CELEBRATING OUR 40th ANNIVERSARY
NAFCU 1967 - 2007

2007 FINANCIAL REPORT

NAFCU

National Association of Federal Credit Unions ▪ www.nafcu.org

2007 CAPITAL ACHIEVEMENTS

WHILE MARKING ITS 40TH ANNIVERSARY in 2007, NAFCU tackled a host of tough challenges with an energy and fervor that one might not expect from an organization that's been around for four decades. Therein lies NAFCU's greatest strength: Since its inception, the association has exhibited an unwavering commitment to its members, and it has been a tireless advocate for the federal credit union community.

Many will remember 2007 as the year of the subprime mortgage mess, with Congress focusing on the problem in the latter part of the year. As lawmakers offered numerous proposed solutions to this crisis, NAFCU worked diligently to ensure credit unions had a voice in the discussion.

NAFCU members know they can always rely on their trade association to keep them fully informed and prepared for tomorrow's challenges.

One such proposal, H.R. 3609, the Emergency Home Ownership and Mortgage Equity Protection Act, would have allowed bankruptcy court judges to change the interest rate and terms of virtually any mortgage to a consumer who files for bankruptcy. NAFCU played an instrumental role in working with key House Judiciary Committee members to add a manager's amendment narrowing the bill's focus to cover only post-Jan. 1, 2000, subprime and non-traditional loans in foreclosure.

NAFCU also sought revisions to H.R. 3915, the Mortgage Reform and Anti-Predatory Lending Act, to lessen the bill's regulatory burden on credit unions. Cleared by the House in November, this mortgage-standards bill requires all mortgage originators, including those working in credit unions, to be placed on a national registry. A manager's amendment, which included some NAFCU-sought provisions, revised this to protect the originators' personal credit information from public scrutiny and removed previous language allowing loan rescission without time limits. As of this writing, NAFCU is continuing to work with members of Congress on this bill and a counterpart version in the Senate.

Working closely with lawmakers on the subprime issue did not detract NAFCU's attention from its primary legislative focus: H.R. 1537, the Credit Union Regulatory Improvements Act. Thanks largely to the valiant efforts of NAFCU's membership, CURIA recorded 141 co-sponsors—a record number and a clear sign of the bill's momentum heading into 2008.

NAFCU also acted quickly to protect credit unions from proposals that would hamper credit unions' service to members. When House Financial Services Chairman Barney Frank, D-Mass., remarked to NAFCU Congressional Caucus participants that he and other lawmakers were considering imposing Community Reinvestment Act-type measures on credit unions, NAFCU quickly reminded members of Congress that such a regulation would be unnecessary, with the association vowing to fight any such proposal.

The association also continued to communicate the importance of giving all federal credit unions the ability to serve underserved areas and empower their lending capabilities to small businesses. After a hearing on the former issue, which featured testimony from NAFCU, NCUA and others, a new bill, H.R. 3113, the Affordable Financial Services Enhancement Act, was introduced to provide such authority. Regarding the latter issue, NAFCU worked with key lawmakers on the Credit Union Small Business Lending Act, H.R. 1849, which would make it easier for credit unions to offer SBA loans.

NAFCU also responded to a report in July from Treasury that listed elimination of the credit union tax exemption among a number of tax preferences that could offset corporate tax relief measures. NAFCU President Fred Becker urged Treasury to "adhere to the administration's stated policy of supporting the credit union tax exemption." He and senior staff also met with Treasury Assistant Secretary Eric Solomon in September, at which point Solomon assured NAFCU of the administration's continued support of credit unions' tax-exempt status.

On the regulatory front, NAFCU began efforts to help ensure that a Federal Reserve proposal under Regulation Z does not adversely affect open-end credit, multi-featured lending plans at credit unions. The association opposed the Fed's proposal to treat certain open-end plans as individual loans subject to closed-end plan disclosures. It also urged against requiring at least 45 days' notice of changes in terms. Regarding the latter, NAFCU argued that most credit unions already give at least 30 days' notice and that the Fed revision could result in a notice period of 60 or even 90 days.

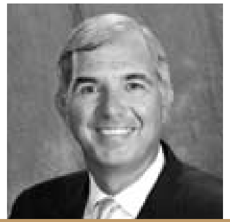
Acknowledging the fast-paced, ever-changing environment in which credit unions operate, NAFCU strengthened its educational offerings in 2007. In early December, NAFCU offered its members a free webcast detailing how they could get the most out of NAFCU's alliance with Fannie Mae; it also hosted a webcast on phishing trends.

Also, new regulatory compliance tools were added to NAFCU's repertoire last year. The association launched a compliance blog where NAFCU's "Compliance Guy"—NAFCU Director of Regulatory Compliance Anthony Demangone—shares his thoughts on the latest in compliance issues.

NAFCU also hosted another successful Annual Conference and Exhibition last July, with some 1,700 representatives of the credit union community participating. The conference, held in Honolulu, provided credit unions with the latest information on economic, legislative and regulatory trends affecting the industry.

With the U.S. credit union movement turning 100 years old in 2008, NAFCU continues to take bold steps in ensuring a strong and vibrant credit union community, providing its members with direct access to the industry's most knowledgeable staff and best resources. As the marketplace becomes increasingly competitive and unpredictable, NAFCU members know they can always rely on their trade association to keep them fully informed and prepared for tomorrow's challenges.

NAFCU CHAIR & PRESIDENT'S REPORT




WHILE ANNIVERSARIES GO HAND IN HAND with reflecting upon the past, NAFCU spent no time dwelling on previous accomplishments in 2007—the 40th year in the association's history marked one of the busiest and most productive in recent memory.

We are particularly proud of the way NAFCU members and the credit union community responded to the subprime mortgage crisis, which rocked the financial marketplace in August. While credit unions responded quickly to assist those who had been burned or turned away by banks and other lenders, NAFCU took a proactive role to ensure legislative solutions to the crisis would not inadvertently impact credit unions in a negative way.

2007 also presented NAFCU and its members with another unique challenge: To draw support for a credit union-specific regulatory relief bill (the Credit Union Regulatory Improvements Act) following a year which saw a broad industry regulatory relief package signed into law. Despite tough opposition from banks and other groups, the relentless work of NAFCU and its members paid off, with CURIA garnering 141 co-sponsors—a historic number! As we write this, momentum for the bill has carried over into 2008, with a Senate version of CURIA being readied for introduction and the House Financial Services Committee having held a hearing on the bill.

Identity theft and regulatory issues relating to data security, such as the Bank Secrecy Act, also dominated discussion in 2007, and NAFCU responded by adding several new resources for members. Working with Cyveillance, a NAFCU Services Preferred Partner, the association hosted a webcast on phishing trends and identity protection. NAFCU also released a "Book of Answers" with information on compliance issues taken from the association's *Regulatory Compliance* newsletter.

Finally, it was a historic year for NAFCU/PAC, and NAFCU members deserve much of the credit for this. In the end, NAFCU/PAC raised $245,385 last year, setting a new record for funds raised over a 12-month period.

Indeed, 2007 demonstrated that, after 40 years, NAFCU showed no signs of slowing down. As we prepare this report, the U.S. credit union community is celebrating its grandest milestone yet—its 100th anniversary—and NAFCU is in the midst of tackling a number of important issues. Chief among these is passing CURIA, helping credit unions respond to the mortgage crisis, defending the credit union tax exemption and bolstering financial literacy efforts.

As always, NAFCU values your thoughts and opinions and would like to hear from you. We remain committed to your needs and will continue to do everything in our power to champion the federal credit union cause. Please feel free to contact us at any time.

John W. Milazzo Jr.
NAFCU Board Chair

Fred R. Becker Jr.
NAFCU President and CEO

NAFCU SERVICES CORPORATION CHAIR & PRESIDENT'S REPORT


IN ITS CONSTANT QUEST to be a trusted, reliable resource for the smartest and most effective solutions the credit union industry has to offer, NAFCU Services Corporation, NAFCU's wholly owned subsidiary, made several transformational changes in 2007 to improve its ability to help credit unions thrive.

First and foremost, NAFCU Services added a number of new ways that credit unions can learn about strategies and tactics for accelerating growth and improving productivity. In keeping with its focus on immediacy and accessibility, a series of free webcasts and podcasts by NAFCU Services Preferred Partner industry experts are now available at **www.nafcu.org/nafcuservices** or **http://nafcuservices.podbean.com**, as well as on each Preferred Partner Web page. The webcasts and podcasts cover a broad range of topics, from Home Mortgage Disclosure Act compliance to cyber security.

2007 was also a year that NAFCU Services added a number of new Preferred Partners, providing NAFCU members with an even broader range of the best solutions in the business. These solutions include executive compensation/benefits, institutional asset management, plastic card advisory services, outsourced foreign exchange, charged-off debt purchasing and alternative turn-down lending platforms.

NAFCU Services prides itself on being closely connected to NAFCU members, and we made even greater strides in 2007 by increasing the presence of our partners at NAFCU meetings and events. In 2007, Preferred Partner representatives spoke at nearly every one of the association's conferences, including NAFCU's 2007 Annual Conference and Exhibition in Honolulu.

To carry out its more ambitious goals, NAFCU Services required new staff additions. In 2007, the NAFCU Services team welcomed Kelly Nicklas as director of marketing and Laura Bucklin as marketing manager. Both were instrumental in making 2007 the most successful year to date for NAFCU Services.

As we write this in 2008, we are more confident than ever that our group of highly qualified and carefully selected solution providers clearly demonstrate why they have earned the designation of NAFCU Services Preferred Partner.

We thank you for your continued support.

Fred R. Becker Jr.
NAFCU Services
Corporation Chair

David C. Frankil
NAFCU Services
Corporation President

NAFCU TREASURER'S REPORT

SUSTAINED FINANCIAL GROWTH is seldom easy. In our current economic environment, it is particularly challenging. That is why I am very pleased with NAFCU's growth numbers from last year. In 2007, NAFCU's equity increased by $179,178 while its assets grew by $222,212, marking the association's 19th consecutive year of sustained financial stability and growth.

NAFCU's accomplishments are attributable to several key factors. One of the most important is NAFCU's legendary service and relentless focus on its membership. From day one, the association has provided its members with direct and immediate access to the best representation, education, information and support services in the credit union industry. Our members value their membership because they know NAFCU always delivers—and frequently exceeds expectations.

Case in point: At a time when many trade associations are scaling back, NAFCU continues to add to and improve upon its product and services offerings. In 2007, the association added many new educational resources for members while its subsidiary, NAFCU Services Corporation, brought even greater value to NAFCU members via several new partnerships.

NAFCU's key ratio analysis illustrates we are on the right path. Whether it is member retention, member awareness of services or operational costs, the ratios show that NAFCU-member credit unions are doing remarkably well in today's very challenging economic environment.

It's no secret that margins are tighter than ever, delinquencies are up and mergers are on the rise. And yet, our members continue to support NAFCU, enjoying the numerous benefits that come from being directly connected to their trade association.

Thanks to the financial support of our members, NAFCU has continued to bolster its efforts on Capitol Hill, ultimately providing our members with an even stronger voice on important legislative concerns. Of course, NAFCU's remarkably talented and hard working staff must also be recognized for maintaining their focus on our members, providing not only the best, but the most cost-effective programs and services within the credit union industry.

I would like to thank NAFCU's member credit unions, its board of directors, member volunteers, management and staff for their guidance, strong support and cooperation. It is through our commitment to working together that we have been able to strengthen the association both financially and in its ability to enhance the federal credit union charter.

Michael N. Lussier

Michael N. Lussier
NAFCU Treasurer

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of the National Association of Federal Credit Unions, Inc. and Affiliates (the Organization) as of December 31, 2007 and 2006, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Association of Federal Credit Unions, Inc. and Affiliates at December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
February 22, 2008

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,	2007	2006
ASSETS		
Cash and cash equivalents – Note B	**$ 943,784**	$ 1,085,636
Accounts receivable	**229,408**	179,403
Prepaid expenses and other assets	**407,484**	390,808
Investments - Notes B & C	**8,240,947**	7,830,965
Property and equipment, at cost		
Land	**1,309,226**	1,309,226
Building and improvements	**5,307,330**	5,166,082
Furniture and equipment	**1,545,471**	1,462,885
	8,162,027	7,938,193
Less accumulated depreciation and amortization	**(4,141,098)**	(3,804,665)
	4,020,929	4,133,528
Total assets	**$ 13,842,552**	$ 13,620,340
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 886,073**	$ 638,555
Deferred revenue	**4,536,067**	4,740,551
Tenant deposits	**13,222**	13,222
Total liabilities	**5,435,362**	5,392,328
Net assets		
Unrestricted	**8,056,384**	7,853,179
Temporarily restricted – Note D	**350,806**	374,833
Total net assets	**8,407,190**	8,228,012
Commitments and contingencies - Note G	–	–
Total liabilities and net assets	**$ 13,842,552**	$ 13,620,340

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31,	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue		
Membership dues	**$ 6,744,041**	$ 6,653,667
Member educational conferences	**2,741,265**	2,581,496
Service fees	**1,187,003**	1,046,076
Interest income – Note C	**390,855**	338,537
Products and services	**368,990**	513,393
Advertising	**280,825**	248,084
Other	**247,778**	196,659
Rental Income	**115,665**	108,347
	12,076,422	11,686,259
Net assets released from restriction	**456,083**	538,747
	12,532,505	12,225,006
Expense		
Program services		
Membership educational conferences	**2,361,934**	2,101,125
Communications and publications	**574,760**	655,000
Legislative, regulatory and compliance	**178,661**	197,733
Products and services	**99,010**	104,672
Officials and committees	**78,736**	91,689
Membership	**50,199**	70,684
Donations – Katrina	**–**	68,752
	3,343,300	3,289,655

See notes to the consolidated financial statements.

Certain 2006 items have been reclassified for comparative purposes.

Years Ended December 31,	2007	2006
Supporting services – Note F		
Administration and overhead	**8,350,618**	7,984,625
Building and occupancy	**635,382**	565,418
	8,986,000	8,550,043
	12,329,300	11,839,698
Change in unrestricted net assets	**203,205**	385,308
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	**427,781**	444,489
Interest income – Note C	**4,275**	1,073
Net assets released from restriction	**(456,083)**	(538,747)
Change in temporarily restricted net assets	**(24,027)**	(93,185)
Changes in net assets	**179,178**	292,123
Net assets, beginning of year	**8,228,012**	7,935,889
Net assets, end of year	**$ 8,407,190**	$ 8,228,012

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 179,178**	$ 292,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**336,433**	413,017
Changes in assets and liabilities:		
Accounts receivable	**(50,005)**	80,214
Prepaid expenses and other assets	**(16,676)**	(63,879)
Accounts payable and accrued expenses	**247,518**	37,988
Deferred revenue	**(204,484)**	353,463
Total adjustments	**312,786**	820,803
Net cash provided by operating activities	**491,964**	1,112,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	**(409,982)**	(771,698)
Net purchases of property and equipment	**(223,834)**	(111,602)
Net cash used in investing activities	**(633,816)**	(883,300)
Net (decrease) increase in cash and cash equivalents	**(141,852)**	229,626
Cash and cash equivalents, beginning of year	**1,085,636**	856,010
Cash and cash equivalents, end of year	**$ 943,784**	$ 1,085,636
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for income taxes	**$ 10,300**	$ 1,200

See notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The National Association of Federal Credit Unions, Inc. (the Association), located in the Washington, D.C. area, is the only trade association which exclusively serves federally chartered credit unions. Founded in 1967, the Association's primary purpose is to represent its members before Congress and the federal regulatory agencies. The Association also provides its members with a source of reliable information through its publications, educational programs, regulatory compliance assistance, and economic research. The Association's members are among the most progressive institutions in the industry.

The Association's wholly-owned for-profit subsidiary, NAFCU Services Corporation (NSC), is incorporated in the District of Columbia. NSC was organized to provide consulting and marketing efforts for various services offered by vendors to the credit union community.

A trust agreement was drawn by NSC on September 25, 1975 (amended March 2, 1977) to provide for the establishment of individual trusts by credit unions in the United States and its possessions, with such credit unions being the grantors and Union Bank being the Trustee. This plan of Common Trust is known as the National Investment Fund for Credit Unions (NIFCUS). NSC receives fees from the Trustee (Union Bank) in return for advice and assistance concerning credit union regulations and participation.

The National Association of Federal Credit Unions Political Action Committee the (PAC) was organized to conduct political activities on behalf of the Association's members.

The National Association of Federal Credit Unions Foundation for Charitable, Literary, Educational and Humanitarian Purposes (the Foundation) was incorporated in April 1995 in the Commonwealth of Virginia. The purpose of the Foundation is to promote charitable, literary, educational and humanitarian causes of interest to credit unions and those associated with them.

Income tax status: The Association is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. Under the Code, advertising revenue earned in the publication of the Association's magazine and other income earned from NSC are subject to unrelated business income taxes.

The PAC is a separate segregated fund as defined under Section 527(f)(3) of the Internal Revenue Code. As such, the PAC is subject to income taxes on the lesser of its exempt activity expenditures or investment income.

The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as other than a private foundation by the Internal Revenue Service.

NSC is a taxable corporation. As such, it pays Federal and State income taxes on its net taxable income.

Principles of consolidation: The consolidated financial statements include the accounts of the Association, NSC, the Foundation, and the PAC. Significant inter-company accounts and transactions have been eliminated in consolidation. For purposes of these consolidated financial statements, the entities are referred to collectively as the Organization.

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

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

Cash and cash equivalents: For financial statement purposes, the Organization considers all money market funds, certificates of deposit, and US agency and treasury obligations to be other than cash equivalents.

Accounts receivable: Accounts receivable consist primarily of amounts owed from NSC Preferred Partners as a result of royalty/marketing agreements. Accounts receivable are presented at the gross, or face, amount due to the Organization. The Organization's management periodically reviews the status of all accounts receivable balances for collectibility. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts was recorded.

Property and equipment: Acquisitions of property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the following useful lives of the various classes of assets:

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

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

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

Unrestricted: Unrestricted net assets are available for general operations.

Temporarily restricted: Temporarily restricted net assets represent the portion of net assets that have been restricted by donors (see Note D).

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

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

B. CONCENTRATIONS

Credit risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these cash balances.

Market risk: The Organization also invests funds in fixed income securities and mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

C. INVESTMENTS

Investments are carried at fair value. Investments consist of the following as of December 31:

	2007	2006
Money market funds	$ 1,338,300	$ 1,048,681
US agency and government obligations	3,787,358	4,759,682
Commercial paper	3,115,289	2,022,602
	$ 8,240,947	$ 7,830,965

The following is a summary of the investment return for the years ended December 31:

	2007	2006
Interest income	$ 395,130	$ 339,610

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of $350,806 and $374,833 for the NAFCU PAC Administration fund as of December 31, 2007 and 2006, respectively:

E. RETIREMENT PLANS

The Association and NSC maintain a defined contribution retirement plan covering substantially all full-time employees who meet certain age and length of service requirements. Employees are fully vested on attaining five years of service. Retirement expense charged to operating expenses in 2007 and 2006 was $308,331 and $303,130, respectively.

F. SUPPORTING SERVICES

The major components of the Organization's consolidated supporting service expenses consist of the following for the years ended December 31, 2007 and 2006:

	2007	2006
Employee compensation and benefits	$ 6,196,818	$ 5,795,843
Building operations	635,382	565,418
Depreciation	122,469	172,581
Professional services	491,082	472,360
Other	1,540,249	1,543,841
	$ 8,986,000	$ 8,550,043

G. COMMITMENTS AND CONTINGENCIES

The Organization leases a portion of its headquarters building under operating leases which expires through 2011.

The future minimum payments to be received under the operating leases are as follows:

Year Ending December 31,	Amount
2008	$ 116,536
2009	121,266
2010	76,536
2011	39,204
	$ 353,542

NAFCU BOARD OF DIRECTORS

NAFCU

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