(7,510,223)
	<u>\$ 2,974,754</u>	<u>\$ 2,465,945</u>

#### Note 3. Investments

Investments consist of the following as of December 31:

	2019	2018
Fixed income mutual funds and ETFs	\$ 6,982,740	\$ 6,147,964
Money market fund	6,834,741	8,129,077
Certificates of deposit	3,750,000	3,000,000
Equity mutual funds and ETFs	881,843	1,028,511
	<u>\$ 18,449,324</u>	<u>\$ 18,305,552</u>

#### Note 4. Liquidity

The Organization strives to maintain liquid assets sufficient to cover at least 180 days of general operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments. The Organization has no access to lines of credit or other readily available funding sources.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Liquidity (Continued)

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions. Amounts not available include Certificates of Deposit maturing beyond December 31, 2020, contributions to the PAC Administrative fund, and investments held for deferred compensation.

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 6,525,251	\$ 4,459,931
Investments	18,449,324	18,305,552
Deferred compensation investments	841,622	472,238
Accounts receivable	519,107	429,915
Subtotal financial assets	26,335,304	23,667,636
Amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(2,121,327)	(1,870,133)
Certificates of deposit with maturity dates beyond December 31	(2,250,000)	(1,750,000)
Deferred compensation investments	(841,622)	(472,238)
Financial assets available for general expenditures within one year	<u>\$ 21,122,355</u>	<u>\$ 19,575,265</u>

#### Note 5. Retirement Plans

**Deferred compensation plans:** The Organization has established nonqualified deferred compensation plans under the Internal Revenue Code for certain eligible executives. The Organization contributes a percentage of the executives' annual salary as defined in the agreement. The total liability accrued for the deferred compensation plans was \$1,079,341 and \$676,216 as of December 31, 2019 and 2018, respectively. Under various employment agreements, the Organization is liable for contributions totaling \$237,719 and \$203,978 at December 31, 2019 and 2018, respectively. Assets totaling \$841,622 and 472,238 represent the funded portion of the liability at December 31, 2019 and 2018, respectively.

**Defined contribution plan:** The Organization maintains a defined contribution retirement plan covering substantially all full-time employees who meet certain age and length of service requirements. Employees are fully vested on attaining five years of service. The Organization matches contributions dollar for dollar up to 6% of salary.

Retirement plan expenses charged to operating expenses in 2019 and 2018 were \$708,488 and \$718,902, respectively.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 6. Commitments and Contingencies

The Organization leases a portion of its headquarters building under operating leases which expire through December 2022.

The approximate future minimum payments to be received under the operating leases are as follows for the years ending December 31:

Years ending December 31:	
2020	\$ 182,724
2021	101,815
2022	101,815
	<u>\$ 386,354</u>

#### Note 7. Income Taxes

**NSC:** NSC accrues a liability for certain compensation expenses that are not deductible for income tax purposes until the obligations are paid in cash. As a result, these compensation accruals create a deferred tax asset. The total deferred tax asset related to anticipated future compensation expense deductions equaled \$28,088 and \$21,112 as of December 31, 2019 and 2018, respectively, and is recorded as a component of prepaid expenses and other assets.

NSC incurred approximately \$28,500 and \$32,800 in income tax expense for the years ended December 31, 2019 and 2018, respectively.

**NAFCU:** The Association earns unrelated business income on the sale of advertising in its publications. The Association incurred approximately \$4,720 and \$23,000 in net unrelated business income tax related to advertising, for the years ended December 31, 2019 and 2018, respectively. Under the Tax Cuts and Jobs Act, staff parking at NAFCU Headquarters, considered a benefit provided by the Association, is subject to unrelated business income tax and as a result, the Association incurred approximately \$12,000 of tax expense related to this parking benefit during the year ended December 31, 2018. This law was retroactively repealed in December 2019, and therefore no expenses were incurred during the year ended December 31, 2019, and prior amounts paid are expected to be refunded.

#### Note 8. Fair Value Measurements

The Organization has implemented the accounting standards topic regarding fair value measurements. This standard establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements, and applies to all assets and liabilities that are being measured and reported on a fair value basis. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

**Level 2:** Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data; and

**Level 3:** Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

## National Association of Federally-Insured Credit Unions and Affiliates

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value Measurements (Continued)

The Organization's assets and liabilities were measured at fair value on a recurring basis using the following input levels at December 31, 2019 and 2018:

	2019			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets at fair value:				
Fixed income mutual funds and ETFs	\$ 6,982,740	\$ 6,982,740	\$ -	\$ -
Equity mutual funds and ETFs	881,843	881,843	-	-
Deferred compensation investments (mutual funds)	841,622	841,622	-	-
Investments carried at fair value	8,706,205	\$ 8,706,205	\$ -	\$ -
Certificates of deposit*	3,750,000			
Money market funds*	6,834,741			
	<u>\$ 19,290,946</u>			
Liabilities at fair value:				
Deferred compensation	\$ 1,079,341	\$ -	\$ 1,079,341	\$ -
	2018			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets at fair value:				
Fixed income mutual funds and ETFs	\$ 6,147,964	\$ 6,147,964	\$ -	\$ -
Equity mutual funds and ETFs	1,028,511	1,028,511	-	-
Deferred compensation investments (mutual funds)	472,238	472,238	-	-
Investments carried at fair value	7,648,713	\$ 7,648,713	\$ -	\$ -
Certificates of deposit*	3,000,000			
Money market funds*	8,129,077			
	<u>\$ 18,777,790</u>			
Liabilities at fair value:				
Deferred compensation	\$ 676,216	\$ -	\$ 676,216	\$ -

\*Money market funds and certificates of deposit included in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

The Organization's mutual funds and exchange-traded funds are publicly traded on the New York Stock Exchange and are considered Level 1 items.

The Organization's deferred compensation liability is based on observable inputs of the related asset, however, the liabilities are not publicly traded and therefore, the amount based on observables inputs is considered a Level 2 item.





RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Directors  
National Association of Federally-Insured Credit Unions

We have audited the consolidated financial statements of National Association of Federally-Insured Credit Unions and Affiliates as of and for the year ended December 31, 2019, and have issued our report thereon dated March 12, 2020, which expressed an unmodified opinion on those consolidated financial statements appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for the purposes of additional analysis rather than to present the financial position and changes in net assets of individual entities and is 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 consolidated financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
March 12, 2020

## National Association of Federally-Insured Credit Unions and Affiliates

### Consolidating Statement of Financial Position December 31, 2019

	NAFCU	Foundation	NAFCU Services Corp.	Political Action Committee	Eliminations	Consolidated Total
<b>Assets</b>						
Cash and cash equivalents	\$ 5,050,497	\$ 106,529	\$ 841,791	\$ 526,434	\$ -	\$ 6,525,251
Accounts receivable	45,394	-	473,713	-	-	519,107
Prepaid expenses and other assets	419,197	-	36,434	-	-	455,631
Intercompany receivables	881,817	-	-	-	(881,817)	-
Investment in subsidiary	446,220	-	-	-	(446,220)	-
Investments	18,449,324	-	-	-	-	18,449,324
Deferred compensation investments	717,957	-	123,665	-	-	841,622
Property and equipment, net	2,566,366	-	408,388	-	-	2,974,754
<b>Total assets</b>	<b>\$ 28,576,772</b>	<b>\$ 106,529</b>	<b>\$ 1,883,991</b>	<b>\$ 526,434</b>	<b>\$ (1,328,037)</b>	<b>\$ 29,765,689</b>
<b>Liabilities, Net Assets and Equity</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 2,842,402	\$ -	\$ 401,307	\$ -	\$ -	\$ 3,243,709
Deferred revenue	10,355,777	-	4,152	-	-	10,359,929
Intercompany payables	-	-	881,817	-	(881,817)	-
Tenant deposits	14,349	-	-	-	-	14,349
Deferred compensation liability	928,846	-	150,495	-	-	1,079,341
<b>Total liabilities</b>	<b>14,141,374</b>	<b>-</b>	<b>1,437,771</b>	<b>-</b>	<b>(881,817)</b>	<b>14,697,328</b>
Net assets and equity:						
Net assets:						
Without donor restrictions	12,314,071	106,529	-	526,434	-	12,947,034
With donor restrictions	2,121,327	-	-	-	-	2,121,327
	<b>14,435,398</b>	<b>106,529</b>	<b>-</b>	<b>526,434</b>	<b>-</b>	<b>15,068,361</b>
Equity:						
Common stock	-	-	1,000	-	(1,000)	-
Retained earnings	-	-	445,220	-	(445,220)	-
<b>Total net assets and equity</b>	<b>14,435,398</b>	<b>106,529</b>	<b>446,220</b>	<b>526,434</b>	<b>(446,220)</b>	<b>15,068,361</b>
<b>Total liabilities, net assets and equity</b>	<b>\$ 28,576,772</b>	<b>\$ 106,529</b>	<b>\$ 1,883,991</b>	<b>\$ 526,434</b>	<b>\$ (1,328,037)</b>	<b>\$ 29,765,689</b>

## National Association of Federally-Insured Credit Unions and Affiliates

### Consolidating Statement of Activities Year Ended December 31, 2019

	NAFCU	Foundation	NAFCU Services Corp.	Political Action Committee	Eliminations	Consolidated Total
Activities without donor restrictions:						
Revenue and support:						
Membership dues	\$ 10,654,280	\$ -	\$ -	\$ -	\$ -	\$ 10,654,280
Membership education and training	6,324,925	-	-	-	(930,690)	5,394,235
Service fees	-	-	2,710,878	-	-	2,710,878
Interest and dividend income, net of fees	372,731	60	4,106	4,032	-	380,929
Advertising	369,711	-	-	-	-	369,711
Other	214,488	49,000	100,526	196,366	(333,435)	226,945
Rental income	273,580	-	-	-	(91,781)	181,799
Products and services	104,735	-	-	-	-	104,735
	<u>18,314,450</u>	<u>49,060</u>	<u>2,815,510</u>	<u>200,398</u>	<u>(1,355,906)</u>	<u>20,023,512</u>
Net assets released from restrictions	549,791	-	-	-	-	549,791
<b>Total revenue and support</b>	<b>18,864,241</b>	<b>49,060</b>	<b>2,815,510</b>	<b>200,398</b>	<b>(1,355,906)</b>	<b>20,573,303</b>
Expenses:						
Program services:						
Advocacy and compliance	6,951,613	16,025	-	146,351	(49,000)	7,064,989
Conferences and seminars	4,646,522	-	684,349	-	(684,349)	4,646,522
Communications, publications and marketing	2,246,380	-	1,700,101	-	(236,109)	3,710,372
Membership services	1,193,973	-	-	-	-	1,193,973
<b>Total program services</b>	<b>15,038,488</b>	<b>16,025</b>	<b>2,384,450</b>	<b>146,351</b>	<b>(969,458)</b>	<b>16,615,856</b>
Supporting services:						
Management and general	3,427,594	-	378,958	-	(386,448)	3,420,104
<b>Total support services</b>	<b>3,427,594</b>	<b>-</b>	<b>378,958</b>	<b>-</b>	<b>(386,448)</b>	<b>3,420,104</b>
<b>Total expenses</b>	<b>18,466,082</b>	<b>16,025</b>	<b>2,763,408</b>	<b>146,351</b>	<b>(1,355,906)</b>	<b>20,035,960</b>
Change in net assets without donor restrictions						
before investment gains	398,159	33,035	52,102	54,047	-	537,343
Unrealized and realized gain on investments	290,158	-	-	-	-	290,158
Equity in loss of subsidiary	52,102	-	-	-	(52,102)	-
<b>Change in net assets without donor restrictions</b>	<b>740,419</b>	<b>33,035</b>	<b>52,102</b>	<b>54,047</b>	<b>(52,102)</b>	<b>827,501</b>
Activities with donor restrictions:						
Contributions	793,127	-	-	-	-	793,127
Interest income	7,858	-	-	-	-	7,858
Net assets released from restrictions	(549,791)	-	-	-	-	(549,791)
<b>Change in net assets with donor restrictions</b>	<b>251,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251,194</b>
<b>Change in net assets</b>	<b>991,613</b>	<b>33,035</b>	<b>52,102</b>	<b>54,047</b>	<b>(52,102)</b>	<b>1,078,695</b>
Net assets and retained earnings, beginning of year	13,443,785	73,494	393,118	472,387	(393,118)	13,989,666
Net assets and retained earnings, end of year	<b>\$ 14,435,398</b>	<b>\$ 106,529</b>	<b>\$ 445,220</b>	<b>\$ 526,434</b>	<b>\$ (445,220)</b>	<b>\$ 15,068,361</b>