

# **National Credit Union Foundation, Inc.**

Financial Statements

December 31, 2022 and 2021

# National Credit Union Foundation, Inc.

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## **Independent Auditors' Report**

To the Board of Directors of  
National Credit Union Foundation, Inc.

### **Opinion**

We have audited the financial statements of National Credit Union Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of the Foundation as of December 31, 2021 were audited by other auditors whose report dated March 16, 2022 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
March 27, 2023

# National Credit Union Foundation, Inc.

Statements of Financial Position  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,383,182	\$ 5,753,445
Receivables:		
Pledges	11,500	557,300
Contributions	26,289	67,346
CUNA and affiliates	51,408	10,852
Other	28,548	4,750
Total receivables	<u>117,745</u>	<u>640,248</u>
Prepaid expenses	<u>145,951</u>	<u>112,449</u>
Total current assets	<u>4,646,878</u>	<u>6,506,142</u>
Furniture and fixtures	-	35,781
Software	110,000	124,500
Less accumulated depreciation	<u>(88,611)</u>	<u>(83,684)</u>
Net property and software	<u>21,389</u>	<u>76,597</u>
Investments	<u>7,934,373</u>	<u>5,075,500</u>
Total assets	<u>\$ 12,602,640</u>	<u>\$ 11,658,239</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Grant commitments	\$ 723	\$ 8,594
Payables:		
Grants to state leagues	45,165	45,594
CUNA	211,905	276,643
Other	51,948	2,964
Total payables	309,018	325,201
Accrued liabilities	213,839	157,496
Deferred revenue	<u>334,269</u>	<u>345,750</u>
Total current liabilities	<u>857,849</u>	<u>837,041</u>
<b>Net Assets</b>		
Without donor restrictions	6,126,899	6,295,485
With donor restrictions	<u>5,617,892</u>	<u>4,525,713</u>
Total net assets	<u>11,744,791</u>	<u>10,821,198</u>
Total liabilities and net assets	<u>\$ 12,602,640</u>	<u>\$ 11,658,239</u>

See notes to financial statements

# National Credit Union Foundation, Inc.

## Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions	\$ 2,113,411	\$ 2,481,565	\$ 4,594,976
Contributions, community investment fund	315,838	1,250	317,088
Gross special events revenue	799,350	-	799,350
Less special event expenses	(320,032)	-	(320,032)
Net special events revenue	479,318	-	479,318
Program	744,438	-	744,438
Investment return, net	141,735	79,085	220,820
Other	115,542	-	115,542
Net assets released from restrictions	1,076,086	(1,076,086)	-
Total revenues	4,986,368	1,485,814	6,472,182
<b>Program Expenses</b>			
Disaster relief	658,177	-	658,177
Development education	965,251	-	965,251
Community investment fund grants and outreach	742,405	-	742,405
Financial well-being	295,133	-	295,133
FinHealth	231,847	-	231,847
Biz Kid\$	90,306	-	90,306
Other program services	73,159	-	73,159
Total program expenses	3,056,278	-	3,056,278
<b>Supporting Services</b>			
Management and general	1,029,876	-	1,029,876
Fundraising	297,565	-	297,565
Total supporting services	1,327,441	-	1,327,441
Total expenses	4,383,719	-	4,383,719
<b>Excess of Revenues Over Expenses From</b>			
<b>Operations</b>	602,649	1,485,814	2,088,463
Unrealized losses from investments	(768,204)	(393,635)	(1,161,839)
Loss on disposal	(3,031)	-	(3,031)
Change in net assets	(168,586)	1,092,179	923,593
<b>Net Assets, Beginning</b>	6,295,485	4,525,713	10,821,198
<b>Net Assets, Ending</b>	<u>\$ 6,126,899</u>	<u>\$ 5,617,892</u>	<u>\$ 11,744,791</u>

See notes to financial statements

# National Credit Union Foundation, Inc.

## Statement of Activities

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions	\$ 1,836,987	\$ 1,357,200	\$ 3,194,187
Contributions, community investment fund	323,937	10,384	334,321
Gross special events revenue	343,400	-	343,400
Less special event expenses	(28,701)	-	(28,701)
Net special events revenue	314,699	-	314,699
Program	345,663	-	345,663
Investment return, net	1,188,031	276,664	1,464,695
Other	152,709	-	152,709
Net assets released from restrictions	1,009,480	(1,009,480)	-
Total revenues	<u>5,171,506</u>	<u>634,768</u>	<u>5,806,274</u>
<b>Program Expenses</b>			
Disaster relief	515,866	-	515,866
Development education	477,710	-	477,710
Community investment fund grants and outreach	629,077	-	629,077
Financial well-being	221,846	-	221,846
Biz Kid\$	92,535	-	92,535
Other program services	213,941	-	213,941
Total program expenses	<u>2,150,975</u>	<u>-</u>	<u>2,150,975</u>
<b>Supporting Services</b>			
Management and general	1,021,288	-	1,021,288
Fundraising	271,071	-	271,071
Total supporting services	<u>1,292,359</u>	<u>-</u>	<u>1,292,359</u>
Total expenses	<u>3,443,334</u>	<u>-</u>	<u>3,443,334</u>
<b>Excess of Revenues Over Expenses From</b>			
<b>Operations</b>	1,728,172	634,768	2,362,940
Unrealized losses from investments	(843,695)	(171,359)	(1,015,054)
Change in net assets	884,477	463,409	1,347,886
<b>Net Assets, Beginning</b>	<u>5,411,008</u>	<u>4,062,304</u>	<u>9,473,312</u>
<b>Net Assets, Ending</b>	<u>\$ 6,295,485</u>	<u>\$ 4,525,713</u>	<u>\$ 10,821,198</u>

See notes to financial statements

# National Credit Union Foundation, Inc.

## Statement of Functional Expenses Year Ended December 31, 2022

	Program						Supporting Services					
	Community Investment Fund						Other Program Services	Total Program Expenses	Total Supporting Services			
	Disaster Relief	Development Education	Grants and Outreach	Financial Well-Being	FinHealth	Biz Kid\$			Management and General	Fundraising	Services	Total
Salaries	\$ 7,396	\$ 451,358	\$ 374,611	\$ 260,417	\$ -	\$ 29,263	\$ -	\$ 1,123,045	\$ 493,823	\$ 184,689	\$ 678,512	\$ 1,801,557
Benefits	1,949	118,911	98,692	68,608	-	7,709	-	295,869	128,499	48,656	177,155	473,024
Total personnel	9,345	570,269	473,303	329,025	-	36,972	-	1,418,914	622,322	233,345	855,667	2,274,581
Grants	591,951	51,984	-	117,875	-	50,000	48,048	859,858	-	-	-	859,858
Meeting events	-	276,265	134	-	10,300	-	10,206	296,905	-	14,764	14,764	311,669
Professional fees and contracted services	19,880	19,697	95,711	26,500	27,107	586	14,905	204,386	55,000	17,614	72,614	277,000
Grants to state partners	-	1,388	113,082	-	-	-	-	114,470	-	-	-	114,470
Travel and education	-	27,177	29,224	7,386	3,993	-	-	67,780	84,127	14,360	98,487	166,267
CUNA services agreement	-	7,407	4,444	2,963	-	667	-	15,481	226,000	2,518	228,518	243,999
Materials and program supplies	-	9,455	2	-	664	360	-	10,481	-	601	601	11,082
Office	37,001	1,609	9,430	436	731	1,721	-	50,928	24,711	7,609	32,320	83,248
Other support	-	-	16,875	-	-	-	-	16,875	-	2,500	2,500	19,375
Special event expenses	-	-	-	-	-	-	-	-	-	320,032	320,032	320,032
Miscellaneous	-	-	200	-	-	-	-	200	-	4,189	4,189	4,389
Marketing and advertising	-	-	-	-	-	-	-	-	17,716	65	17,781	17,781
Total expenses by function	658,177	965,251	742,405	484,185	42,795	90,306	73,159	3,056,278	1,029,876	617,597	1,647,473	4,703,751
Administrative fee charged	-	-	-	(189,052)	189,052	-	-	-	-	-	-	-
Less special event expenses	-	-	-	-	-	-	-	-	-	(320,032)	(320,032)	(320,032)
Total expenses	<u>\$ 658,177</u>	<u>\$ 965,251</u>	<u>\$ 742,405</u>	<u>\$ 295,133</u>	<u>\$ 231,847</u>	<u>\$ 90,306</u>	<u>\$ 73,159</u>	<u>\$ 3,056,278</u>	<u>\$ 1,029,876</u>	<u>\$ 297,565</u>	<u>\$ 1,327,441</u>	<u>\$ 4,383,719</u>

See notes to financial statements



# National Credit Union Foundation, Inc.

## Statement of Functional Expenses Year Ended December 31, 2021

	Program						Supporting Services				
	Disaster Relief	Development Education	Community Investment Fund Grants and Outreach	Financial Well-Being	Biz Kid\$	Other Program Services	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 15,698	\$ 310,609	\$ 289,831	\$ 74,946	\$ 24,455	\$ -	\$ 715,539	\$ 514,129	\$ 189,972	\$ 704,101	\$ 1,419,640
Benefits	4,276	85,076	78,954	20,416	6,662	-	195,384	121,624	51,750	173,374	368,758
Total personnel	19,974	395,685	368,785	95,362	31,117	-	910,923	635,753	241,722	877,475	1,788,398
Grants	443,968	33,216	-	99,625	56,750	194,734	828,293	-	-	-	828,293
Meeting events	-	213	-	-	-	3,935	4,148	-	-	-	4,148
Professional fees and contracted services	15,257	17,550	92,692	20,360	608	15,272	161,739	67,222	12,917	80,139	241,878
Grants to state partners	-	1,690	127,703	-	-	-	129,393	-	-	-	129,393
Travel and education	-	2,074	4,638	1,381	-	-	8,093	31,447	3,720	35,167	43,260
CUNA services agreement	-	21,342	12,726	4,506	2,246	-	40,820	239,400	7,779	247,179	287,999
Materials and program supplies	-	4,844	5,527	-	879	-	11,250	-	73	73	11,323
Office costs	36,667	1,096	1,506	612	935	-	40,816	19,937	278	20,215	61,031
Other support	-	-	15,500	-	-	-	15,500	-	-	-	15,500
Special event expenses	-	-	-	-	-	-	-	-	28,701	28,701	28,701
Miscellaneous	-	-	-	-	-	-	-	1,497	4,060	5,557	5,557
Marketing and advertising	-	-	-	-	-	-	-	26,032	522	26,554	26,554
Total expenses by function	515,866	477,710	629,077	221,846	92,535	213,941	2,150,975	1,021,288	299,772	1,321,060	3,472,035
Less special event expenses	-	-	-	-	-	-	-	-	(28,701)	(28,701)	(28,701)
Total expenses	<u>\$ 515,866</u>	<u>\$ 477,710</u>	<u>\$ 629,077</u>	<u>\$ 221,846</u>	<u>\$ 92,535</u>	<u>\$ 213,941</u>	<u>\$ 2,150,975</u>	<u>\$ 1,021,288</u>	<u>\$ 271,071</u>	<u>\$ 1,292,359</u>	<u>\$ 3,443,334</u>

See notes to financial statements

## National Credit Union Foundation, Inc.

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flow From Operating Activities</b>		
Cash received from donors and program participants	\$ 6,966,874	\$ 4,124,054
Cash paid to suppliers and grantees	(4,667,287)	(3,413,570)
Interest and dividends, net	224,658	283,950
Other income	115,542	152,709
	<u>2,639,787</u>	<u>1,147,143</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	-	5,309,613
Reinvestment of investment income	(163,784)	(265,570)
Purchases of investments	(3,846,266)	(5,289,984)
	<u>(4,010,050)</u>	<u>(245,941)</u>
Net cash flows from investing activities	<u>(4,010,050)</u>	<u>(245,941)</u>
Net change in cash and cash equivalents	(1,370,263)	901,202
<b>Cash and Cash Equivalents, Beginning</b>	<u>5,753,445</u>	<u>4,852,243</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 4,383,182</u>	<u>\$ 5,753,445</u>

See notes to financial statements

# National Credit Union Foundation, Inc.

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Notes to Financial Statements  
December 31, 2022 and 2021

## 1. Nature of Operations

### Nature of Activities

National Credit Union Foundation, Inc. (the Foundation) is a 501(c)(3) Wisconsin organization formed exclusively for charitable, scientific research and educational purposes in the field of consumer thrift and credit or other activities serving the public interest or common good, with particular emphasis on credit unions. The terms "charitable, scientific and educational" as used herein have the same meaning as in Section 501(c)(3) of the Internal Revenue Code (IRC).

The Foundation's vision is to make financial freedom achievable through credit unions. The Foundation seeks to achieve this vision through three primary pillars of work:

- **Igniting** credit unions to place employee, member and community financial well-being at the center of their strategy by funding catalytic grants, holding convenings, offering resources, case studies and tools to ignite credit unions to center their strategy on financial well-being for all;
- **Inspiring** credit unions to leverage their cooperative values to reinforce an organizational culture that empowers and motivates employees by celebrating, developing and helping retain talent at credit unions by offering education and engagement opportunities that align purpose with action; and
- **Responding** when disaster strikes and help credit unions increase their business resiliency through the cooperative value of "people helping people." This work happens by assisting credit unions, their employees and volunteers to continue serving members when disaster strikes through on ongoing fundraising, grant making and resources.

The Board of Directors consists of 18 directors. Three of the members are elected from the Credit Union National Association, Inc. (CUNA) board and the other directors represent different sectors of the credit union community. The Foundation board, with the exception of the CUNA president who is an ex-officio member, elects all members.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which includes the use of the accrual basis of accounting. As a result, revenue is recognized when earned or becomes unconditional and expenses are recognized when the obligation is incurred. Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **National Credit Union Foundation, Inc.**

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Notes to Financial Statements  
December 31, 2022 and 2021

### **Income Tax Status**

The Foundation qualifies as a tax exempt organization under Section 501(c)(3) of the IRC and the applicable state regulations. The Internal Revenue Service (IRS) also has determined that the Foundation is not a private foundation. In addition, the Foundation is required to report unrelated business income to the IRS and the state of Wisconsin. The Foundation had no sources of unrelated business income for the years ended December 31, 2022 and 2021. Management has concluded that the Foundation has properly maintained their exempt status, all revenue within the statements of activities has been properly classified as exempt for the years ended December 31, 2022 and 2021 and there are no uncertain tax positions as of December 31, 2022 and 2021.

### **Cash and Cash Equivalents**

The Foundation considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of one year or less, to be cash equivalents. All other highly liquid instruments, which have to be used for the long-term purposes of the Foundation, are considered investments. The Foundation maintained cash balances in excess of the National Credit Union Administration insurance limit at December 31, 2022 and 2021. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

### **Property and Software**

The Foundation records property and software at cost and it is depreciated on the straight-line method over the estimated useful life. The Foundation capitalizes all expenditures over \$5,000. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in statements of activities. Repairs and maintenance are charged to expense when incurred.

### **Accounts Receivable**

Accounts receivables from CUNA, affiliates, and others are uncollateralized obligations consisting primarily from services performed. Accounts receivable are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices. Accounts are written off through bad debt expense when the Foundation has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness. No amounts were written off during 2022 and 2021.

### **Pledges and Contributions Receivable**

Unconditional promises to give (pledges and contributions receivable) are recognized as revenue in the period the promise is received. Unconditional promises to give are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. The Foundation uses the allowance method to determine the uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific accounts. There was no allowance for uncollectible pledges as of December 31, 2022 and 2021. All pledges and contributions receivable as of December 31, 2022 and 2021 are expected to be collected within one year.

# National Credit Union Foundation, Inc.

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Notes to Financial Statements  
December 31, 2022 and 2021

## Investments

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments, net of fees are included in the statements of activities. Investment returns are included with donor restrictions on the statement of activities if specified by the donor.

## Risks and Uncertainties

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the Foundation's account balances and the amounts reported in the financial statements. The Foundation places its investments with creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

## Net Assets

The Foundation classifies net assets, revenues and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations or time restrictions. The Foundation's Board of Directors has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no board designated net assets at December 31, 2022 and 2021.

**Net Assets With Donor Restrictions** - Net assets that are subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, or that they be maintained in perpetuity by the Foundation.

## Contributions and Special Events

The Foundation recognizes unconditional contributions received, including unconditional promises to give, as support in the period the promises are received at their fair values. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recognized when they become unconditional, that is, when the conditions are met. Conditional promises to give were \$2,666,241 as of December 31, 2022 and are expected to be recognized in future years when the conditions they depend upon are met. Payments for special events received in advance of the event are included in deferred revenue on the statement of financial position for \$289,500 and \$322,300 as of December 31, 2022 and 2021, respectively. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions with donor restrictions where the donor restrictions are met in the same period that the contributions are recognized are presented as without donor restrictions on the statements of activities.

# National Credit Union Foundation, Inc.

Notes to Financial Statements  
December 31, 2022 and 2021

## Revenue Recognition

Program revenue, consisting mainly of training programs, results from contracts with customers and are considered to be exchange transactions. These revenues are reported at the amount that reflects the consideration the Foundation expects to receive in exchange for the products or services provided.

Revenue under contracts with customers is recognized when the customer obtains control of the product or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those products or services. Cash received before the performance obligation is met is recorded as deferred revenue. Deferred revenue recorded at December 31 is expected to be recognized as revenue in the following year.

A performance obligation is a distinct product, service or a bundle of products and services promised in a contract. The Foundation identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Foundation's performance in transferring control of the promised goods or services to the customer. Contracts with customers do not include a significant financing component. Revenues are recognized when services are rendered. Training programs are recognized at a point in time which is when the programs are held.

The following table presents accounts receivable and deferred revenue from contracts with customers at the beginning and end of each period of the financial statements.

	<u>January 1, 2021</u>	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 132,906	\$ 15,602	\$ 79,956
Deferred revenue	62,500	23,450	44,769

## Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs (salaries, benefits, and professional fees expenses) have been allocated among the programs and services benefited. These expenses require allocation based on a reasonable basis that are consistently applied and are estimated based on employee time and effort. Administrative fees charged between programs are reflected on the statement of functional expenses to present total costs of each program.

## Non-Operating Activities

The Foundation excludes from its measure of operating activity items that are not integral to its operations such as unrealized gains and losses and gains and losses on disposal of assets.

## Adopted Accounting Pronouncements

During 2022, the Foundation retrospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Adopting ASU No. 2020-07 did not result in any impact to the amounts reported on the statements of activities for the years ended December 31, 2022 and 2021. No in-kind contributions were received for the years ended December 31, 2022 and 2021.

## National Credit Union Foundation, Inc.

Notes to Financial Statements  
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### Future Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). Management is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

### 3. Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 4,383,182	\$ 5,753,445
Receivables	117,745	640,248
Investments	<u>7,934,373</u>	<u>5,075,500</u>
Total financial assets	12,435,300	11,469,193
Less investments donor restricted or held for long-term purposes	(7,934,373)	(5,075,500)
Less pledges and contributions receivable with donor imposed restrictions	<u>(37,789)</u>	<u>(624,646)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 4,463,138</u>	<u>\$ 5,769,047</u>

As part of the Foundation's liquidity management, it has an ongoing practice to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation also structures financial assets to be available as grants are approved.

### 4. Investments and Fair Value Measurements

The Foundation follows authoritative accounting guidance relating to fair value measurements, which provides a framework for measuring, reporting and disclosing fair value under accounting principles generally accepted in the United States of America (U.S. GAAP). This guidance applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

## National Credit Union Foundation, Inc.

Notes to Financial Statements  
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As defined in current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used at December 31, 2022 and 2021, for assets measured at fair value. The valuation of certificates of deposit is determined using cost and are therefore excluded from the fair value hierarchy.

Mutual Funds are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Foundation at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy. Investments at fair value as of December 31, 2022 and 2021:

	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 3,007,747	\$ -	\$ -	\$ 3,007,747
Equity	3,257,283	-	-	3,257,283
Total investments at fair value	<u>\$ 6,265,030</u>	<u>\$ -</u>	<u>\$ -</u>	6,265,030
Certificates of deposit, at cost				<u>1,669,343</u>
Total investments				<u>\$ 7,934,373</u>



## National Credit Union Foundation, Inc.

Notes to Financial Statements  
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	2021			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,387,049	\$ -	\$ -	\$ 2,387,049
Equity	2,688,451	-	-	2,688,451
Total investments at fair value	<u>\$ 5,075,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,075,500</u>

### 5. Split-Interest Agreements

The Foundation has three mechanisms subject to split-interest agreements to fund its activities in addition to direct contributions: Community Investment Fund (CIF), Charitable Donation Account (CDA), and Charitable Lead Trust (CLT). These mechanisms are a partnership between the Foundation, the Association of Corporate Credit Unions, the American Association of Credit Union Leagues, the National Cooperative Bank, Corporate One Federal Credit Union, Millennium Corporate Credit Union, Alloya Corporate Federal Credit Union, Catalyst Corporate Federal Credit Union and Members Trust Company.

#### Community Investment Fund and Charitable Donation Accounts

Generally, credit unions investing in CIF through one of the CIF partners (National Cooperative Bank, Corporate One Federal Credit Union, Millennium Corporate Credit Union, Alloya Corporate Federal Credit Union, Catalyst Corporate Federal Credit Union and Member Trust Company) will receive a market rate of interest on their deposit. The credit union agrees to donate at least 50% of the investment return to the Foundation. The Foundation will then grant approximately half of the donation amount received to the leagues or state credit union foundations in which the credit union belongs. In some cases, based on the contract, a portion of the contributions may be restricted for a particular fund.

The CDA allows, at the federal and state level (where approved), credit unions to have expanded investment powers to help fund their charitable giving. A minimum of 51% of the total return of a CDA must be distributed to qualified charities like the Foundation. The CDAs total value cannot exceed 5% of the credit union's net worth. Similar to CIF, the Foundation will then grant approximately half of the donation amount received to the leagues or state credit union foundations in which the credit union belongs. In some cases, based on the contract, a portion of contributions may be restricted for a particular fund.

The future portion of earnings on the CIF and CDAs are recognized as beneficial interests in the assets held by the third parties at the date all necessary information needed to value the beneficial interest is received by the Foundation. The future portion of the earnings on these funds are conditional and cannot be determined. As such, the Foundation does not have all the necessary information for CIF and CDA to determine its beneficial interest, and therefore there is no related beneficial interest in the assets recorded on the statements of financial position. The total CIF and CDA fund balance on deposit as of December 31, 2022 and 2021 was approximately \$28,700,000 and \$37,100,000, respectively, of which the Foundation receives a portion of the earnings on these funds. These deposits are not the assets of the Foundation nor does the Foundation have any claim to these assets. CIF and CDA contributions were approximately \$140,000 and \$167,000 in 2022 and 2021, respectively. The CIF and CDA grants to the leagues and state credit union foundations were approximately \$69,000 and \$86,000 in 2022 and 2021, respectively, which is included in CIF grants and accompanying statements of activities.

## National Credit Union Foundation, Inc.

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### Charitable Lead Trust

The CLT is a charitable vehicle commonly used to make gifts to charities and 501(c)(3) foundations. On the first day of the calendar year, the trust will be valued to determine the payment for the calendar year. The minimum payment shall initially be in the range of 1.0% to 1.5% of the value of the trust. After each renewal period, the minimum payment will be reset with the Barclay Aggregate Index as a benchmark. Distribution is based on the fair value of the trust. The Foundation will then grant at least 25% of the donation amount received to the leagues or state credit union foundations in which the credit union belongs. In some cases, based on the contract, a portion of the contributions may be restricted for a particular fund.

Irrevocable CLT's are recognized as beneficial interests in the assets held by the third parties. If the CLT is revocable by the original donor, no beneficial interest is recorded in the CLT. The Foundation is a revocable beneficiary of the CLT, and therefore there is no related beneficial interest in the assets recorded on the statements of financial position.

The total CLT fund balance on deposit as of December 31, 2022 and 2021 was approximately \$29,600,000 and \$27,900,000, respectively, of which the Foundation receives a payment from these assets in future periods. These deposits are not the assets of the Foundation nor does the Foundation have any claim to these assets. CLT contributions were approximately \$177,000 and \$167,000 in 2022 and 2021, respectively. The CLT grants to the leagues and state credit union foundations were approximately \$44,000 and \$42,000 in 2022 and 2021, respectively, which is included in CIF grants and accompanying statements of activities.

### 6. Grant Commitments

Grant funds are expended only for project purposes and activities set forth in the budget as originally approved or subsequently amended by the Foundation board. Commitments of grant funds were incurred during the grant period, as defined by the beginning and ending dates of the agreements. Grant commitments represent unconditional promises to give and are payable within one year and were \$45,888 and \$54,188 at December 31, 2022 and 2021, respectively. There were no conditional grants as of December 31, 2022 and 2021.

### 7. Related-Party Transactions

Through common directors and officers, the Foundation is related to CUNA, which provides administrative and support services pursuant to a management services agreement entered into with CUNA effective January 1, 2001. The agreement, which automatically renews annually unless the Foundation or CUNA give written notice to terminate at least 90 days before year-end, provides that the Foundation will pay fees to CUNA. During the years ended December 31, 2022 and 2021, the Foundation paid CUNA \$244,000 and \$287,999, respectively, for these services.

In addition, on a monthly basis the Foundation reimbursed CUNA for other support services, including payroll expenses, provided by CUNA. During the years ended December 31, 2022 and 2021, the Foundation reimbursed CUNA \$2,315,497 and \$1,816,688, respectively, for these payroll related expenses and other support services. At December 31, 2022 and 2021, the Foundation owed CUNA \$211,905 and \$276,643, respectively.

The Foundation provided \$0 and \$25,000 of grants to CUNA for various trainings during the years ended December 31, 2022 and 2021, respectively.

# National Credit Union Foundation, Inc.

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Notes to Financial Statements  
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CUNA also collects cash receipts on behalf of the Foundation and CUNA owed the Foundation \$46,408 and \$8,352 in December 31, 2022 and 2021, respectively. In addition, CUNA's annual contribution to the Foundation was \$400,000 in 2022 and 2021.

At December 31, 2022 and 2021, a related party through common management, American Association of Credit Union Leagues (AACUL) owed the Foundation \$5,000 and \$2,500, respectively. AACUL contributed \$17,500 and \$9,000 to the Foundation in 2022 and 2021, respectively.

## 8. Endowments

The endowment funds are donor-restricted donations raised in 1984 as part of the "Reach Campaign" and Herb Wegner Endowment Fund. The Reach Campaign fundraising purpose was to build an endowment fund for the Foundation. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has no endowment funds designated by the Board of Directors.

### Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment earnings are classified as net assets with donor restrictions until such time that they are appropriated for use.

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a growth of principal and preservation of the purchasing power of the Foundation. The endowment assets are invested in a manner that is intended to mitigate investment risk while producing investment income annually.

### Spending Policy

The Foundation's Board of Directors determines the amount to be used for distribution based on the endowment's fund balance. In addition, the endowment assets will be governed by a spending policy that seeks to distribute earnings from the endowment fund for the Foundation's operations, with a principal amount of the endowment assets that can never be spent. There were no funds appropriated for expenditure for the years ended December 31, 2022 and 2021.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Foundation expects the current spending policy will allow its endowment to retain the original fair value of the gift.

### Strategies Employed for Achieving Objectives

The Foundation seeks to earn a return equal to or greater than long-term equities commensurate with a reasonably high rate of risk. The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints. The Foundation's Investment Committee meets regularly to review investment results and consider changes to the Foundation's investment policy.

## National Credit Union Foundation, Inc.

Notes to Financial Statements  
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Endowment net asset composition by type of fund as of December 31:

	<b>With Donor Restrictions 2022</b>	<b>With Donor Restrictions 2021</b>
Donor restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 222,263	\$ 222,263
Accumulated investment gains	<u>402,906</u>	<u>526,841</u>
Total	<u>\$ 625,169</u>	<u>\$ 749,104</u>

Changes in endowment net assets for the fiscal year ended December 31:

	<b>With Donor Restrictions 2022</b>	<b>With Donor Restrictions 2021</b>
Net assets, beginning	\$ 749,104	\$ 650,764
Investment income	14,988	269,699
Unrealized losses on investments	<u>(138,923)</u>	<u>(171,359)</u>
Net assets, ending	<u>\$ 625,169</u>	<u>\$ 749,104</u>

## National Credit Union Foundation, Inc.

Notes to Financial Statements  
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### 9. Net Assets With Donor Restrictions

At December 31, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose:		
FinHealth Fund	\$ 2,406,647	\$ 1,000,000
Lending council	1,226,719	1,218,763
Disaster relief	366,478	592,423
Louisiana Designated Fund	254,185	225,354
Biz Kid\$	184,179	168,490
Development Education Founders Fund	160,552	183,131
West Virginia Fund	127,569	133,994
George E. Myers Fund	96,188	63,392
Gene Farley Fund	73,094	77,262
Nebraska Designated Fund	35,698	52,362
African-American Credit Union Coalition/Pete Crear Scholarships Fund	30,972	30,972
International Development Fund	21,361	21,391
Data Breach Fund	4,752	4,752
National Youth Involvement Board Fund	4,329	4,323
	<u>4,992,723</u>	<u>3,776,609</u>
Total net assets with purpose restrictions		
Endowments:		
Subject to appropriation and spending policy	402,906	526,841
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>222,263</u>	<u>222,263</u>
Total endowments	<u>625,169</u>	<u>749,104</u>
Total net assets with restrictions	<u>\$ 5,617,892</u>	<u>\$ 4,525,713</u>

## National Credit Union Foundation, Inc.

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. A summary of this activity is as follows:

	<u>2022</u>	<u>2021</u>
Disaster relief	\$ 591,951	\$ 444,554
FinHealth	267,713	-
Biz Kid\$	89,731	96,786
DE Founders Fund	52,921	33,249
Nebraska Designated Fund	22,314	6,434
Louisiana Designated Fund	16,206	89,801
George E. Myers Fund	14,000	14,000
West Virginia Fund	10,639	2,638
Lending council	5,000	98,310
Gene Farley Fund	5,000	2,000
International Development Fund	611	916
Restricted corporate support	-	220,000
Warren Morrow Fund	-	758
Callahan Legacy Fund	-	34
	<u>\$ 1,076,086</u>	<u>\$ 1,009,480</u>
Total		

### 10. Disaster Relief

In times of domestic disasters, the Foundation raises and distributes funds to aid credit unions and their employees in the affected regions. Contributions for disaster relief totaled \$366,006 and \$137,289 in 2022 and 2021, respectively, and are included as part of contributions with donor restrictions on the statements of activities. The Foundation made grant distributions of \$591,951 and \$443,968 in 2022 and 2021, respectively, and are included as part of disaster relief program expenses on the statements of activities.

### 11. Biz Kid\$ Program

Biz Kid\$ is a credit union funded public television series that teaches kids about money management and entrepreneurship. The Foundation entered into grant agreements with Biz Kid\$ LLP in 2022 and 2021 for the purpose of continuing the education outreach and education goals of the Biz Kid\$ project. The grant payments under these agreements were \$50,000 and \$56,750 in 2022 and 2021, respectively, and are included as part of Biz Kid\$ program expenses on the statements of activities.

### 12. Major Donors

During the years ended December 31, 2022 and 2021, two donors and one donor, accounted for 31% and 10% of total contributions, respectively.

## **National Credit Union Foundation, Inc.**

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Notes to Financial Statements  
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### **13. Insurance Recoveries**

During 2020, as a result of the COVID-19 pandemic, the Foundation cancelled or modified the delivery of many program events. The Foundation has event cancellation insurance to help mitigate the loss of revenue incurred as a result of the cancellations. As of December 31, 2020, the Foundation had received a Sworn Statement In Proof of Loss - Final from their insurance carrier approving a claim in the amount of \$85,500, which was included as part of other revenue on the statement of activities for the year ended December 31, 2020 and other accounts receivable on the statement of financial position as of December 31, 2020. During 2021, the Foundation received the \$85,500 of insurance proceeds.

### **14. Subsequent Events**

The Foundation has evaluated subsequent events through March 27, 2023, which is the date that the financial statements were available to be issued, for events requiring disclosure or recording in the financial statements.