



National
Credit
Union

THE FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**NATIONAL CREDIT UNION FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
SCHEDULES OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF GRANT COMMITMENTS	22



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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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 is presented for purposes of additional analysis and is 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.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As described in Note 2 to the financial statements, National Credit Union Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Middleton, Wisconsin
April 16, 2019

**NATIONAL CREDIT UNION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 3,950,085	\$ 4,044,628
Prepaid Expenses	36,975	99,585
Pledges Receivable	220,990	127,303
Accounts Receivable		
CIF and CDA/CLTs	46,557	100,738
CUNA and Affiliates	158,098	120,441
Other	14,964	7,503
Total Accounts Receivable	219,619	228,682
Total Current Assets	4,427,669	4,500,198
Furniture and Fixtures	35,781	19,646
Less: Accumulated Depreciation	(23,228)	(19,646)
Subtotal	12,553	-
Investments	3,501,369	3,630,957
Total Assets	\$ 7,941,591	\$ 8,131,155
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grant Commitments	\$ 30,011	\$ 656,672
Accounts Payable		
CIF and CDA/CLT Payments to State Leagues	82,259	87,067
CUNA and Affiliates	235,114	210,745
Other	32,917	143,911
Total Accounts Payable	350,290	441,723
Accrued Liabilities	148,969	100,560
Deferred Revenue	170,210	161,650
Total Liabilities	699,480	1,360,605
NET ASSETS		
Without Donor Restrictions	3,086,581	3,084,670
With Donor Restrictions	4,155,530	3,685,880
Total Net Assets	7,242,111	6,770,550
Total Liabilities and Net Assets	\$ 7,941,591	\$ 8,131,155

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SOURCES			
Contributions	\$ 1,715,330	\$ 1,720,279	\$ 3,435,609
Contributions - CIF	543,882	8,881	552,763
Gross Special Events Revenue	709,500	-	709,500
Less: Special Event Expenses	<u>(364,472)</u>	<u>-</u>	<u>(364,472)</u>
Net Special Events Revenue	345,028	-	345,028
Program Revenue	730,048	-	730,048
Investment Return, Net	131,997	9,875	141,872
Other	21,557	-	21,557
Net Assets Released from Restrictions	<u>1,230,975</u>	<u>(1,230,975)</u>	<u>-</u>
Total Revenues and Other Sources	4,718,817	508,060	5,226,877
PROGRAM EXPENSES			
Disaster Relief	842,590	-	842,590
Development Education	991,921	-	991,921
CIF Grants and Outreach	704,376	-	704,376
REAL Solutions	316,469	-	316,469
Biz Kid\$	264,402	-	264,402
Program Services	<u>94,514</u>	<u>-</u>	<u>94,514</u>
Total Program Expenses	3,214,272	-	3,214,272
SUPPORTING SERVICES			
Management and General	985,402	-	985,402
Fundraising	<u>318,004</u>	<u>-</u>	<u>318,004</u>
Total Supporting Services	1,303,406	-	1,303,406
Total Expenses	<u>4,517,678</u>	<u>-</u>	<u>4,517,678</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	201,139	508,060	709,199
Unrealized Losses from Investments	<u>(199,228)</u>	<u>(38,410)</u>	<u>(237,638)</u>
CHANGES IN NET ASSETS	1,911	469,650	471,561
Net Assets - Beginning of Year	<u>3,084,670</u>	<u>3,685,880</u>	<u>6,770,550</u>
NET ASSETS - END OF YEAR	<u>\$ 3,086,581</u>	<u>\$ 4,155,530</u>	<u>\$ 7,242,111</u>

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	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			
Biz Kid\$	281,580	-	281,580
Development Education	935,324	-	935,324
REAL Solutions	697,200	-	697,200
CIF Grants and Outreach	746,769	-	746,769
Disaster Relief	2,159,820	-	2,159,820
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	2,761,841	5,456,624
NET ASSETS - END OF YEAR	\$ 3,084,670	\$ 3,685,880	\$ 6,770,550

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Expenses						Supporting Services				Special Event Expenses	2018 Total
	REAL		Development	Disaster	CIF	Program	Total	Management		Total		
	Solutions	Biz Kid\$	Education	Relief	Grants	Services	Program Expenses	and General	Fundraising	Supporting Services		
EXPENSES												
Salary	\$ 180,498	\$ 32,496	\$ 278,230	\$ 11,039	\$ 251,747	\$ -	\$ 754,010	\$ 416,476	\$ 173,013	\$ 589,489	\$ -	\$ 1,343,499
Grants	12,000	125,300	36,986	815,328	-	44,931	1,034,545	-	-	-	-	1,034,545
Meeting Event	653	653	454,034	-	653	25,404	481,397	30,454	12,459	42,913	-	524,310
Professional Fees and												
Contracted Services	27,798	15,575	68,911	12,667	14,935	22,741	162,627	118,225	16,499	134,724	-	297,351
Benefits	50,954	9,174	78,542	3,116	72,612	-	214,398	117,567	48,840	166,407	-	380,805
Grants to State Partners	-	-	5,041	-	239,421	-	244,462	-	-	-	-	244,462
Travel and Education	33,344	3,275	28,243	-	51,964	-	116,826	81,279	25,966	107,245	-	224,071
CUNA Services Agreement	-	-	-	-	-	-	-	154,504	-	154,504	-	154,504
Materials and Program Supplies	(1,188)	71,273	19,307	-	5,746	1,253	96,391	5,823	6,871	12,694	-	109,085
Office and Occupancy Costs	9,885	3,153	14,527	440	10,082	153	38,240	49,931	12,900	62,831	-	101,071
Program Services	283	-	-	-	50,950	32	51,265	-	-	-	-	51,265
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	364,472	364,472
Miscellaneous	(929)	-	(333)	-	360	-	(902)	7,092	-	7,092	-	6,190
Marketing and Advertising	3,171	3,503	8,433	-	5,906	-	21,013	4,051	21,456	25,507	-	46,520
Total Expenses by Function	<u>316,469</u>	<u>264,402</u>	<u>991,921</u>	<u>842,590</u>	<u>704,376</u>	<u>94,514</u>	<u>3,214,272</u>	<u>985,402</u>	<u>318,004</u>	<u>1,303,406</u>	<u>364,472</u>	<u>4,882,150</u>
Less: Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(364,472)	(364,472)
Total Expenses Included in the Expense Section of the Statements of Activities	<u>\$ 316,469</u>	<u>\$ 264,402</u>	<u>\$ 991,921</u>	<u>\$ 842,590</u>	<u>\$ 704,376</u>	<u>\$ 94,514</u>	<u>\$ 3,214,272</u>	<u>\$ 985,402</u>	<u>\$ 318,004</u>	<u>\$ 1,303,406</u>	<u>\$ -</u>	<u>\$ 4,517,678</u>

See accompanying Notes to Financial Statements.

**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	391,042	-	6,707	9,157	408,283	1,726	13,030	14,756	-	423,039
Professional Fees and Contracted Services	152,063	24,686	146,802	68,232	19,087	23,249	434,119	84,510	5,799	90,309	-	524,428
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	19,384	1,097	13,353	297	57,088	54,059	8,329	62,388	-	119,476
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	840,848	198,295	1,039,143	327,649	6,295,601
Less: Expenses Included with Revenues on the Statements of Activities												
Special Event Expenses	-	-	-	-	-	-	-	-	-	-	(327,649)	(327,649)
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

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Programs	\$ 5,008,941	\$ 7,101,092
Cash Paid to Suppliers and Recipients	(5,121,171)	(6,158,940)
Net Investment Return, Received	141,872	175,480
Net Cash Provided by Operating Activities	29,642	1,117,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(16,135)	-
Proceeds from Sales of Investments	185,708	4,702,332
Purchases of Investments	(293,758)	(4,883,845)
Net Cash Used by Investing Activities	(124,185)	(181,513)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(94,543)	936,119
Cash and Cash Equivalents - Beginning of Year	4,044,628	3,108,509
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,950,085	\$ 4,044,628

See accompanying Notes to Financial Statements.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 NATURE OF OPERATIONS

The National Credit Union Foundation (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 IRC.

The Foundation focuses its work in three primary areas:

- (a) It delivers catalytic experiential learning, resources and tools to help credit unions measure and improve consumer financial health to ignite credit unions’ understanding, passion and focus on member financial health and provide tools and resources so credit unions are recognized as national financial health leaders.
- (b) It delivers transformative, best-in-class training in the education and application of credit union business principles and philosophy to inspire and create opportunity for credit unions to leverage their cooperative values to help them face modern challenges and better serve members and the community.
- (c) It delivers a centralized and efficient fundraising model to quickly mobilize funds for credit unions affected by natural disasters to respond quickly when disaster strikes by harnessing cooperative generosity to get credit union employees and volunteers back on their feet so they can serve members.

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, 2018 AND 2017**

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, 2018 and 2017. 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, 2018 and 2017, and there are no uncertain tax positions through December 31, 2018.

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, 2018 and 2017. 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.

Furniture and Fixtures

Furniture and fixtures are recorded at cost and depreciated on the straight-line method over the estimated useful life, which is 5 years. 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 operations. Repairs and maintenance are charged to expense when incurred.

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, 2018 and 2017.

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, 2018 and 2017. All pledges receivable as of December 31, 2018 and 2017 are expected to be collected within one year.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are included in the statements of activities.

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:

Net Assets Without Donor Restrictions – Unrestricted net assets are available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (salary, rent and benefits expenses) have been allocated among the programs and services benefited. These expenses require allocation based on a reasonable basis of estimated employee time and effort that is consistently applied.

Change in Accounting Principle

The Foundation has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retroactively to ensure comparability with the prior year. The update changes presentation and disclosure requirement for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

NOTE 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:

Financial Assets, as of December 31, 2018	\$	7,892,063
Less:		
Donor-Imposed Restrictions Making Financial Assets Not Available for General Expenditures		(4,155,530)
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	\$	3,736,533

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	<u>2018</u>	<u>2017</u>
Mutual Funds		
Investment Grade Fixed Income	1,780,435	1,613,041
U.S. Large Cap	1,359,236	1,588,972
International Equity	361,698	428,944
Total Investments	<u>\$ 3,501,369</u>	<u>\$ 3,630,957</u>

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:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 122,490	\$ 98,189
Realized Gains	33,125	93,077
Total	<u>155,615</u>	<u>191,266</u>
Investment Fees	<u>(13,743)</u>	<u>(15,786)</u>
Investment Return, Net	141,872	175,480
Unrealized Gains (Losses)	<u>(237,638)</u>	<u>238,824</u>
Investment Gain (Loss)	<u>\$ (95,766)</u>	<u>\$ 414,304</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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Following is a description of the valuation methodologies used at December 31, 2018 and 2017, for assets measured at fair value.

Mutual Funds: 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:

	2018			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Investment Grade Fixed Income	\$ 1,780,435	\$ -	\$ -	\$ 1,780,435
U.S. Large Cap	1,359,236	-	-	1,359,236
International Equity	361,698	-	-	361,698
Total	<u>\$ 3,501,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,501,369</u>
	2017			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Investment Grade Fixed Income	\$ 1,613,041	\$ -	\$ -	\$ 1,613,041
U.S. Large Cap	1,588,972	-	-	1,588,972
International Equity	428,944	-	-	428,944
Total	<u>\$ 3,630,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,630,957</u>

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 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.

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, 2018 and 2017 was approximately \$73,900,000 and \$77,600,000, respectively. CIF and CDA/CLT gross earnings were approximately \$553,000 and \$562,000 in 2018 and 2017, respectively. These deposits 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 \$237,000 and \$233,000 in 2018 and 2017, respectively, which is included in CIF grants in the accompanying statements of activities.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 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 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 7 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, 2018 and 2017, the Foundation paid CUNA \$204,222 and \$207,299 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, 2018 and 2017, the Foundation reimbursed CUNA \$1,742,096 and \$1,545,422, respectively, for these payroll related expenses and other support services. At December 31, 2018 and 2017, the Foundation owed CUNA \$235,114 and \$210,745, respectively.

CUNA also collects cash receipts on behalf of the Foundation, and CUNA owed the Foundation \$156,248 and \$113,907 at December 31, 2018 and 2017, respectively. In addition, CUNA's annual contribution to the Foundation was approximately \$400,000 in both 2018 and 2017.

At December 31, 2018 and 2017, American Association of Credit Union Leagues owed the Foundation a donation of \$1,850 and \$0, respectively.

NOTE 8 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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 ENDOWMENTS (CONTINUED)

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 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 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.

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.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>With Donor Restrictions</u>
Donor Restricted Endowment Funds	
Original Donor-Restricted Gift Amount and Amounts	
Required to be Maintained in Perpetuity by Donor	\$ 222,263
Accumulated Investment Gains	<u>255,117</u>
Total	<u>\$ 477,380</u>

Changes in endowment net assets for the fiscal year ended December 31, 2018:

	<u>With Donor Restrictions</u>
Net Assets - Beginning of Year	\$ 505,915
Investment Income	9,875
Unrealized Losses on Investments	<u>(38,410)</u>
Net Assets - End of Year	<u>\$ 477,380</u>

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

	<u>With Donor Restrictions</u>
Donor Restricted Endowment Funds	
Original Donor-Restricted Gift Amount and Amounts	
Required to be Maintained in Perpetuity by Donor	\$ 222,263
Accumulated Investment Gains	<u>283,652</u>
Total	<u>\$ 505,915</u>

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

	<u>With Donor Restrictions</u>
Net Assets - Beginning of Year	\$ 444,026
Investment Income	20,515
Unrealized Gains on Investments	<u>41,374</u>
Net Assets - End of Year	<u>\$ 505,915</u>

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to Expenditure for a Specified Purpose:	<u>2018</u>	<u>2017</u>
Lending Council	\$ 1,355,399	\$ 1,285,401
Disaster Relief	983,312	875,100
Louisiana Designated Fund	360,792	362,250
DE Founders Fund	195,940	201,731
West Virginia Fund	135,661	151,219
Biz Kid\$	126,628	11,955
Data Breach Fund	115,385	-
George E. Meyers Fund	85,319	71,737
Dakota Designated Fund	84,237	74,513
Gene Farley Fund	80,822	83,322
Nebraska Fund	40,342	33,997
DE General Fund	13,362	13,338
Jacquie Fisher Fund	7,033	7,033
NYIB Fund	5,530	5,262
IDF Fund	2,423	2,039
Warren Morrow Fund	931	1,034
Callahan Legacy Fund	34	34
Total Net Assets with Purpose Restrictions	<u>3,593,150</u>	<u>3,179,965</u>
Subject to the Passage of Time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until paid	85,000	-
Endowments:		
Subject to appropriation and spending policy	255,117	283,652
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>477,380</u>	<u>505,915</u>
Total Net Assets with Restrictions	<u>\$ 4,155,530</u>	<u>\$ 3,685,880</u>

As of April 16, 2019, all of the \$85,000 of net assets with time restrictions as of December 31, 2018 had been received.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Disaster Relief	\$ 821,955	\$ 2,068,868
Biz Kid\$	264,277	281,580
DE Founders Fund	37,133	42,363
Dakota Designated Fund	27,688	10,522
Louisiana Designated Fund	21,658	12,832
West Virginia Fund	17,720	17,578
George E. Meyers Fund	14,044	25,975
International Development Fund	8,496	11,700
Lending Council	5,000	5,000
DE General Fund	4,600	-
Nebraska Designated Fund	4,119	16,141
Gene Farley Fund	2,500	2,500
NYIB Fund	1,682	6,930
Warren Morrow Fund	103	10,638
Callahan Legacy Fund	-	308
Total	<u>\$ 1,230,975</u>	<u>\$ 2,512,935</u>

NOTE 10 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 \$930,166 and \$2,900,557 in 2018 and 2017, respectively, and are included as part of contributions with donor restrictions on the statement of activities. The Foundation made grant distributions of \$815,328 and \$2,068,868 in 2018 and 2017, respectively, and are included as part of Disaster Relief program expenses on the statement of activities.

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

NOTE 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 2018 and 2017 for the purpose of continuing the education outreach and education goals of the Biz Kid\$ project. The grant payments under these agreements were \$125,300 and \$143,000 in 2018 and 2017, respectively, and are included as part of Biz Kid\$ program expenses on the statement of activities.

**NATIONAL CREDIT UNION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12 MAJOR DONORS

During the year ended December 31, 2018, one donor accounted for 10% or greater of total contributions totaling approximately \$400,000. During the year ended December 31, 2017, no donor accounted for more than 10% of total contributions.

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through April 16, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to April 16, 2019, that provide additional evidence about conditions that existed at December 31, 2018, have been recognized in the financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

**NATIONAL CREDIT UNION FOUNDATION
SCHEDULE OF GRANT COMMITMENTS
YEARS ENDING DECEMBER 31, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

GRANTEES	<u>2018</u>	<u>2017</u>
Nusenda Foundation	\$ 12,000	\$ -
World Council of Credit Unions	5,611	-
Travis CU	4,100	-
Bayport Credit Union	2,700	3,500
Kane County Teachers CU	2,200	-
Howard County Education FCU	1,900	-
Fitzsimons CU	1,000	-
Olean Area FCU	500	-
Cornerstone Credit Union Foundation	-	440,260
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
Credit Unions Care Foundation of Virginia	-	4,650
Central Missouri Community Credit Union	-	4,000
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
Total Grant Commitments	<u>\$ 30,011</u>	<u>\$ 656,672</u>