

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS April 30, 2023

A handwritten signature in black ink, appearing to read "Eugene H. Schied", is displayed on a light gray background.

**EUGENE H. SCHIED
CHIEF FINANCIAL OFFICER**

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

MANAGEMENT OVERVIEW

April 30, 2023

Balance Sheets

Cash and cash equivalents had a month-end balance of approximately \$194.6 million. The balance increased by \$104.6 million for the month primarily due to the collection of annual operating fees that were due in April. The cash position is considered sufficient to cover current and future budgetary obligations of the Fund through April 2024, at which time the Fund will collect the 2024 operating fees from its credit union members.

Amount due from National Credit Union Share Insurance Fund of \$0.6 thousand represents the receivable for expenses paid by the Operating Fund.

Other accounts receivable, net had a month-end balance of \$2.1 million. Its balance decreased by \$112.0 million from prior month.

Accounts payable are trade, relocation and inter-agency payables. The balance increased by \$3.1 million for the month primarily due to vendor/trade and overhead transfer payables.

Accrued wages and benefits are earned by NCUA staff, but remain unpaid at month-end.

Accrued annual leave is leave earned by NCUA staff, but not yet used.

Statements of Revenues, Expenses, and Changes in Fund Balance

Expenses in excess of revenues totaled \$614.4 thousand for the month. Operating fee revenue reflects one-twelfth of the 2023 Operating Fees. Expenses, net are after the overhead transfer rate adjustment that allocates a portion of expenses to the Share Insurance Fund.

Statements of Cash Flows

The cash position increased \$104.6 million from prior month. In the current month, \$105.4 million was provided by operating activities, \$876.9 thousand was used in investing activities, and there were no financing activities.

Other Information

The Agency had 68 vacancies as of month-end, which represents 5.6 percent of the total authorized staff of 1,219. Of the 68 vacancies, there were 4 vacancies under authorized positions in the central office and 64 vacancies under the authorized positions in the regions and Asset Management and Assistance Center (AMAC).

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

**BALANCE SHEETS
As of April 30, 2023 and 2022
(Dollars in thousands)**

	April 2023	April 2022
ASSETS		
Cash and cash equivalents	\$ 194,581	\$ 197,593
Due from National Credit Union Share Insurance Fund	1	30
Other accounts receivable, net	2,127	2,262
Prepaid expenses and other assets	8,149	7,887
Operating lease right-of-use assets ⁴	206	613
Fixed assets ¹	34,536	32,045
Intangible assets ²	24,961	29,546
TOTAL ASSETS	\$ 264,561	\$ 269,976
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued other liabilities	\$ 24,243	\$ 20,680
Finance lease liabilities	167	23
Operating lease liabilities ⁴	217	641
Accrued wages and benefits	7,986	7,282
Accrued FECA and unemployment benefits	248	236
Accrued actuarial FECA benefits	3,283	3,999
Deferred revenue ³	76,485	73,055
Accrued annual leave	24,266	22,243
TOTAL LIABILITIES	136,895	128,159
FUND BALANCE	127,666	141,817
TOTAL LIABILITIES AND FUND BALANCE	\$ 264,561	\$ 269,976

¹ Net of accumulated depreciation of \$41,433 and \$41,406 as of April 30, 2023 and 2022, respectively.

² Net of accumulated amortization of \$32,192 and \$31,792 as of April 30, 2023 and 2022, respectively.

³ The Operating Fund recognizes operating fee revenue ratably over the calendar year. The deferred revenue is the remaining amount to be recognized over the remainder of the calendar year.

⁴ The implementation of ASC 842, as of January 1, 2022, resulted in a balance sheet recognition of right-of-use assets in the amount of \$715 thousand and operating lease liabilities of \$744 thousand. The finance lease right-of-use asset is included within the Fixed assets line item in the amount of \$20 thousand.

The balances in the statement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the periods ended April 30, 2023 and 2022
(Dollars in thousands)

	April 2023	Year-to-Date April 2023	Year-to-Date April 2022
REVENUES			
Operating fees	\$ 9,561	\$ 38,243	\$ 36,527
Interest	404	1,532	60
Other	34	139	135
Total Revenues	<u>9,999</u>	<u>39,914</u>	<u>36,722</u>
EXPENSES, NET ¹			
Employee wages and benefits	7,538	33,695	29,568
Travel	487	1,420	98
Rent, communications, and utilities	130	696	497
Contracted services	2,048	7,816	6,568
Depreciation and amortization	291	1,168	1,243
Administrative	119	592	500
Total Expenses, Net	<u>10,613</u>	<u>45,387</u>	<u>38,474</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	(614)	(5,473)	(1,752)
FUND BALANCE—Beginning of period	<u>128,280</u>	<u>133,139</u>	<u>143,569</u>
FUND BALANCE—End of period	<u>\$ 127,666</u>	<u>\$ 127,666</u>	<u>\$ 141,817</u>

¹ Operating Fund expenses are the total NCUA operating expenses reduced by the Share Insurance Fund allocation as determined by the overhead transfer rate.

The balances in the statement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

**STATEMENTS OF CASH FLOWS
For the periods ended April 30, 2023 and 2022
(Dollars in thousands)**

	April 2023	Year-to-Date April 2023	Year-to-Date April 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over (under) expenses	\$ (614)	\$ (5,473)	\$ (1,752)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities before allocation to the NCUSIF:			
Depreciation and amortization	768	3,081	3,282
Noncash operating lease expense ¹	-	102	102
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	1,090	18	4,888
Employee advances	-	-	5
Other accounts receivable, net	112,042	(1,773)	(1,963)
Prepaid expenses and other assets	(1,401)	(3,478)	(3,996)
(Decrease) increase in liabilities			
Accounts payable	3,108	3,640	3,411
Operating lease liabilities ¹	-	(108)	(104)
Accrued wages and benefits	(1)	(3,660)	(5,062)
Accrued FECA and unemployment benefits	-	64	61
Deferred revenue	(9,561)	76,485	73,055
Accrued annual leave	-	1,154	95
Accrued employee travel	-	(250)	(93)
Net Cash Provided by/(Used in) Operating Activities	<u>105,431</u>	<u>69,802</u>	<u>71,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(877)	(2,222)	(3,948)
Net Cash Provided by/(Used in) Investing Activities	<u>(877)</u>	<u>(2,222)</u>	<u>(3,948)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments under finance lease liabilities	-	(10)	(3)
Net Cash Provided by/(Used in) Financing Activities	<u>-</u>	<u>(10)</u>	<u>(3)</u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	104,554	67,570	67,978
CASH AND CASH EQUIVALENTS—Beginning of period	90,027	127,011	129,615
CASH AND CASH EQUIVALENTS—End of period	\$ 194,581	\$ 194,581	\$ 197,593
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Recognition of operating lease right-of-use assets	\$ -	\$ -	\$ 715
Retirement of fully depreciated assets	\$ -	\$ 302	\$ 21
Acquisition of equipment under finance lease	\$ -	\$ (18)	\$ -

¹ The implementation of ASC 842, as of January 1, 2022, resulted in quarterly amortization adjustments reflected in the statement of cash flows for operating lease right-of-use assets and related liabilities.

The balances in the statement above are preliminary and unaudited.

OPERATING FUND FLUX ANALYSIS (in thousands)**Flux Analysis Threshold:**

Assets & Liabilities: Greater than \$1.5 million or 10% +/- change

Revenues & Expenses: Greater than \$40 thousand or 10% +/- change

	4/30/2023	3/31/2023	Change	Change%	
ASSETS					
Cash and cash equivalents	\$ 194,581	\$ 90,027	\$ 104,554	116.1%	Increase primarily due to operating fee collection and OTR cash advance from SIF, offset by disbursements for operating expenses and capital expenditures.
Due from NCUSIF	1	1,091	(1,090)	-99.9%	Decrease due to SIF payment of outlay advance \$1,089k, hotel allocations \$1k.
Other accounts receivable, Net	2,127	114,168	(112,041)	-98.1%	Decrease due to 2023 operating fee receipts in April.
Prepaid expenses and other assets	8,149	6,748	1,401	20.8%	Increase due to 6 new prepaids \$1,463k, offset by ESC G-invoicing credits \$61k.
Operating lease right-of-use assets	206	206	-	0.0%	
Fixed Assets	34,536	34,095	441	1.3%	
Intangible Assets	24,961	25,294	(333)	-1.3%	
TOTAL ASSETS	<u>\$ 264,561</u>	<u>\$ 271,629</u>	<u>\$ (7,068)</u>	-2.6%	
LIABILITIES					
Accounts payable and accrued other liabilities	\$ 24,243	\$ 21,135	\$ 3,108	14.7%	Increase primarily due to accounts payable related to the overhead transfer \$1,876k (payable to SIF increased from March \$0k to April \$1,876k), advanced overhead expenses (excess of incurred expenses over outlays) \$1,062k, net vendor invoices received \$470k; offset by relocation accrual reductions \$38k and IGT accrual reversals \$267k.
Finance lease liabilities	167	167	-	0.0%	
Operating lease liabilities	217	217	-	0.0%	
Accrued wages and benefits	7,986	7,987	(1)	0.0%	
Accrued FECA and unemployment benefits	248	248	-	0.0%	
Accrued actuarial FECA benefits	3,283	3,283	-	0.0%	
Deferred revenue	76,485	86,046	(9,561)	-11.1%	Decrease due to recognition of one month of operating fee revenue.
Accrued annual leave	24,266	24,266	-	0.0%	
TOTAL LIABILITIES	<u>136,895</u>	<u>143,349</u>	<u>(6,454)</u>	-4.5%	
FUND BALANCE	<u>127,666</u>	<u>128,280</u>	<u>(614)</u>	-0.5%	Decrease in fund balance due to net loss for the month.
LIABILITIES AND FUND BALANCE	<u>\$ 264,561</u>	<u>\$ 271,629</u>	<u>\$ (7,068)</u>	-2.6%	
	-	-	-		

OPERATING FUND FLUX ANALYSIS (in thousands)

<p>Flux Analysis Threshold: Assets & Liabilities: Greater than \$1.5 million or 10% +/- change Revenues & Expenses: Greater than \$40 thousand or 10% +/- change</p>

	4/30/2023	3/31/2023	Change	Change%	
REVENUES					
Operating fees	\$ 9,561	\$ 9,302	\$ 259	2.8%	Increase due to March 2023 adjustment to estimated operating fee and actual revenue in April 2023.
Interest	404	358	46	12.8%	Increase due to higher average overnight Treasury purchases: \$125.9 million in April vs. \$93.1 million in March. Average overnight interest rate decreased from 4.41% in March to 4.14% in April.
Other	<u>34</u>	<u>45</u>	<u>(11)</u>	-24.4%	Decrease due to parking garage revenue \$10k, retail space rental \$2k; offset by miscellaneous \$1k.
TOTAL REVENUES	<u>9,999</u>	<u>9,705</u>	<u>294</u>	3.0%	
EXPENSES, NET					
Employee wages and benefits	7,538	9,839	(2,301)	-23.4%	Decrease due to accrued annual leave expenses \$1,154k in March, 20 incurred payroll days in April vs. 23 payroll days in March \$799k, retirement \$134k, health benefits \$83k.
Travel	487	547	(60)	-11.0%	Decrease due to per diem and lodging \$41k, miscellaneous travel costs \$15k, POV reimbursement \$6k, auto rentals \$5k, travel card clearing \$4k; offset by air fares \$10k.
Rent, communications, and utilities	130	290	(160)	-55.2%	Decrease due to telephone expenses \$163k, space rental \$6k; offset by utilities \$10k.
Contracted services	2,048	2,720	(672)	-24.7%	Decreased due to accounting/payroll/HR \$336k, miscellaneous \$158k, consulting \$100k, legal fees \$30k, computer expenses \$30k, equipment repair and maintenance \$26k.
Depreciation and amortization	291	292	(1)	-0.3%	
Administrative	<u>119</u>	<u>96</u>	<u>23</u>	24.0%	Increase due to FFIEC expenses \$48k, relocation \$32k, purchase card clearing \$9k; offset by printing \$27k, recruitment \$26k, supplies and materials \$13k.
TOTAL EXPENSES, NET	<u>10,613</u>	<u>13,784</u>	<u>(3,171)</u>	-23.0%	
NET INCOME	<u>(614)</u>	<u>(4,079)</u>	<u>3,465</u>	-84.9%	