WE BELIEVE IN CREDIT UNIONS

• We believe that credit unions are the best option for consumers. *Period.*

• We believe credit unions deserve the absolute best in advocacy, education and compliance assistance.

• We believe in providing our members “extreme member service.” *Every. Single. Day.*

• We believe our members deserve an association that is frugal, efficient and effective when spending their dues dollars.

• We are more than just a trade association. *We believe in credit unions and their mission.*
NAFCU Chair and President’s Report

NAFCU fiercely advocated for credit unions in Washington throughout 2015. We believe credit unions are the best option for consumers. We are working steadily to ensure the industry is powerful and that it thrives and retains a strong voice before Congress, federal regulators and the public.

Throughout the past year, NAFCU fought for regulatory relief for credit unions so they may better serve their members and help create a stronger economy for the entire country.

Our advocacy efforts in 2015 occurred through personal visits with lawmakers and regulators; during five separate House and Senate committee hearings, where we testified on the outsized impact overregulation has had on the industry; and in myriad comment and policy letters emphasizing the need for less regulation, better data security, and increased transparency by regulators.

We made progress last year as we fought back on Dodd-Frank Act measures in order to give credit unions more freedom to serve their members efficiently, strengthened our push for a strong national data security standard for retailers, and protected the credit union tax exemption.

We also made big strides in education and compliance assistance, selling out our first-ever Risk Management Seminar. We also introduced a new Credit Union Director Handbook that offers a comprehensive look at the role and responsibilities of a credit union board.

One of the biggest announcements from NAFCU in 2015 was the move to open our membership to state-chartered credit unions. With this change, we can help all federally insured credit unions with the issues that impact them at the federal level — and strengthen the voice of our member credit unions in pushing key advocacy concerns. Since that announcement in June, dozens of state-chartered credit unions have taken the opportunity to join, contributing to robust membership growth for the association.

Mindful of your need to carefully shepherd your resources, NAFCU also entered into an alliance with CBANC Network so all of the association’s members may take advantage of the extensive library of policy and procedures documents made available to them online, and at no cost.

We value your trust in us, and to honor that trust, we work hard each day to deliver the best, most effective advocacy — and service — that we can in the most cost-effective way possible.

Last year was a year of progress on some very important issues thanks to the efforts of NAFCU’s top-notch advocacy team and an engaged membership. We want to thank our members, board of directors and staff for their support throughout this past year — and for being part of all our accomplishments in 2015.
**Legislative and Regulatory Priorities**

**Preserve the credit union tax exemption**
Preserving credit unions’ federal corporate income tax exemption remains NAFCU’s number one legislative priority. NAFCU worked throughout 2015 to debunk banking trades’ false claims about the exemption, and it succeeded in helping keep the tax exemption out of tax code revision debates. The Senate Finance Committee’s Business Income Bipartisan Tax Working Group, one of five working groups created to offer recommendations for comprehensive tax reform, issued a report in July with no recommendations that would affect the credit union tax exemption.

**Fight for regulatory relief for credit unions**
In 2015, NAFCU updated its five-point plan for credit union regulatory relief and released a new “Top Ten” list of regulations that should be revised or eliminated. These policy statements helped lay the groundwork for relief efforts on the Hill and at the federal regulatory agencies. We saw successes in our efforts for relief, with key provisions passed by Congress and signed by the president as part of last year’s highway legislation. The enacted provisions authorize credit unions to send privacy notices only when members open a new account or when policies change; provide relief from certain CFPB qualified-mortgage requirements; and help certain small creditors satisfy CFPB’s ability-to-repay mortgage requirements.

The Senate Banking Committee also favorably reported out legislation that would, in addition to providing mortgage rules relief, ensure credit unions parity with banks with respect to Federal Home Loan Bank membership rules and create an independent examination appeals process for financial institutions.

NAFCU last year also entered into the debate on federal rules governing autodialed calls. In July, the Federal Communications Commission issued a declaratory ruling and order to clarify its interpretations of the Telephone Consumer Protection Act. NAFCU, concerned that the FCC’s limited exemption on autodialed calls will impede credit unions’ time-sensitive communications with members about their accounts, joined the action in October as an intervenor-petitioner.

**Pursue budget transparency at NCUA**
At NAFCU’s urging, legislation was introduced in both houses of Congress to ensure NCUA holds public budget hearings. The provision was included in a regulatory relief bill that passed the Senate Banking Committee last May. Last December, the House Financial Services Committee favorably reported similar legislation to the full House.

**Guarantee credit unions’ access to the secondary mortgage market**
Preserving a government guarantee, maintaining unfettered access to the secondary market and ensuring fair pricing for credit unions based on loan quality rather than volume continued to be a top priority for NAFCU as discussion on housing finance reform resurfaced in Congress. NAFCU has maintained this effort as the Federal Housing Finance Agency continues plans for the Common Securitization Platform.

**Promote national data security and cybersecurity**
NAFCU continued to push hard for congressional action on national data security standards for merchants similar to standards followed by credit unions under the 1999 Gramm-Leach-Bliley Act. Last year, NAFCU-supported legislation to accomplish that was favorably reported out by the House Financial Services Committee.
Also last year, the president signed NAFCU-backed legislation to bring greater security for financial data through faster, more-efficient sharing of cyber-threat information among the business and government sectors.

**Advance field-of-membership reform**

NAFCU continued its fight for field-of-membership reform, in part through its pursuit of changes to streamline and remove unnecessary obstacles from current NCUA rules. In 2015, the NCUA Board undertook a comprehensive review of its FOM rules and proposed revisions to modernize all federal charter types.

The NAFCU-supported proposed rule would make substantive changes affecting the common-bond requirements associated with community, multiple-group, and trade, industry or profession charter types.

This proposed rule — the first major revamp of its kind in more than 10 years — spurred nearly 10,400 comment letters to NCUA.

**Pursue comprehensive capital reform**

NAFCU continued to push for a fair capital system for all insured credit unions. It consistently opposed NCUA’s risk-based capital rulemaking and urged its withdrawal. Though the rule was adopted, we were successful in winning numerous changes to the final rule, which takes effect in 2019, that represent a vast improvement over the initial proposal.

NAFCU also spurred the introduction of H.R. 2769, the “Risk-Based Capital Study Act,” which would require NCUA to study the impact of the rule’s capital requirements before its implementation. Additionally, the association continued its pursuit of a true risk-based capital system, and access to supplemental capital, in its advocacy before Congress.

**Ease arbitrary restrictions on member business lending**

NAFCU continued to advocate for member business lending reform through its advocacy on Capitol Hill and at NCUA. NCUA’s MBL proposal last June removed many of the prescriptive underwriting and personal guarantee requirements, thereby eliminating the current, overly burdensome waiver process. These changes are retained in the final rule that was released this February.

NAFCU also continued to work with Congress to advance several pieces of legislation to ease the statutory MBL cap.

**Support industry leading the way on payments reform**

NAFCU and its members remained engaged throughout 2015 with the Federal Reserve’s evolving payments initiative and roadmap for the U.S. payments system. In January 2015, the Fed announced two task forces to modernize the U.S. payments system — the Faster Payments Task Force and the Secure Payments Task Force. NAFCU joined the two task forces in May. NAFCU’s goal in participating is to ensure that any new payments system can be cost-effective, operationally effective and scalable for credit unions of all sizes.
Education and compliance assistance

Your association continued to deliver best-in-class education and compliance assistance in 2015. Our new Risk Management Seminar, held last August in Denver, sold out as credit union professionals sought to learn more about enterprise risk management. The seminar was so well-received that we are returning to Denver this August to do it again.

Last year also saw strong attendance for other conferences and programs, including September’s Congressional Caucus in Washington, where attendees heard from and met with lawmakers about top credit union issues; and the Regulatory Compliance Seminar, which provided attendees the latest news about credit union regulation and briefings on what to anticipate in the future. We also certified 130 NCCOs — NAFCU Certified Compliance Officers — and saw big increases in member and nonmember subscriptions for our on-demand webcasts.

In 2015, the regulatory compliance division wrote more than 145 blog posts and answered thousands of compliance-related questions from member credit unions. The regulatory affairs division issued 22 regulatory alerts. The regulatory and legislative affairs divisions wrote nearly 100 letters to Congress and regulatory agencies about the issues that matter most to our members.

NAFCU offers a large number of publications — print and electronic — to keep its members and potential members updated on the association’s regulatory and legislative advocacy efforts, and more. Among these are the daily NAFCU Today enewsletter (and Breaking News); the bimonthly Federal Credit Union magazine; UPDATE; Compliance Monitor; and Compliance Cyber Café enewsletter. NAFCU also surveys members for its monthly Economic and CU Monitor. Survey findings also inform the association’s communications with lawmakers and regulators on credit union issues.
NAFCU Services Corporation Chair and President’s Report

Last year was a great year for NAFCU Services Corporation, which continued to serve the credit union industry by identifying and offering the most effective, innovative solutions available.

NAFCU Services focuses on what technology and tools are most needed to ensure a credit union’s success and growth. Amid fierce competition, we point credit unions to the companies that will make the difference for them.

In 2015, we offered a wide variety of resources, all available through our online Partner Library and including free, on-demand training from industry experts. Education is a top priority, which is why we emphasize the importance of training from anywhere: anyone interested can tune into our free webinars, webcasts and podcasts featuring our Preferred Partner industry experts.

In 2015, nearly 9,000 registrants participated in 73 free webinars presented by our partners. All of the webcasts and podcasts are available through our Partner Library or through the respective Preferred Partner web pages.

We also reached out to credit unions through social media, using the NAFCU Services Blog, the LinkedIn network and Twitter to promote educational resources and opportunities.

We thank you for your continued support and look forward to another year of successful solutions and quality educational opportunities.

NAFCU Treasurer’s Report

The past year has shown that NAFCU’s focus is not only good for its members in terms of political advocacy and educational opportunities, but in terms of the association’s sustained financial growth as well.

NAFCU turned in a strong financial performance in 2015 — our 26th consecutive year of sustained financial stability — and we did so while investing heavily in new technologies to help us better deliver education and training to NAFCU members in a cost-effective, efficient manner.

In 2015, NAFCU’s equity increased $299,173, and its assets grew $1,557,151. This will allow the association to remain at the forefront of advocacy, education and compliance assistance for the credit union industry. NAFCU Services Corporation also added new partnerships and products in order to provide the best available solutions for credit unions and keep them competitive.

NAFCU will continue to set the standard for member service and benefits in 2016, putting the needs and concerns of its members across the country at the top of its priorities list every day.

Thank you for your guidance, support and cooperation. We look forward to working with you in the coming year to ensure a bright and secure future for our industry.

Jeanne Kucey
NAFCU Treasurer
Independent Auditor’s Report

We have audited the accompanying consolidated financial statements of the National Association of Federal Credit Unions, Inc. and Affiliates (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Federal Credit Unions, Inc. and Affiliates as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC
March 22, 2016

Tate & Tryon
Consolidated Statements of Financial Position
December 31, 2015 2014

ASSETS
Cash and cash equivalents $4,211,034 $3,280,730
Accounts receivable - net of allowance for doubtful accounts (2015 - $11,250; 2014 - $17,500) 474,813 262,578
Prepaid expenses and other assets 438,560 560,845
Investments 13,145,161 12,502,419
Deferred compensation investments 316,434 320,584
Property and equipment, at cost
Land 1,309,226 1,309,226
Building and improvements 6,147,666 6,116,039
Furniture and equipment 1,992,036 1,905,816
Less accumulated depreciation and amortization (6,267,056) (6,047,514)
Total assets $21,767,874 $20,210,723

LIABILITIES AND NET ASSETS
Liabilities
Accounts payable and accrued expenses $2,038,835 $1,549,884
Deferred revenue 7,336,597 6,587,937
Tenant deposits 14,349 14,349
Deferred compensation liability 430,864 411,037
Total liabilities 9,820,645 8,562,667
Net assets
Unrestricted 10,782,777 10,685,425
Temporarily restricted 1,164,452 962,631
Total net assets 11,947,229 11,648,056
Total liabilities and net assets $21,767,874 $20,210,723

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Year Ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $299,173 $671,782
Adjustments to reconcile change in net assets to net cash provided by operating activities:
Depreciation and amortization 426,702 460,347
Net loss (gain) on investments 83,165 (199,335)
Loss on disposal of property and equipment 67,823 -
Changes in assets and liabilities:
Accounts receivable (212,235) (150,121)
Prepaid expenses and other assets 122,285 (55,426)
Deferred compensation investments 4,150 68,401
Accounts payable and accrued expenses 488,951 223,175
Deferred revenue 749,200 614,099
Deferred compensation liability 19,827 (31,808)
Total adjustments 1,749,868 929,332
Net cash provided by operating activities 2,049,041 1,601,144

CASH FLOWS FROM INVESTING ACTIVITIES
Proceeds from investments 255,500 2,328,445
Purchases of investments (981,407) (3,556,490)
Net purchases of property and equipment (392,830) (260,003)
Net cash used in investing activities (1,118,737) (1,488,048)

Net increase (decrease) in cash and cash equivalents 930,304 113,066
Cash and cash equivalents, beginning of year 3,280,730 3,167,664
Cash and cash equivalents, end of year $4,211,034 $3,280,730

Supplemental Disclosure of Cash Flow Information
Cash paid during the year for income taxes $1,200 $30,392

See notes to consolidated financial statements.

Consolidated Statements of Activities
Year Ended December 31,

CHANGES IN UNRESTRICTED NET ASSETS
Revenue
Membership dues $7,747,920 $7,590,330
Membership educational and training 3,975,654 3,276,744
Service fees 1,748,004 1,623,803
Other 490,029 255,051
Advertising 329,990 323,046
Interest and dividend income 196,679 180,809
Rental income 151,720 145,070
Products and services 101,469 111,701
Total $14,741,465 13,513,004
Net assets released from restriction 580,653 517,935
15,322,098 14,024,489

Expense
Program services:
Membership educational and training 2,551,203 2,486,049
Communications and publications 572,960 345,860
Officials and committees 216,643 157,775
Legislative and regulatory 73,067 74,756
Membership 60,482 33,208
Products and services 28,742 13,232
3,503,097 3,110,880

Supporting services
Administration and overhead 10,773,051 9,944,527
Building and occupancy 865,433 743,250
Total supporting services expense 11,638,484 10,687,777
Total expense 15,141,581 13,798,657
Change in unrestricted net assets before investment gains 180,517 225,832
Unrealized gain on investments (120,566) 161,133
Realized gain on investments 37,401 38,202
Change in unrestricted net assets 97,352 425,367

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS
Contributions 780,635 762,800
Interest income 1,819 1,750
Net assets released from restriction (580,633) (317,935)
Change in temporarily restricted net assets 201,821 246,615

Change in net assets 299,173 671,782
Net assets, beginning of year 11,648,056 10,976,274
Net assets, end of year $11,947,229 $11,648,056

See notes to consolidated financial statements.

Notes to the Consolidated Financial Statements
A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Organization: The National Association of Federal Credit Unions, Inc. (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. 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.

**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 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.

**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.

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

**Use of estimates:** The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

**Cash and cash equivalents:** For financial statement purposes, the Organization considers all mutual funds, exchange traded funds (ETFs), unrestricted money market funds, and certificates of deposit to be other than cash equivalents.

**Accounts receivable:** Accounts receivable consist primarily of amounts owed from NSC Preferred Partners as a result of royalty/membership agreements. Accounts receivable are presented at the gross, or face, amount due to the Organization. The Organization’s management periodically reviews the status of all accounts receivable balances for collectibility. 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. The Organization has established an allowance for various invoices it believes may be uncollectable.

**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:

- Building and improvements: 5 - 29 years
- Furniture and equipment: 3 - 7 years

**Deferred revenue:** Deferred revenue principally consists of membership dues, subscriptions, and conference/seminar payments received in advance. Membership dues and subscriptions are recognized as revenue over the duration of the related membership or subscription. Conference and seminar registration fees are recognized as revenue once the related meeting has taken place.

**Net assets:** For financial statement purposes, net assets are as follows:

- **Unrestricted:** Unrestricted net assets are available for general operations.
- **Temporarily restricted:** Temporarily restricted net assets represent the portion of net assets that have been restricted by donors (see Note D).

**Contributions:** Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. Donor-restricted support is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires.

**Functional reporting of expenses:** The Organization reports the direct costs of operating its programs as “program services” expense on the statement of activities. All salaries, occupancy, and administrative costs are reported as supporting services on the statement of activities.

**Reclassifications:** Certain revenues and expenses in the statement of activities relating to the prior year have been reclassified to conform to the current year presentation. These reclassifications had no impact on the previously reported change in net assets.

**Subsequent events:** Subsequent events have been evaluated through March 22, 2016, which is the date the financial statements were available to be issued.

**B. CREDIT RISK AND FLUCTUATIONS IN FAIR VALUE**

**Credit risk:** 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.

**Market value risk:** The Association 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 Association’s investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio’s value during subsequent periods.

**C. INVESTMENTS**

Investments are carried at fair value and consisted of the following as of December 31:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$5,924,114</td>
</tr>
<tr>
<td>Fixed income mutual funds and ETFs</td>
<td>3,740,566</td>
</tr>
<tr>
<td>Equity mutual funds and ETFs</td>
<td>2,021,481</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,459,000</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$13,145,161</strong></td>
</tr>
</tbody>
</table>

Investment return consists of the following during the years ended December 31:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$198,498</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>$(83,165)</td>
</tr>
<tr>
<td><strong>Total Investment Return</strong></td>
<td><strong>$115,333</strong></td>
</tr>
</tbody>
</table>

**D. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of $1,164,452 and $962,631 for the NAFCU PAC Administration fund and for lobbying activities as of December 31, 2015 and 2014, respectively.
E. SUPPORTING SERVICES
The major components of the Organization's consolidated supporting service expenses consist of the following for the years ended December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee compensation and benefits</th>
<th>Building operations</th>
<th>Depreciation</th>
<th>Professional services</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$8,650,352</td>
<td>865,433</td>
<td>159,247</td>
<td>375,781</td>
<td>1,587,671</td>
</tr>
<tr>
<td>2014</td>
<td>$7,763,092</td>
<td>743,250</td>
<td>195,532</td>
<td>393,788</td>
<td>1,592,115</td>
</tr>
</tbody>
</table>

$11,638,484 $10,687,777

F. RETIREMENT PLANS
Deferred compensation plans: The Organization has established nonqualified deferred compensation plans under the Internal Revenue Code for certain eligible executives. The total liability accrued for the deferred compensation plans was $430,864 and $411,037 as of December 31, 2015 and 2014, 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. Retirement plan expenses charged to operating expenses in 2015 and 2014 were $463,352 and $434,134 respectively.

G. COMMITMENTS AND CONTINGENCIES
The Organization leases a portion of its headquarters building under operating leases which expire through 2021. The approximate future minimum payments to be received under the operating leases are as follows for the year ending December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$157,000</td>
</tr>
<tr>
<td>2017</td>
<td>165,000</td>
</tr>
<tr>
<td>2018</td>
<td>91,000</td>
</tr>
<tr>
<td>2019</td>
<td>96,000</td>
</tr>
<tr>
<td>2020</td>
<td>102,000</td>
</tr>
<tr>
<td>2021</td>
<td>107,000</td>
</tr>
<tr>
<td>$718,000</td>
<td></td>
</tr>
</tbody>
</table>

H. INCOME TAXES
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 $4,000 and $2,300 for the year ending December 31, 2015 and 2014, respectively.

As of December 31, 2015, NSC has accumulated operating losses of approximately $26,000 which may be carried forward to offset taxable income through the year 2035. An estimated deferred tax asset of $7,400 and $5,700 has been recorded at December 31, 2015 and 2014, respectively, to account for the potential future benefit of these operating losses.

NSC has unused charitable contribution deductions that may be used to offset future income tax liabilities through the year 2019. As of December 31, 2015, total unused charitable contributions approximated $2,000. Due to uncertainty regarding NSC’s future ability to utilize these deductions, a valuation allowance has been recorded to completely offset any related deferred tax asset.

I. 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. 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.

I. FAIR VALUE MEASUREMENTS (CONTINUED)
The Organization's investments and deferred compensation investments were measured at fair value on a recurring basis using the following input levels at December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity mutual funds &amp; EFT’s</th>
<th>Fixed income mutual funds &amp; EFT’s</th>
<th>Certificates of deposit</th>
<th>Deferred compensation investments (mutual funds)</th>
<th>Investments Carried at Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$2,021,481</td>
<td>$3,740,566</td>
<td>$1,459,000</td>
<td>$316,434</td>
<td>$7,537,481</td>
</tr>
<tr>
<td>2014</td>
<td>$2,107,025</td>
<td>$3,775,588</td>
<td>$1,459,000</td>
<td>$320,584</td>
<td>$7,662,197</td>
</tr>
</tbody>
</table>

**Money Market funds**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fair Value</th>
<th>(Level 1)</th>
<th>(Level 2)</th>
<th>(Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$13,461,595</td>
<td>$15,738,619</td>
<td>$4,017,024</td>
<td>$14,240,024</td>
</tr>
<tr>
<td>2014</td>
<td>$12,823,003</td>
<td>$14,107,025</td>
<td>$4,017,024</td>
<td>$14,240,024</td>
</tr>
</tbody>
</table>

*Cash included in the investment portfolio is not subject to the provisions of fair value measurements as it is recorded at cost.

The Organization's investments in certificates of deposit are carried at each instrument's face value. Management has concluded that face value approximates the fair value of these instruments.