50 NAFCU YEARS STRONG & GROWING STRONGER

2012
Lynette Smith testifies to House Financial Services subcommittee on the Dodd-Frank Act

2014
Daniel Weickenand testifies to House Financial Services subcommittee on CFPB rules

2015
Dan Berger testifies to House Small Business Committee on cyber and data security

2017
Sonya McDonald testifies to House Small Business subcommittee on MBL

2017
Celebrating 50 years and beyond

NAFCU 2017 ANNUAL REPORT

Executive Summary

2017 was another successful year of strong growth and evolution at NAFCU — and this would not have been possible without NAFCU's growing membership base.

This 2017 annual report provides an overview of NAFCU's legislative and regulatory wins for the credit union industry during the year; the association's award-winning compliance programs; new developments in education and training resources; and the year's financial results.

Throughout 2017, NAFCU:

- continued its aggressive advocacy to ensure the industry saw a reduction in regulatory burden;
- was invited to the White House by President Donald Trump, and met with several members of the administration to further advance the needs of NAFCU's members and the industry as a whole;
- became the first credit union trade association to join global blockchain consortia;
- grew both membership and revenue; and
- maintained its focus on critical issues that are important to the credit union industry as the organization is still led by a board of directors made up of credit union CEOs and a dedicated staff.

In the year ahead, NAFCU will remain focused on ensuring member credit unions have a voice on Capitol Hill, easy access to the association's experts and the best educational and compliance resources available.

NAFCU Chair and President's Report

Marking its 50th anniversary in 2017, NAFCU witnessed a successful year filled with high-profile meetings with new administration officials and key policymakers, an increase in national media presence, back-to-back testimonies on Capitol Hill, rapid membership growth and a fiscally sound budget. It was a year that saw disruptive change both for government and the marketplace, but it was one in which NAFCU and the credit union industry continued to thrive.

During 2017, NAFCU pushed tirelessly to ensure positive policy outcomes for the credit union industry. Supported by an engaged membership — which supplied NAFCU witnesses for nine congressional hearings last year — and working with lawmakers on both sides of the political aisle, we succeeded in protecting the credit union tax exemption amid broad tax reform. In addition, we advanced regulatory relief, protected member business lending, won a roll-back of a potentially harmful arbitration rule, protected credit unions' ability to provide fair, affordable payday-alternative loans to their members, brought credit unions closer to a corporate stabilization rebate and kept the National Credit Union Administration (NCUA) independent and safe from the congressional appropriations process.

These are just a handful of accomplishments won as the association also achieved new heights in education excellence. At the same time, NAFCU grew its reputation for delivering the best regulatory compliance assistance in the industry: In addition to closing the year with nearly 1,000 credit union compliance officer certifications current, the NAFCU Certified Compliance Officer program won the prestigious American Society of Association Executives Power of A Gold Award.

Amid these wins, NAFCU welcomed the first state-chartered credit union CEO to our board of directors, produced research in support of credit union advocacy and operations and engaged with two global blockchain consortia to give members access and input to developments in cutting-edge, distributed-ledger technology.

The past year was an exciting one for NAFCU and its members, and we look forward to continuing down this path.

Thank you for your trust. We look forward to serving you throughout 2018.

Richard L. Harris
NAFCU Chair

B. Dan Berger
NAFCU President and CEO

From left: NAFCU President and CEO Dan Berger speaking at NAFCU's 50th Annual Conference & Solutions Expo; Berger and Small Business Administration Administrator Linda McMahon signing a new Memorandum of Understanding to improve access to credit union small-dollar loans to small businesses; NAFCU Board Chair Richard L. Harris with Treasury Secretary Steven Mnuchin.

2017 Accomplishments

Advocacy: Winning for Credit Unions

NAFCU focused its advocacy efforts during 2017 on maintaining close relationships with lawmakers, federal regulatory agencies and the administration as it produced positive policy outcomes for the industry.

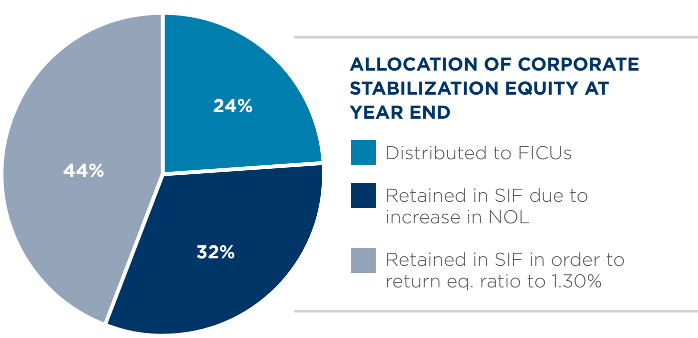
Working to advance credit union interests, NAFCU's executives, members and advocacy team logged more than 40 in-person sessions with lawmakers, regulators and administration officials and wrote more than 150 letters about issues important to the industry. NAFCU member credit unions' grassroots messages to Congress during issue campaigns grew 315 percent from 2016.

The association's members also represented NAFCU as witnesses in nine hearings on Capitol Hill, educating lawmakers about credit unions and recommending legislation reflecting industry views on cyber- and data security, member business lending (MBL), housing finance reform and more.

Here's a look at last year's advocacy wins:

CU Tax Exemption Safe

Armed with data and buttressed by grassroots support, NAFCU succeeded in keeping the credit union exemption intact throughout Congress' work on the 2017 Tax Cuts and Jobs Act. NAFCU, in discussions with lawmakers, Treasury and White House officials, leveraged independent research that showed the credit union exemption generates $16 billion a year in economic growth and has created nearly 1 million jobs over a 10-year period. NAFCU, before Congress and in the press, also debunked and defused repeated banking industry attacks on the exemption.



Stage Set for Share Insurance Fund Distribution

NAFCU continued to push NCUA for a maximum refund of corporate stabilization dollars to insured credit unions. The NCUA closed the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), merged it into the National Credit Union Share Insurance Fund (NCUSIF) and set expectations of a distribution to credit unions in the third quarter of 2018.

NCUA Independence Preserved

During Congress' work on 2018 appropriations, NAFCU persuaded lawmakers of the need to preserve an independent NCUA as credit unions' primary federal regulator. A legislative provision that would have placed the NCUA under congressional appropriations was eliminated by a vote in the full House as credit unions were in Washington for NAFCU's Congressional Caucus.

CU Lending Protected in CFPB Payday Rule

Last year's final CFPB payday lending rule takes into account the concerns raised by NAFCU and its members, avoiding disruption in credit unions' ability to meet members' needs for short-term, small-dollar loans. As urged by NAFCU, the final rule exempts all loans issued by credit unions in conformance with NCUA parameters for payday-alternative loans (PALs).

CU Regulatory Relief Advanced

Brian Ducharme, president and CEO of MIT Federal Credit Union, testifying in front of a House Financial Services subcommittee to support legislation to stop the NCUA's risk-based capital rule (RBC) from taking effect on Jan. 1, 2019.

The Treasury Department included 31 recommendations from the NAFCU Report on Credit Unions in its report on ways to grow the economy through financial industry regulatory relief, including suggestions to review credit union capital requirements and the current-expected-credit-loss (CECL) accounting standard. Lawmakers also introduced regulatory relief legislation that provided for a NAFCU-sought repeal of the NCUA risk-based capital rule; MBL relief pertaining to certain loans; and the ability for any credit union to add underserved areas to its field of membership.

MBL Rule Improvements Upheld

NAFCU supported the NCUA in its defense against a banking industry lawsuit over the 2016 MBL rule. The streamlined rule provided additional flexibility for credit unions serving member small businesses within the constraints of the federal statutory MBL cap. The U.S. District Court for the Eastern District of Virginia granted the NCUA's motion to dismiss last January. There was no appeal.

CUs Protected from Harmful Arbitration Rule

Congress overturned the CFPB's arbitration rule, which NAFCU warned could have unintended consequences for member-owned credit unions and their members, including increased costs. NAFCU strongly supports consumer protections but argued credit unions should not have been included in the rule given that they are not the bad actors the rule was meant to target.

CDFI, NCUA Revolving Loan Funding Secured

NAFCU quickly pushed back on a proposal to eliminate funding for the Treasury Community Development Financial Institutions (CDFI) Fund, which aids more than 300 CDFI-certified credit unions, many in rural and underserved, economically distressed areas. NAFCU sought and lawmakers approved an increase in funding to $250 million for the CDFI Fund and $2 million in funding for the NCUA Community Development Revolving Loan Fund.

Debra Schwartz, NAFCU Board treasurer and president and CEO of Mission Federal Credit Union, testifying before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit on data security.

Data Security a Priority for Congress, White House

NAFCU, leading the industry's push for a national data security standard, continued meetings with lawmakers and delivered testimony before Congress to push accountability for all parties handling sensitive data — including firms such as Equifax, where a breach made some 147 million consumers vulnerable. NAFCU also persuaded the administration to be more transparent regarding federal government vulnerabilities and their impact on financial regulation.

Education and Compliance Assistance

NAFCU last year expanded its reputation for best-in-class education and compliance assistance for credit union professionals and volunteers. In 2017, NAFCU held 55 webcasts and 12 conferences, including an additional, new Fall Regulatory Compliance School. Conference attendance overall grew 14 percent; the 50th Annual Conference alone pulled 18 percent more in registration than in the previous year.

Certifications grew, with current NAFCU Certified Compliance Officer (NCCO) certifications totaling 985 and certifications of NAFCU Certified Volunteer Experts, NAFCU Bank Secrecy Act Officers and NAFCU Certified Risk Managers up 20 percent, 50 percent and 20 percent, respectively.

National Award

The NCCO program earned national recognition last year, winning the American Society of Association Executives (ASAE) 2017 Power of A Gold Award. The NCCO program has certified more than 1,500 credit union compliance officers since its inception. In issuing last year's award, ASAE recognized the NAFCU program for its longevity, quality and success in helping compliance officers build and maintain critical knowledge to advance their careers and keep up with an ever-changing regulatory environment.

From left: Attendees of NAFCU's Management and Leadership Institute; NAFCU EVP and COO Anthony Demangone speaking at NAFCU's CEOs and Senior Executives Conference; NAFCU celebrated 50 years at it's Annual Conference & Solutions Expo in Hawaii; NAFCU EVP of Government Affairs and General Counsel Carrie Hunt speaking at NAFCU's Congressional Caucus.

Compliance Assistance

During 2017, NAFCU's regulatory compliance team answered more than 770 questions per month, on average, keeping response times to one business day or less; and wrote nearly 200 blog posts and 33 articles. It also produced resources to keep members current on their regulatory obligations under the Truth in Lending Act/Real Estate Settlement Procedures Act integrated mortgage disclosures rule; mortgage servicing rules; the Home Mortgage Disclosure Act; and federal data and cybersecurity requirements. Also, when credit unions began being targeted by frivolous litigation claiming the credit unions' websites were not compliant with the Americans with Disabilities Act (ADA), NAFCU's compliance team made resources freely available to the credit union industry. In December, taking the lead on this critical issue among credit union trade associations, NAFCU began filing amicus briefs supporting credit unions fighting these lawsuits.

Actionable Research

NAFCU commissioned an independent study that shows the positive impacts of the credit union federal income tax exemption on the U.S. economy and consumers. Study findings aided NAFCU and its members in discussions with lawmakers and the administration on the need to preserve the exemption, which is protected in the 2017 Tax Cuts and Jobs Act.

NAFCU, NAFCU Services Preferred Partner Allied Solutions and OnApproach also teamed up with renowned data scientists at Deep Future Analytics in a study that tested five models for implementing the Financial Accounting Standards Board's CECL standard, quantifying the pros and cons of each model to help credit unions determine their best path.

Technology Collaboration

NAFCU last year joined two global blockchain initiatives, Hyperledger and Enterprise Etherium Alliance (EEA), to bring critical knowledge of blockchain technology to the credit union industry and facilitate industry input for the development of uses and tools credit unions need most. NAFCU was the first U.S. financial industry trade to join Hyperledger, created by The Linux Foundation and the world's largest blockchain consortium.

News, Special Publications

NAFCU last year kept credit union leaders and staff apprised of issues, industry trends, data-driven insight and compliance developments through a wide array of publications, including the daily enewsletter *NAFCU Today* (and *Breaking News*), the weekly *NAFCU UPDATE*, *The NAFCU Journal* (the association's bimonthly magazine, previously *The Federal Credit Union*), *Compliance Monitor*, *Economic and CU Monitor*, *BSA Blast* and other special-purpose publications and enewsletters.

Media: TV, Radio, Print, Online

NAFCU's media outreach helped strengthen public understanding of the value tax-exempt credit unions provide to America's consumers and small businesses. With top hits on Fox Business's "Countdown to the Closing Bell," Sirius XM's POTUS channel, *The Wall Street Journal*, *Bloomberg*, *USA Today*, *U.S. News and World Report*, and in Capitol Hill and trade press, NAFCU championed credit unions' delivery of tailored, affordable products and services, good practices and strong data security.

From left: NAFCU Vice President of Regulatory Compliance Brandy Bruyere speaking at NAFCU's Regulatory Compliance Seminar; NAFCU President and CEO Dan Berger on Fox Business Network's Countdown to the Closing Bell; NAFCU Chief Economist and VP of Research Curt Long speaking at NAFCU's CEOs and Senior Executives Conference.

NAFCU Services Corporation Chair and President's Report

Last year was another stellar year for NAFCU Services Corporation (NSC). This wholly-owned subsidiary of NAFCU identifies leading, innovative firms that are committed to the credit union industry — connecting credit unions to the best suppliers for almost any need.

NSC is unique in that these connections between leading providers and credit unions take place through a wide variety of valuable resources. Always studying industry best practices, emerging trends and cutting-edge solutions, NSC's own vetting process and market research help credit unions focus on the right suppliers at the right time.

Quite possibly the most important part of NSC's services to the credit union industry is its unrivaled educational content program. In 2017, NSC produced and distributed a wide variety of educational resources, all available through the online Partner Library and including free, on-demand training from industry experts. Education is key to credit union success; any interested credit union staff can tune into NSC's free webinars, webcasts and podcasts featuring their trusted Preferred Partner industry experts.

In 2017, more than 10,000 registrants participated in the free webinars presented by NSC partners. All of the webinars, webcasts, research reports and podcasts are available through the Partner Library or through the respective Preferred Partner web pages.

NSC also engaged credit unions through social media, using the NAFCU Services Blog, the LinkedIn network and Twitter to highlight thought leadership materials and educational resources.

To learn more about NAFCU Services and their portfolio of 28 leading industry providers, visit **the Preferred Partner section** of the website

nafcu.org/nafcuservices/

B. Dan Berger

NAFCU Services Corporation
Chair and CEO

Randy Salser

NAFCU Services Corporation
President

NAFCU Treasurer's Report

NAFCU's member focus and commitment to extreme member service led to important results last year for the industry in advocacy, education and compliance assistance. More than that, it was another year of strong membership growth and sustained financial stability for the association, a reflection of the care we take for our members and in the management of members' dues dollars.

NAFCU turned in a strong financial performance in 2017, and we did so while investing in new services and technology to help us better deliver education and training to NAFCU members in a cost-effective, efficient manner.

In 2017, NAFCU's equity increased $560,239, and its assets grew $1,743,315. This growth will help ensure that NAFCU remains 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 2018, putting the needs and concerns of its members across the country at the top of our 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.

Debra Schwartz

NAFCU Treasurer

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of the National Association of Federally-Insured Credit Unions and Affiliates (the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and 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 consolidated financial position of the National Association of Federally-Insured Credit Unions and Affiliates as of December 31, 2017 and 2016, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
March 5, 2018

Consolidated Statements of Financial Position

December 31,	**2017**	2016
ASSETS		
Cash and cash equivalents	**$4,259,635**	$3,478,237
Accounts receivable	**353,913**	592,388
Prepaid expenses and other assets	**530,556**	676,033
Investments	**16,660,590**	15,171,651
Deferred compensation investments	**372,113**	416,989
Property and equipment, at cost		
Land	**1,309,226**	1,309,226
Building and improvements	**6,167,442**	6,147,666
Furniture and equipment	**2,360,522**	2,086,600
Total property and equipment, at cost	**9,837,190**	9,543,492
Less accumulated depreciation and amortization	**(7,088,876)**	(6,696,984)
Total property and equipment, net	**2,748,314**	2,846,508
Total assets	**$24,925,121**	$ 23,181,806
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 2,278,347**	$ 1,922,477
Deferred revenue	**9,022,829**	8,212,341
Tenant deposits	**14,349**	14,349
Deferred compensation liability	**566,318**	549,600
Total liabilities	**11,881,843**	
10,698,767		
Net assets		
Unrestricted	**11,508,154**	11,098,483
Temporarily restricted	**1,535,124**	1,384,556
Total net assets	**13,043,278**	12,483,039
Total liabilities and net assets	**$ 24,925,121**	$ 23,181,806

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Year Ended December 31,	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$560,239**	$535,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**402,261**	429,927
Net gain on investments	**(182,314)**	(250,476)
Changes in assets and liabilities:		
Accounts receivable	**238,475**	(117,575)
Prepaid expenses and other assets	**145,477**	(237,473)
Deferred compensation investments	**44,876**	(100,555)
Accounts payable and accrued expenses	**355,870**	(116,358)
Deferred revenue	**810,488**	875,744
Deferred compensation liability	**16,718**	118,736
Total adjustments	**1,831,851**	601,970
Net cash provided by operating activities	**2,392,090**	1,137,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	**5,107,881**	5,107,881
Purchases of investments	**(6,414,506)**	(6,883,895)
Purchases of property and equipment	**(304,067)**	(94,563)
Net cash used in investing activities	**(1,610,692)**	(1,870,577)
Net increase (decrease) in cash and cash equivalents	**781,398**	(732,797)
Cash and cash equivalents, beginning of year	**3,478,237**	4,211,034
Cash and cash equivalents, end of year	**$4,259,635**	$3,478,237

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for income taxes	**$24,200**	$24,496

See notes to consolidated financial statements.

Consolidated Statements of Activities

Year Ended December 31,	2017	2016
UNRESTRICTED ACTIVITIES		
Revenue and support		
Membership dues	**$9,053,631**	$8,288,538
Membership education and training	**4,882,249**	4,121,302
Service fees	**2,332,200**	2,214,209
Advertising	**381,948**	404,370
Other 264,976	**213,060**	
Interest and dividend income	**243,147**	209,795
Rental income	**167,900**	159,591
Products and services	**92,399**	94,987
Net assets released from restrictions	**562,018**	602,547
Total revenue and support	**17,980,468**	16,308,399
Expense		
Program services:		
Membership education and training	**3,779,629**	2,980,069
Communications and publications	**597,044**	526,193
Officials and committees	**267,114**	223,040
Legislative and regulatory	**85,987**	80,780
Membership	**49,674**	54,960
Products and services	**23,199**	21,315
Total program services	**4,802,647**	3,886,357
Supporting services		
Administration and overhead	**12,206,997**	11,594,149
Building and occupancy	**743,467**	762,663
Total supporting services	**12,950,464**	12,356,812
Total expense	**17,753,111**	16,243,169
Change in unrestricted net assets before investment gains (loss)	**227,357**	65,230
Unrealized gain (loss) on investments	**173,218**	(83,694)
Realized gain on investments	**9,096**	334,170
Change in unrestricted net assets	**409,671**	315,706
TEMPORARILY RESTRICTED ACTIVITIES		
Contributions	**709,152**	820,037
Interest income	**3,434**	2,614
Net assets released from restrictions	**(562,018)**	(602,547)
Change in temporarily restricted net assets	**150,568**	220,104
Change in net assets	**560,239**	535,810
Net assets, beginning of year	**12,483,039**	11,947,229
Net assets, end of year	**$13,043,278**	$12,483,039

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 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.

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.

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/marketing 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 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. The Organization has established an allowance for any invoices it believes may be uncollectable. The Organization believes all receivables are fully collectable at December 31, 2017 and 2016; consequently, no allowance for doubtful accounts has been recorded.

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 - 39 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.

Subsequent events: Subsequent events have been evaluated through March 5, 2018, which is the date the consolidated 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 consolidated 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,:

	2017	2016
Money market funds	$7,425,953	$7,110,232
Fixed income mutual funds and ETFs	5,681,482	5,192,592
Certificates of deposit	2,000,000	1,500,000
Equity mutual funds and ETFs	1,553,155	1,368,827
	$16,660,590	**$15,171,651**

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

	2017	2016
Interest and dividends	$246,581	$212,409
Net gain on investments	182,314	250,476
	$428,895	**$462,885**

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of $1,530,124 and $1,384,556 for the NAFCU PAC Administration fund and for lobbying activities as of December 31, 2017 and 2016, respectively. Additionally, the Foundation received a $5,000 contribution during the year ended December 31, 2017, to be used for a future purpose.

E. SUPPORTING SERVICES

The major components of the Organization's consolidated supporting service expenses consist of the following for the years ended December 31,:

	2017	2016
Employee compensation and benefits	$10,027,164	$9,401,132
Building operations	743,467	762,663
Depreciation	135,018	162,297
Professional services	430,946	430,925
Other	1,613,869	1,599,795
	$12,950,464	**$12,356,812**

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 $566,318 and $549,600 as of December 31, 2017 and 2016, 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 2017 and 2016 were $685,484 and $539,984, 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,:

2018	$173,000
2019	182,000
2020	191,000
2021	107,000
	$653,000

H. 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 $15,080 and $8,583 as of December 31, 2017 and 2016, respectively.

As of December 31, 2017, NSC has accumulated operating losses of approximately $6,000 which may be carried forward to offset taxable income through the year 2036. An estimated deferred tax asset of $1,170 and $13,910 has been recorded at December 31, 2017 and 2016, 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 2022. As of December 31, 2017, total unused charitable contributions approximated $11,000. 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.

The deferred tax asset totaled $16,250 and $22,493 at December 31, 2017 and 2016, respectively, and is recorded as a component of prepaid expense and other assets.

NAFCU: The Association earns unrelated business income on the sale of advertising in its publications. The Association incurred approximately $8,000 and $14,000 in net unrelated business income tax for the years ended December 31, 2017 and 2016, respectively.

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.

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:

2017	**Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Equity mutual funds and ETFs	$1,553,155	$ 1,553,155	$ -	$ -
Fixed income mutual funds and ETFs	5,681,482	5,681,482	-	-
Certificates of deposit	2,000,000	-	2,000,000	-
Deferred compensation investments (mutual funds)	372,113	372,113	-	-
Investments Carried at Fair Value	9,606,750	$7,606,750	$2,000,000	$ -
Money Market funds*	7,425,953			
	$17,032,703			

2016	**Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Equity mutual funds and ETFs	$1,368,827	$1,368,827	$ -	$ -
Fixed income mutual funds and ETFs	5,192,592	5,192,592	-	-
Certificates of deposit	1,500,000	-	1,500,000	-
Deferred compensation investments (mutual funds)	416,989	416,989	-	-
Investments Carried at Fair Value	8,478,408	$ 6,978,408	$ 1,500,000	$ -
Money Market funds*	7,110,232			
	$15,588,640			

**Money market funds included in the investment portfolio are not subject to the provisions of fair value measurements as they are 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.

1967
NAFCU was formed by a group of credit unions

1969
First ATM in the U.S.

1970
Creation of NCUA and the National Credit Union Share Insurance Fund

1977
President Jimmy Carter signs NAFCU-backed legislation, greatly expanding credit union powers

1986
Blocking attempts to tax credit unions

1996
The Credit Union Campaign for Consumer Choice is conceived

1998
The Campaign wins: President Bill Clinton signs the Credit Union Membership Access Act

National Association of Federally-Insured Credit Unions
3138 10th Street North
Arlington, VA 22201-2149

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