



National
Credit Union
THE FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**NATIONAL CREDIT UNION FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Credit Union Foundation
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of National Credit Union Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Credit Union Foundation as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grant commitments and schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Middleton, Wisconsin
March 14, 2018

**NATIONAL CREDIT UNION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 4,044,628	\$ 3,108,509
Prepaid Expenses	99,585	78,351
Pledges Receivable	127,303	362,659
Accounts Receivable		
CIF and CDA/CLT's	100,738	78,510
CUNA and Affiliates	120,441	160,272
Other	7,503	7,694
Total Accounts Receivable	228,682	246,476
Total Current Assets	4,500,198	3,795,995
Investments	3,630,957	3,210,620
Total Assets	\$ 8,131,155	\$ 7,006,615
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grant Commitments	\$ 656,672	\$ 924,063
Accounts Payable		
CIF and CDA/CLT Payments to State Leagues	87,067	67,935
CUNA and Affiliates	210,745	195,296
Other	143,911	40,850
Total Accounts Payable	441,723	304,081
Accrued Liabilities	100,560	140,565
Deferred Revenue	161,650	181,282
Total Liabilities	1,360,605	1,549,991
NET ASSETS		
Unrestricted	3,084,670	2,694,783
Temporarily Restricted	3,463,617	2,539,578
Permanently Restricted	222,263	222,263
Total Net Assets	6,770,550	5,456,624
Total Liabilities and Net Assets	\$ 8,131,155	\$ 7,006,615

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SOURCES				
Contributions	\$ 1,854,391	\$ 3,366,381	\$ -	\$ 5,220,772
Contributions - CIF	553,447	8,704	-	562,151
Gross Special Events Revenue	630,690	-	-	630,690
Less: Special Event Expenses	(327,649)	-	-	(327,649)
Net Special Events Revenue	303,041	-	-	303,041
Program Revenue	760,361	-	-	760,361
Investment Return, Net	154,965	20,515	-	175,480
Other	21,249	-	-	21,249
Net Assets Released from Restrictions	2,512,935	(2,512,935)	-	-
Total Revenues and Other Sources	6,160,389	882,665	-	7,043,054
PROGRAM EXPENSES				
Disaster Relief	2,159,820	-	-	2,159,820
Development Education	935,324	-	-	935,324
CIF Grants and Outreach	746,769	-	-	746,769
REAL Solutions	697,200	-	-	697,200
Biz Kid\$	281,580	-	-	281,580
Program Services	108,116	-	-	108,116
Total Program Expenses	4,928,809	-	-	4,928,809
SUPPORTING SERVICES				
Management and General	840,848	-	-	840,848
Fundraising	198,295	-	-	198,295
Total Supporting Services	1,039,143	-	-	1,039,143
Total Expenses	5,967,952	-	-	5,967,952
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	192,437	882,665	-	1,075,102
Unrealized Gains from Investments	197,450	41,374	-	238,824
CHANGES IN NET ASSETS	389,887	924,039	-	1,313,926
Net Assets - Beginning of Year	2,694,783	2,539,578	222,263	5,456,624
NET ASSETS - END OF YEAR	<u>\$ 3,084,670</u>	<u>\$ 3,463,617</u>	<u>\$ 222,263</u>	<u>\$ 6,770,550</u>

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SOURCES				
Contributions	\$ 1,832,136	\$ 1,460,022	\$ -	\$ 3,292,158
Contributions - CIF	413,155	9,548	-	422,703
Gross Special Events Revenue	585,390	-	-	585,390
Less: Special Event Expenses	(323,721)	-	-	(323,721)
Net Special Events Revenue	261,669	-	-	261,669
Program Revenue	695,813	-	-	695,813
Investment Return, Net	83,416	11,436	-	94,852
Other	17,084	-	-	17,084
Net Assets Released from Restrictions	1,982,869	(1,982,869)	-	-
Total Revenues and Other Sources	5,286,142	(501,863)	-	4,784,279
PROGRAM EXPENSES				
Biz Kid\$	1,496,709	-	-	1,496,709
Development Education	693,950	-	-	693,950
REAL Solutions	632,155	-	-	632,155
CIF Grants and Outreach	612,836	-	-	612,836
Disaster Relief	370,165	-	-	370,165
Program Services	139,443	-	-	139,443
Total Program Expenses	3,945,258	-	-	3,945,258
SUPPORTING SERVICES				
Management and General	791,726	-	-	791,726
Fundraising	226,569	-	-	226,569
Total Supporting Services	1,018,295	-	-	1,018,295
Total Expenses	4,963,553	-	-	4,963,553
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES FROM OPERATIONS				
	322,589	(501,863)	-	(179,274)
Unrealized Gains from Investments	66,681	13,883	-	80,564
CHANGES IN NET ASSETS				
	389,270	(487,980)	-	(98,710)
Net Assets - Beginning of Year	2,305,513	3,027,558	222,263	5,555,334
NET ASSETS - END OF YEAR	<u>\$ 2,694,783</u>	<u>\$ 2,539,578</u>	<u>\$ 222,263</u>	<u>\$ 5,456,624</u>

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Programs	\$ 7,101,092	\$ 3,905,671
Cash Paid to Suppliers and Recipients	(6,158,940)	(4,089,312)
Net Investment Return, Received	175,480	94,852
Net Cash Provided (Used) by Operating Activities	1,117,632	(88,789)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	4,702,332	902,316
Purchases of Investments	(4,883,845)	(978,154)
Net Cash Used by Investing Activities	(181,513)	(75,838)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	936,119	(164,627)
 Cash and Cash Equivalents - Beginning of Year	3,108,509	3,273,136
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,044,628	\$ 3,108,509
 RECONCILIATION OF CHANGES IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,313,926	\$ (98,710)
Adjustments:		
Unrealized Gains on Investments	(238,824)	(80,564)
Increase in Prepaid Expenses	(21,234)	(8,844)
(Increase) Decrease in Pledges Receivable	235,356	(362,659)
(Increase) Decrease in Receivables	17,794	(156,756)
Increase (Decrease) in Grant Commitments	(267,391)	798,194
Increase (Decrease) in Accounts Payable	137,642	(18,347)
Decrease in Deferred Revenue	(19,632)	(264,341)
Increase (Decrease) in Accrued Liabilities	(40,005)	103,238
Total Adjustments	(196,294)	9,921
Net Cash Provided (Used) by Operating Activities	\$ 1,117,632	\$ (88,789)

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 NATURE OF OPERATIONS

The National Credit Union Foundation (the Foundation) is a 501(c)(3) Wisconsin organization formed exclusively for charitable, scientific, and educational purposes in the field of consumer credit, with particular emphasis on credit unions. The Foundation focuses its work in three primary areas:

- (a) **Advancing Financial Well-Being:** The Foundation serves as a catalyst within and for the credit union movement to advance consumer financial well-being through experiential learning programs, Biz Kid\$ (a youth financial literacy initiative), high school financial reality fairs, and trainings to help credit union professionals become certified financial counselors.
- (b) **Leveraging the Credit Union Difference:** The Foundation offers a variety of robust resources and trainings to help credit union professionals and volunteers understand the uniqueness of the cooperative, nonprofit nature of credit unions, and leverage that uniqueness to improve consumers' financial lives.
- (c) **Unifying Resources when Disaster Strikes:** The Foundation serves as the point entity when disaster strikes. Through cooperative fundraising using www.cuaid.coop, the Foundation collects contributions from credit union people to help credit union people who have been affected by disasters. All funds raised go directly to the credit union employees and/or members in need.

The board of directors consists of 17 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which includes the use of the accrual basis of accounting. As a result, revenue is recognized when earned and expenses are recognized when the obligation is incurred. Net assets, revenues, expenses, 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 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code 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, 2017 and 2016. 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, 2017 and 2016, and there are no uncertain tax positions through December 31, 2017.

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 and 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, 2017 and 2016. 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.

Accounts Receivable

Accounts receivable consist of uncollateralized trade receivables, primarily from services performed. Accounts receivable are stated at the invoice amount. The Foundation uses the allowance method to determine the uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts. There was no allowance for uncollectible accounts as of December 31, 2017 and 2016.

Pledges Receivable

The Foundation records unconditional promises to give expected to be collected within one year at net realizable value. 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, 2017 and 2016. All pledges receivable as of December 31, 2017 and 2016 are expected to be collected within one year.

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 3 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 are included in the statements of activities.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, expenses, 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:

Unrestricted Net Assets – Unrestricted net assets are available for use in general operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of amounts that are subject to donor restrictions, income earned on temporarily restricted investments, and unappropriated earnings on the endowment. The Foundation is permitted to use up or expend the donated assets in accordance with the donor's restriction and/or the passage of time.

Permanently Restricted Net Assets – Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized during the period in which it is earned. Revenue received in advance and not yet earned is deferred to the applicable period.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Accordingly, certain costs have been allocated among the programs and services benefited.

Accounting Standards Update

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Foundation for the year ended December 31, 2018. The Foundation is currently evaluating the impact this guidance will have on its financial statements.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at fair value consist of the following at December 31:

	2017	2016
Money Market		
Money Market	\$ -	\$ 63,459
Mutual Funds		
Investment Grade Fixed Income	1,613,041	656,744
U.S. Large Cap	1,588,972	113,255
U.S. Mid Cap	-	101,818
International Equity	428,944	144,848
Unconstrained Bond	-	94,934
Managed Futures	-	61,105
Exchange Traded Funds		
Investment Grade Fixed Income	-	779,518
U.S. Large Cap	-	759,467
U.S. Mid Cap	-	209,486
International Equity	-	225,986
Total Investments	\$ 3,630,957	\$ 3,210,620

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investment return consists of dividends, interest, realized and unrealized gains and losses, and investment fees. A summary of this activity for the years ended December 31 is as follows:

	2017	2016
Dividends and Interest	\$ 98,189	\$ 100,291
Realized Gains	93,077	18,046
Total	191,266	118,337
Investment Fees	(15,786)	(23,485)
Investment Return, Net	175,480	94,852
Unrealized Gains	238,824	80,564
Investment Gain	<u>\$ 414,304</u>	<u>\$ 175,416</u>

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used at December 31, 2017 and 2016, for assets measured at fair value.

Money Market Funds: Valued at quoted market prices and are categorized as Level 1.

Mutual Funds: Valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Foundation at year-end and are categorized as Level 1.

Exchange Traded Funds: Which are publicly traded are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end and are categorized as Level 1.

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.

NOTE 4 COMMUNITY INVESTMENT FUND AND CHARITABLE DONATION ACCOUNTS

The Foundation has two mechanisms on which it relies, in addition to direct contributions, to help fund its activities – The Community Investment Fund (CIF) and the Charitable Donation Account/Charitable Lead Trust (CDA/CLT).

The CIF is a partnership between the Foundation, the Association of Corporate Credit Unions, Alaska USA Federal Credit Union, the American Association of Credit Union Leagues, the National Cooperative Bank (NCB), Corporate One Federal Credit Union, Alloya Corporate Credit Union, Catalyst Corporate Credit Union, and MEMBERS Trust Company.

Generally, credit unions investing in CIF through one of the CIF partners (NCB, Corporate One Federal Credit Union, Alloya Corporate Credit Union, Catalyst Corporate Credit Union, and MEMBERS 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 the states of investment origin. The remaining funds will be used by the Foundation for program services and grant making.

The CDA/CLT 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/CLT must be distributed to qualified charities, like the Foundation. The CDA/CLT's total value cannot exceed 5% of the credit union's net worth. Similar to CIF, the Foundation will grant approximately half of the donation amount received to the leagues or state credit union foundations in the states of investment origin.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

**NOTE 4 COMMUNITY INVESTMENT FUND AND CHARITABLE DONATION ACCOUNTS
(CONTINUED)**

The Foundation has agreements with credit union organizations to provide donors with these investment vehicles to support the Foundation. MEMBERS Trust Company, National Cooperative Bank (NCB), Corporate One Federal Credit Union, Alaska USA Federal Credit Union, Alloya Corporate Credit Union, and Catalyst Corporate Credit Union provide options for credit unions to invest resources in to support the programs and services of the Foundation.

The total CIF and CDA/CLT fund balance on deposit as of December 31, 2017 and 2016 was approximately \$77,600,000 and \$84,700,000, respectively. CIF and CDA/CLT gross earnings were approximately \$562,000 and \$424,000 in 2017 and 2016, respectively. These deposits and earnings are not the assets of the Foundation nor does the Foundation have any claim to these assets. The distribution back to leagues and state credit union foundations was approximately \$233,000 and \$168,000 in 2017 and 2016, respectively, which is included in CIF grants in the accompanying statements of activities.

NOTE 5 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 end dates of the agreements. Grant commitments represent unconditional promises to give and are payable within one year. Grant commitments detail is shown in the supplementary information.

NOTE 6 RELATED PARTY TRANSACTIONS

Through common directors and officers, the Foundation is related to CUNA, which provides facilities, 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 facility fees to CUNA, calculated annually based on the actual rate per square foot paid by CUNA and occupied by the Foundation. During the years ended December 31, 2017 and 2016, the Foundation paid CUNA \$207,299 and \$200,295 respectively for these services. In addition, the Foundation reimbursed for other support services, including payroll expenses, provided by CUNA.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

During the years ended December 31, 2017 and 2016, the Foundation reimbursed CUNA \$1,545,422 and \$1,491,341, respectively, for these payroll related expenses and other support services.

CUNA pays for various Foundation operating expenses, including payroll expenses, and the Foundation reimburses CUNA monthly for these expenses. At December 31, 2017 and 2016, the Foundation owed CUNA \$210,745 and \$195,296, respectively. CUNA also collects cash receipts on behalf of the Foundation, and CUNA owed the Foundation \$113,907 and \$133,094 at December 31, 2017 and 2016, respectively. In addition, CUNA's annual contribution to the Foundation was approximately \$400,000 in both 2017 and 2016.

NOTE 7 ENDOWMENTS

The endowment funds were 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 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.

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 temporarily restricted 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 produce results similar to the Russell 3000 index while assuming a high level of investment risk.

Spending Policy

The Foundation board 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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

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 Investment Committee meets regularly to review investment results and consider changes to the Foundation's investment policy.

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ 283,652	\$ 222,263	\$ 505,915

Changes in endowment net assets for the fiscal year ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 221,763	\$ 222,263	\$ 444,026
Investment Income	20,515	-	20,515
Unrealized Gains on Investments	41,374	-	41,374
Net Assets - End of Year	<u>\$ 283,652</u>	<u>\$ 222,263</u>	<u>\$ 505,915</u>

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ 221,763	\$ 222,263	\$ 444,026

Changes in endowment net assets for the fiscal year ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 199,548	\$ 222,263	\$ 421,811
Investment Income	8,332	-	8,332
Unrealized Losses on Investments	13,883	-	13,883
Net Assets - End of Year	<u>\$ 221,763</u>	<u>\$ 222,263</u>	<u>\$ 444,026</u>

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

At December 31, temporarily restricted net assets consist primarily of cash and investments and are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Lending Council	\$ 1,285,401	\$ 1,215,401
Disaster Relief	875,100	43,411
Louisiana Designated Fund	362,250	360,293
Earnings on Endowment	283,652	221,763
DE Founders Fund	201,731	-
West Virginia Fund	151,219	161,062
Gene Farley Fund	83,322	85,822
Dakota Designated Fund	74,513	55,832
George E. Meyers Fund	71,737	72,460
Nebraska Fund	33,997	29,119
DE General Fund	13,338	13,338
Biz Kid\$	11,955	44,852
Jacquie Fisher Fund	7,033	7,033
NYIB Fund	5,262	12,192
IDF Fund	2,039	5,677
Warren Morrow Fund	1,034	11,672
Callahan Legacy Fund	34	8
DE Scholarship Fund	-	171,225
DE Volunteer Fund	-	28,418
Total	<u>\$ 3,463,617</u>	<u>\$ 2,539,578</u>

In 2017, the DE Scholarship Fund and DE Volunteer Fund were consolidated into a newly established fund, DE Founders Fund.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	<u>2017</u>	<u>2016</u>
Disaster Relief	\$ 2,068,868	\$ 312,982
Biz Kid\$	281,580	1,496,709
DE Founders Fund	42,363	27,783
George E. Meyers Fund	25,975	27,002
West Virginia Fund	17,578	54,055
Nebraska Designated Fund	16,141	3,750
Louisiana Designated Fund	12,832	33,566
International Development Fund	11,700	4,509
Warren Morrow Fund	10,638	1,297
Dakota Designated Fund	10,522	10,250
NYIB Fund	6,930	-
Lending Council	5,000	5,000
Gene Farley Fund	2,500	2,500
Callahan Legacy Fund	308	348
DE Volunteer Fund	-	1,095
Carolinas Designated Fund	-	1,023
Jacquie Fisher Fund	-	1,000
Total	<u>\$ 2,512,935</u>	<u>\$ 1,982,869</u>

NOTE 9 DISASTER RELIEF

In times of disaster, the Foundation raises and distributes funds to aid credit unions and their employees in the affected regions. Contributions for Disaster Relief totaled \$2,900,557 and \$344,170 in 2017 and 2016, respectively. The Foundation made grant distributions of \$2,068,868 and \$312,982 in 2017 and 2016, respectively.

The Foundation will also raise funds during times of significant international disasters.

NOTE 10 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 2017 and 2016 for the purpose of continuing the education outreach and education goals of the Biz Kid\$ project. The grant payments under these agreements were \$75,000 and \$105,000 in 2017 and 2016, respectively. The grant commitment detail is shown in the supplementary information.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10 BIZ KID\$ PROGRAM (CONTINUED)

The Foundation entered into a grant agreement with Biz Kid\$ Enterprises, LLC for \$1,100,000 to produce the 6th season of the television show. The remaining grant commitment to Biz Kid\$ Enterprises, LLC, as of December 31, 2017 and 2016 was \$-0- and \$880,000 respectively. In order to fund the production costs of the 6th season of the television show, the Foundation embarked on a fund raising campaign within the credit union system. Pledges receivable relating to this campaign are approximately \$-0- and \$351,000 as of December 31, 2017 and 2016, respectively.

NOTE 11 MAJOR DONORS

During the year ended December 31, 2017, no donor accounted for 10% or greater of total contributions. During the year ended December 31, 2016, one donor accounted for approximately 12% of total contributions totaling approximately \$400,000.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 14, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to March 14, 2018 that provide additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2017.

**NATIONAL CREDIT UNION FOUNDATION
SCHEDULES OF GRANT COMMITMENTS
DECEMBER 31, 2017 AND 2016**

GRANTEES	2017	2016
Cornerstone Credit Union Foundation	\$ 440,260	\$ 3,000
New York Credit Union Association	163,000	-
Pete Crear Fund - African American Credit Union Coalition	13,711	-
WEOKIE Credit Union Foundation	9,000	-
IDF Fund - Worldwide Credit Union Foundation	5,826	1,129
Credit Unions Care Foundation of Virginia	4,650	4,500
Central Missouri Community Credit Union	4,000	-
Bayport Credit Union	3,500	-
American Heritage FCU	2,500	-
Millsteam Area Credit Union	2,500	-
St. Louis Community Credit Union	2,500	-
Ukranian FCU	2,100	-
Securityplus FCU	1,250	-
Southern Chautauqua FCU	1,000	-
Ferguson FCU	500	-
North Star Community Credit Union	375	-
Biz Kid\$ LLP	-	880,000
Charitable Foundation of Connecticut CUL	-	5,500
Tallahassee Leon FCU	-	5,000
Financial Reality Foundation	-	5,000
Siskiyou Central CU	-	4,500
UVA Community CU	-	4,000
Montana CU Network	-	3,834
NATCO CU Grant Comm	-	3,000
Southeastern Credit Union	-	1,450
Pennsylvania Credit Union Foundation	-	1,250
Meadville Area FCU	-	900
Minnesota Credit Union Foundation	-	500
Northern Hills FCU	-	250
Rome Teachers FCU	-	250
Total Grant Commitments	\$ 656,672	\$ 924,063

**NATIONAL CREDIT UNION FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

EXPENSES	Program Expenses						Supporting Services				Special Event Expenses	2017 Total
	REAL		Development	Disaster	CIF	Program	Total	Management		Total		
	Solutions	Biz Kid\$	Education	Relief	Grants	Services	Program Expenses	and General	Fundraising	Supporting Services		
Salary	\$ 179,747	\$ 50,052	\$ 202,985	\$ 17,142	\$ 265,568	\$ -	\$ 715,494	\$ 371,279	\$ 111,372	\$ 482,651	\$ -	\$ 1,198,145
Grants	178,000	143,000	41,798	2,068,868	13,711	60,104	2,505,481	-	-	-	-	2,505,481
Meeting Event	653	724	392,076	-	6,707	9,157	409,317	1,726	13,030	14,756	-	424,073
Professional Fees and Contracted Services	152,063	24,686	146,802	68,232	19,087	23,249	434,119	100,296	5,799	106,095	-	540,214
Benefits	46,987	13,084	53,061	4,481	68,161	-	185,774	105,018	29,113	134,131	-	319,905
Grants to State Partners	-	-	2,367	-	234,338	-	236,705	-	-	-	-	236,705
Travel and Education	72,635	3,920	20,158	-	49,898	-	146,611	60,136	6,908	67,044	-	213,655
CUNA Services Agreement	-	-	-	-	-	-	-	149,440	-	149,440	-	149,440
Materials and Program Supplies	36,657	34,206	31,435	-	5,524	1,329	109,151	1,936	17,953	19,889	-	129,040
Office and Occupancy Costs	18,839	4,118	18,350	1,097	13,353	297	56,054	54,059	8,329	62,388	-	118,442
Program Services	-	2,125	625	-	62,200	13,980	78,930	-	625	625	-	79,555
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	327,649	327,649
Miscellaneous	7,338	1,000	18,482	-	211	-	27,031	8,860	2,285	11,145	-	38,176
Marketing and Advertising	4,281	4,665	7,185	-	8,011	-	24,142	3,884	2,881	6,765	-	30,907
Total Expenses by Function	697,200	281,580	935,324	2,159,820	746,769	108,116	4,928,809	856,634	198,295	1,054,929	327,649	6,311,387
Less: Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(327,649)	(327,649)
Investment Management Fees	-	-	-	-	-	-	-	(15,786)	-	(15,786)	-	(15,786)
Total Expenses Included in the Expense Section of the Statements of Activities	\$ 697,200	\$ 281,580	\$ 935,324	\$ 2,159,820	\$ 746,769	\$ 108,116	\$ 4,928,809	\$ 840,848	\$ 198,295	\$ 1,039,143	\$ -	\$ 5,967,952

**NATIONAL CREDIT UNION FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Expenses						Supporting Services			Special Event Expenses	2016 Total	
	REAL Solutions	Biz Kid\$	Development Education	Disaster Relief	CIF Grants	Program Services	Total Program Expenses	Management and General	Fundraising			Total Supporting Services
EXPENSES												
Salary	\$ 210,477	\$ 61,050	\$ 161,191	\$ 12,069	\$ 248,107	\$ -	\$ 692,894	\$ 339,406	\$ 122,457	\$ 461,863	\$ -	\$ 1,154,757
Grants	10,000	1,271,793	27,783	310,200	-	101,253	1,721,029	-	-	-	-	1,721,029
Meeting Event	2,746	3,135	333,053	-	3,353	6,543	348,830	18,376	22,062	40,438	-	389,268
Professional Fees and												
Contracted Services	171,351	56,376	43,681	41,106	25,365	17,084	354,963	88,604	5,913	94,517	-	449,480
Benefits	60,044	17,416	45,984	3,443	70,779	-	197,666	93,070	34,933	128,003	-	325,669
Grants to State Partners	-	-	2,696	-	145,004	-	147,700	-	-	-	-	147,700
Travel and Education	66,793	11,250	22,770	-	42,662	-	143,475	47,939	15,407	63,346	-	206,821
CUNA Services Agreement	-	-	-	-	-	-	-	149,423	-	149,423	-	149,423
Materials and Program Supplies	70,834	39,060	16,478	-	2,053	-	128,425	9,998	5,286	15,284	-	143,709
Office and Occupancy Costs	21,407	5,036	20,577	607	12,021	66	59,714	52,979	7,837	60,816	-	120,530
Program Services	400	2,149	400	2,500	48,700	14,497	68,646	-	400	400	-	69,046
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	323,721	323,721
Miscellaneous	9,318	168	17,352	-	3,048	-	29,886	7,707	10,422	18,129	-	48,015
Marketing and Advertising	8,785	29,276	1,985	240	11,744	-	52,030	7,709	1,852	9,561	-	61,591
Total Expenses by Function	<u>\$ 632,155</u>	<u>\$ 1,496,709</u>	<u>\$ 693,950</u>	<u>\$ 370,165</u>	<u>\$ 612,836</u>	<u>\$ 139,443</u>	<u>\$ 3,945,258</u>	<u>\$ 815,211</u>	<u>\$ 226,569</u>	<u>\$ 1,041,780</u>	<u>\$ 323,721</u>	<u>\$ 5,310,759</u>
Less: Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(323,721)	(323,721)
Investment Management Fees	-	-	-	-	-	-	-	(23,485)	-	(23,485)	-	(23,485)
Total Expenses Included in the Expense Section of the Statements of Activities	<u>\$ 632,155</u>	<u>\$ 1,496,709</u>	<u>\$ 693,950</u>	<u>\$ 370,165</u>	<u>\$ 612,836</u>	<u>\$ 139,443</u>	<u>\$ 3,945,258</u>	<u>\$ 791,726</u>	<u>\$ 226,569</u>	<u>\$ 1,018,295</u>	<u>\$ -</u>	<u>\$ 4,963,553</u>